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Cranfield University

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PhD

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A study of the process and problems of strategic outsourcing on-going management

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Abstract

Purpose

To develop a model that describes the clients' management process of strategic outsourcing of services during its on-going phase. The study identifies and explores problems that occur during this phase and which influence outsourcing's effectiveness. The research studies an under-explored area and develops knowledge about the management of outsourcing during the on-going phase of continuous operation.

Research design

The investigation focused on strategic outsourcing – of industrial maintenance – in a single sector where such maintenance is of strategic importance, namely, in the pulp and paper industry; however, it is expected to be of value to other industries and services. The first part was exploratory, based on a single case study, and focused on the construction of the model in an inductive fashion. The second part further tested the ability of the model to describe the management of strategic outsourcing through three case studies.

Findings

Management of the strategic outsourcing of services consists of a number of activities which influence each other and operate concurrently at different hierarchical levels. The management process of this 'stable' phase entails continuous learning and evolution. In each of the activities there are ineffective elements which originate in management problems. Such problems are identified and explored in the research and were found to originate in practices employed either by the clients or the suppliers.

Research limitations/implications

All case studies were conducted within one group of companies, though each company had independent management and the outsourcing was implemented differently. This approach enables the discussion about the appropriateness of the findings to describe what happens in the outsourcing of industrial maintenance in the

pulp and paper industry. Moreover the research design enables the findings to have an expected value to the outsourcing of other services and in other industries. Finally, a research agenda based on the findings is suggested. It is expected to guide further exploration of the findings and to motivate the exploration of new tendencies in outsourcing practices.

Practical implications

The model can help outsourcing managers better understand the complexity, dynamism and problems of their own outsourcing management process, and improve their practices accordingly based on the findings.

Originality/value

The thesis addresses the on-going management of strategic outsourcing of services. Most literature provides insights into outsourcing strategy and high-level decisions (such as make/buy). Significant and dynamic activity and problems were seen to be occurring during this on-going phase.

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Industrial collaborators

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Family and friends

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Author profile

Gonçalo was born in Viseu, north Portugal. In 1996, at 17 years old, he went to Lisbon to undertake his Mechanical Engineering diploma (5 year degree; 1996-2001) from the Instituto Superior Técnico (IST), Universidade Técnica de Lisboa (UTL). During his degree he had an Initiation of Scientific Investigation scholarship (2000-2001) from the Foundation for Science and Technology (FCT) – part of the Portuguese Ministry for Science and Technology (MCT) – to work as a research assistant in the Institute of Mechanical Engineering (IDMEC), concerning mechanical design. IDMEC is a non-profit association of science and technology which is one of the leading Portuguese mechanical engineering investigators and plays a role in the coordination of Portuguese R&D. At the end of this funding, Gonçalo had another scholarship (2001) – this time from the Portuguese Ministry of Education – for the final project of the degree. The project was related to the design of a chassis made of composite materials for a semi-trailer and was undertaken in IDMEC, in collaboration with ‘Carroçarias Honório’, the biggest Portuguese semi-trailer company. Parallel to this academic study and research, in 2000 Gonçalo also had a work selected to be presented at the XI Fórum Universitário de Estudos Europeus, which took place in Salvador da Bahia and Fortaleza, Brasil.

In the middle of the degree Gonçalo decided that he wanted to take up the challenge of a PhD, but it was not until the final year that he decided to do a PhD related to business and in direct contact with industry. Moreover, he was keen to experience life in another country, and the language influenced the choice of England. So, in October 2001, Gonçalo started his PhD at Cranfield University, sponsored through another FCT scholarship (2002-2005). During the PhD he was invited to be part of a committee of the Portuguese Association of Industrial Maintenance (APMI), which focused on the general theme of outsourcing.

Gonçalo has recently been accepted as postdoctoral researcher in Saïd Business School, University of Oxford.

