

**Enhancement of the Contract Negotiation Process
In Agency Relationships
in IT Outsourcing**

A model for improving contract negotiations
and the emergence of trust between principals and agents
in IT outsourcing agency relationships

Frank Henrich

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Preface

The research aims at establishing an understanding of the influencing factors and their enhancement through a contract enhancement model (CEM) in order to ensure an improved course of contract negotiations between principals and agents in agency relationships in IT outsourcing. The research discusses the phenomenon of hidden actions and their occurrences, challenges and solutions as explained in the agency theory (JENSEN/MECKLING, 1976). The CEM helps to ensure that the phenomenon of hidden actions as well as opportunistic behaviour are reduced and maximisation of benefit is given and shared between the parties. To guarantee a better understanding, the research sets the theoretical facts of the agency theory in conjunction with facts of other theories, such as economics and social cognitive science, in order to manifest the content of the CEM and to ensure that the theoretical framework of the research is based on solid grounds. The research contributes to theory and practice. It provides an enhanced approach for solving challenges arising from hidden actions. With the help of the CEM, the research instructs and guides interacting parties in agency relationships in IT outsourcing how to increase the speed, the efficiency and the effectiveness of their contract negotiations to enable them to develop a solid foundation for a long-lasting business relationship, from the very beginning. Previous research has been conducted in the field of enhancing relationships between principals and agents, but such research has focused on enhancing communication and knowledge transfer between the parties (Henrich, 2011). The present research is understood as a continuation of this previous research. As mentioned above, it aims at enhancing contract negotiations by making them more efficient and speeding them up to help principals and agents in agency relationships in IT outsourcing to run through the process of contract negotiations more effectively. Besides focusing on agency theory, the research also draws on literature in the field of outsourcing, trust and information exchange. In the past, various studies have shown that many outsourcing projects have failed to run for a prolonged period or have been interrupted, renegotiated or even terminated (Leimeister, 2010, p. 2). The literature shows that generally research has already contributed to this subject with a wide range of theories about the constitution and characterisation of mutual exchange between organisations (Kuhlmann, 2012, p. 3).

Solving the conflict of information asymmetry as described in the agency theory will lead to an increase of total well-being and should be the aspired solution from a utilitarian point of view (Zaggl, 2012, p. 7). Information exchange and trust as further research subjects within this research are interlinked with the behaviour of individuals who are themselves causing an impact on the level of quality of the relationship. A well-functioning exchange of information can reduce costs for information sharing and the involved parties are willing to share and exchange information more voluntarily if they recognise that information exchange generates a benefit for both parties (Porterfield, 2007, p. 32). Trust on the other hand has the potential to enhance the relationship between principals and agents. Trust is an informal mechanism which often leads to coordinated joint efforts that improve outcomes and help to exceed expectations of what the interacting parties might achieve, acting solely in their own interest (Hoejmose, Brammer & Milington, 2012, p. 616). By enhancing the influencing factors which are understood to be responsible for poor development of trust and a low level of information exchange between the parties in IT outsourcing, the research provides an opportunity to improve the current situation between the interacting individuals in a situation in which both parties are willing to cooperate with each other. The methodological ground for the research is a constructivist approach. The author understands constructivism as an underlying aspect for developing and discussing ideas, norms and identities. This fits in well with the aim of the research. The analysis of the data collection is reflected in the theoretical standards of the grounded theory (GT). Steps such as identifying the substantive research area, collecting data pertaining to the substantive area and using open coding while collecting the data until the core strategy is recognised or selected, have been conducted to allow proper exposure of information and knowledge. Coding has been seen as a first step of data analysis to move away from particular statements to more abstract interpretations of the interview data.

In addition to this, a qualitative content analysis according to Mayring alongside with conducting semi-structured expert interviews as a facilitator for collecting the respective data has been conducted. The central idea of the qualitative content analysis approach is to conceptualise the process of assigning categories to text passages as a qualitative interpretive act, but following content-analytical rules to align research interest with general defined behavioural rules for research work. To guarantee a stringent course of the research, text passages of the interviews have been coded and categorised to describe patterns which emerge from the data analysis. To ensure authenticity, data interpretation has been reviewed constantly against the original interview transcripts. Expert interviews ensure that the knowledge of the experts in agency relationships in IT outsourcing can be retrieved and thus this approach represents a systematic basis for data analysis. The classification is based on the possibility of reconstructing identifiable and interpretable statements made by the experts (Neuser & Nagel, 2002, p. 32). They include the goal of ensuring a generation of area-specific and object-related statements. The experts have been selected according to their function and position within the participating firms (Scholl, 2003, p. 4). The interviews are based on a guide with formulated open questions that are based on the respective interview. The use of an interview guide increases the comparability of data and also ensures that the collected data will sustain a structure (Gläder & Laudel, 2006, p. 42). The interviewer's influence on the content is regulated and controlled by the interview guide. The interview guide has been tested iteratively prior to conducting the interviews to minimise unclear content and to eliminate obstructions. The interviews have been audio recorded and transcribed afterwards. The interviews have been used only for research purposes. All content has been treated anonymously and is kept confidential. All information has been stored securely and deleted when no longer required for research purposes. Participation was voluntary and interviewees have been informed that interviews are conducted as part of a DBA research. Interviewees had the right to withdraw from an interview at any time. Interviews have been conducted until data saturation had been reached. The implemented content analysis is seen as a descriptive method. Disadvantages of the form of analysis may be that data can be insensitive and might not differentiate between meanings.

On the one hand, results could be skewed or slanted if the words and their meanings are misinterpreted. On the other hand, the content analysis provides the benefit that it is unobtrusive. Once data is collected and analysed appropriately, data can be corroborated by other researchers making the data reproducible. Therefore, content analysis is understood to be the best choice as a research technique for making inferences by systematically and objectively identifying specified characteristics within the text of the present thesis. Hypotheses have been verified or falsified by the help of pre-defined, measurable values. Data analysis was conducted according to these values to guarantee objectiveness and robustness. To strengthen the CEM and its related content it is considered to prove the validity and the robustness of the CEM by introducing the CEM to a set amount of external persons. They test, review, use and adapt the CEM in practice to obtain more congruency with the theoretical foundation to be able to close the loop between theory and practice. A result of this is that subsequently documents can be analysed and therefore a documentary analysis can manifest the CEM and its theoretical foundation. This will guarantee that the CEM and its theoretical framework can be determined as feasible, practicable and robust in its content. Furthermore, this might ensure that bias and ethics are balanced out to a maximum and personal influence is kept to a minimum. The examination of interdependencies in hidden action behaviour in conjunction with a discussion of the aspects of theoretical evidence on contract negotiation, information exchange and trust shows that an enhancement of these influencing factors contributes to a significantly improved contract negotiation process and information exchange. The independent variables which will be discussed in the present thesis affect the development of interpersonal connections, the information exchange and the development of trust as a trigger for willingness for transparency and openness as well as for trust as the foundation of improving the contract negotiation process in a highly positive way. In particular, trust contributes to reducing hidden actions as well as it increases the feeling of being and acting securely and according to processes and pre-defined agreements. This shows that trust influences hidden actions positively which itself has its source in insecure situations or in one-sided maximisation of each party's own tendency to increase its own well-being. Moreover, the feeling of having security can be understood as a requirement for achieving stability in the respective agency relationship.

Nonetheless, trust can be held accountable for providing a feeling of stability and security, and thus leads to a better information exchange between the parties. Based on this assumption it can be stated that due to a better mutual acceptance between the parties caused by jointly pre-defined content and rules, information is shared more easily. This influences the information exchange and as a consequence the development of trust. The improvement of information exchange assesses existing information asymmetries and overcomes these with the effect of minimising the appeal of hidden actions. From the results of the data generation and analysis, guidance as well as a profound perspective for interacting individuals in agency relationships in IT outsourcing can be derived. This provides the grounds for suggestions on improving existing relationships and bringing in emergent relationships efficiently from the beginning. Furthermore, this situation as such creates a foundation for long-term cooperations. This guidance, as a result of the contract negotiation model and its related content, represents the analysis and the improvement of previously unconsidered subject fields and theoretical areas. The results of the examination deliver an approach as well as a good basis for further research, as the theoretical framework together with the empirical examination in principle outlines the dimensions, in which the contract enhancement model can work. However, it needs to be considered that the discussed and developed contract enhancement model needs to be adapted towards the requirements of other business areas when regarded to be used in such business areas. This thesis delivers substantiated data for the research field in which the research was undertaken. With regard to the course of the survey, the evaluation of it makes profound data available, from which further research projects could have a robust starting point.

Statement of Originality and Declaration

I hereby confirm that I have written the doctoral thesis independently without contributions from any sources or facilities other than those cited in the text and acknowledgements. This applies also to all graphics, drawings, figures, maps and images included in the thesis. I have not used unauthorised assistance and I have not submitted this doctoral thesis at any other university.

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List of Abbreviations

ASP	Application Service Provider
B2B	Business-to-Business
BPO	Business Process Outsourcing
COTS	Commercial Off The Shelf Software
CEM	Contract Enhancement Model
IS	Information Systems
e.g.	Exempli Gratia - For Example
ERP	Enterprise Resource Planning
Et al.	Et alii
F.	Following Page
FF.	Following Pages
FCN	Function for Enhancing the Contract Negotiations
KPI	Key Performance Indicators
i.e.	Id est – That is to say
IT	Information Technology
ITO	Information Technology Outsourcing
ITS	Information Technology Systems
ITIL	Information Technology Infrastructure Library
MIS	Management Information System
MCN	Matrix for Enhancing the Contract Negotiations
non-IS	non-Information Systems
PCN	Process for Enhancing the Contract Negotiations
ROI	Return on Investment
SLA	Service Level Agreement
SLAs	Service Level Agreements
SME	Small Medium Enterprise
SMEs	Small Medium Enterprises

1 Introduction

1.1 Motivation and Objectives

This thesis refers to literature sources which have been discussed in previous research work (Henrich, 2011), but also has enriched these with other, newer sources to strengthen the robustness of the data evaluation and analysis which has been conducted on the same grounds as in the earlier thesis. The literature sources have been supplemented with contemporary sources to augment the overall content of the theoretical description of the methodology and to serve as an option to distinguish between both research works. Other sources being used to discuss information technology, outsourcing, contracts, contract theory, information exchange and trust are not related to the sources of the first research work to distinguish between the first and second thesis, written by the same author. Overlapping of content from two research works to achieve a further doctoral title was neither the intention of the author. Hence, the present research work can clearly be understood as being different and independent from the first research work even if similarities might be seen, e.g. in the layout of the questionnaire or in the basic layout of the Contract Enhancement Model (CEM), compared to the communication model that has been developed during the course of the first thesis. Thus, the second thesis as a continuation of the first, refers to the idea, background, discussion and outcome of the previous research work in 2011. Both models are informed by the same meta-theory to lend a common basis, but are different in their recommendations and results, because each of the models points towards a different theoretical background with regard to utilising the outcome of the analysis of the generated data. To further manifest and to guarantee distinction between both research works, not only the descriptions of the theoretical chapters are different, but also the interviewees who have been chosen from a totally different environment and who are not connected to the interviewees being questioned for the first thesis. The respective experts who have been interviewed to generate data for the previous research work have all worked in the field of call center business, the experts interviewed for generating data for the present thesis are all working in the IT environment. Hence there is no direct connection between the groups of experts. For this reason, it is very unlikely that the same content of generated data has been used twice.

Besides other measures, such as discussing different theoretical environments based on different literature sources, the decision to interview other experts underlines the endeavour to distinguish between both research works from one another. By addressing this, the author of the present thesis wants to ensure that the criticality of writing a second thesis in a similar environment has been understood and considered carefully. Therefore, an open and transparent communication on this is made from the outset of the present thesis. It aims at enhancing contract negotiations by making them more efficient and speeding them up to help principals and agents in agency relationships in IT outsourcing to run through the process of contract negotiations more effectively.

The second thesis attempts to provide a deeper insight into an already discussed, yet not satisfyingly explained phenomenon in IT outsourcing: the dynamics of the relationship between outsourcing firms and service providers that are driven by the outcome of the contract negotiation conducted between both parties. There is a wide variety of theories in place about what constitutes and characterises a mutual exchange between organisations. However, there are hardly any explanations about how these relationships can be systematically influenced (Kuhlmann, 2012, p. 1). Hence, the underlying investigation is highly relevant to theory and practice.

From an academic viewpoint, research on the implementation phase has remained fragmentary and has only recently gained an increased field of interest. Although the impact of the relationship-building on outsourcing success has long been recognised, a greater understanding of how to start and maintain agency relationships in IT outsourcing that create and sustain strategic value remains highly desired (Goo & Huang, 2008, p. 216). Practitioners working in the field of IT outsourcing are as interested in relationship building as representatives of science and theoretical research.

Although failure and dissatisfaction in IT outsourcing can often be traced back to challenges during the implementation and operation of outsourcing projects in IT, existing practitioner literature is often limited to the definition and monitoring of the performance of the outsourcing projects themselves. However, this does not provide substantial advice on how to develop and maintain agency relationships in IT outsourcing (Kuhlmann, 2008, p. 1). Therefore, the present thesis has the purpose to investigate how contract negotiations and relationship building can interact to influence and govern agency relationships in IT outsourcing. Furthermore, in

practice, outsourcing firms and service providers often start a relationship based on matching requirements and definition of key performance indicators (KPI) rather than on investing time and money on the main pillars of human interaction, such as communication and exchange of information. However, this form of starting a relationship provides an incorrect baseline for the collaboration of both parties, because requirements and KPI may not be the only foundation a relationship should be built on.

In an ideal world, both parties would perfectly match one another by the fact that they are able to coincide with the requirements of their potential partner(s). However, by facing a situation in which both parties struggle to be consistent with the other party due to difficulties in negotiating an outsourcing contract, both parties are not given the chance to prove themselves by showing how reliable they can be. As a result of this prerequisite, combined with a lack of missing reliability, as well as with an understanding of facing an anticipated low reputation, both parties lose their chance to show their potential partner what they are capable of, before the respective relationship has even started. All of this might be based on the fact that the contract negotiation process is or was difficult, and therefore the operational activities afterwards will also be seen to be difficult in the long run.

This thesis not only contributes to aspects related to practice in day-to-day business; it also enhances the field of research, because it delivers the means for principals and agents working in IT outsourcing to reduce the burden of finding the right partner for their outsourcing projects. Finding the right partner is a crucial aspect for an outsourcing relationship, because it enables both parties to match their expectations and financial predictions which they have anticipated to be fulfilled with regard to having thought about conducting an outsourcing project in the first place. For instance, outsourcing firms want to generate advantages such as cost savings and flexibility of work capacity and workforce by conducting outsourcing, and hence the right partner can help to achieve pre-defined goals and targets.

Through extensive literature review it was observed that several studies focussed on the risks for outsourcing firms, but there are very few that mention the risks outsourcing firms and service providers commonly face in outsourcing engagements. In addition, many research works talk about factors involved in building outsourcing relationships. However, they lack a comprehensive list of factors that, if taken care of, can lead to long-lasting, successful agency

relationships (Jain, 2013, p. 91). This thesis seeks to: Contribute to this gap providing the same options to both parties to start and maintain an outsourcing relationship from the very beginning; mitigating risks for both parties equally; understand the mechanisms of the contract negotiation process in IT outsourcing; as well as delivering the foundation for a well-functioning relationship between principals and agents in IT outsourcing.

Previous research conducted by the author as aforementioned, was strongly connected to communication, communication models and information exchange. This thesis will continue with the theoretical foundation, but will focus on contract negotiation which is as important as communication and information exchange as such between principals and agents in agency relationships in IT outsourcing. Viewed holistically, a combination between the usage and implementation of both models might enable both parties to create an almost perfect situation amongst them. Therefore, the present thesis will strongly contribute to generate a profound situation for both parties.

The research is concerned with a specific current problem still unsolved from a theoretical viewpoint that has a considerable relevance for practitioners. Building on the theoretical framework, the hypotheses to be examined have been developed. They are tested with the help of the discussed expert interviews. On the basis of confirmed hypotheses, the CEM has been developed and its related content has been outlined. Enhancement possibilities have been introduced for each of the eight influencing factors which all lie in the clarification, establishment and description of structures and processes. The improvement of the contract negotiations and the information exchange in agency relationships in IT outsourcing is an important goal to meet, a specific problem that is still unsolved from a theoretical point of view. The starting point of the present research is the identification of relevant influencing factors on contract negotiations and information exchange in agency relationships in IT outsourcing, with the aim of developing a CEM which improves the influencing factors and which provides a contribution to an enhanced contract negotiation process between principals and agents in agency relationships in IT outsourcing.

The analysis of the interdependencies between the phenomenon of hidden actions and the aspects of theoretical evidence on contract negotiations and information exchange shows that an enhancement of the relevant influencing factors contributes towards an improvement of the course of contract negotiations and the information

exchange between principals and agents in agency-relationships in IT outsourcing. The independent variables discussed within the research have an effect on the development of interpersonal bonds, the information exchange and the emergence of trust. An enhancement of these functions can be seen as a trigger for transparency and the willingness to act with openness. An enhanced information exchange can help to overcome existing information asymmetries, with the effect of reducing the appearance of hidden actions.

Connecting IT, outsourcing and negotiation literature with each other helps to identify various opportunities to leverage the richness of knowledge in this scientific field. As well as this, it improves an understanding of agent decision with the aim of consolidating negotiation work that could address more realistic and challenging negotiation situations (Turan, Dai, Sycara & Weingart, 2013, p. 63). Furthermore, discussing negotiation literature in this respect offers a framework for assessing success and failure in negotiations. Moreover, it might explain the outcome they produce with regard to choosing the right outsourcing partner when it comes to conducting outsourcing IT activities to an external partner (O'Faircheallaigh, 2016, p. 7). The discussion about negotiation literature bears in mind that in agency relationships in IT outsourcing neither chairs nor votes have an impact on outcome. For example, by overcoming negotiating obstacles, by shaping an agenda, by building coalitions or by brokering agreements, both parties are conducting their contract negotiation. With regard to this, each behavioural step has a direct influence on the overall outcome of the negotiation itself (Bailer, 2011, p. 118). In IT, outsourcing negotiation is a discussion in which interested parties exchange information and preferably come to an agreement. In an agency relationship in IT outsourcing negotiation can be viewed as a solution for problems, such as network coherency, problem decomposition and allocation.

Therefore, negotiation can be understood as a process whereby principals and agents communicate to reach a common decision. Hence, the negotiation process involves the identification of interactions and modifications of requirements through proposals and counter-proposals. The main steps of negotiation are exchange of information, evaluation of information from each party's own perspective and final agreement by mutual selection and decision (Oprea, 2004, p. 250). Modeling negotiation between principals and agents is of key importance in building agency relationships, because negotiation is one of the most important types of principal-agent interaction.

Negotiation provides the basis for managing the expectations of the individual negotiating parties, and it enables selecting solutions that satisfy all parties as much as possible. Most negotiations have limitations and weaknesses when conducted in agency relationships in IT outsourcing (Wanyama, 2007, p. 463). Negotiation can be regarded as an identifiable mode of joint decision-making. In negotiations, the respective parties are left to themselves to combine their conflicting points of view into a single decision. Regardless of formal decision rule, an element of negotiation usually precedes social decisions (Jönsson, 2006, p. 217). Negotiation between parties is affected by the emphasis one gives to connectedness to others and to the ways that promote and strengthen existing relationships (Assudani, 2013, p. 88). During the course of a negotiation between parties, each individual, acting within the process of negotiation, is an active promoter of information. Thereby knowledge occurs through interaction between the parties and based on the results from engaging in authentic activities and social interaction and negotiation. This reflects the constructivist approach which is one of the main theoretical foundations of the present thesis (McPherson, Nunes, Sandars & Kell, 2008, p. 303).

When talking about negotiations, a short side step needs to be taken towards the idea of cooperative bargaining. A typical study on cooperative bargaining theory considers a set of axioms, motivated by a particular application, and identifies the class of bargaining rules that satisfy them. An example for such theory path is Nash with his Nash bargaining rule that uniquely satisfies a list of axioms including Pareto optimality. Nash's model analyses situations where the bargainers have access to fixed and publicly known set of alternatives (Kibris, 2010, p. 153). In the present thesis, Nash's model will not be discussed in full.

Nash's model seems to stress the fact that in IT outsourcing two parties are forced to negotiate an outsourcing contract appropriately to stand the chance that the outsourcing relationship has a foundation to last in the long run. Therefore, negotiation literature and bargaining theories have been mentioned briefly to point out that in IT outsourcing such constellation of negotiation is important to all relevant players. The present thesis thus reflects the critical issues that are embedded in negotiation and agreement which themselves are based on cooperation, communication and information exchange between principals and agents in agency relationships in IT outsourcing.

This thesis provides a cooperative negotiation scheme based on the CEM for designing and simulating resource allocation and organisational modeling. The present thesis defines the rules to implement the CEM and its related content.

The methodological background is based on the theoretical grounds of a constructivist approach. The origin of constructivism, which is embedded in epistemology as part of philosophy as a scientific field, will be explained and therefore epistemology and constructivism will be discussed more in detail. This is important to understand the theoretical background of the present thesis. Epistemology as such is seen as a branch of philosophy which is dedicated to the theory of knowledge. It concerns such questions as: What is knowledge as such? Do we have knowledge? Can we create knowledge and how can we distinguish genuine knowledge from false knowledge or copied knowledge?

Epistemologists often are confronted with skepticism outspoken by other researchers, questioning if we can generally have knowledge at all. Some of these skeptics even go so far as to reject the possibility of particular types of knowledge. They also confront epistemologists with questions concerning the constituents or indicators of knowledge, such as belief, truth, justification, evidence and rationality (Siegel, 2014, p. 372). Furthermore, epistemology is seen as the philosophical study of knowing and other ways to attempting to find the truth. It belongs to the central field of philosophy (Zagzebski, 2009, p. 1). Epistemology is also broadly seen as an account of knowledge and the study of the nature of knowledge and justification, especially the study of the defining components, the substantive conditions and sources as well as the limits of knowledge and justification (Moser, 2002, p. 3).

Epistemology examines the relationship between a researcher and the existing knowledge which is available during or for a conduction of an analysis or discovery of subjects. It refers to how we know what we know (Killam, 2013, p. 8). Epistemology can build a foundation to address activities of conceptualisation, simulation and analysing results to deal with scientific problems under the lens of epistemology. This will allow a researcher to identify domains that cannot be addressed appropriately due to limitations of accessible tools and means (Tolk, 2013, p. 10). This thesis, in its theoretical foundation, follows mainly a discursive epistemological approach, because it wants to suggest that it might be not a bad thing that we, as human beings, are unable to appeal to something relatively solid and deeper when it comes to an idea of the justification of knowledge.

A discursive epistemology offers an approach that takes place in day-to-day conversations in which the process of the development and justification of knowledge is regarded as dependent on an ongoing communicative exchange between two parties. In such an approach, the legitimacy to make a claim to knowledge is not acquired by justificatory grounds that can be regarded as relatively fixed and certain, but through grounds that are often implicitly accepted (van Goor, 2012, p. 119). Discursive epistemology in this sense can be seen as a matrix of social practices which generates the categories of meaning by which reality can be understood and explained (Gleeson, 2014, p. 10).

In this thesis, discursive epistemology has been chosen as an act of generating knowledge, because epistemology is concerned about discourse as a reliable source of knowledge and how knowledge can be transmitted between parties (van Dijk, 2014, p. 26). Epistemology as such deals with knowledge but ignores discourse, and only recently has been interested in the cognitive dimensions of knowledge. Epistemology without discourse tends to disregard the important social and cultural dimensions of knowledge as well as the detailed analyses of the ways knowledge is displayed in text and talk (van Dijk, 2011, p. 27). Much of intellectual inspiration and drive for discursive analysis in social science has come from discursive epistemology. If this is considered, discursive analysis has drawn on defining and exploring social reality as an effect of language (Reed, 2004, p. 413). Discursive epistemology acknowledges that knowers, objects of knowledge and knowledge practices always exist, in specific contexts.

What can be known and observed from knowledge is grounded in social meaning and practices, found in culture and in material reality, such as nature. In other words, measurements and observations are not simply a mirror of “what is“, but observations and evidence are always grounded both in systems of discourse and material reality. Hence, best efforts at knowledge production are those that account for the specific conditions in and location from which we experience, observe and interpret reality (Jackson, 2012, p. 23). Discursive epistemology challenges the way of thinking in social research. In this respect, it can be assumed that language is a discursive practice which implies that interpretations of the world create the world or the reality itself (Andreotti, 2011, p. 87). Discursive epistemology represents the way in which modern subjectivity and rationale are articulated and defended. It both preserves something authentic about subjectivity and conceals it. This concealment results from a misconception that must be corrected since it neglects the

dependence of both subjectivity and meaning on an embodied and finite experience of nature and things (Finke, 2014, p. 1).

This thesis is based on the premise that a scientific paper is a carefully constructed document that plays an essential role in the creation and dissemination of scientific knowledge (Englander, 2014, p. 19). Epistemology can be seen as something that matters conceptually and logically prior to matters of ontology. This includes the view that reality exists independently of individual attitudes and beliefs and that a definition of knowledge is useful and productive if it affords linguistic and conceptual classification of ways in which epistemic judgments and their terminology are employed (Lauer, 2004, p. 91). This is the reason why the present thesis considers an explanation of epistemology, a discourse about epistemology, the decision which has been made towards discursive epistemology and a discussion about ontology and methodology thereafter. Besides the discussion being held about epistemology, a research project should be determined through a combination of epistemology, ontology and methodology to provide solid grounds for the results being derived from the course of the research. This combination would provide a paradigm which shows what the research is about and how the generated knowledge is shared amongst scientists.

Regarding the combination of epistemology, ontology and methodology it can be said that epistemology, as part of this conjunction, stands for the theory or science of the method or grounds of knowledge, whereas ontology refers to the study or science as such and methodology describes the method and type of research. Epistemology and ontology together represent the researcher's attempt to develop and conduct a scientific methodology that it used to investigate reality (Lindgreen, 2008, p. 21). Every research project is anchored in a scientific discipline which itself has its epistemology and ontology in which its scientists make assertions about the reality of the subjects they study and how they explore the respective information, rather than asserting general statements about reality and knowledge. The ontology looked at in this respect provides a picture of the fundamental categories of reality and the epistemology defines the research project that can discover more about these categories and gives an insight about the investigatory techniques (Walsh, 2014, p. 49). Epistemology refers to how researchers can know the reality they wish to explore.

Ontology needs to be distinguished from epistemology, because it refers to the nature of the reality the researchers want to describe. There are relations between the two: belief that the nature of reality has an influence on the way they can know it. The conjunction between epistemology and ontology allows the researcher to develop and adapt strategies which in turn rely on methods that allow appropriate collection of data and a robust analysis of such data (Scott & Morrison, 2006, p. 85). At this point it is of importance that a decision on the level of epistemology can have an influence on the level of ontology and therefore the researcher needs to bear this in mind to avoid that generated knowledge, developed strategy and conducted methodology contradict each other and therefore is likely to cause the viewpoint towards the scientific subjects to be rejected. Thus, the researcher needs to consider the dependencies between epistemology, ontology, methodology in combination with the values, the types of relationships and the degree of detachment that the researcher adopts in the collection of the data due to such parameters which have an implication on the outcome of the research act. From an epistemological viewpoint, there are three principal frameworks to be differentiated when it comes to conducting research: objectivism, subjectivism and constructivism (Scott & Morrison, 2006, p. 87).

Further to the above mentioned content it is indispensable to understand that prior to engaging in research, ontology and epistemology need to be understood as the construct for questioning, challenging but also strengthening a researcher's underlying assumptions. Therefore, ontology as a trigger to understand the way the social world is seen, and ontology as a basis to assume what the nature and reality of the social phenomena are that make up the social world as such, both need to be reflected and properly discussed in a scientific research project.

A distinction can be made between three different ways of seeing the social world; from an ontological viewpoint, based on objectivism, realism or constructivism and from an epistemological point of view based on positivism, interpretivism and realism. (Saldanha & O'Brien, 2014, p. 10).

It is important to understand that researchers need to be conscious of their research subjects and targets and that they need to define a way of interpretation of such parameters as well as to be able to understand them, because without having such consciousness and with no defined ways of interpretation the research subjects and targets have no meaning at all (Crotty, 2003, p. 42).

Constructivism claims that meanings are constructed by the ones conducting research in a certain scientific field or area. According to the theoretical cornerstones of constructivism, meaning or more accurately, truth, is not created; truth is constructed. This means that researchers need to work with the existing facts, but also have to consider interdependencies between these facts and other subjects, research aims and goals. Therefore, a researcher needs to bear in mind that an objective view on things always goes together with a personal, subjective point of view on the same things.

Objectivity and subjectivity must be brought and held together indissolubly, and this is what constructivism is understood to do, keeping both phenomena aligned to each other (Crotty, 2003, p. 44). Constructivism has a major influence on social science and therefore has been subject to various discussions and debates in recent years. The discussions have not only taken place because of the adequacy of a particular theory or because of the cogency of an epistemological position, but because constructivism is influential in education and research (Matthews, 1998, p. 1). For several years, constructivism has allowed researchers to develop ways of conceiving the problem of knowledge. Constructivism applies that knowledge is always knowledge that a person constructs, and this is the reason why a researcher needs to stress a deeper participation in her/his results and generated knowledge of their research projects.

To some extent, constructivism provides an eloquent illustration of the principles of a research approach and constructivism shows that all knowledge is inevitably re-interpreted according to the postulates and experiences of the person who takes interest in them (Laroche & Bednarz, 1998, p. 3f). The literature shows that constructivism is referred to as the modern way of research. This positive statement towards constructivism must be viewed critically. As a result of all their comprehensiveness, social constructivists look too much into their scientific projects and not into options and other ways to develop knowledge. Constructivists want to know what the truth might be, even if this truth can only be provisional and might not be absolute. As a consequence, constructivists need to understand and accept that the truth is not eternal or universal (Pettman, 2000, p. 25). The epistemological claim associated with constructivism is the view that there is no absolute warrant for any belief, and in addition, that such rationale warrant only makes sense relative to a culture, an individual or a paradigm (Kukla, 2000, p. 4).

Constructivism is seen to be critical or normative as well, in the sense that by pointing out a different status of various propositions it can have an effect on scientific behaviour. One aim of constructivism is to show which operations correspond to which concepts, because sometimes some concepts do not correspond to any unambiguous operation at all. Therefore, constructivism has the means to clarify the interdependencies between operations and concepts (Butts & Brown, 1989, p. 20). It is also understood as the foundation to be able to experience something new.

This experience is internalised through past experiences or knowledge constructs that have been previously established. It is a system of explanations to adapt and refine knowledge (Sridevi, 2008, p. 10). There are also statements found in literature which discuss constructivism more critically when it comes to outlining the options of constructivism. Those critics often make the accusation that in their eyes constructivists deny the existence of a reality, but at the same token they understand constructivism as a form of realism in the sense that the existence of a reality is acknowledged from the outset. Important for these critics is that whatever constructivism has to say about a reality, only the researchers might know about the reality in a personal and subjective way (Tobin & Tippins, 2009, p. 3).

That knowledge has enabled the development of innovative methodology for the pedagogy of science and a greater awareness of researchers. Constructivism has its difficulties in recognising its own limitations which has led to hegemony in the research community (Osborne, 2006, p. 61). To assure that constructivism contributes to knowledge development, it is important to understand that the researcher needs to locate her-/himself in the reality he is studying, examining how her/his interpretive frames, life history and interests as well as the research context influence his actions throughout. It is further suggested that a constructivist approaches inquiry as a significant focus on the relationships between the researcher and the participants in a research and they need to look at the facts as well how these relationships refer to the knowledge generated during and after the research has run its course. This form of constructivist approach to knowledge production and relationship development has a positive influence towards social science disciplines (Coghlan & Brydon-Miller, 2014, p. 185). Constructivism has brought innovations to science which builds on the sociology of knowledge.

Constructivism also emphasises the social construction of reality such as ideas, meanings and other forms of collectively held beliefs that matter in the explanation of social and political life. Constructivism puts the mutual constitutions of agents and structurers at the centre of research analysis. It argues that researchers and their research environments determine each other in a recurring pattern of co-evolution. Constructivism rejuvenates ontological foundations in science by putting forward new concepts and by revising old ones such as norms, identities and rules (Badie, 2011, p. 427). The influence of constructivism has a substantial and lasting impact on the shape of theoretical assumptions. Theories prevail since they are in conformity with research interests and support research structures. The elaboration and acceptance of theories is the result of a complex process of research enhancement into which many factors enter that have nothing to do with observations or nature. The image of reality adopted by science is a construction that continues to bear the marks of those research conditions that gave rise to the formulation of pertinent conceptions (Carrier, Roggenhofer, Küppers & Blanchard, 2004, p. 5). As the present research looks at relationships between principals and agents in agency relationships in IT, outsourcing constructivism needs to be discussed in relation to this subject to provide the reader with an understanding of why the research approach has been based on constructivism rather than on other scientific approaches. With regard to shared agency, constructivism is seen to grant distinctive issues such as trust and trustworthiness. The stability of a shared intention which is supposed to exist in agency relationships in principal, depends on the extent to which the parties can reasonably trust each other. Constructivism grants that there is a certain complexity when it comes to relations between shared intentions and related moral obligations, but at the same time constructivism highlights the characteristic functioning of such shared intentions. Based on relevant structures of interrelated intentions of the parties in relevant contexts, constructivism enables an understanding of the parameters why these interrelations function and how (Bratman, 2014, p. 35). Constructivism represents an epistemological stance which emphasises the self-organisation and self-management positions of individuals. According to constructivists' viewpoints, those individuals actively construct their own reality and are able to construct a meaningful position within their work context (Patton & McMahon, 2006, p. 15). It also endures patterns of relations and rules reflecting social context and expectations of behaviour.

Individuals acting on behalf of principals and agents in agency relationships are conditioned by structures, but not determined by them. Individuals retain to a certain extent the ability to change rules and expectations that make up structures and thereby affect social change (Confortini, 2011, p. 23).

It is crucial to consider that constructivist research must remain sensitive to the tensions between formulation of generalisations in science and the fundamental importance of contingency in theory (Jackson & Nexon, 2002, p. 103). When talking about the research approach of the present thesis with regard to deriving, analysing, verifying or falsifying hypotheses it can be stressed that constructivism fits in with the required theoretical basis for being considered in this matter, because constructivism does not put forward a set of hypotheses in general that would form a unified theory in the narrow sense of the term, but it operates with a series of core assumptions on the basis of which more specific hypotheses can be formulated (Steans, Pettiford, Diez & El-Anis, 2010, p.186). Constructivism is seen to take on ideas from structuration theory. The agency structure debate is the basic foundation of constructivism that discusses epistemological and methodological issues. Therefore, constructivism seems to be able to cope best with concepts that mutually change one another.

Hence, constructivism needs to be considered as the appropriate approach in a research where the development as well as the verification and the falsification of derived hypotheses are one milestone of a research work (Dany, 2013, p. 42). Constructivism is understood to be an empirical epistemology, viable model for the construction of an experiential self-awareness (Glaserfeld, 1989, p. 447). Constructivism supports such types of epistemology which is necessary for researchers to deal with who are temporarily embedded in a research. Without any understanding of how a researcher bases his situatedness in time, this researcher is cut off from understanding his surrounding conditions (Lewin, 2003, p. 38). Constructivism supports the process by which individuals generate subjective meanings from the knowledge they receive. Its concept is primarily associated with Piagetian ideas about the psychology of developmental learning (Walsh, 2013, p. 15). For constructivism to be the appropriate approach, it needs to be considered that the researcher must begin to understand what she or he wants to achieve and therefore she or he needs to understand her or his role as an observer and needs to understand her/his own ability to perceive (Segal, 2001, p. 2). Besides the above mentioned positive aspects of constructivism and its advantages for science and

research, it needs to be stressed that constructivism also has its limitations. These limits seem to be inherited from the influence of scientific realism. Critics of constructivism have postulated as such that constructivism has the inability to enable thinking beyond its limitations (Goodrich, 2015, p. 27).

The limits of constructivism are based on the fact that truth as such does not exist as a single standing argument. The truth which constructivism helps to analyse, to prepare and to develop is very much linked to the arguments with which they are justified. This means that researchers are often unable to detach themselves from the subject which they examine (Zehfuss, 2002, p. 21). This can have the effect that direct influence might have an impact on the results which are supposed to be derived in an objectively driven scientific way. Hence, researchers rarely step outside their world of research to become neutral observers. However, this step is seen to be crucial to allow appropriate development of knowledge, even knowing that ideas and events are not independent phenomena, but rather interacting with each other. This leads to the opinion that research can only be done from within, which means that the researcher needs to give its concept a meaning, but also a neutral or objective aspect of reality (Zehfuss, 2002, p. 22).

A research based on constructivism might only work appropriately in a teleological approach to cognition. This means that a theory of intentional construction of knowledge or a research method only makes sense when the researcher has a plan on how to use the knowledge he wants to gain. This type of model is limited to its understanding on how a subject could have attained forms of knowledge that are of higher complexity than the current form and the corresponding complexity of its world of experience. This is also understood as the so-called learning paradox (Roth, 2011, p. 26). When talking about cooperation, a discussion which occupies the present thesis to at least $\frac{3}{4}$ of the overall content, it needs to be looked at the limits of constructivism from an extended viewpoint. Cooperation is initiated and sustained as a consequence of variables, two of which seem to be central: norms and identity. Norms help to socialise two parties in favour of common goals and shared identities provide a sense of common purpose necessary for sophisticated forms of cooperation. Hence, cooperation occurs as a pragmatic response to common problems and constructivism can be of aid to enlighten the reasons for such problems. However, it should be considered that constructivism should be balanced out analytically neutral between conflict and cooperation, bearing in mind

that cooperation as such is not a natural state of affairs and therefore often not easy to settle or maintain (Aris & Webber, 2015, p. 147).

The described limitations of constructivism have far less impact on developing knowledge compared to the advantages constructivism has, because in constructivism knowledge development is proactive, thus meaning and knowledge both are developed based on an existing reality to extend what has been gathered or developed so far within this reality. However, a researcher needs to reflect that limits connected with constructivism result from the researcher's ability to know respective methods, means and fellow researchers working on the same subject and therefore lack the ability to meaning together (Queiro-Tajalli, 2009, p. 341). To summarise the procedures which should be followed when considering constructivism as a scientific research approach, Teater states six aspects as a fair ground to act upon. According to Teater, the researcher should develop a relationship with the person asked or the subject being analysed, and should focus on defined goals and targets as well as the researcher should take a position of curiosity. Furthermore, the researcher should take a "not-knowing", "non-expert" position and the researcher should act analogously to the behaviour or language used by the person questioned. Finally, the researcher should co-construct reality through a dialogue (Teater, 2014, p. 80 ff). The course of the present thesis is closely aligned with these six aspects.

This thesis discusses the theoretical framework at first to provide an insight into existing knowledge to allow the development of further knowledge which is supposed to be constructed by conducting expert interviews. This course of action supports the analysis of derived hypotheses and the derivation of the content which is, at a later stage, important for the development of the CEM and its related content. After having given a brief introduction of the course of the present thesis and after having conducted a discussion about the reasons, advantages and disadvantages of ontology and epistemology, both are absolutely immanent to be discussed in the present research work to give a deeper insight into scientific parameters of information technology, outsourcing, agency theory, contract design, trust and information exchange to discuss the main aspects of the present thesis as such. With such introduction, the reader is guided through the idea of the present thesis, of its course and of its anticipated outcome and contribution to theory and practice. The following chapter will show the structure of the present thesis and will discuss in detail the theoretical background which is necessary to be discussed to enable

the researcher to outline the derived hypotheses and the CEM and its related content.

This thesis will conclude with suggestions for the practice. These conclusions are of various aspects on how the characteristics of a doctoral thesis written in the field of a Doctor of Business Administration Programme can be identified as well as differentiated from research works being located more in PHD-programmes. Firstly, the present thesis will hereinafter continue with a brief introduction about outsourcing, followed by the next sub-chapter that is dedicated to the structure and the outline of the thesis. Afterwards the structure of the thesis will be highlighted. As a result of introducing outsourcing in the beginning of the present thesis, both sub-chapters "outsourcing" and "IT" will be kept short and only the necessary information will be provided. This ensures that the reader is informed and the theoretical background is provided, but at least the present thesis is not overloaded with information that is available in thousands of literature sources mostly dealing with the same subject, but only processed in other words.

Outsourcing of information technology systems¹ continues to be an important issue on the agenda of corporate information technology executives. According to various studies, outsourcing is still one of the top three information technology (IT) issues. Outsourcing has been established as a common business practice, and for decades the IT outsourcing market has changed enormously. Although a great number of scientists allude to the critical importance of the relationship between outsourcing companies and service provider to date, little research has been conducted and directed towards an in depth examination and analysis of outsourcing relationships compared to other fields of research considering outsourcing as a research subject (Leimeister, 2010, p. 1). There is little research existing on the factors for successful and unsuccessful outsourcing relationships when it comes to the viability of outsourcing contracts (Willcocks & Lacity, 1998, p. 12). The success factors of outsourcing relationships vary in their relevance and characteristics, and clients and suppliers have different expectations towards an outsourcing relationship. Some customers might see their suppliers as plain "deliverers" whereas others see themselves on the same level as their vendors. Success factors like trust and commitment as well as reasonable and well-defined outsourcing agreements are the key to obtaining long-lasting well-performing outsourcing relationships.

¹ Information technology system or systems will be referred to as ITS.

The output of an outsourcing relationship is dependent on the mentality, but also on the goals, each party has defined for itself or the relationship. A vendor, for instance, might direct his attention only to cost efficiency with low risk involvement and a quick return on investment. An outsourcing company might look only at cost savings, flexibility and other anticipated positive effects while being in the process of conducting outsourcing, instead of following a vision of a strategic partnership which allows both parties to grow simultaneously. Both customer and service provider might feel that the reliance on trust and commitment is equally important compared to having clearly defined rules and service level agreements (SLAs)² (Goo, 2009, p. 31.).³

However, a mismatch between trust, commitment and contractual context can influence the outsourcing relationship negatively in such a way that it will be terminated in the end by one of the parties or even both. Outsourcing deals cannot be managed at the same level, but pre-determined success factors can be defined to ease the process and the success of the outsourcing project. To be able to manage outsourcing relations customers as well as vendors need to have appropriate means to ensure outsourcing deals are successful.

This thesis aims to answer the overall question:

Do influencing factors have an impact on contract negotiations between principals and agents in agency relationships in IT outsourcing and on the design of outsourcing contracts, and how can these influencing factors be enhanced using a Contract Enhancement Model (CEM) to improve the level of contractual content and relationship building between both parties?

The thesis' objective is to explore and discuss the influencing factors which are able to enhance the contractual content to provide customers as well as their service providers with the best option to negotiate and deliver the basis for a long-term relationship. The development of a model for enhancing these influencing factors is beneficial. It must be accountable to improve these influencing factors to guarantee a satisfying start and continuance of an agency relationship in IT outsourcing.

² Service Level Agreement(s) will be referred to as SLA(s).

³ Hirschheim et al. determine SLAs as formal written agreements developed mutually between a customer and a service provider. SLAs specify a product or a service to be provided at a certain level to meet resolved business objectives. SLAs are added to the overall outsourcing deal as an addendum, after the legal part is negotiated by lawyers. SLAs contain project-specific terms and conditions which provide a specific way to manage outsourcing relationships.

Five additional related research questions support the intention of the overall research question:

1. Which influencing factors have an impact on contract negotiations in agency relationships in IT outsourcing?
2. How can these influencing factors be determined?
3. How strong does a CEM stipulate and enhance these influencing factors?
4. Which benefits can be delivered by the CEM?
5. How can a CEM be implemented and maintained in agency relationships in IT outsourcing?

1.2 Structure and Outline of the Thesis

This thesis is divided into two parts:

- The theoretical discussion
- The empirical investigation.

and subdivided into seven chapters:

Chapter 2 starts with an overview of the status of research on agency relationships in IT outsourcing in order to align the basic idea of the thesis with the existing literature and to determine the contribution of this thesis towards this field of research. It describes characteristics of outsourcing, the benefits and the risks, provides statements to determinants of IT and lays out the theoretical foundation of the agency theory, contract design, information exchange as well as trust. It provides an overview of the theoretical foundations and the relevant theories in the research field.

Chapter 3 discusses the hypotheses which have been derived based on the theoretical background and review of Chapter 2. It describes the hypotheses and underlines the research intention of the present thesis.

Chapter 4 is dedicated to the foundations of the research methodology. It discusses different approaches of social research to reveal the preferred social research intention of this thesis. Furthermore, it introduces how the collected data has been generated and outlines the methodology for gathering the relevant information. Expert interviews are the basis for the data collection of the present thesis. The research approach of Mayring has been selected to densify and analyse the collected data to achieve appropriate results which have been used further during the course of the present thesis.

Chapter 5 is based on the review of the theoretical foundations and the research approach and focuses on answering the research question as well as the related sub-questions. The qualitative research approach serves the purpose of extracting opinions and statements from experts. It provides empirical evidence on the existence of critical influencing factors to retrieve a brief insight into the research field and the intention for the design of the CEM to enable negotiating parties in IT outsourcing to optimise contractual content.

Chapter 6 articulates the design of the CEM which in its outline is accountable for the optimisation of contractual negotiations and content in agency relationships in IT outsourcing. It highlights the framework of the CEM and shows the impact of critical influencing factors and their improvement as a guideline for a general enhancement. It provides an insight into the ramifications of the CEM and offers guidance for outsourcing companies and their service providers to optimise their contractual negotiation situation.

Chapter 7 concludes the research work by summarising the findings. It discusses the contribution to theory and practice. In addition, it proposes an outlook on issues which have not been addressed by the present thesis and provides suggestions for future research in the field of IT outsourcing.

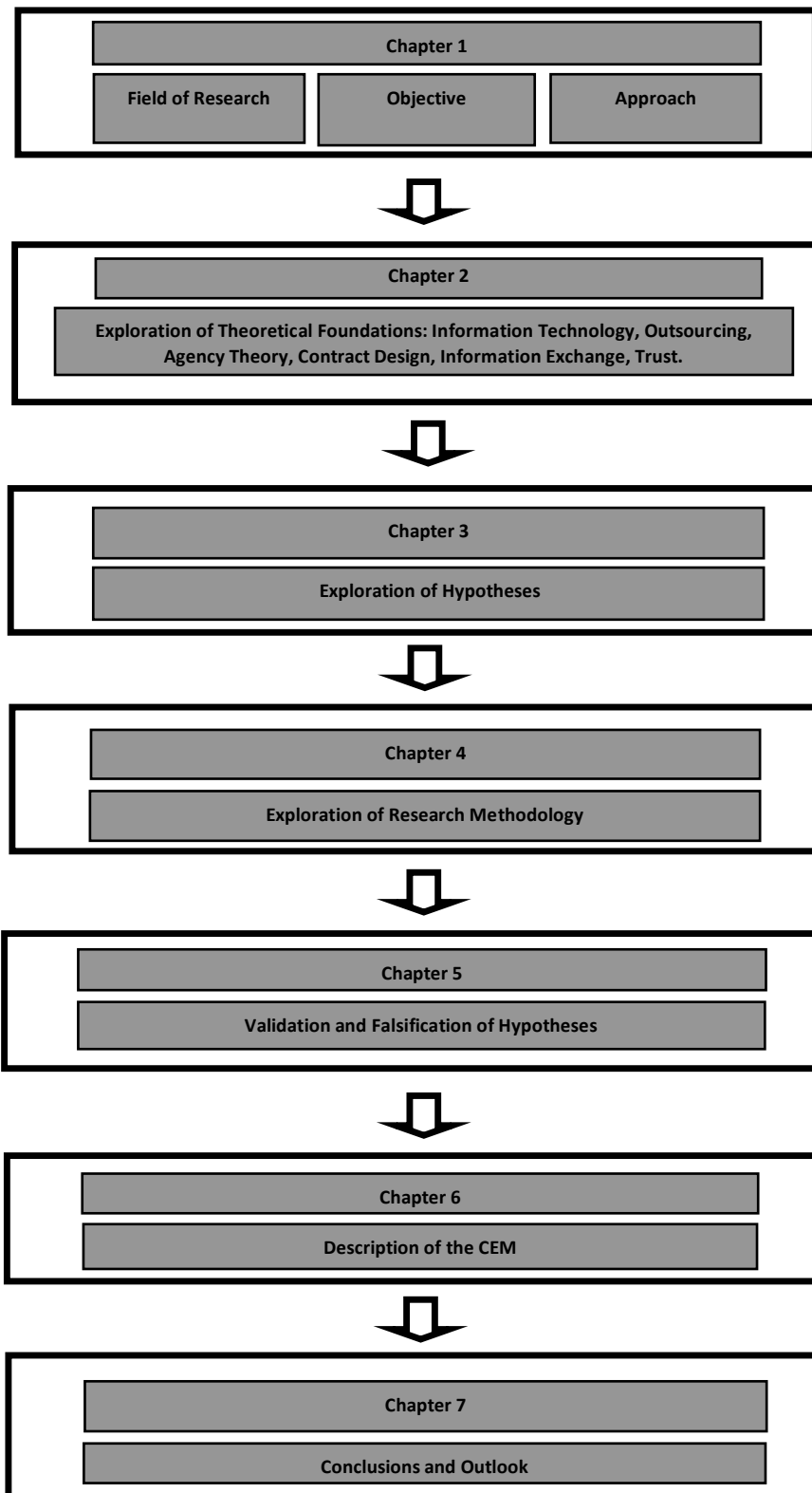


Figure 1: Structure of Thesis and Organisation of Chapters⁴

⁴ Source: Own image

2 Theoretical Foundations

2.1 Theoretical Background on Information Technology

2.1.1 Introduction to Information Technology

This subchapter discusses sources and literature about information technology to provide a brief picture on general basics and understanding of IT. It provides an overview of IT research and talks about the advantages and the effects of IT in modern business. As the intention of the present thesis is to enhance negotiation situations between principals and agents in agency relationships in IT outsourcing (ITO), negotiation literature has been discussed previously to offer the reader a clear picture why the structure and the course of the present thesis have been defined as shown. After an introduction, further information will be provided about IT and outsourcing and about the connection between the two with regard to their connection to negotiation and negotiation literature.

2.1.2 Statements about Information Technology

In today's business environments, firms must be able to handle profound changes. They need to survive unprecedented threats and capitalise on emerging business opportunities. Organisational agility is a firm's ability to cope with rapid, relentless and uncertain changes while thriving in a competitive environment of continuous and unpredictable business opportunities.

Companies invest in IT to pursue fast and innovative initiatives in response to a constantly changing market (Lu & Ramamurthy, 2011, p. 932). This leads to an interesting question: How does IT improve and influence organisational agility and how can IT contribute to a firm's success and stability?

IT can influence the agility of a firm by speeding up decision-making, facilitating communication and responding quickly to changes of structures and parameters. IT can provide the "wiring" for adaptive enterprises and can build digital options for enterprises to strengthen their market position. However, IT can also hinder and sometimes even impede organisational agility due to relatively fixed physical and technological structures. Firms are often constrained by the limitations of inflexible IT systems, rigid IT architectures or complex solutions for incompatible technologies. In these circumstances, IT becomes a disabler of corporate agility (Lu & Ramamurthy, 2011, p. 932). For Perunovic, for instance, outsourcing and IT are linked to each other in several ways. IT is seen as having served to diminish geographical, cultural, economical and technological distances between outsourcing companies and service providers.

Over a short period of time, IT replaced manufacturing on the “what to outsource” focus list. In studying the conjunction between IT and outsourcing, researchers have predominantly focused on ITO. However, the actual utilisation of IT to improve the effectiveness of outsourcing projects has received very modest attention. IT has proven to be beneficial to buyer-supplier relationships, but its utilisation in the context of manufacturing outsourcing has rarely been researched (Perunovic, Mefford & Christoffersen, 2011, p. 207).

Cao and Hoffman, for example, write that today's rapidly changing business environment is forcing many enterprises to adopt new organisational structures. Collaboration and cooperation are forming highly dynamic organisations. Such cooperation is understood to be an alliance of independent business processes or enterprises with each contributing "core competencies" in areas such as development, manufacturing and distribution. As a temporary alliance of member firms, these cooperations are formed to exploit fast changing opportunities. While these cooperations are operating, their constituent member firms which are organisationally independent and geographically distributed collaborate with each other to execute the entire business process (Cao & Hoffman, 2011, p. 1127). Danziger and Andersen describe IT as mechanical, conceptual and organisational components to transmit or store data and information using digital devices. This includes computers, office automation, telecommunications, management information techniques and it incorporates a diversity of digital tools for administration. IT encompasses a broad range of processes which might be amended or shaped by the uses of IT in a variety of ways that are often subtle, complex, gradual or delayed (Danziger & Andersen, 2002, p. 594). Teymouria and Ashoorib state that in many organisations information systems and IT infrastructure are considered as the most strategic capital and that the validity of information is an important factor that leads to business success (Teymouria & Ashoorib, 2011, p. 1602). Gao and Hitt claim that improvements in IT-enabled product development, production and inventory management have facilitated the shift from low-variety mass production to high-variety, flexible “modern manufacturing”. Consequently, a reduction in the cost of offering more product variety, facilitated by advances and investments in IT can modify the cost-benefit trade-off for product variety and lead to a higher optimal variety level (Gao & Hitt, 2012, p. 1212).

Hamidia and Safabakhshb postulate that firms that focus on and adapt IT for competitive advantage often differ from their competitors with respect to their IT structures and organisation. These firms understand IT as a strategic business enabler instead of as a cost center and they maximise the efficiency of their IT operations such that they can concentrate on their main resources to provide value to the business and respond to today's environment of rapidly changing business conditions. For both authors, IT plays a key role in flexible organisation forms such as strategic partnerships and cross-functional networks (Hamidia & Safabakhshb, 2011, p. 366).

Göken and Yildirim refer to the strategic influence of IT and write that IT is to be seen as a system that shapes the organisations' competition strategy. IT changes objectives, processes, products or relations to enable competitive advantage (Göken & Yildirim, 2006, p. 313). Elibol defines IT as a vital factor for the importance of strategic success in business. IT is part of a general business strategy since it has been set into a position for the administration of businesses by IT applications in competitive businesses nowadays. IT plays a key role in changing business administration. It has many advantages, such as decreasing the bureaucratic activities in administration of businesses, improving the communication in businesses and maintaining the efficiency of administrative decisions (Elibol, 2005, p. 157 f). For Vickery et al. a firm's IT investment is associated with productivity, profitability and consumer well-being. The benefits of IT are transmuted into positive organisational effects through synergistic combination with complementary investments. IT investments and assets have an impact on business processes and/or capabilities and these in turn engender organisational performance. The extent of IT use is a critical antecedent to performance (Vickery, Droge, Setia & Sambamurthy, 2010, p. 7025). Edgington et al. support the previous statement and declare that IT has become critical and essential to business operations. The continuing quest for cost efficiency and effectiveness has pushed even large companies to consider ITO as a strategic business decision. When IT is outsourced, the process goals can fundamentally be altered based on the contractual structure entered by the companies willing to start an outsourcing relationship (Edgington, Raghu & Vinze, 2010, p. 175).

McNaughton et al. determine that IT management is a key issue today. The traditional function of IT and its management, e.g. hardware and software installation, network/systems, applications management and help desk nowadays includes business-oriented service support. This service support includes planning and managing IT according to its contributions to required business processes. Processes in IT, often defined in the Information Technology Infrastructure Library (ITIL)⁵, support companies in their conduction of IT projects and ITO. As firms push for better IT governance and more efficient IT functions, the ITIL framework is one solution. The key benefits from an ITIL implementation are: alignment of IT services with current and probable future business needs, improved quality of IT services and a reduction in the long-term costs of service provision (McNaughton, Ray & Lewis, 2010, p. 219). Marrone and Kolbe underpin McNaughton et al.'s proposition by declaring that IT concentrates mainly on the execution of IT operations. For them, managing IT means that processes need to be in place to ensure the quality of IT services which have been set up according to service level agreements. Furthermore, managing IT implies the definition, management and delivery of IT services to support business goals and customer needs (Marrone & Kolbe, 2011, p. 6). Lucio-Nieto et al. state that the increasing use of IT within firms has resulted in usage-dependent organisations seeking to have efficient and innovative technological services and solutions. Firms recognise that IT is a strategic asset to support information and services management. Reality shows that IT is overlooked or not addressed at all with the strategic importance it entails. Companies which do attach importance to this issue, through the implementation of best practices or frameworks such as ITIL, have found that one of the key factors to guarantee success is having suitable processes, not only for the implementation, but also for follow-up and maintenance (Lucio-Nieto, Colomo-Palacios, Soto-Acosta, Popa & Amescua-Seco, 2012, p. 589).

⁵ Information Technology Infrastructure Library is generally abbreviated with ITIL.

Jia and Reich write that IT permeates most business processes within and across organisations. IT professionals are seeking ways to identify, measure and improve the services they provide to their clients. IT departments have long been viewed as service providers and service quality has been a topic of interest for many years. IT service quality has been identified as one of the three pillars of IT success along with information quality and systems quality. IT service quality is often associated with desired organisational outcomes leading to the conclusion that companies are aiming to achieve the greatest organisational impact with a strong focus on prioritising IT service quality (Jia & Reich, 2012, p. 51).

2.1.3 Summary of Information Technology

Sub-section 2.1 has shown general statements about IT. According to what has been written, IT plays an important role in today's business. IT does not only delineate the type and form of IT infrastructure within firms; it also encompasses processes, communication and the way companies work together while in a relationship with each other. Without IT, many business processes would not function and products could not be produced at the pace and in the quality they are manufactured today. In recent years, the role of IT has increased and increasingly, activities within firms (inter-company and intra-company) are depending on a strong and well-sized IT infrastructure. Companies need IT to be able to interconnect to each other and to set up information and communication channels. IT is seen to be a key driver for success. Nevertheless, companies have cut spending for IT, due to past experiences. Many companies followed the path of changing their IT at any costs, only to find out that infrastructure, manpower, processes and appliances were overloaded as a result. Such situations have induced a change towards decision-making and have promoted a positive attitude towards ITO. With this, companies have faced new challenges, e.g. negotiating a contract with an external partner or, having faced the challenge on how to find the right partner in the first place.

This sub-section was dedicated to providing general information about IT and its "surroundings". The following sub-sections will deliver a glimpse into theoretical foundations of outsourcing, contract design, agency theory, information exchange and the phenomenon of trust to highlight derivable interconnections as a basis for the development of a model to optimise the contractual design, content and negotiation between customers and service providers in ITO.

2.2 Theoretical Background on Outsourcing

2.2.1 Introduction to Outsourcing

The following sub-chapter outlines theoretical statements about outsourcing. It describes the advantages of outsourcing, but also addresses the challenges and the risks of outsourcing. Furthermore, this sub-chapter discusses the determinants that are crucial to assuring that outsourcing is successful, but also speaks of the expectations that people in charge of outsourcing projects have to consider outsourcing a business concept. It starts with a retrospective view on outsourcing and provides figures for the outsourcing market which is nowadays to be considered a global market with an enormous potential of growth. The sub-chapter also points out that outsourcing needs to be considered and conducted carefully, because in spite of the fact that outsourcing is a growing market, quite a few companies have withdrawn their outsourcing schemes and partnerships due to previous bad experiences.

2.2.2 Propositions about Outsourcing

In their research work, Singer and Donoso provide an overview on outsourcing. They point out that outsourcing is the delegation of a business function or section from a firm to a supplier, under the terms and conditions of a contract designed to fulfill required tasks. For them, such an arrangement has become a widespread strategy in industrial organisations. They refer to a survey conducted with 747 firms in the US and Europe and postulate that the main reasons for firms to outsource tasks are to improve cost discipline and control, to achieve best practice and to improve service quality. To be able to achieve such goals and to obtain benefit out of these objectives, firms have externalised basic services such as information technologies (52% and 56%), telecommunications (40% and 37%), human resources (48% and 44%), e-commerce (20% and 16%), logistics (19% and 11%) and other functions. Despite this general approach to outsourcing and an increasing level of tasks being given to external partners, more and more firms have recognised that besides the benefits being expected, a high level of dissatisfaction with outsourcing has been identified, too (Singer & Donoso, 2011, p. 338).

Freytag et al. for instance write that in recent years a great number of firms have changed their outsourcing strategies after re-evaluation of their position, to improve activities and to obtain the best conditions for developing, manufacturing, commercialising and delivering products or services. Freytag et al. claim that outsourcing refers to the practice of shifting a previous operation and/or transaction

previously governed internally to an external supplier with the aid of long-term contracts. The strategy of outsourcing appears to have become today's solution to saving costs and strengthening core competences (Freitag, Clarke & Evald, 2012, p. 99). For Buehler and Haucap, outsourcing has become a widespread phenomenon in the industrialised world in recent years. Outsourcing is a key feature in many organisations and can be found in the following industry sectors: aircraft, cars, computers, mobile phones, audio/video systems and so forth. Outsourcing plays a prominent role for various industries (Buehler & Haucap, 2006, p. 325). Hätönen and Eriksson understand outsourcing as one of the most sustained trends of concurrent business. Outsourcing has changed the way firms compete in diverse industries such as automobiles, aerospace, telecommunications, computers, pharmaceuticals, chemicals, healthcare, financial services, energy systems and software. Outsourcing is nowadays done both domestically and internationally. International outsourcing is often referred to as offshore outsourcing. It involves the transfer of both the ownership and the location of the operations. The competitive environment in which outsourcing is conducted is referred to as an outsourcing economy which is characterised by an increased focus on core organisational competencies and simultaneous leveraging of external resources, skills, knowledge, capabilities and competences. The high level of competition in the outsourcing market has caused a shift towards buyers' markets, enabling companies of all sizes in nearly all industries to capitalise on external sources of knowledge and capabilities. These developments have coerced practitioners and researchers alike to rethink the factors behind the success of modern organisations and thereby their position and role in the marketplace (Hätönen & Eriksson, 2009, p. 143 f.).

The most significant management challenge in this field lies in recognising the firm's key competencies and by finding the best service provider to add value to the rest of the customer's operations and in managing the resulting global network of service providers and partners. Managing the relationship with a key service provider is likely to gain importance to outsourcing companies (Hätönen & Eriksson, 2009, p. 143 f.). Wu et al. describe outsourcing as a mean to focus on core competencies and to maintain advantages to imply that outsourcing firms can improve their market position in a stable manner. They point out that the increasing competition in the global market has forced many companies to focus on core competencies and outsource other activities to maintain their competitive advantages.

The market requires products with increasing complexity to be produced in a shortened time-to-market period. Therefore, collaborations between complementary and specialised companies have replaced vertically integrated business models and made outsourcing and vendor management crucial issues in supply chain management. Outsourcing follows the make-or-buy strategy in determining whether a process or component should be outsourced based on cost effectiveness, niche market, technology development, innovation strategy and core competence.

For Wu et al., the first stage of conducting outsourcing should be an evaluation of possible providers for outsourcing based on the tradeoff between multiple quantitative and qualitative attributes including average cost, delivery, quality, flexibility, company status, responsiveness, information technology, improvement, risk, contract specificity and procedural rigour (Wu, Chien, & Genc, 2012, p. 235 f.). Thus, the issue of addressing more attention towards outsourcing is the basis for service providers and firms to exhibit its value. Therefore, the best way to meet this challenge is to improve the quality of the relationship between service providers and outsourcing companies based on trust in future. Today's outsourcing contracts are often very complex, therefore it is difficult to incorporate all rules and agreements in such contracts. Furthermore, interactions between the participants often go beyond rules and exceptions. They depend on intangible factors and often these cannot be easily captured in a contract, e.g. trust, interdependency and commitment. An increasing attention has been focused on creating a flexible relationship between service providers and firms, trust will become a core need for successful outsourcing activities (Lee & Choi, 2011, p. 96).

Kholekile et al. are focusing on the benefits and risks of outsourcing and quote that looking at the level of expenditure and potential benefits as well as risks associated with ITO⁶ it is important to stress that an outsourcing decision needs to be supported by systematic and conclusive empirical evidence regarding its return. They criticise that to date only a few studies have sought to provide such evidence and it is still unclear whether ITO delivers tangible business value for firms following the "path of outsourcing" (Kholekile, Wang & Wang, 2010, p. 110). Singer and Donoso support this quote and write that looking at the ITO business has determined that the comprehension of the customer-supplier-relationship is still limited.

⁶ Information Technology Outsourcing will be hereafter referred to as ITO.

They say that findings are based on limited surveys and relatively simple hypotheses are tested against limited data (Singer & Donoso, 2011, p. 338). Gurbaxani reinforces the statement of having a lack of research, but over and above this Gurbaxani shifts the theoretical gap into practice and writes that successful outsourcing of IT services in firms is impeded by a lack of guidance on how to design ITO contracts to encourage and reward good vendor performance, especially in arrangements with multiple objectives (Gurbaxani, 2007). Barthelemy substantiates Gurbaxani's statement and writes that ITO implies a good management of the relationship between the outsourcing firm and the service provider, focusing on the vendor as the key to success. Barthelemy refers to the relationship between the two parties and claims that ITO management has two sides. While the hard side refers to the contract, the soft side refers to trust. The basic difference between the hard side and the soft side can be distinguished between the following aspects: in an outsourcing relationship managed by the hard side, the service provider must comply with the requirements of their clients as part of the contract. In a relationship managed through the soft side this behavior is more likely to be on the level of self-management (Barthelemy, 2003, p. 539).

Benjaafar et al. discuss the relationship as well as the status between outsourcing companies and their service providers. They write that although previous outsourcing decisions were based on cost efficiency, they are increasingly based on the quality of service praised by the respective service provider. Because of the weak bargaining position of service providers in many industries, customers can often set the price, with quality of service being a primary differentiator among the service providers. Especially large retailers and manufacturers have developed sophisticated methods to track and reward the quality of service of their providers (Benjaafar, Elahi & Donohue, 2007, p. 241). Outsourcing needs to be re-thought carefully to be able to make the right decision. Many research works deal with the problem and/or the question of "make or buy" and discuss the advantages as well as the disadvantages of outsourcing to provide substantial ground for decision makers to follow the right path. Outsourcing is not only a transfer of an activity to another company; it involves more than just making the decision itself.

2.2.3 Outsourcing Determinants and Expectations

To receive a better understanding of the determinants of outsourcing, the following sub-section will discuss these outsourcing determinants as well as the expectations that companies have towards outsourcing. The content of this sub-chapter focuses on the idea of providing an understanding why outsourcing might be important to firms and why it is necessary for firms to reflect the critical key facts of outsourcing to be able to move into the right direction. It looks at general outsourcing subjects as well as highlights aspects of ITO. Starting with the determinants and expectations of outsourcing, Thouin et al. argue that for instance ITO can generate advantages, but can also cause risks. The overall benefit may not be positive in the end. According to Thouin et al. one advantage of ITO is that it gives an organisation the opportunity to focus on its core business competencies rather than concentrating on administrative functions.

To underline their statement, Thouin et al. provide an example: Providing IT services and managing a data center is not a core competency of many organisations. Hence, to increase the emphasis on the core business, an organisation can outsource its IT to a service provider. Another advantage is better cost efficiency associated with outsourcing due to experience and economies of scale.

While the benefits of outsourcing can be significant, there are a lot of issues that can make outsourcing less attractive, and in some cases may be even harm the outsourcing firm. As well as advantages, outsourcing can generate disadvantages such as a limited level of organisational control over the IT configuration and services which are generally less than those when the system is developed in-house (Thouin, Hoffman & Ford, 2009, p. 464). Thouin et al. strengthen their predication by writing that ITO requires explicit delineation of the services to be provided from the start. Deviations can cause significant costs to the overall calculation of each ITO case. The loss of control and decrease in in-house expertise may lead to a decreased level of IT integration in the organisation, with the effect that potentially the competitive advantage of an integrated IT is reduced or eliminated. ITO dislocates the support activity outside the organisation's internal environment. End user may anticipate that service levels are lower and ITO does not deliver the expected results. Additionally, outsourcing is susceptible to risk factors like antiquated technology lock-in and high-cost of contractual modifications. Finally, unanticipated management and transition costs can increase and the number of legal disputes can rise (Thouin, Hoffman & Ford, 2009, p. 464).

Berggren and Bengtsson endorse Thouin et al. and postulate that critics of outsourcing have accepted the short-term positive cost effects, but do point out that possible long-term consequences can arise in other areas, such as organisational fragmentation, erosion of motivation and shared understanding (Berggren & Bengtsson, 2004, p. 213). For Gadde and Hulthén, the main reason for a disappointing outcome of outsourcing seems to be an inadequate strategic analysis. Both authors write that a decision taken towards outsourcing is often taken with too narrow scope concerning potential consequences. For instance, pitfalls in outsourcing tend to occur because neither the outsourcing company nor the service provider has achieved a realistic understanding of the implication of the change caused by outsourcing. One particular drawback emanating from these conditions is a severe difficulty of estimating the real costs of outsourcing. In most cases, costs are underestimated which is one obvious reason for dissatisfaction with the anticipated outcome (Gadde & Hulthén, 2009, p. 634).

Leimeister writes that outsourcing represents a shift in the mode of governance from the traditional control and coordination in the hierarchy of a firm towards newer modes and standards. Leimeister sustains the opinion towards a change in organisational structure, mentioned by Thouin et al., Gadde and Hulthén and explains that outsourcing leads to significant changes in the internal processes of the user organisation. Furthermore, it constitutes a change in the organisational routines in place, e.g. processes which describe the handling of service providers. According to Leimeister, this includes a general shift away from an arm's-length approach for dealing with ITO towards a mutual relationship with long-term alliances involving a service provider where a need of increased understanding, enhanced goal compatibility and recognition of complementary requirements and skills exist (Leimeister, 2010, p. 16). Further to discussing changes in organisations, Leimeister adds that outsourcing is portrayed often as an all or nothing decision, including risks and rewards for outsourcing companies and their service providers. She claims that both share risk and reward or engage in collaborative relationships to generate added value. Therefore, the previously seen motivation for outsourcing has moved from simple cost saving strategies to business process outsourcing (Leimeister, 2010, p. 33). Hotze discusses the type of company in the process of outsourcing and writes that today outsourcing is not only a matter for blue chip companies with large amounts of employees. It is also relevant for companies employing up to 100 staff.

Hotze refers to an actual survey conducted by the Steria Mummert Consulting AG which shows that outsourcing becomes more and more interesting to Small Medium Enterprises (SME)⁷ with a number of employees of up to a maximum of 100 staff. In this survey, around 65% of the interviewees answered that outsourcing will be increasingly important to them in the near future. 95% even said that they are considering outsourcing or that they are intending to outsource part of their business on short notice. Reasons for SMEs to outsource include requirements for optimisation within the firm to align themselves with recent market demands or re-adjustments in business strategy as well as gaining better flexibility (Hotze, 2011, p. 34).

With regards to further determinants of outsourcing such as contractual and relational governance, Topi & Tucker (2019) cite Lacity & Willcocks. For Lacity & Willcocks contractual and relational governance are important for a positive outcome of an outsourcing relationship. Both, outsourcing firms and service providers need strong complementary capabilities to make relationships successful. Certain types of transactions and decisions affect ITO relationships to quite some extent (Lacity & Willcocks, 2012, p. 3). This statement shows that contractual issues and the way communication and exchange of information are conducted, have a massive influence on the development of outsourcing relationships. These are not the only issues that have an impact on the development of agency relationship in ITO, but also the intention of both parties to continue with the contract even if both face escalations throughout the duration of the contract. Lin & Wang, for instance, write in their research work that by using content analysis to generate data, determinants of escalations have been identified. In the case of low intention of continuation by the service provider, but high intention of continuation of the outsourcing firm, credible deterrence resulted in project escalation. In the case of high intention of continuation by the service provider, but low intention of continuation by the outsourcing firm, credible commitment resulted in project escalation (Lin & Wang, 2014, p. 213). Their results support the approach of the present thesis. Alignment of the contract negotiation process with rules and policies leads to fewer project escalations and enables the parties to de-escalate situations with the help of defined and agreed mechanisms.

⁷ The terminology of small medium enterprises will be abbreviated with SMEs. A small medium enterprise with SME.

This provides the foundation for a continuation of the agency relationship and avoids that one of the parties terminates the contract and therefore the relationship too quickly and without having had the chance to utilize countermeasures. It also shows however, that a controlled and managed contract negotiation process helps to align both parties correctly from the beginning, with the effect that both parties act more towards a relationship than only towards the maximisation of their own benefit.

2.2.4 Outsourcing Advantages, Challenges and Risks

This sub-section discusses the advantages and risks of outsourcing. Additionally, it describes the challenges outsourcing firms and service provider encounter when both parties want to engage each other in an outsourcing project. Both aspects are vital for firms to take into consideration when it comes to a final decision towards the conduction of outsourcing.

2.2.4.1 Outsourcing Advantages

Regarding the advantages of outsourcing, Kapanen writes that the industry working in the outsourcing field matures quickly all over the world. Outsourcing is supposed to provide companies with benefits such as process optimisation, cost savings and an improved ability to focus on core competencies. Firms are capable of implementing outsourcing projects properly as an accelerant of business transformation and as a strategic tool to obtain a competitive edge in the worldwide market (Kapanen, 2008, p. 1). Further to this, Kapanen postulates that referring to ownership models within an outsourcing strategy, outsourcing can also contribute to additional benefits, such as better and true flexibility, strategic value instead of pure cost savings, deeper experience of vendor in dealing with outsourcing clients at various levels and cultural steps and availability of vendor's process improvement expertise (Kapanen, 2008, p. 14). Gewald underlines Kapanen's statements and writes that the reasons why firms choose to outsource are various and on an academic ground, theories like transaction cost economics and resource-based view have tried to explain the factors that influence outsourcing decisions Gewald, 2006, p. 3 f. Trying to explain outsourcing decisions from a theoretical point of view, several empirical studies have been tested and expanded. Gewald adds that fundamental drivers have been identified for conducting outsourcing. The reasons or drivers are based on economical, strategical and technological deliberations. The most important driver is an anticipated cost reduction. Firms are eager to reduce their costs and when it comes e.g. to ITO, companies do want to reduce their overall IT expenditures.

In addition, firms want to convert fixed into variable costs by moving towards on-demand IT systems to reduce cost structures. On a strategic level companies are interested in outsourcing to accomplish the demand for a more flexible IT which supports business in times of rapid change and global reach as well as the focus on core competencies through divestment of non-core areas. In times of tight budgets, firms need to allocate capital in the most efficient manner. By having a focus on company's core processes, this allocation can be stipulated and enhanced. When it comes to technological drivers, companies prefer outsourcing to gain access to new technology and skilled people by outsourcing parts of their business to a service provider specialised in the respective areas (Gewald, 2006, p. 3 f.).

Goehlich states that besides the above mentioned advantages, outsourcing determines further benefits to firms. As a result of new and more flexible production technologies, companies as well as their vendors can adapt better to customer demands. Technical development driven by outsourcing leads to less firm-owned assets. Improved communication technologies enhance daily operations and an excess of capacity enables firms to obtain discounts from their suppliers. This leads to better efficiency and effectiveness (Goehlich, 2009, p. 26). Ohnemus adds that positive effects of outsourcing are experienced when previously bound management resources are released once the outsourcing project has been initiated. These additional management capacities can be used in other areas to continuously develop a company's core competencies which result in a higher value for the firm (Ohnemus, 2011, p. 18). McCarthy and Anagnostou write that the allocation of greater capacity and flexibility, especially in the purchase of rapidly developing new technologies or the myriad components of complex systems, is a massive, positive impact to outsourcing firms. These companies can buy technology from an external provider that would be too expensive to replicate internally. A network of providers could grant an organisation with the ability to adjust the scope and scale of their e.g. production capability upward or downward and at lower costs and at rapid rates. As such, outsourcing claims to provide greater flexibility than a vertically integrated organisation. Further to this, outsourcing may decrease the product-process-design-cycle-time if an outsourcing company uses multiple best-in-class providers who work simultaneously (McCarthy & Anagnostou, 2004, p. 63).

Bustinza et al. support these views stating that inter alia advantages of outsourcing include various key aspects, such as enabling firms to reduce and monitor operational costs. Additionally, economies of scale enable companies to reduce costs and distribute these costs among customers, making the achievement of economies of scale an organisational reason for practicing outsourcing. Furthermore, outsourcing enables firms to reduce and monitor operational costs and enables organisations to focus on their core activities and competencies, by limiting the number of functions within the company. For instance, managers can apply their knowledge and experience to core competencies, externalising those activities in which they are less competent, thereby benefitting from the experience of a service provider. Outsourcing helps companies to respond to changes in demand when demand is variable and fragmented. Small companies can be a conditioning factor when sudden changes in demand occur.

Reductions in demand can lead to firms having to dismiss personnel in whom it has made large investments in terms of education and training (Bustinza, Aranda & Gutierrez, 2010, p. 277). Guang Qu et al. who are looking at outsourcing from an IT point of view write that ITO continues to be popular and widely used. A survey conducted by Gartner predicted that worldwide spending on ITO would increase from \$268 billion in 2009 to \$325 billion by 2013. ITO can provide companies with various economic, technological and strategic benefits to influence future development of such firms and to enable these to reduce IT operational costs, to improve technical competence and to provide these firms with competitive advantages (Guang Qu, Pinsonneault & OH, 2011, p. 100). Guang Qu et al. further write that researchers are classifying industries based on their level of IT intensity, but are inconsistent as to the expected effects of IT intensity on outsourcing. Some suggest that, because companies in IT-intensive industries consider IT skills and resources their core competencies, they may opt to outsource IT tasks or projects less aggressively compared to firms in non-IT-intensive industries. Others claim that firms in IT-intensive industries may outsource more aggressively because they have superior capabilities in assessing and using external IT-related resources (Guang Qu, Pinsonneault & OH, 2011, p. 101).

Figure 2 briefly summarises the advantages of outsourcing and provides an outlook on the risks and challenges with outsourcing, which will be discussed in the next sub-chapter.

Advantages	Risks
<ul style="list-style-type: none"> • Cost reduction • Access to leading technology • Reduction of headcount/employees • Reduction in IS department's power • Firm focuses on the key skills it does best 	<ul style="list-style-type: none"> • Long-term contract inflexibility • Being tied to outdated technology • Reduction in in-house IS expertise • Lack of supplier responsiveness • Loss of control over IS decisions • Poorly managed outsourcing contract

Figure 2: Advantages and Risks of Outsourcing (Harris, Giunipero & Hult, 1998, p. 374)

2.2.4.2 Outsourcing Challenges and Risks

This sub-section discusses risks and challenges with outsourcing. The cited statements give an insight into the challenges with outsourcing and the consequences arising from „implementing the wrong“ outsourcing relationship between an outsourcing company and a service provider. With regard to the overall question and research field, this sub-chapter focuses on findings about ITO. which nowadays exist in literature. Kuhlmann discusses the quality of outsourcing relationships and states that outsourcing often implies a form of inter-organisational relationship on a contractual basis between a service recipient and a service provider. Particularly in ITO, the relationship between both parties has often been labelled as a partnership or a strategic alliance, but a closer look reveals that outsourcing agreements rarely satisfy the requirements of a partnership or an alliance in reality (Kuhlmann, 2012, p. 5). With regard to ITO and the maintenance of respective relationships it is worth citing Vaia and Tommasetti. They discuss ITO from a customer's point of view and write that a focus towards management of ITO and towards the execution of IT contracts must be set to emphasise the outsourcing process.

For Vaia and Tommasetti, the ITO market is growing exponentially. Its growth is often independent of highly specific activities and thus there is a need for strong and frequent cooperation between the parties. ITO project' failures in relationships are often caused by the incapability of the customer to manage the relationship. Customers are unable to evaluate ex-ante the tenders and the competencies of the service provider they want to choose and ex-post to evaluate its performance.

This contributes to a growth of information asymmetry between the customer and the service provider and results in a higher effort to manage information with the effect that transaction costs rise (Vaia & Tommasetti, 2011, p. 219). Gronwald, for example, discusses ITO with respect to the manageability of the impact towards costs and manpower. According to Gronwald, outsourcing is a process which has a significant impact on governance, delivery systems and a company's organisation. Thus, the main question when it comes to outsourcing is underlined with the questions of "*what, why and how*". Gronwald states that many companies went through an expensive outsourcing learning curve while sourcing their services to external companies. It has been observed that significant differences exist between the mature product outsourcing and the outsourcing of services like IT. ITO does require more management effort than companies expect in general. This effort includes higher anticipated management overhead, higher cost-related issues, loss of transparency of a supplier's pricing and cost structure, resulting in increased additional costs and a less standardised methodology to evaluate the business case for outsourcing (Gronwald, 2012, p. 34 f.).

Weidenbaum reinforces Gronwald's argument and writes that companies are interested in outsourcing just because "*everybody is doing it*" and may be surprised by the complications and the unexpected costs which can occur during the outsourcing process or after. Weidenbaum postulates that about one half of the outsourcing relationships end up being terminated, for a variety of reasons (Weidenbaum, 2005, p. 313). Kapanen states that a company's success with outsourcing highly depends on its ability to manage the risks related to a complex outsourcing model. The risk in outsourcing does not only depend on the outsourcing process itself, it is more likely up to organisational changes, client-provider relationship management, process transition and other challenges correlating with the implementation of the outsourcing project.

Kapanen adds that companies doing outsourcing for the first time, the so-called "*outsourcing beginners or starters*", face challenges they have not experienced in their prior operations. As a result, an outsourcing beginner being unprepared may fail in outsourcing whereas an experienced and well-prepared company with previous experience with outsourcing may succeed in transferring extensively complex projects to best-in-class service providers (Kapanen, 2008, p. 1). McCarthy and Anagnostou discuss outsourcing in connection with the development of knowledge and knowledge transfer from an outsourcing company to its service

provider. During a 15-year period, the economic value, strategic importance and complexity of the outsourced activities have increased, evolving from routine and non-value-adding functions, such as security, cleaning and catering, to key support and value-adding functions like IT, logistics and accounting, to core manufacturing-related functions, such as design and certain production processes. Outsourcing not only purchases products or services from external sources, but also transfers the responsibility of physical business functions and often the associated tacit and codified knowledge to external service providers. McCarthy and Anagnostou identify the transfer of knowledge from one party to the other as a challenge of outsourcing, because the outsourcing company might lose knowledge in the long run when tasks and activities are transferred to an external party and the previous held knowledge is not maintained anymore (McCarthy & Anagnostou, 2004, p. 63). Li defines outsourcing as a devolving task to an external company holding benefits as well as challenges for an outsourcing company. For example, transferring business activities to external providers poses two significant challenges. Firstly, outsourcing companies will face business partners' opportunism; and secondly they will find out that control mechanisms need to be set in place while facilitating the coordination of inter-organisational exchanges in uncertain business environments (Li, 2012, p. 1384). Freytag et al. see opportunities and challenges with outsourcing and write that the strategy to effectuate outsourcing appears to be today's solution to save costs and strengthen core competences.