Representative publications

Academic journals

- Monteiro-Duarte, G., Evans, S., and Sackett, P.J., "Outsourcing management: problems affecting the service delivery", *International Journal of Operations & Production Management*, submitted.
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Practitioner journals

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Conferences reviewed papers

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Conferences working papers

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I. Introductory part

Aim: Introduction to the research

1. Introduction

In today's rapidly-changing environment, organisations are looking for new ways to gain competitive advantage. Outsourcing is one of them, and was considered by Harvard Business Review to be one of the most important management ideas and practices of the past 75 years (Sibbet and Harvard Business Review's staff, 1997). It permits organisations to enhance effectiveness by focusing on their own core competences, while having specialised providers with better performance and more effective cost structures responsible for other functions (Jennings, 2002; Blumberg, 1998).

In the post-war period, horizontal and vertical integration and conglomeration diversification were recommended by many academics and management gurus. Their arguments were that these strategies would give firms the potential to achieve economies of scale and corporate synergies; horizontal integration would provide opportunities for greater market power, vertical integration would offer greater control of the firm's overall supply chain, and conglomeration would offer the potential for greater stability and security through an increased product and market range.

By the 1970s and, even more strongly, by the 1980s the vulnerable nature of the huge corporation became highly visible, and a consensus that corporate strategies should focus on fewer activities was reached. This consensus resulted in the emergence of a new organisational form; companies concentrated on a nucleus of core activities in-house, while the rest was supplied through contracts with other organisations (Domberger, 1998).

Hence, while previously firms acquired and merged with other firms that were not competitors at the same stage of the supply chain (adjusting the firm's boundary to include new elements of their supply chain – vertical integration – or elements of other supply chains, unrelated to their original supply chain – conglomeration), they started to divest their own businesses which appeared to have no logical place within their boundaries. Vertical integration permitted firms to enlarge their boundaries along their principal supply chain, and they started to downsize, contracting out or outsourcing some activities of the supply chain. The majority of contracted out or outsourced

activities corresponded to support services and products. These services and products often belonged to firm's secondary supply chains which, although not a part of the supply chain that delivers the market offering, were necessary for the firm to function.

In horizontal integration firms operating at the same supply chain stage (competitors) merge. Hence, the boundaries of the firms remain almost the same in terms of the scope of activities undertaken, but the market power of the firm will increase with its scale. In fact, the intensifying competition and increasing costs of technological innovation have led to an enlargement of acquisitions and merger activity (Lonsdale and Cox, 2000).

Firms are constantly adding new activities to their structure, finishing others or changing the way they are supplied (through cooperation with other firms, for example). Hence, the boundaries of these firms are continuously changing. Organisations re-evaluating the way they operate in the marketplace are trying to reposition themselves higher in the value chain to gain competitive advantage. So, as part of the process of moving up the value chain, companies are trying to reduce costs and improve efficiency. In order to achieve that they are undergoing organisational changes (Kakabadse and Kakabadse, 2000), concentrating on core activities while they transfer some non-core activities to external suppliers (Meer-Kooistra and Vosselman, 2000). Core competencies are skills or knowledge sets, not products or functions; flexible, long-term platforms that are capable of adaptations or evolution. They are limited in number - generally two or three - and are a unique source of leverage in the value chain; areas where the company can dominate/perform activities important to the customer better than others, elements important to customers in the long run, and embedded in the organisation's systems (Quinn and Hilmer, 1994). These competencies are the activities that provide long-term competitive advantage to a company. The boundaries between what is considered core or non-core activity is blurred. Thus the nature of outsourced activities is becoming more diversified.

The transfer of activities to external organisations means that the performance of a company is dependent on its own internal capabilities, and also those of its suppliers. Due to this increasing inter-dependency with suppliers, the competitive advantage of an organisation depends on the relationships and linkages that it constructs with external companies (Park et al, 2001; Spekman et al, 1999). So externalisation, or the ability to connect quickly and meaningfully with business partners and customers to rapidly

improve the quality of goods and services is becoming a competitive imperative, and companies are abandoning their previous self-contained and vertically integrated structures to move to a more virtual structure, in which they rely on business partners to fulfil major parts of their supply and value chain requirements. This effort to externalise and become an extended enterprise bears an extraordinary similarity to the Japanese Keiretsu model (Kakabadse and Kakabadse, 2000). Real competitive advantage is starting to come from the supply chain as a unit rather than from its individual components. As Christopher and Juttner (2000) have commented, “Supply chains compete, not companies”.