While outsourcing can provide benefits on one hand, it is often related to difficulties and unfulfilled expectations or objectives on the other. Increasing numbers of firms do re-evaluate their outsourcing solutions. Various problems with outsourcing do exist. The challenges with outsourcing are not the only reason why firms reconsider their outsourcing plans. For instance, internal and external business changes can bring up opportunities through which a new sourcing solution becomes attractive (Freytag, Clarke & Evald, 2012, p. 99 f.). More specifically, outsourcing of activities traditionally performed within the firm has become in vogue in the last decades. Almost every industry has witnessed an increase in outsourcing with regards to manufacturing, business processes and information technology. However, multiple sources have indicated that an unacceptably high proportion of outsourcing engagements show challenges for the outsourcing companies and have delivered disappointing results, which shows that outsourcing can support companies in improving their strategies and development, but at the same time can influence both

aspects negatively (Handley, 2012, p. 152). Kaya supports Handley's view, observing that, outsourcing provides many reasons for firms to outsource projects or tasks to an external service provider, because the outsourcing company might not have the required technology to fulfill the projects or tasks anymore or outsourcing might be less costly compared to an in-house execution. However, quality and capacity restrictions, probabilities of satisfying due dates, disruption risks, discounting schemes, reliability and flexibility of the external provider often affect the outsourcing scheme negatively (Kaya, 2011, p. 168).

Lin and Tan discuss outsourcing with respect to core competencies and supplier opportunism and see challenges arising through outsourcing. They write that one of the main arguments in favour of outsourcing proposes that companies are able to improve their level of service, cut costs and free up capital to concentrate on what is most important, with the effect that they find an opportunity how to differ from others. However, it occurs that by subcontracting, say, production to a potential rival firm, the incumbent firm can lessen the incentive of the former to develop its own products, to enable itself to enter the downstream market as a competitor of its "previous" customer (Lin & Tan, 2010, p. 360).

Li and Wang state that outsourcing bears benefits, but also challenges and risks. They write that outsourcing helps to reduce manufacturing and service costs, and because of this, companies have been attracted to outsourcing in the past. To significantly reduce costs, many companies have outsourced tasks to service providers located in much lower-cost countries to help them access a large pool of workers at a fraction of the cost of similar domestic facilities. Whilst the allure of dramatic costs savings is undeniable, risks involved in outsourcing are significant. Amongst other things, Li and Wang see the greatest risk as the uncertainty associated with the savings from conducting outsourcing. They define this as one of the biggest challenges with outsourcing and provide an example for this uncertainty. They write that, for instance, hidden costs can have an impact of currency revaluation which can have a dramatic effect on the success of outsourcing projects, when the activities are outsourced to an external service provider being located abroad. These currency revaluations can cause an increase in costs in the overall calculation of an outsourcing project and therefore negatively influence the anticipated outcome of the scheme. Benaroch et al. talk about challenges with outsourcing and about the allocation and implication of costs for outsourcing.

They write that the operating implications of service outsourcing may be more subtle than for manufacturing outsourcing (Li & Wang, 2010, p. 131).

Benaroch et al. justify this statement with the assumption that the outsourcing of services is more intangible, perishable and inseparable compared to the outsourcing of plain production activities. Outsourcing of services requires a higher amount of customer contact, specifically when an outsourcing company that is currently executing such services in-house wants to outsource these services to an external partner. In such a case, operating costs can comprise a fixed cost per period and a variable cost per transaction. While performing a task in-house, the fixed cost per period is associated with overhead for salaries, personnel training and other infrastructure resources, e.g. rent for office space, costs for software licenses, hardware leases, the operation and maintenance of data centers as well as for software updates for changing business and compliance requirements. With outsourcing, the fixed cost per period is allocated to monitoring the service provider's performance and their service quality. Furthermore, costs arise for regulatory compliance, with using secured high-capacity telecom connections to transaction exchanges.

Ongoing maintenance and updates of retained inter-dependent processes and interfaces in response to provider-initiated changes affect the outsourced process negatively and provoke an increase in costs (Benaroch, Webster, & Kazaz, 2012, p. 272). Whilst Whitten et al. discuss the challenges with outsourcing, they mainly focus on ITO and the question of continuing an outsourcing relationship or back-sourcing the outsourced task in-house. They postulate that ITO involves the decision of a firm to outsource parts or all of its information systems functions to one or more external service providers. Though it has become prevalent, many ongoing outsourcing contracts are discontinued in favour of either shifting the tasks to a new, different service provider or bringing them back in-house. This kind of decision will become relevant when existing ITO contracts are re-evaluated. Then managers can make a strategic choice of either to continue the outsourcing project with the same provider or to discontinue the outsourcing contract and either switch providers or source back the previously outsourced tasks in-house (Whitten, Chakrabarty & Wakefield, 2010, p. 167). This type of decision-making is one of the biggest challenges besides an unanticipated increase of costs, because outsourcing companies face difficulties in back-sourcing an outsourced task when outsourcing has been conducted for quite a while.

Previously existing knowledge might not be available anymore and in-house systems might not match the needs of the tasks anymore. Chang et al. intensify this assumption and write that outsourcing has admittedly been perceived as a viable, economical and beneficial strategy for large enterprises. However, the new business environment has indicated that this might be a misconception, because often outsourcing has proven to be less effective than internal IT processing. A variety of factors influence the effectiveness of outsourcing, e.g. the external provider's capabilities, the partnership, trust and service level agreements. Other factors depend on the client-firm's requirements and abilities, including their IT capability, their internal organisation, their participation and their type of communication with the external service provider and in-house. For Chang et al., the right choice for selecting the appropriate service provider has a positive impact on the productivity and the performance of the outsourcing company. Hence, companies should carefully manage their pre-planning activity, recognising that choosing outsourcing partners with excellent service quality is a crucial factor in making a successful selection for the future (Chang, Yen, See-Pui Ng & Chang, 2012, p. 199).

Additionally, they write that the performance of outsourcing can be affected by many factors. Outsourcing providers tend to be evaluated according to various crucial factors to ensure outsourcing success. Therefore, firms should carefully evaluate their respective environments and corporate cultures while assessing their requirements. Capacity of software and hardware as well as specific project management and reputation of the service provider seems to be the most important factors in the selection process (Chang, Yen, See-Pui Ng & Chang, 2012, p. 200). Antelo and Bru reflect the above mentioned argument. They talk about challenges with outsourcing in conjunction with "*making the right decision*". Antelo and Bru provide a suggestion for making the right choice when it comes to outsourcing. They argue that outsourcing can be a real option for outsourcing companies to postpone internal restructuring and use market relationships with external providers as a source of information about the efficiency of organisational structure improvements (Antelo & Bru, 2010, p. 2). Additional information gathered while considering outsourcing can support firms in the evaluation of their decision and can help to balance between restructuring and outsourcing. The optimal choice between immediate restructuring of in-house activities and outsourcing can be affected by the possibility of delaying investments.

Hence, outsourcing may be a deliberate management policy to defer the decision on in-house restructuring and definitive outsourcing until sufficient information about costs and benefits have been obtained to provide management with the best option to base their decision on valid and robust decision making grounds (Antelo & Bru, 2010, p. 2). Lockamy and McCormack manifest challenges with outsourcing especially in terms of a dependency of the outsourcing company from the service provider. They write that in an effort to achieve a competitive advantage via cost reductions and improved market responsiveness, firms are increasingly employing outsourcing as a component of their supply chain. Nevertheless, with outsourcing companies these firms do increase their dependence on external service providers. They become more susceptible to their risk profiles. Service providers risk profiles are comprised of risk events which are associated with the provider network, internal operations or external factors. Service providers with a high level of risk event occurrences can have a substantial impact on a firm's revenue stream. Therefore, it is essential that outsourcing companies find measures to analyse the risks associated with an external service provider being selected to fulfill the previously in-house conducted tasks.

Outsourcing has shifted the role of many companies from a producer of goods to a coordinator of their own value chain (Lockamy & McCormack, 2010, p. 593). Lockamy and McCormack postulate that the increase in service providers' dependences has highlighted the requirement to enhance the approaches for service provider management. Effective provider selection, innovative provider development and meaningful provider performance assessment have become key competencies to make outsourcing projects successful (Lockamy & McCormack, 2010, p. 595). Roy and Sivakumar discuss the outsourcing challenges with regard to managing intellectual property and the loss of this due to outsourcing. They argue that at the core of fundamental global changes companies' approaches to marketing and management have changed. Any task that does not require face-to-face contact can be taken as a candidate for outsourcing. Because outsourcing occurs for tasks that are high in the value chain, the question of managing intellectual property of the outsourcing company becomes critical. Managing intellectual property becomes more and more a challenging task made formidable by complex networks of service providers.

Intellectual property must be managed for the outsourcing company, the provider and most important for their relationship in the context of different protection regimes, legal infrastructures, differences in employment contracts and knowledge exchange (Roy & Sivakumar, 2011, p. 48). Handley and Benton refer to outsourcing when they speak about the level and the balance of power within an outsourcing relationship. They claim that the power of one party over another is regarded as being a direct function of dependence. According to them, dependency need not be unilateral. It is important and plausible that both parties are mutually dependent. Providers who are faced with a powerful customer seem to be motivated to balance the power within the relationship and develop what is referred to as countervailing power. Handley and Benton argue that this countervailing power is considered as the ability of the influence to resist and to counterbalance pressure, for example in a relationship. One main source of countervailing power is the buyer's own dependence on its external service provider. This dependence on the service provider might be driven by a lack of alternative sources and conditions that make a switch to another supplier difficult (Handley & Benton, 2012, p. 255). The greater the switching difficulties are for the buyer, the more dependent they are on their particular service provider, with the effect that they will have a greater concern towards the relationship quality (Handley & Benton, 2012, p. 255).

The following statements to outsourcing risks and challenges sum up this sub-chapter. They give an indication of what companies need to consider when they practically come to the decision to run an outsourcing project. Raiborn et al. extract four types of risks and explain them consecutively.

Loss of Control

Companies can lose control over their own process technologies or work standards when tasks are outsourced to external firms. SLAs, for instance, can be inappropriately defined or embedded incorrectly in work specifications and force a service provider to opportunistic behaviour. Monitoring performance and productivity can be challenging and coordination and communication can be limited, especially when the service provider is located far away from the location of the outsourcing company. Control issues can be exacerbated by geographical distance. As a result, inability of face-to-face meetings and brainstorming is given when the service provider, e.g. is located offshore.

This might influence the project's flow, or in a worst-case scenario, cripples the whole project flow altogether (Raiborn, Butler & Massoud, 2009, p. 349).

Loss of Innovation

Companies being innovative in the market must place attention on human resources. Companies pursuing innovative strategies in the market should recognise the need to recruit highly qualified individuals and appraise their performance for positive long-run impact. When certain support services such as IT, software development or materials management are outsourced to third parties, they may risk that employees' innovation will be reduced. Additionally, when external providers are hired for the purpose of cost cutting and for gaining labor pool flexibility, firms limit the establishment of cooperative, innovative links among their employees. One effect is that the potential to build a strong corporate culture to establish and stabilise a company vision and mission can be reduced, all of which can inhibit or destroy any innovative goals the firm may wish to pursue (Raiborn, Butler & Massoud, 2009, p. 349).

Loss of Organisational Trust

Firms considering outsourcing as one way to increase business stability in future can face a significant non-quantifiable risk. This risk can occur, because service outsourcing can cause a breach in the employer-employee relationship. Social behaviour can be affected, because employees are concerned as to which group they will be the next to be outsourced. If an outsourced relationship is of a blended workspace nature, the presence of contractors working in tandem with traditional employees may remind those employees that their relationship with their employer is tentative. They might feel that this relationship is only based on market needs and demands. As such, employees may be more reluctant to explore and exploit new opportunities, because they might assume that there is no guarantee that employees' loyalty will be rewarded.

Similarly, if the company decides not only to outsource the service functions but also any associated personnel, employees may feel disoriented, because the employees do not wish to be "sold in a job-lot contract". In a situation where workers, for instance, are displaced into an outsourced organisation, they often feel conflicted as to who their actual employer is: the new external service contractor or the client company for whom they were previously employed? (Raiborn, Butler & Massoud, 2009, p. 350).

Increased Transaction Costs

The decision to release some organisational activities to an outsourcing service provider should only be made after a conducted and reliable cost-benefit analysis. Some of the outsourcing costs and the expected benefits can easily be identified and quantified, because they are captured by the accounting system. Other related costs and benefits are decision-relevant, but not part of the accounting system. Those factors cannot be ignored simply because these are difficult to obtain and/or require the use of estimated values and data. The most important and least understood consideration in this equation is the question of the so-called “make-or-buy-decision”. Experienced outsourcers incur substantial and possibly unforeseen transaction costs for activities such as service provider identification and selection; legal fees for contract negotiation and composition; performance measurement development; quality assurance and the execution of audits. These additional costs can easily exceed 3%-5% of the initially calculated and anticipated project costs.

Trying to reduce or eliminate day-to-day involvement with the outsourced activities, offloading support services still requires some level of oversight and decision-making involvement with the outsourcing supplier. The scope and the methods of such involvement can vary directly proportional to the strategic importance of the outsourcing relationship. Management oversight efforts, for example, can create new costs that might negate some of the savings that were a primary reason for outsourcing and these costs might not have been considered while making the decision for outsourcing. It is not surprising to find that cost saving potential is often not as substantial as an organisation expects.

Outsourcing depends on open communication and exchange of information between the outsourcing firm and its service provider, but there is always a high potential of risk when sensitive information is shared with external partners. This risk occurs in a way that external parties outside the outsourcing relationship will somehow obtain that information. If an outsourcing relationship starts to deteriorate, the amount of in-house management time devoted to resolving difficulties rises dramatically and can outweigh the projected outsourcing cost savings (Raiborn, Butler & Massoud, 2009, p. 350 f.). Resolution of outsourcing problems should focus first on determining and solving the actual cause of the problem. If the outsourcing firm wishes to continue the outsourcing relationship, there will be a need to address any damage that has been caused to the relationship.

Alternatively, if the firm determines that the relationship is unsalvageable, additional costs can occur to select and establish a relationship with a new service provider or to insource the previously outsourced tasks back in-house. Further to this, there may also be costs required to become untangled from the old service provider (Raiborn, Butler & Massoud, 2009, p. 350 f.).

Other Risks

Mäkiö and Betz describe further outsourcing risks. They write that outsourcing may cause further disappointments and disadvantages to companies being in the process to outsource previously in-house executed activities to a third party. The negative results of outsourcing are often disappointing and problematic to firms especially when the costs outgrow the desired budget or when the service delivered does not reach expectations. Therefore, the anticipated possible complications need to be vigilantly monitored and roughly approximated using tools that can generally help to predict the results of an outsourcing project (Mäkiö & Betz, 2007, p. 23). Bäumer and Mara state that because of the described challenges with outsourcing, companies need to evaluate the impact and potential consequences for their parts of the business undertaking outsourcing. Among the benefits of outsourcing already articulated, or further benefits like economies of scale, reduced overhead costs, access to cutting-edge technology, processes and skills, the ability to focus internally more stringently on core competencies and objectives, access to flexible, scalable and adaptable solutions, better efficiency in managing workloads and decreased product development risks of outsourcing are given in the same instant (Bäumer & Mara, 2012, p. 122). Bäumer and Mara recommend considering all aspects of outsourcing and write that besides the risks of the loss of quality control, outsourcing activities can generate adverse public opinion, scope creep leading to cost increases, problems with security and confidentiality, retransition issues as well as communication and cultural difficulties. They advise to understand outsourcing as a defined cycle with four stages: self-assessment, selection of an appropriate service provider, negotiation of the contract and terms and conditions with the selected provider and the implementation of the outsourcing project (Bäumer & Mara, 2012, p. 122).

Lee and Kim discuss the risks of outsourcing analogously to Bäumer and Mara, but refer to ITO. They write that although outsourcing comes with benefits, some business functions outsourced to external service providers are associated with risks. These risks are particularly salient because of the difficulties for an outsourcing firm to evaluate whether or not its outsourcing partner will default on its obligations with regard to the terms of the outsourcing contract. Outsourcing business processes as opposed to IT functions likely induce higher performance risks.

In particular, business processes such as customer helpdesks or support desks require interactions between customers and the selected service providers. Monitoring and evaluating the quality of services provided by the service provider can be difficult for the outsourcing firm, if not impossible. Hence, the service provider serves as the middleman between the outsourcing firm and its customers. This situation becomes critically important as the service provider is viewed as the firm's representative towards its customers. It therefore poses a greater performance risk to the outsourcing company if the service provider fails to deliver services according to predetermined specifications and agreements (Lee & Kim, 2010, p. 855).

Freytag et al. express their skepticism towards outsourcing and write what the reasons for experiencing problematic outsourcing situations are. They postulate the so-called "Seven Deadly Sins", which outsourcing companies should recognise and analyse when they are considering a conduction of outsourcing (Freytag, Clarke & Evald, 2012, p. 100). Aundhe and Mathew reflect the risks of outsourcing from a service provider's point of view and write that outsourcing does not only cause risks for outsourcing companies. It also holds risks for service providers. Especially when the outsourcing of application development is concerned, the following determinants of risk, i.e. size of project, uncertainty of requirements, type of project, training of human resources, reputation of client, type of contract and further risks can be identified (Aundhe & Mathew, 2009, p. 420). Park et al. support the previous statements and write that ITO is considered a strategic and economic choice for enhancing a company's performance. In IT, a missing or not well-defined outsourcing context or contract combined with poor knowledge and understanding of the overall scheme can cause a low performance of both parties.

In this respect and referring to knowledge asymmetry between the outsourcing company and the service provider, an existing knowledge asymmetry can favour the service provider, because the outsourcing company can lose control of IT when IT is shifted to the service provider. Lack of IT expertise on the site of the outsourcing company also allows service providers to dominate the IT management. Effective knowledge transfer between service providers and outsourcing firms is critical in meeting the perceived needs of the client's and service provider's targets and in achieving outsourcing success. Outsourcing companies typically acquire operations maintenance and training knowledge of outsourced IT, but most firms do not understand how experiential research on transferring new knowledge can be used to improve an outsourcing situation (Park, Im & Kim, 2011, p. 53).

2.2.5 Summary of Outsourcing

Kobayashi-Hillary writes that to achieve the best output from carrying out outsourcing companies need to design the measurements to control the outsourcing programme itself. It is vital to think about structuring the concomitant metric to measure the supposed to be added value for the business and to measure how the outsourcing process is being implemented. The disparity between an activity-based and results-driven approach can influence the difference between the success or failure of the outsourcing scheme. To be able to appraise the outsourcing process, companies should divide the complete process into a series of smaller concomitant processes, so that results are visible to all. Kobayashi-Hillary adds that it is important to make sure that the metric to measure the success of outsourcing is in place and that this metric is observed properly by those responsible for the project. It is very often difficult to design a metric for an outsourced process and not everything lends itself to easy and discrete measurement. Companies need to think before starting the outsourcing project to plan the best metric for the respective outsourcing intention. With respect to the ability to control the outsourcing scheme, Kobayashi-Hillary recommends the design and development of so-called KPI⁸. These are necessary for the success of the measurements. A good KPI metric is the most important factor for the success of the outsourcing business (Kobayashi-Hillary, 2005, p. 175). However, not only the design and the implementation of KPIs ensure a positive outcome of an outsourcing project.

⁸ Hereinafter the terminology of key performance indicator will be abbreviated with KPI.

Goo intensifies the relevance of KPIs and adds that trust and commitment are equal parameters to avouch a stable and successful client-vendor relationship. Within these relationships, attributes must be in place to guarantee successful relational exchange. Trust and relationship commitment play key mediating roles in the process of the development of the outsourcing relationship. This is not only supposed to be the driver for the success of such relationships, but both aspects together can produce outcomes that promote efficiency, productivity and effectiveness, although these are highly desirable "qualitative outcomes". Therefore, other contextual factors need to be examined and defined to contribute to the success of the outsourcing project. Formal contracts and SLAs can promote the development of relational governance in outsourcing arrangements. Well-developed and well-specified SLAs may promote trusting exchange relationship and the relationship commitment in outsourcing engagements. This complementary relationship between formal contracts and relational governance is reciprocal. Formal contracts and the definition of SLAs are accompanying each other to initialize a long-lasting and well-performing outsourcing partnership (Goo, 2009, p. 30).

The present sub-chapter was dedicated to providing an overview of the available outsourcing terminology. It has provided an insight into the conditions to be met by an outsourcing company and a service provider to fulfill the requirements of an outsourcing project. With regard to ITO, it has indicated which measures and organisational actions both parties must provide to establish and maintain a long-term outsourcing scheme. The existing literature about outsourcing was discussed to provide the foundation for further progress in the present thesis. The fundamentals of outsourcing and the associated advantages and disadvantages have been outlined. Additionally, the challenges, risks and dependencies of an outsourcing project have been presented and discussed. In the same way, potential problems between an outsourcing company and its service provider have been described and measures have been outlined to reduce such problems.

A complete dissolution of an outsourcing relationship has not been found to overcome all related problems with outsourcing in general, but suggestions have been made to control or avoid problems in the first place. Additionally, suggestions have been made to provide outsourcing companies and service providers with guidance instruments that can be implemented to manage an outsourcing project

appropriately. For instance, SLAs have been discussed to provide ideas as well as background on such instruments.

This sub-chapter has focussed on a broad description of outsourcing to show different theoretical and scientific statements to provide the foundation for the empirical part in the present thesis. The results of the qualitative survey will reflect the theoretical statements and provide the ground to better understand and interpret the advantages, risks, challenges and existing operational status of outsourcing schemes between outsourcing companies and their service providers in ITO to support the development of the CEM which will be described at a later stage within this thesis. It can be clearly stated that outsourcing as a subject to be reviewed and discussed as the basis for the remainder of the present thesis is essential when looking into the provided statements mentioning that many issues in outsourcing relationships might end in termination or conflicts, if basics such as contract negotiations, communication and exchange of information are neither defined nor implemented between the parties. Outsourcing together with agent theory deliver valid information and input for the investigation and the collection of data made while conducting expert interviews serve as a source of further data. The discussed advantages and disadvantages of outsourcing provide the foundation for later policy implementation. In the same way, other literature on outsourcing was discussed in the first thesis to retrieve a model to enhance communication and information exchange.

A discussion about outsourcing, as one part of the theoretical foundation of the present thesis, is in this respect as important as the linkage between the enhancement of the challenges of outsourcing with the CEM, because the CEM and its related content can improve these challenges by providing means to overcome situations where one party knows more than the other and uses this knowledge to increase its own well-being. The CEM reflects this in its second and third pillar in which it discusses the influencing factors and their enhancements through the derived results of the investigation. Ameliorating both influencing factors will enhance the information exchange and will also ensure that transparency and openness will increase between the parties. This outcome will be discussed later in Chapter 6.

2.3 Agency Theory

2.3.1 Introduction to Agency Theory

To interlink the subject of outsourcing with the subject of agency theory, the following statement from Lacity and Willcocks shall underline the relation between the two. Lacity and Willcocks write: "*Some things are common to all outsourcing arrangements. Outsourcing is a principal-agent relationship*" (Lacity & Willcocks, 2009, p. 115). Tho expands Lacity's and Willcocks's statement articulating that agency theory aids in describing behavioural characteristics within these relationships (Tho, 2005, p. 112). This thesis as well as the resultant CEM are based on an agency-theory framework.

The terminology of the agency theory framework was first introduced by Ross with the statement that a principal is the ill-informed party while the agent is the holder of private information. In 1973 Ross introduced the principal-agent setting and defined that "An agency relationship has arisen between two (or more) parties when one, designated as the agent, acts for, on behalf of, or as a representative for the other, designated the principal, in a particular domain of decision problems" (Ross, 1973, p. 134). In 1976, Jensen and Meckling stated that the theory of agency relationships is concerned with the contractual problems that occur when "One or more persons (principal(s)) engage another person (the agent) to perform some service on their behalf, which involves delegating some decision-making authority to the agent" (Jensen & Meckling, 1976, p. 306). In 1985, Arrow summarised the main characteristics of a principal-agent relationship in general. For Arrow, various characteristics are determining such a relationship. Arrow states that the two parties interacting with each other in a principal-agent relationship can vary, and that one party must choose from a number of alternatives. The agent's decision influences the utilisation of both parties. Both parties act opportunistically and both parties try to maximise their own profit. Asymmetric information and/or uncertainty exist in principal-agent relationships. The principal observes the result of the decision or other variables that can be interlinked with the agent's private information. The principal has to propose a contract that defines the agent's well-being contingent on the observed result and/or action (Arrow, 1985, p. 37).

Zaggl discusses the agency theory framework with regard to information asymmetry and argues that the principal-agent theory is the standard approach to formulate a delegation relationship between two parties. The main value of this theory can be determined in its focus on conflicting interests between actors in this type of

relationship with information asymmetry. According to Zaggl, solving this conflict of information asymmetry will lead to an increase in overall well-being and should be the desirable solution from a utilitarian point of view.

The principal-agent theory distinguishes the roles of principal and agent. Two main perspectives are represented in the principal-agent theory. First, the agent is the better informed party and second, both parties want to maximise their own profit or personal outcome. Therefore, the focus of the principal-agent theory is to design compensational structures for the agent to solve or reduce the problem and to improve the overall outcome for both parties (Zaggl, 2012, p. 177 f.). Berkhout states that within an agency cooperation one party uses the service of another party to maintain or establish a relationship. Such a relationship is generally bound by a contract, but does not necessarily have to be. A principal delegates authority to an agent that will be responsible to perform on the principals' behalf. The problems and costs arising from this relationship are referred to as principal-agent problems or agency costs. Berkhout posits that agency costs are influenced by five characteristics: uncertainty of outcome, aversion of risk, programmability of the task delegated, measurability of the outcome, and duration of the relationship with the agent (Berkhout, 2010, p. 34). Nevertheless, problems and costs being determined by agency relationships have a negative impact towards agency relationships. So does the fact that decision makers do not attend the contract negotiations themselves in most cases, but rather instruct so-called negotiators to act on their behalf. Even if a decision maker negotiates himself, the issue of the agency problem cannot be entirely mitigated. This is due to the fact that mostly the decision maker is also the actual owner of the company he represents (Jung & Krebs, 2019, p. 138). Therefore, contract negotiations rely on only a few people, often those who are not going to operate the collaboration later or who are not in the position to make decisions in situations where direct decisions would be of help. Decisions are then taken into a higher level of management with the effect that management has not been involved in building a first collaboration basis and therefore are likely to act merely on their own well-being goals.

When receiving such management decisions on the level of the negotiators, an established relationship between an outsourcing firm and a service provider might be at stake and an already well-established relationship might face damages. In addition to this, clear rules and set up of contract negotiations will help to overcome such loops and prevent negotiators to lose their reputation.

Providing a controlled negotiation process also helps to reduce the utilisation of an advantage of one of the parties over the other. One of the reasons why a principal employs an agent is because of the agent's expertise. An agent who is more knowledgeable about the matters that are supposed to be specified in an outsourcing contract, may be able to second-guess the principal during and after the contract negotiation to his own advantage and to the principal's detriment.

Further to this, there are also dynamic constraints. Over the course of the agency relationship, the business environment which provides the backdrop for the agency contract inevitably changes. Actions that are contractually required by the agent when a contract is negotiated, may cease to be appropriate at a later stage of the contract runtime because environmental changes and other actions that could not have been anticipated *ex ante* may subsequently become necessary *ex post*. (Pepper, 2019, p. 109). Without having the willingness of being open and transparent based on the pillars of the developed CEM and its related content, both parties, rather the agent than the principal, would use her/his advantages for her/his own well-being in the case described above. This could result in the fact that the principal does not accept and tolerate such behaviour and terminates the contract, in which case she/he has alternatives such as transferring the tasks to another service provider or migrating them back into his own organisation. This kind of situation might often occur because the service provider, as a result of a failure to follow its disclosed or established cost accounting practices used during negotiations, is paid more for the activities he is contracted to deliver than it was contemplated at the time when the contract was negotiated and concluded. On the contrary, a service provider allocates less cost to a fixed price contract than she/he would have allocated by use of its disclosed or established cost accounting practices on which the contract negotiation was based (Anderson, 2019, p. 16). Both scenarios will have a negative impact on the relationship and could result in stronger use of monitoring by the principal to avoid a similar situation at a later stage during the contract run time.

The CEM and its related content help to master situations like this even though there was a mistake made in the calculation, because both parties have established a strong relationship and therefore seek options, rather than just terminating a contract or controlling the other party more strongly. Considering the first and the third pillar of the CEM, which deal with the usage of monitoring and trust as a basis for the optimization of contract negotiation, the CEM improves such situations by

enhancing the respective influencing factors. Because of this, the CEM as well as the results of the empirical investigation provide the foundation for a linkage between the phenomenon of the agency theory and the positive outcome of using the CEM when it comes to contract negotiations with a party. However, not only a calculation of contractual parameters and key figures can cause harm to a beginning or an existing relationship between an outsourcing firm and a service provider. The people negotiating the contract might cause to a negotiation to fail, too. Shapiro, for instance, speaks of the people negotiating a contract as the single biggest roadblock to successful contract negotiation. According to him, deals would be objective if people were not involved in contract negotiations. They would add up or not, deliver profits or losses, would meet timetables, create cash flow or tax write-offs or would result in mergers or spin-offs. Hence, deals would be measured against absolute criteria. People, on the other hand, are subjective beings guided by their emotions. For Shapiro, humans do not have strictly objective needs in their deals, they have subjective desires. For instance, one negotiator wants to achieve the highest sale in the history of his company, another wants to show the other side who is stronger (Shapiro, 2015, p. 215). The CEM and its related content will help to ease this kind of subjective emotion, because it provides the guidelines for a joint contract negotiation with clear rules and definitions. Based on the second pillar of the CEM and its related content, both parties have established a good interpersonal relationship level which supports the positive effect of the contract negotiation. This helps to enhance the exchange of information and the behavior of the contractors to such an extent that both parties focus on jointly defined contractual goals rather than being distracted by human behaviour as described above. Therefore, the contract negotiation can run smoothly and is not obstructed, because both parties need to show each other who is first in line and who is second. The CEM and its related content contribute enormously to a positive contract negotiation outcome.

2.3.2 Agency Problems

Berkhout points out that problems within a relationship between a principal and an agent exist because of the assumption that the principal and the agent will always act on her/his own behalf. The resulting benefits, often understood as a maximisation of self-interest, can create problems as they might be opposing each other. Looking at the agency theory from an outsourcing perspective and from a principal's point of view, challenges can arise from existing inexperience with outsourcing contracts and due to a lack of experience in the field the principal wants

to undertake as an outsourcing project (Berkhout, 2010, p. 34). Cvitanic and Zhang understand a principal-agent problem as a problem of optimal contracting between both parties, because the agent may be able to influence the value of the outcome process with his actions. The type of contract and its optimum depend on whether those actions are observable and therefore contractable or not, and on whether there are characteristics of the agent that are unknown to the principal (Cvitanic & Zhang, 2013, p. 3). Chepurnoi argues that agency problems arise from the separation of ownership and control. This separation transformed into an agency relationship accentuates the problems between a principal and an agent, because each party only follows the maximisation of its own well-being. Chepurnoi assumes that looking at principal and agent as purely rational utility-maximisers, this potential conflict between both occurs because of differences in their interests (Chepurnoi, 2013, p. 7 f.). Afeno postulates that in principal-agent relationships the principal must solve two tasks when it comes to selecting his agent. First, the principal must select the best agent and should develop incentives for him to behave as desired. Second, the principal must monitor the behaviour of his agent to ensure that his performance is adequate. Following Afeno's approach, the principal will face two problems while selecting his agent. First, the principal can never know everything about his agent. Second, the principal can never be sure of knowing the full details of an agent's performance. Hence, the principal is typically at an informational disadvantage with respect to his agent (Afeno, 2013, p. 23 f.).

Kusiluka has his own understanding of an agency relationship. He writes that a principal assigns an agent to perform a service on his behalf. This assignment involves delegating a decision-making authority to the agent. The agent is then expected to act in the best interest of his principal. This expectation does not always meet the reality, because both parties act as utility maximisers, and therefore there is a good reason that an agent does not always act in the best interest of the principal. According to Kusiluka, the agent tends to pursue her/his own goals which may be conflicting with those of his principal. This conflict can impose costs on the principal; and thus an agent can undermine the well-being of his principal (Kusiluka, 2012, p. 26.).

Schmielewski and Wein raise the argument that the basic principal-agent theory suggests that the principal mandates an agent to do operations. In their research work they refer to a relationship between a bank and an employee. According to them, the agent is free on how to operate, but has to accept certain restrictions.

In general, the behaviour of the agent is influencing the principal's profit. For both parties it is interesting that the agent needs to invest more into his efforts to comply with self-defined high results while conducting the operations, whereas from the principal's viewpoint executing more effort by the agent is seen as a neutral good (Schmielewski & Wein, 2012, p. 5).

Tarrade approaches the principal agent theory by referring to Smith, Arrow, Coase, Wilson, Ross, Jensen, Meckling and Eisenhardt, writing that agency relationships refer to relationships between parties who engage each other to perform a task on behalf of one another. In this respect, the principal engages the agent with a delegation of decision-making. According to Tarrade, the agency theory assumes that both principal and agent are self-interested and therefore follow the maximisation of their own utility through their actions. In this case, both have conflicting desires and different attitudes towards risk and the way actions are done. It is likely that the agent is not motivated to align his motivation with that of the principal and this may result in the fact that the agent does not act in the principal's best interest. If the principal does not know the agent's activities completely and is not able to observe the outcome of the agent's behaviour, this discrepancy may lead to problems like adverse selection or moral hazard (Tarrade, 2012, p. 12 f.).

Tarrade alleges that two solutions can be considered to mitigate these problems. One solution can be determined by discovering the agent's behaviour. The second solution is apparent from the fact that incentives can influence the agent's behaviour to reach the expected outcome. The first solution comes with the execution of monitoring which, to a certain extent, can be costly because information is not free. This type of action only pays off if the gain from the correction exceeds the cost of performing the correction. The second solution comes with an alignment from the principal towards the agent's preferences by contracting on the outcome of the agent's behaviour. This means that the principal transfers the risk to the agent. The costs associated with this solution consist of the investment which is required to measure and control the outcome (Tarrade, 2012, p. 13). Starck, who has conducted a research in the banking environment analogously to Schmielewski and Wein, states that principal-agent models are concerned with problems that arise when a principal hires an agent under the situation of asymmetric information. He writes that asymmetric information emerges, because of the principal's difficulties to monitor the agent's actions and characteristics.

This unobservable situation is the origin of the so-called moral hazard problem in which the agent tries to maximise his own utility or profit instead of acting for the principal's profit. Hence, the agent does not choose the first-best solution which is to be considered the solution that maximises the principal's profit (Starck, 2007, p. 55). Holmstrom agrees with Starck and determines that the problem of moral hazard is the source of problems within an agency relationship. According to Holmstrom, moral hazard is caused by an asymmetry of information that emerges because of individual actions. These actions cannot be observed before the relationship starts and hence contracted upon (Holmstrom, 1979, p. 74). McColgan stresses this phenomenon and writes that agency problems arise because of the impossibility of perfectly contracting for every possible action an agent will conduct. The agent's actions will affect her/his own benefit as well as the well-being of the principal. The question out of this predicament is how to encourage the agent to act in the best interests of the principal (McColgan, 2001, p. 4).

2.3.3 Sources and Consequences of Asymmetric Information

Voigt writes that principal-agent relations are to be distinguished by the type of information asymmetry they face. For Voigt, the type of information asymmetry depends on the point in time in which the asymmetry occurs. The asymmetry causes various forms of action and behaviour. Adverse selection as one action occurs when the agent holds private information before the principal offers a contract. Moral hazard as a behaviour is apparent if the information asymmetry emerges after the contract has been concluded. The problem of moral hazard can be divided into the problems of hidden information or hidden action. Adverse selection as well as moral hazard can occur simultaneously (Voigt, 2011, p. 8).

Salanié defines principal-agent models as a special case of more general bargaining situations under asymmetric information. He refers to simplified versions of bargaining situations in terms of general frameworks when he talks about information asymmetry and the challenges they cause. To him, these situations are very complex due to multiple game-theoretic equilibria. The principal-agent framework avoids these problems by assigning all bargaining power to one of the two parties, e.g. to the principal. The principal can make a "take it or leave it" offer to an agent and the agent can only accept or reject the offer. With this definition it is assumed that interaction stops immediately if the agent rejects the offer. Salanié stresses that this is a simplification and in the real world further bargaining steps may be required, in particular if an agent rejects the offer in the first place and the

principal is still interested in a relationship with this agent (Salanié, 2005, p. 5). Singer and Donoso enforce the above statement and write that in an agency relationship a number of agents act as representatives of the principal. The agent's performance depends not only on his effort and the quality of work he delivers, but also on fortuitous events that an outsourcing company cannot easily monitor. Such information asymmetry can result in the problem of moral hazard. To optimise his own business, an agent may only look at his advantage within the outsourcing relationship and therefore act in a way that harms the outsourcing firm (Singer & Donoso, 2011, p. 338).

Table 1 below shows the challenges derived from the agency theory and provides an insight and better understanding of the challenges themselves as well as of the assumptions why these challenges occur.

Agency Theory Constructs	Underlying Assumptions	Description
Moral Hazard	A) Opportunism B) Information Asymmetry	It is difficult or very expensive for the principal to verify whether the agent puts forth the agreed effort. The agent can blame bad performance on events beyond his control. Corresponds to hidden information and hidden action.
Adverse Selection	A) Opportunism B) Information Asymmetry	It is difficult or very expensive for the principal to verify abilities claimed by the client. Corresponds to hidden characteristics.
Risk-Sharing Problem	A) Opportunism B) Different Risk Preferences	Principal and Agent prefer different actions due to different risk preferences.

Table 1: Challenges derived from Agency Theory⁹

Marchesi et al. argue that looking into the agency theory literature more closely, the choice between basing incentives on actions or outcomes depends on the level of accuracy with which different actions and outcomes can be monitored by the parties. For Marchesi et al. it is necessary that both parties are able to monitor the outcome. If so, both parties should choose an incentive based scheme, thus leaving the agent free to devise on how to achieve the requested objectives. In contrast, if the outcomes are not fully observable while actions can be monitored with high precision, the agent should be monitored for his actions (Marchesi, Sabani & Dreher, 2009, p. 4 f.).

Kloninger connects the agency theory with risk-sharing and therefore expands the above mentioned definitions by including the terminology of risk into the agency theory equation. He writes that the roots of the agency theory reside in studies on

⁹ Refer to Kuhlmann, 2011, p. 15.

risk-sharing between individuals or groups during the 1960s and 1970s. Kloninger posites that parties in cooperative arrangements might have different mindsets towards their own level of risk-taking. According to Kloninger, agency problems arise in the form of three characteristics, targets and objectives of principal and agent are incongruent, actions and behaviour of the agent are difficult or impossible to evaluate and monitor and asymmetric information can provoke opportunistical behaviour, because both parties want to maximise their own profit (Kloninger, 2010, p. 43.). Picot et al. link asymmetric information or information asymmetries with the agency theory. For them, information asymmetries between an outsourcing company and its service provider can occur in three forms. These three forms are to be understood as hidden characteristics, hidden action and hidden intention (Picot, Reichwald & Wigand, 2012, p.57).

Hidden characteristics relate to information asymmetries with regard to the expectation of the partner's performance within the relationship. They refer to the problem that the principal cannot assess whether the agent possesses the required resources and competences to conduct the task and if he can fulfill the cooperation goals (Picot & Neuburger, 2008, p. 16). Hidden characteristics encompass the problem of ex ante knowledge about characteristics of the agent. This encloses the nature of the abilities of the agent as well as his willingness to perform towards the goals of the principal. These characteristics cannot ex ante be observed by the principal (Hunger, 2012, p. 37). Hidden actions refer to problems that the principal encounters while trying to monitor the agent. Hidden actions are linked to the post-formation stage where both parties have already started to work together. The foremost problem with hidden actions is that the partner's performance and efforts cannot be assessed. The effort of the agent might be apparent, but due to a lack of adequate expertise or capability to evaluate his performance the principal is in a position where he cannot assess how the performance contribution of the agent has been achieved. The principal cannot distinguish whether the outcome of the cooperation has been influenced by the performance of the agent or by external non-partner related circumstances (Peters, 2012, p. 115). The notion of hidden information refers to the accepted or neglected chances or risks an agent faces when carrying out a specific assignment. In order to reach an efficient use of economic resources, the contract between both parties must elicit the agent's private information by giving up an information rent. This situation is in general costly to the principal (Hunger, 2012, p. 39). Hidden intention refers to the problem that the

principal is not totally aware of the motivation and motives of the agent prior to starting the relationship. The principal does not know *ex ante* how the agent will act and perform after both parties have settled cooperation. The intentions of the agent cannot *ex ante* be verified, with the effect that they can turn into unfavourable behaviour. As a type of asymmetric information, hidden intention becomes relevant when the principal makes irreversible investments into the relationship. The agent has an informational advantage with regard to his willingness to perform and because of this he reacts upon the advanced investments of the principal (Peters, 2012, p. 117).

The problem of hidden intention arises due to the situation that the principal does not have the opportunity to fully observe the agent's action. This causes a possibility of problems in some cases due to the fact that the principal does not know the agent's intention *ex ante*. Investments being made by the principal may get irreversibly on the side of the principal and lead to a relationship of dependence because the principal does not have the aims to motivate the agent to a specific effort (Hunger, 2012, p. 40).

Wankhade and Dabade discuss information asymmetry similarly to Picot et al. They write that information asymmetry arises from the fact that people know different things. For them, information asymmetry occurs when one party in a transaction or relationship has more or better information than the other (Wankhade & Dabade, 2010, p. 14). Huarng disputes the challenges of an agency relationship with respect to discussing the expectations and settings of a relationship between an outsourcing company and its service provider. Huarng writes that principal-agent relationships are agreed upon many reasons, including situations where the principal is incapable of performing the service he wants to outsource himself. This lack of incapability can cause a major issue in an agency relationship, because it can trigger that the agent cannot act on behalf of the principal adequately. Further to this, often the goals of both parties are based on their own self-interests and are rarely in perfect alignment. This happens because their respective goals are inconsistent with each other and because of such situation the principal cannot perfectly monitor the actions and the information provided by the agent (Huarng, 1995, p. 284). Handley and Benton perceive the agency theory from an influence of exchange hazards and power on opportunism perspective and write that the service provider's opportunism is widely noted as the principal risk with outsourcing.

They add that it is assumed that if given the opportunity, service providers will act in a self-serving manner despite the potentially negative impact this may have on their outsourcing partners (Handley & Benton, 2012, p. 55).

Shimizu underpins the above assertions stating that the basic assumption of agency theory is self-interest. Self-interest results in two key risks in agents' behaviours. First, in opportunistic behaviour at the expense of the principal and second in risk averseness. Shimizu writes that conflicts occur when goals and interests between a principal and an agent are not well aligned and when the agent's behaviour is hard to evaluate by the principal. The agent may pursue his behaviour and maximises his self-interest, even when he is hired to maximise the interests of the principal (Shimizu, 2012, p. 196). Liberatore and Luo focus on information asymmetries when they talk about challenges in agency relationships. As well as Huarng they refer to incompatible goals between the principal and the agent and write that these occur, because a principal knows far less about an agent's capabilities and actions than the agent himself does. According to Liberatore and Luo, agency theory suggests a number of possibilities to address agency problems. For instance, outcome-based contracts, monitoring and trust are seen as potential solutions. In outcome-based contracts, the agent's compensation is linked to the principal's goals and objectives. As such, the agent has a clear incentive to act in the principal's best interest (Liberatore & Luo, 2010, p. 257). Dawson et al. reflect the challenges in agency relationships as well as the consequences arising because of information asymmetry and assume that both parties in a principal-agent relationship try to maximise their own well-being and therefore opportunistic behaviour exists. Dawson et al. discuss mechanisms to optimise the given situation and write that appropriate contracting can influence the agency relationship positively and immensely. They are of the opinion that a minimisation of the agent's possibilities to maximise his interests can only be provided when a principal for instance establishes an appropriate contract to reduce agent-favouring information asymmetry. The principal needs to consider that an agent uses a highly specialised and abstract body of knowledge to solve problems and this type of expertise can prevent the principal from effectively supervising his agent. The agent holds power over the principal by using his specialised knowledge. One consequence to be identified is that the agent holds a substantial information asymmetry advantage over his customer and this emasculates the principal's ability to evaluate the agent's efforts.

Therefore, successful agency relationships depend on mutual efforts and obligations of the agent and the principal (Dawson, Watson & Boudreau, 2011, p. 145).

This interplay enables the principal to use non-contractual oriented constraints rather than to enforce control and power over the agent by defining an explicit contractual set up. For Dawson et al. formal contracts, the usually preferred method to constrain agent opportunism according to agency theory, are ineffective for agents who know their opportunities well (Dawson, Watson & Boudreau, 2011, p. 145).

Figures 3 and 4 highlight the structure of agency opportunities and problems:

type criterion	hidden characteristics	hidden information	hidden action
time of occurrence	prior to conclusion of contract	after conclusion of contract and before decision	after conclusion of contract and after decision
cause of emergence	ex-ante hidden characteristics of agent	unobservable level of information hold by the agent	unobservable activities conducted from the agent
problem	agreement and acceptance towards contractual relationship	evaluation of results	behavioral- (performance-) evaluation
risk	adverse selection	moral hazard	moral hazard shirking
solution	signaling screening self selection	Incentives controlsystems self selection	incentives controlsystems

Figure 3: Structure of agency opportunities in cooperations¹⁰

	Hidden characteristics	Hidden intention	Hidden action
Informational advantage of the potential partner	Regarding its competencies and resources (qualification)	Regarding its motivation, attitude and cooperation objectives	Regarding its factual behaviour
Informational & behavioural uncertainty prior/after formation	Capabilities and qualities of prospected partner unknown	Intentions of prospected partner are unknown prior to formation	Efforts/performance results of the prospected partner hardly or not assessable
Evaluation problem	Ex ante (pre-contractual cheating)	Ex post (post-contractual opportunistic behaviour)	Ex post (post-contractual opportunistic behaviour)
Problem for outsourcing company	Adverse selection (selection of a partner with inadequate competencies and resources)	Hold-up (selection of a partner with diverging objectives; disproportional appropriation of rents)	Moral hazard (reduced efforts of the partner; disproportional appropriation of rents)

Figure 4: Agency problems in interfirm relationships¹¹

¹⁰ Own Source - Based on Picot, A. et al., 2003, S. 59.

¹¹ Refer to Peters, 2012, p. 114 f. Figure has been amended compared to the origin.

Kuwari expresses his opinion towards information asymmetry and writes that both parties in an agency relationship do not have the same objectives in reality, even if it should be assumed that principal and agent are supposed to have the same objectives. According to Kuwari, an agent is often operating in a way that is not optimal for the principal. This leads to a conflict between the two parties. Agents tend to take the entire benefit at the expense of the principal and information asymmetry between the two causes the problem that there is no motivation to disclose that information. This is the reason why an agent may need to be forced to disclose private information he holds (Kuwari, 2012, p. 47 f.).

2.3.4 Solutions for Agency Problems

Solutions for agency problems vary from the so-called signalling and screening to aligning interests or conducting monitoring. A first best set up of a relationship between a principal and an agent would be a symmetric distribution of information. A second-best design of such a relationship is characterised by information asymmetry between both parties with the effect that agency costs will incur. Their level is determined by the level of information asymmetry. The less the information is distributed symmetrically within the relationship, the higher the agency costs might be. In this respect, the amount of agency costs depends on the costs for monitoring which the principal has to bear, or the costs the agent needs to endure for signalling and providing guarantees to the principal (Peters, 2012, p. 119).

Figure 5 shows characteristics of agency problems and illustrates solutions to overcome these challenges. Additionally, it provides examples for each solution:

	Hidden characteristics	Hidden intention	Hidden action Hidden information
Solution	Signalling/screening/self-selection	Aligning interest	Aligning interest Monitoring
Examples	Reputation, information from prior cooperation, certificates, multiple contractual alternatives	Securities, mutual relationship specific investments	Reporting rule and tools, control, incentives, participation

Figure 5: Agency solutions to overcome agency problems in interfirm relationships¹²

¹² Refer to Peters, 2012, p. 120. Figure has been amended compared to the origin.

2.3.4.1 Instruments to reduce Hidden Characteristics

The problem of hidden characteristics can be reduced by intensive screening of a potential partner before selection. Screening efforts can reduce information asymmetries regarding capabilities and intentions of the potential partner to fulfill cooperation goals. Likewise, the potential partner can signal its capabilities and willingness to cooperate with the principal. Additionally, the problem of hidden characteristics can be reduced by self-selection. Self-selection in this respect occurs when the potential partner reveals its characteristics and intentions by choosing the type of contract he wishes to sign for starting the cooperation. The type of contract the potential partner chooses and its content can provide a picture of the potential partner and its intentions towards the relationship (Peters, 2012, p. 120 f.). To reduce hidden characteristics by signaling, the agent can provide guarantees, certificates or written recommendations to the principal to show his integrity and reliability (Weisser, 2011, p. 42 f.). To reduce the problem of hidden characteristics, the principal can force the agent to disclose his preferences, e.g. his anticipation towards risks or willingness to perform. The principal can also force the agent to make a choice towards the type of contract, out of different alternatives where one contract is based on behaviour and the other on outcome. The principal can take the presence or the absence of signals provided or not provided by the agent as a quality screen and can therefore determine which intentions the agent has (Schulz, 2009, p. 87).

2.3.4.2 Instruments to reduce Hidden Actions

They are different measures which can be applied to mitigate the problem of hidden actions. Monitoring, in a narrow sense, is one of these measures. The aim of monitoring is to enforce appropriate contracts between the parties and to implement these with the help of suitable control mechanisms. Another option to reduce the problem of hidden actions is to place members of the outsourcing company, e.g. non-executives, on the board of directors or the supervisory board of the service provider. Reputation as another measure can be chosen as well to reduce hidden actions, because both parties fear the loss of reputation caused by misbehaviour and hence a high level of reputation can deter both parties from hidden actions. The reason for such fear of losing reputation is that both parties invest into the relationship. For instance, by signing a contract for a huge outsourcing project and by starting the cooperation, both parties will be recognised in the market as the players who are obliged to fulfill the requirements of this outsourcing project to make

it successful. Hence, both parties have an interest in behaving appropriately and the reputation therefore contributes to an alignment of interest (Bender, 2011, p. 85). Incentive schemes can also be taken into consideration in order to reduce the problem of hidden actions. These incentive schemes should be aligned with a measurement process to make the agent focus on the accuracy of the measurement process rather than self-interest (Quitt, 2010, p. 20). Incentive schemes should be embedded into the contract and the agent should participate in the principal's benefits. Should the agent perform well and should she/he generate a high output of well-being for the principal, the agent would benefit in a way that she/he would receive payments from the achieved benefit. To define and implement such incentive schemes, both parties need to know each other's preferences towards risk, and design and implement an appropriate incentive scheme to be embedded in the contract (Hochhold & Rudolph, 2009, p. 139).

It is important for the conduction of controlling as well as for the measurement process which is installed to measure the results from the incentive schemes that both parties agree on an overall reporting scheme in which the results are reflected visibly. Both parties should convince each other to implement such reporting systems or tools to be able to retrieve the information they need to judge whether the anticipated results have been achieved or not. These reporting systems or tools help to reduce any existing information asymmetry along with the above mentioned measures, e.g. using monitoring or implementing incentive schemes (Burger, Ulbrich & Ahlemeyer, 2010, p. 53).

2.3.4.3 Instruments to reduce Hidden Intentions

The problem of hidden intentions can be reduced when the principal demands guarantees from the agent that, for instance, the agent has already conducted the activity the principal wants to outsource. With such behaviour, the principal can try to create a balance between his own interests and the interests of his potential partner. Furthermore, the principal can try to force the agent to integrate his activities into the value chain of the principal to make sure that the agent does not only prefer to maximise her/his own profit (Berentzen, 2009, p. 110). A principal can also avoid a monopsony to reduce the problem of hidden intentions. As well as this, a principal can avoid making specific investments to make sure that she/he is not stuck in a relationship where the agent does not perform and the principal is not able to get out because of the investment she/he has made. On a softer scale, the principal can try to interact regularly with the agent to achieve an emotional binding between the

parties. This kind of behaviour can show the agent that the principal sees her/his partner in a partnership of equals and not just as a so-called deliverer (Schutt, 2006, p. 30). The harmonisation of interests between a principal and an agent seems to be the best option to overcome hidden intentions. To proceed with such measures, vertical integration or long-term binding contracts can also be used as appropriate instruments (Reynolds, 2010, p. 24).

2.3.5 Summary of Agency Theory

This sub-chapter has outlined the basic principles of agency theory. It has also outlined the problems arising from the behaviour of the involved parties and furthermore has shown which solutions exist to reduce problems e.g. moral hazard, adverse selection or holdup. Additionally, the sub-chapter has discussed the activities which are responsible for causing information asymmetries between the parties and how such information asymmetries can be minimised according to suggestions of the agency theory. The statements to agency theory, found in the current literature, provide the basis for the subsequent investigation in the present thesis. These statements also provide the grounds for the development of the CEM. Furthermore, this sub-chapter has outlined the prerequisites for confirming or falsifying the derived hypothesis by means of the empirical data collection. Finally, the sub-chapter has shown how important the quality of the relationship between the involved parties is and how the behaviour of the interacting parties influences the continuity of a cooperation between an outsourcing company and its service provider. As a result, it has been shown that the behaviour of the respective actors has a high impact on the outcome of the contract negotiations, the implementation and maintenance of the contract and the relationship building.

As mentioned in the introduction of the agency theory chapter, a linkage between the theoretical foundation of agency theory and its phenomenon of hidden actions and the CEM and its related content is highly contributing to a lack of scientific research in this field. It provides new insights and options for parties being in the process of negotiating a contract or starting or even maintaining an agency relationship in ITO. The protagonists of the contract negotiation received an objective foundation to process their contract negotiation and therefore outsourcing firms and service providers are more closely aligned to each other when it comes to the fact that both focus on a joint well-being rather than one party only following its interest(s). Without the CEM and its related content, such situation is not given, because both parties do not have such rules on which they can adapt their behaviour

and contractual strategy. They would fall into common patterns which have been described rather than looking forward and building a relationship based on the pillars of the CEM that enhance the influencing factors and therefore set the basis for long-lasting agency relationships in ITO.

2.4 Theoretical Background on Contract Design and Outsourcing Contracts

This sub-chapter is dedicated to provide statements on contract design and outsourcing contracts. The intention is to outline the actual status of research on both subjects to help to understand the relevant premises to develop and design feasible and rational contracts used by outsourcing companies and their service providers. The beginning of this sub-chapter is devoted to an insight into the scientific field of contract design to be able to better understand the origin of contracts and contract design.

2.4.1 Assertions to Contract Design and Outsourcing Contracts

Designing a contract means to follow rules which have been derived from a theoretical framework such as, for instance, the theory of contracts. These rules provide the undersigning parties with the necessary knowledge and instruments to fulfill the requirements set out by the theoretical framework. To better understand the background of such rules, this sub-chapter briefly discusses the theory of contracts to provide an insight into the theoretical foundation. The general theory of contracts was typically associated with the background of a binding nature of contracts. In this respect, the position which associates the binding nature of contracts with the opportunity of self-determination by the respective parties can be justified with the idealistic concept of law. Kant, generally understood as the founder of this concept, stated that the essence of law is that the disposal of one person can coexist with the freedom of all other persons under a general law. With this statement, Kant did not justify the binding character of contracts with pragmatic arguments, but by the mutual will and agreement of the parties being involved in the contractual process (Hager, 2011, p. 22 & Kant, 1797, p. 96 f.). Hoppe, for instance, writes that emphasizing the importance of unverifiable actions and information held privately. Contract theory provides formal tools to analyse various aspects of the organisation of activities and relationships. In traditional contract theory it is normally assumed that decision makers are only interested in maximising their own interest. They have unlimited cognitive abilities and behave perfectly rational. In practice, people do not act this way (Hoppe, 2011, p. 1.).

Hoppe adds that it is very difficult to conduct empirical research in contract theory when the focus is set on asymmetric information, because there are inherent data availability problems. To solve this problem, controlled laboratory experiments can be used to derive data in contract-theoretic contexts. These experiments are not only useful to test assumptions and predictions of existing theories. They can also deliver new insights that can lead to new hypothesis to explain economic behaviour in principal-agent relationships (Hoppe, 2011, p. 2). Referring to what has been outlined above, Wülfing explains that in a situation in which two parties negotiate a contract as a foundation for a potential relationship, both parties try to maximise their interest and profit in such a way that the responsible decision makers do not “lose their faces”. Hence, the negotiation follows explicit and implicit rules (Wülfing, 2010, p. 23). Heussen underlines this statement by writing that contractual negotiations can be described as games with and within such rules.

Open and hidden behaviour between people being responsible to conclude a contract with a potential partner, but with objectives defined by senior management to maximise the companies’ own interest and profit (Heussen, 2007, p. 29. ff.) Seidel claims that it is common in modern outsourcing projects that an agent contributes to a product or a service even within the firm boundaries. This development might lead to productivity gains and better service, but the increasing specificity of the tasks often renders intra-firm contracts between the outsourcing company and its service provider to be difficult to design and agree on. If the characteristics of the intermediate inputs are only revealed after they have been produced, both parties can find themselves in a situation where the negotiation of the contract becomes difficult or even fails in the end. If, for instance, an agent cannot commit to renegotiate an initial contract, this situation can lead to a suboptimal outcome where the agent does not fulfill the requirements of the outsourcing party, because he did not hire enough staff or by providing too little effort while conducting the task (Seidel, 2010, p 1). Further to this, Seidel states that incomplete contracts have implications on the attractiveness towards the effort each party is prepared to invest. If no enforceable contract can be signed between the two parties, each party might under invest according to the respective share they obtain or want to obtain of the relationship in the ex-post bargaining (Seidel, 2010, p. 2.).

According to Seitz, certain characteristics affect the incentives and outcomes of an outsourcing relationship. For instance, investments are relationship-specific, hence they are higher within a buyer-seller relationship than they are outside this

relationship. This argument is particularly relevant for outsourcing relationships, since one of the reasons for such cooperation is to develop a product or service that is distinct from other products or services in the market (Seitz, 2011, p. 98). Täuber writes that the more long-term and complex relations become, the more frequently adaptive dispute settlement measures are employed from the respective parties participating in the contract.

At the same time, the more relational a contract is, the weaker are the legal commitments of such contract, with the effect that the importance of conventions and internal enforcement rises. To sustain a cooperative and constructive atmosphere between the parties, dispute settlement through court should be avoided by the parties and therefore both parties should focus on obtaining the best results from the relationship (Täuber, 2011, p. 59). Demuth fosters the above statements and claims that if negotiation takes place after the involved parties made relationship-specific investments, ex post hold-up leads to ex ante underinvestment. In the real world, contacts between cooperating partners are usually incomplete, because they cannot be conditioned on every possible future state. This creates an opportunism problem: making ex ante unspecific investments in outsourcing relationships partially specific ex post, because both parties can become locked into the relationship. Naturally, no contract can be written to compensate one of the parties if the partner is not known when the investment decision is made. In such situations, bargaining power depends on search conditions, especially on the number of available partners in the market (Demuth, 2012, p. 3). Schmitz speaks of the same, considering a principal-agent relationship in which an agent does not sign the contract before investments are sunk, future negotiations over terms of trade can lead to a hold-up problem. Even in the case that the parties' valuations are observable and therefore negotiations lead to ex post efficiency, the agent does not have the right investment incentive ex ante, because each party assumes that in the ex post bargaining game they will not generate a social return on its previously made investment. The more the information on the agents' side is private, the more complicated the problem can become, because the impossibility result does not give hope to achieving ex post efficiency (Schmitz, 1999, p. 25 ff.).

Defever speaks analogously of the problem of hold-ups and writes that producing a product requires relationship-specific input from both the outsourcing firm and the service provider. The presence of incomplete contracts often found in outsourcing relationships creates hold-up problems. These problems can lead to suboptimal

relationship-specific investments by both parties, in turn causing suboptimal prices (Defever, 2011, p. 4). Thiele expands this phenomenon to the problems of outsourcing relationships and highlights the challenges of moral hazard and respective solutions. , stressing that economic relationships are very often subject to moral hazard. Therefore, outsourcing companies are obliged to apply appropriate incentive mechanisms to motivate their service providers to implement an appropriate effort, for example, objective performance measures. The application of verifiable but imprecise measures can lead to suboptimal contracts. Inefficiency can be found in contracts and relationships when the agent can determine his effort across tasks. The provision of incentives based on performance measures leads to a focus on individual preferences for particular tasks, with the effect that the principal does not obtain the performance he wishes to receive, because in his eyes the allocation towards a particular task done by the agent seems to be inefficient to the principal's aims. Such effort distortion occurs if the individual performance evaluation between the parties does not reflect the contribution of the agent towards the expectations of the principal. An agent, for instance, might be motivated to place more emphasis on less valuable tasks rather than on tasks with higher contributions to the outsourcing firm's value. Sometimes agents focus on activities which have poor or even negative effects on the principal's value, but are suitable for improving their own performance evaluation (Thiele, 2007, p. 1).

Looking back to the cornerstones of contract design based on the rules of contract theory, Brandts et al. write that an enduring subject is the question of how to motivate a seller of a product to provide a high quality when the seller has discretion over quality after agreement on trade. According to them, formal contracts can generate a high level of quality incentives when rewards and sanctions are defined in the contract, but formal contracting is usually imperfect and costly. Hence, parties being in a trade often rely on informal procedures and norms. Both parties' subjective perceptions then directly determine the enforcement of their agreements. A clear mutual understanding of factors that determine the breach of contract becomes one of the key indicators for a successful outsourcing relationship. A well-developed and defined contract commits to a good outsourcing relationship in such a way that it fixes a base price for the task to be conducted by the service provider and it rules out discretion. This type of contract pins down the outsourcing company's obligations as well as the service provider's obligations. A phenomenon such as "living with consequences of one's choice" spares both parties who

accepted this contract from later feeling betrayed by the agreed level of acceptance (Brands, Charness & Ellman, 2012, p. 1 f.).

Nakahigashi pronounces a different view on outsourcing relationships and writes that one of the important features of an outsourcing contract is that it is customised depending on the specific case. Its content and provision varies from case to case. It can be assumed that the bigger the deal is, the stronger this tendency seems to be. This kind of transaction is normally done as a one-shot deal and both parties assume that the same transaction is not expected to follow repeatedly, not even when the contract will be renewed, because parameters might have changed as well as pricing. To begin an outsourcing relationship, it all starts with the submission of a letter of intent: both parties proceed to agree on a memorandum of understanding and afterwards proceed to the final contract. Nakahigashi suggests that both parties might complete an appropriate due diligence to check the counter party's position from a financial and legal status point of view (Nakahigashi, 2011, p. 45).

Cassar and Briner define the terminology of a contract in outsourcing relationships as a reciprocal process of "give and take". For them, the outsourcing company and the service provider exchange contributions and inducements over the lifespan of their outsourcing relationship. This creates automatic processes once an agreement has been established; it creates enduring patterns of trust which improve predictability and control over the project outsourcing environment. A perceived exchange imbalance can moderate the relationship between violation and commitment in a manner that it will exacerbate the mediating role of violation between breach and affective commitment, and it will increase the mediating effect. The tendency to think that the partner is unfair in its dealings is less likely to generate changes in one's affective bond within the partnership. (Cassar & Briner, 2011, p 284).

Seshadria and Mishrab interpret contract theory as a departure from a perfect competition model, but on the other hand accentuate that contracts are a necessity for well-performing outsourcing relationships. For them, it explicitly acknowledges that service providers interact through the price system, but also use a variety of informal and formal non-price instruments and mechanisms to influence an efficient exchange between both firms. Contracts are necessary to govern foreseeable and

specific aspects of the exchange. They have a direct impact towards business performance.

While contracts may be explicit, they are also implicit and incomplete in their forms. Relationships between outsourcing companies and service providers are necessary to transcend immediate and foreseeable economic concerns and are particularly important in situations of uncertainty and ambiguity. Seshadria and Mishrab add that in such situations, collaboration or termination is supported by implicit and explicit assumptions. Both may evolve as they might be mediated by key behaviours in the relationship. Contracts may take on different forms during the relationship between both partners (Seshadria & Mishrab, 2004, p. 514). Baker and Krawiec understand contract theory as a theoretical background and solid foundation to define contracts for outsourcing firms and their service providers in practice. They write, when two outsourcing parties enter into a complete contract, they normally specify their rights and obligations in every future state of the world. This type of contract lays out the optimal set of obligations and rights in every future contingency. According to Baker and Krawiec, both parties do not need to alter obligations in light of new information or the resolution of uncertainty. Hence, they never renegotiate or breach this contract.

However, parties fail to reach such contractual completeness for a variety of reasons, meaning that both parties frequently renegotiate, breach and litigate as new information becomes available and unforeseen events unfold (Baker & Krawiec, 2006, p. 726). For Baker and Krawiec, outsourcing contracts fall into the category of incomplete contracts, because of changes happening during the time the project is running. Incomplete contracts present a danger of underinvestment, because the parties' obligations are not optimally specified in the contract and opportunities arise to renegotiate those obligations in future. This renegotiation raises the prospect of opportunistic behaviour, because during renegotiation one or both parties may attempt to garner a higher fraction of the gains from continuing the project. If the parties are able to easily switch to alternative bargaining partners, then both can walk away from the existing relationship. However, the stronger the relationship-specific investments are that a party has made in contemplation of performing on the agreement, the more vulnerable this party will be to hold-up attempts by the outsourcing partner. Thus, both parties might be reluctant to engage in relationship-specific investment in the face of contractual incompleteness, unless

some resolution to the hold-up problem can be found (Baker & Krawiec, 2006, p. 726 f.).

According to Beulen who refers to Heckmann, formal contract management for the purchase of IT can make an important contribution to the management of purchasing processes. Following Beulen, many organisations have not implemented a purchasing process at all or have not implemented this process adequately (Beulen, 2002, p. 1). Furthermore, Beulen states that the success of an ITO relationship is adversely affected by the incompleteness of its contract. To be able to minimise the negative effects of the incompleteness of a contract, Beulen suggests installing a so-called contract management. In addition, a proper contract management makes a positive contribution to the success of the outsourcing relationship. Therefore, it is vital to implement contract management from the very beginning of the outsourcing relationship to be able to control the set-up of the related outsourcing contract (Beulen, 2002, p. 2).

Figure 6 illustrates the dependencies between functional contract management, the level of quality of the respective contract and the success of the outsourcing scheme.

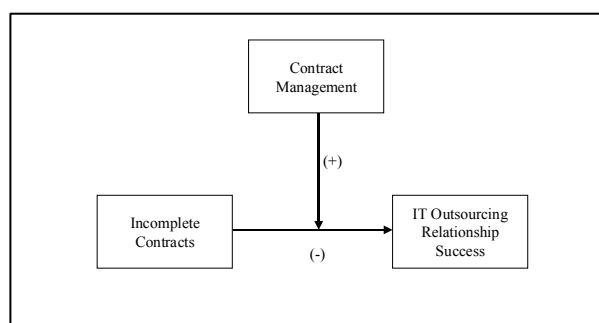


Figure 6: Dependencies between status of contract and outsourcing success¹³

Harris et al. discuss the difficulties of defining an appropriate contract. They write that the major rationale with contracts is to recognize that certain external factors are not under the control of the contracting units and may change during time. According to them, there are high costs of creating contracts, because most of the contract risks might be shifted to the service provider when contracts are held flexible and therefore being incomplete. Risks are thus not shared between the parties. Incomplete contract negotiations and contract conclusions purposely leave

¹³ According to Beulen's Research Framework, 2002, p. 2.

certain parts of a contract open for renegotiation based on changing circumstances of the parties, or change mechanisms are built into the contract to protect both the outsourcing company and the service provider (Harris, Giunipero, & Hult, 1998, p. 376). Grant et al. discuss the parameter of a complete contract and claim that a complete contract between two parties should specify, for each possible state of the world, an obligation for each party. Following Grant et al. no dispute should arise, since any potential source of dispute should have been anticipated in the design of the contract. In reality, however, contracts do not completely specify the actions required from the interacting parties and disputes take place regularly (Grant, Kline & Quiggin, 2012, p. 494). Qi and Chau understand a contract to be a critical foundation for all subsequent relationships. A contract is the key to a good outsourcing relationship, because a contract lays the ground rules for governance and structure that guide the interactions between the parties (Qi & Chau, 2012, p. 860).

Müller and Turner talk about the connection of risk and type of contract. They write that risks for an outsourcing project and the type of contract are interlinked. This connection influences the nature of the communication between the outsourcing company and its service provider. As contracts are incomplete, a flexible far-sighted governance structure is required for every outsourcing contract. Müller and Turner define two key dimensions of such a governance structure and write that firstly mutually agreed adaptations in the contract need to be installed to meet unforeseen variations and secondly a proper and functional communication between the parties needs to be in place to identify variations and to agree upon the required adaptations to the contract (Müller & Turner, 2005, p. 401). Bolton and Dewatripont express that a final contract between two outsourcing parties is signed independently of the bargaining process and leads up to the signature of both parties. The contract and its main determinants are the parties' objectives and technological constraints. Therefore, both parties do sign a contract to have a legal foundation to act on, but will be able to negotiate amendments and adoptions to the outsourcing project (Bolton & Dewatripont, 2005, p. 7). According to Rolf, the existence of incomplete contracts is determined by uncertainty and unforeseeable events. Both occurrences led to gaps, and these gaps can be closed in case there is a need for renegotiation. Uncertainty and unforeseeable events cannot be taken into account completely and ex ante. Both contracting parties can only try to keep these potential gaps to a minimum.

An important point in drawing contracts between an outsourcing company and a service provider is the degree of asset specificity and safeguards against ex post opportunistic behaviour. Both parties will be confronted with monetary and non-monetary expenditure for specific investments in the joint project. Thus, the important fact is that these costs will be reduced if the cooperation fails (Rolf, 1996, p. 7). Following the research work of Nödelke and Schmidt in reference to Hart and More, non-verifiability is a major cause for contract incompleteness. This leads to underinvestment of the contracting parties with the effect that both parties cannot commit to renegotiate the initial contract and terms and conditions (Nödelke & Schmidt, 1992, p. 1).

Both authors express that long-term contracts are necessary as a safeguard against opportunistic behaviour if an outsourcing project is undertaken by an company and a service provider when both have to make relationship specific investments. For Nödelke and Schmidt, long-term contracts are often incomplete. Both argue that incomplete contracts can lead to underinvestment, not only because of the fact that both contracting parties are reluctant to investment, but also because of the assumption that the contract might have gaps. Hence, underinvestment is directly interconnected with renegotiation constraints. If both parties do have the chance to renegotiate contractual terms, both are reluctant to invest into the relationship (Nödelke & Schmidt, 1992, p. 2). Homann emphasises that the option for renegotiation is vital for both parties, because with the opportunity to renegotiate especially a service provider is able to improve its status from a Pareto-inefficient outcome of an incomplete contract to a Pareto-efficient outcome of the relationship. Complete contracts explicitly determine the execution of the outsourcing scheme in advance and relate to a possible state of the world. Both parties have agreed on the terms of a complete contract and do not wish to renegotiate such contract, because the content of the contract was fully reflected at the date of contract conclusion, whereas an incomplete contract does not conceal all possible states. For instance, high costs for receiving information about existing states prevent an economical design within the contract. It would not be economical to draft a contract with conditional clauses for every state. On the other hand, incomplete contracts cause high costs for developing provisions for all possible future states even if an occurring state can be easily observed. Hence, an incomplete contract needs to stress the opportunity to renegotiate the corrections of insufficient provisions of the contract (Homann, 1989, p. 2). Tyssen sustains Homann's opinion and writes that the

services provided in outsourcing contracting are customised services designed individually to each customer. Therefore, a generalised, valid definition of service and scope is hard to determine. A distinct scientifically reliable specification and clear definition including kinds and scopes of services rendered in service contracting relationship seems to be impossible (Tyssen, 2011, p. 22 f.).

In contrast to traditional services, not only the number, but also the kind of services drives complexity. Traditional services are characterised by "tangible requirements" whereas service contracts are characterised by "outcome requirements". This delivers the reason why outsourcing contracting is much more complex and therefore contracts of this type are more likely to be incomplete (Tyssen, 2011, p. 22 f.). Steiner agrees with Tyssen and Homann and refers to a lack of information as a reason for incomplete contract conclusions. Steiner argues that Pareto-optimal contracts exist if at the beginning of the contractual relationship information is symmetrically distributed among the parties before each party undertakes investment into the relationship. As a result, the parties will commit to a complete and verifiable contract inducing the parties to contract an attainable allocation of the assets or the amount they are willing to invest (Steiner, 2008, p. 102). Sieke states that contracts are important for a stable and long-lasting relationship. For Sieke, contracts are necessary to align the outsourcing partners' incentives to a common goal. Normally, this common goal should be the maximisation of the total outsourcing profit. Contracting is a tool required to negotiate the exact terms of an outsourcing relationship. Contracts being determined as so-called good contracts do not only reduce costs for solving disputes, but also lead to a more stable relationship between both partners. In addition to this, such contracts should reduce transaction costs (Sieke, 2008, p. 37). According to Sieke, the motivation for contracting can be seen in the fact that a contract makes the exact incentive explicit. Each partner knows what is expected of him and what is important to the overall outsourcing goal. With a centralised decision maker, the expected outsourcing profit can be optimised. The goal of designing good contracts is that the contracts lead to a coordinated business relationship. Under such contracts, the outsourcing scheme profit can be improved with respect to the uncoordinated case and the improvements can be divided up between the outsourcing company and the service provider in such a way that a win-win situation results (Sieke, 2008, p. 38 f.).

Höhn, for instance, builds a bridge to the previous statements about outsourcing contract conclusions, but also signposts a lack of information as a reason for

complications during the contract negotiations between the parties. For Höhn, outsourcing schemes will never be complete, because each party is focusing on the best maximisation of her own profit and therefore might hold back information. When talking about contract negotiations in those schemes, relational contract negotiations should be taken into consideration, because relational contracts help firms to overcome difficulties in formal contract conclusion. A formal contract must be specified *ex ante* in a way that terms can be verified *ex post* by a third party. In contrast, such contracts can be based on aspects that are observed only by the contracting parties *ex post* or are too costly to be specified *ex ante* (Höhn, 2009, p. 35). Jamil argues that incomplete contracts and ownership are interlinked to each other and often cause challenges within an outsourcing relationship. In situations where incomplete contracts exist, the allocation of property rights has an impact on incentives that can promote efficiency. When contracts are incomplete, ownership involves bargaining power in non-contractible situations. If the outsourcing company wants to cut production costs without affecting service quality, it can do so without renegotiating the contract that determines service provision. In contrast, if the agent wants to implement an investment, he needs to gain admission within renegotiation with the principal (Jamil, 2011, p. 190). Sting supports the previous outlined statements to outsourcing contract negotiations and writes that combined contracts can be a good tool to allow both parties to capture several other contract schemes such as buy-back contract or quantity flexibility contracts. For a firm commitment based on quantities, the outsourcing company has to pay the service provider per firm commitment and per option. Option units provide the outsourcing company with the right, but not with the obligation to call-off responsive services or production in a situation where the outsourcing company faces demand uncertainty (Sting, 2010, p. 91).

This gives the outsourcing company a high level of flexibility, but the outsourcing company has to pay a price for this flexibility which might be higher than a fixed price for fixed quantity of units or services the outsourcing company wants to buy from the service provider (Sting, 2010, p. 91). Hypko discusses that outsourcing *per se* changes the situation between an outsourcing company and its service provider. For Hypko, outsourcing companies no longer own the goods or processes they use when they go into outsourcing. A service provider takes over the tasks that previously have been conducted by the customer. Instead of purchasing goods or performing processes, the outsourcing company purchases performance. For this

purpose, the provider retains the ownership of the goods or the processes during the entire contract period (Hypko, 2010, p. 20). This aspect reveals a new situation to outsourcing companies, because they are no longer the owner of the process that puts them at a disadvantage compared to the service provider; such empowerment enables the service provider to enforce his own targets and maximisation of profit.

Grant et al. discuss the status of outsourcing contracts with regard to awareness and ambiguity. They write that a complete contract between parties should specify, for each possible state of the world, an action for each party. The contract should minimise the chances of disputes, since any potential source of dispute should have been anticipated in the design of the contract. In contrast to theory, reality proves different and contracts do not completely specify the actions required of the parties. Hence, disputes take place regularly. Given these situations, a bargaining process over risk-sharing contracts involves a trade-off between risk and ambiguity. A proper contractual specification increases the gains from risk sharing when the contract is implemented successfully. It also increases the ambiguity of the contract and creates more scope for dispute. According to Grant et al. risk aversion makes agents more likely to engage in contracts involving ambiguous terms and discuss the trade-off between risk aversion and willingness to contract in the face of ambiguity (Grant, Kline & Quiggin, 2012, p. 494 f.).

Bruttel and Eisenkopf write that in a situation where a contract leads to large inequalities the cure, e.g. concentrated ownership and/or incentive contracts, might be worse than the disease, e.g. the interaction with another party but without a contract. In this context, a desire to behave uncooperatively can arise once the agent realises that the principal deliberately has decided against an egalitarian contract design (Bruttel & Eisenkopf, 2012, p. 384). This form of behaviour and, as a consequence, this type of contract set up by the principal can lead to massive obstructions within the principal-agent relationship. In his work about cognition and incomplete contracts, Tirole delivers a definition of an incomplete contract. Tirole writes that a contract is more incomplete if fewer resources are expended to identify the appropriate design. For Tirole, contract incompleteness is measured by the probability that the design specified in the contract needed to be altered ex post (Tirole, 2008, p. 3). In practice, it is very common that only a few people are working on the design and the content of an outsourcing contract. According to some experts who have been interviewed during the process of data collection, mainly the sales department, the legal department, operational units and senior management

participate in the set-up of a contract. Considering Tirole's statement, there might be an option to close the gaps of incomplete contracts by involving more people when it comes to setting up an outsourcing contract. Some of the experts do confirm this by saying that key players within the project or key users should be involved in the contract development as well, as they are directly influenced by the terms of the contract.

Koh et al. who discuss outsourcing success and contractual perspective deliver a good understanding of what design of a contract in conjunction with the behaviour of the people living a contract means. They write that research on managing outsourcing relationships has focused either on the legal set-up of a contract to define contractual mechanisms to reduce opportunistic behaviour or looking at advocating strategic partnerships for managing a relationship between an outsourcing company and a service provider. For Koh et al., contractual mechanisms and strategic partnerships complement each other, with the legal contract providing the context in which the relationship exists and defines the interactions between parties (Koh, Ang & Straub, 2004, p. 357).

In the sense of discussing the design of outsourcing contracts, Koh et al. identified that a correlation between a contract and a relationship tends to fall into two categories; for instance a formal contract is the base for relationship development and a good relationship is a necessity, because contracts are not flexible in the implementation stage. Koh et al. declare that a contract can be a critical foundation for all subsequent relationships. For them, a contract is the key to any outsourcing relationship, since contracts lay the ground rules for governance and structure that guide the interaction between principal and agent. Based on the relational governance theory, the specific characteristics of SLAs are the antecedents of trust and commitment as typical attributes of relationships, and trust and commitment lead to the success of outsourcing (Qi & Chau, 2012, p. 860).

Aundhe and Mathew support the above statement and write that growing opportunities in outsourcing do incur costs to clients and service providers. Outsourcing relationships carry risks and failures. Failures of an outsourcing contract affect both the outsourcing company and the service provider. In general, outsourcing contracts are designed based on project related assumptions and therefore carry inherent risks owing to a limited understanding about the future. As outsourcing engagements continue to evolve and become increasingly complex, their success largely depends on understanding the risks involved in deploying effective strategies (Aundhe & Mathew, 2009, p. 419). Müller and Turner understand outsourcing contracts as a set of promises between parties which the law will enforce. They are an instrument for balancing risks, with the distribution of risks affecting the motivation of contractual partners to manage the risks towards project success. For Müller and Turner, contracts can be seen as either fixed price or cost-plus (or time and material). Formerly undersigned contracts have shifted all risks to the service provider. Later contracts shift all risks to the owner of the project -the principal and his organization. However, risk on outsourcing intention and choices of contract form are interlinked. This influences the type of the communication between the principal and the agent. Due to the fact that contracts are incomplete, a flexible farsighted governance structure is necessary (Müller & Turner, 2005, p. 401).

Müller and Turner define two key dimensions of a governance structure and set out the principals' and agents' ability by saying that it is essential to make adaptations in the contract which are mutually agreed to meet unforeseen variations, and principal and agent should communicate with each other to identify variations and to agree on the required adaptations in the contract (Müller & Turner, 2005, p. 401).

Lülfesmann emphasises the necessity of a governance structure in an outsourcing contract as a mean to implement a well-designed and well-working outsourcing contract. Lülfesmann claims that if comprehensive contracts are not feasible, principal and agent can agree upon a "governance structure" that influences a subsequent space and equilibrium action of both parties. This governance structure can be interpreted as the assignment of property rights which influences the parties default position in renegotiations. In such a situation, the party which owns more assets than the other can force the other party to agree on a new scope. This increases the bargaining power compared to the non-integration case in the relationship towards the "stronger owner" and lowers the influence of incentives

towards the partner (Lülfesmann, 1996, p. 5).

Edgington et al. stress the aspect of having appropriate SLAs defined in outsourcing contracts. They write that outsourcing contracts address performance related concerns and drive the information collected during process execution. Most contracts include expectations on services requesting and defining metrics for setting the threshold goals for these SLAs. According to Edgington et al., standard methods to measure each SLA, as well as indicators for deviations from actual to agreed-upon SLAs, need to be embedded in outsourcing contracts (Edgington, Raghu & Vinze, 2010, p. 176).

Incentives or penalties may be included to encourage superior performance or to discourage poor performance. An SLA metric can be characterised as one that attends to process execution where the goal is a positive integration of technology into the client's business process. A process execution metric includes categories such as availability, accuracy, currency, quality, capacity and system performance. However, not all tasks being conducted while outsourcing is in place are totally seamless. There are processes such as installing, for instance, IT upgrades and user training that are intended to provide improvements and are also included in the process execution orientation (Edgington, Raghu & Vinze, 2010, p. 176).

Knolmayer and Asprion refer to the design of outsourcing contracts and the decision behind such contracts. They write that subcontracting is a highly important phenomenon due to specialisation and manpower shortages. Outsourcing contracts may specify whether a service organisation has the permit to outsource the full task or only parts to a sub-service organisation. According to Knolmayer and Asprion, such a situation can result in a chain of service providers. If a company does outsource a task to a sub-service organization, it has to identify whether or not the delegated parts of a task are compliance-relevant (Knolmayer & Asprion, 2011, p. 33 ff).

If the outsourcing company decides that subcontracting needs to be considered in the sense of being compliance-relevant, it is recommended to focus on various aspects such as analysing the compliance intentions of the subcontractor, determining what type of control reports the subcontractor uses, considering how the outsourcing scheme will influence the compliance efforts of the service organization and determining the needs of the user entities (Knolmayer & Asprion, 2011, p. 33 ff).

Kuhlmann proposes a model with three sections for outsourcing contracts. The three sections define a pre-contract, a contract and post-contract stage. Each stage is interlinked to different factors influencing the outsourcing relationship efficiency. According to Kuhlmann, relationships exist from the very beginning of an outsourcing project and not just after both parties, customer and vendor, have signed the contract. Relationships evolve and change at times and therefore a comprehensive relationship model needs to stress the dynamics of an outsourcing relationship from the very beginning. In addition to this, the model must clearly state in which stage relevant content is discussed and defined (Kuhlmann, 2012, p. 8).

Figure 7 illustrates the stages in outsourcing contracts:

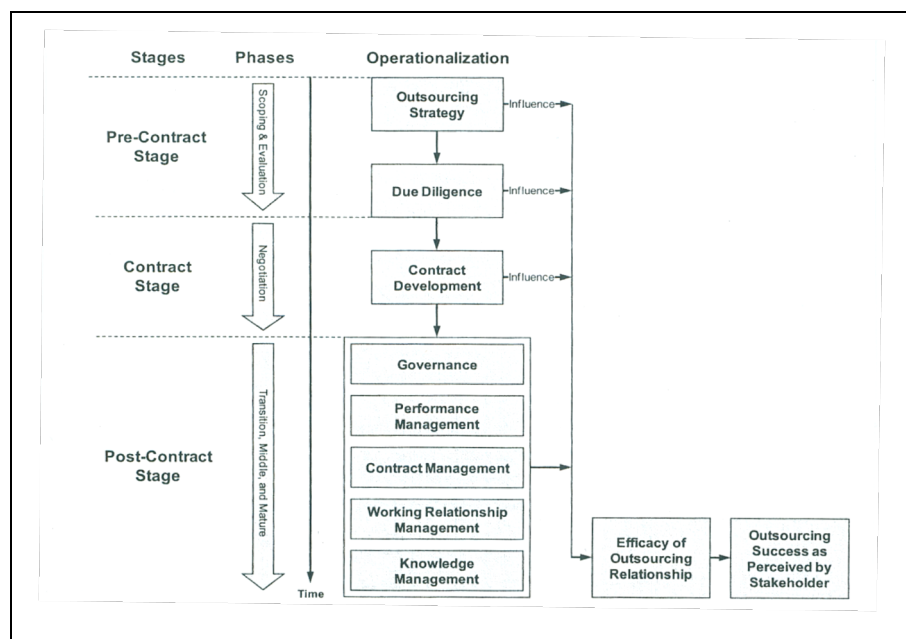


Figure 7: Outsourcing Stages¹⁴

Looking at the design and type of outsourcing contracts, Loos and Diaz provide a good overview of the types of contracts existing in the market. According to them, outsourcing contracts are often termed as so-called mandate contracts. Looking at those contracts and the correlation between their structure, content, duration and the success of the outsourcing relationship, these contracts can be divided into three different types: an indefinite period, a fixed period or focusing on a particular task (Loos & Diaz, 2013, p. 155).

A contract for an indefinite period may indicate that it is destined to terminate at a specific moment in time irrespective of the will of the respective parties. If there is

¹⁴ Refer to Kuhlmann, 2012, p. 8.

no specification made, this contract is concluded for an indefinite period of time. In practice, such contracts are rather scarce, because outsourcing companies prefer to authorise their service provider to perform a particular task only during a specified period of time. Loos and Diaz add that in contrast to a contract for an indefinite period, a contract for a fixed period indicates a pre-defined, fixed period of duration. When the duration of the contract elapses, the relationship between the outsourcing company and the service provider ends if both parties do not agree to extend the contract. For Loos and Diaz, the most common type of contract seems to be the contract for a particular task. In general, such contracts terminate when the particular task the agent has been required to fulfill is achieved. Nevertheless, it may be uncertain to assess when the envisaged result will be achieved. This implies that in the case of a contract for a particular task both parties are *de facto* linked together for a definite period of time. The consequences for both parties might be that the relationship cannot be terminated for non-performance reasons either. This indicates that contracts should be designed in a way that both parties can be released from their contractual obligations towards the other party (Loos & Diaz, 2013, p. 156 f.). Furthermore, Loos and Diaz argue that if both parties agree to start their relationship based on a contract for a definite period, the contract ends when the fixed time period has elapsed. In case both parties continue to perform their relationship, this contract can convert into a contract for indefinite period. Even in this case both parties have the opportunity to terminate this contract by giving notice of reasonable length (Loos & Diaz, 2013, p. 158).

Gottardi et al. discuss outsourcing contracts in light of a general problem when outsourcing is undertaken (Gottardi, Tallon & Ghirardato, 2010, p. 2). For them it is a fact that the selected or assigned service provider might have superior information on the suitability of the various actions which can be taken to perform the outsourced task. In order to enhance the output for the outsourcing company, it may be desirable to grant the service provider some degree of discretion in his choice of which action to undertake to fulfill the requirements demanded by the outsourcing company. Furthermore Gottardi et al. write that the outsourcing firm can ask the service provider to report his information prior to carrying out the action.

The obvious difficulty in doing so is that the service provider's interests mostly are not aligned with those of the outsourcing company. Mitigation for this difficulty might be an appropriate contract between both parties, but the challenge in designing such a contract lies in the possible realisation of uncertainty that scope and content

of the outsourcing task is not completely clear and the consequences of a low quality performed activity cannot be foreseen. Both parties might not clearly understand a priori which unforeseen contingencies may arise or how costs can increase when difficulties in the conduction of the outsourcing project emerge. In particular, the costs are determinative towards the decision of whether or not and to which extent to outsource to a service provider. In addition to this, Gottardi et al. discuss the uncertainty of choosing the right service provider. They write that the broader the uncertainty concerning the service provider and the possibility of increased costs, the more important it is for the outsourcing company to choose the right action or service provider. For instance, the right action can be that the outsourcing firm offers the service provider a contract granting him some flexibility in his choice of undertaking the required task. This might guarantee higher benefits for the outsourcing company. On the other hand, the extent and nature of this uncertainty affect the cost of outsourcing in a way which depends on the level of risk aversion of the service provider, as well as the ambiguity of such uncertainty (Gottardi, Tallon & Ghirardato, 2010, p. 2).

In his research work, Shehane debates the connection between contract negotiation and collaborative behaviour and writes that contract specifications are the foundation of establishing the standards, the means to monitor performance and the requirements for the reporting in outsourcing relationships. The development of applicable contract specifications is critical for the establishment of a high quality level in outsourcing ventures. Shehane adds that the development of a collaborative relationship between both parties is a crucial outsourcing endeavour (Shehane, 2008, p. 53). In a simple contract negotiation situation the outsourcing firm is very often only interested in obtaining the best benefit at the lowest possible price. In such situations, negotiations are not concerned about establishing and maintaining a relationship between an outsourcing company and its service provider, but only on short-term adversarial pricing. To overcome this type of outsourcing tendency, Shehane argues that in outsourcing relationships both parties must make a mutual decision as to how much ownership and risk each party will assume in order to succeed in the outsourcing venture. Hence, both parties focus on contract development and negotiations as much as on establishing a sound business relationship. Therefore, pricing and contract terms must be interlinked and strengthened in order to support the relationship for the outsourcing scheme to be successful (Shehane, 2008, p. 54).

With regard to an establishment of collaborative behaviour, Honess and Chance claim that an outsourcing agreement should be as flexible as possible to allow for changes to the customer's business, acquisitions, disposals, technological improvements and costs. According to them, a service provider should be encouraged to be proactive in advising the customer on new services and technologies as they become available, and therefore the contract should allow for foundation of an equitable sharing. However, contract flexibility may lead to incompleteness, because not all issues can be determined and fixed (Honess & Chance, 1996, p. 58).

Yao et al. highlight the opportunity to limit conflicts between parties caused by the design of the contract. They write that outsourcing companies tend to avoid the risk of unexpected charges by negotiating fixed-price outsourcing contracts that fix all-inclusive fees for predetermined services. Such contracts can avoid overcharges made to the outsourcing company. According to Yao et al. changes to outsourcing contracts can be seen in the form of so-called "gain-sharing contracts" under which service providers share cost savings or cost overruns with their clients. In such cases, the following scenario can be identified: should the service provider deliver the quality and service its client required at less than the targeted price, the client and the service provider will share the cost-savings. Should the service provider overrun the target price, both parties share the overrun. Under a gain-sharing outsourcing contract, the client and the service provider may maximise their mutual benefit. Such a contract does not only have advantages. While the mechanism of the gain-sharing outsourcing contract seems intuitive and obvious, a critical impeding factor occurs with regard to its implementation (Yao, Jiang, Young and Talluric, 2010, p. 306).

Nonetheless, such a type of contract can support and enrich a customer-service provider relationship, because delivering the option to share risks and costs influences the willingness to sign such a contract. It seems that in practice defining and developing such a contract is often a challenge in itself. Regarding the challenge of designing an outsourcing contract due to information asymmetry, Kalkanci et al. write that nowadays there is an information asymmetry between the parties in many customer-service provider relationships. For them, this situation calls into question the feasibility of so-called optimal contracts, due to their complexity which seems difficult to handle for decision makers. In other words, if the complexity of a contract increases, the ability to make precise and significant

statements about its structure and content diminishes (Kalkanci, Chen & Erhun, 2011, p. 689 f.). Gopal and Koka support Kalkanci et al' agreeing the importance of a formal contract in inter-organisational activities.

Economic exchanges, such as outsourcing, are rarely initiated without some type of a formal contract in place. The contract enables the exchange relationship by specifying the expectations and obligations of the contracting parties. In complex economic exchanges, however, it is not possible to devise completely contingent contracts. In such cases, the incompleteness manifests itself because of a differential risk structure that benefits one party more than the other. This leads to conditions where one party tends to bear a greater risk in the relationship (Gopal & Koka, 2012, p. 555). Aghion and Holden discuss incomplete contracts and the behaviour of the signing parties with regard to information acquisition. According to Aghion and Holden, both parties.- the outsourcing firm (as the principal) and the service provider (as the agent) - are prepared to invest in information acquisition to ensure that the delegation of the task or the allocation of formal authority as well as the development of the contract are as close to reality as possible. Aghion and Holden write that formal authority can be allocated contractually. By contrast, real authority is exerted either by the party which enjoys formal authority if that party also has the information or by the other party if only the other party has the information.

Contractual incompleteness is the main concern, because any formal agreement between both parties cannot specify particular project choices. The reason for this is that these are not verifiable by third parties. In a principal-agent setting, the principal can delegate formal authority to an agent (Aghion & Holden, 2011, p. 185 f.). This is the loss of control effect. The benefit is the delegation of formal authority to the agent which encourages the agent to invest more effort in information acquisition. This is the so-called initiative effect. Which effect dominates the procedure of closing the deal will depend on parameters like the extent of congruence between the preferences of the principal and the agent. If the preferences of the principal are not congruent with those of the agent, then the principal retains formal control. If the preferences of both parties are reasonably congruent, then the principal is more likely to formally delegate authority (Aghion & Holden, 2011, p. 185 f.).

2.4.2 Summary of Contract Design and Outsourcing Contracts

This sub-chapter has outlined the types of contracts in outsourcing. It has discussed which type of contracts are feasible and which content needs to be incorporated in such contracts to ensure a good foundation for starting a cooperation between two parties. It has also shown the dependencies between contract management, status and quality of contract, in comparison with outsourcing success. Further to this, stages of outsourcing contracts have been highlighted to articulate the course of contract negotiations between an outsourcing company and a service provider. A dispute has been made to show the advantages and risks of outsourcing contracts and how the quality of outsourcing contracts influences the enrichment of an outsourcing relationship has been discussed.

The sub-chapter also discussed which parameters between an outsourcing company and a service provider must be met to ensure a successful contract design. Moreover, it has been discussed how the fulfillment of the requirements in contract design affects the cooperation between an outsourcing company and a service provider. The review of existing literature has provided an overview of available background knowledge and insight into contract design in general and thus has created the prerequisites for further discussions and analysis of other subjects being investigated in the present thesis.

Agency theory relationships and contract theory provide the basis for the design of economic arrangements. The agency theory deals, in this respect, with the concern on how to design a compensation system to motivate a service provider to act in the interest of an outsourcing firm. Thus, economic incentives are important for encouraging performance by the agent and harmonization of the interests of the agent and the principal. Contract theory is concerned with the design of contracts that provide incentives for the agent's actions that achieve the principal's objectives and harmonize their interests (Gray, 2002, p. 12). Agency theory sees management as a group of imperfect actors; and a corporation, owing to management's under zealous or disloyal conduct in corporate operations would increase monitoring costs or would even incur loss. Therefore, contractarianism has a close connection to economic analyses supporting, for example, shareholder primacy, but also contract negotiation between the management of two parties who are acting as representatives in the time of the contract negotiation. The question arising in contract negotiations can be either the clear mission to maximise the party's own benefit or the more amorphous mission involving the balancing of competing

interests (Wen, 2013, p. 47). Agency theory and contract theory, in conjunction with each other, provide a stable theoretical basis for the assumption that both are defined and outlined in order to induce a specific control allocation which can be compared with a certain type of monitoring (Holle, 2013, p. 28).

Considering the above statements, agency theory as well as contract theory are good subjects to be discussed and set in relation to each other. Both subjects provide theoretical insights for the behaviour of people and the lack of contracts which are normally to be understood as incomplete. Therefore, discussing these issues in the present thesis provides benefit to developing the CEM at a later stage. The connection between the enhancement of the influencing factors “interpersonal relationship level and its impact on contract negotiation” and “trust as a basis for the optimization of contract negotiations”, shows that the enhancement of both will contribute positively to the relationship between an outsourcing firm and a service provider in an agency relationship in ITO. The reason for this assumption is that hidden actions can be reduced and therefore control mechanism can be reduced as well.

Referring to the literature being discussed, this shows that the CEM and its related content as well as the course of the present thesis provide contribution to existing knowledge. Hence, the present thesis fills the gap of a currently not fully comprehensively investigated field of sciences. Zhang & Han state in their research work that contract theory is used in real-world economics with asymmetric information to design contracts between outsourcing firms and service providers by introducing cooperation. Both refer in their statement to Bolton and Dewatripont (2004). Information asymmetry usually refers to the fact that the outsourcing company does not know exactly the characteristics of the service provider. By using contract theory-based models, the outsourcing company can overcome this asymmetric information and efficiently incentivize its service provider by offering a contract which includes a given performance/item and a corresponding reward/price (Zhang & Han, 2017, p. 2). This thesis has discussed such constellation and underpins its approach and later on presented results by investigating the degree of monitoring versus incentives when it comes to analyse the preferences of outsourcing firms and service providers. In the field of the agency theory, this is discussed more deeply to help the reader to better understand why the thesis is investigating in this field and which new contribution the thesis delivers to existing knowledge.

2.5 Introduction to Information and Information Exchange

This sub-section outlines the terminologies of “information” and “information exchange” between interacting parties. It starts with respective statements to information and discusses the benefits of information exchange and the resulting challenges. This sub-chapter provides the theoretical grounds for the validation and falsification of the derived hypotheses based on the data which has been obtained by conducting expert interviews. Additionally, the sub-section will highlight the impact of information exchange towards the level of quality of relationship building.

2.5.1 Reflections on the terminology of Information

The term "information" is widely used in our daily life and plays an important role in many areas of research, e.g. in physics, in business economics, in social sciences and others. Depending on a particular perspective, different characteristics of information are highlighted and related definitions vary to some extent. Information reduces uncertainty and leads to new knowledge. Information can be transmitted or communicated in the form of data or signals. The perception of information can lead to a change of the receiver's state comprising its knowledge, actions and decisions (Reichle, 2010, p. 9). Information does not have any materialistic grounds nor its own energy to transport itself from one point to another. To transfer information either a material or energy as well as a carrier is needed. The carrier is usually determined to be a signal. Signals have three dimensions which can be divided into structure, meaning and purpose. Signals simply stay signals as long as there is no recipient who recognises these signals and transforms them into further meaning and reaction. Hence, the information carried by signals does not only exist in coded form, it also exists latently.

To summarise the perception of information one should say: "information is what one understands" (Penzlin, 2014, p. 273). Looking at definitions for information generated by the information theory, data as a synonym for information is represented by single or multiple symbols and can be produced, codified and provided without any specific indication for applications and personal interactions (Niedergassel, 2011, p. 54).

Information is understood to be a concept basically originating from two different sources. Firstly, information can be seen as objective which is the view coming from physics and mathematics where information is connected to a certain physical or structural property and secondly, information can be interpreted as subjective or

cognitive which means that information is what the mind can process and/or use for its own purposes (Ogiela & Ogiela, 2014, p. 6). A characteristic feature of information is that the reported event and its circumstances are only perceived by a recipient when the message is conveyed by a channel. If this is given, then the message consists of a sequence of symbols (Battail, 2014, p. 12).

To make information meaningful it must be handled properly. This entails that information is identified, retrieved, maintained, updated, stored and analysed. The produced output of information should be understandable and useful for decision makers (Nwosu, 2014, p. 10). Information is data that has been given a meaning of relational connection. This meaning can be useful, but does not have to be (Slaheddine, 2014, p. 18). The quality and the value of information are ruled by their availability for operational and strategic purposes to the business. Information and its integration and participation in business enablement increase its value. Therefore, a company must be on continuous watch to increase the valuation of information (Mohapatra & Singh, 2012, p. 48). To consider information valuable, information needs to be alive. Hence, it should not be stored somewhere deep down, but it should be flowing freely within an organisation, from one employee to the other, to enable the employees to add to it, adjust it and to build on it (Baan & Homburg, 2013, p. 4). It can be said that information as a concept bears a diversity of meanings, from everyday usage to technical settings. Information is closely related to the notions of constraint, communication, control, data, form, instruction, knowledge, meaning, mental stimulus and pattern. Information is a resource on its own that can be managed as an asset to others.

On the other hand, the role of information as an organisational strategic resource can be considered in three areas, such as to make an impression of change in an organisation, to generate contemporary knowledge for transformation and to make decisions about the courses of action (Morabito, 2013, p. 25 f.). Definitions which can be found in the current literature referring to information frequently describe data as the starting point in order to generate information. Additionally, in an economic context various authors argue that information is often associated with costs (Leitner, 2012, p. 16).

Generally, sharing information of common parameters increases a company's profit. On the contrary, sharing information can also decrease a company's profit. Hence, the benefit of sharing information depends on the type of information shared. For instance, if the information is about private parameters such as marginal costs, the benefits of sharing information are reversed (Wiehenbrauk, 2010, p. 32). Sharing information refers to performance improvement as a result of an increase in available information. The literature on sharing information can be divided into two streams, e.g. by the source of information and by the type of information. The source of information describes the location where the information is generated. The type of information reflects the type of information transferred between people or parties. Types of information can be, for instance, inventory level, sales data, sales forecast and lead time when looking at supply chains. Sharing any of these types of information reduces uncertainty and can influence a company's decisions. This can result in lower safety stocks and/or higher service levels compared to the case when no information is shared (Wiehenbrauk, 2010, p. 38). Sharing information can be interpreted as a complex social interaction process through which knowledge is generated and used effectively. This process consists of the specialisation and transformation of information into knowledge. The more information is shared and transformed into knowledge, the higher the productivity and thus the better the performance of a company can be (Wilde, 2011, p. 34). Organisations should provide purposeful and efficient processes to generate a "flow" of information and to enable their employees to contribute to an organisation's most important resource: useful knowledge (Seirafi, 2013, p. 46).

In many organisations, knowledge transfer as well as information exchange are not explicitly defined and often both processes run informally and spontaneously while knowledge and information sharing and transfer are constantly present in a large variety of organisational dynamics and interrelations (Cavallari, 2013, p. 258).

2.5.2 Reflections on Information Exchange

The exchange of information between two parties requires the availability of reliable information. In particular, information exchange requires information on the identity of all stakeholders as well as information on the transactions carried out by entities and other organisational structures (Global Forum on Transparency and Exchange of Information for Tax Purposes, 2011, p. 13). Porterfield, for instance, discusses information exchange in a broader dimension and writes that information exchange is a facilitator for efficient and innovative solutions in supply chains.

He adds that information exchange is a central element in maintaining relationships. For him, a properly working information exchange can reduce costs for information sharing, because both parties being involved in the relationship are prepared to share and exchange information more voluntarily (Porterfield, 2007, p. 1) Peng who examined the interrelation between interorganisational communication and information adds that information exchange helps the interacting parties to make participative decisions with the effect that the quality of the relationship increases. For Peng, information exchange between the parties should be defined as a bilateral expectation. Then, both parties will proactively provide information amongst each other (Peng, 2011, p. 31) Silver refers to decision-making quality when he speaks of information exchange. He argues that information exchange influences the quality of team or group decision making. The trigger for evaluating the quality of the information exchange is measured by the amount and type of information exchanged and by its sequence (Silver, 2014, p. 2). Referring to interdependencies between information exchange and decision making, Haußmann et al. write that at a certain point, humans are not able to deal with an additional amount of information, and therefore require assistance from systems or tools to avoid becoming overloaded (Haußmann, Dwivedi, Venkitachalam & Williams, 2012, p. 77). Eren who conducted an investigation on communication in financial markets writes that an appropriately working exchange of information is a mirror image of the information exchanged between two parties. The quality of the information exchange depends on the attitudes of the parties being prepared to exchange information with their counterpart. According to him, exchanging information on a voluntarily basis is often perceived as a costly exercise, because the parties are afraid to lose their monopoly on their status of private information. Therefore, information exchange should be processed on an open basis with honesty and truthfulness as the main cornerstones (Eren, 2007, p. 5). Deepen emphasises that a vital criteria for a solid information exchange is the way information is exchanged. This plays an important role when it comes to evaluating the quality of information exchange, because according to Deepen the way of exchange is more important than the amount of information being exchanged (Deepen, 2007, p. 105). Grolik argues that the way information is exchanged is not the only important aspect, but also the willingness of the actors to communicate is of crucial importance when both parties in a relationship plan to distribute information. The willingness to communicate or exchange information is determined by the openness of the actors to reveal their information to others. The

fear of the parties that their own benefit will be affected by the disclosure of information plays an important role. The willingness to communicate or to exchange information is also influenced by the parties' will to act as a potential intermediary during the information exchange between the parties (Grolik, 2007, p. 15).

Mümken supports Grolik's statement and claims that actors tend to twist information if they are acting in favour of the maximisation of their own benefit rather than focusing on the benefit of the relationship (Mümken, 2009, p. 20). Novak understands information exchange as part of a knowledge development, writing that information exchange is influenced by so-called enabling conditions. The better these are established, the better the information exchange functions and the more knowledge can be generated. Novak postulates that common ground, trust and social reputation have an impact on the way and form information is exchanged between parties. She refers to communities which represent a special form of shared social and cognitive context and adds that the three mentioned conditions allow community members to construct shared meanings from exchanged information which enables them to share new created knowledge. Hence, information exchange also plays a role when it comes to knowledge development or knowledge transfer (Novak, 2006, p. 26 f.). Lehner and Lehmann support the above statement and write that the exchange of information is a central process for the optimal use and distribution of knowledge. With respect to their understanding of information exchange, they add additional enablers to the equation and expand Novak's statement by writing that, additionally to trust, common ground and social reputation are also individual factors, collective factors, context, layout of information, culture and legal matters influence the quality of information exchange and therefore the development of knowledge. All factors can positively influence the exchange of information, but can also hinder an appropriate flow of information between parties or individuals (Lehner & Lehmann, 2004, p. 10). Priester promotes the above enablers and writes that besides these also characteristics such as individual preferences and hierarchical positions have an influence on the way and the quality of how information is exchanged (Priester, 2012, p. 4 f.).

Dollack who speaks of information exchange while investigating supply chains in electronic commerce writes that the communication between the parties within a supply chain needs to be efficient and additionally it needs to provide the correct information at the right time to support the activities in the supply chain. Information exchange for him is a vital criterion to fulfill the above requirements which is why he

defines the exchange of information as the eyes and ears of a company. Furthermore, he stresses that information exchange is an enabler for a solid and robust supply chain. Without any information exchange, each supply chain is supposed to fail in its function (Dollack, 2004, p. 49 f.). Voigt substantiates Dollack's opinion and writes that information exchange is regarded as one of the main drivers to improve the overall supply chain performance (Voigt, 2011, p. 20).

McInerney and Mohr argue that with regard to information exchange knowledge-sharing is one part of the knowledge chain. During the process of exchanging information and therefore developing knowledge firms should focus less on technology and more on relationship building within the company. This fact promotes the information exchange as well as the learning process within a company. In firms where an active interest in learning, innovation and continuous change exists, information exchange becomes a routine practice (McInerney & Mohr, 2007, p. 65).

Odongo postulates that sharing and exchanging information is assuming a larger role in all kinds of organisations and firms. Odongo perceives the exchange of information and the related management of information and knowledge as a critical aspect for economic development and as an important next step going beyond the dissemination of information (Odongo, 2013, p. 21).

2.5.3 Benefits of Information Exchange

Nitsche and von Hinten-Reed write that information exchange does not always give rise to competition concerns and therefore it will almost always be positive to well-being. Both claim that benefits from information exchange can be large. They outline their understanding of information exchange, and write that information exchange is part of the discovery mechanism in a market economy. It improves investment decisions and organisational learning. Information exchange also leads to output adjustments. Exchange of information lowers search costs and it leads to an efficient allocation of goods. It also helps to select the most efficient and appropriate firms or with regard to outsourcing the best outsourcing partners (Nitsche & von Hinten-Reed, 2004, p. 10).

Information exchange can alleviate problems caused by uncertainty. Uncertainty may arise from missing information on markets, consumer preferences and changing technologies. An appropriate information exchange combined with a sophisticated process for knowledge development can help to overcome uncertainty

and can support decision-making within an organisation (Peng, 2011, p. 27). A centralised managed information exchange connected with an appropriate coordination can help to increase benefits for a company. The coordination can reap the benefits of intercompany learning and can allow the company to disperse its activities. It is important to know how and where the information is stored and integrated within the company and if knowledge gained from a functional information exchange is reflected in products, processes and other activities (Porter, 2008, p. 314).

A well-managed information exchange can result in efficient information systems and, above that, can increase the level and quality of available information between companies or within a company. Hence, the provision of information is easier and faster, and furthermore the density of information is given in one central place to be distributed to others if needed (Verhage, 2011, p. 60). If companies transfer administrative parts of their information exchange into so-called information systems, then the information exchange in such firms can be conducted more effectively and efficiently. A well-designed information system will not only reach a certain group of people within the company, it will be a benefit to all employees in that firm. Additionally, even suppliers and other stakeholders located outside the firm are able to retrieve high quality information for their end of the information exchange chain (Abdulai & Alatishe, 2014, p. 15). The usage of such systems creates cost savings advantages. These can be achieved due to a reduction in costs for handling the respective information. Furthermore, such systems can provide quicker response on information, because previously stored information can be retrieved quicker and easier.

Accuracy of information is provided by the fact that clearly defined data elements are consistently used and therefore promote a better quality of information (Abdulai & Alatishe, 2014, p. 16). Lurje who conducted an analysis of the quality of information exchange between competitors writes that the effect of a good information exchange is a so-called internal effect. The increase of information helps to reduce uncertainty between the parties (Lurje, 2013, p. 9 f.). With respect to supply chain optimisation Fritz writes that the availability of information, upstream, downstream or on the same horizontal level can influence a firm's management decision. The economic value of information can lead to successful transformation within a firm if the information is evaluated properly. The process of an appropriate evaluation of information and the inclusion of such into a management decision

process can increase the relation between information of value and internal organisation formation (Fritz, 2003, p. 8).

Figure 8 illustrates the above discussed internal organisation transformation:

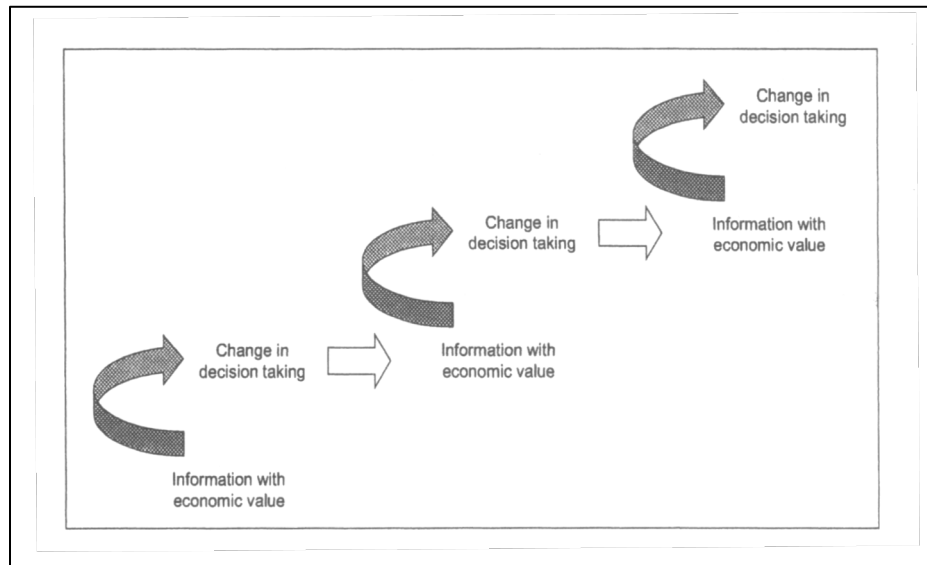


Figure 8: Loop of internal organisation transformation¹⁵

¹⁵ Refer to Fritz, 2003, p. 9.

Maine writes that a deep knowledge on how to share or exchange information can prove to be a significant help for companies which are interested in their marketing, promotion and advertising and any other relevant information dissemination activity (Maine, 2014, p. 20). Hence, the better the information exchange, the better the retrieval of information for companies which want to optimise the above mentioned areas of business. Akbulut-Bailey writes that the benefits of information exchange are exceptional for companies. They play an important role in the organisational adoption of innovations. According to Akbulut-Bailey, reduced costs and increased productivity are benefits of an appropriate, well-functioning information exchange, among other aspects such as streamlined data management, centralised source and support for current information, high accuracy, comprehensive data for problem solving and an improved public image when proper information is given to the outside of the company. The benefits can also be classified as increased effectiveness, efficiency and good responsiveness in operations (Akbulut-Bailey, 2010, p. 23 f.). Thus, the connection between information exchange and information systems can bring a high level of benefit to a company and should therefore be considered in every firm.

Kalpalatha underlines the above-described connection between information exchange and success and writes that information and the exchange of information is considered to be one of the most vital resources of success and development. According to Kalpalatha, knowledge as a result of information exchange is the most influencing prerequisite for success. Hence, it has become imperative for companies to run an appropriate information exchange process or model to support their employees in improving their knowledge accordingly to be able to take the right decision at the right time (Kalpalatha, 2014, p. 6).

2.5.4 Challenges with Information Exchange

To start with the challenges of information exchange it should be noted that a rudimentary or even obsolete information exchange in organisations can lead to a so-called information pathology. Researchers speak of information pathology when a malfunction in the organisational knowledge establishment process exists. Schulte, for instance, states that information pathologies can lead to obstructions, such as obtainable information cannot be obtained, existing information cannot be exchanged and exchanged information might be misunderstood (Schulte, 2012, p. 20). Pech writes that challenges with information exchange can be identified because of the usage of different information and communication systems within a

firm. For him, employees tend to have individual visions towards the structure of such systems which cause a problem with the handling of the amount of information gathered within the firm (Pech, 2014, p. 1).

Information exchange can help to structure information as well as expand knowledge within and between organisations. Humans as such are restrained from knowing everything because of natural boundaries. This presents a challenge given that humans need to know where to find information and to whom such information has to be associated with. Information, in this respect, is not necessarily of value. Hence, it is important to understand the context of information and the way to make use of it. Information exchange can help to overcome the challenge of allocation of information and this is why it is crucial in the process of the litigation of information (iCom Team, 2014, p. 45). Pawar and Bansode write that with respect to processing and exchanging information it is important for the respective persons to recognise the need for information in the first step and to identify the source of the information. Beyond that, it is important to recognise how accurate and complete the information being used in decision-making processes is. This can already be a challenge in itself. Additionally, information needs to be evaluated and organised to be available for the information exchange and new information should be integrated into the information exchange process or alternatively into an existing body of knowledge to gain new knowledge (Pawar & Bansode, 2014, p. 14).

Redfern adds that information-seeking is far more than just looking for information in books and databases. For her, it also involves an evaluation of sources and materials, the assimilation, the reading, the writing and the critical reflection of information (Redfern, 2014, p. 40). Sester et al. argue that challenges with information exchange exist when it comes to processing a huge mass of data which is generated by users with the effect that the handling of such data is restricted. They quote that information or in their understanding data consists often of so-called unimportant information chunks and of heterogeneous quality. Furthermore, they see a pitfall in the redundancy of information. The challenge itself is to exploit and remove the redundancies and to provide accurate information to the information exchange (Sester, Arsanjani, Klammer, Burghardt & Haurert, 2014, p. 120). Looking at information exchange from an information retrieval perspective, Stuckenschmidt and van Harmelen write that information retrieval relies on specific encoding of available information or simple full-text analysis. Both approaches have severe shortcomings. They completely rely on the input given by users which might

not be completely consistent in its content and structure. In such a case, the specifically encoded information reduces the recall of a query with the effect that the information exchange is negatively influenced, because the information does not flow from one person to another and vice versa, but only in one direction which prevents the development of opportunities to give feedback (Stuckenschmidt & van Harmelen, 2005, p. 30).

Deghedri and Ibrahim write that companies tend to believe that information-sharing is often only an issue of implementing the right technology. Decision makers within such companies think that with investing in technology employees and the company can be meaningfully connected. However, with this mindset many decision-makers have been disappointed, because the implementation of these technologies has often not been supported by commensurate investments in organisational culture to promote open sharing of information. The pitfall of this is that the respective technology of sharing information had been implemented, but the employees and/or users have not been cultivated to act accordingly. Hence, even with the existence of an apparently right technology, the information exchange did not come up to speed, because the employees still keep their information to themselves. A few companies, however, treat information-sharing differently. They act as if sharing or exchanging information is a normal behaviour which is embedded in the firm's culture.

Only when companies are willing and able to share information trust can be established and collaboration can be promoted. Technology can act as a tool to augment and promote information-sharing or exchange, but cannot be the only foundation of an appropriately running information exchange process (Deghedri & Ibrahim, 2012, p. 65).

2.5.5 Summary of Information and Information Exchange

In this sub-chapter, the concepts of information and information exchange have been discussed. It has been outlined how an appropriately working information exchange can influence the interaction between parties. The effects of information exchange on the quality of relationship building have been highlighted and furthermore the influencing factors of information exchange have been stressed. The sub-chapter also dealt with the interdependencies between information exchange and the level of relationship building. Relationship building and information exchange do have an interconnection to each other in such a way that both parties recognise that a high level of trust can be established when the

information exchange between the parties is running smoothly and openly. This changes the behaviour of the parties towards information exchange and lowers their constraints towards the interaction with their counterpart. The effect of this can be that the parties might perceive their counterpart differently. A good functioning and most of all an openly conducted information exchange can change the view towards the counterpart diversely and can increase the level of respect within the relationship. Information exchange can also support agency relationships to transform themselves into long-lasting cooperations when both parties are willing to act openly and with no restrictions. Information exchange can influence the way contracts are drafted and negotiated when it comes to contract renewals. The sub-chapter has presented all relevant aspects of information exchange and thus has provided the grounds for further investigation. The relevant influencing factors have been outlined to provide the feasibility of a later conducted analysis of the derived hypotheses. The statements given, together with the discussion on information exchange, have established the foundation of the subsequent development of the CEM and its related content.

To summarise this sub-chapter, it has been shown by the provided content how important information exchange is for the relationship building process in agency relationships in ITO and how information exchange can influence the behaviour of the interacting parties. Way and Yuan support the above statement by writing that relationships between agents and principals are important for establishing roles, structures and communication mechanisms, all of which contribute to an enhancement of the interactions between the parties. Relationship management supports activities and factors that are relevant to organise, plan and execute the interdependence of a relationship as such. The main concept of enhancing relationships also considers managing resources, identifying tasks based on required roles, following pre-established working procedures, maintaining the safety and security of involved individuals and information exchange (Way & Yuan, 2017, p. 42). Both authors invigorate the origin of the research approach and background of the present thesis. For example, the importance of managing agency relationships and the impact of communication infrastructure damage are issues that would normally not be addressed in a respective paper dealing with information systems. However, the identification of respective concepts influences the overall design and contributes to new requirements whereby information systems can aid in addressing the concerns posed in information system concept to improve the

overall efforts connected to these (Way & Yuan, 2017, p. 42). However, not only the direct linkage between agency relationships and exchange of information is important for the course of the present thesis, but also the generation of data for the foregoing discussion. According to Amaturio and Punziano, the generation of data can be defined as the process that changes the routines for building, organizing and analysing the data consolidated in scientific disciplines. This combined with developments in information technology, governance and research techniques developments has, in turn, changed the way the data are used to produce knowledge about social phenomena (Amaturio & Punziano, 2017, p. 38). This thesis combines discussion about information technology with data generation resulting from expert interviews. The generated data is analysed using content analysis with the aid of Grounded Theory basics during the coding of the data. Therefore, the approach of the present thesis can be seen as up-to-date and confirmed by modern existing literature in the respective research field. Using the data for developing the CEM at a later stage is a thoroughly acceptable approach and generates new knowledge to an existing pool of given literature.

2.6 Trust

2.6.1 Introduction to Trust

This sub-chapter discusses the phenomenon of trust which can exist between interacting parties. Firstly, respective statements regarding trust will be provided and secondly the attributes and effects of trust will be discussed. This sub-chapter also provides the theoretical grounds for the validation and falsification of the derived hypotheses. The grounds are similarly based on the data which has been obtained by conducting expert interviews. Additionally, this sub-section will highlight the impact of trust on the quality of a relationship between the respective parties in ITO.

2.6.2 Reflections on Trust

This sub-chapter discusses the influence of trust on contract negotiations and the quality of the relationship building process. To receive a better understanding of how strong this influence can be, the theoretical basis of trust is initially discussed as found in the existing literature. This sub-chapter will highlight the attributes of trust and discuss its effects on contract negotiations and on the quality of the relationship building process.

Trust is often seen as an instrument to support the measures provided by the agency theory for reducing agency problems. Therefore, it is often discussed how strong these options are and how confident interacting parties are to believe that trust is a supporting element for the solutions of agency problems at all. This sub-chapter provides the theoretical basis for the derivation of hypotheses which will be confirmed or falsified in the empirical part of this thesis. It also provides the necessary grounds for performing a subsequent discussion of the influencing factors that relate to trust and which have an influence towards the CEM and its related content.

Adali, for instance, discusses trust as a relationship involving two entities, a trustee and a trustor. The strength of the relationship between both is used as a measure of trust. In this respect, the trustor trusts the trustee to accomplish a specific target in a specific context. Trust provides the trustor the opportunity to take actions and make decisions under conditions of uncertainty and from a position of vulnerability by depending on the actions of the trustee. The trustor encounters uncertainty at the decision time due to a lack of information about the trustee. Adali adds that the trustor is unable to verify the integrity, the competence, the intentions and other characteristics of the trustee. Hence, the trustor is vulnerable to suffer a loss if expectations of an anticipated outcome turn out to be incorrect (Adali, 2013, p. 12).

Nagarajan and Varadharajan argue that certain parameters help to establish trust between two parties. According to them, a one-to-one meeting is a good option to get to know the potential partner. Word of mouth is a reputation facilitator. A letter of recommendation is a profound sign of proof that the service provider did already conduct a similar outsourcing project. Credit ratings help to cover the financial perspective and to provide an insight into a persistent survival acknowledgement towards the service provider.

Background checks are a good measure to collect testimonials and references (Nagarajan & Varadharajan, 2011, p. 565). All of these parameters support the development of trust and help to maintain trust in a long-term situation. Fawcett et al. write that trust is generally considered to consist of two core dimensions: benevolence and capability. They point out that although benevolence underlies trust in personal relationships, benevolence really does not exist among company-relationships. According to them, collaborative innovation only emerges when high levels of both capabilities are simultaneously cultivated. Fawcett et al. also stress

that it is important that each of these capabilities is composed of two factors: intent and skills (Fawcett, Jones, & Fawcett, 2012, p. 166).

Chien et al. connect trust with the depth and assurance of feelings to accept vulnerability. They write that inter-organisational trust is based on the belief that organisations will perform potential transactions according to their confident expectations. This belief is irrespective of their ability to fully monitor these transactions. Based on their point of view, trust is a collectively held subjective confidence in terms of the expected behaviour of respective parties. For them, trust is important in facilitating inter-organisational communication and transactions (Chien, Chen & Hsu, 2012, p. 462).

Hoejmose et al. define trust as an important element of successful business. Trust, for them, has the potential to enhance a firm's performance and its competitive advantage. The authors write that trust is an informal mechanism which often leads to coordinated joint efforts that improves outcomes and helps to exceed what the outsourcing firm can achieve, acting solely in its own interest (Hoejmose, Brammer & Millington, 2012, p. 611). Evans and Krueger state that trust consists of cost and benefit. Both aspects jointly correspond to the concept of personal vulnerability or risk. With reference to their model, both authors argue that potential costs are arising for the trustor when the difference between the status quo and the level of betrayal increases. Another aspect which Evans and Krueger incorporate into their statement is temptation. They define temptation as the difference in the trustee's payoffs between betrayal and reciprocity. It is relevant to the concept of expectation, because it captures the trustee's temptation to defect if trusted. Temptation to be seen as this type of difference provides the link to the probability that the trustee will reciprocate trust. Temptation is the best predictor of reciprocity among strangers (Evans & Krueger, 2011, p. 171).

According to Molina-Morales et al. trust is defined as the mutual confidence between parties that none of these parties will engage in opportunistic behaviour to exploit the others' party vulnerability. Trust thereby does not violate the values, principles and standards of behavior; both parties have internalised trust as part of their exchange. Trust is an important element., On the one hand such exchanges carry the potential for opportunism, but on the other hand promise to create preferred economic outcomes for business relationships such as lower transaction or agency costs. In this respect, trust can be determined as a substitute for formal control

mechanisms and facilitating dispute resolution (Molina-Morales, Martinez-Fernandez & Torlo, 2011, p. 120). Sue-Chan et al. define trust as an important element of a good working relationship. They write that trust facilitates teamwork, leadership, goal-setting and performance assessment. It positively predicts employee satisfaction and organisational commitment and it supports a firm to adapt and innovate (Sue-Chan, Au & Hackett, 2012, p. 459).

According to Sánchez et al., trust can be seen as a key relationship regulator. It facilitates communication, increases relationship commitment and leads to the continuation of business. It also reduces the perception of vulnerability and mitigates uncertainties. Trust is self-enhancing, because it reduces the expectation and possibility of opportunism. It relaxes the need for controls (Sánchez, Vélez & Ramón-Jerónimo, 2012, p. 896 f.). Hernandez-Ortega describes trust as a facilitator for various benefits, such as richer information, competitive advantage and firm performance. For Hernandez-Ortega, the attainment of long-lasting and profitable relationships is strongly connected to trust and from an economic perspective trust reduces transaction costs as well as operating as a governance mechanism (Hernandez-Ortega, 2011, p. 524).

Kanagaretnam et al. understand trust as an important driver of investment decisions, especially in environments which are related to investments in early stage business ventures where contracts are inherently incomplete and difficult to monitor and enforce. Several behavioural factors including risk preferences, social preferences and reputation influences are related to trust, and betrayal aversion is identified as a major inhibitor of trusting behaviour. Kanagaretnam et al. point out that an aversion towards the exploitation by an untrustworthy partner exists that prevents the development of trust (Kanagaretnam, Mestelman, Khalid Nainar & Shehata, 2012, p. 566 f.). Zhang et al. write that trust is a critical factor in developing cooperative buyer-supplier relationships. For them, trust reduces opportunism in downstream supply chains, improves supply chain responsiveness, and increases the potential for beneficial supply chain alliances. They mention that trust can be defined as the confidence and belief in another party's credibility and goodwill. This aspect is essential to conceptualize trust (Zhang, Viswanathan & Henke, 2011, p. 319).

Lee and Choi refer to the statement of Zhang et al. and write that trust determines the nature of many buyer-seller relationships, especially in establishing partnerships and strategic alliances. Furthermore, they state that trust-related elements are intangible and not well defined in any contract. Hence, relationships based on a formal contract and rooted in trust strengthen the bond between an outsourcing company and its service provider. Both refer to the 1990s and write that there is evidence showing that outsourcing projects in this time have been shifted from contractual to trust-based relationships. Therefore, effectively trust-based relationships can be seen as one of the key predictors of outsourcing success (Lee & Choi, 2011, p. 97).

Stoel and Muhanna foster Lee and Choi's statement, stating that trust is important for social interactions and successful relationships between firms. They highlight that trust affects the willingness of an individual to seek and provide new information and to absorb new knowledge. A lack of trust is deleterious to information exchange and diminishes the effectiveness of joint problem solving. It is likely to reduce the parties' ability to resolve disagreements (Stoel & Muhanna, 2012, p. 249). Reeson et al. discuss trust in agricultural markets, arguing that building trust entails a degree of risk, because an individual cannot be sure that another individual or party will cooperate. They refer to the game theory and the prisoner's dilemma and state that the best overall outcome is achieved if the two parties trust each other and cooperate. Each party can benefit from defecting which, theoretically, will be the behaviour both parties will consider or anticipate. Looking at repeated interactions, Reeson et al. postulate that these can provide an opportunity to build interpersonal trust. The level of risk can be reduced by starting with small cooperative acts and building them up gradually if the other party reciprocates (Reeson, Tisdell & McAllister, 2011, p. 652). Wang et al. talk about the impact of trust on innovation performance. They state that trust refers to the decision to rely on a partner with the expectation that the partner will act accordingly to a common agreement. In a situation with high levels of risk, a party's trust is signified by a decision to take action that puts the party's fate in the hands of another party. Moreover, Wang et al. understand trust as a prerequisite to build a high level of cooperation within a relationship and understand it as a useful lubricant or a fundamental ingredient in avoiding conflicts and contributing to long-term stable relationships (Wang, Hoi Yan Yeung & Zhang, 2011, p. 115).

Wei et al. state that trust is needed to reinforce partner cooperation and to mitigate the risk arising from e.g. unanticipated events. For them, trust is particularly important as a relational mechanism to allow flexibility in cross-firm operations which are difficult to arrange under environmental uncertainty. Trust refers to the extent to which an organisation has held trust orientation towards a partner firm. It represents the confidence of goodwill of a partner firm and belief that its partner will perform in a manner that is beneficial to the exchange relationship (Wei, Wong & Lai, 2012, p. 642). Werner underpins the previous thoughts on trust and writes that the degree of trust may positively influence economic growth and the distribution of wealth. He argues that trust is difficult to identify and cannot be measured easily. Often individual attitude is linked to trust, but it cannot be identified to which extent attitude reflects actual behaviour and how trust evolves in a dynamic environment. Werner states that a causal relationship between trust and economic variables is often ambiguous (Werner, 2009, p. 8).

Meier who discusses the characteristics of alliance performance writes that trust viewed from a transaction cost perspective can be considered as a means to secure cooperation and to inhibit opportunistic behaviour in collaborative arrangements in which a potential for opportunism can always be found. For him, trust is the behavioural lubricant to improve an alliance operating efficiently (Meier, 2011, p. 82). Besides looking at a transaction cost perspective, Meier also discusses trust with respect to a knowledge management perspective. Trust increases the partner's proximity and leads to more interaction between the parties. This promotes better knowledge sharing with the positive effect of having a better knowledge transfer and learning (Meier, 2011, p. 83). Renner argues that trust not only stabilises and optimises an alliance performance, it also helps to improve the interaction between the parties. Renner states that trust influences the level of reciprocity positively, because interacting parties behave more cooperatively when they feel that the other party is trustworthy. This results in a good offer which elicits a good counteroffer (Renner, 2011, p. 19).

Solhaug and Stølen write that trust is inherently related to risk, because in a relationship the well-being of the trustor is at stake. Both authors write that the connection between trust and opportunity is based on a trustful behaviour of trustor and trustee, because if the trustor performs as trusted, it may have a positive outcome for the trustee. In contrast, if the trustor acts differently and does not perform as expected, the trustee will withdraw his trust in the trustor which might

have consequences for the relationship. It is important to note that the level of opportunity and risk perceived by the trustee are subjective beliefs. To objectivise the perception on trust, it is critical to derive one's beliefs from the trustworthiness of the trustee (Solhaug & Stølen, 2012, p. 2).

Cao and Zhang discuss trust in the context of supply chain collaboration. In their view, trust is a critical determinant in establishing a relational mode of governance structure. Long-term and sustainable collaborations are based on equity and trust, rather than on monitoring and control. Relationships arise from the foundation of trust. Trust reduces transaction costs and eliminates the need for detailed contracts. Opportunism as a counterpart of trust may create short-term benefits, but it incurs costs in the long run, whereas trust helps business partners to create a win-win strategy for a collaborative relationship (Cao & Zhang, 2013, p. 22). Morris accentuates the connection between trust and relationship and writes that trust is critical for relationship formation and maintenance. Repeated interactions between parties conducted without trust cause higher amounts of transactions. Trust has been confirmed as antecedent to commitment and trust is an important construct when viewing organisational relationship exchanges. Repeated exchange between organisations creates trust between groups. For interacting parties, it is important to understand that trust supports the expectations towards a contract which can be beneficial for both players (Morris, 2012, p. 28 f.).

Rudolf refers to the connection between trust and risk and argues that trust does not just imply taking a risk. It is the willingness to take a risk. Hence, while making such a choice, the organisation which is prepared to do so accepts the risk in a way that it is confident that the cooperation with its partner will override opportunism. The result of such behaviour is that the willingness to cooperate with the other party increases. According to Rudolf, it is important to understand why someone has a greater or lesser amount of trust in another person. She stresses the attributes of the trustee and expounds that these are strongly connected to ability, benevolence and integrity. For her, ability is defined as skills and competencies that contribute positively, benevolence is the level of genuine care and concern and integrity includes moral principles, values and conduct (Rudolf, 2013, p. 11).

Whitmore and Foti examine the development of trust in leadership and argue that trust can be conceptualised as an attitude. Trust is an object based on affect, behaviour and cognition. Trust is an attitude held by a trusting party towards a trusted party. Trust is based on the trustor's perceptions, attributions and beliefs about the trustee (Whitmore & Foti, 2012, p. 3).

2.6.2 Attributes of Trust

Baral outlines the attributes of trust while explaining local governing bodies' trust for administering agencies. For Baral, trust has been conceptualised as an attitude, a relationship or a capital depending upon the academic disciplines, although trust is a contested term. It appears that a consensus exists regarding three attributes of trust. Trust is relational, because it involves individuals making themselves vulnerable to others; trust is also conditional as it is given to specific agents with respect to specific domains; and trust is a judgement that can be measured dichotomously or in a more graded form (Baral, 2012, p. 43). Lehmann-Willenbrock underlines these attributes and writes that trust converges on three conditions. These are based on vulnerability that determines the willingness to accept uncertainty, but also on previous mutual interactions between a trustor and a trustee. In her view, this understanding of trust implies that one party develops trust as a result of repeated interaction. Trust depends on the characteristics of a specific situation or trustee in a specific context (Lehmann-Willenbrock, 2012, p. 11 f.).

According to Ebert, the attributes of trust are important to economic activities, because such activities rely on an opponent's mere assurance not to expropriate someone else's assets. In environments with high level of trust, people have to spend less to protect themselves from expropriation (Ebert, 2010, p. 15). To interlink the attributes of trust with the level of quality of an outsourcing relationship Rosaci writes that it is important to point out that a trust relationship can involve multiple dimensions (Rosaci, 2012, p. 38).¹⁶

2.6.3 Effects of Trust

Thorgren et al. talk about trust in multi-partner alliances. They assume that trust in partnerships entails the acceptance of vulnerability. For them, it is evident that trust among partners plays a prominent role and that these types of alliances are based on the idea that voluntary exchange will fail if the partners do not trust the other

¹⁶ In his paper Rosaci speaks about interacting agents. The term "agent" has been converted into the term "service provider", because following the context of the thesis an agent is defined as a service provider.

alliance firms enough to take the risks associated with contribution (Thorgren, Wincent & Eriksson, 2011, p. 100) Looking at the statements of the experts being interviewed in the empirical part of this thesis, most of them are working in multi-partner alliances. Almost all of them are maintaining a relationship where two or more types of companies work together. According to Thorgren et al., smaller firms may seek to team up with larger partners in alliances, because they generally have more resource slack and economies of scale. Further to this, larger companies often have a known reputation as well as market power. In contrast, larger firms may team up with smaller firms, because they initiate competitive actions more swiftly and have different types of knowledge and competences (Thorgren, Wincent & Eriksson, 2011, p. 102).

Botêlho et al. underpin Thorgren et al.'s statement and argue that there is a close relation between trust and relationship among agents and principals. They write that task delegation, essential in agent collaborative work, is strongly related to trust. As a matter of fact task delegation introduces a challenge for both parties. The lack of guarantee concerning the accomplishment of the tasks produces a need for mechanisms that minimise the risks of unaccomplished tasks. One way to minimise these risks is to attribute good trust levels associated to agent interactions (Botêlho, Enembreck, Ávila, de Azevedo & Scalabrin, 2011, p. 1234). Hence, a principal-agent relationship should have two central elements in order to present a good performance. It should focus on task delegation as a basic mechanism for cooperation protocols and trust should be developed as a condition to minimise the risk of unaccomplished tasks (Botêlho, Enembreck, Ávila, de Azevedo & Scalabrin, 2011, p. 1234).

Fan describes trust as being based on ability, integrity and benevolence. According to Fan, all of these components play an important role in different stages for the establishment and operation of a relationship. Trust depends on members' ability, benevolence and integrity and relies more on cognitive components like competence, reliability and professionalism than for instance affective, emotional connection to each other. Additionally, trust is related to competence, loyalty and receptiveness (Fan, 2011, p. 1241). All of these attitudes influence the level of trust and the performance of the relationship.

Looking at outsourcing relationships attitudes such as competence, loyalty, reliability and professionalism are to be seen as the foundation for a successful outsourcing scheme. Both partners should maintain these attitudes along with the rules of good behaviour and best practice to ensure that the relationship will be a success. Costa e Silva et al. support the previous statements and postulate that in a partnership a company tends to rely on the ability of its partner. For Costa e Silva et al., companies tend to leave more space for working based on the confidence that the partner will do what has been agreed under the assumption that the partner refrains from taking any unfair advantage. Further to this, outsourcing companies tend to trust when the agent will act accordingly to his competence or to the contract. This confidence in the existence of trust can work as a catalyser for doing what is right and avoiding what may hurt the partner's interests. According to Costa e Silva et al., partners that trust each other generate greater profits, serve customers better and are more adaptable. The effect of this is that partners intensify their assumptions towards satisfaction with the relationship, with the effect that they feel that the level of satisfaction reflects their perception of performance (Costa e Silva, Bradley & Sousa, 2012, p. 296).

Laan et al. support the previous thoughts and state that trust is important for relationships. For them, the level of trust influences the level of performance. Looking at the role of trust in inter-organisational relationships, Laan et al. write that one needs to take into account that trustors face the risk of trustees not being able or not being willing to perform as expected. This may be caused by endogenous or exogenous factors. Therefore, in relationships the risks that organisations face are assumed to be of two primary types. These types can be determined as internal and external risks to a relationship. Internal risks can be defined as the probability and consequences of not having a satisfactory cooperation. The internal risk arises from a possible lack of competences and the potential for opportunism on the side of the trustee. External risks arise from those factors that contribute to the possibility and consequences of outcomes of a relationship not being achieved (Laan, Noorderhaven, Voordijk & Dewulf, 2011, p. 100).

Chiocchio et al. discuss the effect of trust in teamwork schemes in integrated design projects and state that trust facilitates the coordination among partners, because a high level of trust increases the likelihood that one party will cooperate and share information with another, which in turn is expected to lead to higher performance (Chiocchio, Forgues, Paradis & Iordanova, 2011, p. 82). Rosaci et al. support the

previous statements and write that trust augments the spectrum of interactions between two parties. They say that trust relationships depend on the context in which the two partners interact. They postulate that reliability is a subjective measure of trust directly perceived by one party with respect to another. Rosaci et al. state that reputation is a measure of the level of trust that the party perceives with respect to a given trustee. Both reputation and reliability are cornerstones to ensure that the relationship between the two parties is based on trust and good performance. Trust will increase the level of reputation and might optimise the amount of reliability (Rosaci, Sarne & Garruzzo, 2012, p. 2).

Hsu et al. write that trust is crucial in social interactions, especially in an environment in which social cues are notably missing. In such environments, there are no explicit norms to provide sufficient guarantees that the other party will behave as expected. One of the reasons that trust is so central is that it reduces social complexity by ruling out undesired future behaviour of the other party and therefore increases one party's belief that expected benefits through interactions can be fulfilled (Hsu, Chang & Yen, 2011, p. 588). Trust can support the development of relationships. Linking the effects of trust with the subject of the present thesis, it can be said that trust can help to create a good working relationship between outsourcing companies and their service provider in ITO.

2.6.4 Summary to Trust

In this sub-chapter, statements on trust have been outlined. Furthermore, the attributes which define trust have been discussed. It has been shown how these attributes effect the interaction between outsourcing companies and their service provider. The effects of trust on the quality of agency relationships have been demonstrated and also the success factors of trust have been emphasised. This sub-chapter also dealt with the interdependencies between trust and the quality of relationship building. Relationship building and trust interact with each other in such a way that both parties behave differently towards their counterpart if they recognise that a high level of trust exists. This changes their behaviour towards the exchange of information, their constraints towards control and control mechanisms and towards the way they perceive their counterpart. Trust can change the view towards the counterpart dramatically and can be responsible for a higher level of respect. Trust enables agency relationships to grow faster and in the form of long-lasting cooperations. Trust can influence the way contracts will be negotiated in the so-

called “second round” when it comes to an extension of the contract as a basis for an extension of the relationship.

This sub-chapter has discussed all aspects of trust relevant for the course of the present thesis and has therefore established the grounds for further investigation. The relevant influencing factors have been outlined as a basis for a later analysis of the derived hypotheses. The statements shown, together with the discussion about trust, have built the grounds for the development of the CEM and its related content. To summarise the findings, this sub-chapter has shown how important trust is for the quality of agency relationships in ITO and how trust influences the behaviour of interacting parties.

Given that the purpose of trust research is to provide an overview of how research about trust is conducted, the context in which the research is conducted and the trustworthiness of the empirical material could provide alternative insights into knowledge generation and expand on the current production and representation of trust knowledge. Therefore, the present thesis discusses agency theory in conjunction with existing knowledge about trust to link both together and to provide the basis for the development of the CEM to ensure that both interacting parties in agency relationships in ITO are able to build their relationship according to rules, with the effect that trust between the parties on one hand does exist at a high level, and on the other hand the level of trust will assure that individuals act more openly and transparently as they would act if the respective relationship just “grew” together. Additionally, the so-called trust problem that is understood to be based on the separation of ownership and control where a principal exposes himself to the discretion of an agent by giving his control over his ownership can be enhanced by increasing the level of trust (Herold, 2019, p. 37). The trust problem can be mitigated by the means of the present thesis, especially by the recommendations of the CEM and its related content. In this respect, trust problems seem closely related to agency problems. By this analogy, entrustment would be the equivalent of delegation. This appears to be a concept that considers that both strands of research are concerned with cooperation. However, compared to trust as a key governance device, agency theory works on the consumption of self-interested agents which can only be motivated for cooperation by extrinsic incentive schemes (Herold, 2019, p. 37).

The discussion about trust and agency theory delivers the grounds for further investigation which has been conducted in the present thesis to enable both parties to act differently from the beginning of the respective relationship. This helps both parties to start a collaboration based on positive assumptions on both sides which entail supporting the collaborative level rather than trying to find a convenient working level that arises based of an unmanaged behavior and attitude of individuals. Those individuals might get along with each other because of a positive course of the contract negotiation, but might not, if self-interest and vanity are at a higher anticipated level compared to achieving a common understanding and trustful relationship.

Zhang also refers to the trust problem and states that the trust problem can be perceived when a principal hires an agent to deal with a task on his behalf in return for a reward. The problem arises because of the situation in which the risk one party takes depends on the performance of the other party, where an agent is presumed to maximize self-profits by exploiting the trustworthiness of the principal. Therefore, the agency problem is thus crucial for studying the importance of trust in agency relationships. The trust problem displays hidden actions, and the conventional way to reduce these is to sign an explicit contract (Zhang, 2016, p. 42). This situation will be discussed in the course of the present thesis and expedients will be developed to help both parties to set up their relationship on a high level of trust right from the beginning to overcome the trust problems, as described previously.

3 Exploration of Hypotheses

The hypotheses which have been developed throughout the course of the present thesis will be presented in a separate chapter, in order to aid understanding of the research and the development of the hypotheses. As mentioned earlier, based on previous studies, it is judged that there is a significant causal relationship between influencing factors that are important to enhance the phenomenon of hidden actions. In terms of the moderating effect of relationship building between principals and agents in agency relationships in ITO individual performance and behavior have a significant effect on the level of trust and the outcome of contract negotiations. To prove how strongly these two terms are connected to each other respective hypotheses have been derived and investigated.

The results of the investigation have been used to develop the content for the CEM. Prior to the present thesis, previous research has provided proof that an enhancement of communication and information exchange based on an empirical analysis of the influencing factors affecting the development of a relationship between the outsourcing parties has a positive impact on the development of agency relationships. In the present thesis, the research hypotheses have been created to clarify whether influencing factors are relevant for the development of a relationship between outsourcing parties when a focus is set towards contract negotiation and how these influencing factors can be enhanced to ensure that, for instance, hidden actions discussed in the agency theory can be minimized. The research methodology and model therefore provide the operant definition of measuring respective parameters.

This thesis tends to validate the statement that the level of hidden actions depends on the way both parties are interacting with each other and on the level of trust between them. The hypotheses testing has been used to examine the content obtained through the expert interviews to determine the content of the CEM. Therefore, the hypotheses testing used shows that the CEM can have a significant impact on the development of the relationship between the outsourcing parties. In fact, this prediction is a particular instantiation of the statement that an enhancement of the contract negotiation process increases the emergence of trust and therefore improves the relationship building between the outsourcing parties.

The applied investigation of the hypotheses across the development of the CEM and its related content results in an enhanced performance over the previously conducted research.

Based on the content analysis, the text analytics will help to determine the role of background information, domain knowledge and theory. Text analytics can help to expand an existing knowledge base as well as the use of knowledge for developing a model to enhance the so-called hidden-action-situation which exists very often between outsourcing parties. The objective of the analysis of the present thesis will inform the type of data, methods and resources necessary to complete the analysis. In most text analytics, the overarching goal of the analysis is to derive value from the data resources. This value-added activity can help to develop the model being important to enhance relationship building between outsourcing parties. However, it is important to have a clear understanding of the objectives before beginning the text analytics. As in any research project, appropriately defined objectives lead to measurable performance and benchmarking capabilities. Therefore, the identified content for developing and investigating the hypotheses has been delivered by existing literature as well as through the conduction of the expert interviews. The theoretical framework of the present thesis provides a good foundation for the analysis of influencing factors which affect contract negotiations between principals and agents in ITO.

Referring to the central research question and the grounds for analysis, the respective influencing factors that determine the contractual process and the development of trust in these types of relationships, it is assumed that both parties basically pursue the maximisation of self-interest. To find an appropriate methodology to approach these influencing factors, hypotheses have been formulated to represent the course of the contracting process in agency relationships in ITO. A further goal of the present thesis is the investigation of the effects of contract negotiations in such agency relationships.

Based on the described qualitative research approach and based on the grounds of the theoretical discussion outlined in Chapter 2, the thesis examines the phenomenon of trust and discusses the process of how trust affects the course and intensity of contract negotiations. Furthermore, the thesis tries to find answers to the question of how important trust is for a solid long-term development in such agency relationships in ITO. Trust, as discussed previously, is determined as an efficient

institution to promote a productive behaviour and to reduce destructive tendencies between interacting partners. The individual behaviour of both actors can counteract the development of trust, but at the same time the effects of a bounded rationality can reverse negative effects of opportunistic behaviour into a reduction of destructive tendencies.

In particular, the behaviour of principals and agents in ITO has been based on agency theory. Additionally, the thesis discusses whether hidden actions are purely based on conscious and specific behaviour or whether they are, among other things, triggered by a lack of information exchange. With regard to developing the hypotheses, the present thesis analyses to which extent interpersonal relationships in agency relationships in ITO influence the exchange of information, following the assumption that trust encourages contract negotiations and the transfer of information. Based on the results of the data collection in the empirical investigation, the thesis discusses procedural and contractual factors to identify further factors which influence the contract negotiation process in addition to the existing interpersonal factors to allow manifestation of the derived hypotheses. Based on the results of the investigation and the analyses of the respective influencing factors that are responsible for influencing both parties' behaviour and their interaction, the thesis will deliver the grounds for developing the CEM. The CEM will enhance the theoretical framework on one hand, but will also act as a guideline for the practice in ITO.

3.1 Exploration of Agency Theory Hypotheses

With regard to previous statements mentioned in Chapter 2.4, companies tend to maximise their own benefit by behaving opportunistically. On the grounds of these statements, hypothesis 1a has been derived. The results of the data collection are to be seen as a foundation to verify this hypothesis. They provide information on the fact that both actors can evaluate the behaviour of their counterpart. The operationalisation of hypothesis 1a is grounded on the level of allocation of information between both parties, the quality of their relationship and the balance of information exchange within the respective agency relationship. It considers the aspects to evaluate the intentions of different actors. It is important to understand that the information exchange plays a vital role for the quality of the contracting process in an agency relationship. The reason why hypothesis 1a has been derived is based on the question to which extent the maximisation of the parties' own benefits automatically includes the formation of information asymmetry, because

their occurrence can lead to a conflict in an agency relationship. Looking at these information asymmetries, uncertainties in the behaviour of the actors can occur with the effect that the relationship can break or the cooperation between the two parties can be compromised.

Hypothesis 1A:

This thesis has discussed opportunistic behavior of principals and agents in agency relationships as outlined in agency theory. It has been discussed that both parties try to maximise their own well-being rather than trying to gain a joint benefit out of a relationship. This phenomenon delivers the background for the hypothesis 1A to be investigated. The research will prove that existing statements can be confirmed, not only by the already discussed literature, but also through the outcome of the empirical part of the present thesis. The question remaining is how strong this phenomenon is presented in agency relationships in ITO. An effective way of acquiring knowledge about this phenomenon is to conduct expert interviews and to analyse their content to allow respective findings.

One reason for investigating opportunistic behavior is to identify how much this can be understood as an influencing factor towards the outcome of the contract negotiation between an outsourcing firm and a service provider, but also on how strong such behavior is influencing the relationship building between the parties, and what kind of mitigation can be established to guarantee a better course of the contract negotiation and a better development of the relationship between a principal and an agent in ITO. The results of the investigation are shown in a later chapter of the present thesis.

H1A: *Principal and agent are aware of the fact that their counterpart behaves opportunely to maximise her/his own benefit.*

Hypothesis 1B:

Based on the grounds of hypothesis 1A hypothesis 1B has been derived. Hypothesis 1B reflects the question to which extent the behaviour of an agent can be influenced in an agency relationship. With respect to this assumption, it is intended to analyse the instruments for reducing hidden actions. Additionally, a focus has been set towards the assumption if hidden actions are only to be assessed, managed and minimised by monitoring tools or processes or whether an agency relationship in ITO rather anticipates the use of incentive schemes to

overcome hidden actions. To investigate type, frequency and options of information exchange as an influencing factor to the outcome of the contract negotiation process between both parties, the operationalisation of hypothesis 1b focuses on suggestions for improvements to enhance the contract negotiation process and the exchange of information between a principal and an agent.

In advance of deriving this hypothesis, the theoretically discussed options for reducing hidden actions were outlined in section 2.4. In this context, incentive schemes are understood as an alternative to monitoring tools or processes if monitoring as such fails to function. Hypothesis 1B also aims at supporting the statement that both parties try to maximise their own well-being. An agent might have more information about a certain business activity he is supposed to take over from a principal. The principal knows about the activity and the effort to be made to fulfill tasks being connected to the activity, but he might not know the underlying pricing behind this fulfillment. An agent who has effected such type of activity for other customers knows exactly which effort needs to be put into the fulfillment of the tasks and therefore might think that he can to a certain extent bargain with the principal to settle a better price compared to the one he settled previously with another customer. The principal tries to avoid such a disadvantage for him and find out what kind of pricing is adequate for such activity. Once a contract has been settled and the relationship has started, the principal has practically no chance to figure out how big the effort is the agent puts into the fulfillment of the activity, and therefore starts to monitor the agent to receive a better picture of him and his efforts as well as his behaviour. Hypothesis H1B is therefore discussed to see whether principals are generally conducting monitoring to observe the activities of their agent or if in certain cases relationships already exist in which principals seek other means to receive information instead of looking at plain monitoring as such.

Hypothesis H1B is also being developed and will be analysed to see whether it supports hypothesis H1A. It deals with opportunistic behavior or the fact that agency relationships might have a chance to be managed more by incentive schemes rather than by monitoring to provide information for each of the parties or even for both. The results of the discussion will deliver good content for the CEM and its related content. It also delivers content for recommendations to be made for the practice. Hence, this hypothesis provides an interesting identification about the strategic attitude of parties towards one another while being in a contract negotiation process, because both parties can anticipate the way the other party might act and behave

during the relationship building phase and during the duration of the relationship from the outset.

H1B: *Principals in agency relationships in ITO tend to monitor an agent rather than use an incentive scheme to reduce hidden actions.*

3.2 Exploration of Contract Negotiation Hypotheses

In Chapter 2.3, statements to contract design and outsourcing contracts were outlined and discussed. A functional contract negotiation process was seen to be a way to guarantee and/or affect the information exchange between a principal and an agent. In addition, a functional contract negotiation process can contribute to a mutual understanding of the respective actors in agency relationships. A sufficient contract negotiation can contribute positively to the relationship as much as an insufficient contract negotiation can cause conflicts between the parties and be the reason for a break of cooperation in the long run.

The derived hypotheses relating to contract negotiation are discussed with respect to understanding why distortion or interference in the contractual arrangements exist and why and if they are a ground for disturbances in the information exchange between the parties. Williamson sees the reasons for this in the fact that the parties do select the type and quality of information that they want to pass on to their partner. Thus, the partner only receives information which is selected prior to disclosure. This expresses the fact that one side only passes on the information which the respective party thinks is relevant or will maximise her or his own benefit.

For Williamson, this type of information exchange is based on the interests of the party providing the information to his/her counterpart, and thus this can be understood as a tendency towards opportunistic behaviour. Williamson also writes that the selective provision of information occurs when the principal is in a stronger position than the service provider and therefore can determine the flow and exchange of information according to his needs. In contrast, when the agent has more knowledge about a certain subject and is able to oversee the consequences of sanctions or rewards, he can decide how much information he passes on to his counterpart. He can then tailor his behaviour according to the impact of sanctions or rewards he can expect from his behaviour (Williamson, 1975, p. 122 ff).

This thesis will discuss which types of contracts between an outsourcing company and its service provider exist and how an optimal contract negotiation process can be embedded into the relationship to provide information as to how to develop the

CEM and how solid this model can be implemented in agency relationships in ITO. Therefore, the following hypotheses will be investigated to find out to which extent such a CEM can be incorporated into agency relationships in ITO. In addition, it will be analysed to which extent principals and agents in ITO accept the implementation of the CEM and how much importance the interacting persons ascribe to such a model. The operationalisation of the hypothesis is based on contract design and information exchange.

Hypothesis 2A:

Hypothesis 2A is developed and discussed to analyse how regulations of a contract negotiation process can influence the output of the contract negotiations resulting in a respective contract between the parties. On the one hand it touches the design and the content of the contract which is to be concluded between the parties, but on the other hand it looks at the level of information exchange between the parties when regulations and clear definitions are provided to both parties, with respect to what needs to be exchanged, when, how and to what intensity. Therefore, it combines content of contract theory with communication and information exchange to balance out which has the higher impact as an influencing factor responsible for the course of the contract negotiations and the exchange of information. It will be discussed how regulation of the contract negotiation process enables individuals to provide information in a manner that does not use information against the other party, but for the development of an appropriate and prolific relationship.

The attitude of individuals exchanging information can be quite a challenge for contract negotiations if there is no control over the behavior as well as if there is no clear definition of what needs to be exchanged as information to satisfy the request of information of one party versus the other. It may be that individuals negotiating a contract with representatives of the other party are not the ones conducting the operational tasks out of this contract, but are only involved to maximise an anticipated economical goal from senior or board management. Such situations can cause massive damage right from the beginning of a proposed relationship between the parties. Therefore, it is suggested that regulations for the contract negotiation process are required alongside inclusion of operational members of the firms. This thesis discusses this subject and provides the means for both parties in Chapter 6 to allow good relationship building during contract negotiations which builds the basis for a long-lasting partnership rather than a relationship in which both sides

only try to maximise their own well-being. Relationships based on the maximisation of their own well-being do not last as long as relationships reflecting a beneficial output for both parties. H2A provides the grounds for the later discussed CEM and its related content, its impact on contract negotiations and the relationship building between an outsourcing firm and its service provider in agency relationships in ITO.

H2A: *The stronger contract negotiations are regulated in agency relationships in ITO, the better the design and the content of contracts and the corresponding information exchange between the involved parties will be.*

Hypothesis 2B:

Based on the statements of contract design and information exchange outlined in Chapter 2.3 and 2.6, the following hypothesis has been derived. The hypothesis reflects the impact of interpersonal relationships and their influence on contractual arrangements as well as on the exchange of information in agency relationships in ITO. In this context, the thesis analyses how strong the impact of an interpersonal relationship is towards the contract negotiation process. Furthermore, it will be investigated whether this influence can be managed with processes or models in such a way that the respective actors understand themselves as part of a contract negotiation process on mutual grounds to generate a win-win-situation for both parties or whether they only focus on their own benefit while being in the contract negotiation process with the other party. The operationalisation of the hypothesis is based on the theoretical background of contract negotiation and information exchange. From a theoretical viewpoint, hypothesis 2b combines knowledge of the agency theory with knowledge of the contract theory to allow a discussion on how strong an influencing factor such as an interpersonal relationship is compared to having a structured contract negotiation process which defines content but also the way the process is supposed to run. The discussion held at a later stage in the present thesis delivers the grounds for the CEM and its related content. The expert interviews provide sufficient content to be analysed and to be used for the matter to be enhanced.

The analysis of the generated data outlines the relation between both subjects to trigger an evaluation on how to enhance influencing factors to enable both parties in an agency relationship in ITO to balance their relationship right from the beginning. The question is raised on how good individuals can be managed by the means of processes and instruments to ensure that two companies are not purely

dependent on the attitude and behaviour of only a few individuals conducting the contract negotiations. To analyse this question in more detail, hypothesis 2C has been developed and will be discussed.

H2B: *The more intense the interpersonal relationship between individuals in an agency relationship in ITO is, the better the contract negotiation process will be.*

Hypothesis 2C:

Hypothesis 2C continues with the above described discussion of hypothesis 2B and delivers the foundation for a further discussion about the interrelations between contract negotiation and interpersonal relationships. The question is raised whether contractual arrangements between principals and agents are only possible purely based on an objective and factual level and without the existence of interpersonal connection and how and if the respective individuals conducting the contract negotiation assess the interpersonal relationship level to be important as an influencing factor. The focus is set on trying to identify if an interpersonal relationship must exist to allow a positive outcome of contract negotiations or if contract negotiations can only be conducted at a level of processes and instruments trying to mitigate all influence of a human relationship. It will also be discussed if by the means of instruments and processes the contract negotiation process can be decoupled from the behaviour of human beings in a way that companies being in a situation in which they perceive the idea of outsourcing depend less on the individuals being responsible for the contract negotiation with a potential partner. The previously discussed content of the agency theory and contract theory provide the basis for such discussions.

It is anticipated that the analysis of hypothesis 2C delivers strong content for the later to be developed CEM and its related content, because it strengthens or weakens the approach of trying to lower the level of interpersonal relationship towards the outcome of successful contract negotiations between principals and agents in agency relationships in ITO. As mentioned, the correlation between hardly defined processes and instruments versus perceived human relationship is very interesting for the content of the CEM and also for the recommendations for the practice.

H2C: *The better the contract negotiation process between a principal and an agent in an agency relationship in ITO is regulated through instruments or processes, the lesser the influence of the interpersonal relationship level will be.*

3.3 Exploration of Trust Hypotheses

Section 2.5 has discussed the dimensions of trust and demonstrated how trust creates an opportunity to reduce complexity. Due to this aspect, trust can promote a better contract design and support the information exchange between the parties in an agency relationship in ITO. As outlined, trust is a trigger for promoting information exchange between the parties and thus provides a basis to overcome the feelings of individual actors in terms of their fear of being abused by the other party. The feeling of abuse occurs if one side opens itself towards the other side and therefore encounters vulnerability. Trust can cause a self-perceived feeling of abuse with the effect that one side anticipates that the other side uses its confidence and power to maximise its own well-being. Confidence can have a positive effect on the level of acceptance and can also support the degree of openness. Along with the described effects, it can be observed that trust also increases the preparedness to pass on relevant information to a respective partner in a free and willing form and in time. However, the self-opening process not only depends on these aspects, but also on the perception of one side towards the trustworthiness of the other side. For example, in case of an agency relationship, the principal might connect his perception towards the agent with certain characteristics based on the form of signals the agent sends in the direction of the principal.

To investigate these assumptions, hypothesis 3A has been derived. The operationalisation of hypothesis 3A is based on questions about the subjective experience of contract negotiation and information exchange and, on top of this, is connected to the interaction between the interpersonal relationship level and the existence of trust. Furthermore, the thesis discusses which content in outsourcing contracts has an impact on the level of transparency and openness for the parties while being in the process of negotiating the contract itself. The focus is also on the question to which extent the interacting individuals can act purely on a professional, businesslike and objective level in an agency relationship in ITO without the existence of an interpersonal relationship level and, further to this, the question arises which role trust plays. The experts will be asked to which extent they feel that a connection between trust and self-disclosure exists and how strongly this affects their relationship.

Hypothesis 3A:

Hypothesis 3A has been developed to discuss the preparedness of companies to follow an open and transparent behaviour towards each other. The main focus is the correlation between trust and the way companies communicate with each other. The existence of openness and respect, as an indicator for increased confidence, shows that the amount and quality of information depends on the course of the information exchange between the parties. This statement is interlinked with strong interdependencies between the level of confidence and the form of contract design. Thus, there are interdependencies between trust and contract design existing which have an impact on the quality of an agency relationship. However, the individual behaviour of the interacting actors plays a crucial role and their impressions and feelings towards the behaviour of their counterparts can have an influence on the way they treat their counterparts.

It is important to understand that in addition to a self-opening behaviour by one of the actors, the perception and the intensity of the cooperation are vital components for the parties to express their engagement towards the relationship. It will be discussed how strong the influencing factor of willingness to transparency and openness depend on the level of trust between the parties to allow a derivation for developing the CEM and its related content to deliver both parties the appropriate means to build their relationship on a trustful basis connected with an open and transparent communication and information exchange. The content of the CEM will enable both parties to establish a relationship that is based on trust and openness, but does not depend purely on the interpersonal relationship of only a few actors and therefore makes companies less dependent on this aspect. The previously debated correlation between the phenomenon of hidden actions discussed in the agency theory and the recommendations being provided for the contract design and for contract negotiations by the contact theory support the discussion in hypotheses 3A and 3B.

H3A: *The willingness to transparency and openness between the parties in an agency relationship in ITO depends upon the strength of trust between the interacting individuals.*

Hypothesis 3B:

The development of an intense relationship is strongly influenced by the engagement of the parties, because according to Bekmeier-Feuerhahn and Eichenlaub the existence of confidence is an important basis for this. Both authors write that the formation of confidence depends on the level and quality of face-to-face interactions in which parties meet on a frequent basis (Bekmeier-Feuerhahn & Eichenlaub, 2004, p. 399). This statement is substantiated by the aspect that it is assumed that a personal contact can affect the formation of trust positively. Therefore, it is supposed that trust and contract negotiation in an agency relationship in ITO are to be seen in correlation to one another. Hypothesis 3b has been derived to investigate how strong this interrelation between these two factors is. The operationalisation of the hypothesis is based on the question of how strong contract negotiations influence the development of trust or whether trust needs to be seen as a vital prerequisite for a functioning contract negotiation process.

Hypothesis 3B therefore delivers a good basis for the discussion regarding the interdependencies between trust, contract design and the contract negotiation process. It is anticipated that both aspects are interlinked, which means that both influencing factors have an influence towards each other in such respect that trust might be developed, because both parties feel comfortable with the way the contract negotiation process is conducted, based on set rules and definitions. A structured contract negotiation process leads to a higher level of trust, because both parties face the same rule set and are therefore able to act more freely and comfortably, with the effect that for both it is easier to open to each other. Mostly, this increases the level of trust, because the respective individuals are able to estimate how their counterparts act and what kind of intention lies behind the other side's interest. This, in turn, leads to simplified contract negotiations such that it is beneficial to both parties. Hypothesis 3B is based on the development of the hypotheses already being discussed and therefore contributes to the overall intention of the thesis. It can be understood as a continuation of the overall discussion with a strong focus on the level of trust depending on a formulation of the contract negotiation process and in relation to the quality of the contract negotiation process that might exist depending on the level of trust being established between principals and agents in agency relationships in ITO.

H3B: *The higher the level of trust between the interacting individuals in an agency relationship in ITO is, the better the contract negotiation process between the two parties works.*

3.4 Exploration of Information Exchange Hypotheses

As described in Chapter 2.6, the exchange of information can be positively influenced through personal interaction. This aspect is based on the relation between information exchange and communication, because the existence and the processing of information is interlinked with each other and therefore personal interaction between actors is understood to be crucial. The exchange of information is characterised by the respective relationship, the perceptions and the interactions of appropriate stakeholders which is why the described aspects are closely interrelated. Consequently, it is assumed that an interpersonal relationship with a positive orientation towards a shared interest can contribute to functional communication, with the effect that information is openly and frequently exchanged between the actors.

With regard to the operationalisation of the following hypotheses questions to the existence of interpersonal bonds and their effects on communication and the exchange of information between the stakeholders have been raised and analysed. For instance, the experts have been asked to which extent they value the content they receive from their counterparts as genuine and honest and whether the current form of exchange between the parties contributes to their relationship or not. In addition, the investigation explores to which extent a process or model can influence the exchange of information in such a way that it runs at optimum level. It also has been analysed to which extent a transparently driven approach can contribute to the quality of information exchange and how it can improve the current situation between a principal and an agent. In this context, the experts were asked for possible available tools which can support the exchange of information from one party to the other, e.g. usage of telephone, email exchange, usage of online data or knowledge bases and others. Based on the described theoretical foundation which has been outlined in Chapter 2.6, the following two hypotheses have been derived.

Hypothesis 4a:

The present thesis understands that for a properly functioning information exchange, the contract negotiation process between principals and agents in an agency relationship in ITO is a vital criteria. Different media used between the two parties during the course of the information exchange contribute to a positive, but also to a negative outcome of the information exchange as such when both parties are using the media only so that their own benefit is maximised. The selection of appropriate media determines the wealth of the information exchange since they define the opportunities for feedback options between the parties. In this context, it can be assumed that a high-quality information exchange exists when both parties exchange information in personal held meetings, as so-called face-to-face contact, because in these the interaction between the parties is understood to be the most efficient one.