In this context, outsourcing has gained wide acceptance as a business strategy (Mullin, 1996). Although some executives still use outsourcing primarily to offload non-core activities and reduce costs, others use it to gain access to competitive skills, improve service levels and increase their ability to respond to changing business needs. Thus, outsourcing is evolving from simply being a way of cutting costs to a delicate strategy of alliances and joint-ventures with providers to enhance performance. Outsourcing is now starting to evolve into a form of ‘vertical quasi-integration’ of the supplier. In such reality the cultural differences between client and supplier are minimised, and are based on cooperative working procedures defined through advanced forms of client-supplier relationships. Outsourcing enables the adjustment of firms’ boundaries according to the needs resulting from their surrounding environment (Mahnke, 2001).

1.1. Focus of the research

Outsourcing has been thoroughly researched during recent years, and two themes of outsourcing research have been the subject of particular interest among researchers, namely the reasons for and benefits of outsourcing decisions, and the decision as to whether or not to outsource (the make or buy decision). Other themes, such as the selection of a partner for the outsourcing relationship and the elaboration of the contract have also received attention from the research community (either directly or indirectly, through studies in parallel areas as normal buyer-supplier relationships and alliances). However, what happens once the outsourcing contract is signed has been neglected by

researchers. This neglected part has the potential to dictate the success or failure of outsourcing, even when a good outsourcing base has been created.

The author's research is focused on the exploration of the management of outsourcing during the on-going phase of the process. The lack of sufficient theoretical understanding surrounding the on-going management of outsourcing highlights the need for the development of a better understanding of its mechanisms, thus this research investigates the way companies manage on-going outsourcing and the problems that they have. It attempts to structure and describe the outsourcing management process and understand and explain some of its problems. The research therefore aims to generate new knowledge and an initial theory that can contribute to future theory development and refinement.

1.2. Research design

Outsourcing management is undertaken by people, involved in groups and bounded by the context they live in. The actions of those people – which guide the outsourcing management – are directed by how they think, feel and behave, both as individuals and groups. This assumption that social reality is produced and reproduced by social actors leads the research to a constructivist approach.

The research was divided in two sequential parts with complementary objectives. The first part – the exploratory phase – was used to develop the initial knowledge about the outsourcing process. The second part of the research – the reinforcement phase – considered whether the knowledge collected and structured in the exploratory phase was real and supported by the people involved in the outsourcing where that phase took place. The reinforcement phase also aimed to see whether the knowledge collected and structured in the exploratory phase was useful and appropriate to describe what happened in two other different outsourcings.

The methodological approach taken in this research is further developed in the 'Research design' chapter of this thesis. The thesis structure is shown in Figure 1.

	<u>AIMS</u>	<u>OUTCOMES</u>
<u>INTRODUCTORY PART</u>		
Chapter 1 Introduction	To provide an overview of the thesis and an understanding of the thesis structure.	Thesis structure
Chapter 2 A review of the literature	To describe the context for the research and the novelty of the work.	Research objectives
Chapter 3 Research design	To select the most appropriate research methodology.	Research methodology
Chapter 4 Presentation of the case studies	To give the overview of the outsourcings analysed in the research.	Understanding about the case studies
<u>OUTSOURCING MANAGEMENT MODEL PART</u>		
Chapter 5 Introduction to the outsourcing management model	To explain the structure by which the findings are presented.	Structure of presentation of the findings
Chapter 6 Outsourcing management process model	To present the suggested model to describe the outsourcing management process.	Model describing the outsourcing management process
Chapter 7 Outsourcing management model: the gaps and problems	To present and describe the gaps and problems in the outsourcing management.	Presentation of problems which occur in outsourcing management
<u>CLOSING PART</u>		
Chapter 8 Conclusion	To summarise the approach taken and the overall contribution to knowledge made.	General review of the research and recommendation for further research
Chapter 9 References	To present the information necessary to enable readers to track the referenced works.	List of references

Figure 1 – Thesis structure

1.3. Overview of the chapter

The chapter provides the background and context to this work in outsourcing. The focus of the thesis is on the way companies manage on-going outsourcing during its on-going phase and the problems that they have. The chapter ends with an overview of the

structure of the thesis (Figure 1), helping the reader to understand better the logic and sequence of the document.