The advantage of a personal contact is given by the fact that the possibility of a better understanding of which and how information can be exchanged exists. The decisive factor here is the relationship aspect. If the influence of an interrelation is understood as a determinant of a valuable information exchange, then the exchange of information is perceived to be easier when both actors find each other likeable and trust each other. Relationships based on contempt and mistrust complicate the exchange of information. Therefore, hypothesis 4A has been developed and will be analysed to discuss whether a defined, structured and regulated information exchange can contribute, as an influencing factor, to the quality of information exchange between the parties in agency relationships in ITO. The interrelation of both aspects will be reviewed in order to provide the grounds for the development of the CEM and its related content. The experts have been asked respective questions to allow data generation and output of results being feasible for the set-up of the CEM. Here, the overall question is to which extent the information exchange can be regulated by the means of processes, recommendations, rules and even functions to provide the basics to categorise it as well-functioning or in contrast, if there is not better information exchange, resulting in a stronger regulation and both aspects neither depend on each other nor have an influence on each other. The theoretical basis for this hypothesis can be found in the discussion about information exchange which has been outlined previously.

H4A: *The more regulated the information exchange in an agency relationship in ITO is, the better it works.*

Hypothesis 4B:

With regard to the contract negotiation process being an influencing factor for the level and the quality of the information exchange, the experts were asked to provide statements to which extent the CEM can support the improvement of the information exchange between the parties. Based on this question and the theoretical grounds of sub-chapter 2.6 hypothesis 4B has been derived. Hypothesis 4B discusses the interrelation between the level of interpersonal bond versus the functionality of information exchange, to identify which influencing factors needs to be enhanced to allow a stronger correlation between both aspects. This hypothesis can also be seen as a mean to prove if the information exchange depends more on the interpersonal bond between individuals or if it rather depends on its defined structure and given rules for its conduction.

Hypothesis 4B stands for itself, but is also strongly connected to hypothesis 4A to evaluate which influencing factors have an impact on each other and which of those need to be improved to establish a situation in which both parties are willing to exchange information voluntarily and with the aid of rules and definition combined with the fact that because of other measures being developed in the CEM and its related content, both parties already have a strong relationship with a high level of interpersonal bond between the interacting individuals. Hypothesis 4B also discusses that a relationship is necessary to develop trust and based on this the exchange of information is conducted better than without such a constellation. Therefore, hypothesis 4B reflects the discussed existing knowledge of the previous chapters, for trust, information exchange, contract design and processing. It is assumed that hypothesis 4B, as the last of the investigated hypotheses, consolidates the findings that are important to evaluate and develop the content for the CEM, providing profound content for recommendations to be made for the practice to help companies in an outsourcing process to utilise the newly generated knowledge derived from the present thesis for their own well-being.

H4B: *The stronger an interpersonal bond between the interacting individuals in an agency relationship in ITO is, the better the information exchange between the two works.*

4 Exploration of Research Methodology

This section describes the research method and shows which instruments have been used to retrieve the necessary information to confirm or falsify the derived hypotheses. Additionally, the chapter discusses the evaluation of data. It shows which research approach has been chosen and why and it explains the fundamentals of the terminologies “expert”, “interview” and “data and interview analysis” and provides an inside view into definitions of recording, transcription of interviews and interview guidelines in general. It further outlines the theoretical grounds for the analysis of the content with the help of a conduction of expert interviews.

4.1 Introduction to Research Methodology

Tessema who refers to Woody understands research as a general image which is connected to a laboratory where scientists are supposedly doing some experiments. Research is a process to find solutions to a problem. It is about gathering information needed to answer questions and thereby solving a problem. While conducting research, the research process should be based on certain requirements. The process should be undertaken within a framework of a set of approaches or philosophies and also the process should use procedures, methods and techniques that have been tested for their reliability or validity (Tessema, 2013, p. 2). Kanire agrees with Tessema's statement and writes that research is a method of enquiry that uses systematic techniques to collect information related to a topic. Nonetheless, it is also a hierarchy of actions towards an investigation for the purpose of knowledge gained from new facts. The systematic investigation can be conducted on either existing or new knowledge (Kanire, 2013, p. 2).

Within the field of research, various approaches exist and are used by the respective scientists. This thesis focuses on a qualitative approach, because it wants to gain new knowledge in a field where only a few people are interacting with others. Hence, interviews with experts are the grounds for the chosen research approach to support the qualitative research itself. Before analysing the results of the empirical part of the present thesis, a discussion is conducted about the advantages and disadvantages of a qualitative research approach to better understand why a qualitative approach has been chosen.

The following sub-section will only distinguish between a qualitative and a quantitative approach. In the context of describing the research method, further statements to research will be provided as a general introduction into the following sub-chapters.

According to Muthyalu, research is a systematic and critical investigation; it is a process of collecting, analysing and interpreting information to answer questions. The process of research must be controlled, rigorous, systematic, valid and verifiable as well as critical and empirical. It is objective and logical and it applies tests to validate the measuring tools. It emphasises the development of generalisation, principles or theories (Muthyalu, 2012, p. 7). Wa Teresia outlines research as the cornerstones of any science. Research refers to a structured, purposeful and organised investigation aimed at discovering, revising and interpreting knowledge. Research is about answering questions and it can be understood as a group of assumptions, a strategy of knowing, a collection of methods, tools and techniques. The respective process is carried out by people (Wa Teresia, 2011, p. 1).

The purpose of research is the accumulation of evidence over a period of time. Research provides a background which claims to obtain evaluable knowledge. Furthermore, it provides a way for scientists to compare their findings with others. As a collection of methods, tools and techniques it forms the basis for most research texts and courses in the scientific field. Research aims to discover answers to questions and enquiries through application of scientific procedures (Wa Teresia, 2011, p. 1). According to Friedhoff et al., two important criteria for conducting social research are mandatory. For Friedhoff et al., these are replicability and reflexivity (Friedhoff, Meier zu Verl, Pietsch, Meyer, Vompras & Liebig, 2013, p. 2). Qualitative research usually centers on reflexivity while quantitative research focuses on the level of replicability. Friedhoff et al. differentiate between the demands in relation to the research process and the publication of understandable results. The research process needs to be transparent for third parties and the published results must be understandable and replicable. To achieve a good quality criterion, a good management and documentation of data collection must be in place (Friedhoff, Meier zu Verl, Pietsch, Meyer, Vompras & Liebig, 2013, p. 2).

Sandu discusses the use of qualitative and quantitative research in social and communication sciences and postulates that a scientific approach contains a series of methodological steps from building hypotheses and research questions, over to the operationalisation of theoretical frameworks up to the explanation of methods, techniques and instruments used. Conduction of a qualitative research approach starts from the analysis of theories or references in the area of social practice (Sandu, 2013, p. 47).

4.2 Research Approaches

4.2.1 Qualitative Research

For the purpose of adding knowledge to existing science, a qualitative research method has been selected. Due to the fact that it was inevitable to retrieve information in a way to extract knowledge and information on how to know the way people think or expose their working experiences, a qualitative approach has been determined. It was unappealing to know what proportion of potential targets think a certain way. Hence, a quantitative survey has not been taken into consideration.

To achieve a better understanding of what social science means, a short discussion is conducted to share knowledge about social science and to provide a picture of why the present thesis follows a certain path. Zeki, for instance, argues that for more than a century two research traditions have dominated the research in sciences. Both are leading to a debate with regard to how best to conduct research. Out of this debate two streams have developed: the so-called quantitative purists which are following the path of positivism; and a second stream dominated by qualitative purists who represent interpretivism. Quantitative purists claim that social science should be objective. They argue that time- and context-free generalisations are desirable and possible and real causes of social scientific outcome can be determined validly and reliably. In contrast, Zeki writes that qualitative purists view reality as subjective. They argue that reality is socially constructed and multiple and the participants are involved in the respective study. This approach seeks to describe and analyse the behaviour of humans and their group from the point of view of those being studied. It considers research as an inquiry from the inside where the observer is part of what is being observed. The observer maintains the interaction with those being observed and tries to minimise the distance between him and the participants involved in the study (Zeki, 2012, p. 6 f.).

Dafinoiu and Lungu understand research as a vehicle for theory development and write that the conduction of a particular research acts as a supplier for data in the respective field of research (Dafinoiu & Lungu, 2003, p. 26), as shown in Figure 9 below.

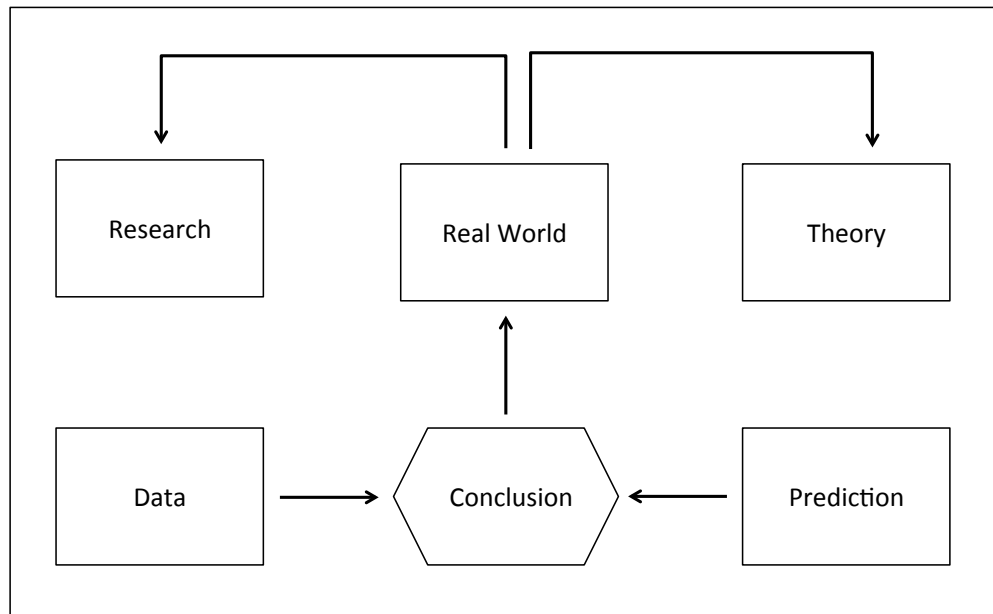


Figure 9: The relationship between theory and social research¹⁷

Breunig and Christoferssen underline Dafinoiu's and Lungu's statement by writing that theory development can support the identification and solving of specific problems as a so-called vehicle (Breunig & Christoffersen, 2014, p. 72).

Ernst talks about the options and challenges with research approaches in general and writes that risks of distortion can occur because of the belief in an assessment of the informant. This might lead to measurement problems. Hence, the problem might lie with the selection of the appropriate person to be interviewed since it is assumed that the respondent is equally objective and competent at the same time. A distortion of responses can be classified into four different causes. Firstly, it is based on different motives and secondly, it is based on limited information processing capacity. As well as this, differences in perception and divergent information exist amongst the informants (Ernst, 2001, p. 87).

¹⁷ Refer to Dafinoiu & Lungu, 2003, p. 27.

With regard to challenges with the endogeneity of research approach parameters, Nicolai and Kieser discuss problems which exist due to the fact that independent variables of the analysis are influenced by not collected, external variables. Regarding the simultaneity of research approach parameters, their success or failure of proof has an impact on actions and decisions. Therefore, the correlation between measures and actions should not be seen independently from the situation and time during which the measures and actions are undertaken (Nicolai & Kieser, 2002, p. 584 f.). Hildebrandt adds that often a lack of evidence of statistical validity might not allow a generalisation of the results of the research approach parameters. Hildebrandt criticises that due to the use of unsuitable indicators the operationalisation of research parameters is difficult if not even impossible (Hildebrandt, 1983, p. 48 ff.). Howell Major and Savin-Baden support Hildebrandt's allegation and point out that parameters which are supposed to be examined during a qualitative research must be aligned with the content of the design process, since the questions set the parameter for what will and will not be studied (Howell Major & Savin-Baden, 2012, p. 43.). Lange postulates further criticisms of the research approach parameters. He refers to the problem of limited extraction, inadequate theoretical foundation and simplistic generalisation. In this context, he argues that a limited extraction causes difficulties such as the splitting of aggregated indicators. This ensures a large number of research approach parameters which need to be reduced as an aftermath to obtain correct data. The problem of insufficient theoretical foundation means to Lange that the findings of a research are determined by empirical-inductive research parameters, whereas the foundation of the respective knowledge is not always grounded on a theoretical research approach. The problem of simplistic generalisation lies in the identification of the relevant research approach parameters, because the research results are strongly presented in a generalised manner.

The differentiation or adaptation to contextual circumstances, however, is often left to the user or reader. In this respect, Corcoran and Littell highlight the importance of embedding appropriate analyses in systematic reviews to minimize sources of error and bias (Lange, 1982, p. 27 ff.). Zerres et al. write that if the researcher decides that based on his assumptions and considerations a conduct of a quantitative research approach does not seem possible, a qualitative research approach in the form of a methodological expert survey can be done. Decisiveness in the choice of the design of the study is the criteria of costs and duration of the

study and the amount of effort which needs to be put into the research project itself (Zerres, C. & Zerres, M.P., 2006, p. 54). Brennen emphasizes Zeres' statement and writes that qualitative research is interdisciplinary in nature and by using language to understand concepts based on people's experience, it attempts to create a sense of larger realm of human relationships. For Brennen, the subject matter of qualitative research is not purely objective data to be quantified, but meaningful relations to be interpreted (Brennen, 2013, p. 4).

With regard to exploring agency relationships in ITO and with respect to analysing possible influencing factors which have an impact on contract negotiation and towards the establishment of trust within such relationships, a decision has been made to conduct a qualitative research approach. This decision also helps to reduce the risk of purely working on the basis of a quantitative analysis in which the based variables do not seem to be scientifically confirmed. The qualitative research method is related to the principles of openness and interpretation of research results and thus supports the generation of new information in an area that has been studied little up to now. It differs from a quantitative research approach in its theoretical assumptions, in its understanding and in its methodological focus. Its theoretical position is grounded in the belief that qualitative research factors are based on so-called main features, e.g. the symbolic interactionism and phenomenology, ethnomethodology and constructivism as well as structuralist or psychoanalytic positions. The respective approach differs in its methods, its research content and targets. It pursues a consideration from the perspective of the subject and from the description of processes.

Flick et al. write that with regard to the collection of data, qualitative research allows different research approaches which can be divided into three groups. The first group is divided into structured interviews and narrative interviews. The second group includes the participants' observation, the collection of documents and the recording of interactions while the third group focuses on the recording of existing interactions and the use of photography and movies (Flick, von Kardoff & Steinke, 2005, p. 18). Brüsemeister adds that qualitative research not only differs from quantitative by the number of relevant cases that are investigated in the context of an investigation, but also from the formulation of scientific objectives. The objectives phrased on the basis of a qualitative research approach are aimed at the discovery of statements that are formulated and based on empirical data (Brüsemeister, 2000, p. 21).

In his research, Mayring describes the keystones of qualitative research and writes that qualitative research in its essence requires a basic communicative character and therefore acts as a type of communication. Qualitative research implies that everyday communication rules are to be considered in the process of the investigation. It requires a flexible response to changing conditions and situations between the researcher and the researched subjects. The basic assumptions of qualitative research aim to achieve a mapping of four main features: the social reality, the processual nature of social reality, the subjective importance of this and as a communicative character of social reality. The methodology of qualitative research follows these aspects, focusing on the content and the form of the everyday processes towards the reconstruction of perspectives and patterns of the interpretation of individual actors. Mayring further writes that it is essential to see a human being as the main subject of the research. For him, this should be the starting point and goal of each study in the context of the research question (Mayring, 2002, p. 20). Kuckartz highlights Mayring's understanding of content analysis and writes that Mayring attempted to develop a contemporary qualitative form of content analysis that drew on different sources from different disciplines and approaches to text analysis (Kuckartz, 2014, p. 33). Flick et al. support Mayring's thoughts and express that qualitative research explores the communication and the interaction between actors or parties by the method of observation and text analysis. It makes use of hermeneutic interpretation to explain individual or joined actions and attitudes. As part of the re-construction of reality, two basic perspectives are used with which on one hand a social order is to be established and on the other hand gathered information is discussed (Flick, von Kardoff & Steinke, 2005, p. 20 ff). Heinze argues that qualitative research is useful when it is assumed that reality is the starting point of the research to be able to analyse and describe the output with help of an inductive approach. Qualitative research is also helpful to be used when the object of the investigation is complex, partially unknown or unclear (Heinze, 2001, p. 27).

Yin stressed the proposition of Heinze. For Yin, inductive approaches tend to let the data lead to the emergence of concepts and therefore deliver good grounds for usable output. Yin mentions that most qualitative research works follow inductive approaches. By writing this, Yin also argues that, on the other side, nothing is wrong in taking a deductive approach (Yin, 2016, p. 100). Helfferich postulates that conducting qualitative interviews as part of the data collection provides good

grounds for texts or stories that are produced during the time of carrying out the interviews. In the production of these texts, a second person is involved who lays down the interview in writing and thus gives the text an origin based on a communication situation. These interaction and communication aspects influence the quality of the data and are a decisive criterion, because the quality of the data from the interaction of two or more people is derived by this (Helfferich, 2002, p. 22).

Diekmann expresses his own opinion on qualitative research, focusing on works with samples whose sizes are much smaller than in quantitative research. In this process, research is conducted more in-depth and the people being interviewed or surveyed are to speak more in detail, because the set-up of the interviews or surveys is designed to retrieve more individual information from the interviewees. The collected data and the relevant material obtained in the interviews is analysed intensively and not only condensed towards limited research parameters as done in quantitative research methods (Diekmann, 2009, p. 532). Kanire describes qualitative research as a variety of methods which differ from one another. Nonetheless, these methods share common characteristics and purpose. They vary from their scope and are either broad or specific in nature. A qualitative research approach deals with systematic investigation of events. Often, qualitative techniques use data which are collected from interviews, written observations and conversations. Qualitative research uses tools which make critical assessments. This research method has the ability to scan and interpret situations. It is supposed to be communicative and allows researchers to interact with participants for the purpose of contemplating and reflecting issues which are related to the research work. However, it does not only have positive characteristics. It also has restraints and limitations. These limitations are subjectivity and relativism. Qualitative research can involve stereotyping and value judgement elements on conclusions and results and it can lead into biasness (Kanire, 2013, p. 3).

Goerge and Jacob strengthen Kanire's statement and write that qualitative research can be used to study human behaviour, perception and attitude. It is seen as flexible in its design. Case studies, interviews, observations and surveys are generally used to conduct qualitative research. However, researchers need to consider that careful consideration and planning is required for doing a qualitative study. A major drawback of qualitative research is that it cannot be mathematically analysed and statistically significant. Therefore, it will only provide a guide to a general trend (George & Jacob, 2012, p. 13). Gajjar, having conducted a study to examine

qualitative and quantitative research in education, writes that qualitative research uses data which is descriptive in nature. Additionally, to using observations and interviews Gajjar adds that qualitative research conducts document analysis, analysing participant products, such as journals, images or diaries.

Qualitative research aims to gather an in-depth understanding of human behaviour and looks for the reasons that govern such behaviour. It produces information only on the particular cases studied and any more common conclusions need to be seen as propositions (Gajjar, 2013, p. 3). For Gajjar, qualitative research uses approaches such as the grounded theory, narratology, storytelling, ethnography or shadowing. It categorises data into patterns as the primary basis for reporting and organising results. Methods for gathering information in qualitative research are, for instance, participation observation, field notes, structured interviews, semi-structure interviews and analysis of documents and materials (Gajjar, N.B., 2013, p. 5). Friedhoff et al. describe the challenges with qualitative research by explaining that researchers in this field are confronted with the documentation of the data they have collected. The form of documentation should not only provide the necessary context for a better understanding, but also should offer information in such a way that a third party can understand and assess their meaningfulness (Friedhoff, Meier zu Verl, Pietsch, Meyer, Vompras & Liebig, 2013, p. 4). Smith et al. interpret qualitative research as a generic term that refers to groups of methods and ways of collecting data. It analyses data that is distinctly different from quantitative methods due to lack of quantification. Qualitative research is ideal for exploring topics where little is known and gaining new insights into phenomena. Qualitative research constructs themes to explain such phenomena and helps to foster a deep understanding of the phenomena (Smith, Bekker & Cheater, 2011, p. 41).

Oleinik discusses the combination of qualitative and quantitative research and writes that qualitative content analysis is often criticised for its highly subjective character and difficulties with controlling the impact of the coder's personality (Oleinik, 2011, p. 860). In contrast to Oleinik, Moretti et al. speak positively about qualitative research. They write that the advantage of qualitative research is the richness of the collected data. However, the collected data needs to be interpreted and coded in a valid and reliable way. For instance, this can be done by qualitative content analysis. Qualitative content analysis techniques seek to classify the collected data or material into an effective number of categories. These categories should represent similar meanings. Therefore Moretti et al. define qualitative

research as a method for subjective interpretation of content of text data. The respective interpretation is based on a systematic classification process of identifying and coding themes or patterns (Moretti, van Vliet, Bensing, Deledda, Mazzi, Rimondini, Zimmermann & Fletcher, 2011, p. 420). Pfeil and Zaphiris support Oleinik's statement. They write that despite the fact that content analysis is often criticised for its subjectivity, content analysis is one of the most commonly applied methods when investigating messages within communities. Content analysis is conducted by two approaches: quantitative and qualitative. Sorting the data into codes and/or categories is part of both approaches for conducting a content analysis. The difference is that the quantitative content analysis emphasises the statistical analysis of the data, whereas the qualitative content analysis focuses on themes and topics of the categories. Additionally, content analysis examines the distribution, meaning and relations of themes and topics of the categories within the data under investigation (Pfeil & Zaphiris, 2009, p. 7). Hignett and Wilson write that in many qualitative research papers the methodology includes a theoretical exposition of a qualitative-quantitative debate. These debates can be very often found in academic research disciplines and application fields. Product design, engineering, psychology and organisational studies are examples for such fields in which qualitative-quantitative debates take place. Both authors summarise this debate in Figure 10 and illustrate which dimensions are included into this debate (Hignett & Wilson, 2013, p. 476).

Table 1. Dimensions of qualitative and quantitative methodologies.

Qualitative dimensions	Quantitative dimensions
Words, understanding	Numbers, explanation
Purposive sampling, inductive reasoning	Statistical sampling, deductive reasoning
Social sciences, soft, subjective	Physical sciences, hard, objective
Practitioner as a human instrument to gather data, prescriptive, personal	Researcher, descriptive, impersonal
Inquiry from the inside	Inquiry from the outside
Data collection and analysis intertwined	Data collection before analysis
Creative, acknowledgement of extraneous variables as contributing to the phenomenon	Predefined, operationalised concepts stated as hypotheses, empirical measurement and control of variables
Meanings of behaviours, broad and inclusive focus	Cause and effect relationship
Discovery, gaining knowledge, understanding actions.	Theory/explanation testing and development.
Micro-sociology	Macro-sociology

Figure 10: Dimensions of qualitative and quantitative research¹⁸

¹⁸ Refer to Hignett & Wilson, 2013, p. 477.

Hanson et al. discuss qualitative research from a medical research point of view and write that qualitative research does not ignore threats of bias. It considers research as an instrument of analysis and interpretation. For them, qualitative research responds to environmental cues, perceives situations holistically, captures non-verbal information and explores the unexpected. Furthermore, it employs a largely inductive approach to analysing data. It infers general principles from particulars that emerge during the study as opposed to explaining observed particulars in light of predetermined principles or theories. Qualitative research holds a high level of flexibility in design and its form of analysis allows for incorporation of important, but unexpected events and findings. Qualitative research draws on data in the form of words, images and observations which are recorded as written notes, audiotapes or videotapes. This type of data leads to rich, thorough and detailed descriptions of complex behaviours, processes, relationships and systems (Hanson, Balmer & Giardino, 2011, p. 375).

Testa et al. highlight the characteristics of qualitative research by explaining that differences between qualitative and quantitative research approaches exist and determine what the key aspects of qualitative research are. For them, quantitative and qualitative research involves different approaches. For instance, quantitative research begins with predetermined, instrument-based questions which have been designed to test a priori hypotheses. In contrast, qualitative methods involve naturalistic or holistic collection of data through observation or from the perspective of the participant. Qualitative approaches are usually inductive, in that they involve deriving meaning or theory from data. To analyse qualitative data, a specific methodology is needed that involves the identification and report of patterns or themes within the data to find repeated patterns of meaning (Testa, Livingston & VanZile-Tamsen, 2011, p. 237).

4.2.2 Quantitative Research

Discussing the parameters of a quantitative research approach, Castellan speaks of the positivistic or ethical perspective of a researcher as an observer from the outside attempting to discover relationships among observable features. Castellan explains that a researcher has a neutral role and remains detached, uninvolved and distant. Castellan refers to quantitative research as a process where the role of a researcher is defined in such a way that she or he looks at causal links between activities or human behaviour. Quantitative data is supposed to be quantifiable by coding counts, measures, and operationalised variables.

To verify or falsify theoretical assumptions or hypotheses, preconceived concepts and theories are used to determine which data will be collected. Numerical data is generated to represent the social environment and statistical methods. To analyse the numerical data, deductive reasoning is utilised. The use of statistical inference procedures is important to generalise the findings from a sample to a defined population. Impersonal, objective reports usually summarise the quantitative research findings (Castellan, 2010, p. 6 f.). Herbert and Higgs discuss the advantages and limitations of quantitative research methods and write that the advantages of quantitative methods, e.g. the simplification of description and the ability to infer causation come at a cost. Quantitative analysis necessitates reduction. Furthermore, they write that quantitative methods place very real limitations to the number of dimensions of the variables measured. For instance, the complexity of information that emerges from a conversation cannot be represented numerically.

Secondly, an inferential statistical model implicitly ignores complexity. The interaction of data is very often ignored. The exploration of data comes at the cost of certainty. This means that a number of hypotheses supposed to be explored must be constrained (Herbert & Higgs, 2004, p. 63). Sellers who discuss the differences between qualitative and quantitative research writes that quantitative research is projectable. The methodology for a quantitative approach should be embedded in a larger sample which is representative to the entire population being researched. Quantitative research is usually conducted by telephone, mail or nowadays also through the internet. Its conduction on a larger scale will not provide the depth of information available through a qualitative research approach (Sellers, 1998, p. 2).

For Tewksbury who discusses social research in the field of criminology and criminal justice, quantitative research focuses on testing the strength and persistence of relationships between distinct measures. Quantitative research specifies exactly how narrow and limited concepts/variables are of value, but often of value only for very exact measurements of narrowly defined issues, concepts and variables. According to him, quantitative research relies on the ways a researcher chooses to have variables defined and additionally on how she or he includes the scope of the definition of variables. However, the important difference between a quantitative and a qualitative research approach is that the quantitative researcher needs to know the parameters of the variables being used before embarking on the study (Tewksbury, 2009, p. 53).

Hughes describes the fragmentation of a quantitative research approach and divides the differences very precisely in strengths and limitations by illustrating the following segmentation (Hughes, 1998, p. 3 f.).

Strengths

- Precision due to quantitative and reliable measurements.
- Control by sampling and design.
- Ability to produce causality statements by the use of controlled experiments.
- Statistical techniques provide the basis for sophisticated analyses.
- The approach is replicable.

Limitations

- Due to complexity it is difficult to rule out or control all the variables.
- Its mechanistic ethos tends to exclude notions of choice and moral responsibility.
- Quantification can become an end in itself.
- A quantitative approach fails to take account of people's ability to interpret experiences.
- It leads to the assumption that facts are true and the same for every person all the time.
- Quantitative research often produces trivial findings of little consequence. This is because of the restriction on and the controlling of variables.
- This approach is not totally objective, because the researcher is subjectively involved in the choice of a problem of the investigation and in the interpretation of the results.

Jonker and Pennink support Hughes's statement with regard to limitations of quantitative approaches by arguing that quantitative research methods have potential weaknesses which are mainly driven by the researcher herself/himself. Jonker and Pennink manifest their statements by interlinking the weakness of a quantitative approach with the behaviour and attitude of the researcher. For them, a researcher works on the assumption that theory represents the reality of the problem as it occurs within a certain context. They state that the researcher examines a form of reality which is detached from the reality real people live in. He

or she works with a conceptual model which does not provide information on the actual phenomenon and he or she has only apparent neutrality. This might lead to the fact that the researcher implies to interpret the generated data before they become meaningful, as well as the researcher has to have his results translated by the party involved in order to make them relevant, if not applicable (Jonker & Pennink, 2010, p. 73). When discussing sample sizes as an indication for a properly conducted survey, Coughlan et al. can be cited. They write that the degree to which a sample reflects a certain population or group is known as representativeness. In quantitative research, this is a decisive factor in determining the adequacy of a study. In order to select a sample that is supposed to be representative and with which findings are probably generalisable, the sample should be identified as appropriate in size and content a priori. The size of the sample is important in quantitative research as small samples are at risk of being overly representative of small subgroups within the target population (Coughlan, Cronin & Ryan, 2007, p. 660). In his research work, Sahu writes about sample sizes for research works and points out that a researcher needs to consider whether the sample size is adequate to provide enough accuracy to base decisions on the findings with confidence (Sahu, 2013, p. 47). Bertrand and Fransoo expound that quantitative research is mainly driven by models and strives to obtain solutions within the defined model to ensure that the generated solutions provide insights into the structure as defined within the model. Furthermore, quantitative research seeks to produce knowledge about the behaviour of certain variables in the model (Bertrand & Fransoo, 2002, p. 249 f.). Both authors comprehend quantitative research as a scheme that aims at ensuring a model fit between observations and actions in reality and a model made for that reality. The purpose of this interaction is the testing of the validity of quantitative theoretical models. To summarise the discussion of which approach, quantitative or qualitative, should be used to achieve the best results, Figures 11 and 12 highlight the differences, benefits and challenges of both research approaches. Figure 12 shows the differences between quantitative and qualitative research processes.

QUALITATIVE VERSUS QUANTITATIVE RESEARCH

Criteria	Qualitative Research	Quantitative Research
Purpose	To understand & interpret social interactions.	To test hypotheses, look at cause & effect, & make predictions.
Group Studied	Smaller & not randomly selected.	Larger & randomly selected.
Variables	Study of the whole, not variables.	Specific variables studied
Type of Data Collected	Words, images, or objects.	Numbers and statistics.
Form of Data Collected	Qualitative data such as open-ended responses, interviews, participant observations, field notes, & reflections.	Quantitative data based on precise measurements using structured & validated data-collection instruments.
Type of Data Analysis	Identify patterns, features, themes.	Identify statistical relationships.
Objectivity and Subjectivity	Subjectivity is expected.	Objectivity is critical.
Role of Researcher	Researcher & their biases may be known to participants in the study, & participant characteristics may be known to the researcher.	Researcher & their biases are not known to participants in the study, & participant characteristics are deliberately hidden from the researcher (double blind studies).
Results	Particular or specialized findings that is less generalizable.	Generalizable findings that can be applied to other populations.
Scientific Method	Exploratory or bottom-up: the researcher generates a new hypothesis and theory from the data collected.	Confirmatory or top-down: the researcher tests the hypothesis and theory with the data.
View of Human Behavior	Dynamic, situational, social, & personal.	Regular & predictable.
Most Common Research Objectives	Explore, discover, & construct.	Describe, explain, & predict.
Focus	Wide-angle lens; examines the breadth & depth of phenomena.	Narrow-angle lens; tests a specific hypotheses.
Nature of Observation	Study behavior in a natural environment.	Study behavior under controlled conditions; isolate causal effects.
Nature of Reality	Multiple realities; subjective.	Single reality; objective.
Final Report	Narrative report with contextual description & direct quotations from research participants.	Statistical report with correlations, comparisons of means, & statistical significance of findings.

Figure 11: Differences between qualitative and quantitative research approaches¹⁹

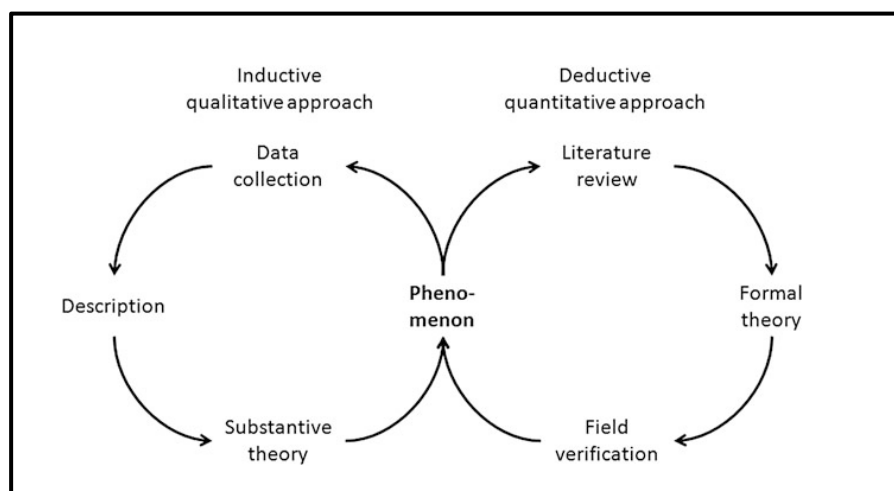


Figure 12: Differences between quantitative and qualitative research processes²⁰

¹⁹ Refer to Johnson & Christensen, 2008, p. 34. See as well Lichtman, 2006, p. 7 f.

²⁰ Refer to Golobic, 2005, p. 20.

Creating a contract enhancement model that is supposed to improve the contract negotiation process shares the same fate of being precise but may not be as accurate as other models with other intentions. Accuracy is tailored to the constraints in measuring the real world. The precision dichotomy applies to the development of the contract enhancement model in the same way as it does to developing other models, making practices ontologically equal at the level of precise data, and epistemically equal at the level of accurate data. With regards to this, equal ontology determines equal epistemology. This is the intention behind the analysis in the present thesis, applying a certain way of modeling onto existing knowledge to be found in literature. By making generated data and derived content ontologically equal, the present thesis applies model creation techniques to the development of the CEM. The question that remains open is whether this strategy can also work for other models to be developed in the same research environment. This will be discussed at a later stage in the present thesis, as well as a discussion about limitation and bias of the thesis itself, and of the CEM and its related content.

Following the course of the present thesis, it has been noticed that the development of the CEM might be affected by the argument of materiality. This means that it is necessary to challenge whether, if developed, scientific knowledge depends on identifying a causal relation that interacts or can better interact with real life. Development of models can be an abstract process that might only represent a real life phenomenon, but does not touch the necessary items to enable the researcher that her or his model is the one model that delivers the overall solution for existing problems in practice or for gaps to be found in existing literature. To figure this out, laboratory experimentation status must be used to guarantee that the content of the model matches scientific beliefs. Creation of the model can be a very reliable source of knowledge development about the world.

This thesis and its approach allow a different view of how researchers understand the epistemological investigation of model development. It makes use of ontological and epistemological rationale as a guide for its argumentation. This rationale is based on the principle of materiality and it is conceptualized as the researcher's commitment to an ontological account of modeling that determines the evaluation of the anticipated, underlying epistemic power. The researcher who accepts the principle of materiality might be less likely to recognize what is distinctive about the epistemology of model creation compared to research approaches, trying to provide a solution to a specific problem without using the

development of a model. The conclusions of the present thesis are modest and aim at encouraging changes to be made in the research of the phenomenon of hidden actions. Jensen & Meckling as well as many other researchers have made important contributions to the notion of hidden actions, their development, their existence and their mitigation. Despite these excellent research works, much more needs to be done. Hence, a potentially fruitful research is to be reconsidered by the current approach of the present thesis, reviewing traditional notions of explanation and exploration. Research based on an ontological approach, as being conducted in the present thesis, might develop methodologies and models that contribute to existing knowledge and therefore move science forward in the direction of enhancing a contract negotiation process between two parties in agency relationships in ITO. An ontology-based model creation approach is based on the formalization of knowledge in order to support information exchange during the phase of the respective contract negotiations, wherefore the present thesis conducts an ongoing research that aims to develop a so-called CEM. To ensure an appropriate exchange of information between the parties, it is necessary to create the same understanding of what needs to be exchanged, why, how often, by whom and how. To access the respective knowledge contained in the ontology of the CEM, it is necessary to develop rules for interaction of both parties. The CEM, therefore, has been developed including and reflecting the ontology of the existing knowledge on hidden actions, trust and information exchange.

There is a dependence on an understanding of the concept of knowledge, on its development from a number of sources. Any idea of knowledge in conjunction with information exchange that solely focuses on material being stored. in, say, databases, seems insufficient from this initial cursory inspection (Shah & Clarke, 2009, p. 198 f.). Moreover, since the knowing subject is a social subject, all related knowledge is mediated by experience and social action. Knowledge in connection with information exchange might only be a convenient human perception of how reality works. Hence, all human endeavour becomes mediated through a certain, subjective understanding. All human actions when mediated through subjective understanding might lead to the possibility of a knowledge and information exchange enhancement, but the difficulty remains of how to incorporate respective results into practice (Shah & Clarke, 2009, p. 203 f.). Speaking in this respect of epistemology as the second underpinning subject, it needs to be stated that the development of knowledge and the improvement of information exchange need to

be supported by for instance processes (Shah & Clarke, 2009, p. 206). Looking at what has been discussed previously and stating the intention to explain the ontological and epistemological rationale for the research method, it can be said that the overall approach of the present thesis provides answers to the research question being investigated. Moreover, the respective approach not only delivers answer to the overall research question, it also provides new knowledge to existing “knowledge streams or databases”.

4.3 Evaluation of Data

4.3.1 Introduction to Evaluation of Data

This thesis makes use of a qualitative research approach to obtain data and thereby focuses on the conduction of expert interviews. The foundation of the research approach is based on theoretical statements of Meuser and Nagel.²¹ who used so-called experts as interviewees to achieve data that afterwards could be analysed based on a respective theoretical framework. For Meuser and Nagel, such experts are part of the field in which the research tries to raise statements and data. The conduction of expert interviews seems to be an appropriate and profound foundation to collect data to discuss contract negotiation and the emergence of trust in agency relationships in ITO. With the help of the generated data, derived hypotheses can be tested and new information can be generated to develop the previously discussed CEM. This model enriches the theoretical context in the research field of the agency theory and can be used to make recommendations for the practice. To strengthen the understanding towards expert interviews, the following sub-section will: explain the main criteria for such interviews; discuss methods for the transcription of data; and will describe the process for the anonymisation of data. Additionally, statements are provided on how to evaluate the collected data.

The conduction of qualitative interviews for the data collection process took place with experts working in ITO. The interviews were designed to systematically identify the participants' explanatory models of their knowledge on outsourcing relationships in ITO. A thematically structured interview guide was designed to support the development of a trusting relationship and to ensure the relevance of the interviews' thematic content. All interviewees were asked the same primary interview questions which were supplemented by a range of follow-up questions targeting the specific

²¹ Meuser and Nagel delivered a groundbreaking change in the way and in the evaluation of expert interviews. Expert interviews were previously often understood as a simple source of information gathering, with the effect, that researchers did not always understand how to use the generated data. See for further statements to this in Przyborski & Wohrab-Sahr, 2008, p 131.

interviewees' s response. The interview guide was tested in so-called test interviews prior to the conduction of the significant interviews and the test experiences were used to modify its structure accordingly. The same interview themes were addressed in all interviews.

Preliminary analysis between the interviews was used to prepare additional follow-up questions to further explore continuities and discontinuities in subjects. The experts were asked verbally and in writing to take part in the interviews. They were informed that all data would be anonymised by the removal of any personal or company related identifiable material from the transcripts and the publications. For citing respective text passages of the interviews to support theoretical statements and conclusions, anonymisation was conducted in the following manner:

I (Interview) P (Page) L (Line X-Y) = Interview 1 Page 2 Line X to Y = I1P2L1-10

With this form of anonymisation, it is difficult or impossible to identify the respective interviewee and therefore no interviewee has to fear that statements provided in an interview can be used against the interviewee by a third party. The participants were interviewed in person and guided through a structured interview, each lasting between 33 and 64 minutes. The questions asked were specifically chosen in order to explore several key topics of interest identified a priori. The interviews took place in the experts' offices in a one-to-one manner. Each interview was audio-recorded and transcribed into "written" language by leaving out hesitations and extra linguistic expressions. The accuracy of the transcriptions has been checked by comparison of text and sound. The tape-recorded interviews were conducted in German in Q2 and Q3 in 2015 and interviews were conducted until data saturation was reached. The data samples contain persons working in IT service provider companies or outsourcing companies at different hierarchical levels ranging from project manager up to member of senior management board. The ratio between the persons working in an outsourcing company and in a service provider company was 50:50.

4.3.2 The Expert Interview as a Data Collection Method

The use of expert interviews is, as explained earlier, the foundation of the data collection of the present thesis. It also supports the analysis of the derived hypotheses. To better understand the relation between contract negotiation and the emergence of trust in agency relationships in ITO, the survey method of expert interviews is supposed to be the most effective approach. The justification for this assumption is the analysis of the context of individual or collective life contexts in comparison to the statements of individuals as the subject of the analysis.

With the usage of expert interviews, the knowledge of experts in agency relationships in ITO can be retrieved and thus this approach represents systematic grounds for data analysis. The classification is based on the possibility of reconstructing identifiable and interpretable statements made by the experts (Meuser & Nagel, 2002, p. 72). With regards to this, Gläser and Laudel declare that expert interviews contribute to the reconstruction of social processes. For them, these should therefore be conducted in the form of structured interviews. The expert interview itself can be seen as a two-sided peculiarity. Firstly, as a social science survey method and secondly as a communication process (Gläser & Laudel, 2006, p. 111).

Schäfer emphasises the statement from Gläser and Laudel and points out that expert interviews can be seen as reconstructive social studies with the objective of making knowledge of persons involved in particular situations accessible (Schäfer, 2016, p. 23). Belayeth Hussian states that expert interviews shorten time consuming data collection processes, provide an easy entry into the field of research, and reduce economic costs (Belayeth Hussian, 2014, p. 70). Expert interviews can help to reconstruct complex processes and facts, and can therefore generate knowledge to the process of revealing opinions or attitudes of interviewees as a data source. Expert interviews match well with the approach of conducting qualitative content analysis. Hence, both fields add value to a research work when used in combination (Kaßner, 2014, p. 72).

The expert interview can be understood as a communication process as conduction of the interview is based on cultural communication rules and conventions which are related to the survey. The respondent may deny statements without having to face sanctions. Further to this, Gläser and Laudel state that during the interview, an allocation of roles between interviewer and interviewee is determined. Both respect

this allocation, as the interviewer controls the interview and directs it towards specific goals and targets (Gläser & Laudel, 2006, p. 112). Bock, for instance, understands a guideline-oriented expert interview as the ability to collect data with the advantage to better depict relationships and motives of social actions in comparison to standardised examination procedures (Bock, 1992, p. 91). Green supports Bock's statement by saying that a participant-oriented evaluation emphasises the human element in research (Green, 2011, p. 26).

Schreiber writes that structured expert interviews have the advantage of providing structured transcripts that are easier to analyse than unstructured interviews that rather tend to be a chat than an interview (Schreiber, Akkermans, Anjewierden, de Hoog, Shadbolt, van der Velde & Wielinga, 2000, p. 192). Scholl writes, with respect to Meuser and Nagel, that an expert interview includes the goal of ensuring a generation of area-specific and object-related statements. According to Scholl, it does not pursue an analysis of general rules of social actions. It is important for Scholl that the definition and selection of experts is seen as an important feature of such interviews. The so-called experts should be selected accordingly to their function and position within an organization (Scholl, 2003, p. 67). An interview held with an expert should provide the advantage of retrieving knowledge from the particular field in which the research takes place. Based on this statement, Wulf understands expert interviews as a perfect source for discovering this advantage of knowledge retrieval (Wulf, 2012, p. 125).

Mayer defines the expert interview as a special form of semi-structured interview with the aim of obtaining concrete statements on the subject of data collection. It is characterised by a guide with formulated open questions based on the respective interview. The respondent may respond freely to these questions. The use of an interview guide increases the comparability of data and also ensures that the collected data will sustain a structure (Mayer, 2009, p. 37). For Huss, semi-structured interviews allow additional follow-up questions, even though they are normally specified and are more limiting than in an unstructured interview. This also allows consistency in the questions asked across different interviews and interviewers (Huss, 2009, p. 29).

The orientation of an interview guide ensures that the interview does not get lost in topics that are of no relevance. Further to this, it permits the expert to extemporize her or his issue and view on matters (Flick, 2014, p. 230). For Mayer, the interview

guide serves as a guide and ensures that essential aspects of the research question are not neglected or overlooked. However, the interview does not have to follow the pre-set sequence of questions in the interview guide. The interviewer decides whether she or he enquires more into detail to retrieve more information or if she or he sticks to the interview guide as an option to enhance focus when the interviewee answers questions. The interview guide is supposed to focus on the existing demand for openness within qualitative research methodologies (Mayer, 2009, p. 37). Meusser and Nagel reinforce Mayer's statement and write that the interviewer should avoid focusing too rigidly on the guidelines not to interrupt the interviewee's remarks and statements at the wrong moment.

The expert interview is a method to obtain the knowledge of an expert; it provides a survey method to analyse the level of information available from the interviewed people (Meuser & Nagel, 1994, p. 181). Known as experiential knowledge this is an important prerequisite for the derivation of knowledge and the formation of theories. Experiential knowledge can be explicated only to certain parts and thus remains usually implicit or tacit. It is not theoretical knowledge, but develops due to the work practice and the experience of a subject. It is referred to as tacit knowledge and requires that subjects know more than they say. Tacit knowledge is an essential element in scientific research, particularly in the field of knowledge generation (Bohnsack, 2008, p. 191). Conducting expert interviews makes it possible to extract the levels of knowledge relating to the implicit rules by which a social change is processed. As such, it constitutes an interface for sociological generalisation of scientific analyses (Meuser & Nagel, 1994, p. 191).

The expert interview can be distinguished from: the exploratory expert interview which focuses on the development of a new thematic field; or thematic exploration of a research field where the expert is a source of information as well as the field in which the investigation takes place; or the systematic expert interview which has been used as a basis for data collection in the present thesis, and which is designed to retrieve information from the experience or knowledge of experts. It involves the dissemination of expert knowledge into the research question or the research project and the interviewer acts as a guide to contribute to the exposure of information. A further form of interview type, the so-called theory generating expert interview, has the goal to analytically reconstruct expert knowledge. In this, the expert knowledge is not only used to enlighten new information and research fields,

it also provides evidence for the theoretical conceptualisation of implicit knowledge (Monke, 2008, p. 14 f.).

The amount of interviews suitable to collect data in the context of the research question is determined by the size of the sample. In empirical studies, it is often not possible to examine all elements of a population and therefore random sampling is used in qualitative research. The size of samples in qualitative research approaches differs from those in quantitative studies. In quantitative research, the statistical relevance is emphasised in the determination of samples, whereas in qualitative research approaches, the relevance of the investigated subject stands in the foreground (Mayer, 2009, p. 38 f.). Katz discusses in her research work that small sample sizes can also lead to corresponding results and therefore can be understood as representative for the research field in which the research takes place (Katz, 2001, p. 50). On the contrary, Teafi et al. state that a relatively small sample size can cause a potential weakness towards the results of the research project (Taefi, Kreutzfeldt, Held & Fink, 2015, p. 375). Friebertshäuser and Prengel write that the selection of the sample should be chosen in such a way that the results from the interviews can be used generally for other cases, too (Friebertshäuser & Prengel, 1997, p. 73).

Gratton and Jones write that the purpose of qualitative research is to generate robust data from a small sample group. They further argue that a large sample group could even be detrimental and some research works would have profited from having fewer interviewees in their study (Gratton & Jones, 2010, p. 168). With regard to sample parameters, Merkens speaks of two types which have been established in qualitative research over time: those that are defined before the start of the investigation, based on certain characteristics and experience; and others which are enriched and adopted in their form and number, during the course of the investigation (Merkens, 2005, p. 290 ff).

Flick writes that additional sampling in studies is used to specify the research question in areas where quantity and characteristics of the investigated population are largely unknown (Flick, 1999, p. 83). Braun and Clarke argue that additional sampling is useful, but can fail to generate new information if saturation in the research field might already be seen (Braun & Clarke, 2013, p. 55). In their research work, Meuser and Nagel appoint the reasons for the success or the failure of expert interviews. The authors state that a positive outcome can be determined by

characteristics such as the interviewer can win the expert for his project as well as the expert uses different forms of representation, e.g. he reports, reconstructs and interprets. A further success factor can be that the interviewee enquires about the research project before and sometimes even after the research work has been finalized (Meuser & Nagel, 2002, p. 78). According to Meuser and Nagel, an expert blocks the interview, because she or he feels that she or he is not the right person to be questioned or does not know the facts about the topic and thus cannot be asked for further statements. Moreover, Meuser and Nagel state that the expert uses the interview to talk about a different topic than that for which the interview was requested. He takes the situation as an option to talk about internal information and tries to reveal sensitive information to a third party (Meuser & Nagel, 2002, p. 78 f.).

4.3.3 Selection and Definition of Experts

A prerequisite for obtaining robust data when executing an interview is that the expert can provide information to the facts. It is crucial that she or he is the right person for the topic and also willing to provide information about it. To ensure this, the characteristics and behaviours listed below need to be considered. The expert understands his role as an informant and acts in various manners, such as she or he does not hold any secret information, or does not talk about irrelevant internals or even in some cases, the experts does not understand the interviewer as an expert, but as a person to whom the expert provides information in an understandable form (Scholl, 2003, p. 68). Glässer and Laudel, for instance, define an expert as a person who has special knowledge about certain issues (Gläser & Laudel, 2006, p. 10). For Aufenanger, experts are those who are considered experts or where the status "expert" is given to a person by researchers (Aufenanger, 2012, p. 60). Meuser and Nagel classify an expert as part of a qualitative survey, both as a target group of the study and as a representative of such. The objective of an interview with an expert is the provision of information about the field in the examination takes place. It is used, among other sources, to retrieve the expert's knowledge. Furthermore, an expert is understood as a person who is responsible for the design, the implementation or the control of problem solving and who has privileged access to certain groups of people, decision makers or information. Experts are often not to be found in the top level management, but in the second or third level management, because in these levels decisions are made which have direct operational effects. In addition, in these levels the largest amount of knowledge of internal events or structures is located (Meuser & Nagel, 2002, p. 73

ff). Sehring defines experts as a group of persons who are in charge of organisational developments and who have privileged knowledge of decision-making processes (Sehring, 2009, p. 62).

In the course of the empirical data collection, experts were identified and interviewed in the following hierarchy levels, such as administration, project management, process management, legal department, head of department, head of division and board of directors. The selection of the respective experts followed a pre-defined matrix. Experts were selected who have contributed papers or research results in IT-relevant literature. A focus was set towards academic texts in company news or announcements in the press and in articles in magazines such as the IT Administrator, Computer Woche, CIO Magazin, Manager Magazin and Magazin IT-Business. The analysed content was, amongst others, searched for the description of agency relationships in ITO. Furthermore, persons were identified by their functions within respective companies and asked to participate in the empirical study. In addition, experts were selected through personal recommendations from the surrounding field the researcher was working in. Experts were also identified through participation in trade fairs such as the CeBIT, the IT Security Messe, the World of Cloud Messe and other events, e.g. the Gartner CIO & IT Executive Summit, the Hamburger IT Strategietage and in regional IT-forums and newsgroups. Moreover, experts were encouraged to join the research project by recommendations of other experts already being interviewed by the interviewer. Gläser and Laudel state that a two-stage or multi-stage process to obtain experts is important and useful and considers the identification of further experts as acceptable and correct. According to them, this may result in an extension of the data with the effect that the survey is affected positively (Gläser & Laudel, 2006, p. 114 f.).

Research scope is defined by a range of aspects including the nature of the research and what the aim of the researcher is. The type of research question(s) asked is also of importance. For example, research projects seeking to formulate a new theory to support a definition or a theory of, say, customer engagement or reinvent an existing market category, are much broader in scope than a project wanting to understand high level themes associated with the appeal of an existing product or service. Scope is also impacted by the complexity of the phenomena under investigation (Baker & Edwards, 2012, p. 3). Charmaz points out that the number of interviews required will be impacted by any previous or planned research.

For example, a smaller sample size would be appropriate if results are strengthened by other qualitative methodology or research works. Generally, projects with a broad scope require more qualitative interviews than projects with a narrow scope, in order to fully understand the phenomenon which is supposed to be investigated (Charmaz, 2012, p. 23). Generally, research works with a broad scope require more qualitative interviews than those with a narrow scope in order to fully understand the investigated phenomena.

This thesis focuses on contract negotiations conducted between outsourcing firms and service providers in the field of IT, mostly with the scope of transferring previously handled tasks at outsourcing companies to service providers. Hence, the scope of discussion is a narrow field of investigation and therefore fits into the scope definition of the amount of interviews to be conducted to achieve sufficient data saturation. With respect to this, it can be said that the target audience such as the experts selected for the interviews to be conducted for the data collection and generation is made of people who share the same characteristics, who have similar attitudes, experience and behaviour in relation to the phenomenon under investigation. Conversely, the target group could also be made up of people with highly dissimilar characteristics who think and behave quite differently in relation to the phenomenon of interest.

Researchers often refer to groups sharing similar characteristics as “homogenous”, whereas groups with dissimilar characteristics are to be seen as “heterogeneous”. Bryman states that the more homogenous the target audience is, the sooner data saturation will occur, because individual interviews are likely to overlap considerably in content (Bryman, 2012, p.19). This phenomenon was also seen in the present thesis. Having conducted approximately ten interviews, data saturation seemed to occur. Further interviews were conducted to validate this outcome. Therefore, an amount of 14 interviews held with experts having at least 6 years or more experience in outsourcing, either at the outsourcing firm site or provider site, seemed more than sufficient to generate valid data. The generated data provided a profound basis for analysis and ensured that theoretical findings together with the derivation of a contract enhancement model (CEM) were underlined and met scientific standards. The following scientific citations substantiate the above approach and further to this, provide deeper insights into requirements for interview sample sizes and content.

Another characteristic in which target audiences vary is the level of expertise held in relation to the domain of an investigation. Participants who possess a certain degree of expertise or knowledge on the research topic, justify smaller sample sizes. This is because each participant has a breadth and depth of both common knowledge and experience leading to data saturation occurring much earlier in interviews (Romney, Weller & Batchelder, 1986, p. 323). In qualitative research, researchers themselves are a critical methodological instrument in the research process. Whilst being as impartial as possible, they employ their knowledge and expertise in planning, questioning, hypothesising and analysing information gathered in interviews. Qualitative interviewers essentially become participants in the interview process (Warren, 2001, p. 85 f.). Therefore, the more expertise the researcher has, and the more familiar she or he is with the phenomena under investigation, the more effectively she or he can perform as a research instrument (Atwood, 1948, p. 297). Becker for instance, sees another benefit in using researchers with higher experience. Becker feels that the experts are better able to judge ahead of time how many qualitative interviews are needed to evidence desired research objectives (Becker, 2012, p. 19). To summarise this, it can be assumed that the more the researcher is experienced, the fewer interviews are required to reach data saturation. As the present thesis is based on sufficient experience of conducting interviews by the author, because qualitative interviews have been used in his first doctoral thesis to collect and generate data, the amount of interviews being used in the present thesis ensures robust data saturation.

Most researchers wish to have unlimited budget and time to conduct a research project, but in reality qualitative interviews are labour intensive and bear constraints relating to budget, time and accessing participants. This has an impact on sample size recommendations. Despite such constraints, it is better to have a smaller number of interviews that are creatively and interpretively analysed than to increase the sample size where the researcher may run the risk of running out of time and fail to analyse content properly (Mason, 2012, p. 29 f.). Siewert, for example, underlines this statement by writing that the relation between cases to be investigated and research parameters to be investigated should be reasonable and feasible. This means that both aspects are aligned to each other in a so-called healthy relation (Siewert, 2017, p. 286).

Table 2 shows the recommended sample size to achieve data saturation in qualitative interview conduction:

Number of Expert Interviews	Reference	Identifyer / Qualifyer
4 to 5	Romney, Weller & Batchelder (1986)	Participants have a high level of knowledge and expertise in relation to the topic of the investigation
6 to 12	Guest, Bunce & Johnson (2006)	Narrow research scope, homogenous target audience
6 to 70	Miller (2012)	Project resources, research scope/nature of investigation
12 to 60	Adler & Adler (2012)	Project resources, number of discernible subgroups in target audience
15	Baker & Edwards (2012)	Participants knowledge in relation to topic of investigation

Table 2: Recommended Sample Size for Data Saturation²²

Table 3 shows the background and experience of the selected experts to demonstrate that the amount of interviews has been sufficient to generate data saturation according to the required scope of knowledge.

Expert	Company Size	Function	Background in Tasks and Files	Experience in Years
1	700	CEO	Outsourcing, Contract, Interview, Strategy	20
2	4.500	Head of Department	Outsourcing, Communication in Department, Contract	10
3	100	Project Manager	Outsourcing, Provider Management, SLA Management	15
4	700	CEO	Outsourcing, Contract, Interview, Merger, Tender	10
5	700	Head of Division	Outsourcing, Strategy for Division, Contract, Relationship Building	7
6	4.500	Project Manager	Outsourcing, Supply Chain, Tender, SLA Management	8
7	2.000	Head of Division	Outsourcing, Strategy, Relationship Building, Tender	6
8	100	Project Manager	Outsourcing, Supplier Manager, SLA Management, Contract	10
9	4.500	CEO	Outsourcing, Contract, Interview, Strategy	17
10	100	Head of Department	Outsourcing, Head of Service Manager, Tender, Contract	15
11	700	Head of Department	Outsourcing, Contract Management, Tender, Relationship Building	9
12	100	Project Manager	Outsourcing, Service Manager, SLA Management	6
13	700	Project Manager	Outsourcing, Delivery Manager, SLA Management	15
14	4.500	Head of Department	Outsourcing, Category Management, Contract	10

Table 3: Background and Experience of selected Experts²³

The experts have been selected according to theoretically defined requirements on which experts become experts for scientific research and on which experts are allowed to be chosen to guarantee the best fit and for retrieving valid information that can be used for further data evaluation and generation of knowledge. With the background and the experience of the selected experts it has been assumed that 14 experts to be interviewed will be sufficient to ensure good data saturation in comparison with timeframe, resource availability and budget for writing the thesis from the author's perspective. The approach has been aligned with the previously

²² Own Source.

²³ Own Source.

written doctoral thesis of the author and one can therefore come to the conclusion that scope and scale of the interviewees, in conjunction with the interview structure, interview guideline and way of interview conduction is robust enough to allow a demarcation towards the amount of experts being interviewed and quality of information being generated. As mentioned in an earlier chapter, the interviews were fully transcribed and therefore the amount of information and knowledge retrieved for the empirical part of the current thesis is fully feasible to scientific standards in the field of qualitative research. Of course, it could be argued that a higher amount of experts being interviewed might lead to more stringent results, but the way of data generation in conjunction with the documentary analysis that has been conducted after the CEM had been developed as a cross-check for the feasibility of the utilization of the CEM in practice, has clearly manifested that the generated data is solid enough to be understood as scientifically acceptable.

4.3.4 Interview Guidelines

The expert interviews in the present thesis are based on an interview guide which helped to pre-structure the interviews thematically so that important aspects have not been overseen or lost during the course of the survey. On the basis of theoretical considerations, it is crucial to mention that a comprehensive concept had been developed which acted as the foundation for the preparation and development of the interview guide (Mayer, H.O., 2009, p. 43). The interview guide helps to establish the terms of the interview and supports the set-up of a conversational tone to build a relationship between the interviewee and the researcher (Magnusson & Marecek, 2015, p. 55). The interview guide is a result of the operationalisation of research questions. It acts in the form of a “translation” of the key questions into the interviews in order to derive the answers of the interviewees as a reconstruction of the social process and the everyday life of the experts (Gläser & Laudel, 2006, p. 142 f.). An interview guide helps to guide the interview rather than prescribe a format and is an essential memory aid. To put together an interview guide can often be a task that researchers find difficult to conduct.

The interview guide should include full questions or at least words and phrases as reminders of topics to cover (Harding, 2013, p 36 f.). Key issues which are also known as central questions are crucial in the context of the research question and are always largely made available to all respondents to the same extent and identical wording. Questions asked to support the central questions are used if the respondent does not enter herself/himself into certain aspects of which the

interviewer thinks that they are relevant. Introductory questions which are also known as explorative questions are used in interviews. With these types of questions, the researcher wants to trigger spontaneous responses. These are not to be regarded as just instrumental questions, but also as content-based to ensure the provision of information for the analysis. They are asked amongst key questions and are asked in every interview. Follow-up questions, also known as ad-hoc questions, are embedded into the interview to pursue statements and descriptions that are made by the respondent. Specifying questions are used to substantiate general statements that were made by the respondent and to encourage the interviewee to give examples. Structuring questions are used to control the interview at a time in which the respondent is distracted and moves away from statements considering the subject being investigated. They help to bring the interviewee back to a main focus towards the research question or the investigation target. Silence during an interview helps the respondent to gain time to rethink and ensures that answers are being reflected in more detail. It also provides an option for a longer reflection of the content, with the effect that the interview does not lead to a pure question and answer game (Scholl, 2003, p. 68 ff.).

In addition to the described issues, the interview guide includes those that are used for testing the operational hypotheses. Through them, more data is generated, and also new aspects are raised. With the interview guide, the interviewer can demonstrate competence towards the interviewee. It helps the interviewee to recognise that the interviewer has prepared her- or himself and that she or he has dealt with the subject prior to the interview (Meuser & Nagel, 2002, p. 77). The interview guide ensures that the same information is collected in each interview. Additionally, it ensures that the content is retrieved from preliminary considerations. In addition, the interview guide counteracts against the situation that people get accustomed to a certain activity or behaviour and it prevents the occurrence of an implicit conversation between the parties.

The interview does not necessarily start with the first question at once, but with an introduction in the form of a description of the research interest. Before beginning the interview, the interviewer should assure the interviewee that the generated content is kept confidential and anonymous as well.²⁴ The interview can be

²⁴ Prior to all interviews, non disclosure agreements have been sent to all interviewees. A sample of the NDA can be found in the appendix of the thesis.

conversational in its nature with the interviewer referring to an interview guide to ensure that relevant issues are covered (Roller & Lavrakas, 2015, p. 53). The recording of the interview provides the ability to extract content to answers the research question. The questions asked should be formulated as stringently as possible, so that all interviewees receive the same set of questions to ensure the comparability of the data. However, in some cases, pre-formulated questions stipulate an increased focus on the interview guide with the consequence that this may cause implicit knowledge to grow. Because of this, the respondent might not answer the questions frankly and with an open-mind (Gläser & Laudel, 2006, p. 144). It is suggested that questions should be ordered from the more general to the more specific. This means that questions of the more general und unstructured nature should be asked in the beginning and more specific questions should be placed near the end of the interview guide (Stewart & Shamdasani, 2015, p. 69).

The questions in the interview guide should be formulated clearly so that the intentions of the questions are understandable and foreseeable. This will lead to the effect that the answers do not leave room for interpretation. It is important that the questions are not drafted in a way that the interviewee might feel that she or he will be sanctioned due to the answers she or he gives (Gläser & Laudel, 2006, p. 144 ff). The interviewer performs two characters. On the one hand, she or he is the expert for the subject being investigated, and on the other hand she or he uses her or his interpersonal attitudes to ensure that interaction between the interviewer and the interviewee is given. She or he is open, but also critical, sensitive and interested so that she or he can make appropriate enquiries. The interviewer must have a good memory so that questions are not asked twice and thereby negatively affect the course of the interview. During the interview, her or his interpretation skills are crucial to be able to steer the interview, but also to ask further in-depth questions. In addition to the described attitudes, the interviewer must have a high level of competence in listening which gives the expert the feeling and the freedom to talk and explain herself/himself frankly and open-minded (Scholl, 2003, p. 69).

In the present thesis, an interview guide²⁵ was used which is divided into five blocks. The first block deals with the actual state of the contract negotiation between the outsourcing company and the service provider. The expert is supposed to explain

²⁵ The interview guide is shown in the appendix of the thesis.

the current situation in a descriptive manner. The second block focuses on the experiences of the expert with contract negotiations within the agency relationship she or he works in and asks the expert for examples. The third block contains questions about the subjective experience of the respondent in terms of contract negotiations between the two parties. The fourth block outlines a brief description of an ideal scenario and asks the expert to comment on this and to provide further ideas on the scenario. The fifth block contains two questions to wrap up the interview. All blocks begin with an introductory statement or an introductory wording and a leading question. To guarantee a structured interview, the experts were asked further supporting questions, as listed in the interview guide, if the interviewee was hesitating to answer in general or if the expert did not answer the questions in a structured manner.

4.3.5 Recording and Transcription of Interviews

A quality criterion for conducting an interview is determined by the location where the interviews take place. During the interview, the interviewee should be located in an environment which is familiar to her or him. This reduces a possible disconcerting and uncomfortable feeling and also promotes certain ordinariness. The usual environment together with the background of the survey puts the interviewee in an expert status which allows her or him to answer the questions freely. It is crucial that the interviewer conveys the interviewee that she or he relies on her or his expertise. This has an inherent influence on the data collection, because the respondent is put on the same level as the interviewer. Such a situation is understood to be the trigger for a mutual acceptance between the interviewer and the interviewee (Lamnek, 2005, S. 388).

Interview progress and outcome are not only influenced by the relationship between interviewer and interviewee as described above, but also by the age of each person, because this has a strong influence on their interaction in interview situations. In interviews with interviewees older than the interviewer, the interviewer might get treated as a junior, whereas in interviews where both persons are at the same age the interviewer is seen as a confidante. Therefore, interviews should be seen as an outcome of specific scenes and not as a result of getting data from "out there" (Ridder, 2016, p. 174).

The success of an interview is not only influenced by the above-described criteria, but also by the use of appropriate technical equipment to record the interview. It is vitally important to use good recording equipment that has been tested prior to the beginning of the interview and with which the interviewer is familiar. The choice as to which technical devices are used depends on the format of the interview. While simple, monotonous recording devices are suitable for individual interviews, the use of stereo equipment in group discussions is recommended. The clearer the voices can be heard in the recordings, the easier the subsequent transcription of the interview. The transcription of the conversation should be as close to the date of execution as possible so that the content is still available to the interviewer and therefore does not lose any content (Przyborski & Wohlrab-Sahr, 2008, p. 79). Transcription of interviews is an immensely time-consuming process. Each hour's worth of a one-to-one interview can take several hours to transcribe, depending on the quality of the recording (Pope & Mays, 2013, p. 35).

Recording the interview allows the interviewer to capture more than she or he could do by relying on memory. Data from recorded interviews seem to be more accurate in their specifics compared to those only relying on memory or written notes (Taylor, Bogdan & DeVault, 2016, p.130). For recording the interviews in the present thesis, an analogously working voice recorder was used. The technical equipment was chosen in a way that size and functionality did not irritate or distract the interviewee, with the effect that both the interviewee as well as the interviewer could solely focus on the interview. The interviewer tried to create an atmosphere of an everyday situation to make sure that the interviewee felt comfortable while answering the questions. The usage of the recording equipment was accepted by each interviewee. Prior to the start of each interview, the interviewer asked for permission to use such equipment. After the interview took place, a summary of the interview content was written shortly after, and thereafter the interview was transcribed completely. Based on this activity, a third party is able to check and control the content as well as the course of each interview and furthermore is able to follow the interpretations. The effect of such procedures is that it provides a high level of methodological security (Lamnek, 2005, p. 389 ff.).

4.3.6 Conversation in Interviews

Above all, the perception of the interviewer towards the interviewee is crucial for the conversation and the outcome of an interview. Bogner et al. distinguish between six characteristics that may affect the quality of an interview. They write that the interviewee perceives the interviewer as a co-expert, as an expert with a different level of knowledge, as a layman, as an authority, as a critic or as an accomplice. It is therefore important to give the interviewee an indication on how the interviewer understands his role, to align himself with the interviewee's perception. Basically it should be noted that the success of an interview is influenced by the openness and willingness of the interviewer to show his own position and by sharing his knowledge with others as well as by providing a clear picture on his interests and the objectives of the investigation (Bogner, Littig & Menz, 2005, 64). Furthermore, it is anticipated that a conversational ability is the key to successful interviewing. A good interviewer abides by the rules of courtesy and consideration in all aspects of the communication being conducted during the interview (Buckwalter, 1983, p. 34).

Another aspect to ensure the success of an interview is the principle of a sophisticated communication adapted towards the interviewee. Therefore, it is important to adapt the vocabulary of the language to the level of the respondent. In addition, the respondent should not be interrupted while she or he is answering questions. The interviewer keeps the respondent in a loop and helps her or him to respond to certain aspects and statements and to explain more in detail what she or he thinks and feels when it comes to subjects which are highly interesting for the investigation. This approach helps the respondent to perceive herself/himself as an expert and also ensures that it does not simply connect the positions of the interviewee with those of the interviewer.

It is important that the answers are not only provided by stating a simple yes or no, but with a portrayal of facts to reveal the experts' own position on a subject (Lamnek, 2005, p. 388 f.). By phrasing questions like "Did I understand that correctly..." or "Does this mean that ...", the interviewer can clarify content given by the interviewee to stress the relevance of the said content in case things are not clear or run the risk of a misunderstanding. This ensures that the respondent delivers appropriate content to questions asked and avoids a retrospectively possible misinterpretation through immediate clarification. Conversation in interviews should be as new and enlightening, regardless if it is the hundredth or the first interview, and the interviewer should not tune out or shift to classification task rather than maintaining

focus on the task on hand (Anderson, 2012, p. 303). The interviewer should avoid the usage of scientific terms and terminologies so that the respondent is not pre-determined and can understand the questions clearly. Scientific terms and terminologies can be perceived by the respondent as a burden and therefore might affect the interview situation negatively, because the interviewer might have to give explanations on each terminology. This can disturb the course of the conversation due to a possible lack of understanding and distinctiveness (Lamnek, 2005, p. 389).

The interview should be completed by the interviewer, if the respondent does not take the final word. After the communication has ended, the recording equipment is turned off. Interestingly, in this phase often dialogue occurs which sometimes brings to light more interesting and informative content and which might be important for the collection and analysis of the data. If there is such situation, the interviewer may use this data as well if the content is properly analysed and processed. As a conclusion, one last final word is spoken by the interviewer. The interviewer thanks the interviewee for her or his time and contribution and mentions that relevant steps for the study were achieved through the content provided by the interviewee. The respondent thereby gains the impression that she or he has contributed to the investigation and therefore interprets the time of the interview as valuable and not as a waste of time. Finally, the interviewer should mention that the respondent has done well and that she or he is grateful for the time the interviewee has invested into the interview (Przyborski & Wohlrab-Sahr, 2008, p. 86).

4.3.7 Data and Interview Analysis

Probably the most important means of data collection during scientific evaluation is the assessment of interviews. Without interview data, results in the research environment in which the thesis takes place, are mostly meaningless. Interviews provide valuable information that may otherwise be unobtainable (Groth-Marnat, 2009, p. 65). The first step of the data analysis in the present thesis was based on a data-driven coding process. This process took place in between the interviews and after reading the transcripts in full. The target was to develop an initial understanding of the whole dataset. The next step included a detailed comparative interrogation of the thematic content of the codes. This has been done by exploring similarities and differences between all interviews. The idea behind this form of action was to develop a balanced and nuanced interpretation of the interviewees' statements. Looking to increase the credibility of the interpretative process, the interpretations were systematically and rigorously challenged. At first, codes were

assigned to the text passages in order to subsume them into categories of subjects. In an iterative process, the data was screened and statements were compared to summarise them in a cyclical manner to arrive at conclusions.

The statements quoted in the present thesis are the most representative ones supporting the explanations and conclusions. Mayer defines this process as the aim of an evaluation through expert interviews to extract content which goes beyond individually formulated statements. The basis for this is a tape-recorded interview text which becomes manifest and robust due to the transcription of the collected data (Mayer, 2009, p. 47). The foundation for using the collected data in the present thesis is based on the general processing parameters of qualitative content analyses according to Mayring which are divided into six steps (Mayring, 2002, p. 115 ff.). For the evaluation of an interview, quality criteria need to be defined. These criteria need to be grounded on reliability, objectivity and validity to ensure the validity and the robustness of the assumptions and the formal accuracy and reliability of the measurements, but also the reliability of the data collection with respect to the verification and falsification of the derived hypotheses. The validity aims at a verification that the parameter which was intended to measure was measured or not as part of the empirical study.

The reliability, however, comprises the stability and accuracy of the measurement on the grounds of repetition by which a measurement can be carried out again under the same conditions with the aim to achieve the same result (Mayer, 2009, p. 56). Thus, the criterion for reliability in qualitative research is only partially applicable. One can use it while testing the theory based on derived core statements, but not to explain a social phenomenon in general, since the production of an identical starting point for a new, repetitive examination is not possible to create (Strübing, 2004, p. 77).

Reflecting the above statement, validity still depends in some respect on the skills of the interviewer. It can sometimes be augmented by having multiple skilled interviewers working with multiple respondents to provide a basis for triangulation, but doing so requires extensive efforts to ensure the interviewers both have comparable skills and comparable approaches (Wallace & van Fleet, 2012, p. 182). Flick constrains the effect of a qualitative research approach and writes that representing transparency and traceability through an exclusively quoted individual section of text from an interview in the form of selective feasibility is not effective to

be supported solely by the findings and the results of the interpretations being made (Flick, 1999, p. 239). Rubin and Babbie support Flick and write that presenting those data that support interpretations are not sufficient. The researcher must also share data that conflict the way the researcher has made sense of things (Rubin & Babbie, 2016, p. 572). Brüsemeister disagrees with Flick and writes that sometimes only the method of the exemplary citation of passages from interviews is available to document statements of persons being interviewed.

This method may thus be seen as an important and often the only option to undertake an analysis of the collected data. During the process of testing, the derived hypotheses results of the same set of data should be considered. The starting point for the researcher is the recognition of a typical pattern which is distinguishable due to the ongoing revision of the structure of the interview content. Furthermore, the researcher needs to constantly examine and analyse the hypotheses according to the evaluation of past data to condense and finalise the hypotheses for good. This approach contributes towards the so-called feedback loops which do not exist at the same level in a quantitative survey (Brüsemeister, 2000, p. 67). In this respect, it is important to remain critical of the derived hypotheses by filling a first general scheme with more specific content and anticipated consequences which might occur while examining and conducting the research strategy (Feyerabend, 1999, p. 131).

Analysing the content of interviews can be hindered by some aspects and it needs to be stressed that problems may occur with the comparability of the content. These problems are based on so-called interview effects which might be caused by personal interaction between the respondent and the interviewer (Porst, 2000, p. 123). In face-to-face-surveys the allocation of interviewers can be congruent; nevertheless the interviewer effects are frequently difficult to disentangle from area effects (Blom, 2016, p. 393). The researcher needs to be aware of the fact that problems with the comparability of responses can occur, if e.g. the expert no longer answers the questions in a neutral manner and therefore distorts the quality and neutrality of the responses (Weber, 1985, p. 10).

The interviewer should create equally good conditions for all participants to achieve comparability of the interview material across participants (Magnusson & Marecek, 2015, p. 61). To achieve the best comparability for the result in the present thesis, the following procedures have been implemented and stringently utilized. Each

interview was conducted with the use of the interview guide. It was decided not to give the respondents feedback about the course of the interview during the interview, but rather in the form of a final feedback (summary of the interview) at the end of each conversation. Each interview block was started with the same introduction, the same central question and with the same wording. The respondent was informed of such action in advance of the interview. The contextualisation of individual questions was standardised by identical examples in all interviews (Porst, 2000, p. 123).

Besides the problem of comparability of responses, sometimes the problem of false answers occurs when the questions touch sensitive topics. A significant reason for this may be the lack of clarification and assurances of anonymity. The consequence of this is that the expert formulates answers that do not correspond with her or his own belief, but for her or him subjectively reflect perceived norms of a social group or a company and therefore are unfeasible answers to the relevant questions (Porst, 2000, p. 123). The respondent may also feel a threat when it comes to answering questions that touch sensitive topics in the company the expert is working for. Her or his actions may therefore be more restrained and her or his answers might not always reflect the truth. The threat the expert fears can be caused by thinking that the answers the expert gives might provoke sanctions towards her or his person, because she or he perceives that the content of the interview is available to a third party. To address the problem of a perceived threat and to be able to overcome this threat, it is vital to assure the expert comprehensive anonymity at all stages of the interview and thereafter.

Furthermore, it is important for the data analysis that alleged non-truthful answers are excluded from the analysis process if the assumption arises that the answers given by the expert do not match reality in any circumstances (Campanelli, 2001, p. 118). Certainly, it is important to bear in mind that the quality and level of truth is influenced by subjective statements given by the experts. This problem however does not occur solely in expert interviews, it also exists in other studies regardless if they are executed under the rules of a qualitative or quantitative research approach. In view of the fact that the respective experts were aware that colleagues also took part in the investigation, they rather tended to be silent than to lie. The participation of different interviewees from the same company helps to narrow down the truth or least supports the conversation from a subjective truth to a more objective one. Additionally, by conducting several interviews in the same company

the statements of the experts become thematically comparable and therefore deliver a better basis for the data analysis. The procedure of conducting several interviews in the same company with different interviewees can also be referred to as a so-called cross-check, but it does not set the criteria for being able to judge whether and which expert is right and which is not or who is telling the truth and who is not (Meuser & Nagel, 2002, p. 91 f.).

4.3.8 Qualitative Analysis of Interview Content

In the present thesis, the qualitative analysis of the interview content and the development of categories followed the rules defined by Mayring. Mayring postulates that the purpose of content analysis is the reduction of the generated data to achieve consolidated data as a basis for the success of the investigation. The focus, in this respect, is the extraction of relevant data to be able to answer the research question by use of a generated and robust data matrix. The basis for finding the relevant information is a previously defined and theory-based system of reliable criteria and categories (Mayring, 2002, p. 114 ff). The qualitative content analysis is to be seen as a linkage between classificatory and sense-reconstructing methods with a strongly rule-focused approach to text analysis. The qualitative content analysis initially contains a qualitative-interpretive approach, but later focuses on quantification and statistical analysis methods. This form of a qualitative content analysis approach is strongly connected to a deductive homological research logic, either with an explorative phase of an appeal towards the generated data or with a deductive approach of defining which text passages might be relevant and which might not (Bohnsack, Geimer & Meuser, 2018, p. 121).

Figure 13 outlines the theoretical background of Mayring's framework:

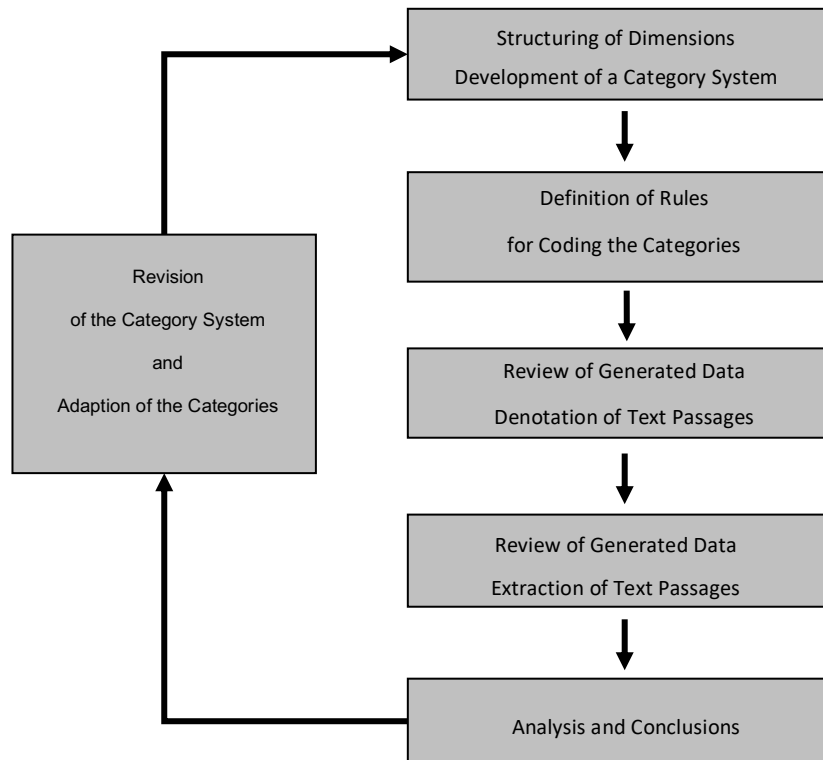


Figure 13: Process of content analysis according to Mayring²⁶

The search matrix which has been used for the analysis of the category system is linked to the development of the interview guide and based on the foundations of scientific theories that have been discussed in connection with the research target to establish a connection between the theoretical foundations and the evaluation process. The selected qualitative research approach which is based on the theoretical foundations of the category system is open in its flexibility. Hence, it supports the possibility of reviewing the evaluation of the data and provides an option to add other, new categories or helps to adapt or expand the original categories (Flick, 1995, p. 163).

Gläser and Laudel write that, in the course of the development of a category system, the investigation and classification of the generated information can be scaled ordinally or nominally (Gläser & Laudel, 2006, p. 195). In the present thesis, an ordinal scale was chosen which is divided into the sections of „strong”, “neutral” and “weak”. The relevant characteristics provide an indication to which extent the

²⁶ Own illustration based on: Mayring, 2002, p. 120.

factors confirm or falsify the derived hypotheses and how strong their impact is on contract negotiations in agency relationships in ITO.

The aim is to represent the passages that reflect the corresponding statements of the experts in a detailed, coded and categorised format to allow an overview of the analysis for all interviews. Hereby it is important that a hypothesis is considered to be confirmed when the outcome of the analysis shows a percentage of 50% or more. To substantiate the derived hypothesis, a testimony for the strength of the respective factors is given by the fact that the percentage is above 50%. The following factors were analysed and examined by validating the respective hypotheses:

Factors which affect the theoretical framework of the agency theory:

- Impact of hidden actions for the agency relationship.

Factors which affect contract negotiation:

- Control of contract negotiation.
- Interaction between content level and relationship level while contract negotiations take place.
- Control of contract negotiation based on processes, models or instruments.

Factors which affect the development of trust:

- Trust as a trigger for openness and transparency.
- Trust as a phenomenon for the improvement of communication.

Factors which affect the information exchange:

- Information exchange based on structured processes.
- Information exchange on the basis of interpersonal relationships and interrelations.

Coding can be conducted based on the development of inductive and deductive category systems or, in other words, along a so-called code word tree. Hence, codes can be developed on deductive grounds derived from the theoretical foundation of the thesis as well as inductively based on the generated material. The development of the codes can be conducted according to the process of abstracting and summarising these, along with different coding steps based on a step-by-step approach. The intention of such an approach is to allow usability of the coding parameters for other interviews and a continuous improvement and adaption of the code word tree (Paus-Hasebrink, Sinner, Prochazka & Kulterer, 2017, p. 216 f.).

Zaynel describes that the grounded theory, due to its structure and scientific approach, offers various steps such as theoretical sampling, evaluation of the process of data generation and data analysis and the so-called coding paradigm, and therefore allows deep knowledge into qualitative data. Grounded theory

provides high flexibility for a scientist, but at the same time causes self-doubts, because the scientists needs to take decisions out of an “open approach” rather than being faced with a structured, pre-defined approach (Zaynel, 2017, p. 59). Herrmann and Kosinski state that the coding paradigm helps to combine the definition of conditions and content of structure with the interaction and behaviour of interviewees and therefore supports an investigation to allow enough abstraction of the subject itself in conjunction with staying focused on the generated data (Herrmann & Kosinski, 2018, p. 41). Grounded theory provides the option of generating data, coding of data and analysing data in the same research approach which in literature is referred to as “theoretical sampling” and therefore ensures that the research path is contemporaneous and reciprocal and hence not just linear (Lampert, 2005, p. 528). The inductive coding describes the approach towards the generated material. Passages of the transcribed interviews can be highlighted and afterwards be grouped into categories along with respective codes (Lampert, 2005, p. 520).

In the course of the present thesis, coding has been conducted based on a deductive approach process and a termed structuring by Mayring. As well as this, aspects of the grounded theory such as the ones described above have been incorporated into the derivation of categories and codes. The deep knowledge of the author of this kind of research approach has resulted in an analogously driven approach like the one conducted in his first doctoral thesis. Therefore, the same type of data generation, data categorization and data analysis have been chosen and analysing tools such as Atlas.ti or MAXQDA have not been considered and used. This allows comparability, but also verification of results between the present thesis and the previous. The main concern in the second thesis was that qualitative analysis tools such as Atlas.ti might be overrated when it comes to the expectation of retrieving valid information and robust data. The author relied on the same profound methodology as the one being used in the first thesis rather than applying a tool or an application to do the work and to present readily useable results. With this approach, the author followed, for instance, Zaynel who manifests in her research work that a tool or an application does not free the researcher from looking deeper into the results and to draw own findings from generated data (Zaynel, 2017, p. 60).

Categories have been set up and defined before the analysis of the data material. The goal was to extract specified elements from the material. It runs through the entire data, following pre-determined structures. Based on this classification criterion, the outline and the profile of the material was supposed to be assessed (Mayring 2010, p. 65). The categories resulted from the discussed existing theory and the research question which has been defined at the outset of the research project. This assured a defined structure on which the course of the thesis was settled, and aligns with the statements of Lamnek and Rosenthal. Both authors independently argue that such progress supports a so-called characterising of material without having a negative influence on an existing holistic theory (Lamnek, 2010, p. 471, also Rosenthal, 2005, p. 200). The reason for conducting such an approach was the pre-existing extensive knowledge and the usage of a standardised survey tool, such as the structured interview guide. With this, the categories have been formed along important aspects from the already known literature on the respective subject of research and on the basis of the data collection instrument used.

In case of the present thesis and the usage of a structured interview guide based on the described approach, main categories have been derived. With the deductively created categories, the author was able to view the generated data and assign relevant passages to the appropriate categories. The next step was to keep track of the coding guide in order to develop the categories as precisely as possible and to avoid unnecessary duplication. According to Mayring, the following steps have been established to allow stringent data analysis. Categories have been defined considering the following question: Which components should fall under a category? Anchor examples have been determined considering the following question: Which specific text passages from the transcript of an interview can be cited as prime examples for a category? Coding rules have been established considering the definition and application of mitigation rules where demarcation problems exist between individual categories. These rules have been formulated to ensure unambiguous assignments (Mayring, 2010, p. 106). Lüdders described such steps in her research work as the consolidation of data, the explication of data and the structuring of data. The consolidation deals with condensing data into main findings; the explication is focused on the verification of unclear or undefined data by further information sources; and structuring of data follows in principal the steps being described in Mayring's work. The codification guide of the present thesis was

intended as a guide for the author, but could also be used by any other researcher involved in the evaluation of the data or, who may be in the future, to be the basis for further research. Considering future research, it is important to stress that in order to achieve sufficient quality in the application of the categories, the codes of the various researchers should be largely independent of each other. The fulfillment of this criterion corresponds to the requirements and to the quality criterion of interceding reliability (Lüdders, 2017, p. 106).

4.3.9 Limitations of Research Methodology

The methodology approach has to be understood in the context of several limitations. Given that a substantial part of the dataset has been obtained through survey questionnaire responses, a number of considerations need to be taken into account. The survey sample results might be subject to biases. While sample biases pose a threat to the validity of any survey-based analysis, the author of the thesis interprets that the obtained sample size of 14 interviews provides a fair reflection of the previously discussed minimum requirements of conducting expert interviews to allow sufficient data saturation (Povaly, 2007, p. 365). Nevertheless, it needs to be acknowledged that the survey sample might be subject to biases, such as data collection bias, analysis bias, participant bias, question-order bias and leading question and wording bias.

Regarding data collection bias, for instance, the survey questions in the questionnaire could be rephrased differently to figure out which questions deliver which data when posed differently. Further to this, the questionnaire could be extended or shortened to accommodate different interview situations. In the present thesis, an already developed and robust questionnaire structure has been used to allow comparability between the results of the first thesis with those of the second, but in a different business area. Questions were different, but followed the structure used in the questionnaire in the first thesis.

When considering another bias, such as the analysis bias, it can be said that the data collection and analysis has been made solely by the author of the present thesis. It would have been good to train a second person to conduct the interviews to avoid subjective influence such as the natural look for data that confirm the derived hypotheses or that confirm personal experience. When talking about biases and errors in survey samples the so-called participant bias needs to receive a focus as well. It is essential to interview experts who are working in the area of IT provider

management or who are a principal who outsources business to an agent and experts working in the field of contract management. However, on the other hand it would have enriched the results if people from a technical level would have been asked who don't have the chance or option to talk about outsourcing contracts to broaden the sources from which information could have been pulled. These technical experts possibly would have provided different views about the scope of the interviews and would have generated data which could have been used differently to establish the CEM. At present, the CEM looks at data being retrieved only from the provider management and contract management perspective.

Question-order bias plays a certain role when reflecting the current research subject. The structure of the questionnaire has already been tested in the first thesis. Questions have been re-arranged in a different order to avoid question-order bias. Nonetheless, it would have been interesting to see what would have happened if somebody with knowledge in the research field had evaluated the questionnaire and had arranged questions in a specific area differently. The leading question and wording bias is of interest, too, and therefore needs to be discussed. It is also necessary to mention here that the questionnaire has been tested prior to the interviews that had been used for analysis and data generation. Following this step, questions were consolidated and rephrased for a better understanding and a better reading of the questions to the interviewee. Subjectively seen, the elaboration of the respondents' answers should have been monitored by a third person during the testing phase to avoid influencing the interviewees with respect to the assumption that words have been put in their mouth to confirm the derived hypothesis of the researcher. The research considers various amount of parameters that support the enhancement of contract negotiation and relationship building. Thus, the findings are based on analyses in the business section of IT that might limit a transfer of the results and suggestions of the present thesis to other business areas. However, each business sector is different in the way it conducts contract negotiations and partnership building.

Although the background information on contract negotiations and partnership building development is based on longitudinal data analysis, the major findings of the research are connected with data collected at a given time to reflect issues in the then current situation of contract negotiation and partnership building in IT. The output of the present thesis is useful to explain in further detail the effects of historical and economical conduction of contract negotiations and partnership

building handled in IT over a period of time (Dang & Pheng, 2015, p. 234). Moreover, the conduction of the research has only been done in Germany, reflecting a German culture of contract negotiations and partnership building. Other cultures might act in the same way as Germans do, or completely differently.

Further criticism towards the research approach could be outlined by stating that the approach itself is not totally objective, because the author of the present thesis is subjectively involved in the choice of a problem of the investigation and in the interpretation of the results. The author works as well on the assumption that theory represents the reality of the problem as it occurs within a certain context. Challenging the approach can also be supported by mentioning that the researcher examines a form of reality which is detached from the reality real people live in and the conceptual model does not provide information about the actual phenomenon. Finally, it can be said that a limitation of the research approach is given by the assumption that the researcher has only apparent neutrality and that the researcher implies to interpret the generated data before they become meaningful.

4.3.10 Summary of Research Methodology

Chapter 4 has highlighted the fundamental issues and aspects of the data evaluation. In addition, the chapter has described and explained which parameters are to be considered in the selection of experts for interview. It was discussed which foundations need to be met in order to use an expert interview as a source of information and which preparations are needed in order to lead those efficiently and effectively. It has been shown how the statements of the experts will be made anonymous so that it is ensured that no expert faces negative outcomes due to her or his statements. Furthermore, it has been discussed how an interview guide needs to be developed to be able to use it validly. It has been discussed in which way the interviews were recorded and evaluated, at which timeframe they have been conducted and which hierarchical management level was involved.

Further to this, the evaluation method has been discussed to provide the basis for the analysis of the collected data in the form of interview texts. It has been illustrated how the evaluation method works and which advantages this method provides compared to others. To some extent, this has already been discussed in an earlier chapter in the present thesis.

This chapter has provided the grounds for further discussions in the present thesis and has prepared the reader for the content in the subsequent chapters. It acts as a basis for the evaluation of data and the development of the CEM which is developed on the grounds of the theoretical framework as well as by the means of the analysis of the collected data. Notwithstanding the above described outcome, collection and generation of data need to be reflected as well as questioned, because selection and production bias can occur. To understand both, the researcher needs to understand the environment, she or he conducts the investigation in, otherwise one cannot evaluate their effect on the research project (Baur, 2004, p. 25). Therefore, bias and limitations of the present thesis have been discussed to reflect that every research work contains such constraints. The discussion of bias and limitations also shows that the researcher is aware that the present thesis might not deliver an infinite solution to solve the phenomenon of hidden actions, but it does provide a usable outcome which itself ensures that the CEM stands on valid grounds and is not just invented without any theoretical and scientific background.

Chapter 4 introduced a versatile and robust description of the research methodology. Part of the strength of the methodology is its simplicity that allows readers and researchers to understand the intention and the analysis being conducted. Scientific research methodologies and analysing approaches that have been applied were described to a good scaling, thereby demonstrating the robustness of the method and providing an alternative means for developing a model based on the estimated intrinsic anticipation for receiving an appropriate result. The review of basic epistemological premises as well as the described strategy of research conducted explain the basis for the qualitative investigation. This description reflects the agenda of agency theory science.

Chapter 4, therefore, describes the “what’s” and “how’s” of qualitative research in this field of ITO. Undertaking a qualitative study in this field should be understood as a project for which the researcher has familiarised herself/himself with the respective research strategy and the types of questions being developed and raised during the expert interviews. This allows the researcher to gain new and useful insights from such a study and might stimulate the underlying idea of a cross-disciplinary usage in, for instance, ITO, but also outsourcing endeavours to other economic fields, and therefore energizing the approach to find solutions to reduce the phenomenon of hidden actions by enhancing the contract negotiation process.

5 Verification and Falsification of Hypotheses

5.1 Introduction to Verification and Falsification of Hypotheses

This section includes a discussion on the verification of the hypotheses based on the results of the qualitative survey. Firstly, preliminary information is provided to the reader in order to show which hierarchy levels have been interviewed. In addition, the section will show which sizes of companies have been determined for the interviews and which tools and instruments have been used by either principals and/or agents whilst the contract negotiation process to communicate and exchange content and information between the parties. It will discuss which results can be derived from the collected data, which factors were considered by the experts to be important and what influence the results of the qualitative survey in combination with the theoretical foundations described in Chapter 2 have towards the development of the CEM and its related content. As described in Chapter 4, interviews have been conducted until data saturation has been achieved. The reasons for considering different levels of hierarchy in the context of such survey was pointed out in section 4. The following charts show the distribution of hierarchies, the ratio between principals and agents, the sizes of the companies, the tools and instruments to exchange content and information whilst the contract negotiation process was executed, and further to this, shows the sources of contracts. Figure 14 shows, based on the postulation of Meuser and Nagel, that operational levels have been considered in order to obtain the largest possible exploitation of information.²⁷

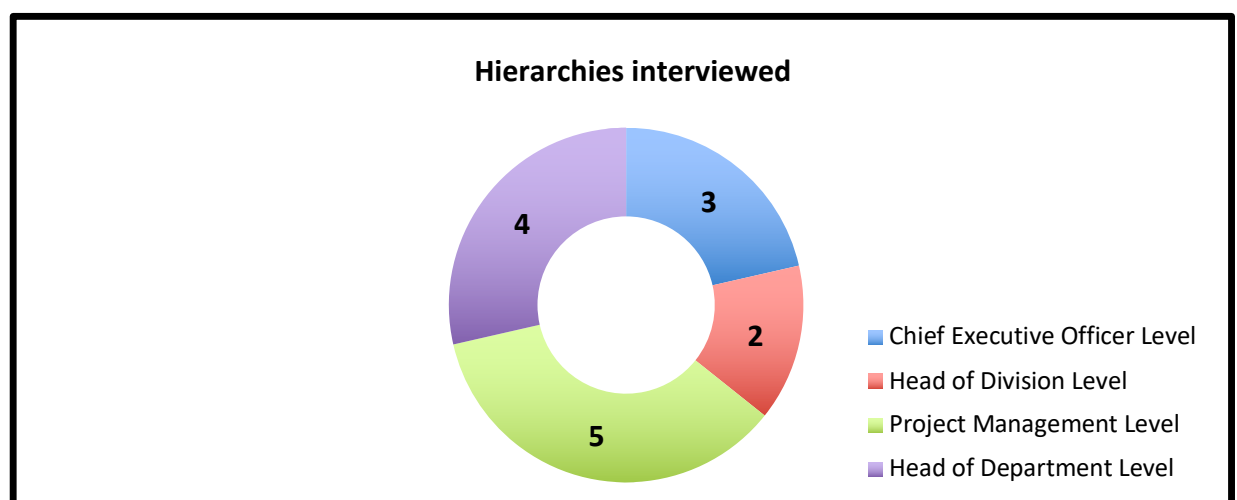


Figure 14: Hierarchies interviewed²⁸

²⁷ See Chapter 2 and 4

²⁸ Own source

Figure 15 shows the distribution of principals and agents interviewed. An equal number of experts were chosen to balance out the ratio of statements from both sides.

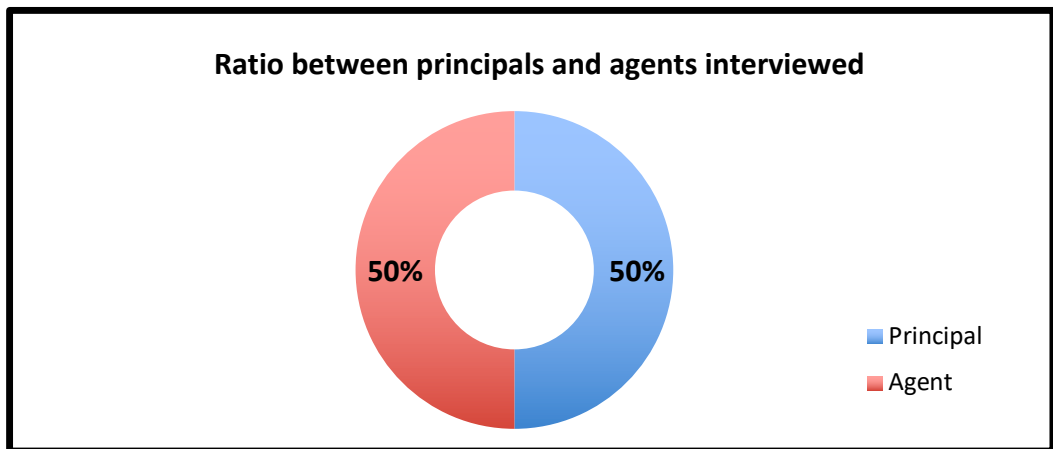


Figure 15: Ratio between principals and agents interviewed²⁹

Figure 16 illustrates the distribution of firm size in which the interviewed experts work. In preparation of the interviews and the selection of the experts it had been decided to find a relatively uniform distribution of all sizes of companies in order to avoid a disproportion between large and small companies, because large companies might usually have implemented processes and instruments more appropriately than smaller companies. The reason for this decision was based on the assumption that under certain circumstances in large companies the structural conditions also in terms of contract negotiation processing are more established than in smaller firms.

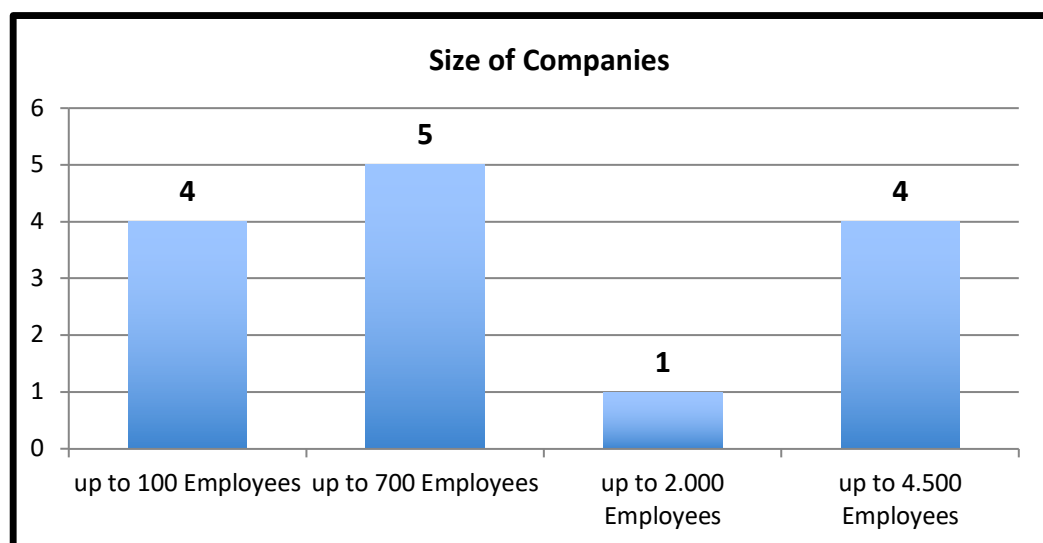


Figure 16: Size of companies³⁰

²⁹ Own source

³⁰ Own Source

Figure 17 outlines the distribution of used tools and instruments for exchanging information during the phase of the contract negotiations. It shows that conventional media such as telephone, email and meetings play a very dominant role in the contract negotiation process in agency relationships in ITO.

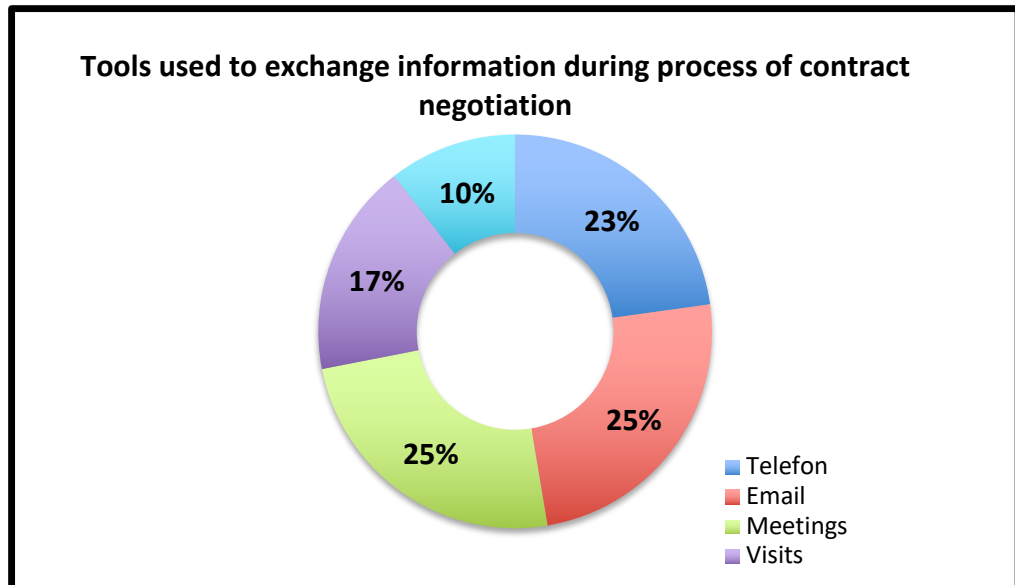


Figure 17: Tools used to exchange information during process of contract negotiation³¹

5.2 Verification of Agency Theory Hypotheses

5.2.1 Hypothesis 1A

Principal and agent are aware of the fact that their counterpart behaves opportunely to maximise her/his own benefit.

Operationalisation

Do principal or agent in an agency relationship in the IT environment deliberately receive information from their counterpart that is misleading or that can harm the relationship? Does an equal distribution of information exist in such relationships? Does the respective counterpart know the intentions of the other party? Does the respective party know that her or his opponent behaves in such a way that both parties benefit from the relationship? Do both parties see themselves at the same level with their counterparts?

³¹ Own source

Criterion for the Verification of the Influencing Factor *Hidden Actions*

The influencing factor *hidden actions* is considered to be fulfilled if more than 50 percent of those being surveyed make a statement to corroborate that principal and agent deliberately or intentionally behave opportunistically to maximise their own benefit.

Results

The results of the data collection in agency relationships in ITO show that both parties pursue an opportunist behaviour to maximise their own profit. Principals who have been interviewed assume that their agents behave in such a way as to maximise their own profit by reinforcing the phenomenon of hidden actions. When it comes to evaluating the behaviour of the principals, the agents believe the same and assume that the principals do act opportunistically to maximise their own profit. Both parties agree on the fact that the respective counterpart persecutes the other party because of economic interests to maximise their own benefit. In addition to economic interests, both parties quote further reasons to allow opportunist behaviour. With 12 out of 14 nominations, the results of the collected data provide a clear picture on how the understanding of the respective parties is towards the behaviour of their counterparts. Two nominations show that the respective experts see an opportunist behaviour on the side of their counterpart, but alleviate the impact of such behaviour by saying that their counterparts do not behave as such on purpose, but out of unawareness. In their eyes, their counterparts want to do everything good for the relationship, but by doing so they behave opportunistically.

Schematical overview of the results for hypothesis 1A

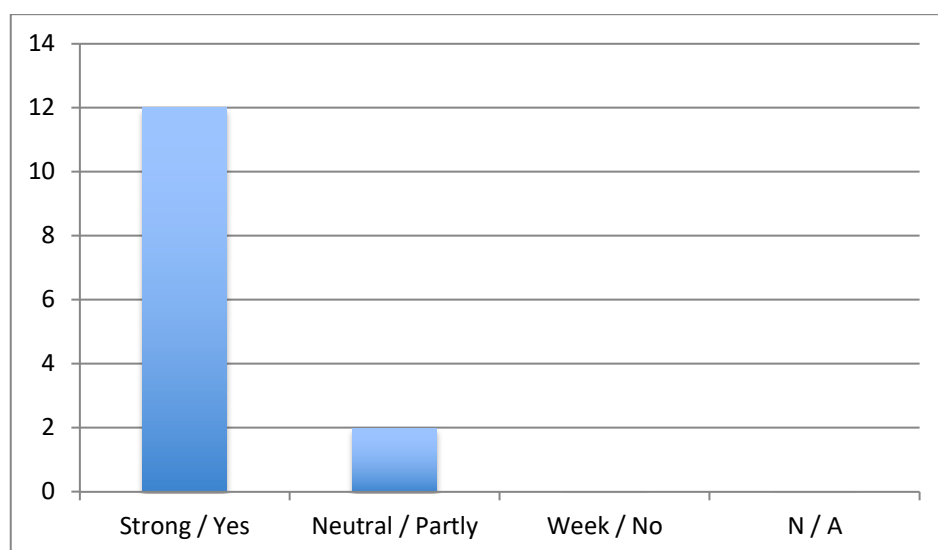


Figure 18: Graphical overview of the evaluation matrix for hypothesis 1A³²

³² Own source

Hypothesis 1A				
	Strong / Yes	Neutral / Partly	Weak / No	N / A
I 1	1	0	0	0
I 2	1	0	0	0
I 3	1	0	0	0
I 4	1	0	0	0
I 5	1	0	0	0
I 6	1	0	0	0
I 7	1	0	0	0
I 8	1	0	0	0
I 9	1	0	0	0
I 10	0	1	0	0
I 11	0	1	0	0
I 12	1	0	0	0
I 13	1	0	0	0
I 14	1	0	0	0
Total	12	2	0	0
Ratio	0,86	0,14	0,00	0,00

Table 4: Evaluation matrix for hypothesis 1A³³

Verification of Hypothesis 1A

Hypothesis 1A has been verified based on the results shown above and the influencing factor *hidden actions* is considered to be inherently strong.

Discussion

Principals and agents in ITO assume that their respective counterpart acts opportunely to maximise her or his own profit. Both parties declare that the maximisation is done by withholding information or by providing information at the latest phase of a contract negotiation process. Both parties confirm that often

³³ Own source.

contractual templates are provided from one side designed to consider a positive effect on the side which has provided the template. The experts working for the agent's side have stated that some principals already provide such templates when it comes to outsourcing certain activities or even complete business areas to an external firm. These templates are handed over to the agents and the agents only have the chance to amend the terms and conditions of those, but often they cannot change anything beyond the provided content.

Therefore, principals are using templates they have already used in previous outsourcing deals or cooperations bearing in mind that the information and experience they have gathered in those can be used in the favour of their well-being. Hence, it can be said that principals act in the way described above and use information asymmetries to maximise their own profit. By doing so, these principals use information and their resulting benefits to embed such templates into the contractual documents to influence the outcome of the contract negotiations towards their favour. However, by trying to maximise their own profit by using such templates, principals neglect the fact that these templates often do not include all information and therefore both parties might have to re-negotiate terms and conditions of the contractual documents after a certain period of time in order to adapt pricing or to amend volumes or other parameters:

I8P15L770-773³⁴

... Was ist das primäre Ziel von einem Agenten. Ein Agent ist eine gewinnorientierte Firma und die möchte Geld verdienen. Hat ein Agent jetzt ein besonderes Interesse daran, z.B. meine Kosten zu senken? Würde ich eher sagen nein, denn er verdient an mir ...

Translation of I8P15L770-773³⁵

... What is the primary financial goal of an agent. An agent is a profit-making company who would like to earn money. Does an agent now have a special interest,

³⁴ The passages have been shortened such that phrases like /mhm/ and confirmations like /okay/ and others given by the interviewer and the interviewees have been deleted. Only the plain text of the interviews is shown in German and in English translation. This applies to all citations in German and therefore no further footnote will be mentioned for this.

³⁵ All interviews have been conducted in German language and in Germany. All cited passages shown in the present thesis have been translated into English language to allow a better understanding of the content for those not being able to speak German. For the process of evaluating the generated data only the original text passages in German language have been used and analysed to comply with scientific rules and to avoid manipulation of original content through translation, thereby causing misunderstanding or misinterpretation. This applies to all citations in English and therefore no further footnotes will be mentioned for this.

e.g. to reduce my costs? I would rather say no, because he earns money by working for me ...

I12P7L313-331

... Da haben wir dadurch, dass wir auf einer Vorlage des Kunden gearbeitet haben, natürlich automatisch die schlechtere Ausgangsposition, weil der Kunde seine Maximalforderung in dem Dokument verewigt hat und wir im Prinzip die Punkte, die wir gar nicht akzeptieren können, wegverhandeln müssen. Das bedeutet, dass das Ergebnis auch natürlich nicht dem Idealszenario aus unserer Sicht entspricht ...

Translation of I12P7L313-331

... Because of working with a template provided from the customer, of course, we are automatically in an inferior position. The customer has incorporated her or his maximum demand in these documents and we must, in principle, negotiate the points that we do not want to accept. This is not an ideal scenario for us ...

Agents are often confronted with the difficulty to receive all relevant information from the principals and therefore are not able to have a good understanding of what the principals intend to plan with the outsourcing of respective activities and to which anticipated price the principals accept the takeover of such activities by an external party.

I13P8L419-430

... Also einen richtigen Informationsvorsprung hat sicherlich eine Partei immer, also ganz ausgewogen ist das nie. Die Frage ist, wie schnell komme ich an diese Informationen, die mir fehlen und krieg' ich das durch Fragen raus, und bin ich dann derjenige, der in einer Vertragsverhandlung durch entsprechende Fragen die ganze Verhandlung weiterführt oder nicht. Aber ein Missverhältnis am Anfang gibt es immer, würd' ich sagen ...

Translation of I13P8L419-430

... One party always has an advantage when it comes to having information. Thus, there is never an appropriate balance between the two existing. The question is how fast can I get the information that I am missing by asking the right questions and, furthermore, am I the one who is prepared to continue the negotiation bearing in mind that my counterpart does have an advantage because of having information which I do not have. Thus, in this respect, a mismatch in the distribution of information always exists in the beginning, I would say ...

Principals often use the existing competitive situation in the ITO market to negotiate an outsourcing deal with more than just one agent. From the principals' perspective, this behaviour helps to maximise their own economic benefit by influencing the pricing on the grounds of comparing one service provider against another. Most likely, a principal negotiates with more than one agent not only to influence the pricing, but also to be assured to be safe when it comes to a situation in which a service provider does not agree to the terms the principal defines and therefore bails out of the contract negotiations. With such behaviour, a principal tries to minimise the risk not to be able to start his outsourcing project, because his potential partner/service provider delays or cancels a deal completely. The negotiations with two agents provide the option to benchmark two potential partners against each other in terms of their performance, their ability and their pricing models. This empowers a principal to “make” the rules to some extent, because if the first service provider does not “match his rules”, the principal starts to negotiate with the second service provider:

I14P10L531-538

... Die meisten Kunden gehen ja mittlerweile den Weg, mit zwei Anbietern in die Gespräche zu gehen und haben sich vorher in einer Shortlist für zwei entschieden und fangen an, mit einem Serviceprovider zu verhandeln, und wenn in diesem Prozess grundlegendes schief läuft, nimmt er Nummer zwei und verhandelt mit dem ...

Translation of I14P10L531-538

... Most customers intend to talk to two providers. On a short list, they have previously decided to which service provider they want to talk. They start to negotiate with one of the two service providers and if in this process something fundamentally goes wrong, the customer switches to the second service provider and continues to negotiate with her/him ...

Principals see themselves often at a superior level, especially whilst negotiations take place. They understand that agents want to start a cooperation based on various reasons, e.g. to announce that they have won a new account or because of increasing sales or other reasons, and therefore are prepared to accept compromises when it comes to pricing. Often principals do not accept the fact that during negotiations or after a certain time of running the project agents claim that

they need more money. For the principal's the terms and conditions are clear and settled, and because of this a re-negotiation of pricing is not desired or accepted.

I1S7L301-306

... Also, dass es Extraleistungen gibt, das ist ja keine Information, wodurch der Agent mehr weiß wie wir, sondern dass sind Dinge, wo er ggfs. zu wenig wusste und dann einen neuen Erkenntnisgewinn gehabt hat und sagt, jetzt brauch' ich das Geld, weil ich hab' vergessen zu fragen. Das sind eher die Dinge, die passieren. Aber dass man das dann gegen uns verwendet kann, nö, das ist ja wirklich dann eher eine Sache, wo wir aus einer Position des Stärkeren sagen können, ja, vergessen ist doof ...

Translation of I1S7L301-306

... The fact that there are extra services is not information by which the agent knows more than us. These are situations where the agent might have known too little, but claims that because of new information she/he has gathered or received pricing needs to be reconsidered and therefore says that she/he needs more money now. From the position of being the stronger part, we can say, yes, it's tough, but not our problem ...

As previously discussed, principals do understand that they are mostly acting as a superior towards their agents, but in the same sense want to establish a good basis of trust for their agents by establishing a good working relationship. The aspect of trust will be discussed more in depth at a later stage, but has been discussed here in the context of opportune behaviour. If a principal feels that trust has been established, but at the same time feels that the agent is abusing the existing trust level to only maximise her or his benefit, then the principal does not hesitate to cancel the cooperation immediately. He behaves opportunistically, because he wants to see his benefit maximised regardless of whether the level of trust between the two parties is good or not. Another reason for such behaviour is the fact that principals give away their expertise with outsourcing certain activities to a service provider and therefore feel vulnerable. In such situations, a disturbance of their feelings or a negative influence of their assumptions has direct consequences:

I2P6L281-295

... Ja, wie ich vorhin schon erwähnt habe, ist es bei uns so, dass wir sehr viel auf Vertrauen setzen. Das ist von uns einfach nötig, da wir auch, wie gesagt, die eigene Fachkompetenz nicht im Hause haben und wenn das Vertrauen nicht da ist, würden wir uns von dem Partner trennen. In dem Moment, wo wir das Gefühl haben, dass der Partner, also der Agent, das nicht so in unserem Sinne erfüllt, sondern nur seinen Vorteil sieht, würden wir das eben auch aufkündigen ...

Translation of I2P6L281-295

... As I had mentioned earlier, we rely very much on trust. This is simply necessary for us, because we do not have an expertise of our own anymore. If trust does not exist anymore or is damaged because of the agent's behaviour, we would withdraw the cooperation from this partner. In cases in which we believe that the partner does not satisfy our interests anymore and only sees her or his own advantages, we would terminate the cooperation ...

According to some experts, opportune behaviour of the principals causes complications with the design and the settlement of an appropriate contract, because if a principal does not want to provide all necessary information which is normally supposed to be embedded in the contract, then the agent as his counterpart "keeps a door open for her-/himself" by embedding phrases into the contract which make re-negotiation possible. This influences the contract and the contract negotiation process negatively, because both parties do not provide all information they have and use existing information asymmetries to stipulate hidden actions with the consequence that such behaviour causes problems from the beginning of the respective relationship right through to a possible end:

I3S7L378-392

... Wenn's darum geht, abzuwägen, ob der Prinzipal wichtige Informationen manipulativ in die Verhandlung mit eingebracht hat und die Realität nicht offen und ehrlich mit uns verhandelt hat, dann kann ich nur sagen, ich gehe davon aus, dass jeder in Verhandlungen versucht, seine Asse auszuspielen, um sich nicht in die Karten gucken zu lassen, es sei denn, er wird gefragt. Ein kompetenter Provider muss hergehen und muss verlangen, dass du die Dinge kennst, die gemacht werden sollen, er muss verlangen, dass gewisse Dinge offen gelegt werden, analysiert werden und Fakten geklärt werden und wenn der Prinzipal nicht Willens

oder in der Lage ist, was hier für mich nicht erkennbar war, Dinge auf den Tisch zu legen, dann muss man in den Vertrag eben hineinschreiben, das ist alles vorbehaltlich einer späteren Klärung und gilt nur, wenn hinterher in der Klärung dazu 'ne Vereinbarung getroffen wir ...

Translation of I3S7L378-392

... When it comes to the fact that the principal has introduced important information manipulatively into the negotiation and has not openly and honestly negotiated with us, then I can only say that I assume that everyone is trying to negotiate using his aces and not to show his cards openly unless she or he is asked. A competent service provider must find out what the things are which are supposed to be made and above these he must request that certain information is disclosed and analysed. If the principal is unwilling or unable to provide such information, then it needs to be written into the contract that all information is subject to future clarification and shall only apply in cases where an agreement is settled that verifies these terms and conditions ...

Summary

In conclusion, it can be seen that the influencing factor of hidden actions can be considered as fulfilled. Experts from both parties believe that their counterparts try to maximise their own benefit by behaving opportunely. In some cases, however, the experts express that they anticipate that opportune behaviour of their counterparts does not always exist on an intentional basis. The experts admit that opportune behaviour is often caused by ignorance or unintentionally. However, in such cases in which the experts assume that opportune behaviour is executed to maximise one's own benefit, it is done at a level of full consciousness. With respect to developing the CEM, at a later stage in the present thesis, mechanisms will be discussed to reduce the influence of hidden actions to provide a possibility to counteract opportunistic behaviour.

In summary, the analysis that has been conducted to validate or falsify hypothesis 1A strongly confirms that own maximisation of benefit is a strong influencing factor in agency relationships in ITO. Both parties behave opportunely to maximise their own benefit. Other factors such as intention, self-interest of individuals, attitude and personal behaviour have an influence on the course of the relationship and the contract negotiation process. As mentioned earlier, the result of 86% out of 100% shows that in agency relationships in ITO, even today, the experts feel that both

sides try to maximize their own benefit rather than trying to gain a mutual and beneficial basis for both while knowing that there might be solutions at hand to mitigate such endeavor. Hypothesis 1A refers to the theoretical phenomenon of hidden actions being discussed in the agency theory.

In Chapter 2, it has been outlined what the reasons for hidden actions are and what kind of measure can be used to reduce hidden actions. The results of the analysis of hypothesis 1A clearly show that hidden actions still exist between principals and agents in agency relationships in ITO and that both parties look at their own well-being rather than trying to follow a different approach. This focus on own interests might change or be weakened when both parties discuss an extension of the contract, because they are already working in a relationship and therefore know the other side better than in the beginning. This assumption might only be valid for relationships which stand on good grounds or in a situation in which the principal does not have plenty of options for a provider change. Therefore, the results of the analysis of hypothesis 1A not only reflect existing knowledge, but also provide the basis for hypothesis 1B which considers a discussion about monitoring being used to control the agent's action rather than trying to motivate the agent to act more on behalf of the principal by using incentive schemes.

5.2.2 Hypothesis 1B

Principals in agency relationships in ITO rather tend to monitor an agent than to use an incentive scheme to reduce hidden actions.

Operationalisation

Do principals in an agency relationship in ITO rather tend to monitor their agents or do they try to offer and use incentive schemes to reduce hidden actions? Do incentive schemes support the contractual situation positively and are they able to reduce hidden actions? Which content needs to be reflected in incentive schemes to influence the negotiation process and to reduce hidden actions in such a way that both parties benefit from them?

Criterion for the Verification of the Influencing Factor *Monitoring*

The influencing factor *monitoring* is considered to be fulfilled if more than 50% of those being surveyed make a statement about the fact that principals rather give priority to monitoring and prefer to control their agents than offer them incentive

schemes to influence the cooperation and negotiation process positively and to reduce hidden actions.

Results

The results of the data collection show that principals rather tend to monitor their agents and neglect the opportunity to implement incentive schemes to optimise the contractual process or the cooperation between both parties and to reduce hidden actions. With 8 out of 14 nominations, the results of the collected data provide a satisfying picture to this question. One nomination shows that the respective expert provides a neutral opinion on this subject; one nomination does not agree with the subject at all; and the respective expert states that principals do see an advantage in implementing incentive schemes. This expert quotes that incentive schemes might work better than monitoring schemes, because in her or his eyes incentive schemes provide enough leeway for both parties to grow together while working together. Four nominations have been subsumed not to be applicable, because no content could be retrieved from the interviews. This is caused by the fact that the above-mentioned subject was not discussed while the respective experts were interviewed. Therefore, the hypothesis is seen as verified, but at a weak level.

Schematical overview of the results for hypothesis 1B

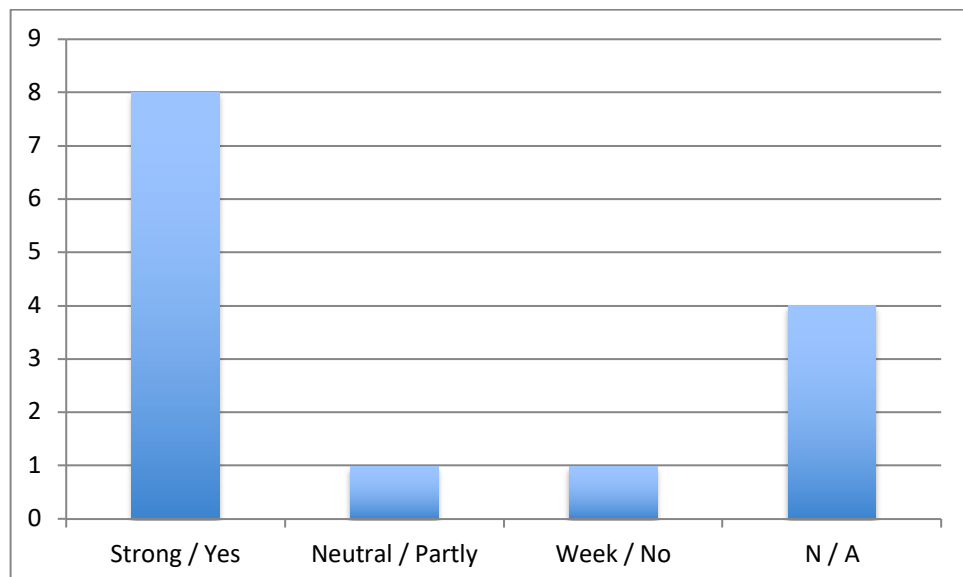


Figure 19: Graphical overview of the evaluation matrix for hypothesis 1B³⁶

³⁶ Own source

Hypothesis 1B				
	Strong / Yes	Neutral / Partly	Weak / No	N / A
I 1	0	0	0	1
I 2	1	0	0	0
I 3	0	0	0	1
I 4	1	0	0	0
I 5	1	0	0	0
I 6	1	0	0	0
I 7	1	0	0	0
I 8	1	0	0	0
I 9	0	0	0	1
I 10	0	0	0	1
I 11	1	0	0	0
I 12	0	0	1	0
I 13	0	1	0	0
I 14	1	0	0	0
Total	8	1	1	4
Ratio	0,57	0,07	0,07	0,29

Table 5: Evaluation matrix for hypothesis 1B³⁷

Verification of Hypothesis 1B

Hypothesis 1B has been verified based on the results shown above and the influencing factor *monitoring* is considered to have an impact on agency relationships in ITO.

Discussion

Principals tend to monitor their agents rather than to implement incentive schemes to reduce hidden actions. Some of the experts confirm this statement and say that

³⁷ Own Source.

from their viewpoint monitoring tools seem to be a good way to guarantee a good working relationship between the parties if the agent can stick to agreed terms and conditions and delivers what is demanded of her or him by the contract. For both parties, monitoring tools provide a clear picture of the status of the relationship, regardless of how strong the level of trust is. Whilst it is good to have a certain level of trust, both parties also agree it is worth having numbers to look at and to decide whether the services are delivered correctly or not.

I4P17L876-890

... Ja gut, es gibt vertrauensbildende Maßnahmen, die nicht vom Zwischenmenschlichen abhängen. Ich mein', ich kann Klauseln in die Vertragsgestaltung reinnehmen wie Open-Book-Policy, damit der Kunde beispielsweise sieht welche Kosten ich hab' und was er dafür zahlt. Genauso kann man natürlich erfolgsabhängige Dinge reinnehmen deren Messung dann auch für eine Transparenz sorgt und das sind eigentlich so Partnerschaften oder Vertragsgestaltungen, die sehr sehr schwer messbar und lebbar sind, also prinzipiell find ich das extrem gut mit den erfolgsabhängigen Themen ...

Translation of I4P17L876-890

... Well yes, there are trust-building measures that do not depend on an interpersonal relationship level. I think I can incorporate clauses into the contract such as an open-book policy so that the customer sees, for example, which costs I have and what she or he pays for my services. Similarly, you can include, of course, performance-related aspects into the contract. Their measurement can assure the development of transparency. However, these relationships are generally difficult to maintain. This is the reason why I basically think that performance-related parameters work better ...

Some experts say that the definition and description of performance indicators are vital for each contract. These performance indicators provide the basis for monitoring and measurement and therefore stabilise the relationship if the delivered services of the service provider match the agreed terms and conditions of the contract and therefore match the expectations of the customer:

I5P7L326-327

... Für mich ist das Thema der Leistungsbeschreibung eine der ganz wesentlichen Vertragsbestandteile ...

Translation of I5P7L326-327

... For me, the subject of defining performance indicators is a must in all parts of the contract ...

I6P9L204-210

... Ich denke, verbessern könnte man das Ganze, indem man einfach die Leistung die der Agent zu erbringen hat, ganz detailliert formuliert, wie eine Matrix oder eine Strichliste. Diese definiert, weil das die Reibungspunkte sind, genau diese unklaren Definitionen ...

Translation of I6P9L204-210

... I think one could improve the whole story simply by defining the requirements towards the agent into detail, e.g. by using a matrix. The terms and conditions should be defined in such a matrix, because unclearly defined performance indicators are the reasons for causing frictions between the parties ...

Since normally both parties are working together on the basis of monitoring tools or schemes implemented, they are reluctant to adopt incentive schemes. One expert working for an agent company stated that he would accept such incentive schemes, but only when there is proof of existence of such schemes and only when one can see whether there are functional or not. This statement shows that there is a strong preference towards monitoring, but also an open mind for changing the way principals and agents in ITO work together in future. Nonetheless, mainly principals are looking at control and monitoring when it comes to working together with an agent, or at least when it comes to the situation in which to evaluate the relationship. Further to this, some principals even force their service providers to grant them access to their systems so that the principals can have a real-time overview on how the systems and the interlink with the performance of the service providers work.

I7P12L648-662

... Ich behandle bei dem Modell auch die Thematik Anreiz und Anreizsysteme, um gewisse Dinge zu stimulieren. Können Anreizsysteme die Vertragsgestaltung verbessern, bzw. erleichtern und wie müssten solche Anreizsysteme Ihrer Ansicht nach aussehen? Es müsste auf jeden Fall deutlich zeitreduzierend sein, ohne dabei Ressourcen zu binden und für mich persönlich wäre die Referenz wichtig. Also ich müsste es sehen, dass es vergleichbares schon gab, also dass es erfolgreich war ...

Translation of I7P12L648-662

... I'd like to consider the implementation of incentive systems into my model to stimulate certain things. Incentive schemes can improve contracts or facilitate an easier establishment of a contractual situation in relationships. The question is how should such incentive schemes, in your view, look like? They would significantly reduce the time effort for setting up contracts and causing a reduction of involved resources. For me personally, it would be important to know if such incentive schemes already exist and to see whether these are successful or not ...

I8P9L404-417

... Das ist eine große Bandbreite zwischen hartem kontrollieren und überwachen Ihres Providers, bis hin zu: Ich habe eine gewisse Vertrauensstörung? Wir waren z.B. als wir angefangen haben, ich sage einfach mal wir, eher auf dem Standpunkt, den Providern zu vertrauen. Das ist jetzt ganz stark in die Richtung rüber gewandert „Kontrolle und Monitoring“ und zwar nicht Kontrolle und Monitoring dahingehend, dass er uns irgendwelche Daten liefert, sondern dass wir auf sein System Zugriff haben, auf dem alles läuft, um selbst einen Einblick zu haben ...

Translation of I8P9L404-417

... This is a wide range between “...strict controlling and monitoring of your provider...” I have a certain feeling of disorder when it comes to trust. When we first started to work with our service providers, we rather followed the position to trust our providers. However, this has rather changed now to control and monitoring of our recent service provider. I do not mean to control and monitor our agent in such a way that she or he only provides us information, but that we also have access to her or his systems to obtain a general insight for ourselves...

Some of the principals even explain that such schemes do not have any effect on the reduction of hidden actions. The respective experts state that they do not have any experience with such systems at present and also mention that they do not believe in such schemes and rather monitor their agent to reduce hidden actions. With monitoring their agents, the experts anticipate that they have full control over them. This can be aligned with the requirements from the principals towards their agents to have access to the agents' systems as mentioned previously.

I11P13L720-729

... Gibt's die Möglichkeit, über Anreizsysteme die Vertragsgestaltung zu verbessern oder zu erleichtern? Und wenn ja, wie müssten solche Anreizsysteme aussehen und was müssten diese leisten? Kann ich mir jetzt nicht vorstellen. Also mit XX³⁸ habe ich noch nie so was erlebt und nicht darüber nachgedacht, aber ich glaub' auch nicht, dass das viel bewirkt ...

Translation of I11P13L720-729

... Is there a possibility to improve the contract negotiations with the help of incentive systems? If so, how should such incentive systems look like and what would they need to deliver? I cannot imagine this to happen. With XX, I have never experienced anything like that and I have not thought about it, but I think that such schemes do not have much effect ...

Despite the fact that some of the interviewed experts have received negative statements towards incentive schemes to reduce hidden actions, they said that such schemes might be quite helpful to reduce hidden actions. Generally, they said that incentive schemes are a good option to optimise the cooperation between the respective parties and therefore would enhance the situation as well as deliver the grounds to minimise the activities and to only maximise the profit of one company within the cooperation. The experts pointed out that the success of such schemes strongly depends on their set up and on the content on which the function of such schemes is based. For instance, the experts expressed that the performance indicators of such schemes need to be reflected carefully to avoid a mismatch between individual targets and company targets and also the roll-out of such schemes needs to be organised appropriately. The experts expect major success from incentive schemes in the process of reducing hidden actions if they are set up reasonably with the right performance indicators implemented and reflected by both parties. Only then might the principals be prepared to reduce the means of monitoring and control to reduce hidden actions. Especially principals are careful and often reluctant to install such incentive schemes, because they do not have any long-term experience with these, neither in their company nor in other companies in their industries or personal network where fellow colleagues and/or ex-colleagues work nowadays.

³⁸ The company name has been anonymised and replaced by XX.

I12P17L903-955

... Können Anreizsysteme die Vertragsgestaltung verbessern oder erleichtern? Also das man Anreize setzt für die vertragsverhandelnden oder gestaltenden Personen, als Beispiel, einen Anreiz, dass eben die Abschlüsse der Verhandlung, wenn sie zu Teilbereichen in den Vertrag gehören oder im Vertrag selbst zeitlich befristet sind, zeitnah verhandelt und abgeschlossen werden? Dass es eben nicht 'ne Verhandlungsphase von 6 Monaten und länger gibt? In anderen Unternehmen hab' ich erlebt, dass dort über 2 Jahre über den Vertrag verhandelt wird, obwohl die dann schon miteinander arbeiten. Würden solche Anreizsysteme dann eine Optimierung bewirken? Ja, aus meiner Sicht auf jeden Fall. Dass hängt aber davon ab, wie diese gestaltet sind. Also Beispiel: Es gibt auch bei uns Anreizsysteme für die Vertriebler und was deren Bonitätsregelung angeht, damit diese mehr erreichen können, wenn der Vertrag für uns positiver gestaltet ist. Wenn z.B. die Wirtschaftlichkeit des Vertrages einen höheren Grad erreicht, dann bekommt der Vertriebler auch 'ne höhere Provision.

Solche Themen gibt es bei uns bereits. Und für die Verhandlungsteams an sich haben wir bisher noch keine entsprechenden Rahmenbedingungen gesetzt, aber auch da könnte ich mir durchaus vorstellen, kann man entsprechende Anreizsysteme formuliert. Die können sich natürlich auch negativ auswirken, wenn die Anreize zu stark auf das Individuum ausgerichtet sind. Das stimmt absolut. Auf der anderen Seite, wenn die clever formuliert sind und den Verhandlern die entsprechenden Zielrichtungen aufzeigen, dann fördern sie meiner Erfahrung nach auch die Kreativität der Beteiligten ...

Translation of I12P17L903-955

... Can incentive schemes improve or facilitate the contract negotiation process when incentives are defined for the individuals being involved in the negotiation process in such a way that these individuals negotiate the contract more quickly and more efficiently to avoid negotiation phases which otherwise might take too long? In other companies I have seen that there were negotiations still ongoing and not completed, even after the two parties have already started to work together. Are such incentive schemes good for an optimisation as such? In my eyes, yes. However, it all depends on how they are designed. For example: In our company we have incentives for our sales people to force them to speed up processes and/or to negotiate contracts more effectively and have them keep an eye on an

appropriate financial feasibility. This means if they negotiate a contract with a better financial outcome for us, then they get a higher commission. For the negotiating team, e.g. internal contracting department or legal, we do not have such incentives, but I can imagine that an appropriate incentive scheme would support better outcomes here, too. But such incentive schemes can also have a negative impact if the respective incentive indicators are focused too strongly on the individuals as such, because then the individuals might focus more on their individual targets and benefits than on company goals and profits. However, if they are set up cleverly and show the negotiating people the right directions, then they could enhance and optimise the creativity of the respective participants ...

With regard to defining the right performance indicators for such incentive schemes some experts even describe which indicators might be useful or not and why:

I13P20L1112-1168

... Gehen wir mal mehr auf das Individuum und Anreize ein. Die Person, die bei der Vertragsgestaltung mitwirkt, also nicht nur, aus in Ihrem Fall dem Contractmanagement heraus, sondern eben auch Vertrieb- und Fachabteilung. Könnte man da Anreize setzen, dass man sagt, als ein Anreiz, dass eben gewisse Teile des Vertrages oder der gesamte Vertrag in einem gewissen Zeitraum zu verhandeln sind, sofern das eben fachlich machbar ist? Könnte man da Anreize setzen und wenn ja, welche Anreize wären das? Ich weiß nicht, ob ein zeitlicher Ansporn tatsächlich also einmal der Qualität des Vertrages wirklich Rechnung trägt. Von daher würd' ich zeitliche Anreize, die man dann entsprechend belohnt, eigentlich nicht als gegeben oder als günstig sehen. Ein Vertrag braucht seine Zeit. Es hängt viel vom Kunden ab, nicht unbedingt nur von den Parteien, die auf der Dienstleisterseite stehen, sondern es ist ja ein miteinander, verhandelter Vertrag und ich würde sogar sagen, die demotivieren eher, wenn dann die Partei merkt, sie erreicht das gar nicht, und es liegt nicht an ihr, dass sie diesen Zeitplan nicht erreicht, sondern weil der Kunde irgendwas verzögert. Und das würde eher dazu führen, dass sogar vielleicht die eigentliche, bestehende Vertrauensbasis dadurch wieder zerstört wird, weil der Dienstleister einen zeitlichen Druck aufbaut, weil er selber einen Incentive darauf laufen hat und die andere Partei aber dafür keinerlei Verständnis hat, weil die dieses Incentive eben nicht hat. Ja, also würde sich das dann sogar kontraproduktiv auswirken? Würde ich so vermuten ...

Translation of I13P20L112-1168

... Let's look at individuals and incentives. Could there be incentives defined which are supposed to influence the negotiations between the parties in such a way that the contract is negotiated within a certain period of time if feasible? Which incentives could this be? I do not know if a focus on just a certain timeframe takes into account the quality of the contract. Therefore, I would say that purely focusing on such incentives would not help. A contract takes its time. Much depends on the customer and not only on the service provider as such and therefore "timeline focusing incentives" would rather demotivate the respective parties. Reasons for this demotivation can be seen in such a way that one party does not meet a certain schedule, e.g. the service provider does not provide information within a certain timeframe, but also due to the fact that the customer delays further steps unintentionally or on purpose. This might easily lead to a loss or reduction of trust between the two, because the service provider stresses her or his timeframe and puts pressure on the customer. Would this be counterproductive in the end? I would agree that this might be the case ...

Summary

The results of the data analysis show that the interviewed experts generally think that incentive schemes can influence the contract negotiating process positively and that they also support the fact that incentive schemes can reduce hidden actions. With reference to a specific design or layout of such schemes, however, experts have no detailed knowledge or ideas regarding the content of such incentive schemes and additionally the experts do not know at present how such schemes could be implemented into daily operations. It is important to understand that the usage of incentives schemes to reduce hidden actions is generally seen as a positive by the experts. Nevertheless, the overall picture shows that both parties in agency relationships in ITO rather prefer monitoring as a tool to reduce hidden actions than to implement incentive schemes to support a decrease of hidden actions.

The result of hypothesis 1B with 57% out of 100% show that incentive schemes are known by the experts and some of them might already use them to overcome the phenomenon of hidden actions, but generally the experts believe that monitoring might be the better solution to control the agent and therefore restrict the agent in her or his option to conduct hidden actions. On the contrary, 4 out of 14 experts,

equating to 29% out of 100%, were not sure whether incentive schemes are better to overcome hidden actions or if only monitoring as such might be the best choice as a solution.

This shows that there is no clear understanding as seen in hypothesis 1A where both parties believed that the other side only wants to maximise its own benefit. Hypothesis 1B is still verified, but the basis for contributing to existing knowledge or theoretical development can only be given in conjunction with the outcome of the analysis of the other hypotheses being investigated in the present thesis. Whilst the discussion about hypothesis 1B and its contribution to the above cannot be understood as rejected, the hypothesis itself is not validated very strongly. This does not automatically mean that experts in agency relationships in ITO generally think that incentive schemes are out of scope, but the outcome could deliver the grounds for further investigations in future research. In these, results might vary when, for instance, questions are asked differently, or if other experts will be asked. However, the analysis shows that to some extent the contract negotiation process can be positively influenced when both sides are incentivized towards their communication and information exchange. Therefore, the results of the investigation of hypothesis 1B show that there is a potential to contribute to theoretical development in the field of contract design and contract theory. The discussion about contract design and contract theory which has been conducted in a previous chapter, has outlined that aspects like incentive schemes for contract design and contract theory are not reflected much in the existing literature.

5.3 Verification of Contracting Hypotheses

5.3.1 Hypothesis 2A

The stronger the contract negotiations are regulated in agency relationships in ITO, the better will be the design and the content of contracts and the corresponding information exchange between the involved parties.

Operationalisation

Does a stronger regulation of contract negotiations influence the design and the content of contracts between the two parties in ITO in general? To which extent will the information exchange between the two be affected by this? Which regulations must be defined and settled and how should they be implemented to be able to enhance the information exchange? How strong must the influencing factor *regulation of contract negotiation to improve contractual content and information*

exchange be fulfilled to be able to say that it has a positive impact on the improvement of the information exchange?

Criterion for the Verification of the Influencing Factor *Regulation of Contract Negotiation to improve Contractual Content and Information Exchange*

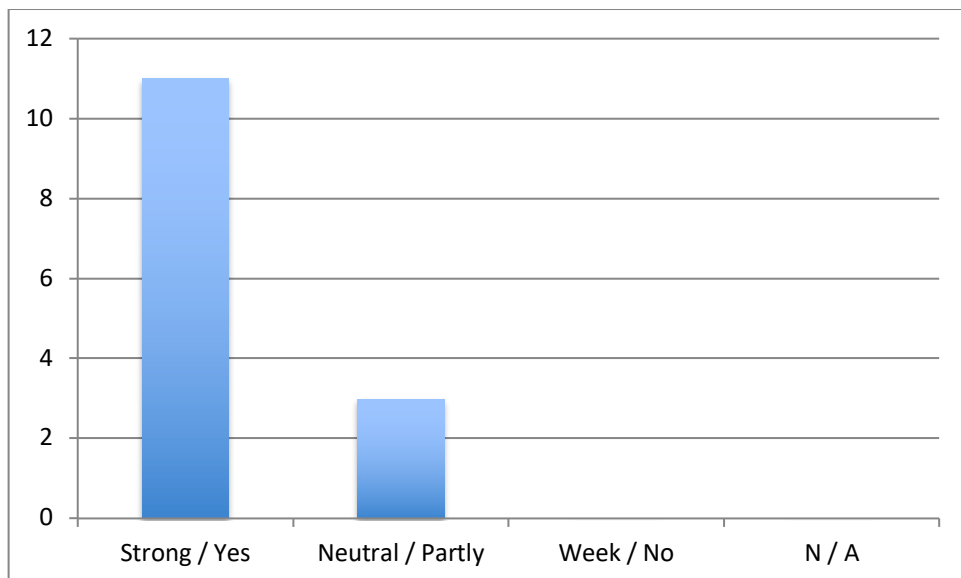
The influencing factor *regulation of contract negotiation to improve contractual content and information exchange* is considered to be fulfilled if more than 50% of those being surveyed make a statement on the fact that a stronger regulated contract negotiation including the design and the content of the respective contracts influences the corresponding information exchange positively in agency relationships in ITO.

Results

The results of the analysis show that both parties agree to the fact that a stronger regulation of contract negotiation influences the information exchange positively and immanently. With 11 out of 14 nominations, the results of the analysed data provide a very strong tendency and approval of the influencing factor *regulation of contract negotiation to improve contractual content and information exchange*. Experts of both parties state that regulation of contract negotiation provides strong grounds to stand and operate on. A regulation helps to canalise and structure the information which is supposed to be exchanged between the parties. With such procedures, both parties receive a guideline on how to exchange which information when and through which channel or medium. This ensures that both parties conduct the information exchange more openly and avoids the respective parties only using their own or hidden information to maximise their own profit. Through the results, the hypothesis is considered to be verified and the influencing factor *regulation of contract negotiation to improve contractual content and information exchange* has a strong impact on the improvement of the contract negotiation process itself.

Schematical overview of the results for hypothesis 2A

Hypothesis 2A				
	Strong / Yes	Neutral / Partly	Weak / No	N / A
I 1	1	0	0	0
I 2	1	0	0	0
I 3	1	0	0	0
I 4	1	0	0	0
I 5	1	0	0	0
I 6	1	0	0	0
I 7	1	0	0	0
I 8	1	0	0	0
I 9	0	1	0	0
I 10	1	0	0	0
I 11	0	1	0	0
I 12	1	0	0	0
I 13	0	1	0	0
I 14	1	0	0	0
Total	11	3	0	0
Ratio	0,79	0,21	0,00	0,00

Table 6: Evaluation matrix for hypothesis 2A³⁹Figure 20: Graphical overview of the evaluation matrix for hypothesis 2A⁴⁰³⁹ Own source.⁴⁰ Own source

Verification of Hypothesis 2A

Hypothesis 2A has been verified based on the results shown above and the influencing factor *regulation of contract negotiation to improve contractual content and information exchange* is considered to be immanent. It has a strong impact on agency relationships in ITO.

Discussion

Principals and agents assume that regulation of contract negotiation will improve the exchange of information significantly, because people are forced to act and behave according to rules. These rules do not revoke individual room for manoeuvre and therefore individuals are still able to act more or less freely, but on such a basis that they cannot play with their counterpart. Hidden information might be revealed quicker and easier, because individuals do not think that unrevealing those causes vulnerability to them. This is granted by the fact that both parties are obliged to provide information during the contract negotiation process in a pre-defined manner:

I1P8L427-440

... Meinen Sie, dass eine Vertragsgestaltung basierend auf den Verhaltensweisen einzelner Personen, ohne Absicherung durch einen Prozess, der das eben definiert, ein Risiko für Sie darstellen kann oder für Ihren Agenten? Was heißt jetzt Prozess? Ein Prozess, der diese Vertragsgestaltung ein Stück weit beschreibt und definiert, damit eben schon noch Handlungsspielräume da sind, für Individuen, aber nicht, dass es rein auf diesen Handlungsspielräumen basiert. Ich halte es für wichtig, dass ein Prozess, zumindest ein Prozess oder ein Zeitplan oder eine Abfolge von Aktivitäten und damit eine Prozessdefinition vorliegt, zumindest dass beide Parteien so etwas entsprechend vereinbart haben ...

Translation of I1P8L427-440

... Do you believe that a contract design solely based on the ideas and thoughts of individuals, not being supported by a respective process that defines the content of the contract, provokes a risk for you or your agent? What you do mean by...a process? A process which, to a certain extent, describes the content and execution of the contract negotiation, but which still leaves enough room for manoeuvre so that individuals are still able to act within this room for manoeuvre. However, what also restricts this room for manoeuvre so far is that individuals do not only act because of a given leeway. I think that it is important that a process exists or defines

activities or a process definition and at least that both parties have agreed on something like this accordingly ...

I3P4L169-210

... Unser Angebotsprozess, der für alle Bestandskunden und Neukunden gilt sieht vor, dass wir die Unterlagen entsprechend aufbereiten und durch einen Genehmigungsprozess bringen. Wenn die dann die Qualität haben, wenn die Qualitätskontrolle gemacht ist, dann geht das in das Unterschriftenverfahren und dann als Leistungsangebot an den Kunden, der dann wiederum bei sich intern prüft und die Unterlagen durch den Unterschriftslauf bringt. Im Vorfeld werden als unverbindlich gekennzeichnete Entwürfe ausgetauscht, damit das Papier, was da tatsächlich in den Unterschriftenprozess reingeht, eine gewisse Reife hat. Aber das gilt jetzt für die Vertragserweiterung oder gilt das auch für andere Vertragsformen? Wir haben tatsächlich nur einen einzigen Prozess. Wir betrachten jeden Vertrag, ob es jetzt ein Erstvertrag ist mit einem Neukunden für einen kleinen Workshop, um sich da kennenzulernen, um Konzepte zu erstellen, gemeinsam, ob es sich da um sowas handelt oder ob es um Bestandskundengeschäft geht, wo eine Verlängerung ansteht oder ob es eine Änderung oder Erweiterung des Portfolios oder von Preisen ist, ist dabei gleich. Alles ist irgendwann an sich ein neuer Vertrag. Wir haben natürlich entsprechend der Bedeutung unterschiedliche Approval Levels und auch natürlich unterschiedliche Dokumente, ob's jetzt eine Erweiterung oder ein Neuvertrag oder ein Rahmenvertrag ist oder einfach nur ein Leistungsschein für zusätzliche Leistungsarten. Für alles gibt es unterschiedliche Templates und Tools, aber der Prozess an sich ist der gleiche, nur die Freigabeverantwortlichkeit, die Freigabe, die Berichtigungen sind entsprechend den Kriterien aus dem Risikokatalog heraus unterschiedlich gestaltet in der Hierarchie ...

Translation of I3P4L169-210

... Our sales and proposal process that applies to all existing and new customers requires that we prepare the documents accordingly and get them through an approval process. If we have reached the requested quality and if quality control is made, then the documents undergo the signature processing and afterwards reaches as a finalised proposal the customer, who himself checks the documents internally. After he has finished approving the documents, he signs them and sends them back to us. This overall process, does it apply to extensions of contracts as well as to other types of contracts? We actually only have a single process. We

consider each contract, regardless of whether it is a first contract with a new customer e.g. for a small workshop to get to know each other and to create concepts together; whether it is because of a change to an existing business with a based customer where an extension is pending; or whether there is a change or extension of the portfolio or of prices. This is all the same. Everything coming up will be a new contract in the end. We have, according to different significances, approval levels with different documents in place, whether it is now for an extension or a new contract or a master contract or just a change request for a service level. For everything, there are different templates and tools, but the process itself is the same. Only the approval levels, the approvals themselves and amendments are differently implemented across the hierarchies, but in accordance with the defined risk catalogue ...

Some experts have described their experiences with non-existing regulations and processes and stated that regulations are very much welcome, because they ensure that certain procedures are in place and obeyed by the respective individuals acting towards their counterpart during the process of the contract negotiations:

I4P13L697-710

... Was meinen Sie, birgt eine Vertragsgestaltung, basierend auf den Verhaltensweisen einzelner Personen ohne Absicherung durch Prozesse ein Risiko für Sie oder für den Partner? Wenn die also quasi eigenständig, eigenmächtig einen Vertrag verhandeln können, ohne dass das groß hinterlegt ist? Von meinen Erfahrungen her ist sicherlich eine gewisse Kontrolle hilfreich oder sinnvoll. Wohin das ohne Prozesse führen kann, haben wir in dem Unternehmen ja erlebt. Dass es hier Verträge gab, die sehr unvorteilhaft waren ...

Translation of I4P13L697-710

... Do you think that a contract merely based on the individual input and behaviour of people without any control through a process can present a risk for you or your partner? For instance, if these individuals act independently and negotiate a contract without any control or authorisation? From my point of view, a control of content and regulation of the contract negotiation is certainly helpful or useful. Where it can lead to without having processes implemented, we have experienced in the company we were talking about. There were contracts which were very unfavourable for both parties ...

However, the experts do not only state that regulations can help to act more openly. They also say that regulations and pre-defined processes support the establishment of trust, because the interacting individuals are supposed to obey rules on the one hand, and on the other hand none of the individuals feel deceived, because the “rules of the game” are clearly described in regulations and hence in processes. As a result of this, trust can grow during the negotiation process. For the experts not only the contract itself is a good indication for an upcoming good working relationship, but also the interplay of the individuals dealing with their counterparts while negotiating the contract:

I5P5L231-238

... Also kann ein gut formulierter Vertrag oder eine an gut durchgeführten Prozessen angelehnte Vertragsgestaltung nicht Vertrauen schaffen oder doch? Aus meiner Sicht kann es das. Ich sag' mal, oftmals gerade bei einer neuen Kundensituation ist die Vertragsgestaltung also sozusagen nicht nur das Ergebnis, der Vertrag, sondern auch der Prozess, wo sich die Akteure in vielfältigen Situationen kennenlernen und damit ergibt sich auch ein bestimmtes Vertrauensverhältnis ...

Translation of I5P5L231-238

... Does a well-defined contract or a well-controlled contract negotiation phase based on processes support the development of trust? In my opinion, yes. Often, in a negotiation situation with a new customer, the contract itself is not the only result; the process in which the parties were involved with each other can be responsible for the establishment of trust as well...

Some of the experts state that it is important to define the content of the contract to the fullest extent possible to ensure that both parties know the scope of the contract. In order to achieve this, the experts wish to have certain steps within the negotiating process defined so that all involved individuals are sure about the subjects they are talking about. Further to this, regulations can help to control and maintain the information flow and hence the exchange of information, because individuals have to follow rules and cannot act freely and ad hoc. Both parties are able to negotiate a contract even if the individual players might have problems to deal with each other on a so-called “human chemistry basis”, because they cannot stand each other. Regulations help to overcome such situations or even provide a basis for the respective individuals to act securely, because they can refer to such regulations in situations where the content of the contract is not defined clearly enough or if one

of the two parties does want to withhold information to optimise its own benefit and therefore might cause an escalation or conflict:

I5P6L302-320

... Operativ umsetzbar heißt ja, ich kann das leisten, was ich verspreche, um das leisten zu können, was ich verspreche, muss klar definiert sein, was ich denn zu leisten habe. Ich gebe jetzt irgendjemand eine Leistungsbeschreibung. Das ist extrem wichtig und diese Leistungsbeschreibung, das ist meine Erfahrung, ist der Bereich, wo vielleicht die größten Fehler gemacht werden, denn beide Seiten könnten auch latent ein Interesse haben, die Leistungsbeschreibung nicht so präzise zu machen. Nach dem Motto, naja, wenn nicht genau aufgeschrieben ist, was ich einfordern kann, dann kann ich danach nochmal einfordern. Und wenn nicht genau aufgeschrieben ist, was ich zu leisten habe, dann kann ich danach ja vielleicht nicht darauf festgenagelt werden. Dann komme ich natürlich genau zu einer Konfliktsituation ...

Translation of I5P6L302-320

... Operationally feasible means to me that I can deliver what I have promised to deliver. However, to be able to deliver what I have promised it is important to define what am I supposed to deliver. For instance, I give somebody a full description of service requirements. This is extremely important, but this specification is in my experience the area where perhaps the biggest mistakes are made, because both parties might have a latent interest not to define the service requirements as accurate as possible. According to the motto "if it is not exactly defined what I can claim, I might claim more than I am supposed to claim. Or if it is not exactly defined what my tasks are, then nobody can nail me down and claim that I have to do the things the other side wants me to do". Because of such a situation, I will directly face a situation of conflict ...

I8P16L852-874

... Meinen Sie, dass ein Modell für das Entstehen einer besseren Vertragsgestaltung die Zusammenarbeit mit Ihrem Agenten erleichtern würde? Wenn ich ein vorgegebenes Gerüst hätte, könnte ich mich eher an diesem Gerüst orientieren, wie das auch immer aussieht. Dann wäre dieses Gerüst schon eben halt eine gewisse Optimierung am Markt. Das baut man ja nicht einfach so, also ich sag mal als Gedankenspiel auf, sondern das ist ja schon dann eben halt an, ich sag mal, am

Leben irgendwo, in gewisser Weise optimiert, bestimmte Fehler sind schon rausgenommen, die größten Schwächen sind vielleicht schon beseitigt, es müssen nur noch eben halt sozusagen, meine firmeninternen Gegebenheiten müssten da einbisschen angepasst werden. Aber ich hätte ein Gerüst, an dem ich mich langhangeln könnte. Ja, das würde ich für hilfreich halten. Jedenfalls besser als dieses Trial and Error. Meinen Sie, dass die Personen so ein Modell auch leben bzw. annehmen würden? Oder würden die Person, die an der Vertragsgestaltung teilnehmen eher sagen: Individuell ist besser, lässt mir mehr Luft? Also jeder der das einmal durchlebt hat, diesen Freiflug, wird sagen: Ja ...

Translation of I8P16L852-874

... Do you think that a model which supports a better contract design would facilitate the cooperation with your agent? If I had a predefined framework, I could orientate myself with the help of this framework and it would not matter what the framework would look like. This framework would be something new and a certain optimisation in the market. However, no one builds such a framework so easily. This framework must already be optimised in a way that certain errors have already been eliminated, as well as the most serious weaknesses and only my company's internal situation needs to be reflected in this and amended, if necessary. Therefore, if I had such a framework to look at, would I then consider this as helpful? This is certainly better than to play trial and error. Do you think that the individual of both parties would accept such a model and would live with it? Or would the people taking part in the negotiations of the contract rather say: Acting Individually is better and gives me more leeway? I think everyone who has been going through a bad situation like we did will say: Yes ...

I9P11L587-604

... Und wenn wir ein Modell nehmen, was eben Inhalte zusammenfasst oder eindampft, um eben eine Vertragsgestaltung optimal laufen zu lassen? Kann das so ein Handlungs-Guide sein, so ein Modell? Kann es den handelnden Personen leichter machen einen Vertrag zu gestalten? Ja, erheblich, erheblich leichter machen, zu guten Lösungen zu kommen, weil man hat ja immer auf der einen Seite das Wollen und das Gestalten und das Handwerkliche: Was muss ich denn tun, um es dann tatsächlich zu erreichen und im handwerklichen Bereich kann ich mir erhebliche Erleichterungen vorstellen, im gestalterischen nicht, also gutes

Handwerkzeug, gutes Handling garantiert noch nicht ein gutes Ergebnis. Es erleichtert es aber erheblich, das Ergebnis, ein gutes Ergebnis zu erreichen ...

Translation of I9P11L587-604

... If we speak about a model that defines contractual content? Can such a model optimise the design and content of contracts appropriately? Can such a model be seen as a guideline? Can it ensure that the involved people design and define a contract more easily? Yes, significantly, such a model can make it easier to come to good solutions, because there is always the intention to make something good, but there is also the design and the actual doing as well as the question: What should I do to achieve what I had defined to achieve? For the actual doing, so to speak for the practice, I think that there is a potential optimisation, but for the “creative part” I think it might be difficult to be supported by such a model, because good tools do not only provide good results, but a model in general would help to achieve good results ...

The experts hope to achieve a stringent and controlled exchange of information when content and actions are regulated whilst negotiating with their counterpart or, at a later stage, while working together. The reason for this is that arrangements and agreements are documented, because, for instance, the CEM and its related content forces the respective individuals to write things down and therefore follow certain rules of documentation. These rules or regulations provide the involved parties with the opportunity to refer to such documented and maintained agreements and arrangements at a later stage. Therefore, a regulation as such does not restrict people in their actions, but it supports them when it comes to prove what has been agreed and therefore gives them security. Furthermore, it reduces the fact that people sometimes might “lose their face” when it comes to statements which they make during negotiations about agreements they thought have been made between the parties, but in reality, have not been made between the parties at all:

I10P12L685-671

... Darum geht's im Prinzip und das ist meiner Meinung nach das allerwichtigste, heutzutage und das Bewusstsein kommt jetzt aber erst in den letzten 3 bis 4 Jahren so richtig auf, dass man die Vertragserstellung und das auch was danach kommt, eigentlich gut dokumentieren sollte. Dass wenn man sich mal streitet, dass man sagen kann, aber da steht's doch, der Mitarbeiter, der damals zuständig war, der hat das so vereinbart. Wir handeln ja danach, und heute sagt ihr was anderes ...

Translation of I10P12L685-671

... That's the point in general and that is in my opinion the most important issue nowadays. However, the awareness to document what has been said or agreed between the parties has only existed for the last 3-4 years. This also applies to contractual documents and information which arise after the cooperation has started to have the grounds for good arguments when it comes to conflicts and disputes. Then, in situations like conflicts and disputes, all involved people can say that we did document agreements accordingly, for instance, the person in charge did agree to it in the past and we follow the settled content, but now you say something different and you try to twist things around ...

However, not only the advantages described above are understood to be provided by regulation of contract negotiation to improve the exchange of information. Both parties speak of other advantages, too. For instance, both parties mention that a regulation to enhance information exchange also provides the basis for the installation of functions or hierarchical levels which are responsible for oversight over the negotiations and over the behaviour of the interacting parties. These functions are to be seen on the part of the principal as well as of the agent to guarantee that negotiations are running smoothly. These functions are responsible for channeling the information exchange and to make sure that both parties deliver the information which is necessary to negotiate a contract appropriately.

With controlling and managing the exchange of information based on the actions of these functions the involved people have to follow rules and cannot play games with their counterpart. Hence, a regulated information exchange can minimise irritations and conflicts throughout the whole negotiation process. The reason for this thought is given by the fact that without such functions so-called moving targets might be thrown into the negotiations at certain times and levels which facilitate the consequences such as further irritations or conflicts amongst the interacting

individuals. The experts feel that, on the grounds of an appropriately regulated information exchange, the leeway and the space for individual actions can be minimised, but without limiting the involved individuals to full extent. Therefore, negotiations can be conducted, but in a controlled and fair manner:

I11P12L617-632

... Diese Verhaltensweisen, wenn die nicht abgesichert sind, durch einen Prozess oder durch ein Modell, dann birgt das natürlich auch ein Risiko für den einen, wie den anderen. Weil man vielleicht als Individuum dann eigene Interessen eher durchboxen will, als vielleicht gemeinschaftliche Unternehmensinteressen zu verfolgen. Sehen Sie das auch? Ja, aber das muss man als Gesamtprojektleiter steuern. Aber es bedarf einer Person, die das eben steuert? Natürlich. Sonst kann es dazu kommen, dass da Moving-Targets auf einmal verhandelt werden und das ist tödlich für jede Vertragsverhandlung ...

Translation of I11P12L617-632

... If the behaviour of the interacting parties is not defined, by a process or by a model, it could provoke a risk for one side as well as for the other. Because an individual might rather look after her or his own interests instead of trying to pursue joint benefits for both parties. Would you agree? Yes, but the whole project or negotiation phase must be controlled by an overall project manager anyway. Thus, does it require a person to take over the full control? Of course. Otherwise it could happen that there will be so-called "moving targets" discussed and negotiated and this is definitely fatal for any contract negotiation ...

Beyond the discussed advantages being anticipated as positive for the information exchange between the parties a regulated contract negotiation also supports the development of trust within an agency relationship in ITO. Experts of both parties state that a regulated contract negotiation not only improves the exchange of information amongst the interacting individuals, but it also supports the development of trust. Given the fact that both parties know the rules of behaviour whilst being in the negotiation process, information can flow from one side to the other and no one anticipates that the other side tries to maximise its own benefit only because of withholding information or because of acting in such a way that irritations occur. This helps the respective individuals to feel comfortable in a situation in which they normally feel vulnerable because of having to "open themselves" by providing information to an external party. If the content to be exchanged is clearly defined,

leeway and “strategic holes” are closed or reduced to a minimum which helps to convince individuals that they are acting correctly and in a manner which has a positive impact towards the upcoming relationship. Furthermore, using templates or pre-defined contractual content helps to convince the counterpart that the potential partner is confident and knows what she or he is doing. Therefore, regulations being defined to improve the information exchange provide good grounds to stand and act on and help to accelerate the establishment of a good working relationship:

I12P16L870-892

... Kann ein Modell zur besseren Vertragsgestaltung, so wie ich's plane, die Bildung von Vertrauen zwischen den Vertragsparteien fördern? Dadurch, dass vielleicht eine bessere Transparenz vorliegt, gesicherte Texte vorliegen? Ja, ein großer Vorteil besteht sicherlich darin, dass der Kunde in dem Fall den Eindruck bekommt, dass der potenzielle Vertragspartner, also wir, als Lieferant über entsprechendes Know-how verfügen, da bereits Vorformulierungen da sind. Weil in denen beschrieben ist, wie wir was tun. Und somit entsprechend, aus meiner Sicht auch als vertrauensbildende Maßnahme für den Kunden wirken ...

Translation of I12P16L870-892

... Can a model such as the one I plan to develop stimulate the development of trust between the parties? Maybe caused by the fact that better transparency is given because of pre-approved contractual content? Yes, such a model undoubtedly provides a big advantage due to the fact that the customer gets the impression that he is dealing with a competent contractor who uses pre-defined contractual content. Further to this, pre-defined contractual content and its use can be seen as a confidence-building measure for the customer as well as for the relationship ...

The experts were also very clear on their opinion about the positive implications of regulations of contract negotiation to improve the information exchange when it comes to the fact that regular planned meetings are established between the parties. According to the experts, regulations help to set up meeting schedules so that all involved individuals know which meeting is important, which roles they play within these meetings and which content needs to be prepared, delivered and agreed upon. Some of the experts quoted that they have such meetings already settled in their existing contracts and that these really support the liaison between the parties. This is similar to the fact that regulations of contract negotiation support the development of trust, making the interacting individuals feel competent and

confident. No individual needs to interpret how the course of such meetings will be, because time, frame and content of these are clearly defined and rolled out to all participants:

I14P7L385-400

... Es gibt quartalsmäßig Regelmeetings, in denen die Strategie ein Stück weit besprochen wird und in denen die Konditionen gegebenenfalls verhandelt werden, aber auch die größeren Changes besprochen werden. Wir haben auch Innovationen, Pros und Cons, Verbesserungsoptimierungen, die dementsprechend besprochen werden und es gibt halbjährlich oder jährlich je nach Bedarf, dann auch auf der Führungsebene regelmäßig Meetings, in der quasi klassisch dann auch die Strategie.. wo will man hin, was lief gut, wo muss man korrigieren, der Leistungsschein muss ja geändert werden.. also eher dann die groben Schienen, nochmal gelegt werden können. D.h. also es ist zeitlich festgelegt, wann und was besprochen wird? Und inhaltlich. Inhaltlich und auch von den Funktionen her? Ja, wer sind die Teilnehmer in den Meetings. Wie sieht die Agenda aus, die ist im Vertrag festgelegt und was soll das Ergebnis sein ...

Translation of I14P7L385-400

... There are quarterly review meetings established in which change requests, service levels and pricing are discussed and negotiated. In these review meetings we are also talking about innovations, pros and cons, improvement optimisations. On a semi-annual or annual basis, there are meetings of the executive level regularly conducted in which, for instance, the strategy... where do we want to develop the relationship to, which corrections need to be considered, which changes to the contract need to be made, what went well and what needs to be amended... is discussed and the future development is settled. This means that it is defined and agreed which content will be discussed at which time and which decision needs to be taken, as well as who of the participants join these meetings and what should be the result of the overall actions and outcome ...

Summary

It can be said that principals and agents in agency relationships in ITO manifest that regulations for contract negotiations have a strong and positive influence towards the contractual content and the information exchange between the parties. This fact will be considered in the development of the CEM. A reflection of the results of the data collection provides an opportunity to create the model in such a way that the influence of missing regulations to contract negotiations can be reduced. As a consequence of this, and because of defined and implemented regulations, the exchange of information between the interacting individuals will be improved significantly.