2. Review of the literature

Outsourcing is one of the most prevalent trends in today's business environment, yet outsourcing management has not received a great deal of interest from academics. This chapter gives a brief overview of outsourcing to provide the context of the research. The aims and objectives of the research are presented, as well as its contribution to the existent body of literature.

2.1. Presentation of the literature review

This literature review aims to clearly define and bound the subject under study, placing the present work in the context of its contribution to knowledge. As no investigation focusing on the current research topic was found in the literature, it is not possible to present existing models concerning the way clients manage on-going outsourcings and on the problems they have.

This literature review starts by highlighting the lack of consolidation in the language used to refer to outsourcing concepts. It discusses contradictory definitions for outsourcing existent in the literature, and suggests a definition, which is then followed in this thesis. The literature review follows by debating the risks and benefits of outsourcing and defining the outsourcing phase under study in this thesis: being the 'Managing relationship' phase, which corresponds to the on-going management of outsourcings. Then outsourcings are distinguished, according to their characteristics and types of activities. The outsourcings under investigation in the thesis are then identified: strategic outsourcing of services. Finally the aims and objectives of the research are presented, jointly with its contribution to knowledge.

2.2. Definition of outsourcing

Many of the terms characteristic of outsourcing are used in the literature with different meanings. This may lead to confusion. An example of this is the term 'outsourcer'. 'Outsourcer' can be refer either to the client organisation (e.g. Meer-Kooistra and Vosselman, 2000) or to the supplier organisation (e.g. Linder et al, 2002). There is a need to standardise the language of outsourcing, and the literature, too, seems not to be consolidated. This may be justified by its relative newness.

In this work the term 'outsourcer' is used to refer to the customer/buying organisation; the company which is outsourcing an activity. In the thesis the term 'client' is used to refer to the 'outsourcer'. The expression 'outsourcing management' also refers to the client's processes and practices of managing an outsourcing and their suppliers. Another example of the lack of rigour within the language of the outsourcing literature is the term 'outsourcing' itself.

In spite of being one of the most prevalent trends in today's business environment (Bragg, 1998; Greco, 1997), the definition of outsourcing is not clear in the literature.

Some authors simply define outsourcing as the procurement of products or services from sources that are external to the organisation (e.g. Lankford and Parsa, 1999). They see outsourcing as the process of looking for expertise to handle certain activities outside the existing firm.

This definition of outsourcing is so broad that it can include almost all kinds of goods and services that an organisation buys from an outside firm. Gilley and Rasheed (2000) contend that outsourcing cannot be defined simply as a procurement activity. Seen in this way its true strategic nature of rejecting the internalisation of an activity would be completely hidden. Outsourcing can be a highly strategic decision that has the potential to cause ripple effects throughout the entire organisation.

Some authors have a more restricted definition of outsourcing. They argue that it is a form of external provision for the delivery of goods or services that had been previously offered in-house (Lonsdale and Cox, 1998). For them outsourcing is the act of transferring some of the organisation's recurring internal activities and decision rights to outside suppliers, as set out in a contract (Greaver, 1999). Hence, this externalisation view states that outsourcing is the process of transferring the responsibility for a specific business function from an employee group to a non-employee group (Zhu et al, 2001).

What if an organisation needs to incorporate a new process and wants it to be supplied by an external supplier? Can't that be outsourcing? To respond to this kind of situation Gilley and Rasheed (2000) present a more structured and complete view of outsourcing. This view can be seen as the convergence of the two already presented. They state that outsourcing may arise in two ways. Firstly, it may appear by the substitution of internal activities by external purchases. In such cases outsourcing can be viewed as a discontinuation of internal production and the beginning of procurement

from outside suppliers. However, Gilley and Rasheed argue that outsourcing doesn't need to be limited to those activities that are shifted from within the enterprise to external suppliers. It may arise when a firm purchases goods or services from outside organisations even though it could produce them internally, even when those goods or services have not been completed in-house in the past. This abstention-based outsourcing, just like the substitution-based outsourcing (externalisation philosophy), reflects a decision to reject internalisation. They say that an organisation having no choice but to acquire a particular good or service from an external source (because of a lack of capital or expertise, for example) is not outsourcing, because the internalisation of the activity in question is not an option. Hence, outsourcing involves the decision of not performing the activity 'in-house'.