The earlier discussion in Chapter 4 about contract design and contract theory has shown that it is crucial for the negotiating parties to have certain aspects reflected in a contract that is to be concluded by both parties. The more the content in this respect is defined, the better the contract might be in the end. Nevertheless, no contract can be thorough enough that it contains all variables to be considered and, if so, is accepted by both parties equally at the same time. Therefore, there is a certain incompleteness of existing contracts. To ensure that appropriate content is incorporated into contracts, it is necessary that the contract negotiation process is defined and/or regulated to give both parties the feeling that their requests are settled in the respective contracts. By providing such feeling to the parties, it is important to ask how this can be achieved. Here, the discussion of hypothesis 2A comes into play in such a way that it asks for this kind of regulation in the contract negotiation process and therefore exceeds the suggestions of existing knowledge about contract design and contract theory. With respect to this, the combination between the best content written in a contract and the way this content finds its way into the contract, the present thesis contributes to existing theoretical frameworks on this matter. The result of 79% out of 100% shows that hypothesis 2A is verified, and on top of this, has provided strong evidence that regulation of the contract negotiation process leads to better design and contents of contracts. The experts stated that they would like to see such regulation to enable them to act without any challenges while being in the contract negotiating process, because all individuals are clear about the rules during the time of the contract negotiation. The experts even deliver ideas on how to regulate or organise the contract negotiation process while knowing that in their real life the last or the current contract negotiation is not based on such rules, but is manifested on the credo that both parties come together

and start with the negotiations “as they come along or as they develop”, taking the full risk of being successful or failing, without having a clear option on how to change a situation in which the contract negotiations have already moved into a bad direction and both parties struggle to overcome this situation.

As a result of the investigation of hypothesis 2A it can be stated that there is a strong contribution towards a theoretical development of existing knowledge. Furthermore, the results also deliver good content for the development of the CEM as they facilitate to mitigate gaps in existing literature and model creation. The CEM uses the outcome for its structure and its related content and therefore delivers options for future contract negotiations to conduct them differently compared to how they have been conducted in the past. With regard to this, hypothesis 2A matches the requirements of the overall research questions and also contributes to new knowledge and recommendations for the practice.

5.3.2 Hypothesis 2B

The more intense the interpersonal relationship between individuals in an agency relationship in ITO is, the better the contract negotiation process will be.

Operationalisation

Does the level of intensity between individuals in an interpersonal relationship in an agency relationship in ITO have an influence on the contract negotiation process? To which extent is the contract negotiation process affected by this? Which parameters must be defined to assume that the intensity between individuals in an interpersonal relationship can have a positive impact on the contract negotiation process? How much must the influencing factor *intensity as a factor for the optimisation of the contract negotiation process* be fulfilled to prove that the interdependencies between individuals have a positive impact on the enhancement of the contract negotiation process?

Criterion for the Verification of the Influencing Factor *Intensity as a factor for the optimisation of the contract negotiation process*

The influencing factor *intensity as a factor for the optimisation of the contract negotiation process* is considered to be fulfilled if more than 50% of those being surveyed make a statement on the fact that a higher level of intensity between individuals in an interpersonal relationship in ITO has a strong impact on the optimisation of the contract negotiation process.

Results

The results of the data analysis highlight that both principals and agents in ITO agree to the fact that a higher intensity between individuals in an interpersonal relationship has a huge impact on the optimisation of the contract negotiation process. Therefore, the level of intensity influences the outcome of the contract negotiation process substantially. With 12 out of 14 nominations, the results of the data analysis show that there is a strong tendency towards a validation of the influencing factor *intensity as a factor for the optimisation of the contract negotiation process*.

Both parties note that the intensity between individuals provides good grounds for assuming that the level of intensity influences the optimisation of the contract negotiation process immanently. Principals and agents declare that the intensity in interpersonal relationships between the respective individuals is essential to assure that the cooperation between two parties can be established in the beginning and maintained in the long run. The intensity between the individuals not only has positive aspects, but also negative which can influence the relationship between the parties adversely when, for instance, two individuals get to know each other and are not able to work with each other, because of a so-called “missing human chemistry”. Generally, the interplay between individuals is based strongly on the characters of the involved individuals and therefore success and fiasco are intrinsically linked. Nonetheless, the experts state that the level of intensity in an interpersonal relationship is important for the parties to be able to work together, because the relevant business parameters for a cooperation in ITO are mainly delivered by human beings and not so much by machines. Hence, the behaviour of individuals can cause a successful outcome or a downfall. Viewed from this perspective, the intensity between individuals in interpersonal relationships in agency relationships in ITO must be controlled somehow to ensure that risks caused by the individual behaviour of the respective players are minimised as much as possible. This task is to be seen as one of the targets of the development of the CEM and its related content. Based on the results shown, hypothesis 2B is considered to be verified and the influencing factor *intensity as a factor for the optimisation of the contract negotiation process* does have an impact on the outcome of the enhancement of the contract negotiation process.

Schematical overview of the results for hypothesis 2B

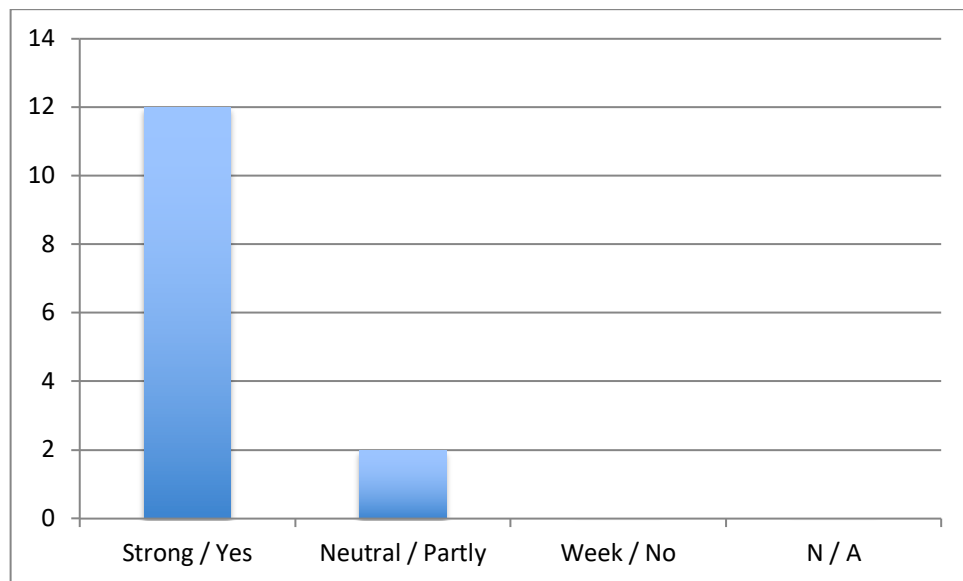


Figure 21: Graphical overview of the evaluation matrix for hypothesis 2B⁴¹

Hypothesis 2B				
	Strong / Yes	Neutral / Partly	Weak / No	N / A
I 1	1	0	0	0
I 2	0	1	0	0
I 3	1	0	0	0
I 4	1	0	0	0
I 5	1	0	0	0
I 6	1	0	0	0
I 7	1	0	0	0
I 8	1	0	0	0
I 9	1	0	0	0
I 10	0	1	0	0
I 11	1	0	0	0
I 12	1	0	0	0
I 13	1	0	0	0
I 14	1	0	0	0
Total	12	2	0	0
Ratio	0,86	0,14	0,00	0,00

Table 7: Evaluation matrix for hypothesis 2B⁴²

⁴¹ Own source

⁴² Own source.

Verification of Hypothesis 2B

The results shown above justify the statement that hypothesis 2B is verified and the influencing factor *intensity as a factor for the optimisation of the contract negotiation process* is considered to have a strong impact on interpersonal relations in agency relationships in ITO.

Discussion

The experts of both parties manifest that the intensity between individuals in interpersonal relationships influences the contract negotiation process severely, because individuals are still the main factor in ensuring that a relationship works or not. Given the fact that nowadays machines such as client PCs or servers are becoming more and more an influencing factor in relationships between companies, still human beings are the main prerequisites for cooperations to be able to work. If human beings are not able to behave appropriately or if they cannot work together because the “biological human chemistry” is missing, then relationships sometimes break. In such situations, it is important to understand that only a few inappropriately interacting individuals can cause a break of cooperation and thus are responsible for causing an impact on possibly hundreds of others.

If, for instance, the respective business account involves actions of hundreds of people, e.g. for an IT roll-out in a large international company, the success of the cooperation between the respective parties can depend on the intensity of only a few individuals and their actions and behaviours towards the customer. If the customer feels treated badly by his service provider, even if it is only done by one person or a few, he might withdraw the account and source it to another service provider, and therefore hundreds of jobs only depend on the way a few individuals are acting towards the customer. This is a high risk for both parties:

I1P8L410-425

... Im Rahmen von so einer potentiellen neuen Vertragsgestaltung, sehen Sie sich da auf gleicher Höhe mit Ihrem Agenten oder meinen Sie, Sie sind aufgrund des Wissens und der Erfahrung aus der Vergangenheit auf einem anderen Level oder sehen sich partnerschaftlich auf Augenhöhe, wenn ich's mal so salopp formulieren darf? Ja, ich denke schon auf Augenhöhe und das ist auch eine Bedingung, um naja, erfolgreich zu arbeiten, d.h. auch die Kompetenz sollte auf beiden Seiten entsprechend da sein und teilweise hat man nicht die Transparenz, wer alles

mitarbeitet, grad bei kleineren Dienstleistern, aber meistens ist die Qualität die Antwort, gerade im Hinblick auf den Gestaltungsprozess. Der Vertragsgestaltungsprozess gehört dazu entsprechend auch. Kluge Köpfe arbeiten daran, das ist sicherlich eine Voraussetzung für einen erfolgreichen Abschluss ...

Translation of I1P8L410-425

... With respect to such potential contracts, do you see yourself at the same level as your agent or do you think that based on the knowledge and experiences you have gathered in the past you are on a different level if I may express this in such a way? Yes, I think we are at the same level with our partner and this is a condition for working well or successfully. This means that the competency and expertise should be equal on both sides. Sometimes you do not have the transparency on who is involved in the relationship or the contract negotiation, especially when working with smaller service providers. Mostly, the quality is the answer, especially in view of the process. The process for designing the contract is such a process. Intelligent people are working on this which is certainly a prerequisite for a successful contract negotiation in the end ...

I1P12L634-639

... Letzten Endes sind es Menschen, die es ausprägen und letzten Endes sind es auch Menschen, die sich fehlverhalten, bewusst oder unbewusst. In einer nichtfunktionierenden Organisation kann dies dazu führen, dass Vertrauen zerstört wird oder gar nicht aufgebaut werden kann und das sind dann Dinge, die dann eben die Organisation als Gesamtes dann irgendwo verursacht und dann hilft ein Vertrag oder ein Modell dann auch nur bedingt ...

Translation of I1P12L634-639

... Ultimately, people influence the whole story in general and people are also the ones who behave badly or wrongly, consciously or unconsciously. In a non-functioning organisation, this may lead to a point that trust cannot be developed or is destroyed. These are the things that, in an organisation as a whole, can cause problems. A contract or a model to support the development of trust might only help to a certain extent, but not in general ...

The experts state that it is difficult to define and embed interpersonal rules into a contract. The relationship between two parties is based on the behaviour of the individuals and on the intensity of the level of trust and compulsoriness between the

two. Ideally, the contract is never used to solve problems amongst the parties, because both parties are happy with the relationship as it is and the outcome of the outsourcing scheme. Therefore, it is mandatory that both parties maintain the level of their relationship on one side, but on the other do know what they are talking about, technically and operationally, and how their behaviour can have implications positively or negatively when it comes to reflecting the relationship. Some experts even state that the relationship is on a problematic level when both parties need to refer to the contract when suddenly a good operational basis between the two becomes critical, because the intensity between the individuals is damaged, caused by the behaviour of only a few individuals. If such a situation arises, negotiations regarding an extension of an existing contract or the expansion of new business within the existing contract and relationship becomes difficult or impossible. Hence, for the experts the strength of the intensity of interpersonal relationships in agency relationships influences the contract negotiation positively:

I4P3L118-141

... Es ist eine langfristige Partnerschaft, die ich hier eingehe und allein wenn ich es auf die formale Ebene eines Vertrages hebe, wird es halt sehr schwierig, das Partnerschaftliche kann ich zwar reinschreiben, im Beizettel des Vertrages, aber das lässt sich halt im eigentlichen Vertrag nicht reflektieren und im Idealfall brauche ich in einer guten Beziehung keinen Vertrag, sondern lebe das und beide Seiten wissen, wovon sie reden. Das mit dem Vertrag passiert sowieso erst, wenn strittig ist, z.B. Ist das mit drin? Muss ich das liefern und in welcher Qualität muss ich das liefern und so weiter. Insofern, wenn die Verträge rausgeholt werden, dann ist es sowieso immer ein schlechtes Zeichen für die Beziehung ...

Translation of I4P3L118-141

... It is a long-term commitment I am talking about and when this relationship is only based on a formal contract and not on an interpersonal relationship, then it might become difficult, because I cannot define what a partner-likely behaviour seems to mean and how it should be lived. Ideally, in a good working relationship I do not need to refer to the contract and only live the relationship as it is. Referring to the contract to be able to claim the things which I am entitled to receive is always a bad sign for the relationship anyway ...

Some experts even state that a good contract negotiation phase can influence the intensity of the relationship between both parties in the same way as an appropriate behaviour of both sides influences the intensity between the two and, as a result, the contract negotiation itself. Looking at this, there is a connection between the intensity of interpersonal relationships and contract negotiation and therefore it should not be neglected that both parameters can have a high impact upon each other:

I4P15L797-802

... Das heißt also, dass die Verhaltensweisen von Menschen als auch die Beziehungsebene zueinander das Entstehen von Vertrauen während und nach der Phase der Vertragsgestaltung beeinflussen? Ja. Wobei wie gesagt, die Art und Weise der Vertragsverhandlung häufig halt auch die künftige Beziehung dann wieder umgekehrt beeinflusst ...

Translation of I4P15L797-802

... Therefore, is it to say that the behaviour of individuals influences the level of the relationship building and the level of the development of trust during and after the time of the contract negotiations? Yes, but also vice versa, the way the contract negotiations are done often affects the future of the relationship ...

I5PL203-210

... Wenn ich eine gute Vertrauensbeziehung habe, brauch' ich denn tatsächlich dann einen Vertrag? Das kann sich also auch, ich sag' mal so entwickeln, dass, wenn es schon eine sehr langjährig gelebte Vertrauensbeziehung gibt, dass man dann sagt, naja in der Vertragsgestaltung kann ich ein Stück weit weniger den Standards folgen ...

Translation of I5PL203-210

... In case I have a good working relationship, do I really need a contract? I would say that if there is already a very good and long-lasting relationship that one can say, well in the phase of negotiating the contract I might neglect the contractual standards to some extent ...

I5P9L484-511

... Also ich kann die These an der Stelle unterstützen. Wie gesagt, Verträge werden zwischen Unternehmen geschlossen, Vertragsverhandlungen werden zwischen Vertretern der Unternehmen geführt. Und gerade das Thema Vertrauensbildung, das ist nun mal ein sehr persönliches Thema. D.h. ich gewinn' ja in so einer Vertragsverhandlung erstmal. Ich hab' ein gewisses Grundvertrauen aus einer Reputation eines Unternehmens heraus und dessen Vertretung, die mir gegenüber sitzt. Aber das wesentlich Vertrauensbildende im Moment ist die handelnde Person, wie sie sich am Ende des Tages aufstellt. D.h. in wieweit dieses Thema funktioniert, diese Interaktion funktioniert, ich glaube, das hat einen wesentlichen Einfluss darauf, wie reibungslos so eine Vertragsverhandlung erfolgt und damit auch, wie effizient und ökonomisch diese geführt werden kann ...

Translation of I5P9L484-511

... I can support the stated thesis at this point. As I already said, contracts are concluded between parties, contract negotiations are conducted between representatives of respective companies. It is precisely the subject of trust that is a very personal issue. I assume that I am in a win-win-situation when it comes to contract negotiations if I contribute to them by adding value. A good reputation of a company can already indicate that trust might grow fast or already exists, speaking for the company and its representatives sitting in front of me. However, the essential confidence-building parameter is the individual itself who, at the end of the day, is involved in the contract negotiation. This means that the course of the interaction between individuals is influenced by how smoothly a contract negotiation is conducted and thus how efficiently and economically the contract negotiation can be concluded ...

Some experts state that the intensity of interpersonal relationships does not only influence the way contract negotiations are conducted. They even feel that without a certain intensity between the parties, the operation and maintenance of the relationship is later influenced negatively if there is no trust and no appropriate level of intensity between the respective representatives of the parties. For such experts, a good working relationship between a principal and an agent will not last long if the intensity of interpersonal relationships is at a low level:

I6P9L484-501

... Inwieweit beeinflussen denn Verhaltensweisen von Menschen, also die Beziehungsebene das Entstehen einer Vertrauensbasis während und nach der Phase der Vertragsgestaltung? Ich glaube, das ist die Grundlage. Also ohne Vertrauensbasis ist eine Vertragsgestaltung schwierig? Ja, schwierig. Und danach ist die Umsetzung auch schwierig, oder? Ich denke, wenn die Vertragsgestaltung schwierig ist, dann ist die Umsetzung auch schwierig. Bei der Gestaltung des Vertrages ist die Vertrauensbasis das A und O ...

Translation of I6P9L484-501

... To which extent does behaviour of individuals influence the development of trust during and after the contract negotiation process? I believe that trust is the overall foundation. Can contract negotiations without trust be difficult to be conducted? Yes, difficult. Because of this, is the maintenance of the relationship which comes later difficult, too? I think that if the contract negotiation does not run smoothly, then the maintenance is difficult. To guarantee a proper contract negotiation phase between two parties, trust is the most vital aspect ...

Other experts confirm the above statement and say that the interpersonal relationship between the people being involved in the contract negotiations have an impact on the outcome of the contract negotiations between the parties in the end:

I8P11L607-615

... Dieser Ansprechpartner nimmt diese Aufgaben auf und sehr ernst. Wir hatten während der Vertragsgestaltung sehr lange diskutiert, länger als es eigentlich üblich ist und man hat dort auch eine ganze Menge, ich sage mal, Herzblut investiert. Da läuft dann auch die persönliche Schiene extrem gut. Ja, also wie gesagt, ich kann Ihre Aussage zu 100% unterschreiben. Das hängt von den Leuten ab, mit denen wir zu tun haben...

Translation of I8P11L607-615

... The counterpart takes the respective tasks very seriously. During the phase of the contract negotiation, we had been discussing for a long time, longer than it is usually common, and have put a lot of heart and soul into it. Because of this, the interpersonal relationship between the two of us is at high level. Therefore, I confirm your statement to 100%. It very much depends on the individuals with whom we have to deal ...

I9P5L279-303

... Wenn die sich einig sind, dann finden sie auch eine faire Form, das zu beschreiben und dann werden gemeinsam da auch Lücken erkannt und vernünftig gelöst. Das ist die Voraussetzung dafür, dass auch diejenigen, die dies nicht ausgekaspert haben, dann entsprechend leisten, aber es fängt nicht an mit einem guten Vertragswerk, sondern es fängt an mit einer guten Zusammenarbeit, einer vertrauensvollen, fairen Zusammenarbeit, zwischen den beiden, die den Vertrag miteinander aushandeln. Das führt zu einem guten Vertragswerk, immer vorausgesetzt, die beiden können ordentlich lesen und schreiben. Und das führt dazu, das man dann langfristig eine gute Zusammenarbeit stabilisieren kann, weil je klarer und präziser die ihren gemeinsam erklärten Willen einer guten Zusammenarbeit formuliert haben, desto unmissverständlicher ist es für die nachfolgende Generation ...

Translation of I9P5L279-303

... If all participants concur with each other, then they will find an appropriate way to fill gaps and resolve controversial issues reasonably. This is the requirement that even those who have not participated in the contract negotiation process can fulfill the requirements of the terms and conditions and can deliver their services, but the whole story does not start with a good contract design and content, it starts with a good working relationship, a trustful and fair cooperation between the two who negotiate the contract amongst each other. This results in good contractual work, provided that the two can read and write properly. This results in stabilisation of a good long-term relationship, because the clearer and the more precise they declare their volition to cooperate, the clearer it is for the generations to follow who are in charge of maintaining the respective relationship ...

I11P8L435-443

... Nach dem Motto, könnt ihr euch vorstellen, mit dem ein gutes partnerschaftliches Verhältnis zu führen? Da sag' ich auch immer, so ein Vertrag ist eine Sache und natürlich wichtig, aber man hat nie damit die Beziehung zwischen Kunde und Provider erfasst. Die Beziehung zwischen den Menschen, dem einen Menschen beim Kunden oder mehreren Einzelpersonen beim Provider, die reißen es immer raus ...

Translation of I11P8L435-443

... Based on the motto: "...Could you imagine having a good working relationship with your counterpart instead of having trouble all the time...?" As I always say, a contract is an important matter, but you never influence the level of relationship building between a customer and a provider positively by only the quality of the contract and its content. The relationship between the respective individuals on the customer side or various individuals on the provider side, these individuals guarantee that the relationship between the parties can stand on good grounds...

Some of the interviewees connect the intensity of an interpersonal relationship with the quality of individual behaviour in such a manner that they declare that in a worst-case scenario interacting individuals might even be replaced to ensure that a positive level of a relationship can be maintained. For them, the personal behaviour plays a vital role and to some extent a good working relationship combined with appropriate behaviour of the individuals can even bridge missing or insufficient processes:

I11P12L658-676

... Natürlich spielt eine persönliche Komponente immer eine große Rolle und ich würde sagen, wenn die Beziehung gut ist, klappt das natürlich auch, wenn die Prozesse nicht optimal sind. Wenn die Chemie nicht stimmt, sollte man's wirklich sein lassen. Dann nützt auch ein noch so schönes Prozessmodell nichts und aus meiner Sicht führt das zum schlechten Vertrag oder zu gescheiterten Verhandlungen. Genau das wär' meine Frage gewesen. Also wenn die Beziehungsebene angeschlagen ist, dann funktioniert der Rest auch nicht mehr gut? Dann sollten die Leute ausgetauscht werden ...

Translation of I11P12L658-676

... Of course, a personal attitude always plays a major role. I would say, if the relationship is good, it works, of course, even if processes do not exist. If both individuals do not feel comfortable with each other, then they should stop working together. In such a situation, even a process or model is useless, and in my eyes, would lead to a bad contract or even to failed negotiations. This is exactly what would have been my question. Thus, if the relationship between the two individuals is in some way stricken, then it is difficult to maintain the relationship? In this case, the respective individuals should be replaced ...

I12P10L549-555

... Also erstmal ist es auch meine Erfahrung zu sagen, zumindest in unserem Geschäft, kommt es in der Tat viel einfacher zu Vertragsabschlüssen, wenn die verhandelnden Parteien und Personen auf einer Beziehungsebene gut miteinander arbeiten können ...

Translation of I12P10L549-555

... So, first of all, according to my experience, I can say, at least in our business, that it is in fact much easier to negotiate contracts, if the negotiating parties and individuals can work well with each other on a personal, mutual level ...

I13P13L724-740

... Und deswegen kann man da auf der sachlichen Ebene bleiben und müsste gar nicht in die zwischenmenschliche Beziehungsebene, ich sag jetzt mal negativ belegt, abgleiten? Also ich muss da nicht reingleiten, aber es gibt immer Rollen in einer Verhandlung oder in einem Verhandlungsteam, die dennoch diese Zwischenmenschlichkeit spiegeln. Und ohne würde es glaub' ich auch tatsächlich vielleicht nicht so gut klappen. Also es ist etwas, was eine Verhandlung in der Regel beschleunigt und wahrscheinlich auch zu einem Ende bringt, dass sagen wir mal, auf jeden Fall gangbar ist ...

Translation of I13P13L724-740

... This is why one can act at a factual level and why one does not have to drift into an interpersonal relationship level. Thus, I do not have to drift into such a level, but at the end of the day there are always roles during a negotiation phase or a negotiating team which still reflect and endorse these interpersonal relationship levels. Without such interpersonal relationship levels, a negotiation might not work as well. Thus, it is something that usually accelerates a negotiation and probably also brings it to an end, so that we can say it is definitely feasible ...

I13P14L755-756

... Also in dem Moment, wo sich die Leute positiv gegenüberstehen oder ein positives Gefühl dabei haben, ist auch die Vertragsverhandlung als solche positiv gefärbt ...

Translation of I13P14L755-756

... Thus, the moment when individuals express a favourable behaviour or have a positive feeling about their counterpart, then the contract negotiation is positively influenced as such ...

Summary

Based on the results and the discussion held above, it can be stated that a high intensity of an interpersonal relationship between individuals in an agency relationship in ITO has a positive impact on the contract negotiation process. The results of the data analysis show that the CEM will support such intensity and will help to overcome inconsistencies between the interacting parties. As an outcome of this, the CEM can help to increase information flow between the parties as well as enhance the development of trust between the parties. A good relationship between the parties combined with a highly sufficient structure of the CEM can be seen as good grounds to stand on for a long-lasting and prosperous relationship between principals and agents in agency relationships in ITO.

5.3.3 Hypothesis 2C

The better the contract negotiation between a principal and an agent in an agency relationship in ITO is regulated through instruments or processes, the lesser the influence of the interpersonal relationship level will be.

Operationalisation

In view of the foregoing, the analysis of hypothesis 2C has been conducted to prove, if the assumption is true, that a better regulated contract negotiation through instruments and processes between a principal and an agent in an agency relationship in ITO will minimise the influence of the interpersonal relationship level. To define good analytic grounds, the question has been raised which parameters must therefore be analysed to presume that a more stringent and regulated contract negotiation minimises the influence of the interpersonal relationship level. In addition, it has been discussed how strong the influencing factor *regulation of contract negotiation as a factor to minimise the influence of the interpersonal relationship level* must be to prove that regulation of contract negotiation and minimisation of the influence of the interpersonal relationship level depend on each other and are interrelated with each other.

Criterion for the Verification of the Influencing Factor *Regulation of Contract Negotiation as a Factor to minimise the Influence of the Interpersonal Relationship Level*

The influencing factor *regulation of contract negotiation as a factor to minimise the influence of the interpersonal relationship level* is considered to be fulfilled if more than 50% of those surveyed make a statement to the fact that a higher level of regulation of contract negotiation through instruments and processes minimises the influence of the interpersonal relationship level.

Results

The results of the data analysis elucidate that both principals and agents in ITO agree to the fact that a more stringent regulation of the contract negotiation helps to minimise the influence of the interpersonal relationship level. The level of regulation of the contract negotiation has an impact on the influence of the interpersonal relationship level. The more sophisticated the regulation of the contract negotiation is, the weaker the influence of the interpersonal relationship level will be. With 11 out of 14 nominations, the results of the data analysis indicate that there is a strong tendency towards a verification of the influencing factor *regulation of contract negotiation as a factor to minimise the influence of the interpersonal relationship level*. Both parties, principals as well as agents, find that a regulated contract negotiation between a principal and an agent helps to overcome possible conflicts which are elicited by the respective individuals and their behaviour towards their counterparts, because procedures of content exchange, rules of meetings and other communicational parameters are pre-defined and therefore clear, and individual behaviour and negotiation leeway can still exist, but in such a way that both parties talk to each other in a respectful manner and according to agreed terms. Therefore, negotiation between the parties can still continue even if the individuals at each site feel that their counterpart does not match their understanding of “being a friend” or if the base of a common “human chemistry” might be seen as missing. Beyond that, principals and agents see that regulated contract negotiation can even help to build a relationship amongst each other, because during the time of negotiation the respective individuals do not have to “play around” with their counterpart to test how far their opponent would go. Therefore, efficiency and effectiveness is high, because both parties do not have to explore their options over a period of time which might seem to be too long and thereby the interpersonal relationship could be damaged

or even break before the basis for a potential relationship is established. Hence, a regulated contract negotiation provides safety for the individuals without too much restriction and therefore perceive such regulation as more positive than negative, because they still have the chance to embed an individual note into the negotiation process.

Based on the results shown, hypothesis 2C is evaluated to be verified and the influencing factor *regulated contract negotiation as a factor to minimise the influence of the interpersonal relationship level* has a massive impact on the contract negotiation process as well as towards the influence of the interpersonal relationship level. The discussed influencing factor is understood to be a strong factor in minimising the influence of the interpersonal relationship level. The more contract negotiations are structured and stringent in their repercussions, the weaker the influence of the interpersonal relationship level will be.

Schematical overview of the results for hypothesis 2C

Hypothesis 2 C				
	Strong / Yes	Neutral / Partly	Weak / No	N / A
I 1	1	0	0	0
I 2	1	0	0	0
I 3	1	0	0	0
I 4	1	0	0	0
I 5	1	0	0	0
I 6	1	0	0	0
I 7	1	0	0	0
I 8	1	0	0	0
I 9	1	0	0	0
I 10	0	0	1	0
I 11	1	0	0	0
I 12	0	1	0	0
I 13	0	1	0	0
I 14	1	0	0	0
Total	11	2	1	0
Ratio	0,79	0,14	0,07	0,00

Table 8: Evaluation matrix for hypothesis 2 C⁴³

⁴³ Own source

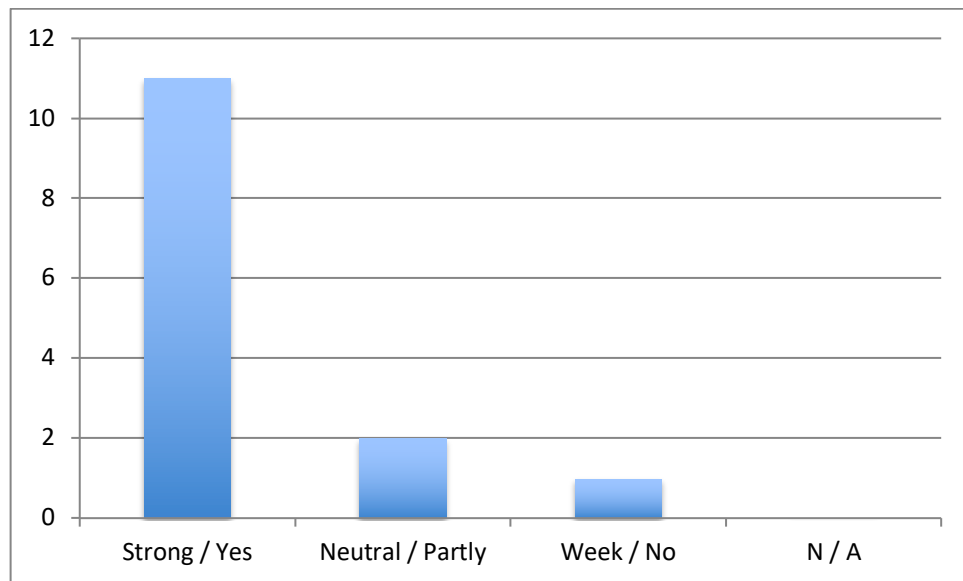


Figure 22: Graphical overview of the evaluation matrix for hypothesis 2 C⁴⁴

Verification of Hypothesis 2 C

The extracted data and results show that hypothesis 2C is verified and the influencing factor *regulation of contract negotiation as a factor to minimise the influence of the interpersonal relationship level* is considered to have a positive impact on influencing the interpersonal relationship level between principals and agents in agency relationships in ITO.

Discussion

As previously stated, the experts declare that a regulated contract negotiation definitely helps to ease the negotiations in general. This means that both a model or a process can support a better outcome of the negotiations as well as minimise the influence of the interpersonal relationship level. Therefore, the experts attribute this influencing factor of high impact and importance as a measure to reduce the influence of the interpersonal relationship level. Given the fact that in present days pressure is high for individuals who are negotiating a contract, a regulated contract negotiation can help to manage a negotiation at its best and hence, this can help to avoid a relationship between two enterprises breaking before it has even started:

⁴⁴ Own source

I1P8L447-461

... In meiner Arbeit beschäftige ich mich ja mit einem Modell, das die Vertragsgestaltung optimieren soll. Meinen Sie, dass so ein Modell, das klar definiert und regelt, die Vertragsgestaltung ein Stück weit personenunabhängiger machen kann, also das Themen mehr auf der Sachebene diskutiert werden, gegenüber der zwischenmenschlichen Beziehungsebene? Personen sprechen dort miteinander, das ist klar, aber dass sich die Inhalte der Gespräche ein Stück verändern? Ja, das halte ich absolut für sinnvoll und für einen validen Ansatz dort ein theoretisches Rüstzeug oder ein theoretisches Gerüst vorzugeben, um einmal auch Fehler zu vermeiden oder auch die Sicherheit zu geben, eine Risikominimierung in so einem Prozess zu gewährleisten. Dies halte ich daher für sinnvoll und eben auch einen Leitfaden zu haben für, ja, weniger emotionale Themen bzw. dass diese Leitfäden dazu zu verwendet werden, um eben auf eine objektive Diskussionsebene zurück zu kommen und weniger dort Animositäten oder andere Erfahrungswerte mit einfließen zu lassen, so dass dies wirklich sachorientiert ist. Dies halte ich für sinnvoll und für einen validen Ansatz ...

Translation of I1P8L447-461P

... In my thesis, I am developing a model for improving the contract negotiation process between principals and agents. Do you think that such a model which clearly defines rules can enhance the negotiation process between the parties in such a way that it depends less on the individual behaviour of the individuals conducting the negotiation? People are still talking to each other, though, but on a more factual than personal level so that the content of the conversation can change to the positive? Yes, I believe that it is a valid approach to provide a theoretical framework in order to avoid errors and misunderstandings, and also to provide security to ensure minimising risks in such a process. I feel that this is useful, and indeed, it is good to have guidelines to assure that less emotional issues are arising when both sides talk to each other. These guidelines can be used to revert back i.e. conflicts to a more objective level whilst discussing the content of the contract. These guidelines will also help to reduce animosities between the individuals and therefore I think that this is an appropriate and valid approach ...

Other experts confirm what has previously been said and add that a regulated contract negotiation can help to minimise the dependencies on the behaviour of the individuals negotiating the contract and therefore can ensure that the negotiation

and, as an outcome of it, a potential partnership is set at risk, only because of a few individuals interacting with each other. Therefore, a regulated contract negotiation supports the independencies of companies from their staff in such a way that the individuals can represent their employer while being in the process of negotiating a contract, but they cannot act completely at their own preference, because they are bound to rules and regulations. The experts understood a regulated contract negotiation as a guideline for the individuals to negotiate the contract appropriately and according to set intra- and intercompany standards which should apply during the phase of negotiation a contract:

I2P11L567-584

... Glauben Sie, dass ein Modell, welches die Vertragsgestaltung klar definiert und regelt, die Vertragsgestaltung ein bisschen personenunabhängiger machen kann? Also klar, Menschen reden dort miteinander, aber so ein bisschen diese Abhängigkeit aus dieser zwischenmenschlichen Beziehungsebene herausnehmen kann? Wenn man solch einen Vertrag, wie eine Art Checkliste durch geht und eben die ganzen Rahmenbedingungen vorgegeben bekommen hat und dann jeder einzelne Punkt eigentlich schon definiert ist, glaube ich, würde das schon sehr vorteilhaft sein ...

Translation of I2P11L567-584

... Do you think that a model which clearly defines the contract negotiation will help to reduce dependencies of companies from the behaviour of their individuals? So clearly, people are still talking to each other, but can these dependencies from the interpersonal relationship level be reduced? If a contract is proceeded like a so-called checklist and the main contractual parameters and subjects are pre-defined, then I think that this would be very beneficial ...

Moreover, the experts add that a regulated contract negotiation together with pre-defined content can help to avoid conflicts between the parties, because both sites know what is expected of them and therefore the influence of the interpersonal relationship level can be reduced. This causes a situation in which both sides feel secure and able to act accordingly to rules and standards. As a result, a model such as the CEM and its related content can be seen as a basis on which the individuals can orientate themselves to behave appropriately. This will assure the reduction of the dependencies of individual behaviour:

I1P17L923-941

... Glauben Sie, dass klare und fixierte Regularien, beispielsweise in Prozessen, hilfreich für eine verbesserte Vertragsgestaltung sind? Ja, so wissen beide Seiten definitiv was gefordert ist und es gibt weniger Streit, weil das eben genau definiert ist und beide Seiten wissen von vorne herein, was für Zugeständnisse sie machen können. Das ist schon wichtig. Aufgesetzt auf diesen Prozessen, denken Sie, dass ein Modell zur verbesserten Vertragsgestaltung die Zusammenarbeit mit Ihrem Agenten dann erleichtern würde, bzw. optimiert? Wenn man sich an diesem Modell orientieren kann, ja ...

Translation of I1P17L923-941

... Do you think that clear and defined rules such as processes are helpful to improve contract negotiations in general? Yes, both sides know definitely what is required of them and therefore there is less potential for conflicts, because negotiation leeway and content is precisely defined and both sides know in advance which concessions they can make. That's important. Looking at such processes, do you think that a model for an enhanced contract negotiation would facilitate or even improve the cooperation with your agent? If one can rely on the content of such a model, yes ...

The experts state that the CEM could be understood as a pre-defined standard within a certain industry, i.e. in the course of the present thesis, ITO. The CEM could emphasise the importance of such a standard:

I3P19L1031-1036

... Aber Sie meinen schon, dass so'n Modell eben auch die Zusammenarbeit mit dem Prinzipal erleichtern oder optimieren würde? Absolut, ja. Wenn sich am Markt bestimmte Produkte als Standard herausstellen, nehmen wir mal Microsoft Office, dann weiß jeder was das ist und wie es funktioniert, obwohl keiner wirklich alle Details jemals verstanden oder benutzt hat ...

Translation of I3P19L1031-1036

... Do you think that such a model would facilitate or optimise the cooperation with the principal? Absolutely, yes. If it turns out that certain products become a standard in the market, let's take Microsoft Office as an example, then everyone knows what it is and how it works, though no one has ever really understood or used all the details of it ...

However, the experts not only mention that a regulated contract negotiation can reduce the influence of the interpersonal relationship level; it also can ensure that by defining the scope of the negotiation in the beginning and by setting up the guidelines of the negotiation process based on rules defined in a model or a process, a regulated contract negotiation can provide the means to overcome conflicts which are caused by the behaviour of the individuals negotiating the contract:

I4P14L758-768

... Aber dann würde doch so'n Modell wie gesagt, was die Vertragsgestaltung klar definiert und regelt, das doch ein bisschen optimieren, das Ganze? Dann hängt's nicht nur rein an den Verhaltensweisen einzelner Personen? Ja, ja, wie gesagt, die Vertragsgestaltung ist ja eigentlich dazu da, dass es nicht von einzelnen Personen abhängt. Bzw. im Worst-Case ... die beiden Personen oder andere Personen überwerfen sich und verstehen sich nicht mehr, dass es dann eine Absicherung oder Klärung gibt ...

Translation of I4P14L758-768

... As mentioned already, would such a model which defines the contract negotiation clearly and in a structured manner improve the whole negotiation process? If this is the case, would the negotiation not only depend purely on the behaviour of individuals? Yes, yes, as I said before, the contract negotiation process in general should be supposed to ensure that the negotiation is not depending on individuals' behaviour only ... for instance, in a worst-case scenario where e.g. two persons fall out with each other ... that there is an opportunity for clarification or even that there is somehow some security that the negotiation can still be continued ...

I5P11L582-586

... D.h. im Endeffekt, wenn man jetzt ein Modell hat oder einen Prozess, in dem die Vertragsgestaltung klar definiert ist, dann kann man diese ein Stück weit personenunabhängiger machen kann? Richtig. ...

Translation of I5P11L582-586

... This means in the end, if one has a model or a process by which the contract negotiation is clearly defined, then one can understand the negotiation process as more independent from the behaviour of the individuals actually conducting the negotiation? Correct. ...

The experts describe certain opportunities to regulate the contract negotiation in such a way that the interpersonal relationship level can be repressed to a certain degree, because means like text modules give the negotiating individuals the chance to design the contract focusing more on the factual status of the content than bringing in personal affectivities. Therefore, a regulated contract negotiation, either by a model or by processes, can be a facilitator for minimising the influence of the interpersonal relationship level. Some of the experts even speak about a situation in the past in which they have already used rudimentary text modules as a start for their negotiation with their counterpart. They claim that such modules help to strengthen the contract negotiation as well as the contractual content, and the interpersonal factor as such can be reduced by them. The main point for them is a certain level of security for the individuals. The security is given based on rules and pre-defined modules and the regulation of how to use them. For the experts, this is a good base to deal with, because the respective individuals can stay focused within the negotiation and do not have to “play around” with their opponents. They can discuss their needs and requirements on a factual basis leaving out any personal resentment:

I6P9L455-477

... Also, ich denke einfach, wenn man modular zum Beispiel vorgeht, d.h. ich hab' Vertragsbausteine, die schon existieren und diskutiert diese Bausteine, dann fließen da weniger Emotionen des Individuums ein, als wenn man da von Null anfängt und das Wording neu aufsetzt und ich glaube, es braucht einfach ein Gerüst, ein modulares Gerüst, wie so ein Vertrag aufzubauen ist. Den pack' ich mir dann aus Bausteinen zusammen. So war die Vorgehensweise, wie wir's gemacht haben. Das ist gut, ein guter Hinweis. Aber würde so ein Modell auch, eine Sicherheit schaffen, dass es nicht nur an den Verhaltensweisen gekoppelt ist? Ja, ja. Weil eben also Regeln vorliegen. Es liegen Regeln vor, es gibt eine klare Struktur, es gibt schon ein Wording. Irgendwas, was dann diskutiert werden kann ...

Translation of I6P9L455-477

... I think if you work with a modular scheme, for example, where contractual elements have already been pre-defined and therefore exist, then dependencies of individual behaviour can be reduced and the parties do not have to start from scratch when they meet. With such basis, the contractual content can be developed according to defined modules and hence the contract can be developed step-by-step. This was how we did it. This is a good suggestion. However, would such a model also provide an assurance that the contract negotiation is somehow decoupled from the behaviour of individuals? Yes, I think so, because there are rules which have been described and agreed by the respective parties, and because of such rules there is a clear structure. This is something on which negotiations can be based...

I8P12L617-625

... Hierzu habe ich eine weitere Frage. So eine persönliche Beziehungsebene kann natürlich auch, wenn nicht durch einen Prozess oder ein Modell gestützt, mit Bezug auf die Vertragsgestaltung dafür sorgen, dass natürlich ein Risiko entsteht. Also für den Prinzipal als auch für den Agenten, wenn bspw. Personen nicht miteinander können, das könnte erschwerend für die Durchführung der Vertragsverhandlung sein oder dass eben individuelle Interessen höher stehen, als Gemeininteressen. Würden Sie das auch so sehen? Ja, da kann ich sogar explizit ein Beispiel anbringen ...

Translation of I8P12L617-625

... With regard to the subject we had spoken about, I have another question. A personal interrelationship which is not supported by a process or model, can cause risks with respect to contract negotiations. Regarding the present subject, it can put the principal as well as the agent at risk, if, for example, individuals prioritise their behaviour higher than factual subjects. Would you agree with this? Yes, I can even explicitly give you an example ...

Some of the experts continue to discuss the above said and say that humans per se can cause risks for enterprises and partnerships, merely due to their behaviour:

I9P11L570-576

... Wenn wir nochmals die Vertrauensbasis nehmen, zwischen Personen und wenden die in der Vertragsgestaltung an, meinen Sie, dass eine Vertragsgestaltung basierend auf den Verhaltensweisen einzelner Personen ohne Absicherung durch einen Prozess oder ein Modell ein Risiko für den Prinzipal und für den Agenten bedeuten? Menschen sind immer ein Risiko ...

Translation of I9P11L570-576

... If we again consider the basis of trust between people and apply it to contract negotiation as such, do you think that contract negotiations only based on the behaviour of individuals and not regulated by a process or a model can mean a risk to a principal and an agent? People are always a risk ...

The regulation of contract negotiations to minimise the influence of the interpersonal relationship level helps to define clear content between the interacting parties in such a way that parameters during the contract negotiation are discussed and agreed upon, and therefore the respective individuals still have the chance to add personal comments and ideas to the contract negotiation process, but only about pricing and such aspects, but not with regard to attitudes, behaviour and treatment of the partner. Included in those parameters is the way that communication and information exchange need to be conducted. If so, both parties can focus on appropriate negotiation behaviour with the effect that the outcome of the negotiation will end well:

I12P19L1046-1087

... Aber den Ansatz finde ich schon sehr spannend. Glauben Sie, dass klare und fixierte Regularien, ja, wie in so einem Modell oder in Prozessen beschrieben, hilfreich sind für 'ne verbesserte Vertragsgestaltung? Absolut. Durch klare Formulierungen wird automatisch natürlich die Erwartungshaltung der jeweiligen Seite beeinflusst, dahingehend, zu sagen, es gibt nicht etwas Unausgesprochenes, was in den Köpfen der Leute existiert, sondern das, was formuliert ist, entspricht auch den Erwartungshaltungen auf beiden Seiten. Also, dass quasi wieder der Rahmen vorgegeben wird, damit beide die gleiche Sprache sprechen? Ja. Und beide über den Inhalt, wie er formuliert ist, ein Abnicken quasi vollziehen und dann sich nur noch über Thematiken in Anführungszeichen streiten oder argumentieren, bezüglich der Preisfindung und was man für den Preis noch an Extras bekommen

würde, u.s.w? Ja, wie im juristischen Bereich, wo der eigentliche Gesetzestext vielleicht 2 Absätze umfasst und die Interpretation dessen ganze Bücher füllt ...

Translation of 12P19L1046-1087

... I find your explanations towards your approach very exciting. Do you think that clear and pre-defined rules described in such a model or in processes are helpful for improved contract negotiations? Absolutely. Clear text passages incorporated into a contract or relating formulations will automatically support the assumption that all relevant content is clear and understood by both parties, and therefore the pre-defined content meets the expectations of both sides. Following this assumption, can one say that the framework is set and both speak the same language? Yes. Because of a pre-defined framework of the contract both parties only need to talk about pricing and services to be delivered according to the agreed pricing? Yes, you can compare this with a legal text where the actual text of the law includes maybe two paragraphs, but the jurisdiction of the law fills complete books ...

Summary

The statements made by the experts lead to the conclusion that principals and agents in agency relationships in ITO strengthen the hypothesis that a better regulation of contract negotiations through a model or processes help to reduce the influence of the interpersonal relationship level between the parties. The results of the data analysis provide good grounds for the CEM and its related content to help to overcome inconsistencies between the interacting parties by delivering the respective regulations. As an outcome of this, the CEM will support better information flow between the parties and will reduce the influence of the interpersonal relationship level. Hence, the interacting parties are able to negotiate their contract and do not have to fear that a too strong interpersonal relationship level might cause hold-ups in the negotiation process, once the respective individuals who are playing a major role in the contract negotiations feel that there are aversions developing towards their counterpart which in the end might even stop the negotiation process completely. The CEM therefore is a key driver for a long-lasting and good functional relationship between principals and agents in agency relationships in ITO.

With 79% out of 100%, the hypothesis receives a strong verification. Hypothesis 2C is connected to the previously discussed hypotheses and continuous with the confirmation of an existing connection between the regulation of the contract

negotiation process and the quality of contract negotiation. It combines this with the question of how strong the interpersonal relationship level needs to be to improve the course of the contract negotiation, or in contrast, if an enhanced contract negotiation process can decouple the influence of the relationship level normally being important for a positive outcome of a contract negotiation process. Through the results derived, it can be stated that instruments and processes can regulate the contract negotiation process to an extent that an interpersonal relationship level becomes less important and therefore less influencing towards the contract negotiations between principals and agents in agency relationships in ITO.

These results enrich the level of existing knowledge when discussing contract design and contract negotiations and therefore contributes to the development of theoretical content. Moreover, it helps to answer the overall research questions that influencing factors have an impact on the contract negotiations between principals and agents in agency relationships in ITO. Beyond this, the outcome of the analysis provides an added value to the CEM and its related content. The CEM uses the outcome for its structure, but also for its recommendations for theory and practice. The analysis of hypothesis 2C and the derived results match the intention of the present thesis to find measures to reduce such influencing factors to assure that with their enhancement the phenomenon of hidden actions can be reduced. Hypothesis 2C strengthens the outcome of hypotheses 2A and 2B and at the same time, it prepares the analysis of further hypotheses investigated during the course of the present thesis. Instrument and processes will play a role for the development of the CEM and its related content, and therefore hypothesis 2C and the respective outcome of the analysis fit perfectly into the overall framework of the present thesis. Even though it has not received the same level of confirmation compared to hypothesis 1A, it still has received a profound level of confirmation and therefore can be seen as an important hypothesis.

5.4 Verification of Trust Hypotheses

5.4.1 Hypothesis 3 A

The willingness for transparency and openness between the parties in an agency relationship in ITO depends upon the strength of trust between the interacting people.

Operationalisation

The analysis of hypothesis 3A has shown that the assumption is true that the willingness for transparency and openness between the parties in an agency relationship in ITO depend on the strength of trust between the interacting people. In this respect, the question has been raised which parameters must therefore be analysed to presume that a connection between openness, transparency and trust exists and how strong this constellation is influenced by either human beings' behaviour or other external factors. In addition to this, it has been elicited how good the influencing factor *willingness to transparency and openness depends upon the strength of trust between interacting people* must be confirmed to verify that all three aspects are interrelated?

Criterion for the Verification of the Influencing Factor *Willingness to Transparency and Openness depends upon the Strength of Trust between Interacting People*

The influencing factor *willingness to transparency and openness depends upon the strength of trust between interacting people* is considered to be fulfilled if more than 50% of those being surveyed anticipate that interdependencies between all three aspects exist.

Results

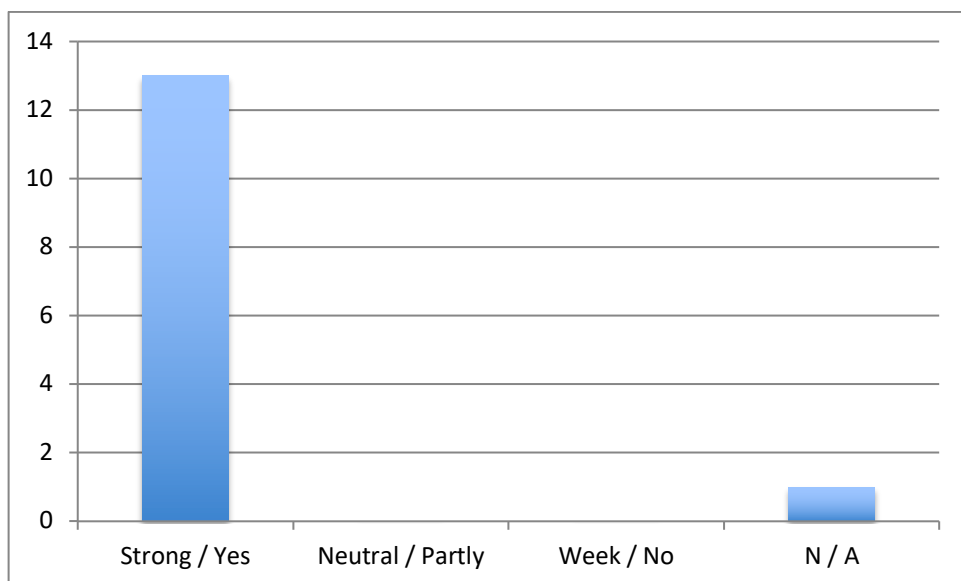
The results show that both principals and agents in ITO agree that the willingness to transparency and openness depends upon the strength of trust between interacting people, and additionally that all three aspects are interconnected. It can be determined that the connection and the constellation of all three aspects between each other have an impact on the relationship building between principals and agents in agency relationships in ITO.

The better the balance between all three aspects is, the better the contract negotiations can be conducted and hereinafter will the relationship work. With 13 out of 14 nominations, the results of the data analysis indicate that there is a very solid tendency towards a verification of the influencing factor *willingness to transparency and openness depends upon the strength of trust between interacting people*. Both parties - principals as well as agents - declare that a constellation between openness, transparency and trust is vital for a relationship with their counterpart.

The experts connect a balanced development of all three aspects with various parameters which need to be fulfilled to achieve the opportunity that all three aspects can be developed uniformly. As a result, the experts anticipate that the relationship as well as the contract negotiations need to be concluded in a balanced manner. For some of the experts, liability of their counterpart is the key parameter to develop a balanced foundation for the agency relationship they are in or they are planning to enter. Willingness and openness depend on the level of trust between the interacting people. Liability is understood to be the facilitating factor for both - principals and agents - to speak about a balanced foundation. From the principal's perspective, the experts look at what has been promised versus what has been delivered, and from an agent's point of view the experts look at what kind of information is given and when. This means that both parties look at aspects like open communication and information flow and trustworthy behaviour. In some cases, the experts say that they have experienced that individuals needed to be replaced by others, otherwise the negotiation process would have failed in the end. Such a scenario is not the ideal of the experts; they tend to prefer an open and trustworthy relationship without having players who like to "play around" too much with their counterpart. Principals and agents confirm that willingness to openness and transparency as well as trust help to develop a solid foundation for a good working relationship, because during the final negotiation process the respective actors are not "forced" to "play dirty" with their counterpart. They do not have to identify how far their opponent would push the negotiation before they would fail and therefore efficiency and effectiveness stay at high level. This also helps to shorten the period of contract negotiation altogether, whereby the interacting people can quickly establish a good functional relationship with each other, with the effect that such a relationship is not damaged from the beginning, but does have a chance to last over a long period of time.

Schematical overview of the results for hypothesis 3A

Hypothesis 3A				
	Strong / Yes	Neutral / Partly	Weak / No	N / A
I 1	1	0	0	0
I 2	1	0	0	0
I 3	1	0	0	0
I 4	1	0	0	0
I 5	1	0	0	0
I 6	1	0	0	0
I 7	1	0	0	0
I 8	1	0	0	0
I 9	1	0	0	0
I 10	1	0	0	0
I 11	1	0	0	0
I 12	0	0	0	1
I 13	1	0	0	0
I 14	1	0	0	0
Total	13	0	0	1
Ratio	0,93	0,00	0,00	0,07

Table 9: Evaluation matrix for hypothesis 3A⁴⁵Figure 23: Graphical overview of the evaluation matrix for hypothesis 3A⁴⁶⁴⁵ Own source.⁴⁶ Own source

Verification of Hypothesis 3A

The results indicate that hypothesis 3A is understood to be verified and the influencing factor *willingness to transparency and openness depends upon the strength of trust between interacting people* has a high impact on the contract negotiations and the relationship building between principals and agents in agency relationships in ITO.

Discussion

The experts state that trust is strongly connected to willingness of people to open themselves towards others, and in contrast, that willingness to openness depends upon the level of trust between two parties. Therefore, the experts declare that the influencing factor *willingness to transparency and openness depends upon the strength of trust between interacting people* has a strong impact on the outcome of a relationship between principals and agents. The results show that 13 out of 14 experts interviewed, and therefore the majority of the interviewees, combine the development of trust with interdependency between willingness to openness and willingness to transparency.

If willingness to openness and transparency cannot be established because the development as such is disturbed or at least negatively influenced by a rudimentary level of trust or even because no trust exists at all, then the interdependency between the two will not work appropriately. Thus, for the experts both phenomena are important and influence each other seriously. The experts speak of liability as one driver to establish the willingness to openness and transparency and for the development of trust. If, for instance, an agent does not show liability towards his principal, then the principal anticipates that the agent does not “play fair” or that he is not able to fulfill the requirements of the principal. Hence, the principal is reluctant to provide more information other than he is asked to deliver. Due to this fact, both parties have difficulty enhancing the relationship and to filling the gaps with appropriate information. One result of such a situation is that no trust has developed, or in a worst-case scenario, the negotiation stops and no relationship between the two parties is established at all. The experts do not often see such scenarios, because in general the ones in the process of negotiation generally anticipate that the other side wants to enter into a future relationship. This is the reason why the two parties talk to each other in the first place:

I1P6L324-334

... Also eine Optimierung wäre in dem hier vorliegenden Fall sicherlich eine kompetentere Vorbereitung und eine kompetentere Auseinandersetzung sowie eine bessere Einschätzung der eigenen Leistungsfähigkeit. Also eine Art tiefere Analyse in vielen Bereichen. Das sind grundsätzliche Bedingungen, wenn ich eine Dienstleistung von einem Provider oder einem Agenten einkaufe, dann muss man sich einfach darauf verlassen können. Dann geht's wieder in diese Vertrauensschiene rein, wenn ich mich nicht darauf verlassen kann, dann verkauft er praktisch mehr, als er eigentlich einhalten kann, wenn er's absichtlich macht, dann haben wir wieder das Thema Vertrauen und Verbindlichkeit. Dann haben wir eine Situation, in der auch kein Vertrauen entstehen kann und dieses merkt man dann auch während der Vertragsgestaltung ...

Translation of I1P6L324-334

... In the present case, an improvement would certainly be something to think about, such as a more competent preparation and a more competent discussion as well as a better assessment of the own performance options, to speak a deeper analysis in various areas. These are fundamental conditions when it comes to buying a service from a service provider. I simply must be able to rely on such conditions. If so, then we are coming back to the discussion which parameters influence the development of trust. In case the agent wants to sell more than she or he is able to deliver and does not show liability about what she or he offers, then the subject of trust comes back into the equation. In such a situation, you can sense that trust will not be established at all. Neither in the present situation nor during the negotiation phase, nor thereafter ...

However, the experts not only confirm interdependencies between willingness to openness and transparency and trust, they also confirm that the level of trust influences the level of transparency and openness between the two parties. For them, it is vital that the level of trust is high, in order to have a high level of transparency and openness and vice versa a high level of transparency and openness support the development of trust between principals and agents. The way transparency will be shown to each other also depends on the level of liability mainly shown from the agent towards the principal. If the principal sees that liability is high, then she or he is prepared to "open" her-/himself to being transparent and "open" to her or his agent, too:

I1P9L493-497

... Gut, das heißt also von Beginn an, wenn dort Transparenz vorliegt und auch die richtige Einschätzung zur Leistungsfähigkeit, bildet das die Basis, eben auch für später, für eine langfristige und gute Zusammenarbeit? Ja, absolut ...

Translation of I1P9L493-497

... Well, this means when there is transparency right from the beginning and the right assessment of the performance has been done that both subjects provide the basis for a good long-term cooperation? Yes, absolutely ...

I4P13L681-695

... Last but not least, wenn ich also einen Vertrag habe, muss ich eben auch mal Fünfe gerade sein lassen und sagen, das wird sich zeigen oder das werden wir pragmatisch so leben, dass wir damit hinkommen. Wie gesagt, wenn es eine Partnerschaft ist, kann man mit dem Prinzipal auch entsprechend reden und genauso auch mit dem Agenten, dass die eine Partei sagt, ich komm' damit nicht hin, das ist mir zu teuer oder sonst was und dann eben, wenn man lösungsorientiert arbeitet, gemeinsam, partnerschaftlich, dann auch eine Lösung findet ...

Translation of I4P13L681-695

... Last but not the least, if I have a designed contract available and if I am in a relationship with my counterpart, then I should find a compromise with my counterpart to be able to agree mutually on open issues. As I said before, if it is a partnership we are talking about, then you can talk to your counterpart to be able to find a solution even if your partner says: "I am not able to live with this price or this price is too high". If both parties agree on acting and behaving solution-oriented and work together according to anticipated guidelines of a solid working partnership, then both parties are able to find a solution ...

The experts not only request the above discussed subjects to be fulfilled, they also want their counterpart to behave appropriately and in such a way that they feel appreciated. As a result of this they are willing to open themselves towards their counterpart. The appreciation of which the experts are talking is not related to a personal appreciation, but to a factual recognition of their work style, attitude, reputation and company. If such factual recognition is given, then the experts believe that the individuals acting on behalf of their companies during a negotiation process are willing to show transparency and openness towards their counterpart.

Moreover, then they are willing to understand and accept the needs and requirements of the other party:

I5P5L268-283

... Was erwarten Sie denn von Ihrem Prinzipal, wenn Sie in 'ner Vertragsgestaltung sind? Was erwarten Sie von dem? Transparenz zum Beispiel? Ich erwarte, sagen wir mal, Grundzüge einer fairen und vernünftigen Verhandlung. Das heißt, ich muss ein Stück weit in der Lage sein, mich in die andere Position hinein zu versetzen, denn nur dann bin ich in der Lage, ich sag' mal dessen Gründe zu verstehen und vor allem mit meinen eigenen Punkten zu verbinden? Und einen sauberen Kompromiss herbeizuführen ...

Translation of I5P5L268-283

... What do you expect from your principal during the contract negotiation and thereafter? What exactly do you expect from him? Transparency, for example? I would say I expect basic principles of a fair and reasonable negotiation. This means that I must be able to “empathise” with my counterpart to understand her/his needs and requirements, because only then I am able to understand what are her/his reasons for her/his behaviour and beyond this then I am able to align my needs and requirements with the ones of my counterpart. Only then, I am finally able to find a solid compromise between the two of us ...

I6P5L245-248

... Zum Thema Transparenz und Vertrauen, was würden Sie da erwarten? Das gleiche. Das heißt, dass er mit offenen Karten spielt und wir uns auf der anderen Seite aber auch genau unsere Anforderungen vorher überlegen und definieren ...

Translation of I6P5L245-248

... Going back to the subjects of transparency and trust, what would you expect there? The same. This means that the other party “plays with open cards”, but at the same time that we also discuss carefully and define our requirements ...

The experts believe that the CEM and its related content can help to establish transparency and also support the development of trust between the parties. Therefore, the phenomenon of trust and willingness to openness and transparency must go together so that the respective parties are able to establish a good foundation for their relationship. Such a model would not change personal feelings, but it would help to change the behaviour the two parties evince each other:

I7P10L519-522

... Aber, ein Modell kann nie Gefühle verändern? Vielleicht Transparenz schaffen und über diese Transparenz eben, kann vielleicht auch Vertrauen gebildet werden, darum geht's. Also, halt ich durchaus für denkbar ...

Translation of I7P10L519-522

... However, can a model never change feelings? Maybe it can create transparency and thereby it can be the trigger for establishing trust between the parties. This is what I try to develop. I believe that this is quite feasible ...

The experts point out that liability is one of the key drivers for developing trust in an interpersonal relationship. Neither a regulated communication or information flow alone stipulate the development of trust nor a model or process triggers the development of trust, but also other parameters which need to be reflected in this "equation". For the experts these aspects support the development of trust, but as mentioned beforehand one other main driver is the liability shown to the parties. From a principal's perspective, the focus is set on what the agent tells and delivers in the end and from an agent's perspective, the focus is placed on which information is provided from the principal about existing business and processes or former relationships with other previous agents:

I8P14L750-763

... Ja, aber dann schafft z.B. Liefertreue und Transparenz Vertrauen im Sinne von Verbindlichkeit. Soll heißen, wenn der Agent Ihnen zusagt, er kann das, ich habe verstanden, was ich machen muss und kenne die Leistung. Wenn die Leistungslieferung gut ist, mit einer vernünftigen Transparenz auf der einen Seite, was passiert ist, damit Sie sehen, das habe ich bekommen, für das Geld, was ich bezahlen soll. Dann kann man auch Vertrauen erzeugen, durch diese Verbindlichkeit. Weil, wenn die fehlt, kann man dann trotzdem eine zwischenmenschliche Beziehung leben? Es entsteht auch Vertrauen dort, aber trotzdem zum Agenten verliert man sein Vertrauen. Sehe ich das richtig oder sehen Sie das auch so? Ja, das sehe ich auch so ...

Translation of I8P14L750-763

... Yes, when you think about trust as such, you should understand that only commitment towards liability and transparency are the reasons for trust to grow. I mean if the agent commits her-/himself to her/his capabilities and therefore you know what you expect from her/him and besides this you know for what you are paying for, then liability is the driver to develop trust between the two parties. If liability is missing, can you still live an interpersonal relationship with your counterpart? Then there might still be some kind of general trust, but nonetheless you would lose your confidence into your agent. Am I correct with this thought? Yes, I agree with this ...

I10P16L878-894

... Dadurch baut sich dann auch Vertrauen auf oder wie kommt die Rolle des Vertrauens da rein? Vertrauen muss da sein, sonst würde ich den nie liefern lassen. Also wenn ich das Gefühl hätte, mein Bauchgefühl sagt mir, ich kann dem nicht vertrauen, weil in China und wer weiß was da wie passiert, dann würde ich ihn gar nicht nehmen. Das darf nicht sein, ich darf keinen Lieferanten nehmen, dem ich nicht vertraue. Vertrauen muss da sein. Was ich mit dem Lieferant machen will ist A: ich will ihm vertrauen. Aber auch B: ich will ja Idealerweise günstigere Preise erzielen. Also rede ich mit ihm nicht nur über das, was schlecht ist, sondern ich rede mit ihm auch über Logistik ...

Translation of I10P16L878-894

... Therefore, does trust develop or how does the role of trust come in here? Trust needs to be there, otherwise I would never consider making business with the respective supplier. If I had the situation that my gut feelings would tell me that I cannot trust this supplier, because I do not know what happens e.g. in China or elsewhere, then I would not make business with this supplier. I cannot work with a supplier I do not trust. Trust has to be there. What I want to do with the supplier is A: I want to trust him, and B: I want to ideally achieve lower prices. I not only talk to him about what is bad, but I also talk to him about logistics and its improvements ...

For the experts it is crucial to have a certain level of trust between the parties, because if the parties lose faith in one another, then the negotiation process, if it is somehow not guided or regulated, will fail. According to some experts, this can be prevented by replacing individuals who cannot negotiate with their counterpart anymore due to personal differences. However, by replacing individuals during the

negotiation process a lot of knowledge might be lost which then causes other problems like delays or unbridgeable conflicts with issues which cannot be discussed and solved anymore. Therefore, the experts anticipate that transparency, openness and trust are well connected and balanced to each other and furthermore, they claim that all three of them should be present at any time during the negotiation process:

I11P13L695-718

... Kann es denn eine Vertrauensbasis geben, ohne eine zwischenmenschliche Beziehungsebene? Nein, keine Chance. Sonst könnte man den Vertrag ja über's Internet abschließen. Braucht es am Anfang dieses Vertrauen, damit hinten in der Operativen auch das Vertrauen weiter aufrecht- erhalten werden kann? Besser ist es, ja. Es geht vielleicht auch anders, wenn man die Mannschaften auf beiden Seiten austauscht. Aber dann fängt man erst mal an, den Vertrag wieder verstehen zu müssen und aufzurollen und das viele gute Wissen, was an Informationen im Vorfeld durch die Vertragsverhandlung geschaffen wurde ist weg. Das fehlt dann und dann entsteht immer ein Bruch ...

Translation of I11P13L695-718

... Do you think that trust will be developed without an interpersonal relationship? No, no chance. Otherwise, one could conclude the contract over the internet. Does one need trust between the parties in the beginning so that the later operational process can be based as well on trust between the parties? It is better, yes. Perhaps you can look at this from a different perspective and replace individuals if trust cannot be established between the parties. However, if the parties replace individuals by new ones, then they need to understand the content of the contract and maybe good, existing, implicit as well as explicit knowledge which has been gathered through the course of the negotiation will get lost. This knowledge breach will always end with a gap of knowledge ...

The experts stress that it is important to feel that there is trust established between the parties, because the belief that there is trust helps each party to act and behave openly and transparently. One side acting openly and transparently often does not know if the other side “plays” in the same way, but it tries to trigger a certain reaction coming from the other site with its behaviour:

I13P9L457-472

... Wenn also proaktives Handeln da ist oder Transparenz, dann ist der Partner auch gewillt, von seiner Seite aus Transparenz zu zeigen? Also ich würde zumindest sagen, dass ein Schaffen von Transparenz und ein Vorhandensein einer Proaktivität Vertrauen schafft. Ob dadurch auch sofort der Gegenpart auf einen zukommt und ein gleiches Verhalten an den Tag legt, weiß ich nicht, aber zumindest schafft es Vertrauen, wenn man selber merkt, dass Dinge transparent gestaltet werden ...

Translation of I13P9L457-472

... If the counterpart acts cooperatively and proactively, is transparency then given, because the partner is willing to show transparency without forcing him? I would say that at least transparency can be established and because of such proactivity trust can be developed between the parties. Whether this triggers the counterpart to show transparency her-/himself and therefore she/he behaves equally, this I do not know, but at least it establishes trust when you notice that things are done transparently ...

I13P18L966-972

... Kommen wir noch einmal zum Thema Transparenz: Meinen Sie, dass 'ne transparente Vorgehensweise im Zuge der jetzigen oder auch der zukünftigen Vertragsgestaltung die aktuelle Situation zwischen Ihnen und ihrem Prinzipal verbessern würden? Also Transparenz verbessert die Situation meines Erachtens dann bis zu einem bestimmten Grad immer ...

Translation of I13P18L966-972

... Let's talk about transparency again: Do you think that a more transparent behaviour of your counterpart would improve the current situation between you and your principal in future? I think that a more transparent behaviour always improves a situation to a certain degree ...

I14P15L835-840

... Und wenn man von Anfang an diese Ebene findet und offen und transparent über solche Problematiken mit dem Kunden spricht, kommst auch nachher zu keinem Problem an der Stelle, weil man immer eine Lösung dafür findet, wenn das die Akteure, die handelnden Akteure nicht schaffen, wird's keine gute Vertragsverhandlung, eine langwierige Vertragsverhandlung bis dahin, dass die

Probleme im Vertrag schon gelegt sind, die nachher in der Umsetzung definitiv hochkommen werden ...

Translation of I14P15L835-840

... If you can find an open and transparent way to discuss or solve such problems with the customer from the beginning, then both parties can always find a solution for such problems. If that happens, then the contract negotiation is seen to be bad and can be long and awkward, with the effect that unbridgeable problems are already being reflected in the content of the contract and this will influence negatively the operational basis between the two parties thereafter ...

Summary

The gathered information and the analysed results lead to the conclusion that principals and agents in agency relationships in ITO strengthen the hypothesis that an appropriate constellation between willingness to openness and willingness to transparency and trust can reduce the impediments which might occur during contract negotiations. The results provide a solid foundation for developing the CEM and its related content. The CEM is seen to be one of the main drivers to overcome potential inconsistencies between the interacting people by delivering the respective content and guidance. As an outcome of this assumption, the CEM will support a better and more trustworthy communication and behaviour as well as a better information flow between the parties. Hence, the interacting individuals can negotiate their contract and do not have to fear that a wrong behaviour or attitude from their counterparts causes delays in the negotiation process or even develop a situation in which the contract negotiations might collapse, because the two parties do not find any common ground anymore.

The CEM can be taken as a key enabler for a good functional relationship between principals and agents in agency relationships in ITO. As stated earlier, with 93 % out of 100%, hypothesis 3A obtains a solid confirmation with regard to the investigation undertaken in the present thesis. Trust as a trigger for security, comfort and key for transparency has been discussed in Chapter 4. The analysis of hypothesis 3A shows that trust as a measure to enhance the analysed influencing factor is confirmed. Aspects, such as willingness to transparency and openness depend on the level of trust between principals and agents in agency relationships in ITO. Therefore, trust can enhance the contract negotiation process between the parties and thereby also has an influence on the contract design. The reason for

this is that both parties are willing to share other maybe different information than both would share if they believe that their relationship is not based on a high level of trust. The CEM and its related content can be seen as the vehicle to prepare both parties to run a trustful relationship and therefore both are able to undergo the contract negotiation process much easier, compared to having just a relationship based on professional, but not trustful foundation.

The results of the analysis of hypothesis 3A contribute to existing knowledge and support the theoretical development as one of the targets of the present thesis. The results strengthen the course of the present thesis and the development of the CEM and show that the idea and goals match the intention to fill existing gaps in literature, and therefore contribute to the overall scientific credo of finding new approaches to tackle existing challenges. The experts stated that besides instruments and processes, trust provides security for their own contract negotiation approach and conduction, and because of this they are interested to see how the CEM and its related content can contribute to this, with respect to reducing the above discussed influencing factors, but also to deliver recommendations for the practice. They believe that, in case the CEM and its related content might be helpful, quite a good measurement has been developed to overcome a general problem which in their eyes has been there for a long time: "How to conduct contract negotiations with a party you only have generic information about, but of which you do not know how the party acts once the contract is settled or even before, as long as you are dealing with this party to conclude the contract".

5.4.2 Hypothesis 3B

The higher the level of trust between interacting people in an agency relationship in ITO is, the better the contract negotiations between the two parties work.

Operationalisation

The results of the research analysis show that hypothesis 3B can be seen as verified. Additionally, they reveal that the assumption is true that a high level of trust enhances the contract negotiations between principals and agents in agency relationships in ITO. To be able to declare such a statement, the question has been raised which parameters must be analysed to determine that a conjunction between these two aspects exist and how strong the impact of this conjunction is towards the relationship building and the quality of a relationship between principals and agents. Beyond that, a focus has been set towards the question on how strong the alliance

between trust and contract negotiations must be to testify that the influencing factor *a higher level of trust increases the quality of contract negotiations* can be taken accountable for the success of the affiliation between trust and contract negotiations?

Criterion for the Verification of the Influencing Factor *A Higher Level of Trust increases the Quality of Contract Negotiations*

The influencing factor *a higher level of trust increases the quality of contract negotiations* is considered to be fulfilled if more than 50% of those being surveyed confirm that interdependencies between trust and contract negotiations exist and that these have an impact on the outcome of the relationship building between principals and agents in agency relationships in ITO.

Results

The results brought up the conclusion that both principals and agents in ITO agree that a higher level of trust helps to enhance the quality of contract negotiations between the two parties. Therefore, there is room to determine that the connection between trust and the quality of contract negotiations has an impact on the relationship building between principals and agents in agency relationships in ITO.

The better the conjunction between the level of trust and the level of contract negotiations is, the better the respective parties will be able to go through the negotiation process. This might have the effect that contract negotiations might be concluded more smoothly and faster. With 13 out of 14 nominations, the results of the data analysis show that there is a strong tendency towards a validation of the influencing factor *a higher level of trust increases the quality of contract negotiations*. Experts of both parties confirm that a high level of trust influences the way contract negotiations are conducted. For instance, the parties are more open to speed up negotiations on one hand, and on the other hand, they are less concerned to make concessions when it comes to additional requirements and wishes from their counterpart. The experts say that trust and the quality of relationship building are strongly connected to each other and therefore a balanced basis between the two is necessary to have equilibrated negotiations between principals and agents in ITO. It is interesting to see that some of the experts make trust reliable for a good relationship building, whereas others state that a good relationship building between the negotiating individuals are responsible for a quicker establishment of trust between the two parties.

Part of these statements can be allocated to previous statements to willingness to openness and transparency and trust where the aspect of liability was granted a high impact on all three of them. Here, some of the experts connect liability to a better trust establishment between the parties and thus to better relationship building between principals and agents. Almost analogous to this, principals, for instance, say that a good liability between what has been said and what has been delivered by the agent enhances the constellation between trust and the quality of the relationship. With respect to the outcome, this means that both parties look at parameters like open communication, information flow and trustworthy behaviour.

Summarising the outcome of the results, principals and agents confirm that a higher level of trust influences the relationship building positively with the effect that the relationships between principals and agents in agency relationships in ITO will be established and stabilised faster, compared to situations where trust is missing or is only rudimentarily regulated. Here, as already seen in the discussion of the validity of hypothesis 3A, a good level of trust can shorten the period of contract negotiations altogether and the interacting individuals can establish a good functional relationship with each other much easier and quicker, with the effect that such relationships can be started with less or even no obstructions and on good grounds. This, on the other hand, might be a good reason for such relationships to last for a longer period of time, compared to those which are built on distrust.

Schematical overview of the results for hypothesis 3B

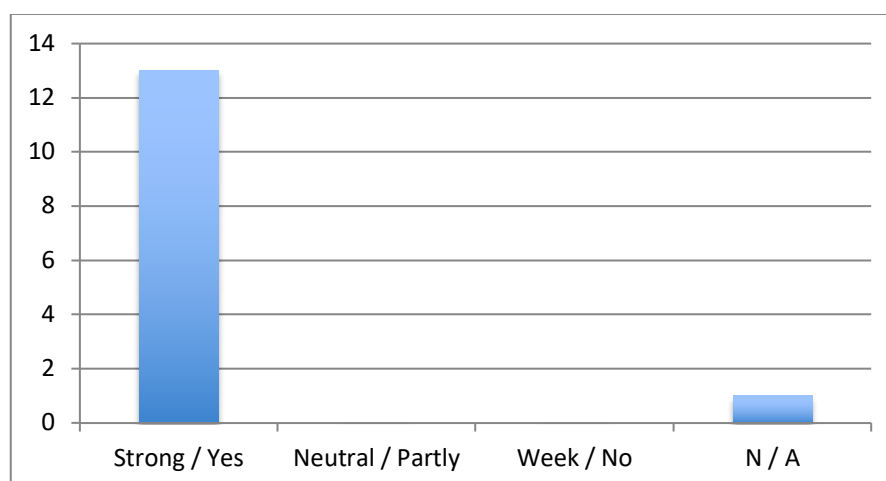


Figure 24: Graphical overview of the evaluation matrix for hypothesis 3B⁴⁷

⁴⁷ Own source

Hypothesis 3B				
	Strong / Yes	Neutral / Partly	Weak / No	N / A
I 1	1	0	0	0
I 2	1	0	0	0
I 3	1	0	0	0
I 4	1	0	0	0
I 5	1	0	0	0
I 6	1	0	0	0
I 7	1	0	0	0
I 8	1	0	0	0
I 9	1	0	0	0
I 10	1	0	0	0
I 11	1	0	0	0
I 12	1	0	0	0
I 13	0	0	0	1
I 14	1	0	0	0
Total	13	0	0	1
Ratio	0,93	0,00	0,00	0,07

Table 10: Evaluation matrix for hypothesis 3B⁴⁸

Verification of Hypothesis 3B

The analysis of the data provides a good reason to say that hypothesis 3 B is taken to be verified and the influencing factor *a higher level of trust increases the quality of contract negotiations* has a robust influence on the contract negotiations and the relationship building between principals and agents in agency relationships in ITO.

⁴⁸ Own source

Discussion

Principals and agents in agency relationships in ITO assume that there are interdependencies between trust and contract negotiations. The interviewed experts point out that trust and contract negotiations are definitely connected to each other and that both aspects influence each other. Therefore, it can be assumed that the influencing factor *a higher level of trust increases the quality of contract negotiations* has a not ignorable leverage on the balance between trust and contract negotiations, and as a result of this, on the outcome of the relationship building between principals and agents in agency relationships in ITO. The results highlight that with 13 out of 14 experts a vast majority of the interviewees connect the establishment of trust with the conjunction of good contract negotiations. If both aspects do not fit with each other, then the aspired balance between the two cannot be established or only at a low level.

If this balance exists on low level, then this situation will have a negative influence on the relationship itself. Therefore, both aspects are important for the experts. The experts exclude a mismatch between trust and contract negotiations and they confirm that trust and contract negotiations must be aligned to each other, because a mismatch between the two can be a reason why the relationship between the respective parties might not even come to an existence in the end. Unlike hypothesis 3A, the experts also claim that liability as well as trustworthiness are two key drivers to balance out the establishment between trust and a proper course of contract negotiations. The reasons for such assumptions are underlined by the statements of the experts that trust and a good contract negotiation process help the two parties to open themselves, with the effect that information flow, communication and working together is at a high level. For this reason, both parties can feel that their counterpart wants to put commitment into the relationship and therefore is not reluctant to give leeway if the other party wants or needs to negotiate further requirements into the scope of the overall project:

I1P7L366-381

... Es gilt generell, das Vertrauen ein absolutes Muss ist, um eben auch wirklich offen miteinander zu arbeiten und auch solche Vertragswerke zu gestalten. Es gibt sicherlich Beispiele bei uns, wo eine Vertragsverlängerung sehr, sehr harmonisch, schnell und effektiv von statten gegangen ist, weil man einfach langjährige Erfahrungswerte hatte und wusste, dass im Zweifelsfall auch auf drei Euro nicht

geguckt wird, sondern einfach Leistung erbracht wird, flexibel, dynamisch und gute Ideen eingebracht worden sind und gerade hier die Flexibilität und die Erfahrungswerte da sind. In anderen Fällen, wo ein Vertrauen eben gefehlt hat oder auch eine Fähigkeit, Vertrauen gegenüber dem Partner zu haben, nicht existiert, führte das dann nachher letzten Endes auch zum Exit. Und klar hängt es an Individuen, die das Vertragswerk gestalten und die das irgendwo zum Leben bringen. Wichtig ist dort eben auch, dass Leistungen verlässlich geliefert werden, damit die wichtige Basis zum Vertrauensaufbau gegeben ist ...

Translation of I1P7L366-381

... It is generally true that trust is an absolute must in order to work openly with each other. There are certainly examples where a discussion towards a contract extension was very, very harmonious and quick and had worked out effectively, because of having had many years of experience with each other and because you knew you could turn a blind eye on the fact if, for instance three euros were charged on top of the agreed amount, because simply spoken services have been delivered at high level and flexibly as well as dynamically and good ideas have been introduced to benefit the partnership. In other cases, where trust was missing or the ability to have confidence in the partner did not exist, ultimately this caused an exit out of the relationship. Of course, this all depends on the behaviour of individuals who negotiate the contract or who live the relationship on behalf of the respective companies. However, it is mainly important that services are delivered reliably to establish trust in the end ...

I1P9L478-491

... Kommen wir nochmal auf das Thema Vertrauen zurück. Inwieweit beeinflussen denn die Verhaltensweise von Menschen als auch die Beziehungsebene das Entstehen von Vertrauen, während und nach der Phase der Vertragsgestaltung? Absolut, sehr, sehr groß. Das ist ja praktisch der erste Punkt in einem Vertragsgestaltungsprozess. Wenn man den verlässlich, für beide Seiten transparent gestaltet und auch sich zu Terminen und Aktivitäten committet und diese einhält, dann ist das eine wesentliche Rahmenbedingung, einfach die Basis, für eine gute Zusammenarbeit danach und das Verhalten einzelner Personen und auch eine offene Kommunikation sind die Basis für eine vertrauensvolle Zusammenarbeit ...

Translation of I1P9L478-491

... Let's get back to the phenomenon of trust. To which extent does the aspect "behaviour of people" and its relationship level to each other influence the development of trust during and after the period of the contract negotiations? Absolutely, behaviour has a high impact on the relationship level. This can be understood as the main prerequisite for a contracting process. If one designs such process reliably and transparently for both sides and furthermore both parties commit themselves to timelines and duties and comply with these requirements, then these are to be seen as an essential foundation for a good working relationship. The behaviour of individuals and an open communication are additional reasons to establish a profound basis for a trustworthy and good working relationship ...

I2P14L732-741

... Aber Verbindlichkeit vom Partner oder vom Agenten würde helfen, eben dieses Vertrauen zu stärken? Ja. Wenn man sagt, bis zu dem und dem Tag ist das und das erledigt, das passiert dann auch, dann wird da eine Verbindlichkeit erzeugt und die würde dann auch das Vertrauen verbessern? Ganz klar, ja ...

Translation of I2P14L732-741

... Would commitment shown from a partner or from the agent help to reinforce the development of trust? Yes. If one would say, by this day open issues are resolved and if this in reality becomes true, then liability is created and because of this the level of trust would be improved? Clearly, yes ...