Although some researchers treat outsourcing and contracting out as one and the same thing (Lonsdale and Cox, 1998), others radically distinguish them. They contend that outsourcing is not a synonym for contracting out (e.g. Embleton and Wright, 1998), and affirm that contracting out refers to work assigned to an outside supplier on a job-by-job basis, usually involving a cost-plus arrangement. Outsourcing, on the other hand, entails a long term relationship between supplier and beneficiary with a high degree of risk-sharing.

The key to the definition of outsourcing is the concept of transfer of control (Bendor-Samuel, 2000). Outsourcing differentiates from business relationships (normally with a short term horizon, even though that can be renewed over time) in which the client retains control of the process and tells the supplier how to do the work. In outsourcing the supplier has control over the activity and its management. So, it is expected that the supplier's know-how is used more effectively and that the internal coordination of the activity is easier.

Following the previous argumentations, the definition of outsourcing used in this work is:

Outsourcing is the continuous procurement of products or services from sources external to the organisation for a defined period of time, when the internalisation of the activity in question is an option and its control and decision rights are transferred to the supplier.

2.3. Benefits and risks of outsourcing

Outsourcing enables companies to use external suppliers' economies of scale, investments, innovations and specialised professional capabilities that the buyer would have difficulty in affording otherwise. This way, clients have more resources to focus on their own core competences, while increasing flexibility and reducing overheads. The benefits of outsourcing are appellative, but are constrained by its risks which cannot be underestimated. Outsourcing can lead to the loss of critical skills, loss of control over the outsourced function and the introduction of new and unanticipated costs. But, although the literature warns of the serious danger of outsourcing risks, Gilley and Rasheed (2000) concluded that the dangers associated with outsourcing may not be as large as they appear. Nevertheless, they conclude their argument by highlighting that the dangers of outsourcing are long term and may not have been adequately captured by their study.

In the literature many surveys point to the reasons to outsource and the risks of outsourcing (Kakabadse and Kakabadse, 2002b; Bailey et al, 2002; Claver et al, 2002; Elmuti and Kathawala, 2000; Fan, 2000; Hurley and Schaumann, 1997). The populations surveyed as well as the survey period vary. The rankings of the reasons to outsource and of the risks of outsourcing are dependent on the specific situation and hierarchical position of the populations used in the survey, thus the ordering of each work cannot be compared since they represent different situations.

Some of the most important potential benefits of outsourcing – directly related to the reasons for outsourcing – and risks available in the literature are presented below (Figure 2) divided into types.

Some studies state that senior management is increasingly recognising that the disadvantages of outsourcing outweigh the advantages (e.g. Kliem, 1999). So, the rampant growth of outsourcing does not necessary imply satisfied customers (Kakabadse and Kakabadse, 2000) and several studies show that a considerable percentage of outsourcings are not achieving the expected results (e.g. Willcocks and Lacity, 1999; Mullin, 1996; Lacity et al, 1995), in some cases even leading to the in-sourcing of the activity (Greco, 1997).