The experts state that a good contract negotiation between the parties helps to develop trust appropriately and in a professional manner between the parties. It can be assumed that the aspect of liability is one of the main drivers for such presumptions, because, as already discussed, for the expert liability and trust are strongly connected to each other. Therefore, the experts assert that a good contract negotiation supports the establishment of a good basis of trust. For the experts it is true that good contract negotiations have an influence on the establishment of trust, because good contract negotiations influence the development of trust positively, whereas bad contract negotiations cause a low level of trust or even no level of trust at all between the parties:

I4P15L839-858

... Das heißt aber, wenn die Vertragsgestaltung gut läuft, also ich interpretier' das jetzt mal, wenn die Vertragsgestaltung gut läuft, dann läuft das Verhältnis der Partnerschaft auch gut? Oder nicht zwingend? Oder ist das unabhängig voneinander? Ja, es hat halt Einflüsse auf die Vertragsgestaltung. Wenn die Vertragsverhandlungen schwierig laufen, ist das natürlich auch ein schlechter Start, weil dann eben das Vertrauen nicht da ist, weil man sich um so viele Themen gekloppt hat vorher bei den Vertragsverhandlungen. Wenn die gut laufen, sollte es so sein, dass zumindest erstmal ein neues Vertrauen da ist ...

Translation of I4P15L839-858

... However, does this mean that if the contract negotiations go well, the relationship between the parties works well, too? Is this independent from of each other? Yes, it has an influence on the contract negotiations. If the contract negotiations are difficult, you can set this equal to a bad start, then trust might not exist at all, because the parties did argue too much over various items and issues in the first place. However, if the contract negotiations run well, then at least both parties should feel that there is somehow some kind of trust...

Principals and agents interlink the existence of trust with the quality of interpersonal relationships. This means that the experts presume that the level of interpersonal relationships influences the establishment of trust between the interacting individuals on both sides. Some experts say that trust can be established even without a good interpersonal relationship when the parties discuss, for instance, legal or technical matters, because for those there are respective terminologies and thus an alignment between them is given, but for soft facts like the delivery of reliability and trustworthiness with respect to what has been said and what has been delivered both parties have enough leeway to interpret the behaviour of their counterpart differently, with the effect that a subjective feeling might cause misunderstandings and therefore the alignment for such matters might get lost:

I6P10L521-533

... Kann es Ihrer Meinung nach eine Vertrauensbasis geben, ohne eine zwischenmenschliche Beziehungsebene? Auf einer fachlichen und juristischen Ebene vielleicht schon, aber ich denke, das zwischenmenschliche spielt immer eine

Rolle. Dies hat aber natürlich dann einen starken Einfluss auch auf das Vertrauen oder die Entwicklung der Beziehung? Ja ...

Translation of I6P10L521-533

... Do you think that trust can be established without an interpersonal relationship between the parties? On a technical and legal level, perhaps, but I think that between humans an interpersonal relationship always plays a vital role. However, does this, of course, have a strong influence on trust or on the development of the relationship? Yes, it does ...

I7P11L581-588

... Kann es eine Vertrauensbasis geben ohne die zwischenmenschliche Beziehungsebene? Für mich undenkbar. Warum? Ich glaube, Vertrauen ist einfach eine menschliche Eigenschaft ...

Translation of I7P11L581-588

... Do you think that trust can exist without an interpersonal relationship? Unthinkable to me. Why? I think trust is simple a human characteristic ...

I8P13L722-729

... Beeinflusst eine vertrauensvolle Vertragsgestaltung die Partnerschaft dann doch? Auf jeden Fall, ja. Wenn Sie eben halt einfach schlicht und ergreifend merken, eben halt, dass auf der anderen Seite ein gewisses Interesse vorhanden ist, gut zusammen zu arbeiten, auch um gemeinsame Probleme zu lösen, die vielleicht jetzt noch nicht akut sind. Ja, natürlich, fühlen Sie sich dann wesentlich besser aufgehoben, als wenn Sie merken, hier wird um jedes Pünktchen und um jedes Komma und um jeden Euro gefeilscht ...

Translation of I8P13L722-729

... Does a trustful contract negotiation influence the partnership in the end? In any case, yes. If you feel that your counterpart shows interest in willing to work together with you and if he wants to resolve open issues or even problems which are not of importance, but exists. Yes, then you feel more comfortable with your partner compared to a situation in which you get the feeling that your counterpart only wants to argue about every euro and any content of the contract to gain a benefit only for her-/himself ...

I9P6L317-331

... Das würde auch heißen, also wenn die Vertragsgestaltung oder die Verhandlungen gut laufen würde, hat das dann einen positiven Einfluss auf die Partnerschaft? Absolut. Aber wenn sie schlecht läuft, ist das ein Zeichen von mangelnder Synchronität der verhandelnden Parteien und das führt in der Vertragsverhandlung oder auch operativ zu Stress, aber ein Vertrag ist sozusagen nur der Spiegel dessen, was da passiert zwischen den Parteien ...

Translation of I9P6L317-331

... This means that if the contract negotiation goes well, it has a positive impact on the partnership? Yes, absolutely. However, if it goes wrong, then you can talk of a lack of synchronicity of the negotiating parties and this lack leads to stress later in the operational execution of the contract. Therefore, a contract is, so to speak, only the mirror of what has happened between the parties during the contract negotiation ...

Some experts state that trust and contract negotiation must be aligned in such a way that the negotiations between the individuals of the respective parties need to be undertaken in a professional and fair manner. This means that pricing requirements must be in order with the scope of services offered for a particular pricing model. If, for instance, a principal pushes too hard on the price model, then the agent might get problems with his revenue and therefore might take the business, but will always try to find ways to invoice surcharges if the principal demands additional services which have not been agreed in the contract, which would otherwise be no problem to be delivered even free of charge. On the other hand, if an agent calculates prices which are not aligned to usual market prices, then the principal might claim that the agent cheats on her/him or even worse, the principal thinks that the agent does not know what he is doing which finally ends in a bad reputation of the agent in the market:

I10P19L1045-1067

... Aber eine Vertragsgestaltung, wenn die gut läuft, fördert die Vertrauen in der Beziehung oder muss erst Vertrauen da sein, damit man eine gute Vertragsgestaltung hat. Wie würden Sie das sehen? Ich denk' mal, man merkt während der Vertragsgestaltung schon, ob das ein Partner ist, mit dem man zusammenarbeiten will. Woran merkt man das? Ja, weil wenn ich als Outsourcer

den Lieferanten zu stark drücke und zu hart auf meine Klauseln bestehe und nicht kompromissbereit bin, dann sagt der Lieferant zu dem Kunden hab' ich kein Vertrauen. Umgekehrt genauso. Wenn ich ein Entgegenkommen erwarte, bei der Wartungsgebühr oder sonst was und der andere sträubt sich kolossal und macht da überhaupt keine Schritte auf mich zu, obwohl ich einen 5 Jahresvertrag abschließen würde in der Wartung, dann würde ich auch sagen, okay, da hab' ich jetzt kein so gutes Gefühl ...

Translation of I10P19L1045-1067

... When contract negotiations go well, is trust promoted within the relationship or does trust have to be there first to settle a good contract in the end? How would you see this? I think during the contracting process you realise if the agent you are talking to is the partner you wish to work with. If the outsourcer pushes too hard on the supplier and if I remain too much on my terms and conditions and if I am not willing to compromise, then the agent will have no confidence in me. In contrast, if I expect a compromise from the agent's end and she/he refuses to turn a blind eye on, for instance, a pricing for a certain service and offers me a pricing which is not aligned to market prices, then I would have a strange or even bad feeling towards this supplier ...

Other experts claim that the success of the conjunction between contract negotiations and trust depends on the way the individuals treat and respect each other. For such experts the so-called "chemistry between humans" is essential for success or failure, because without this "chemistry" people tend to hide information and do not communicate openly. A downfall of such an assumption is that a huge business account might depend on the way only a few individuals negotiate the contract and if they might not be able to conclude appropriate terms and conditions that such a big business account might fail or might be at stake because of such a situation. The experts postulate that having a good existing "chemistry" between individuals as well as a gut feeling also influences the way business is done, and with respect to contract negotiations such gut feelings can provide a positive as well as a negative outcome between the respective parties. Even though this feeling as well as the feeling of having a good or bad "chemistry" between individuals bear the danger that a cooperation might not be started, because of facing the situation that only a few individuals are interacting with each other without having instructions or guidance on how to negotiate appropriately:

I12P15L836-855

... Inwieweit beeinflussen die Verhaltensweisen von Menschen als auch die Beziehungsebene das Entstehen von Vertrauen, während der Vertragsverhandlung oder –gestaltung? Genauso stark wie beim Entstehen von Konflikten. Also es sind immer Menschen, die miteinander arbeiten oder auch nicht miteinander arbeiten können und wenn man Verhandlungsteams hat, wo die Chemie nicht stimmt, dann wird es in der Regel nicht möglich sein, einen vernünftigen Abschluss zu erreichen ...

Translation of I12P15L836-855

... To which extent does the behaviour of the interacting individuals influence the relationship level as well as the development of trust during the contract negotiation process? As much as the occurrence of conflicts does. There are always people who may work together or may not work with each other and if you have teams negotiating where the “chemistry” between individuals does not match, then it will be difficult to achieve an appropriate and reasonable conclusion in the end ...

I14P17L937-941

... Kommen wir nochmal zum Thema Vertrauen zurück. Kann es eine Vertrauensbasis geben, auch ohne eine zwischenmenschliche Beziehungsebene? Ich glaube, der Faktor Mensch wirkt immer speziell im Outsourcing. Das Bauchgefühl wird immer ein Stück weit mit dabei sein ...

Translation of I14P17L937-941

... Let's go back to the subject of trust. Can there be a basis of trust even without an interpersonal relationship? I believe that the human factor is always of importance, especially in the outsourcing business. The gut feeling will always be part of this ...

Summary

The results of the data analysis indicate that principals and agents in agency relationships in ITO provide good reasons to understand the examined hypothesis as verified. Reasons for this assumption are given by the fact that the experts manifest the presumption that trust and contract negotiations must be aligned to one another to gain the best outcome for the negotiation process between principals and agents in ITO. The influencing factor *a higher level of trust increases the quality of contract negotiations* makes its contribution to this statement, because the experts confirm that the higher the level of trust is between the respective parties, the better

the contract negotiations will work. To achieve a better understanding of such constellation and to provide the parties with guidelines to improve both aspects appropriately, the CEM and its related content will deliver the means as well as the framework to assure that both parameters are enhanced equally. The experts understand the CEM as a good foundation to decouple a direct influence given by individuals who are responsible for the negotiations, and therefore the CEM delivers a framework to make companies less dependent on only the behaviour of individuals as such, because it provides rules, content and guidance for the respective parties. Therefore, the CEM can be seen as an opportunity to help the parties to establish trust on one hand and on the other feel safe and guided while being in the process of contract negotiation with their counterpart. The CEM will help to balance out the influencing factor *a higher level of trust increases the quality of contract negotiations* to such an extent that it might only have little or any influence altogether. Hypothesis 3B states that there is a positive effect on contract negotiations between principals and agents in agency relationships in ITO if these are influenced by the level of trust that exists amongst the parties. Therefore, hypothesis 3B provides a similar outcome like the one shown for hypothesis 3A when talking about the trust level as a means to enhance contract negotiations.

To make a connection to the previously discussed hypotheses which have been analysed to receive results in the field of contract negotiation, transparency, instruments, processes, interpersonal relationships and their interdependencies, it can be stated that hypothesis 3B supports the findings of the other hypotheses. Thus, it also contributes to existing knowledge on one hand, and on the other hand, it delivers content for the theoretical development understood as the creation of the CEM as a model to enhance influencing factors, but also at the same time to allow reduction of the phenomenon of hidden actions.

Furthermore, the results of the analysis of hypothesis 3B consider the overall approach of the present thesis and its goal to find measures to enhance influencing factors by the means of a model to improve current situations between principals and agents in agency relationship in ITO. The verification of the hypothesis and the underlying influencing factor that has been investigated mainly deliver content to the second and third pillar of the CEM, but also support the first pillar in its general structure. Hypothesis 3B provides the basis for a direct approach on how to increase the quality of the contract negotiations and emphasis that trust needs to exist between the parties. It has not been clarified if contract negotiations can be

conducted without finding trust at all between the parties. Mostly the experts mentioned that trust is a foundation for a positive course of contract negotiations. With 93% out of 100% it can be interpreted as necessary and therefore a prerequisite of contract negotiations, at least in the field of ITO.

5.5 Verification of Information Exchange Hypotheses

5.5.1 Hypothesis 4 A

The more regulated the information exchange in an agency relationship in ITO is, the better it works.

Operationalisation

Hypothesis 4A is seen to be verified. Background for this statement is that the data which has been analysed shows that there is a strong tendency towards such verification. The results indicate that the assumption is valid that strong regulation of the information exchange causes a better outcome for the performance of the information exchange itself. This means that the more the information exchange is regulated between the parties in agency relationships in ITO, the better the information exchange itself works. To prove such a tendency, the question has been raised which parameters have to be analysed to justify that a connection between the level of regulation of information exchange and its performance exists and how strong the influence of such regulation may be to ensure that the information exchange between the respective parties is seen to be at its best. To be able to receive valid information about this subject as well as robust data, a focal point has been set towards the question how strong the interdependencies are in order to be able to claim that the influencing factor *a higher regulation of the information exchange strengthens the performance of the information exchange* can be seen as responsible for the success of the connection between regulation and performance.

Criterion for the Verification of the Influencing Factor *A higher Regulation of the Information Exchange strengthens the Performance of the Information Exchange*

The influencing factor *a higher regulation of the information exchange strengthens the performance of the information exchange* is considered to be fulfilled if more than 50% of those being surveyed confirm that interdependencies between regulation and performance exist and that these have an impact on the overall information exchange between principals and agents in agency relationships in ITO.

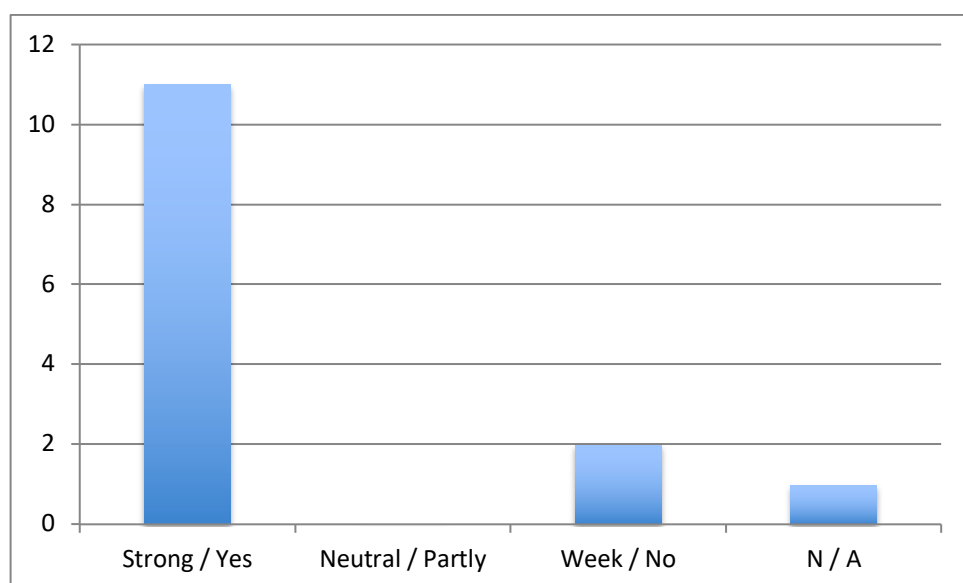
Results

The results of the analysis show that principals and agents in agency relationships in ITO confirm that a better regulated information exchange helps to improve the information exchange between the parties and therefore enhances the performance of the information exchange itself. The experts substantiate their opinions with the help of statements in which they speak of a better structure and better flow of information, and as a result of this of safer grounds for discussions and negotiations. With 11 out of 14 nominations, the outcome of the data analysis shows that the influencing factor *a higher regulation of the information exchange strengthens the performance of the information exchange* has an impact on the way both parties in agency relationships communicate with each other and how they exchange information amongst themselves. For this reason, the influencing factor has an influence on the performance of the information exchange and is therefore seen as valid and strong. Both parties say that a regulated information exchange helps the individuals to address appropriate content and subjects within the information exchange, and on top of this the individuals are not distracted by personal feelings and affectivities, because the information, the way, the frequency and the addressees are pre-defined. As a result of this, the individuals can focus more on relevant subjects than “playing with their counterpart”. The experts subsume such situations not only under the aspect that parameters are pre-defined, but also to the fact that the subject gives a feeling of safety. This means that the individuals have a framework in which they can exchange information and therefore have a basis for their exchange with their counterpart. They are not tangled up in messing about, but can focus directly on the content and the course of the contract negotiations.

The discussion as well as the extraction of statements from the experts show that the verification of hypothesis 4A is given by the fact that there is proof for the dependency between regulation of the information exchange and its performance. The framework of knowing what to communicate and when to exchange information amongst the parties helps to provide guidance for the individuals, so that they can feel safe on the one hand, but on the other hand, the individuals do have enough leeway to act as human beings and not just as “robots” fulfilling a certain task or activity.

Schematical overview of the results for hypothesis 4A

Hypothesis 4A				
	Strong / Yes	Neutral / Partly	Weak / No	N / A
I 1	1	0	0	0
I 2	1	0	0	0
I 3	1	0	0	0
I 4	1	0	0	0
I 5	1	0	0	0
I 6	1	0	0	0
I 7	1	0	0	0
I 8	0	0	0	1
I 9	1	0	0	0
I 10	1	0	0	0
I 11	0	0	1	0
I 12	1	0	0	0
I 13	0	0	1	0
I 14	1	0	0	0
Total	11	0	2	1
Ratio	0,79	0,00	0,14	0,07

Table 11: Evaluation matrix for hypothesis 4A⁴⁹Figure 25: Graphical overview of the evaluation matrix for hypothesis 4A⁵⁰⁴⁹ Own source⁵⁰ Own source

Verification of Hypothesis 4A

The data analysis proves the proposition to be true that hypothesis 4A is verified and that the influencing factor *a higher regulation of the information exchange strengthens the performance of the information exchange* has an impact on the outcome and the conduction of the information exchange between principals and agents in agency relationships in ITO.

Discussion

Experts on both sides, in agency relationships in ITO, state that there is a coherence between the degree of regulation of the information exchange and its performance. The experts assure that a connection between the two aspects is immanent and the influencing factor *a higher regulation of the information exchange strengthens the performance of the information exchange* has a high impact on the information exchange itself. This implies that both aspects are connected to each other, and moreover the two aspects must be seen in conjunction with one another to guarantee that the information exchange between the respective parties in agency relationships in ITO runs smoothly, neither with obstructions, nor with restrictions.

The results provide information on the robustness of the data, because 11 out of 14 experts, a majority, interlink regulation of the information exchange to better performance of the information exchange itself. If both aspects are not aligned to each other, then a possible desired balance between the two will not be established or only at low level. A rudimentary level or balance between the regulation of the information exchange and its performance will cause problems in the communication and exchange of information between the individuals who are in the process of negotiating the contract. Hence, both aspects influence each other in such a way that only regulation of the information exchange based on rules, pre-defined content which is to be exchanged, timeframes, responsibilities and other parameters will enhance the exchange of information, or in other words, if there is no regulation for the information exchange, then the information exchange is conducted without any good grounds to act on, with the effect that the individuals can behave and communicate as they please, with all negative effects correlating with such actions. The experts point out that especially rules, like pre-defined content, which is supposed to be exchanged according to timeframes and guidelines, appointing responsibilities and other aspects deliver the basis for a good working information exchange between the parties. Based on this, the respective

relationships have a chance to grow appropriately from the beginning and last for long, because the individuals do not have to find out what their counterparts think and feel about them by playing trial and error. Therefore, no side needs to be humiliated by the other side to find a basis to communicate and exchange information. Such a situation makes the first relationship building and discussion about the contract easier and faster to conclude. Further to this, the experts see difficulties developing if the information exchange during the phase of the contract negotiations is somehow not regulated and pre-determined. They even state that the contract negotiation process is at stake, if the process, such as regulation of the information exchange does not exist, because then the whole negotiation scenario is only based on individual behaviour of merely a few individuals involved in the contract negotiations as such:

I2P10L507-511

... Meinen Sie, dass eine Vertragsgestaltung basierend auf den Verhaltensweisen einzelner Personen ohne Absicherung durch beispielsweise einen beschreibenden Prozess, ein Risiko für Sie und für den Agenten darstellen könnte? Ja, für beide Seiten ...

Translation of I2P10L507-511

... Do you think that contract negotiations between the parties can be based only on the behavior of individuals without a process defining the way the contract negotiations are conducted? Do you think that this causes a risk for you and your agent? Yes, for both sides ...

With respect to the information exchange between the parties, the experts do not only refer to the phase of the contract negotiations. They also consider regulation of the information exchange as good and vital, to optimise the information exchange in the phase of operational business activities. Regulation of the information exchange clearly defines who is responsible to deliver which information in which timeframe, in which format and to whom. Some experts claim that it is their agent's duty to deliver the respective information in time and openly and without restrictions. Other experts feel that their counterpart is obliged to deliver the information which, in their eyes, is needed to judge if the relationship works accordingly, because either the services are delivered as agreed or necessary information is provided to enable the agent to deliver what is expected of him to deliver:

I3P16L897-915⁵¹

... Also, wenn der Manager auf der Prinzipalseite von morgens bis abends seine tausend Projekte managed und er hat nur Mitarbeiter und Dienstleister um sich herum, die zu Hause hocken und an alles denken nur nicht, sagen wir mal, zu fragen, ... steht was an und läuft bei dem irgendwas falsch ... und nicht zu hinterfragen was los ist, aktiv, proaktiv oder den Manager abholen, dann habe ich einen Teil meiner vertraglichen Pflichten als Provider eben nicht erfüllt, und es ist im Vertrag im Grunde genommen vereinbart, dass der Provider sich als Teil des Prozesses sieht und wenn ich als Prinzip das Abholen von Information als Holschuld sehe, dann muss er zum Kunden gehen und die Informationen regelmäßig abholen und abfragen. Wenn er das nicht tut, dann hat er eine Pflichtverletzung gemacht, denn ich glaube nicht, dass es in einer Push-Umgebung funktioniert, dass der Manager irgendwie sicherstellen kann, dass alle relevanten Informationen automatisch auf'm Schirm sind ...

⁵¹ Refer to footnote 461

Translation of I3P16L897-915

... If the manager on the side of the principal manages his thousands of projects from morning to night and if he only has employees and service providers around him who sit at home and think about anything but do not ask e.g. ... is there something going wrong ... and on top of this, do not question or challenge actively or proactively what the problem is and do not inform their manager, then for me, as a provider, they have not fulfilled my contractual obligations. If such obligations are defined in the contract and additionally it has been agreed in the contract that the provider needs to understand her-/himself as part of a respective process, but does not act accordingly, then she/he has to go to the customer and has to ask for the information. If he does not collect or claim the information of his principal, then he has breached his duty, because I do not think that in a push-environment the respective manager can ensure that all relevant information is automatically provided and on everybody's radar ...

The experts postulate that it is important to have a good functioning information exchange during the contract negotiation process, because the exchange of information influences the outcome and the quality of the contract per se. For some experts only a good balanced contract with content to which both parties commit themselves can deliver the basis for a good working relationship between the respective parties. If the information exchange influences the contract negotiation process negatively, then the contract itself might be at a low level and the acceptance of such a contract might cause problems for the operational duration of the relationship, with consequences affecting the overall project in the end. The affection can result in a situation in which both parties might terminate the partnership in the end or before when, say, it comes to negotiations about an extension of the contract:

I5P4L194-199

... Grundsätzlich bedingt das natürlich, dass das Vertragsverhältnis ausgewogen formuliert wird. Denn auch ein sehr gut ausformulierter, aber sehr einseitig formulierter Vertrag, aus welchen Gründen auch immer, der dann akzeptiert wurde zu einem Zeitpunkt, führt natürlich auch nicht zu einer guten Beziehung. D.h., das ist aus meiner Sicht wichtig, wenn ich ein einigermaßen ausbalancierten und präzise formulierten Vertrag habe, dann ist das 'ne gute Basis ...

Translation of I5P4L194-199

... Basically, it is important that the contractual relationship is drafted in a balanced way. Even a very comprehensive, but unilateral formulated contract which has been accepted by the respective parties, can for whatever reasons lead to a bad relationship between the parties. In my view, it is important that I have a reasonably balanced and precisely worded contract. If such type of contract exists, then that's a good basis to work with ...

Principals and agents believe that a regulated information exchange with pre-defined content, rules, responsibilities and timeframes definitely helps to enhance the way information is exchanged between the parties. The reason for this is that the experts feel that such regulations support the so-called “comfort zone” of the respective individuals in such a way that they can feel safe when negotiating the terms of the contract.

For both parties it is clear what needs to be exchanged, and therefore “gambling around” with the counterpart can be reduced or even be neglected due to the fact that this does not make sense anymore. Further to this, “messaging about” with the other party might show a picture of the party which is not good for its reputation within the negotiation group as well as outside this group in case others get to know the behaviour of the respective party. If such information comes to market, then other business opportunities for this party might be at stake, and therefore the respective party might not risk such bad reputation. The experts speak of text modules which can be used for the contract negotiation process to ensure that the content of the contract is based on pre-defined text passages. This would make the way information is provided and/or exchanged easier and therefore better to handle, with the effect that it would stabilise the way the individuals are interacting with each other and how they feel in difficult situations which can occur when negotiations come to a point where they might be stuck or where the behaviour of the individuals has caused so many frictions and problems that it would be better to replace some of the individuals to guarantee that the contract negotiation process can be concluded in a well-formulated and final contract:

I6P14L743-759

... Glauben Sie, dass klare und fixierte Regularien, bspw. in Prozessen oder in Modellen hilfreich für eine verbesserte Vertragsgestaltung sind? Ja. Denken Sie, dass ein Modell zur verbesserten Vertragsgestaltung die Zusammenarbeit mit ihrem

Agenten erleichtern, bzw. optimieren kann? Wenn ja, wie könnte ein solches Modell aussehen, was müsste es beinhalten, bzw. was müsste es leisten? Also ich denke, dass es das definitiv kann und was es leisten müsste, ist im Prinzip so eine Art Bausteinprinzip, also ich habe modulare Bausteine, die ich schon vorformuliert habe und die ich dann einfach nur in der Diskussion erörtere ...

Translation of I6P14L743-759

... Do you think that clear and pre-defined rules, for instance described in processes or in a model, can help to improve the contract negotiation process between the parties? Yes, I think so. Do you think that such a model can improve the cooperation with your agent, or at least optimise it? If so, how could such a model look like from its structure, which content needs to be addressed by such a model and which requirements does such a model need to meet? I think that such a model can definitely improve the contract negotiation situation as such. In principle, the model should be designed in such a way that it has a modular set up and should provide modular text passages which are pre-defined and approved for usage. Such text passages can then be used in the negotiations to make them faster and more efficient ...

The experts wish to receive a situation in which a regulated information exchange helps to avoid the replacement of individuals during the negotiations or later on in the operational process, because the gained explicit and implicit knowledge of such individuals would get lost. Hence, a regulated and clearly defined information exchange can help to decouple the companies from the risk that a big business account depends on the behaviour of only a few players and their way of communication and exchange of information with their counterparts.

A better structured and regulated information exchange can help to extricate companies from such a trap. The CEM and its related content could be part of such a process and would, according to the experts, definitely enhance the situation. Some of the experts have already been undertaking the establishment of such processes or models:

I9P15L839-850

... Gut gemeint, aber zum Teil zu komplex aufgebaut. Da wollen wir jetzt weg von. Also das ist die nächste Generation. Wir versuchen jetzt die Verträge und die Verantwortung weitgehend so zu optimieren. Das kann man im Optimierungsmodell

machen und dazu ist es systematisch sinnvoll den Verantwortungswechsel zu reduzieren. Sowie man eine Prozessoptimierung macht, indem man sagt, okay der Prozess geht zick-zack-zick-zack-zick zwischen verschiedenen Abteilungen. Alles gleichzeitig erledigen, dann machen die alle ihre Themen gleichzeitig und fertig. Genauso kann man eben auch ein Dienstleistungsverhältnis in der Leistungskette mit einem Dienstleister so optimieren. Das versuche ich gerade ...

Translation of I9P15L839-850

... Good intention, but partly too complex. We now want to get away from such a situation. We speak about the next generation of contract negotiation and conclusion of contracts. We now try to optimise the contract negotiation and the way responsibilities are defined. This can be done by a model to systematically reduce the change of responsibilities, with the effect that responsibilities and individuals remain stable. We are doing this similarly to how we would optimise processes and say that the process is generally agreed between the respective departments and by requiring commitment of such departments towards the modelling and process optimisation. The things you can do while optimising processes you can do as well to improve the relationship with your service provider. This is what I am trying to implement at present ...

The experts expect of the CEM and its related content that the information exchange between the parties can be regulated in such a way that, for instance, reviews which are conducted on a monthly basis are implemented. With those, both sides can reflect and discuss issues or the resolution of escalations on neutral grounds, because pre-defined criteria are set into place which guide the parties through their discussion and review. The main aspect of such reviews is that both parties are required to talk to each other in a structured manner. The experts anticipate that because of such a regulated information exchange in the form of monthly held reviews the communication, the exchange of information and the information itself become measurable, with the effect that topics or critical issues can be discussed more neutrally and with less emotions:

I12P25L1359-1373

... Dann würde man eben durch einen monatlichen Review, jetzt nur als Zeitraum genannt, der kann länger sein, würde man eben mit dem Vertragspartner gemeinsam über vordefinierte Kriterien entscheiden. Würde eben sagen, schlecht, positiv, wie auch immer. Und dann würde das ja relativ neutral ausfallen, auch wenn

subjektive Meinungen dort einfließen. D.h. man würde da etwas neutralisieren, dadurch dass man vielleicht auch die Punkte diskutieren würde? Ja, der große Vorteil besteht auch darin, dass ich 'ne Messbarkeit herstelle auf Dauer ...

Translation of I12P25L1359-1373

... With the help of a monthly review, only mentioned as a potential timeframe for a review, you would be able to talk to your counterpart about pre-defined criteria. You could talk about bad or good criteria, whatever. However, based on an appropriate discussion, you would be able to talk about such criteria in a neutral manner, even if the parties try to let their personal opinion influence the discussion per se. Due to such discussions you somehow neutralise things and would make sure that there is somehow an opportunity to make things measurable in the long run ...

Principals and agents in agency relationships in ITO do not only assess a regulated information exchange on the basis of pre-defined criteria, text passages, content and other related aspects, they also want to see functions like a service manager or delivery manager defined, to be able to stress their requirements and needs by a person in charge and not only by written standards. The experts believe that such functions will help to improve the information exchange as well as emphasise the involvement of both parties towards open issues or needs in a more stringent manner and by people physically taking care of such issues. This, for instance, will help to make the customer feel more appreciated by having someone in place who takes care of her/him in normal situations as well as in escalation scenarios. It is important that, say the service manager, from the perspective of a customer, should act on behalf of the customer, even if she/he is working for the service provider. This assumption made by the customer might cause a conflict with the interests of the service provider who is, for instance, paying the salary of the service manager. Nonetheless, all experts think that such function will ease the way the two parties are interacting and communicating with each other. Therefore, a regulated information exchange needs to have such function implemented to improve the performance of the information exchange itself. Frankly spoken, this function would add value to the pre-defined criteria and standards such that it would “round up” the performance of the overall information exchange and communication between the respective parties being in an agency relationship:

I14P24L1312-1339

... Ich glaube, dass wir in den wesentlichen Punkten für's Outsourcing alles besprochen haben. Das wichtige ist Offenheit und Transparenz, aber ich brauche einen sehr guten Servicemanager. Also einen sehr guten Servicemanager, der den Anwalt des Kunden spielt. Dass dieser einen Unternehmer widerspiegelt und sich für den Kunden auch streiten, mit den internen Abteilungen. Diese Servicemanager müssen eigentlich die erste Eskalationsstufe sein oder auslösen, bevor es der Kunde tut und das Verständnis in den Delivery-Einheiten für den Kunden schaffen. Wenn ich das habe, dann habe ich auch einen zufriedenen Kunden. Und am Ende des Tages auch eine langfristige, partnerschaftliche Kundenbeziehung ...

Translation of I14P24L1312-1339

... I believe that we have discussed all the main points regarding outsourcing. The important thing is openness and transparency, but in the end, you need a very good service manager. A service manager who plays the "lawyer" for the client. Someone who understands her-/himself as a representative of the customer and who fights for the customer, even in her/his own company, with the respective internal departments to achieve the best outcome for the customer. She/he would be acting as the trigger for the delivery units within his company to enhance awareness for the issues of the customer. If in reality there is such a service manager working, then you have a satisfied customer because of his action and behaviour. And as a result of this, you will have a long-lasting and good working relationship with your customer ...

Summary

The data analysis substantiates the presumption that principals and agents in agency relationships in ITO believe that a higher regulation of the information exchange improves the performance of the information exchange. This results in a verification of hypothesis 4A. This assumption is based on the fact that the experts clearly state that a more regulated information exchange will improve the performance of the exchange of information as such. The influencing factor *a higher regulation of the information exchange strengthens the performance of the information exchange* underpins this assumption, because the experts declare that better regulation of the information exchange increases the outcome of the information exchange as such.

The CEM and its related content will provide the framework for optimising the connection between both aspects and will help to receive a clearer picture on this subject as well as will provide a deeper understanding of the connection between both parameters and the problems occurring from this connection. The experts support the development of the CEM and feel that it is a profound basis to assure the reduction of a direct influence of the individuals. The CEM will ensure that companies are less dependent on the behaviour of only a few individuals being in charge of the negotiations. This will enable them to focus more on robust relationship building rather than on “messing about” with their principal or agent. Further to this, the CEM will deliver a good basis to balance out the influencing factor *a higher regulation of the information exchange strengthens the performance of the information exchange* in such a manner that the exchange of information between the respective parties in agency relationships in ITO will profit from this.

With 79% out of 100%, hypothesis 4A has been confirmed, but not as strongly as the other hypotheses analysed. The results of the current hypothesis are the weakest in this respect. This is somehow perceived as a restriction, because not all hypotheses could have been confirmed at the same high level. Thus, the findings of the analysis of hypothesis 4A still indicate that for the majority of the experts in agency relationships in ITO the regulation of the information exchange with regards to how information should be exchanged between the parties leads to a better quality of the information exchange. Not all of the experts mentioned that there is a direct link between regulation and quality, but they considered at least that to some extent one influences the other.

The results reflect this kind of understanding and point out that there are interdependencies between regulation of the information exchange and its performance and/or quality. The question not answered is how strong the regulation must be to achieve the highest level of quality. This was difficult for the experts to answer, thus deriving an appropriate value is not easy to anticipate. When referring to the theoretical discussion about information exchange in Chapter 4, the results of the analysis of hypothesis 4A confirm the findings of a previous investigation (Henrich, 2011) which was focusing on the enhancement of communication and information exchange.

In this research work, a model for communication and information exchange was developed and it was also difficult to assess the level of input as in regulation versus the output and as in quality of information exchange. Irrespective of this parallel finding, hypothesis 4A contributes to existing knowledge with the fact that the dependency between both aspects has been confirmed again. The confirmation has not been based on the same hypothesis with the same working, but with similar content. Therefore, hypothesis 4A is to be seen as a stand-alone hypothesis and not a copy of an old one already being used in a previous thesis. Hypothesis 4A sheds light on future hypotheses in the area of upcoming investigations in the environment of agency relationships in ITO or even in areas not connected to ITO at all. The confirmation of hypothesis 4A and therefore the revealed option of how to enhance the respective influencing factor provide a development potential of the CEM related content which is supposed to support the mechanisms of the CEM. Its findings deliver the basis for the first pillar of the CEM and help to build the CEM in its structure.

5.5.2 Hypothesis 4B

The stronger an interpersonal bond between the interacting people in an agency relationship in ITO is, the better the information exchange between the two works.

Operationalisation

There is a strong and identifiable tendency to postulate that hypothesis 4B can be understood as verified. The reason for such an assumption is that the gathered and analysed data indicate that there are good grounds to be able to say that the verification is robust and true. As a result, it can be said that there is a valid connection between a strong interpersonal bond between people and the quality of the information exchange in agency relationships in ITO. By analogue to the process of the verification of the previous hypotheses, the question has been raised regarding which parameters must be examined to verify that a connection between the interpersonal bond and the performance of the information exchange exists and how strong the influence of such a constellation is. To gather and analyse appropriate data, a strong focus has been set towards the influence of the interdependencies between an interpersonal bond and the performance of the information exchange to be able to declare that the influencing factor *a strong interpersonal bond improves the performance of the information exchange* can be made accountable for the success of the connection between the two parameters.

Criterion for the Verification of the Influencing Factor *A strong Interpersonal Bond improves the Performance of the Information Exchange*

The influencing factor *a strong interpersonal bond improves the performance of the information exchange* is seen to be fulfilled if more than 50% of those being surveyed confirm that interdependencies between an interpersonal bond and the performance of the information exchange exist and that these have an impact on the information exchange between principals and agents in agency relationships in ITO.

Results

The analysis of the collected data has provided a clear picture about the parameters which, from the experts' point of view, are important for the development of an interpersonal bond between interacting individuals. Moreover, it has indicated the drivers and how the interdependencies between the development of an interpersonal bond and the quality of the information exchange work. For the experts, various aspects are important to receive the best constellation between the two parameters. First of all, the experts speak of the phenomenon of trust, but also of reliability, openness, communication style and the form of behaviour of individuals when they speak about the basics for the development of an interpersonal bond between individuals. For some experts, trust is the strongest aspect for the development of such a bond; for others, reliability comes before trust; and again for another group of experts openness and communication style are the essentials for the development of an interpersonal bond.

The majority of the experts agree that a good constellation between an interpersonal bond and the quality of the information exchange is vital for the relationship building between the interacting parties. A good constellation delivers the basis for the parties to allow themselves to act cooperatively and openly with the intention to conclude the contract negotiations in an appropriate manner or looking at an operational working process to a level that both parties want to continue their partnership over a long period of time. With 13 out of 14 nominations, the results of the data analysis show that the influencing factor *a strong interpersonal bond improves the performance of the information exchange* is accountable for an impact on the development of an interpersonal bond and the quality of the information exchange and the way the constellation of both aspects is balanced out between the parties.

The influencing factor has an influence on the quality of the interpersonal bond as well as on the quality of the information exchange. The experts say that the above mentioned parameters, e.g. trust, openness, communication style, etc. are interlinked. All of them have an influence on the outcome of the influencing factor and therefore are part of the overall scenario. Only when the parties are willing and able to exchange information openly and in time, then the respective relationship can grow as a result. According to the experts, people are only open for such behaviour when other parameters like reliability, punctuality, appropriate communication and a strong interpersonal bond as well as an efficient information exchange are established.

Schematical overview of the results for hypothesis 4B

Hypothesis 4B				
	Strong / Yes	Neutral / Partly	Weak / No	N / A
I 1	1	0	0	0
I 2	1	0	0	0
I 3	1	0	0	0
I 4	1	0	0	0
I 5	1	0	0	0
I 6	1	0	0	0
I 7	1	0	0	0
I 8	1	0	0	0
I 9	1	0	0	0
I 10	1	0	0	0
I 11	1	0	0	0
I 12	1	0	0	0
I 13	1	0	0	0
I 14	0	1	0	0
Total	13	1	0	0
Ratio	0,93	0,07	0,00	0,00

Table 12: Evaluation matrix for hypothesis 4B⁵²

⁵² Own source

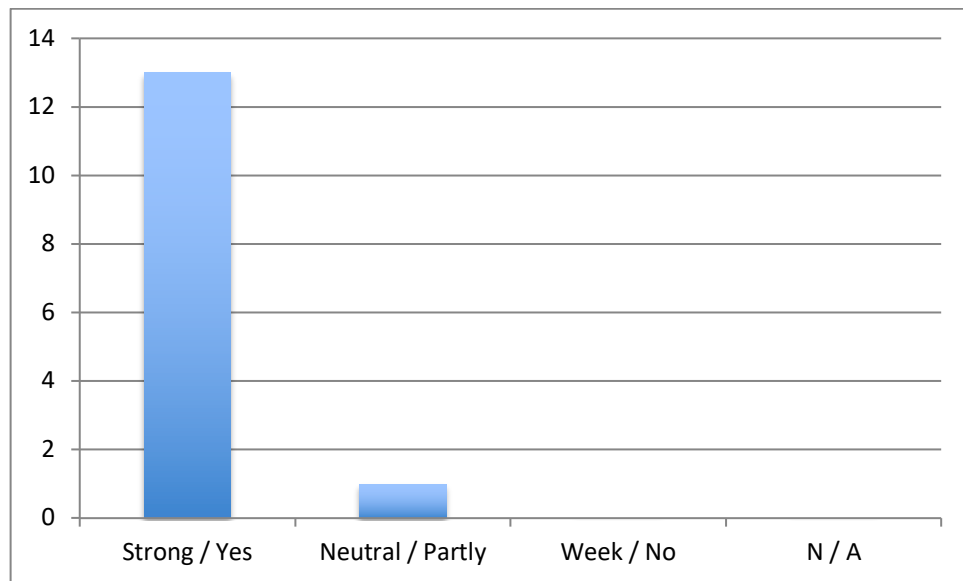


Figure 26: Graphical overview of the evaluation matrix for hypothesis 4 B⁵³

Verification of Hypothesis 4B

The results of the data analysis provide a clear picture, and therefore it can be said that hypothesis 4B is verified and the influencing factor *a strong interpersonal bond improves the performance of the information exchange* has an impact on the constellation between the interpersonal bond between the interacting individuals and the quality of the information exchange in agency relationships in ITO.

Discussion

Principals and agents are of the opinion that there is a connection between the strength of an interpersonal bond and the quality of the information exchange. The experts elucidate that this connection between the two aspects is of high importance. For them, the influencing factor *a strong interpersonal bond improves the performance of the information exchange* has a high impact on the information exchange between the parties. This gives a reason for the assumption that a balanced constellation between the two parameters guarantees an appropriate exchange of information between a principal and an agent in agency relationships in ITO. An imbalance of the two causes frictions and problems within the relationship, either right from the beginning, for instance, during the process of the contract negotiations or later during the period of the operational working processes. In either of these cases the exchange of information between the parties needs to be in order and in the right balance to ensure that firstly, the parties are willing to

⁵³ Own source

exchange information and secondly, that they are prepared to continue the negotiations with their counterpart or, if already in an operational mode, the collaboration.

The results can be taken as robust, because a vast majority of the experts sustain the existence of such a connection between an interpersonal bond and the performance of the information exchange. 13 out of 14 experts underline this statement by saying that a mismatch of both aspects will lead to conflicts between the parties. It is important to understand that the constellation between the two aspects needs to be balanced. If the interpersonal bond between the individuals is too strong, then information might be exchanged which should not be exchanged in a professional business relationship, because individuals are too close to each other and vice versa., However, if the information exchange between the parties is orientated too much on irrelevant information, then the relationship building might be at stake in the end. The experts interlink the development of a personal relationship to their counterpart with a good development of an interpersonal bond. This means that the closer the individuals are to each other, the better they can exchange information. Generally spoken, this assumption might be true and from of a human's viewpoint makes sense, but it contains the risk that the level and the strength of the interpersonal bond is difficult to define and often the fine line between both is hard to be drawn. Therefore, it is difficult for the individuals to judge whether the quality of the interpersonal bond is good the way as it is or if it might become dangerous to the relationship when they are directly involved in it. The experts state that a wrong behaviour of one of the parties can cause irritation towards the other parties, and therefore it is important that the interpersonal bond between individuals is developed carefully and in a balanced manner:

I2P11L611-617

... Wenn jetzt Verhaltensweisen dort auftreten würden, die Irritationen auslösen, dann hat das auch'n Einfluss auf den Rest oder könnte einen Einfluss auf den Rest haben? Also bei mir direkt, bei mir ganz bestimmt, ja, würde das schon das einen Einfluss haben, auf den Rest ...

Translation of I2P11L611-617

... If you faced a behaviour which would cause an irritation, then would or could this have an impact on the rest? So, for me certainly it would have, yes, that would have an impact on the rest ...

To create a good interpersonal bond between the individuals of the respective parties, the experts feel that it is necessary that both sides make an effort to communicate openly and honestly; both parties need to exchange the information which is required for the negotiation process or for the operational mode frequently and trustworthily. The better both parties exchange information at a high level, the more robust both parties can figure out what the limits of their counterpart are and how they can solve a possible mis-match between requirements of the principal and the capability of the agent. In the end, this will help to improve the interpersonal bond and thus the quality of the information exchange as well as the quality of the relationship per se. As a side effect, such an approach will support the development of trust on top of the enhancement of the information exchange and the level of interpersonal bond. The result of this is that trust itself strengthens the level of interpersonal bond between the people:

I3P11L567-575

... Und in dem Spannungsverhältnis gilt es dann, sich zu bewegen und sich gegenseitig auszutauschen. Ich hatte durchaus das Gefühl, dass auch der Prinzipal in den Vertragsgesprächen verstanden hat, wo unsere Grenzen sind. Es kommt wirklich darauf an, diese Grenzen plausibel und nachvollziehbar darzulegen und dem zu sagen, so, schau, ich sehe deinen Punkt, und da musst du hin und das wäre 'ne Möglichkeit, das andere, so wie du das formuliert hast, geht leider nicht ...

Translation of I3P11L567-575

... In this relationship of tension it is important to interact with each other. I definitely had the feeling that during the negotiation process the principal did understand where our limits were. It really comes down to the fact to explain these limits plausible and understandable, and to say, here look, I see your point, and this can be an option, but the other thing you demand unfortunately will not work for me ...

I4P20L1089-1098

... Und sich das Ding dann eben auch gemeinsam anzugucken und zu sagen, ist damit der Geist des Vertrages, wie wir den definiert haben, ist das damit abgedeckt, also wie gesagt, da eine stärkere Zusammenarbeit zu haben. Aber wie gesagt, das bedarf halt dann einer Offenheit und eines Vertrauensverhältnisses, bevor ich eigentlich was unterschrieben habe und da gibt es halt einfach die natürliche

Skepsis des Menschen, dass er sagt, ich kenn dich ja noch gar nicht gut genug, wo soll das Vertrauen herkommen ...

Translation of I4P20L1089-1098

... The thing is that both check the content of the contract and ask themselves if they can live with the spirit of the contract and feel that because of this their cooperation stands on good grounds. However, to act like this, you need to have openness and trust, because naturally humans are skeptical when it comes to get to know a new partner ...

The experts think that not only soft skills like openness and trustworthy behaviour can improve the exchange of information. A certain level of guidance on how deep, for instance, a contract needs to be discussed and designed can help to improve the interpersonal bond between the parties. With such guidance, both parties can try to bring these individuals together who are able to negotiate the contract at eye level to keep focused on the main aspects of the contract. This also helps to finalise the contract and to reduce discussions about insignificant things which themselves, once understood as not important topics for the overall contract, can cause frictions and problems between the individuals, if the respective individuals wear themselves out because of focusing too much on such insignificant things:

I5P10L550-560

... Und ein anderer wäre vielleicht deutlich buchhaltermäßig unterwegs und würde dann sozusagen das ganze Thema noch ausformulieren. Da muss man natürlich auch entsprechend einsteuern, weil dann kommt man gegebenenfalls nicht zum Vertragsabschluss. Im englischen würde man sagen, sich im Nitty-Gritty bewegen. Im Nitty-Gritty sich bewegen und am Ende des Tages sich vielleicht im Nitty-Gritty festfahren. Ja ...

Translation of I5P10L550-560

... Another person would focus more on insignificant things and would therefore overstress the content of the contract too much. Then of course you have to counteract, because otherwise you will not be able to finalise the contract in the end. In English, you would say the person has his focus too much on insignificant things and therefore will get stuck and might not be able to conclude the contract at all. Yes, I think you are right ...

For developing a good interpersonal bond between the individuals, it is important that both parties are prepared to deal with each other in an appropriate manner. This means that the individuals involved in the negotiation process must have the ability to treat their counterpart respectfully. Only with such behaviour or, in other words with such treatment, a relationship with a high level of information exchange and trust can be established, because naturally human beings tend to allow more openness towards others when they feel comfortable with their counterpart. For most of the principals and agents in ITO it is vital that both parties act on an equal level and that no party feels superior towards the other. Unfortunately, some principals interpret their role in an agency relationship only as the superior role, because in their understanding they pay the invoice, hence they can make the rules. Such constellation often ends in conflicts or even in a termination of the relationship in the end. For the experts it is also important that the individuals in charge of the negotiations “speak the same language”, technically and from their use of terminology. Only then will both parties be able to progress quickly and efficiently with the contract negotiation process:

I6P4L197-200

... Ein Vertrauensverhältnis bildet sich durch den Dialog. D.h. man kann nur, indem man sich an einen Tisch setzt und Dinge diskutiert, aber auf einer Basis wo nicht dieses Gefälle zwischen Prinzipal und Agent ist, sozusagen auf einer gleichen Ebene, Vertrauen erzeugen ...

Translation of I6P4L197-200

... A relationship with a solid level of trust is based on a dialogue. This means that only by sitting around a table and by discussing things and having an equal partnership between a principal and an agent, so to speak both are on the same level, only then you can generate trust ...

I7P5L256-260

... Für uns war wichtig, dass wir die gleiche Sprache sprechen, damit wir nicht über ein Thema sprechen, dass wir unterschiedlich interpretieren ...

Translation of I7P5L256-260

... For us it was important that we speak the same language, so we don't talk about a subject which we interpret differently ...

Principals and agents agree that the level of interpersonal bond and therefore the quality of the information exchange also depends on further soft skills like commitment and attitude. This means that both parties state that if someone in charge of the negotiations or the operational process makes an (extra) effort, this will improve the overall outcome of the project. Hence, the interpersonal bond between the individuals also depends on the activities and endeavour of sometimes only a few individuals:

I8P11L577-596

... Wo man dann sagen muss, ja, es hing von dieser Person ab, dass das so reibungslos funktioniert hat. Es ist auch in anderen Bereichen, auch bei unserem Großprovider z.B. so. Wir haben in bestimmten Teilbereichen eine Situation, dort sitzt ein Mitarbeiter, der für uns zuständig ist. Der ist nicht jeden Tag hier, der sitzt einmal die Woche hier bei uns, ist aber sozusagen unser Ansprechpartner. Der hat seinen Bereich zu 100% im Griff und ist zu 100% auskunftsfähig und treibt dieses Thema auch ganz stark nach vorn ...

Translation of I8P11L577-596

... Where you can say yes, all was depending on that particular person and this is why things were running smoothly. We have such kind of situation not only with this service provider, but also with our bigger service provider. We have, in certain areas, an employee identified from our service provider who is responsible for us. He is not in our location every day, sometimes only once a week, but in general he is the one to whom we can address our issues and needs. This person has its activities under control to 100% and is able to provide information to 100% and this results in a big advantage for us ...

I13P18L967-975

... Sie werden auch immer eins feststellen: Wenn der Servicemanager ein guter ist, kann eine gut funktionierende Kunden-Lieferantenbeziehung daraus entstehen und wenn der Vertrag betriebswirtschaftlich betrachtet auch funktioniert, dann hat man einen zufriedenen Kunden. Wenn der Servicemanager nicht mit dem Kunden kann, würde ich mal sagen, ergibt sich daraus das krasse Gegenteil ...

Translation of I13P18L967-975

... You will always find one thing: If the service manager is a good one, then a well-functioning customer-supplier relationship may arise therefrom and if the contract is considered economically to be in order, then you have a satisfied customer. If the service manager cannot deal with the client appropriately, then I would say the result is the complete opposite ...

Principals and agents anticipate that the best possible results for a robust interpersonal bond between the interacting individuals can be established when both parties work together and support each other rather than trying to take advantage of the other party. Therefore, they speak of a symbiotic character of the relationship to ensure that the relationship can grow continuously to a level where it lasts over a long period of time as a real and genuine partnership:

I11P11L585-601

... Der promovierte in Biologie, war aber in der Wirtschaftsinformatik gelandet und der hatte so eine Studie gemacht. Hat versucht, eine Vertragsverhandlung und Kundenmanagement mit Kriegsführung zu vergleichen. Wie man dort strategisch vorgeht und zu seinem Vorteil kommt. Und der hat das mit der Biologie verglichen. In der Biologie gibt's auch zwei Formen von Partnerschaften, die Symbiose und den Parasitismus. Und was er ganz toll nachgewiesen hat: Ein Parasitismus gerade dann in Lieferantenbeziehungen hat definitiv die kürzere Überlebenschance im Vergleich zu einer Symbiose ...

Translation of I11P11L585-601

... He held a doctor's degree in biology, but was working in computer science and economics, and had made a study. He tried to compare a contract negotiation and customer management with warfare. He tried to explain how companies can strategically advance to gain the best advantage for them. He tried to compare this with the conditions which exist in biology. In biology however, there are two forms of partnership, the symbiosis and the parasitism. What he really proved was: The survival chances of a parasitism in a supply chain relationship are shorter than those based on a symbiosis ...

Previously it has been said that a too close relationship level between the individuals can cause problems, because of the fact that information might be exchanged which normally would not be exchanged. On the other hand, a strong interpersonal bond

can improve the exchange of information in such a way that, for instance, informal information which is exchanged between the individuals will help to understand certain situations better, than without such information. Such information can be very helpful, but at the same time can cause a danger for the party not having it. Therefore, an interpersonal bond might facilitate the retrieval of informal information and because of this, it might be better, to a certain extent, to regulate and somehow control such information. Often it is not easy to control such information, but with the help of a structured and regulated information exchange with pre-defined content the exchange of information can somehow be contained:

I12P12L628-639

... Im nach hinein kann man das halt so identifizieren. Das war zu dem Zeitpunkt nicht klar und dementsprechend hat die persönliche Beziehung zu den Verhandlungsführern auf beiden Seiten dazu geführt, dass Informationen geflossen sind, die vielleicht normalerweise nicht hätten fließen dürfen. Informationen wie z.B. wie informelle Informationen? Absolut ...

Translation of I12P12L628-639

... Retrospectively you can say that it was not clear at the time what will happen, but the interpersonal relationship between both sides has led to the fact that information has flown which normally would not have been exchanged at all. Information such as, for instance, informal information? Absolutely ...

I13P18L957-963

... Kollege A hat ein bisschen mehr Charme und kriegt das einfach besser rüber. Hat eine ganz andere Arbeitsbeziehung wie Kollege B, der sich genauso an die Prozesse hält. Also der Faktor Mensch ist, glaub' ich im Dienstleistungsgeschäft, immer ausschlaggebend ...

Translation of I13P18L957-963

... Colleague A is a bit more charming and gets the information better across. He has a different working relationship than colleague B who just sticks to the processes the same way colleague A does. Thus, I believe that the human factor in the service provider business is always crucial ...

Summary

The results of data analysis manifest the assumption that principals and agents in agency relationships in ITO confirm that a stronger interpersonal bond between the interacting individuals improves the performance of the information exchange. Looking at this it can be said that hypothesis 4B is verified and the influencing factor *a strong interpersonal bond improves the performance of the information exchange* is responsible for a balance between the two measurable variables. The tendency is that the better the interpersonal bond is, the better the outcome of the information exchange is.

The CEM and its related content will deliver the basis for enhancing the constellation between both aspects and will help to balance out the relation between the two. Furthermore, it will be accountable for providing a clearer picture and a deeper understanding of the connection between the level of interpersonal bond and the performance of the information exchange. The experts feel that the CEM will support this balance and moreover, they anticipate that the CEM will provide a robust basis to assure that a stronger interpersonal bond between the interacting individuals will affect the performance of the information exchange positively and persistently.

93% out of 100% show that hypothesis 4B, as the final hypothesis to be analysed during the course of the present thesis, are a strong confirmation of the hypothesis as such. Therefore, the hypothesis has been confirmed on the proposed direction. Hypothesis 4B is in its verification at the same level as hypotheses 3A and 3B. Both hypotheses deal with trust, openness and transparency in conjunction with quality of contract negotiations. All of these aspects are related to a relationship between two parties and their information exchange during the course of the contract negotiation process which leads to the conclusion that a strong interpersonal bond can be understood as a mean to improve the quality and/or the performance of the information exchange. Therefore, the results of the analysis demonstrate that content has been developed which can be used for the CEM. As well as this, the findings provide a good change for a theoretical development of new knowledge. This knowledge enriches the existing knowledge in the discussion which has been conducted in Chapter 4 where dependencies between information exchange, level of trust and quality of contract design and contract negotiation have been outlined.

Further to this, the strong confirmation of hypothesis 4B also indicates that the overall research question has been considered, and even more, answers have been generated to deliver input for the conclusion that the overall research question has tackled a matter of importance. Contribution is also made towards the question on how the phenomenon of hidden actions can be reduced. When both parties feel strongly connected to each other, because their level of interpersonal bond is at high level based on the grounds that have been positively influenced by the means of the CEM and its related content, then both parties might not only try to maximise their own benefit, but are prepared to gain a mutual well-being out of the relationship as such. Hence, a strong interpersonal bond has a certain impact on the information exchange which itself has an impact on the contract negotiation process. With respect to this, hypothesis 4B as well as the other results of the analysis of the hypotheses discussed beforehand, provide the basis for the structure and the content of the CEM. Speaking of this, it is valid to state that the chosen approach of the present thesis has fulfilled the degree to which the objectives and the aim of the present thesis have been realised.

5.6 Summary of Verification and Falsification of Hypotheses

The outcome of the verification and falsification of the hypotheses shows that each investigated influencing factor has a different impact on the contract negotiation process, the development of trust and the information exchange in agency relationships in ITO. Figure 27 indicates that 86% of all investigated influencing factors have a significant or very significant relevance for the contract negotiation process, the development of trust and the performance of the information exchange.

Hypothesis	Influencing Factor	Relevance of Influencing Factor	Implication of Influencing Factor towards: Contract, Trust and Information Exchange
1 A	Hidden Actions	86%	Very Significant
1 B	Monitoring	57%	Less Significant
2 A	Regulation of Contracting to improve Information Exchange	79%	Significant
2 B	Intensity as a Factor for the Optimisation of the Contracting Process	86%	Very Significant
2 C	Regulation of Contracting as a Factor to minimise the Influence on the Interpersonal Relationship Level	79%	Significant
3 A	Willingness to Transparency and Openness depends upon the Strength of Trust between Interacting People	93%	Very Significant
3 B	A higher Level of Trust increases the Quality of Contracting	93%	Very Significant
4 A	A higher Regulation of the Information Exchange strenghtens the Performance of the Information Exchange	79%	Significant
4 B	A stronger Interpersonal Bond improves the Performance of the Information Exchange	93%	Very Significant

Figure 27: Evaluation Matrix of the Influencing Factors ⁵⁴

⁵⁴ Own source

Six percent of the influencing factors have less significant impact on these three aspects. This means that for the development of the debated model, the influencing factors have a significant or very significant impact and therefore should be considered as a foundation for the design and the content of the model. These results also provide a clear picture of the experts' opinions towards contract negotiations, the development of trust and the performance of information exchange in such relationships. The results also show that the experts believe that contract negotiations, the development of trust and the quality of information exchange are interlinked to interpersonal bonds, to a regulation of the contract negotiations and the information exchange, to the willingness to openness and transparency and to the level of trust between the respective parties. The analysed influencing factors need to be seen in conjunction to each other and not isolated from each other to ensure that the model reflects all aspects equally.

Additionally, the experts claim that rules, processes and models are relevant to control the course of pre-defined instruments, content, frequencies and responsibilities. The model can facilitate the mechanisms to improve the contract negotiations, the development of trust and the performance of information exchange between principals and agents in agency relationships in ITO as well as help to secure the interacting individuals in their scope of actions and behaviour. The model can help to reduce the risk for companies to depend solely on aspects like the interpersonal relationship of individually interacting people, due to a regulation of the contract negotiations and the way information is exchanged. The model will add value to agency relationships in ITO in a way that it will not diminish completely the options for individuals to act in a certain personal leeway, but in a pre-defined and pre-agreed matrix for behaviour to ensure that the respective stakeholders have the opportunity to act securely and with a provided guideline to negotiate a contract and to exchange information. Moreover, the model will give the individuals the chance to follow certain pre-defined rules of behaviour in such a way that the respective actors are guided through difficult situations where the quality of behaviour is immanent for the development of the relationship building. The effect of this is that the individuals in charge for the contract negotiations and the exchange of information do not have to fear that the quality of the contract negotiations and the information exchange is based only on soft skills like "the better the actors get to know each other, the better the two aspects are under control", but based on a model in which regulations, content, frequencies of the exchange of information,

responsibilities and, to some extent, behavioural rules are described and defined and which will facilitate a good outcome of the contract negotiations and the information exchange, regardless of personal preferences of the interacting individuals.

The model is supposed to counteract situations which currently exist in agency relationships in ITO where partnerships are often terminated, because of the attitude of only a few individuals involved in, for instance, the outsourcing project. By considering the structure of the model and by incorporating its content into contractual agreements as a basis to assure that not only parameters such as KPI, service level agreements, revenue, payments and other so-called “hard” figures are discussed and defined, but also “soft” skills like communication, behaviour and exchange of information which possibly add up to a stronger impact for the relationship than plain operational business figures do in the end.

The results of the investigation also highlight that contract negotiations and exchange of information need to be controlled by processes, instruments and models, because in ITO not only the function of IT infrastructure, the functioning of client terminals, databases, data warehouses, network capability and other technical parameters count, but also interpersonal behaviour and attitude, because the ITO business is still a peoples’ business. Human beings are the determining factor of the quality in an agency relationship in ITO, and this is why factors like trust, openness, transparency, behaviour and attitude are of high importance for such types of relationships. The technical infrastructure used to provide a service to a customer is only a subordinated “skill” when it comes to negotiations of new contracts or the extension of existing contracts. Therefore, the model which will be described in the following chapter, will not only improve the above described parameters, but it will also contribute to a reduction of information asymmetries between principals and agents in ITO. It will also provide options to minimise and control the phenomenon of hidden actions to improve the quality of the contract negotiations and the information exchange between the parties.

The model can be seen as an interlink between theory and practice, and therefore is understood as a guideline, providing the answer to the overall research question of the present thesis. Further to the comments made above, the outcome of the verification and falsification of the hypotheses in conjunction with the results of the data analysis show, that a solution-oriented approach being outlined by the CEM

and its respective content will support the concept of principals and agents to increase their agility and flexibility as well their ability to provide services to external partners. The general approach of the present thesis provides a solution for the lack of methodological details shown in many other research approaches and enhances the opportunity for principals and agents in agency relationships to quickly find together, to be able to start their upcoming relationship at maximum speed thereby not wasting time, because of having intercultural and interpersonal differences and dependencies. The present approach can be scaled up to a whole company, even if only a few people are involved into the contract negotiation process. The primary distinction between existing approaches and the approach of the present thesis is as much a functional one as it is a methodological one, because the present approach tries to tie in at the very beginning of an upcoming relationship during a time where two potential partners are in the process of making the decision to work together.

Other measures to find out if the potential partner is the right one have been described in the chapter on “agency theory”, addressing the selection and decision-making process differently. It is not to say that these approaches are touching the issue wrongly, but differently which makes the present approach new and unique. The present approach can be seen as some kind of formula that is in its structure and type of functioning very effective to construct a model in a business area which is driven by people’s activities and attitude. Hence, both aspects can be reduced to a certain point without inflicting the acting individuals to many restrictions to behave as human beings. Such a business, as outsourcing is generally understood, cannot be driven only by processes, because it is a people’s business in the end. The present approach provides enough leeway in the choice of functional activities and actions, but does not allow too much dissipation of self-realisation and self-esteem of the acting individuals. The chosen approach that is seen to be the foundation of the present thesis delivers a proof of concept prototype which results in the CEM and its related content.

The CEM can be taken as a guideline to principals and agents to implement the right structure from the beginning of an upcoming agency relationship. The CEM allows the respective individuals involved in the negotiation process to specify their ways of communication, exchange of information and type of negotiation path they want to walk on. The CEM can be used in several ways and agency relationships and by using the CEM, the model itself becomes more and more robust and

proposes a sound structure that still allows enough space for improvement in future. Because of the CEM and its related content that is understood as a contribution to generate new knowledge for theory and practice, the present thesis discusses a new approach which can be embedded into the general discussion of negotiation literature, because it delivers new insights into the way negotiations are conducted between principals and agents in agency relationships in ITO. This is due to the fact that both parties are given pre-defined instruments and content that can be used to enhance the negotiation process from the very beginning. By using the pre-defined content and instruments, both parties are obliged to act in a manner that makes the companies less dependent on individuals on the one hand, but on the other hand forces individuals to act fairly and impartially in situations where it is necessary to make a decision on issues in which both party's interests may not coincide completely. Therefore, the present thesis and its related content is understood as a basis to agree with existing negotiation literature, but at the same token it does enhance previously generated and conducted approaches with a new methodology and outcome.

Because of this, it fits perfectly well into the world of IT and outsourcing, especially where changes in IT are seen on a daily basis, based on new technology inventions considering an enhancement of existing IT solutions. Finally, it can be summarised that all hypotheses of the research work were validated by a thoroughly conducted analysis. The conclusions derived from the analysis are based on the results of the validation. The hypotheses of which the author of the present thesis had expected that feasibility will contribute to positive effect towards the course of the development of the CEM. Furthermore, it is to say that the results of the hypotheses analysis will significantly influence the meaningfulness of the CEM and its related content. Thus, it is perceived that influencing factors can be enhanced by the CEM and its related content to allow a better contract negotiation process between principals and agents in agency relationships in ITO.

6 The Contract Enhancement Model (CEM)

6.1 Introduction to the CEM

As discussed in the previous chapters, contract negotiations, trust and information exchange in agency relationships in ITO are interlinked to the investigated influencing factors. This causes the effect that principals and agents are not able to take full advantage of their economic potential in the respective relationships if these three aspects, in conjunction with the analysed influencing factors, are not balanced appropriately, and therefore the maximisation of a joint well-being remains limited. Presenting the CEM and its related content starts with the above mentioned problem. The CEM provides an opportunity to enable the respective parties to gain such joint maximisation by explaining how and why different influencing factors depend on each other. The interviewed experts, both on principals' as well as on the agents' side, expressed the ability to understand these dependencies. They were able to evaluate the background of appropriate recommendations for the practice. The CEM with its structure and content contributes to scientific research and provides new knowledge to theory and practice.

The following chapter is divided into sub-chapters in which the CEM is introduced, the structure described, the content outlined and the operational mode explained. To start with the introduction of the CEM, it is necessary to review the existing results. As indicated in Chapter 5, the results of the qualitative survey show that an interpersonal relationship level, an interpersonal bond, the willingness to openness and transparency and the existence of trust are strong influencing factors according to the experts who have been interviewed. Therefore, without an appropriate balance of these influencing factors a relationship between the respective parties might be difficult to be established appropriately by looking at the goal to enhance a mutual, joint maximisation of interest for both parties. All factors provide fundamental conditions to ensure that a cooperation between the two parties in agency relationships in ITO can be established and maintained.

With regard to the overall research question, the course of the thesis has been aligned to a further question which itself focused on the impact on contract negotiations, the development of trust, the performance of information exchange as well as the effects of hidden actions, and how these aspects can be improved to achieve an overall enhancement in agency relationships in ITO. The verification of the derived hypotheses has shown that in this context nine influencing factors are

to be improved to influence positively the course of the contract negotiations, the development of trust and the performance of the information exchange in agency relationships in ITO. An enhancement of these nine influencing factors can provide a foundation to solve the negative effects of the phenomenon of “hidden actions” by reducing their impact and by controlling the development and utilisation of asymmetric information. These nine influencing factors if appropriately enhanced influence the development of a long-lasting relationship between two parties.

From these nine influencing factors eight are mostly considered to be improved to reduce the phenomenon of “hidden actions”. An enhancement of the eight influencing factors provides the grounds for diminishing information asymmetries or, at least, ensures that these are kept at a minimum level. To receive a better understanding of which influencing factors are classified to which group and which factors need to be enriched to achieve an enhancement for the other factors, the following categorisation will draw a picture on this subject. At first, four factors have been determined which can be directly enhanced by the CEM. An improvement of these will have an effect on the influencing factors of the other two groups/pillars. The categorisation of the influencing factors does not imply a ranking of the factors. The influencing factors are not categorised based on the assumption that each factor is better or worse than the other. The categorisation focuses on the aspect on how a factor can be enhanced to have a positive influence on the others. To start with an explanation, it is assumed that an improvement of the influencing factors placed in group two and three depends on an improvement of the influencing factors in group one. The influencing factors have been “converted” into the matrix and consequentially in the content of the CEM. They have only been adapted in their description, but not in their original content and meaning. The conversion and adaption have been conducted to ensure that the content of the CEM is described in a more precise, but short manner not overloading the CEM in its structure and wording. Figure 28 shows the translation and adaption of the influencing factors into the matrix of the CEM:

Influencing Factor discussed in Text	Group	Influencing Factor described in Model
Monitoring.	1	Usage of Monitoring versus Usage of Incentive Scheme.
Regulation of Contract Negotiation to improve Contractual Content and Information Exchange.	1	Regulation of Contract Negotiation to improve Contractual Content and Information Exchange.
Controlled Contract Negotiation as a Factor to Minimise the Influence on the Interpersonal Relationship Level.	1	Control of Contract Negotiation through Processes and Instruments.
A higher Regulation of the Information Exchange strenghtens the Performance of the Information Exchange.	1	Regulation of Information Exchange.
Intensity as a Factor for the Optimisation of the Contract Negotiation.	2	Interpersonal Relationship and its Impact on Contract Negotiation.
A stronger Interpersonal Bond improves the Performance of the Information Exchange.	2	Better Information Exchange through better Interpersonal Bond.
Willingness to Transparency and Openness depends upon the Strength of Trust between Interacting People.	3	Higher Willingness to Transparency and Openness through better Level of Trust.
A higher Level of Trust increases the Quality of the Contract Negotiation.	3	Trust as a Basis for the Optimisation of Contract Negotiation.

Figure 28: Matrix of categorisation of the influencing factors⁵⁵

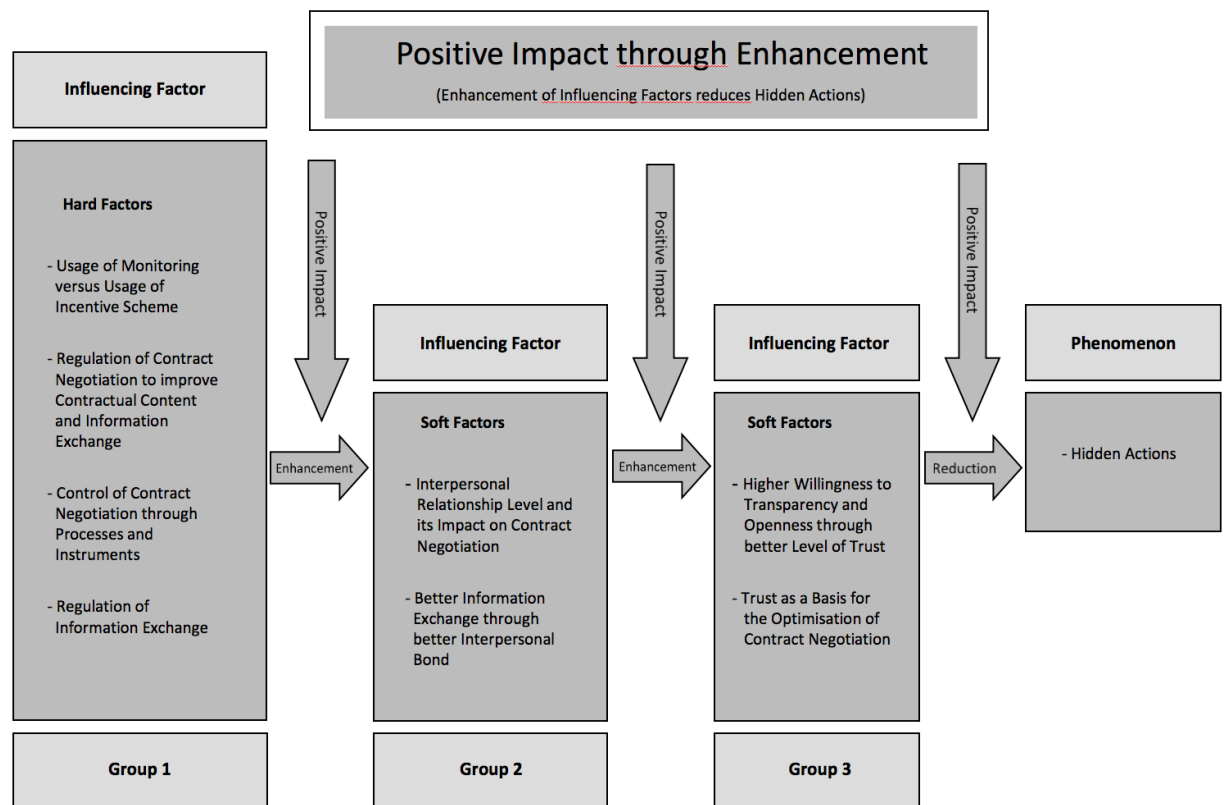
The influencing factors of group 1 are understood to be factors for which improvement can be made directly, effectively and efficiently to obtain appropriate results. It is difficult to describe the direct means for enhancing an interpersonal relationship level and its success, because an interpersonal relationship level is a result based on individual behaviour, interaction between individuals, quality of information exchange, manner of negotiation and level of trust between the respective parties during the contract negotiation process. Hence, mostly an improvement of the influencing factors of group 1, the so-called “hard influencing factors”, can cause a change and enhancement of the subsequent influencing factors in the other two groups. Therefore, the CEM reflects a so-called “step-by-step-and-build-on-improvement-plan” with which the influencing factors of group 1 are improved to enhance the influencing factors of group 2, and thereafter the influencing factors of group 3 to obtain a positive impact on the phenomenon of “hidden actions”. As a result of such a “step-by-step-and-build-on-improvement-plan” the occurrence of the phenomenon of “hidden actions” can be controlled and obliterated to a certain extend.

⁵⁵ Own source

The following list shows the so-called “primary” or “hard” influencing factors of group 1 which are supposed to be improved directly by instruments, regulations, rules, processes or tools:

- Usage of monitoring versus usage of incentive schemes.
- Regulation of contract negotiation to improve content in contracts and information exchange.
- Control of contract negotiations through processes and instruments.
- Regulation of information exchange.

The discussion in the beginning of this chapter outlines the influencing factors “relationship level”, “interpersonal bond”, “willingness to transparency and openness” as well as “trust” and defines them as so-called “secondary” or “soft” influencing factors. According to the experts, these influencing factors are as relevant for the course of the relationship building between the parties as the so-called hard ones. As described, their improvement depends on the enhancement of the primary influencing factors. Therefore, the CEM focuses on three groups of influencing factors and describes their content to deliver the means for an overall improvement of the level of quality of the relationship between the parties and, in particular, to provide a foundation to minimise the phenomenon of “hidden actions”. Beyond the improvement of the influencing factors, also other means like e.g. tools, instruments, rules, pre-defined text modules and glossary can steer the attitude of the individuals in the respective parties in agency relationships in ITO when it comes to delivering content and contribution to the contract negotiation process. For instance, such a mean can be a so-called contract negotiation matrix, as shown in Figure 29. Such a matrix will be described at a later stage during the course of the present thesis.

Figure 29: Structure of the CEM⁵⁶

6.2 The Structure of the CEM

The CEM follows the structure of the communication model developed in 2011 by the author of the present thesis, but it is unique in its effects towards the influencing factors discussed and is supposed to be improved by the CEM and its related content. The CEM contains four pillars, or silos, that include the influencing factors which have been evaluated by the means of the theoretical foundation and the analysis of the data generated by the expert interviews, and also by the analysis of the hypotheses. The mechanism behind the CEM is built on the above mentioned approach of a "step-by-step-and-build-on-improvement-plan". This means that by enhancing the influencing factors in the first left pillar/silo (group 1), and thereafter of the middle pillar/silo (group 2) and after that the second, of the right pillar/silo (group 3), the CEM provides interacting parties in ITO the opportunity to build the relationship with their counterpart differently than they might normally do. The positive effects accelerate the overall impact caused by the enhancement, but they also influence the other influencing factors positively. These effects deliver positive content to the overall process, but also provide a confirmation that the enhancement

⁵⁶ Own source

of, for instance, group 1 (first pillar/silo, hard factors) contributes to group 2 (second pillar/silo, soft factors) and the related enhancement of group 2 contributes to group 3 (third pillar/silo, soft factors). The emerged positive impact based on continuous enhancement which is to be understood as an overall umbrella for all pillars/silos, aids to reinforce the enhancement of the pillars/silos of group 1 throughout to group 3.

At the end of the so-called “enhancement chain”, the phenomenon of hidden actions can be reduced. This is seen as an influencing factor, too, when talking about the opportunities to improve the relationship building between two parties in ITO. On the other hand, this enhancement is rather based on the enhancement of the other influencing factors than on a direct improvement through content, processes or instruments. Therefore, this is an influencing factor as well as the objective that has been analysed and that is supposed to be improved. With respect to developing a mitigation measure for hidden actions to contribute to existing knowledge and previously developed other means, a reduction of their potential by the CEM and its related content is something new. Later in the present thesis, this argument will be underpinned with further content and further discussions. The layout of the CEM or, in other words, the CEM's labelling follows a defined pattern which had also been used for the development of the communication model in 2011.

The positive results of the previous model and its structure have encouraged the author of the present thesis to develop the CEM in a similar manner, but focused on a different research field and business area. To ensure a certain recognition value, the labelling of the CEM has been created in the same style and therefore needs to be described here to offer the reader a better understanding of the structure of the CEM as well as of the underlying idea. Another reason why the CEM has been designed similarly to the communication model of 2011 is that the author wants to encourage firms which are in the process of starting a relationship with a new partner to use both models to cover the greatest area of improvement potential right from the beginning.

6.2 Enhancements provided by the CEM

The structure of the CEM shows the options for improving the influencing factors to minimise the phenomenon of “hidden actions”. The underlying knowledge for defining these improvement options has been extracted from the analysis. When following the experts' statements in real life, the contract negotiation process is not

defined at all. This situation causes the effect that contract negotiations between two parties in ITO only focus on economic targets for each of the parties. Hence, both parties do not consider a joint well-being to be developed when the contract negotiations begin. Both parties understand common rules and the way of contract negotiations as they are conducted today, because of already having conducted many of them, thereby only focusing on the maximisation of their own benefit. They know which economic key parameters are relevant for them, but do not see the potential for concluding a contract based more on the grounds of a mutual agreement to maximise a shared well-being for both. Therefore, the underlying idea of enhancing influencing factors to receive a better level of relationship can be interpreted as the foundation to generate new knowledge in view of a scientific discussion. This is especially important for the operational level which is usually responsible for the course of a contract negotiation and the related exchange of information.

For the operational level which is responsible for developing the relationship, operational targets are more interesting than a strategical planning of the relationship, and therefore often guidance on how to set up an appropriate relationship is not defined, and hence does not exist. The experts confirmed that in practice individuals come together and start with the contract negotiation process without having a guideline on how to proceed in a way that both parties are able to maximise a joint benefit as the strategic goal. The course of the contract negotiation process, the way on how individuals behave towards individuals of the other party, the way of information exchange in general and the common negotiation attitude are based on the credo "it comes as it comes", and not in such a manner that both parties define how they want to act and how they want to overcome conflicts and problems during the contract negotiation process. As mentioned before, very often they act without having agreed on rules and regulations. This might have the effect that the relationship cannot be started in the first place or the relationship is somehow contradicted by the so-called "human chemistry level" before it even starts. The CEM and its related content give guidance to both parties and enable them to go through the contract negotiation process easier.

It provides both parties the opportunity to develop a trustful, robust and appropriately defined relationship from the beginning. The results of the data analysis show that the experts are of the opinion that an interpersonal relationship level is highly relevant in order to ensure an appropriate exchange of information and enriches the

contract negotiation process between the parties. The interpersonal relationship level is also to be seen as an important function in terms of establishing trust between the parties. The CEM reflects this outcome and considers the respective factors in terms of an improvement potential towards the overall subject, to suggest enhancement solutions for the contract negotiation process and the information exchange between principals and agents in ITO.

6.3 Enhancement Potentials generated by the CEM

6.3.1 Enhancement of the Influencing Factor „Monitoring“

The analyses of the results show that the experts assign a significance to the influencing factor “*usage of monitoring versus usage of incentive systems*” as being “translated” for the content of the CEM. With over 57% of the experts confirming this significance, this influencing factor has a very strong impact on agency relationships in ITO. Although this result is at the lower end of the measuring scale, it appears that it has an effect on the relationship building between principals and agents. Usage of monitoring takes place in the majority of the agency relationships in ITO, mostly conducted on the basis of monitoring and analysing KPI which are defined in the respective outsourcing contracts. In many cases, the scope of the monitoring is extended beyond the control of such KPI, because principals often tend to mistrust their agents, for instance, in the beginning of a relationship and therefore rather prefer monitoring than using incentive schemes to align the interests of both parties.

In existing agency relationships, and therefore after the contract has been concluded, it can be seen that the role of monitoring is sometimes replaced by mutual behaviour or even by some kind of incentive scheme. Instead of focusing on monitoring, both parties pursue a mutual relationship development as long as the overall KPI that are defined from each party to be achieved match the anticipated outcome of the project. This kind of change of strategic goal definition might be based on the fact that both parties recognize that the partner is acting liable, and therefore trust is developed between the parties.

In relationships where monitoring is still the primary tool to control the agent, the principal tends to provide the working tools to the agent. Both parties have access to these tools, but the principal is the only one allowed to evaluate the performance of the agent. This gives her/him full control over the agent. Furthermore, the principal holds the data sovereignty on her/his side and therefore does not depend on the agent with which she/he has an ongoing business relationship. Such principals have

developed these tools, because they have experienced pitfalls with their agents in the past. Nowadays, some of the agents offer such tools, too. The reason for this is that the agents want to differentiate themselves from their fellow competitors in the market. By providing such tools, they want to add value to their service portfolio. Principals might feel that they do not have to provide anything and therefore anticipate that their outsourcing goals are achieved much quicker and with a lower set up costs.

Further to expanding their service portfolio, agents want to present themselves as transparent as possible by providing the above mentioned tools, because principals have full access to these, and can therefore better evaluate the performance of the agents. The agents provide full transparency, but also underpin that transparency as such is not only a phrase mentioned towards the other party, but is a positive attitude. Nonetheless, such tools offer principals the possibility to feel that opportunistic behaviour on their agents' side might be reduced, because the principals are able to judge on the agents' performance. As a result of having full access to these tools, principals can trace which information is exchanged or provided by their agents. This limits the opportunity of the agents to keep information to themselves and therefore reduces the maximisation of their own well-being or the utilisation of asymmetric information during the contract negotiation process. This option is given when both sides agree on which information has to be exchanged over these tools, to which time and frequency and by whom. The downside is that information exchange is structured and controlled and therefore agents are no longer able to restrain information, agents seek other ways to maximise their own benefit. This can result in conflicts, which can have a negative impact on the relationship. These conflicts could finally result in stopping the contract negotiation process and therefore in a non-developing relationship or, if a relationship might already exist, in a termination of this. Looking at the agents' perspective, the evaluation of the data indicates that most of the agents prefer the usage of incentive systems rather than the usage of monitoring. The agents expect parity with their principals of the utilisation of incentive systems, particularly in view of information exchange, because, for their understanding, principals also keep information to themselves to use asymmetric information to maximise their own profit.

However, the preference towards using incentive schemes is not only expressed by the fact that information is exchanged equally, it is also based on the fact that agents do not understand themselves purely as so-called "deliverer or plain service

provider”, but they understand themselves as partners, and thus at eye level with their principals. Despite the fact that in some agency relationships there are already incentive schemes, none of these focus on the course of negotiations or how the exchange of information is conducted. As discussed previously, both parties mostly focus on economic parameters such as bonus payments for individuals or for the agents, if they over-perform in their required task fulfillment. Thus, incentive schemes which not only focus on such parameters, can help to improve the relationship building between principals and agents, and furthermore they can help to achieve an improved negotiation process as well as a better information exchange which can then be interlinked with a better interpersonal relationship level.

It can be concluded that currently used incentive schemes exclusively pursue economic interests, but do not aim at improving the negotiation process and the exchange of information. This can be countered if, prior to a developing agency relationship, incentive schemes are described and defined to steer a positive impact. It is believed that with these types of incentive schemes situations can be resolved in which both parties only try to maximise their own benefit. To have such incentive schemes in place, both parties need to agree on content, rewards, frequencies, rules, responsibilities and time of implementation. For example, one parameter to be incorporated into such incentive schemes could be the on-time delivery of requested information. With such a parameter included in an incentive scheme whose general set up is agreed by both parties, monitoring could be pushed back to some extent causing a new situation in which both parties rather work with an open communication and behavioural rules instead of providing information only piece by piece. With such a relationship beginning, both parties might receive an easier, faster and more robust cooperation amongst them, with the effect that both parties work equally together at eye level supporting one another like they would work in one company.

6.3.2 Enhancement of the Influencing Factor “*Regulation of Contract Negotiation*”

The experts assign a high significance to the second influencing factor “*regulation of contract negotiation to improve contractual content and information exchange*”, as shown in the CEM. With over 78%, the experts declare that this influencing factor has a very strong impact on agency relationships in ITO. It can be enhanced by the CEM and its related content in such a way that a better regulated contract negotiation will improve the contractual content as well as the information exchange during the time of negotiation and thereafter. An enhancement of this influencing factor will make a major contribution to the quality of contractual content and to the exchange of information between principals and agents in ITO, thereby reducing the amount of information asymmetries and opportunistic behaviour.

Outsourcing contracts between principals and agents in ITO are often concluded with a superior position of the principals over the status and position of those of the agents, because the commonly held opinion of conducting outsourcing is expressed in such a manner that the principals understand themselves as the customer, and therefore in a better, higher position than the agents who themselves are only “deliverer or plain service provider”, and are deemed to be inferior. Under such terms, the evaluation of a cooperation in view of an economic benefit for both parties is hindered and not open for an equal discussion. Moreover, it depends on subjective anticipations of what the agents might be able to deliver, but only in the sense of being “deliverers”, but not partners at eye level. As discussed in chapter 2, outsourcing contracts in agency relationships in ITO can be assigned to the scientific field of incomplete contracts, and therefore may be drafted under the terms of such classification. The aim of incorporating rules into the contract negotiation process to improve contractual content and information exchange is based on the idea that a foundation is established in which procedures are incorporated from top-level to any operational level below top level. A positive effect of such method is that a regulated contract negotiation process helps to structure and enhance the contractual content and the information exchange in the way of pre-defined text modules, usage of a glossary to provide a common understanding of terminologies and by defining timing and channels of information exchange, as well as by describing and defining “Do's and Don'ts”. This not only provides the basis for improving the contract negotiation process as such, it also enhances the course of how individuals work together at a very early stage of cooperation.

With the introduction of regulations to the contract negotiation process, an awareness of key aspects is created which helps the individuals in charge of the contract negotiations to focus on a joint benefit and outcome of the contract negotiations. Regulation of the contract negotiations as such provides the basis for this anticipation, because the respective input for the contract is pre-agreed and pre-defined. Thus, the quality as well as the functioning of the contract negotiation process is not only determined by the behaviour of the respective individuals. Furthermore, the contract negotiations do not start purely on the basis of a “just-grown-together-construct” being built on a certain level of an interpersonal relationship level between the individuals, but based on clear rules of actions and content which has been mutually agreed by both parties. An important effect of an improved contract negotiation process is the reduction of asymmetric information, and thus a potential to counteract opportunistic behaviour. Better regulation of contract negotiations provides further options such as reciprocal altruism and commitment. This results in a stronger reduction of asymmetric information, because both parties are aware of the fact that with regards to a functioning contract a regulation of contract negotiations is fundamental, and therefore the only way to improve the overall goal for both parties. The incorporation of regulations to the contract negotiations is an important trigger to improve the discussed influencing factor. The result is that regulation of contract negotiations supports such recommended course of actions for the future. It helps to take into account permanent regulation of contract negotiations between principals and agents in ITO in general. If agency relationships are based on such contract negotiations in future, the contractual content and information exchange are enhanced in such a way that this will generate a joint benefit for both parties. Another outcome of such action will be that, on the one hand companies make themselves more independent from the individual behaviour of people being in charge for the contract negotiations, and on the other hand firms make themselves more independent of the quality of the interpersonal relationship level between the interacting individuals. A final result of this contract negotiations in a developing cooperation can be set on an optimal path right from the beginning by creating a better joint benefit for both parties rather than having a single party only focusing on its own well-being.

6.3.3 Enhancement of the Influencing Factor “*Controlled Contract Negotiations*”

The third influencing factor “control of contract negotiations through processes and instruments” as being “translated” into the matrix of the CEM, has been assigned with a high significance by the experts. Over 85% of the experts state that this influencing factor has a very strong influence on the level of agency relationship building in ITO, and therefore its significance has been proven accordingly. The CEM and its related content support the enhancement of this influencing factor in such a manner that better control of contract negotiations through processes and instruments will ensure that the dependencies of firms of an interpersonal relationship level can be minimised. Enhancing this influencing factor will contribute to the overall subject such that it becomes accountable for a long-lasting joint benefit for principals and agents in agency relationships in ITO.

As mentioned above, the verification of the hypothesis shows that the experts ascribe a significance to the influencing factor *control of contract negotiation through processes and instruments*. In their view, different approaches and options for managing the contract negotiations can be pursued to overcome the overall issue of dependencies for companies arising from the behaviour of their individuals. For the experts, it is not primarily a solution only to describe and to define such control measures, but for them it is also important to have processes and instruments in place that support the strategy of the enhancement of the contract negotiations. Therefore, descriptions and definitions that are developed and implemented are not the only option to enhance this influencing factor. For improving this influencing factor it is also immanent to have a function implemented which controls, manages and bundles the contract negotiations.⁵⁷ Furthermore, it is vital to incorporate a matrix which shows, as a process supporting instrument, how the execution of the contract negotiation process is progressing and how the exchange of information is maintained to support the defined and implemented processes and instruments.⁵⁸ Both aspects will be discussed in the course of this chapter. Processes and instruments will provide a significant contribution to describe and to define the way contract negotiations are conducted. They can be interpreted as a sustainable

⁵⁷ In the course of the present thesis, the function that will manage, control and bundle the contract negotiations will be abbreviated with FCN.

⁵⁸ The matrix which illustrates the way contract negotiations and exchange of information are conducted will be abbreviated with MCN.

improvement procedure which guarantees a long-term enhancement for agency relationships in ITO.

Processes are measures that trigger downstream events. Instruments are options to facilitate and support the activities of such processes. Means, processes and instruments are affecting one another because of their interactions which is why they act in direct interdependency to each other, because both are influencing each other. The description of processes for outlining the course of the contract negotiations, combined with the Function for Enhancing the Contract Negotiations (FCN) allocated to that process and the Matrix for Enhancing the Contract Negotiations (MCN), are assigned to the terminology of instruments. Along with this categorisation, the details and content of the FCN and the MCN will be described in the following sub-chapters. However first, the process that optimises the conduction of contract negotiations between principals and agents in ITO will be described.

6.3.3.1 Description of the Process for Enhancing the Contract Negotiations

In order to enhance contract negotiations between principals and agents in agency relationships in ITO, a process should be described in detail as a first step to offer both parties a clear idea of how the contract negotiations and the exchange of information between both parties are supposed to be conducted.⁵⁹ The Process for Enhancing the Contract Negotiations (PCN) and its content, as described in the present thesis, have not been incorporated into previous contractual arrangements between principals and agents in ITO. A new agency relationship in ITO is mostly based on the fact that an agent takes over activities from a principal.

The performance of task fulfillment is mainly measured by KPI which are discussed between the parties and incorporated into the contract. The PCN provides clear rules and regulations for the conduction of contract negotiations and for the exchange of information. As a result of this, both parties receive guidance on how to deal with their counterpart and how to negotiate the respective contract in an appropriate manner. This procedure provides assistance for both parties, and therefore contract negotiations are not only solely based on the quality of the interpersonal relationship level between the individuals. Hence, it is important to describe not only the content of the PCN including the way information is exchanged, but also further aspects which are related to this process such as frequencies, timelines, tools and media which are provided to both parties for

⁵⁹ The respective process will be hereinafter called PCN.

exchanging those information which have a direct impact on the contract negotiation process.

The CEM considers such content has been generated by the analysis of data, and incorporates this content into its structure. Due to having a vast amount of different tasks in ITO that are transferred from principals to agents, the CEM cannot cover all of these with its content and structure, whereas the CEM only understands itself as a guideline or master-guidance for the respective parties in ITO. It delivers the basis on which adapted processes can be developed and settled between the parties.

Within the framework of the CEM, it can be presumed that both parties are able to adjust the scope of their topics according to their requirements, but in general the CEM provides a mandatory structure and guideline for the conduction of contract negotiations and the exchange of information to be used by both parties. In this context, it is important that both parties mutually agree on such actions before continuing with the contract negotiations to assure that both parties have the same understanding regarding the PCN, the information exchange and the anticipated outcome.

Focus needs to be applied to a minimisation of obstructions, as these might occur due to individual behaviour, feelings or preferences. As discussed in Chapter 2, Meuser and Nagel state that most of the information exchange is conducted at an operational level, the so-called second or third management level within the hierarchy structures of firms. This proposition has been reflected in the CEM and the description of the respective processes. Assuming that board members and senior management barely negotiate a contract and only intervene in the contract negotiation process when serious escalations occur, the focus of the enhancement is set towards middle management, the top operational level and the project management level. The experts award these levels an exceptional role and impact on the agency relationship building level in ITO. The results of the data analysis brought forth that the project management level, for instance, is responsible for contract negotiations to some extent, but also for the information exchange between the parties, on top of their main tasks of steering the operational business requirements. Some of the experts have stressed this point and said that for a good contract negotiation process this interdependency should be dissolved to guarantee that contract negotiations in general are pre-discussed at a different level to separate interests between, for instance, sales and operations. This can only be

done when regulations and rules for the contract negotiation process are defined to provide guidance for all involved individuals.

6.3.3.2 Description of the FCN

The FCN needs to be “freed up” from operational tasks as long as the contract negotiations are conducted to have full concentration on the quality and the outcome of the contract negotiations. The analysis of the interviews brought up that the experts wish to have such a function implemented according to its availability and along an existence of an appropriate skill profile to ensure that the right person is doing the right job. Some of the experts raised concerns about the ability to find the right candidate for this role, but agreed that after selecting such person according to pre-defined requirements an implementation of such function is vital for a positive outcome of the contract negotiations. The suitable person needs to match the requirements and on top this person needs to be have been working in ITO for recent years to have gathered knowledge and to have developed an appropriate attitude technically spoken and with regards to treating its counterpart accordingly. In view of this, some of the experts have set such attitude equal with a general behavioural attitude and the ability to understand contractual discussions. The closer this match between requirements and the ability of the respective person is, the easier the function can be filled with an appropriate candidate.

To generate a match between both parties with regard to the right candidates, both parties should aim to select the respective candidates jointly in the sense that the other party is introduced to the person and its skills with the chance to agree to the selection of this person and vice versa. The introduction of a FCN guarantees the principals and agents in ITO that they comply with pre-defined and pre-agreed regulations being important for contract negotiations and the information exchange, because both parties are obliged to provide a person for such a function. In practice, a certain number of principals and agents have already such functions in place. These are called *Service Manager*, *Customer Interaction Manager*, *Customer Engagement Manager*, *Service Delivery Manager* and so forth, but all of these functions rather focus on the operational handling of an outsourcing account instead of looking at the way contract negotiations are conducted, guided, managed and kept under control to create a positive outcome and benefit for both parties. In such cases where functions like a *Service Manager* or others are already implemented, an extension of the job description in combination with a reflection of what has been proposed in conjunction with the content of the CEM can assure that principals and

agents in ITO are on the right path for future cooperations and for a high level of agency relationships with defined regulations for contract negotiations and information exchange. Such "facilitators" can contribute immanently to an agency relationship by enhancing the contract negotiations and the exchange of information.

With respect to their organisational positioning, a FCN can be subsumed under the terminology of processes, but in the same time it can be assigned as well to the terminology of instruments because of its strategic and operational significance. The tasks of the FCN are outlined as follows. The FCN is responsible for collecting, processing, bundling and distributing information within the information exchange between the parties and at the same time the FCN controls and manages the individuals involved in the contract negotiations in such a manner that both parties maximise joint benefit. Ideally, both parties understand a FCN as an interface between the respective parties placed at each side of the negotiating "tables". Although the experts afford a FCN great importance, in practice it is seen that such a function is normally rated on the low end of the scale and not given the right priority because of various reasons.

Both parties rather risk damages to their relationships because of not having installed such function or because of cost parameters caused by such function, then re-thinking the value of such a function with its positive effects towards the contract negotiations and the information exchange as well as for the respective benefits coming with it. In practice, the responsible individuals for contract negotiations and the flow of information often act far beyond their own area of actions and ability with the result that the contract negotiations cannot be concluded as efficiently as they could if the right parameters and definitions would be in place. Stressing this point, agency relationships in ITO are still "grown-together-constructs" with regard to the conduction of contract negotiations and information exchange rather than pre-defined, organised, structured and well-performing working units. To generate the best outcome of such a FCN, it needs to be indicated that a FCN must have clear defined responsibilities and plans as well as better rules of actions to ensure an appropriate outcome. This assumption goes further than the anticipation that such a FCN needs to only have good negotiation and communication skills to act effectively and efficiently.

Besides the discussed positive effects of a FCN, this function offers further benefits for both parties, such as:

- Reduction of frictions caused by a missing “human chemistry” between the individuals.
- Definition of clear rules of actions as well as clear outlined expectations of a FCN.
- Reduction of conflicts due to a better transparency.
- Reduction of conflicts due to defined rules for behaviour and information exchange.
- Reduction of the dependency from information that is only provided voluntarily by both parties and therefore only available at low quality and level.
- Reduction of usage of asymmetric information and therefore minimisation of opportunistic behaviour.

In summary, the importance lies in the fact that processes together with related instruments are implemented to guarantee that contract negotiations and information exchange are enhanced to provide a better outcome for both parties. The following sub-chapter will discuss the instrument to be defined and implemented to support the above described processes in their quality.

6.3.3.3 Description of the MCN

The MCN is a matrix which defines the allocation of responsibilities and channels for exchanging content which is relevant for the contract negotiations. In principle, it is the establishment of rules and regulations for the contract negotiation process and for the information exchange. The MCN provides a clearly defined way how contract negotiations between different hierarchical levels on both sides are conducted, providing the individuals being involved in the contract negotiation with a clear “map” on how to exchange information and therefore how to proceed with the contract negotiations as such. The individuals receive some level of safeness, because they know which information needs to be exchanged with whom and to whom they can talk if the contract negotiations get stuck.

Both parties announce a name to the respective function, and these are responsible for the progress of the contract negotiations at their hierarchical level. If they do not

receive feedback or if the counterpart at the same hierarchical level does not act or react, they can “escalate” their issue to the next higher level. Therefore, information exchange as well as the course of the negotiations are not obstructed by personal issues or by situations in which one side tries to “play” with the other side. For instance, if there is an escalation arising which is caused by the behaviour of certain individuals, then the counterpart on the other side does not have to search for somebody to contact and therefore wastes time by doing so and to find a solution to de-escalate. This individual can act immediately and will be able to find a quick resolution for the escalation or the problem. Therefore, the MCN can be understood as a measure to act promptly and efficiently to resolve situations or escalations which are most likely to endanger the course of the contract negotiations. For example, a project manager can get in contact with a higher hierarchy level such as a department or division manager with no problems at all, and by acting so he does not cause any frictions because of “leaving her/his level” and because of the fact that normally such high positioned functions might get irritated when they are contacted by a lower hierarchical level. Another positive effect of the MCN can be seen in the fact that problems can be resolved faster and thus escalations are resolved more promptly, because e.g. the level of project management can directly receive an answer from the next level up, if the counterpart on the project manager level does not respond without causing bad feelings at the project manager level.

Important in this respect is that by naming the respective individuals, the commitment to the overall project increases, because there is only little leeway for individuals to pretend that they are not involved in the contract negotiations and therefore the individual stressing the problem must ask someone else. A prerequisite for a functional MCN is that both parties sit down before starting with the contract negotiations, define the content of the MCN as such and the individuals responsible at their level for progressing the contract negotiations. If this step has been taken, the final MCN must then be distributed between both parties to guarantee that all involved individuals are informed. This procedure ensures that the MCN can serve as a framework for improving the course of the contract negotiations and the information exchange, and thus the acceptance towards the MCN is settled amongst the respective individuals. With regard to the MCN the experts state that it is of great importance to achieve a constant progress towards the contract negotiations by de-escalating difficult situations. By controlling the contract negotiations and the exchange of information, the MCN is seen by the

experts as a perfect instrument to assure that both aspects do not depend on the level of individual behaviour, but more on regulated content and processes. The experts claim that this helps to make the firms more independent from the individual behaviour of their workforce. The MCN is therefore defined as a measure to help to enhance the influencing factor “*control of contract negotiation through processes and instruments*”.

Figure 29 shows the MCN and its structure:

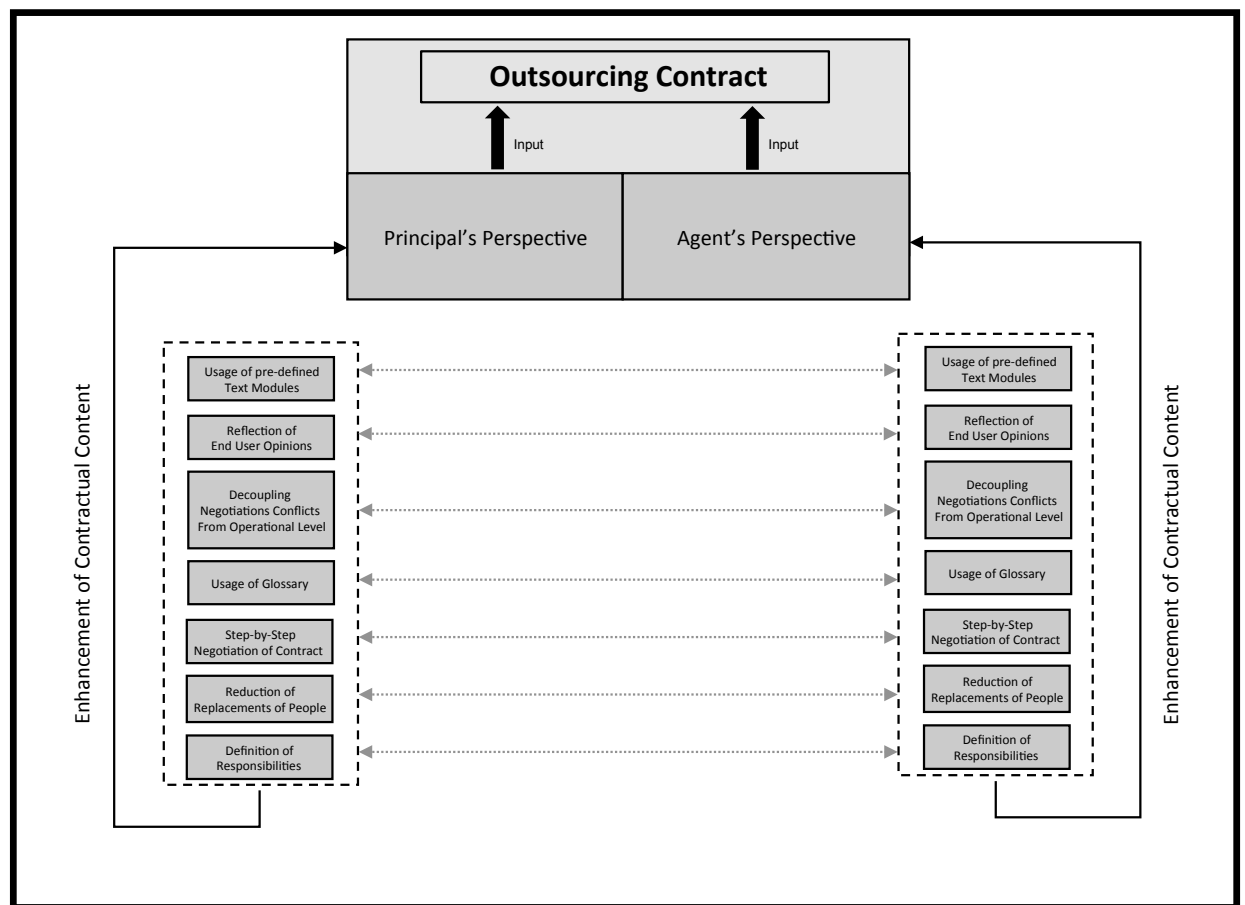


Figure 30: Matrix for Contract Negotiation (MCN)⁶⁰

⁶⁰ Own Source

6.3.4 Enhancement of the influencing factor “*Regulation of Information Exchange*”

The results of the analysis show that the experts ascribe the influencing factor “*a higher regulation of the information exchange strengthens the performance of the information exchange*” translated for the CEM as “regulation of information exchange” a high significance. With over 78% of the experts interviewed, they confirm that this influencing factor has a very strong impact on agency relationships in ITO. For the experts, a regulation of information exchange is very important for the level of quality and sympathy between principals and agents in agency relationships in ITO, because such regulation provides the individuals knowledge as to which information needs to be exchanged when and in what format and to which level of quality. Hence, the individuals cannot make up their own rules for exchanging information with regard to timelines, content and ways of exchange because all of these aspects have been agreed upon the start of the contract negotiations. With this, it is guaranteed that information, if exchanged accordingly, support the progress of contract negotiations and therefore contract negotiations do not stop because of the above mentioned reasons like missing information, delayed information provision or wrong usage of tools and systems to exchange information.

However, in practice it can be seen that information is often not exchanged on the basis of such rules or regulations, but on the basis of the individuals’ own interpretation involved in the contract negotiations. This dependency often causes friction, delays and provides a low level of information quality, with the effect that in a worst-case scenario, contract negotiations are totally stopped. Before such situations arise and because these can be accountable for stopping the contract negotiations, usually other situations occur such as escalations, because the individuals want to harm their counterpart on purpose or because of “playing around” with them to figure out how far they can go with their counterpart. This causes a situation in which companies again depend on the behaviour or attitude of only a few individuals involved in the contract negotiations. The experts express that such a situation often occurs when both parties are not anymore able to speak mutually to each other. A result of this is that the relationship already starts with a “conflict-driven” situation in which the individuals on both sides rather prefer to dominate their counterpart instead of trying to achieve a jointly generated well-being for both.

Therefore, regulation of the information exchange can be compared with a situation in which both sides control the information exchange. With such control, individuals

can be guided to stick to efficient ways of talking to each other and to exchange information appropriately. The individuals still have their own style, method and leeway of exchanging information, but when it comes to the overall goal to generate a benefit for both parties then they have to comply with jointly defined rules and regulations. Therefore, situations in which both parties are more likely to cause conflicts to one another, changing their behaviour or attitude, because of inexplicably anticipating that with such attitude they can improve their own well-being, can be reduced to an appropriate level. There will still be exceptions and individuals will try to refuse such regulations or “short cut” them, but in general the higher number of individuals involved in the contract negotiations will take these set guidelines to progress with the contract negotiations more thoroughly. Further to this, regulation of the information exchange provides security for the individuals who are in the process of negotiating a contract based on the above mentioned advantages.

Regulation of the information exchange not only enhances how information is exchanged between the parties, it also minimises the opportunity of using asymmetric information, because the content of the information obliged to be exchanged is pre-defined by the parties prior to starting the contract negotiations. In practice it is often seen that agents use information which they have generated or which they might generate while working for a principal, because they are able to gather such information easier than the principals and therefore the agents are more able to maximise their own well-being. On the other hand, principals hold back information from previous outsourcing projects or from their own product development or from marketing campaigns from which they know that the previous service provider could not perform appropriately, because the agent did not have all the relevant information. With such behaviour, principals might be able to put themselves into the feeling of having knowledge sovereignty towards their opponents and thus keeping the good feeling of being superior over the agents. With regards to marketing campaigns, the principals know what kind of information can cause which impact on the agents' side. Without having a regulated information exchange prior to starting the contract negotiations, both parties can use their asymmetric information, normally referred to as “hidden information” as they please, because nothing has been defined with regard to exchanging these.

This means that both parties can hold back information and are therefore tempted to maximise their own benefit only by using these asymmetric information as long as nobody forces them to provide such information or until they are questioned by the other side to exchange them, because the agent needs to have this information to be able to calculate an appropriate pricing for the services the agent wants to deliver. If the other side does not challenge its counterpart which such questions, then the advantage lies with the party holding back asymmetric information.

Other solutions to overcome agency problems described in the agency theory are the option of signaling, screening and self-selection, but do not work appropriately in the context of the present thesis. Therefore, the only choice is to regulate the information exchange at this stage to achieve a mutual maximisation of benefit for both parties. The difference between the discussed approach and existing solutions based on, say, hidden characteristics or hidden information is that both parties pre-define content, fixed dates for changing information and ways of information exchange to create the basis from the beginning for a successful relationship. As described in an earlier section of the present thesis, such pre-defined content might be provided by a mutually agreed and developed glossary to assure that both parties use the correct terminologies at the right time and in an appropriate context of the contract negotiation process. This again shows the impact of the above discussed influencing factor and its relevance towards the interpersonal relationship level. Therefore, it is necessary to regulate the exchange of information with the means which have been described earlier on. With such regulation it is also ensured, in case of escalations arising due to a breach of rules or a non-existing exchange of information that can be solved faster and more efficiently. It also ensures that no harm is caused to the overall picture one party has of the other and which might be quite positive, because prior to the escalations the cooperation during contract negotiations worked well. Generally, it should be anticipated that escalations caused due to misbehaviour or wrong attitude should be resolved quickly by the parties to be able to continue with the process of the contract negotiations. Therefore, it is assumed that the exchange of information represents an intrinsic characteristic for improving the above discussed influencing factor. Again, the regulation of content, timelines and ways of exchanging information play a crucial role. Hence, an enhancement of this influencing factor is only given if all three aspects are described and defined mutually by both parties.

The primary concern needs to be stressed to ensure that besides the definition of timelines, content and ways of exchanging information. Also, other relevant performance indicators need to be defined to be able to measure an economic improvement or advantage for both parties, by the fact that information exchange is regulated. To guarantee that the involved individuals have knowledge about the procedure of the regulation, the content of the regulation itself needs to be shared between the parties and their individuals so that all relevant individuals have access to this information. Both parties have to define the tools and instruments for publishing such information along with the definition of content and the timelines. The experts reinforce this statement and say that information must be available at any level and anytime. With regard to the exact determination of timelines for exchanging information both parties need to balance their needs with their requirements of receiving the respective information and therefore both parties need to meet and agree mutually on these parameters. If both parties do not define such parameters, then both will not achieve the benefits which are provided by this process and therefore will still lack the appropriate basis for a good working relationship or before this a good working contract negotiation which itself can deliver the foundation for a good working relationship thereafter. If both parties miss out on the definition to regulate the information exchange, then the exchange of information stays at the level of uncontrolled circumstances purely on the basis of the interpersonal relationship level. The consequences of such scenario are massive and endanger an upcoming relationship to such point that it might not be established in the end. In practice, some of the agents as well as the principals who conduct outsourcing for quite a period of time are already at the edge of such procedures. They use tools for exchanging information which are embedded either into customer relationship management systems or so-called information sharing points which are provided as online tools by one of the parties. The firms using such tools endorse the advantages of these because the exchange of information can be structured and guided in such a way that, for instance, only these individuals which play a role in the beginning of the contract negotiations, have access to the respective information connected to the process of the contract negotiations. Later on, other individuals will be granted access to these and further information relevant for the project itself can be exchanged by these individuals. This is not the only advantage. Timestamps are set when information is transferred into such system help to trigger which information has been provided when, therefore giving a clear

picture of the status of the exchange of information during the process of the contract negotiations. The provided information is connected to a so-called ticket which can be retrieved easily from the system in situations in which, for instance, escalations occur due to the fact that one party did not deliver requested information correctly in time. Individuals in ITO are used to such systems, because often these are used when problems occur within the IT infrastructure or in situations where end-users have problems with their terminals or other IT relevant equipment. A usage of such ticket systems or tools for exchanging information can be conducted at an easy and comfortable level. A side effect of using such systems is that both parties still have the chance to control one another by being able to track who has delivered which information and when, and therefore this can be seen as a supporting measure for the overall idea of regulating the information exchange while being in the process of negotiating an outsourcing contract.

6.3.5 Enhancement of the influencing factors “*Intensity as a Factor for Optimisation*”

Looking at the similarity of both influencing factors and their main aspects, i.e. interpersonal bond and interpersonal relationship, both influencing factors have been subsumed under one main subject and will therefore be discussed at once. The positive effect of the enhancement of both influencing factors has been confirmed by the experts with over 92%. The data analysis highlight that an impact of both influencing factors is very significant. Within the CEM and its related content, both influencing factors are shown as “interpersonal relationship and its impact on contract negotiation” and “better information exchange through better interpersonal bond”. Both influencing factors are subsumed in the second block of influencing factors, because an enhancement of the influencing factors of the first block does have a direct impact on these influencing factors.

As discussed throughout the present thesis and mainly in the section in which the data analysis has been discussed, outlined and proved, the enhancement of the first set of influencing factors shown in the first block within the CEM contributes to an overall improvement in such a way that the interacting individuals in agency relationships in ITO feel safer and more comfortable when it comes to acting according to procedures and processes. This anticipation of improvement by the individuals is crucial in situations that do not meet the everyday workflow. The experts refer to such situations as in escalation scenarios in which the content and

functionality of structures, procedures and processes are vital to overcome escalations, or in a worst-case scenario a crisis between the parties.

An implemented MCN helps to solve escalations and their litigated risks, because an individual on side A can communicate with its counterpart on side B without having to fear consequences. The MCN explains the way to address a critical situation between the service provider or the customer without thereby causing irritations on the partner's side. Thus, a MCN supports a timely and efficiently resolution of escalations. Further to this, a MCN prevents the individuals in agency relationships in ITO to experience disseminations of negative connotations of contract negotiations and information exchange caused by individual behaviour of the respective players. This ensures an independency of the so-called "grown together constructs" which normally are being established when interacting individuals start to work together. The MCN provides these individuals with appropriate means, rights and obligations with respect to defined contract negotiation processes which are based on structures and procedures. A positive effect of this is that, in particular, the exchange of information is managed and guided, and therefore knowledge between the individuals of the respective parties can be transferred efficiently and effectively. Therefore it can be said that the enhancement of the above described influencing factors based on the enhancement of the first set of influencing factors subsumed in the first block within the CEM contribute factually to aspects regarding the exchange of information, but they also affect the relationship aspects at the same time. The rules, processes and procedures which have been developed and defined by the respective parties support a so-called controlled development of the relationship level between the interacting individuals.

This situation stipulates the information exchange and hence the course of the contract negotiations. As a reciprocal outcome, an optimised information exchange can create a certain level of trust between the respective parties in the end. Thus, the enhancement of the first set of influencing factors having a positive impact on the second set of influencing factors can be taken accountable to manifest the opportunity that information is not only exchanged between the parties, but also converted into a jointly existing knowledge which itself helps to create advantages towards the idea of working together at the same eye level. In the end, this can result in a conversion of tacit knowledge into explicable knowledge with the effect that the interacting individuals feel that they are more prepared to trust one another

because of obeying rules and procedures which have been developed and agreed on jointly and at the same eye level. Therefore, the development of trust is a positive outcome and a crucial element in the overall discussion.

The discussion within the present thesis has shown that an intensive interpersonal relationship level helps to improve contract negotiations as well as a good interpersonal bond helps to facilitate the information exchange between the individuals in the respective agency relationships in ITO., Both aspects need to be structured, managed and controlled in order to receive a high outcome, otherwise the dependencies of firms from their interacting individuals are too strong and can cause risks which are not foreseeable. Therefore, the enhancement of contract negotiations by a regulation and a control of processes and instruments and the regulation of information exchange can help to reach a high level of cooperation. The enhancement of the influencing factors “Intensity as a factor for the optimisation of the contract negotiation” and “A stronger interpersonal bond improves the performance of the information exchange” shown in the second block of influencing factors within the CEM are the basis for the enhancement of the third block of influencing factors which have a main focus on openness, transparency and trust.

6.3.6 Enhancement of the influencing factors “*Interpersonal Bond and Information Exchange*”

Referring to sub-section 6.3.5, the two influencing factors of sub-section 6.3.6 are also discussed here jointly because both factors reflect trust as a trigger for interacting individuals willing to be transparent and open towards their counterpart or trust as a basis to increase the quality of contract negotiations. Both influencing factors “*The more regulated the information exchange in an agency relationship in ITO is, the better it works*” and “*The stronger an interpersonal bond between the interacting individuals in an agency relationship in ITO is, the better the information exchange between the two works*” are illustrated within the CEM as “Willingness to transparency and openness depends on the strength of trust between interacting people” and “A higher level of trust increases the quality of the contract negotiations”. The data analysis shows that the experts assign both influencing factors a very high significance. With over 78% and 92% respectively, both factors have an impact on contract negotiations, information exchange and the level of trust. The experts claim that an enhancement of these factors will ensure an overall enhancement towards the phenomenon of hidden actions. As discussed previously,

these two factors are improved through the enhancement of the previously enriched six influencing factors.

Therefore, these two factors are to be seen as the last influencing factors to be enhanced to assure that the phenomenon of hidden actions as well as opportunistic behaviour can be controlled and reduced if the respective parties in agency relationships in ITO implement the CEM and its related content appropriately. With reference to the theoretical background on the phenomenon of trust, it can be concluded that the previously discussed and enhanced influencing factors have an impact on the development of trust. For the interactions between the individuals in the respective agency relationships in ITO, this is of high relevance as well as crucial for the course of the relationship building. A discussion was conducted about the level of quality between the effect of face-to-face interactions and the course of cooperation when interacting individuals are working together in a relationship and how much this effects the emergence of trust. Such conjunction between the relevant parameters requires the confidence of both parties that the trustee does not use the level of trust which was granted to him only in his favour, but that he acts in such a way that both parties can benefit from a jointly established maximisation of their well-being.

The reason for postulating that a stronger regulated information exchange between the parties and a stronger interpersonal bond between the individuals support the development of a better working information exchange and, as a consequence of this, a quicker emergence of trust, lies in the previously discussed parameters. Individuals tend to trust quicker when they feel that their counterpart “acts openly” because their counterpart wants to act fairly and openly or the counterpart needs to act fairly and openly because jointly agreed regulations, definitions, rules and content “force” the counterpart to act accordingly. In this respect, clear structures, instructions, ways of information exchange, pre-defined content and further aspects help to make the individual act safely because she/he can act accordingly against defined rules and therefore does not have to fear that her/his behaviour which is following the jointly agreed pre-defined rules, will cause harm or problems to her/his counterpart because her/his counterpart has agreed to these rules. This aspect triggers the emergence of trust and helps to overcome first obstructions when individuals of both parties get to know each other the first time. It also makes the firms themselves independently from pure individual behaviour based on the so called “chemistry factor” of the interacting individuals as already outlined in the

discussion of the data analysis and the reasons for enhancing the described and discussed influencing factors. All aspects are interrelated to each other and therefore are discussed jointly.

A positively improved situation based on the content and the rules of the CEM encourages the interacting individuals to an open well-controlled, and regulated interaction with their counterparts, and therefore provides good grounds for a well-functioning agency relationship. As discussed beforehand, one of the main reasons for the interacting individuals to anticipate security is that transparency and openness is given because of the presence of clear mutually agreed and defined structures and processes. According to the experts, such presence significantly promotes the development of trust. The experts say that due to an enhancement of the discussed influencing factors, confidence towards their counterpart is given, but no longer based solely on cognitive experiences and no longer depending on the level of subjective feelings and interaction, but based on a jointly defined collaboration on content, rules and regulations of the contract negotiation process and because of a pre-defined way of exchanging information.

The emergence of trust is not only established between directly interacting individuals, but also amongst a greater number of individuals having access to these definitions, rules and regulations. As a result of this, a greater number of individuals is more willing to be open and transparent towards their counterparts which helps to create a higher quality of information exchange between the parties. Both parties know that because of opening themselves towards their counterpart they take the risk of being vulnerable, but due to the CEM and its related content they feel comfortable with this situation. As long as both parties behave in conformity with the content of the CEM, both parties do not have to fear that the relationship might face damages. This situation helps to establish a so-called "comfort zone" for both parties to strengthen their relationship with the effect that a principal transfers more business and outsourcing tasks to the agent, not only because of following soft decision parameters such as the general appearance and behaviour of the agent towards the principal, but based on the perception of an existing trustworthiness of the agent which is based on the same interest the principal has and by reason of establishing a mutual way of implementing the content of the CEM.

6.3.7 Reliability and Application of the CEM

The CEM and its related content focuses on new areas of the contract negotiation process compared to other models that can be found in the research field of outsourcing. For instance, the model described by Schniederjans in 2006 focuses on a multi-criteria-decision-making-model (MCDM) to help allocate resources to the strategic outsourcing activities of firms. The CEM is based on generated data and its analysis. The MCDM has the same approach, but wants to reinforce ongoing outsourcing strategies to meet defined requirements while positioning the supply chain system to respond to new growth and innovation (Schniederjans, Schniederjans & Schniederjans, 2006, p. XVI). The MCDM does not talk about the enhancement of the contract negotiation process as such.

In 2009, Hyder et al. speak of a so-called eSourcing Capability Model for service provider (eSCM-SP). For them, this model enables outsourcing firms and service providers to appraise and improve their capability to foster the development of a more effective relationship between both parties. The model aids to manage the relationship better and provides suggestions on how to experience fewer failures in a client-service provider relationship (Hyder, Paulik, Heston & Hefley, 2010, p. 2). With regards to this, the eSCM-SP starts at a point where the relationship between the two parties already exists, but does not discuss the development of an outsourcing relationship as such that is based on an enhanced contract negotiation process. In 2012, Kuhlmann speaks of a model in his research work to explain the interaction of relationship governance mechanisms and defines his model as a so-called process model (Kuhlmann, 2012, p. 51).

Looking closer into this model it can be stated that it tries to explain the level of interaction in outsourcing relationships. It only considers existing relationships rather than developing relationships whose development is based on an enhanced contract negotiation process. In 2014, Duhamel, Picazo-Vela, Gutiérrez-Martínez and Luna-Reyes published a so-called integrated model of success in ITO relationships. In this model, they talk about main factors affecting knowledge transfer in outsourcing relationships and state that the exchange of knowledge is to be seen as a dynamic subject. They also talk about processes that play a key role in the development of outsourcing relationships. The authors refer to outsourcing contracts and manifest that these are the starting point of initiating outsourcing relationships. They set a focus on the improvement of knowledge-sharing processes over organizational boundaries between partners. The research field is settled in

the Mexican public administration (Duhamel, Picazo-Vela, Gutiérrez-Martínez and Luna-Reyes, 2014, p. 142 f.).

The respective model or background of the research considers outsourcing contracts and their layout and content, but does not reflect the contract negotiation process as such where individuals are obliged to negotiate a contract on behalf of their respective company. As discussed at the very beginning of the present thesis, Henrich developed a model for communication and information exchange improvement in 2011. This model focuses on the communication and the information exchange to be enhanced to allow reduction of hidden actions between principals and agents in outsourcing relationships, but was referring to relationships existing in the Call Center environment rather than IT.

The present thesis and the CEM can be seen as independent aspects that have been discussed and developed in a research field that has been investigated to some extent, but not towards the intention of enhancing the contract negotiation process as such. The results of the research have shown that it can be spoken of a high reliability of the CEM, but also of an appropriate option for the application of it. The CEM in this respect offers something new and contributes to knowledge that has not existed so far. The present research tries to develop a solution to reduce hidden actions by the means of a model and its related content, and this goal can still be validated at this stage of the present thesis- an application of the CEM is possible. As stated previously, experts that are working in ITO, confirm the relevance, feasibility and usability of the CEM and its related content in practice. It can be seen that the three pillars/silos of the CEM in which enhancement is feasible, can be improved one by one to allow reduction of hidden actions. These are more understood as a phenomenon than an influencing factor as such. The positive impact by enhancement lying above the three pillars/silos is a continuation of the improvement of the primary pillar/silo (group 1) with its subsumed influencing factors. These can be improved directly by the means of the CEM and its related content. As stated earlier, an enhancement of these factors will cause an improvement of the influencing factors of pillar/silo two (group 2) and three (group 3) which are those factors being defined as the soft factors.

The influencing factors of pillar/silo 1 (group 1) can be enhanced with rules, regulations, processes and instruments with the effect that they positively influence other factors like interpersonal relationship level and information exchange. Based

on such improvement, the influencing factors of pillar/silo 3 (group 3) come into the game. Their enhancement is based on the previously conducted improvement of the factors of pillar/silo 1 and 2 (group 1 and 2). The more these factors are enhanced, the better both parties in agency relationships in ITO are willing to act mutually for the sake of gaining a shared benefit in contrast to only maximising their own self-interest. This is caused by a higher level of trust which has been developed because of the enhancement of pillar/silo 1 and 2. The result of this is a reduction of the options to use asymmetric information against the other party, and therefore to strengthen the phenomenon of hidden actions. Besides this, the relationship is developed on agreed terms reflecting the content, the information exchange and other soft skills right at the beginning when both parties are in the process of negotiating the contract they want to conclude later.

As outlined previously, these targets can be achieved best when the relationship is developed, but also maintained on a mutually agreed foundation. Cited literature has shown that trust, for instance, is a perfect means to allow growing of a joint benefit that is generated for both parties equally, if both parties are willing to act accordingly and along a defined rule set. The CEM, compared to the communication model previously developed in 2011, has identified the gaps that could not be closed last time and has closed them with further content. As indicated, an implementation or usage of both models might be the best way of mitigating the phenomenon of hidden actions in agency relationships in ITO, because both models deliver the necessary content for both parties to develop their relationship mutually. Thereby, both reflecting contractual issues as well as communication and information exchange settings to assure that the two parties do not try to only maximise their own profit and rather look at a relationship which stands on common grounds. By saying this, the CEM seems to be as useable for the practice as the communication model of the thesis of 2011 and further to this, the CEM contributes validly to existing knowledge. To summarise this, the value of the CEM with regards to its application is confirmed.

6.3.8 Summary of Description of the CEM

As described in the previous chapters, the CEM has been derived from an in-depth analysis of theoretical aspects and discussion about mechanisms to reduce hidden actions. The structure and the working mechanism of the CEM are based on the outcome of the theoretical discussion to deliver direct means to minimise activities which are held accountable for causing hidden actions. The analysis of the

generated data provides the basis for a threefold approach starting at processing raw data, continuing with the derivation of the CEM and ending with the validation and usage of the CEM. This is the first stage within the process focused on retrieving an appraisal of regularities in the data material. The second stage involved the definition of content and the set-up of the CEM and its parameters. The third stage of the present approach is the usage of the CEM to validate the CEM and its options to enhance the contract negotiation process between principals and agents in agency relationships in ITO. All these stages were undertaken to develop and define the CEM and its related content.

The CEM comprises the verification and falsification of the derived hypotheses which themselves have an underlying theoretical framework. The cogency of the derivation of the CEM purports to highlight that the CEM relates to an underlying theoretical framework. It captures the necessary elements of the defined structure. From the author's point of view, this process can be taken as convincing enough to postulate that the CEM can be seen as a guideline for principals and agents in agency relationships in ITO to improve the negotiation process between the respective parties. The derivation of the CEM has followed rules that have been defined in literature considering the mechanisms of relationship building between interacting individuals. The CEM supports respective definitions and embeds the necessary theoretical framework into its structure. Reflecting the assumption to enhance the quality and level of behaviour of the decision makers within the contract negotiation process, the CEM guides the respective interacting individuals through the process of dealing with the other party. The CEM describes a perfect world, but in the real world all kinds of deviations may take place. The CEM aims to address these problems by establishing a direct connection between the content of the CEM and the supporting measures described to facilitate the performance of a better relationship between outsourcing companies and service providers. Moreover, the discovery techniques discussed in the present thesis allow for viewing the same reality from different angles and at different levels of abstraction.

The CEM provides a bridge between the definition of rules and the individual outcome of personal behaviour and preferences. It helps to address the classical divide between organisational rules and uncontrolled and not defined human behaviour. In IT business, so-called "IT people" tend to have a technology-oriented focus with little consideration for business processes that need to be supported. Other people in IT are focusing on the "business-side", but are typically not

interested in technological advances and the precise functionality of information systems. The CEM and its related content can provide a rule set for any kind of individuals working in IT and it helps to create a common ground for the improvement of the contract negotiation process and the development of the relationship. Reasons for this assumption are that even though individuals at project management level, department level and higher management level have been interviewed, IT technicians also often take part in the contract negotiation with a future provider or customer.

Therefore, the CEM can be understood as the ideal mechanism to set the right rules at the very beginning of a contract negotiation process. Further to this, the CEM helps to reduce hidden actions and opportunistic behaviour between the parties interested in working together in an outsourcing project. The undertaken derivation of the CEM assures that the CEM is consistent with the enhancement of contract negotiations between principals and agent in the business field the present thesis took part in. The CEM is not precluded from being consistent with the behaviour of the interacting individuals. The results of the data analysis confirm that an enhancement of the first four influencing factors in the first block within the CEM has a positive impact on the following four influencing factors of block two and three. An overall enhancement of all eight factors helps to reduce hidden actions and minimises opportunistic behaviour in agency relationships in ITO. The content which has been discussed in the CEM facilitates different aspects which are important for a cooperation between principals and agents in this field of business. For instance, the emergence of an interpersonal relationship building is controlled and guided as part of a mutually agreed understanding of both parties on how a relationship can be developed and maintained. As one benefit, dependencies that arise due to personal, uncontrolled interpersonal bonds are limited and restricted.

Further to this, the exchange of information is positively influenced because of existing rules and structures which show both parties how to communicate and how to exchange information. The functioning and the quality of the information exchange is not only linked to the level of an interpersonal bond between the individuals of the respective parties, but to regulations, rules, functions and instruments such as the FCN, PCN and MCN. The exchange of information between both parties is improved due to a strengthened interpersonal bond based on rules and definitions, therefore converting, for instance, tacit knowledge faster and with fewer frictions into explicit knowledge or information. Both parties anticipate that the

willingness to act transparently and to be open towards their counterpart has increased since both parties stress their commitment towards the overall relationship because of a mutually agreed and developed content for the CEM and rules relating to the CEM.

Trust as a phenomenon is only established when people or firms live or work together for a longer period of time and not having problems with each other, is developed outside of conventional means and tools to control contract negotiations and information exchange. When an agency relationship is appropriately based on rules and regulations, then both parties see each other at eye level rather than feeling to work in a typical customer-provider-relationship in which normally the customer defines the rules for the relationship and thus acquires a different understanding of the status of its counterpart. Therefore, respect is established and maintained between both parties. Individuals of both parties feel secure in their actions and are able to act quickly and promptly, for instance, during escalations, because rules and ways of solving escalations are pre-defined and can be used without any difficulties.

The control of the contract negotiations and the information exchange ensures at an early stage of the relationship that downstream processes can be conducted more efficiently and effectively. As a result of this, the mutually agreed content which has been developed by both parties, has the effect that both parties commit themselves to the mutual developed rules and regulations. Processes and instruments in this respect can be seen as a “bridge” to guarantee a good functioning contract negotiation process between the parties in the beginning of a relationship and a good working operations level between both parties once the contract has been concluded.

The CEM and its related content provides the foundation for mutual agreed actions and activities of both parties and thereby helps to reduce opportunistic behaviour. Due to this fact, the phenomenon of hidden actions is reduced and thus, the effect of maximising a mutually generated benefit is given. This secures a long-term agency relationship between the respective parties. Additionally, the CEM and its related content helps to reduce costs such as so-called search costs which occur, when both parties decide to terminate the relationship and to look for a new partner. The continuation of a relationship must be seen as the more efficient way of conducting business with another firm, in contrast to look for a new partner with

whom the situation might become worse in the end. In this respect, the statement often found in literature of a so-called “win-win-situation” is given by the fact that the CEM supports the outcome of the contract negotiations, the information exchange and the emergence of trust. Therefore, the CEM is understood to be feasible and useable in agency relationships in ITO, because a break of a relationship especially in a full-size ITO scenario can cause a disaster for the outsourcing firm and at the same time for the service provider, in case the outsourced activities are to be seen as the main part of the agent's overall revenue.

7 Conclusions and Outlook

7.1 Conclusions

The enhancement of influencing factors that have been discussed in the present thesis, contributes to the reduction of hidden actions. The underlying methodological approach provides the means for the development of the CEM as a measure to reduce hidden actions, because principals and agents in agency-relationships in ITO are enabled to develop an upcoming cooperation on the basis of structured and defined content, rules and regulations. Although the aspect of an interpersonal relationship level is of relevance, the direct influence and interlinked dependencies associated with it will be minimised due to having structures and clear processes which help to create a better independency from individuals' behaviour. In practice, a beginning agency-relationship is always a subject to individual behaviour and performance of interacting individuals.

The performance of an agent cannot be measured directly by a principal due to a lack of experience regarding how the agent might perform. Hence, the relevant data for judging if the performance of the agent is sufficient is not assessable. Thus, the principal decides to outsource her/his own activities to an agent based on parameters such as references, reputation, certificates, awards, pricing and other aspects. The course of the contract negotiation process and the information exchange between the parties are based on uncontrolled, undefined and unmanaged actions and activities which occur during the phase of a first familiarisation between the two parties. This means that both parties, after they have concluded the contract, might start a relationship not knowing how the implementation of the outsourcing project will work, because the exchange of information as well as the rules for an appropriate behaviour or for e.g. escalations are not defined. Both parties have basically agreed to start their collaboration based on economical parameters including a match of anticipated relevant key figures, but information exchange and the way both parties will be working together at operational level are still not defined. This means that both parties solely depend on the well-being of the individuals interacting with each other.

A change of behaviour or a focus solely on the maximising one party's own individual benefit could lead to a termination of the relationship in a worst-case scenario. Therefore, without having defined regulations for contract negotiations and information exchange as well as for behavioural rules, the dependencies of both

parties from the interacting individuals are still high and put both parties at high risk. The results of the data analysis support this statement and show that only a few outsourcing contracts if any include procedures or content that describe or define the course of contract negotiations and the exchange of information. As stated previously, clear rules and regulations for the contract negotiation process and for the information exchange between the respective parties in agency relationships in ITO are to be interpreted as the relevant parameters to reduce hidden actions as well opportunistic behaviour.

Conventional measures such as monitoring can still be implemented and mainly used by principals to obtain knowledge of the performance of their agents. Incentive systems as well can be set in place to harmonise the interests of both parties, but still these types of measures do not help to stabilise the foundation of the relationship with regard to dependencies that firms have to face if the course of the contract negotiation process and the information exchange are not pre-defined and mutually agreed upon both parties. The CEM and its related content have been developed and outlined considering the mechanism of incentive schemes, because the enhancement of the influencing factors is based on a mutual agreement between both parties rather than having one party dominating the other. The intention behind enhancing the discussed influencing factors by the means of the CEM and its related content is that both parties try to work together from the very beginning of the relationship to generate a robust foundation for the future. Only in this case will both parties understand that a jointly generated well-being can be developed and can assure both parties to build a long-lasting relationship. Further to this, the approach of developing the CEM is also based on the fact that the awareness of both parties is raised that rules, regulations and procedures are measures to manage the level of personal influence in the sense of controlling individual behaviour to make firms more independent from such behaviour and to improve the respective agency-relationship in the area of contract negotiations and exchange of information.

The CEM not only stands as an alternative for monitoring, it also ensures that hidden actions are counteracted by mutually agreed content, rules and regulations between the respective parties, being interested in working together in a cooperation and where both parties give their commitment towards such procedure. However, opportunistic behaviour might still exist in agency-relationships, because they are triggered by economic reasons, but the more both parties commit themselves to the

CEM, the higher the hurdle is to attempt maximising each party's own benefit at the expense of the other party. By committing themselves to the content of the CEM, both parties pursue a mutually generated maximisation of their well-being. Reasons for this view are given by the fact that both parties got to know their counterpart during the phase of developing the content, rules and regulations for the course of the contract negotiations and the information exchange, and therefore know what to expect of their counterpart in future.

The CEM not only supports agency-relationships about monitoring or using incentive schemes. It also helps to reduce moral hazard or shirking because of its utilisation. This statement is justified by the fact that both parties already work together in a mutually agreed *modus operandi* and therefore moral hazard and shirking as a result of a behaviour which only focuses on the maximisation of each party's own benefit might be minimised. This could strengthen the commitment the two parties give when both are working mutually on their relationship level, supported by the CEM and its related content.

Another positive effect of the CEM is that the use of sanctions towards an agent might be less interesting to a principal because both parties have worked on the same goals and targets and using sanctions to punish an agent would be counterproductive towards the mutual agreed working base. Hence, the CEM somehow overwrites the use of sanctions with the effect that the respective agency-relationship can be continued at the same level of a mutually agreed commitment and therefore does not face "political obstructions". Sanctions towards an agent are often threatened to be used by a principal to give the principal the impression to identify and control opportunistic behaviour. However, this measure provokes more conflicts amongst the respective parties than it gives a principal the option to manage its agent's behaviour. The aim of the research is the identification and enhancement of influencing factors which are accountable for a poor contract negotiation process and information exchange in agency-relationships in ITO. The research is focused on developing content for the CEM to contribute towards the improvement of these influencing factors. Important in this context is that the research interlinks contract negotiations and information exchange with the behaviour of individuals of both parties, a subject that has not been verified before by the means of existing research works. Also important is the discussion of the theoretical foundations reflecting the agency theory as such in connection with the

theoretical foundations of contract negotiations and information exchange and also with a scientific background towards trust.

This theoretical gap is the reason for writing the present thesis. By aiming at enhancing influencing factors that are responsible for allowing hidden actions and opportunistic behaviour, the present research contributes to theory and practice particularly in agency-relationships in ITO. The theoretical foundations are discussed in order to derive respective hypotheses as well as to discuss and analyse the central research question. A qualitative survey was performed by conducting expert interviews until saturation of data had been achieved. All interviews were analysed and their content has been used for data analysis and for the verification and falsification of the derived hypotheses. The results of the data analysis, together with the foundations of the theoretical part of the present research, provide the grounds for the CEM and its related content. The underlying aspect of the research question was analysed appropriately and influencing factors were enhanced to provide a better course of contract negotiations and information exchange between the respective parties with the effect that not only these two parameters have been improved, but trust is established easier than without the CEM.

By assuming that usually both parties only pursue the maximisation of their own well-being, the CEM helps to understand that other measures such as monitoring and the usage of incentive schemes exist and do support both parties to overcome hidden actions and opportunistic behaviour. Certainly, these two measures do not reflect a mutual working-together from the beginning or at least both measures do not guide the respective firms on how to work with each other at operational level. Hence, working together means that individuals get in contact with each other and start to negotiate or work together without any guidelines or guidance in this respect. This again can cause dependencies from the individuals' actions, activities and behaviour. The CEM and its related content helps to reduce such dependencies. The research reflects that the selected and examined influencing factors were chosen appropriately to deliver the grounds for the theoretical and empirical part of the present research. The enhancement of the four influencing factors of group 1 have an impact on the influencing factors of group 2 and group 3 within the CEM. By outlining the options of enhancement and by anticipating the positive effects being generated by the CEM and its related content, the research has proved the existence of a connection between hidden actions, contract negotiations,

information exchange, opportunistic behaviour and trust, and has highlighted that the CEM and its related content is able to reduce direct dependencies from individuals' behaviour.

The CEM and its related content significantly improves the overall situation between both parties in agency-relationships in ITO. The reasons for this statement is given by the fact that confidence, rules, regulations and guidance positively influence the phenomenon of hidden actions which have their origin in situations of uncertainty or in the unilateral maximisation of self-interest. Thus, the enhancement of the respective influencing factors creates the conditions for stable, long-lasting agency relationships in ITO. However, confidence as such does not ensure a stable and secure situation between both parties, but it leads to obtaining a better course of contract negotiations and information exchange.

Due to better mutual acceptance triggered by a mutually developed and agreed set of content, rules and regulations, the contract negotiations and information exchange will be converted into a higher level, and thus both have a positive influence on the overall situation between the respective parties. To prove the robustness of the CEM and its content, the CEM has been presented to a dedicated group of experts who works in ITO of which half of the group are the experts who have been interviewed and the other half are experts who have not participated in the DBA research. The reason for this ratio of chosen experts is that the author of the present thesis wanted to obtain deeper knowledge of the functions of the CEM and its related content, and on the other hand the author also wanted to gain more data to corroborate the results of the data analysis and the derived statements made by the analysis. The results of the presentation and meetings with this group of experts show that the CEM and its related content are seen to be useful for the experts. The experts stated that the CEM and its related content are clear, understandable and comprehensive. 85% of the experts have confirmed that in their opinion the CEM is useful for the business. 15% of the experts have agreed with the functions and the advantage of the CEM and its related content, but see grounds for amendments. The respective documentary analysis which has been conducted to retrieve the relevant data base on meeting protocols, memorised information and written suggestions provided by the experts. This documentary analysis supports the outcome of the research and provides the grounds for future research in the same business area such as ITO or others.

When talking about contribution to the scientific framework of agency theory, contract design, information exchange and trust the present thesis proposes its research efforts and ideas in designing and developing efficient measures to extract knowledge from the provided content. Contextual information added value to the present traditional analysis approaches and applies this information that forms the basis to efficiently advance the goal of enhancing influencing factors, being important for the course of the contract negotiation process between principals and agents in agency relationships in ITO.

Such an approach provides added value to available content and results into a more sufficient rendering of relationship building. This thesis combines a scheme for developing a contract enhancement model with the means of the agency theory for mitigating the phenomenon of hidden actions. The validity and accuracy of the CEM is verified by the results of the data analysis and the literature that has been discussed prior to developing the CEM. The results indicate that the CEM can be considered as reliable and easy to use. Moreover, the results can be interpreted as an option to enrich existing models available in the literature. This thesis reveals that the CEM can be realised as a good alternative to existing models or, when looking at the communication model of 2011, a profound enrichment solving the discussed problem of hidden actions by the means of its structure and related content. The research shows the efficiency of the CEM and substantiates the feasibility of the approach that leads to new knowledge in the field of agency theory research. It allows disseminating the generated knowledge into a market which is mostly driven by economical indicators such as reducing prices and increasing a firm's own well-being. The research is based on a well-designed framework and on a sufficient research level.

This thesis as a conceptual exploration of model development can help to open up new research areas for future investigation as discussions in the thesis on the reduction of hidden actions are not limited to ITO. It can also provide meaningful reflections for other business areas that are concerned with the phenomenon of hidden actions. Research on agency theory issues, such as hidden actions, can benefit from keeping an open mind and using a more expansive perspective to re-examine old approaches and models. In the ongoing patterns of information exchange, individuals in firms that are conducting outsourcing, engage themselves to address questions, problems and uncertainties that continually arise from the

contract negotiation process and the level of relationship building between the parties in agency relationships in ITO.

In the investigated field, it can be seen that information exchange happens, but like with all forms where individuals exchange information it is necessary that interactions between individuals are structured to ensure that both parties are willing to share relevant information voluntarily and do not use their advantage of having information the other party does not have to maximise their own benefit. The CEM and its related content allows this structured information exchange. Together with other findings, a picture seems to emerge that an enhanced contract negotiation process as a central instrument throughout agency relationships in ITO is accomplished.

It is not expected that all firms planning to embark on an outsourcing business have all the means to conduct an appropriate contract negotiation process or that are rigidly applying appropriate techniques to contract negotiations. What can be seen in the experts' accounts is the stress that contract negotiations require structure and guidance, appropriate implementation and maintenance, and a process-centric stance that is adaptable. As stated previously, the goal of the present thesis is to explore a new model for enhancing contract negotiations. Based on existing knowledge of mitigating measures to reduce the phenomenon of hidden actions, the model has been created by using the results of the data analysis. The empirical results show that the developed CEM and its related content is very promising in terms of ensuring a structured contract negotiation process compared to existing traditional methods that are discussed in the agency theory.

This thesis reports in detail the developed mechanisms and outlines the options for outsourcing firms and service providers to gain better results by using the CEM and its related content. As future work it should be considered to expand the set of cases where the CEM and its related content could be applied. Furthermore, an investigation on how to merge the communication model of 2011 with the CEM to a combined outsourcing enhancement model can be very interesting. The findings of the present thesis reveal that the conducted approach might apply to several outsourcing relationships throughout various economic fields. Therefore, further research could usefully expand on the range of utilization of both models and in the field of understanding of how the underlying forces shape the design and success of relationships in agency relationships in general.

7.2 Outlook

The results of the present research provide insights into the opportunities of enhancing contract negotiations and information exchange between principals and agents in agency-relationships in ITO. They deliver the grounds for an affirmation that the research approach was working and at the same time they enable further research. Important in this context is the size of the sample that has been chosen and that was adequate in accordance with theoretical foundations. However, the size of the sample can be challenged as too little to be used as a basis for generalisation. Further research, especially in other business areas or based on other surveys with a larger number of participating individuals, can help to identify whether the results are generally transferable. Thus, the content of the research which included the conduction of expert interviews could be substantiated, and the question can be reinforced if the CEM needs to be adapted to be used in other business areas and/or if it can be applied to other business environments.

Contract negotiations and information exchange, and further to this, an appropriately established level of trust are fields that are perceived and lived individually. A methodical approach is a challenge that is even greater in the context of an empirical investigation regarding a precise delimitation. Therefore, it is essential to set out the respective understanding on contract negotiations and information exchange in order to obtain the closest possible accuracy and clarity relating to the aspects that are supposed to be examined. In the present research, a threshold value of 50% or above has been set as a criterion to verify the hypotheses. With regards to this, hypotheses are considered to be verified, if the data analysis shows that 50% or more of the data being retrieved, condensed and analysed confirm the content of the respective hypotheses. The author understands the fixation of the threshold value at 50% as a legitimate and valid approach. In ITO, generally processes for strategic and operational actions do exist, but in terms of contract negotiations and information exchange it is noticeable that IT service providers as well as ITO firms do not have defined appropriate processes for the course of the contract negotiations and the conduction of the information exchange. The results of the research provide a verification of this statement. To discuss this more deeply, the data analysis shows that the experts do not allocate the course of the contract negotiations as well as the performance of the information exchange a great deal.

They postulate that appropriate contract negotiations with their counterpart are of high importance, but on the other hand they do not manage these contract negotiations and therefore do not counteract the risk of a high dependency from the behaviour and attitude of only a small group of individuals being involved in the contract negotiations and the information exchange between both parties. The results of the research deliver recommendations for the practice as well as they provide a perspective for interacting individuals in agency-relationships in ITO on how to enhance existing relationships and thus create the basis for long-lasting cooperations. In this context, the author focuses on recommendations and approaches that have a positive impact on contract negotiations and the information exchange in agency-relationships in ITO. At the same time, the suggestions for the practice have been derived as a result from the research and the developed CEM and its related content. The CEM and its related content help to enhance existing or upcoming agency-relationships positively, and thus the CEM can be considered as a measure which has a supportive nature.

The CEM and its related content can “act” in its main structure as a general template and is therefore useable in various agency-relationships, but might need to be amended slightly in its sub-structure and sub-content according to the requirements of the respective agency-relationships for which it delivers the basis for the course of the contract negotiations and the information exchange, because each of these agency-relationships has its origins based on individual requirements and demands. The research reflects this annotation during the course of the thesis and therefore developed the basic structure for the CEM which can be amended according to the above statement. The CEM and its related content certainly have a transferability to other industries or business areas, but might need to be adapted to the specifics of these areas. The results of the research illustrate the effects of an enhanced course of contract negotiations and information exchange and therefore provide a basis for further research work.

The research and its theoretical framework together with the empirical study provide the foundation for the CEM and its related content and further to this, it shows which effects can be obtained if the CEM is implemented in agency-relationships in ITO, but does not claim to provide a fully comprehensive solution for all occurring challenges in such relationships. It only provides solid data for the field in which it was researched. The theoretical foundation of the CEM and its related content have been retrieved from the course of the analysis of the interview data and delivers the

basis for further research by providing the background and structure on how to conduct such an analysis. Taking into consideration that the present thesis is a continuation of previously conducted research work, the results of the present thesis have shown that companies in a stage of starting an agency-relationship should decide to implement the above described CEM to get contract negotiations at a level to influence the upcoming relationship positively.

In the context of a continuation of the developed relationship, firms should consider following the recommendations given by the communication model developed in 2011 to provide their interacting individuals with guidance on continuous communication and information exchange. From the perspective of the author, having developed both models, it can be said that both models positively influence agency-relationships. Both models enhance interactions between individuals. Interactions between individuals are normally not pre-defined, but determined by an “automated process” such as how the individuals of these firms get to know each other and how they act with each other. Therefore, both models should be considered by negotiating parties. The CEM can provide the entering base for the communication model or both models could be implemented in parallel, if the parties feel that contract negotiations will proceed positively and a cooperation is about to start.

From a scientific viewpoint, it could be interesting to find out if a combination of both models could be a target for further investigation. A combination of both models could provide an option for defining rules and for giving guidance to parties being in the process of starting an agency-relationship. This combination would help respective parties to design their collaboration rather than just letting it “grow together”. This might enable both parties to develop a partnership that lasts from the start of the collaboration to its end if both parties do not decide to separate from each other due to financial reasons. A question that might arise from such situation: Does a relationship last because of having implemented both models or would the relationship break anyway at some point because of financial parameters that are anticipated to develop differently from each party's perspective, and therefore maximisation of own well-being overrules a jointly developed and lived cooperation? Outsourcing firms often tend to negotiate prices once a contract extension is due. Reasons for doing so are triggered differently. Either the outsourcing firm is obliged to follow internal compliance rules, clear stating that a tender must be conducted from time to time or the outsourcing firm may think that it might get more

performance at the same price, but by another service provider. Regardless of the reasons, it would be an ideal option to investigate if outsourcing firms would act like this when both parties have implemented both models or a combined model out of both and are generally happy with each other, based on the fact that communication, information exchange and the way individuals interact with each other are at a very satisfying level. This could open further space to examine if soft skill factors that are somehow under control because of being regulated, are more important than financial parameters.

In the end, human beings are interacting with each other and are not financially driven controlling or accounting systems, only. Hence, two models exist to improve influencing factors, there is space to continue with research in the outsourcing environment and in the field of contract negotiation, communication, information exchange and trust. The findings of the present thesis have implications for practitioners and scientific communities. For practitioners, the conduction of contract negotiations becomes increasingly complex because of the fact that not only unique tasks are transferred to service providers, but nowadays also various tasks of whole departments are subject to outsourcing activities. For several reasons (costs, time to market, flexibility, changing markets, multi-agent outsourcing, reduced life cycles) outsourcing projects are complicating contract negotiations more between respective parties. To make it simple, more parties become involved in outsourcing activities because an outsourcing firm does not only negotiate with one service provider, but with two or more to have better options when it comes to negotiating final prices and therefore influence the contract negotiations as such. By doing so, it is difficult for the firms to decide whether they should be transparent towards the other party or should rather hold back information to have the grounds for a “best-and-final-offer-approach” (BAFO). Hence, usage of asymmetric information and hidden actions are well presented on the “behavioral radar” of these firms. Few tactics to overcome have been discussed in existing literature, but contract negotiations that are based on a more jointly approach may be worth further exploration. The motivations of evaluators to fulfill a ‘moral mission’ emerged as an interesting finding worth further exploration. However, since there was a lack of recognition of this by policy implementers, a starting point for realising this motivation may be a greater communication of this aspiration to effect change. For the scholarly community, these findings are confirmatory in many respects, continuing to link legitimacy and evaluation as well as complexity and evaluation.

This thesis acts in this respect as a starting point and, with its findings, has contributed to practice and theory at the same level.

The CEM and its related content as an outcome of the present thesis provide the means for expanding knowledge significantly because it builds on existing proposed solutions for agency theory issues that have been described in chapter 2, and extends them with new insights, but also with recommendations that enforce a reduction of hidden actions. Whereas replication as the investigating subject is not the main goal of the present thesis, it needs to be discussed how the methodological approach can be replicated in future research. The normal scientific approach to validate the derived model would be to replicate the investigation with a higher number of participants a researcher would do by analogy when talking about conducting an experiment. The replication could validate the appropriateness and reliability of the observed data and could also draw a view to the correctness of the qualitative analysis and the significance of the results. As mentioned earlier in the present thesis while discussing limitations of scientific research, difficulties often arise from the impossibility of using the same experts to carry out the same interviews in the same environment. Nevertheless, using the methodological approach of the present thesis seems quite feasible for other research works in other economical fields because if looking at existing literature that has been discussed, problems occurring from the usage of asymmetric information and hidden actions exist throughout various economic fields and have the same origin, the maximisation of a firm's own benefit.

There are some areas where the appearance of hidden actions might be less visible or exist less, but in general they do exist. Therefore, the replication of the underlying methodological approach of the present thesis serves to guard against possible scientific errors, regardless if these emerged unintentionally or intentionally. Replication of the research method could increase the generalisability of the results. Criticism expressed towards the approach could provide an impetus for improving the methodological rigour and also the refinement of the intersubjective reality which can be understood as the so-called truth. Furthermore, the public presentation of the results can be interpreted as very important to the process of knowledge development and therefore using the research approach for other investigations is of high value.

As stated previously, the approach of validating the research methodology can be difficult at times because it requires a defined environment as a set up, and from time to time a relatively large amount of resources. Therefore, the necessity for generalizability might be questioned, when involving qualitative measurements in scientific research even though the approach of generalising the results is considered as the best option to receive a high level of reliability. Research focuses on the interpretation of outcomes rather than on the development of generalisable conclusions that seem to be independent of aspects like context and time. Due to this assumption it also can be stated why and if a generalisation of results needs to be done. It is important to stress that instead of repeating an investigation in an attempt to gain an increasing amount of confidence in the veracity of the findings or the accuracy of what has been observed, the aim of the research replication should rather be to try to obtain an even clearer and more detailed view of the phenomenon. As a result, this could lead to a better understanding of the overall subject. Most important in this respect is that other researchers can use the results of the research work as a basis for comparison because the research work itself provides comparability through its information-rich description.

8 References

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9 Appendix

Interview guide technique

- Open introductory questions that encourage independent storytelling.
- Limiting and controlling interview “flow” by guiding through asking.
- Specify individual points using examples.
- Critical Incidences:
 - Description of a critical / exemplary situation "In which situation has ... been shown?"
 - What has been done to deal with the critical / exemplary situation? "How did you behave in this situation?"
 - Which derivations / changes were drawn from it?
 - "What have you learned personally from this and changed with regard to later similar situations?"
 - Retrospective assessment of the critical / exemplary situation "From today's perspective, what would you do differently with your current level of knowledge in the situation described?"

Thematik 1:**Beschreibung der vertraglichen Situation zwischen Prinzipal und Agent⁶¹****Behauptung:**

Die Vertragsgestaltung ist ein wichtiger Bestandteil einer jeden Outsourcing-Beziehung. Prinzipal und Agent sind darauf bedacht, die bestmögliche Vertragssituation für sich zu schaffen.

Leitfrage:

Beschreiben Sie, wie sich aktuell die vertragliche Situation mit Ihrem Prinzipal/Agenten gestaltet?

Notizen

Verständnisfragen I Vertiefungen

Hilfsfragen Thematik 1:

- Seit wann besteht die Zusammenarbeit mit Ihrem Prinzipal/Agenten?
- Existiert ein Vertrag zwischen Ihnen beiden?
- Was regelt dieser Vertrag?
- Wie ist dieser Vertrag zustande gekommen?
- Gab es einen ersten Entwurf von einer der beiden Seiten, welcher der anderen Seite vorgelegt wurde oder wurde der Vertrag gemeinsam erarbeitet?
- Welche Interessen haben Sie im Zuge der Vertragsgestaltung verfolgt?
- Würden Ihre Interessen vollends im Vertrag berücksichtigt?
- Ist der Vertrag als einziges „rechtliches“ Dokument existent oder gibt es darüber hinaus weitere Absprachen zum Vertrag?
- Wenn ja, welche Absprachen sind dies und in welcher Form sind diese erfolgt bzw. erfolgen diese?
- Wie lange hat die Vertragsgestaltung mit Ihrem Prinzipal/Agenten gedauert?
- Welche Personen waren darin involviert?
- Welche Möglichkeiten des Informationsaustausches haben im Rahmen der Vertragsgestaltung existiert?
- Findet eine regelmäßige Überprüfung bzw. Erweiterung des Vertrages statt und wenn ja, wie werden diese gelebt?
- Gibt es einen Prozess, der die Vertragsgestaltung mit Ihrem Prinzipal/Agenten beschreibt und definiert?
- Wer bestimmt die Freigabe von relevanten Informationen, die hinsichtlich einer Vertragserweiterung wichtig sind und einen unmittelbaren Einfluss auf die Inhalte des Vertrages haben?
- Wie bewerten Sie den bestehenden Vertrag (gut, schlecht, operativ schlecht umsetzbar, ...)?
- Ist dieser Ihrer Meinung nach operativ gut umsetzbar? Wenn nein, wo sehen Sie Probleme?

⁶¹ The German terminologies of „Prinzipal“ and „Agent“ stand for outsourcing firm and service provider.

Thematik 2:**Erfahrungen mit der Vertragsgestaltung zwischen Prinzipal und Agent****Behauptung:**

In meiner Dissertation behaupte ich, dass eine bessere Vertragsgestaltung die Zusammenarbeit zwischen Prinzipal und Agent positiv beeinflusst und eine vertrauensvolle Zusammenarbeit zwischen beiden fördert, mit dem Effekt somit die Grundlage für einen langfristigen und nachhaltigen Erfolg der Outsourcing-Beziehung zu sein.

Leitfrage:

Wie ist Ihre Sichtweise zu dieser Behauptung? Beschreiben Sie bitte anhand von konkreten Situationen und Beispielen, wann die Vertragsgestaltung mit Ihrem Prinzipal/Agenten optimal bzw. nicht optimal verlaufen ist?

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Verständnisfragen I Vertiefungen

Hilfsfragen Thematik 2:

- Wie beurteilen Sie die Vertragsgestaltung mit Ihrem Prinzipal/Agenten?
- In welchen Situationen ist die Vertragsgestaltung optimal bzw. nicht optimal verlaufen?
- Hatten oder haben Sie seitens Ihres Prinzipals/Agenten die Informationen erhalten, die für Sie im Zuge der Vertragsgestaltung von Bedeutung waren?
- Was haben Sie von Ihrem Prinzipal/Agenten im Rahmen der Vertragsgestaltung erwartet bzw. was erwarten Sie, um diese als gut zu bewerten?
- Gab oder gibt es Eskalationen während der Vertragsgestaltung und wenn ja, wer hat diese gesteuert und wie wurden bzw. werden diese Eskalationen bei z.B. einer Vertragserweiterungen geregelt?
- Waren oder sind Sie direkt an der Vertragsgestaltung zwischen Ihnen und Ihrem Prinzipal/Agenten beteiligt?
- Beschreiben Sie Situationen während der Vertragsgestaltung mit Ihrem Prinzipal/Agenten, in denen Sie Informationen hatten oder haben, die Ihr Prinzipal/Agent nicht hatte oder hat, die Ihnen im Rahmen der (zukünftigen) Zusammenarbeit Vorteile verschafft haben bzw. verschaffen können?
- Haben Sie schon einmal erlebt, dass Ihr Prinzipal/Agent Sie im Rahmen der Vertragsgestaltung bewusst mit Informationen versorgt hatte oder hat, die irreführend waren/sind oder Ihrer Ansicht nach der Partnerschaft geschadet haben bzw. schaden?
- Sind Sie der Meinung, dass es innerhalb der Phase der Vertragsgestaltung eine Gleichverteilung von Informationen gab oder gibt, sodass davon auszugehen ist, dass beide Parteien die gleichen, relevanten Informationen besaßen oder besitzen, um einen für beide Seiten vollumfassenden und operativ gut umsetzbaren Vertrag zu gestalten?
- Was müsste Ihrer Meinung nach geändert werden, um eine Vertragsgestaltung, sei es im Rahmen einer Vertragsverlängerung oder einer Vertragserweiterung zu optimieren?

Thematik 3:**Subjektives Erleben der Vertragsgestaltung zwischen Prinzipal und Agent****Behauptung:**

In der Praxis zeigt sich häufig, dass der Verlauf von Vertragsgestaltungen von den Verhaltensweisen einzelner Personen bei Prinzipal/Agent abhängen und der Erfolg dieser direkt an diese Verhaltensweisen gekoppelt ist. Somit sind Vertragsgestaltungen stark an Individuen geknüpft, wodurch diese häufig nicht auf der Sachebene (Prozessebene), sondern eher auf der zwischenmenschlichen Beziehungsebene geführt werden.

Leitfrage:

Losgelöst von rein sachlichen und beschreibenden Aspekten interessiert mich, wie Sie persönlich die Vertragsgestaltung mit Ihrem Prinzipal/Agent erlebt haben bzw. erleben?

Notizen**Verständnisfragen I Vertiefungen****Hilfsfragen Thematik 3:**

- Gab oder gibt es Punkte oder Themen, über die Sie sich im Zuge der Vertragsgestaltung regelmäßig geärgert haben bzw. immer noch ärgern?
- Hatten oder haben Sie den Eindruck, dass die Vertragsgestaltung zwischen Ihnen und Ihrem Prinzipal/Agenten auf einer vertrauensvollen Basis verlaufen ist bzw. verläuft?
- Erhalten Sie die notwendigen Informationen, die Sie benötigen, um Ihren Prinzipal/Agenten im Rahmen der Vertragsgestaltung zu steuern?
- Welchen Einfluss haben die Inhalte des Vertrages auf Ihre tägliche Arbeit und in welchem Umfang?
- Sahen oder sehen Sie sich im Zuge der Vertragsgestaltung auf gleicher Höhe mit Ihrem Prinzipal/Agenten?
- Finden Sie, dass die Vertragsgestaltung zu viele Ressourcen gebunden hat bzw. bindet?
- Was meinen Sie, birgt eine Vertragsgestaltung basierend auf den Verhaltensweisen einzelner Personen ohne Absicherung durch z.B. Prozesse ein Risiko für Ihren Prinzipal/Agenten? Wie könnte sich ein solches Risiko auswirken?
- Glauben Sie, dass ein Modell, welches die Vertragsgestaltung klar definiert und regelt, diese personenunabhängiger (weniger Einfluss der Verhaltensweisen einzelner und der Beziehungsebene) macht?
- Inwieweit beeinflussen Verhaltensweisen von Menschen als auch die Beziehungsebene das Entstehen einer Vertrauensbasis während und nach der Phase der Vertragsgestaltung?
- Kann es Ihrer Meinung nach, eine Vertrauensbasis geben, ohne eine zwischenmenschliche Beziehungsebene?
- Kann ein Modell zur besseren Vertragsgestaltung die Bildung von Vertrauen zwischen den Vertragsparteien fördern?
Können Anreizsysteme die Vertragsgestaltung verbessern bzw. erleichtern? Wie müssten solche Anreizsysteme Ihrer Meinung nach aussehen und was müssten diese leisten?

Thematik 4:**Sollzustand einer Vertragsgestaltung zwischen Prinzipal und Agent****Behauptung:**

Bisher haben wir uns im Rahmen des Gespräches sehr mit aktuellen oder mit vergangenen Situationen beschäftigt. Ich möchte mit Ihnen jetzt die Gegenwartsperspektive verlassen und mich mit Ihnen in eine zukunftsorientierte Perspektive begeben.

Leitfrage:

Was würde Ihrer Meinung nach dazu beitragen, die momentane bzw. die zukünftige Vertragsgestaltung zwischen Ihnen und Ihrem Prinzipal/Agenten (noch) zu verbessern und was müsste sich Ihrer Ansicht nach dazu ändern?

Notizen

Verständnisfragen I Vertiefungen

Hilfsfragen Thematik 4:

- Wie würde für Sie ein optimales Szenario einer Vertragsgestaltung aussehen?
- Gab oder gibt es im Zusammenspiel mit Ihrem Prinzipal/Agenten Themen, die Ihrer Meinung nach generell anders gestaltet werden müssten bzw. müssen?
- Welche Personen/Funktionen können zu einer Verbesserung der jetzigen bzw. einer zukünftigen Vertragsgestaltung beitragen?
- Welche weiteren Informationen als die zurzeit an Sie übergebenen, wünschen Sie sich für zukünftige Vertragsgestaltungen?
- Meinen Sie, dass eine transparente Vorgehensweise im Zuge der jetzigen oder einer zukünftigen Vertragsgestaltung die aktuelle Situation verbessern würde?
- Glauben Sie, dass klare und fixierte Regularien, beispielsweise in Prozessen, hilfreich für eine verbesserte Vertragsgestaltung sind?
- Denken Sie, dass ein Modell zur verbesserten Vertragsgestaltung die Zusammenarbeit mit Ihrem Prinzipal/Agenten erleichtern bzw. optimieren kann? Wenn ja, wie könnte ein solches Modell aussehen und was müsste es beinhalten bzw. was müsste es leisten?
- Könnte dieses Modell durch Anreizsysteme unterstützt werden? Inwieweit sollen diese Anreizsysteme auf das Modell einwirken?
- Sind Anreizsysteme geeignet, eine Optimierung in der Vertragsgestaltung zu erreichen? Welche Aspekte müssen diese Anreizsysteme beinhalten, damit diese richtig funktionieren?
- Welche Anreize können mithilfe von Anreizsystemen stimuliert werden?

Thematik 5:

Leitfrage:

Gibt es aus Ihrer Sicht noch etwas zu diesem Thema, was Ihnen wichtig erscheint und was wir noch nicht angesprochen haben?

Leitfrage:

Gibt es sonst noch etwas, was Sie gerne sagen möchten?

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FRANK HENRICH

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