Type of benefits/risks	Benefits	Risks
<u>Organisationally driven</u>	<p>Enhance effectiveness by focusing on core competences (e.g. Kakabadse and Kakabadse, 2002b)</p> <p>Increase flexibility to meet current volatile business conditions (e.g. Hurley and Schaumann, 1997)</p> <p>Transform the organisation (e.g. Kakabadse and Kakabadse, 2000)</p>	<p>Reduced company's control over the outsourced activity (e.g. Kakabadse and Kakabadse, 2000) or supplier (e.g. Quinn and Hilmer, 1994)</p> <p>Loss of skills and memory inside the client organisation (e.g. Jennings, 2002)</p> <p>Business volumes (or business conditions) on which the outsourcing contract was based may decline (or change), rendering the outsourcing inadequate to the situation (e.g. Rothery and Robertson, 1995)</p>
<u>Improvement driven</u>	<p>Improve operating performance (e.g. Embleton and Wright, 1998)</p> <p>Acquire new ideas, expertise, skills and technologies that otherwise would not be available inside the company (e.g. Lankford and Parsa, 1999)</p> <p>Improve credibility and image by associating with superior providers (e.g. Greaver, 1999)</p>	<p>Monitoring and managing the performance of the providers is a crucial but difficult task, which if wrongly done can seriously jeopardise the outsourcing (e.g. Reilly and Tamkin, 1996)</p> <p>Weakened innovative capacity (e.g. Reilly and Tamkin, 1996)</p>
<u>Financial and cost driven</u>	<p>Reduce costs through provider's superior performance and lower cost structure (e.g. Bailey et al, 2002)</p> <p>Turn fixed costs into variable costs and generate cash by transferring assets to the provider (e.g. Kakabadse and Kakabadse, 2000)</p> <p>Reduce investments in assets and free up some resources for other purposes (e.g. Blumberg, 1998)</p>	<p>Cost surprises (hidden costs and costs savings not as high as expected) (e.g. Barthélemy, 2001)</p> <p>Redefinition of organisation's boundaries and consequent structural adjustments of human resources incur social and new financial costs (transition costs) (e.g. Kakabadse and Kakabadse, 2000)</p>
<u>Revenue driven</u>	<p>Accelerate expansion by using provider's developed capacity, processes and systems (e.g. Greaver, 1999)</p> <p>Gain market access and business opportunities through the provider's network (e.g. Vanson, 2001)</p>	<p>Leak of information and know-how for the concurrence (e.g. Barthelemy and Geyer, 2001)</p> <p>Outsourcing functions that have customer contact may alienate customers (e.g. Blumberg, 1998)</p>

Figure 2 – Potential benefits and risks of outsourcing

In contrast to the more negative trends reported, Kakabadse's survey (Kakabadse and Kakabadse, 2002a) reports positive experiences of outsourcing. Fifty eight per cent of the respondents (over seven hundred from Europe and North America, mainly senior managers from board level or from the executive committee) indicated satisfaction with their outsourcing arrangements, over 36 per cent indicated mixed feelings as to what they had gained from outsourcing, and fewer than 6 per cent reported dissatisfaction with their outsourcing experience. Although there is no clear consensus about the

impact of outsourcing on firm-level performance (Mason et al, 2002; ten Raa and Wolff, 2001; De Groot, 2001; Juma'h and Wood, 2000; Gilley and Rasheed, 2000), the arguments surrounding its positive impact in the functional areas in which it occurs seem to be consensual (Gilley et al, 2004; Jones et al, 2003; Heshmati, 2003; Gilley and Rasheed, 2000; Fixler and Siegel, 1999).

This apparent contradiction between those who affirm that many outsourcing contracts are not being successful and studies which indicate satisfaction with outsourcing can be partly explained by Elmuti and Kathawala's (2000) survey. This concludes that while organisations are not getting the projected or the promised order of magnitude of improvements from outsourcing, they are achieving significant improvements in their activities. Companies are expecting bigger improvements in their activities than those actually achieved, but the improvements achieved are still significant. Such a conclusion seems to be supported by the affirmation of Kakabadse and Kakabadse (2000), who say that nearly 70 per cent of companies who have undergone outsourcing state that they are "unhappy with one or more aspects of their suppliers".

2.4. Process of outsourcing

The outsourcing literature provides some consensus about the way to divide the process of outsourcing into phases. Even though the proposals for structuring the outsourcing process in phases are not exactly the same (e.g. Momme and Hvolby, 2002; Zhu et al, 2001; Greaver, 1999), they have similar bases as the identification of the cyclical nature of the outsourcing process.

This work uses Momme and Hvolby's (2002) framework (Figure 3) to structure the outsourcing process. This complete framework divides the outsourcing process in six phases. Additionally, it identifies their built-in activities, performance measures and expected outputs.

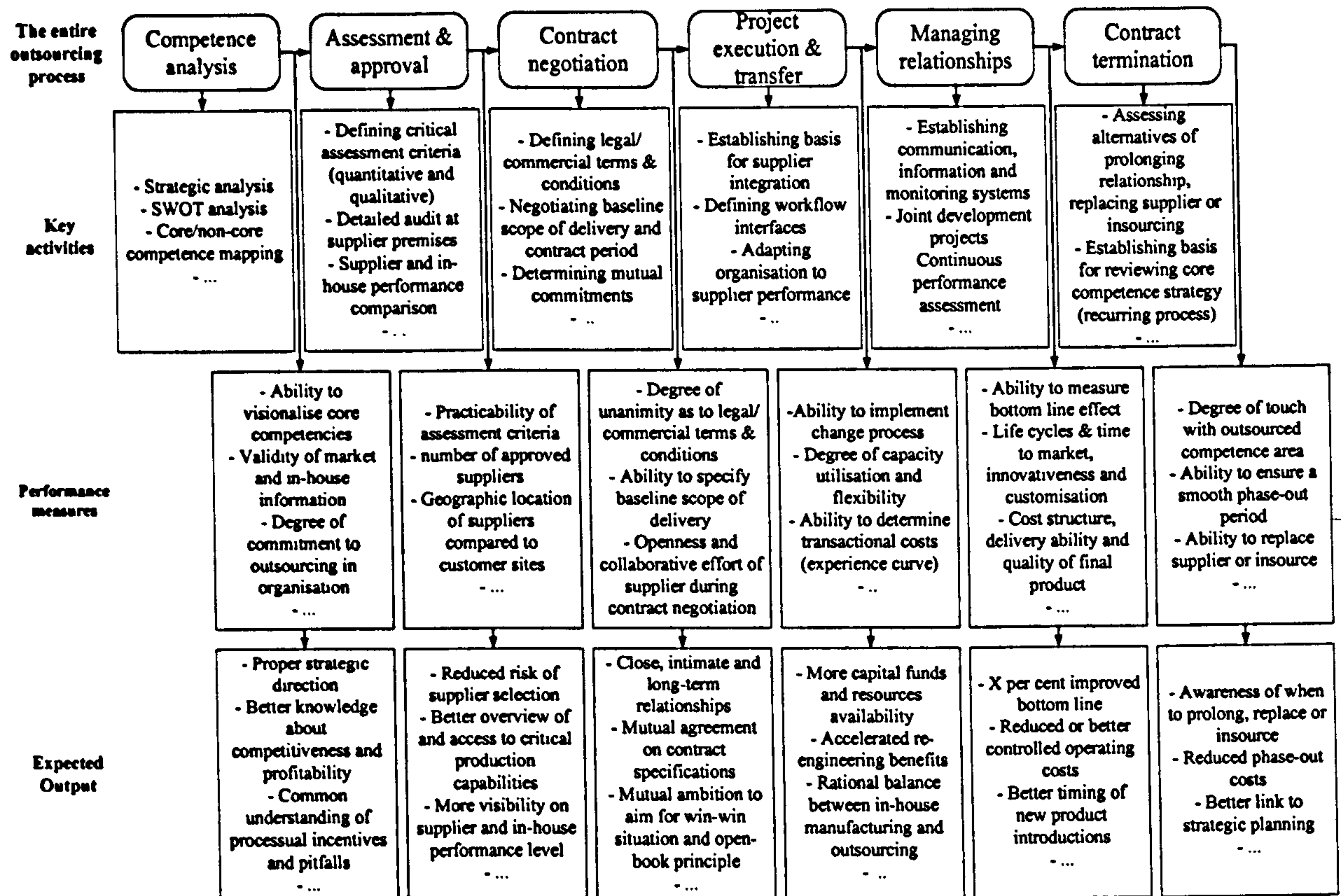


Figure 3 – Outsourcing process (Momme and Hvolby, 2002)

Each of the identified phases, and the corresponding literature, is briefly presented in the following sections.

2.4.1. Competence analysis

The first step when thinking about outsourcing is the choice of what to outsource. This decision is highly related to a company's strategy. Although the activities which are candidates for outsourcing may be chosen according to the manager's experience, some research presents structured tools which corporations can employ to choose outsourcing candidates (e.g. Drejer and Sorensen, 2002; Insinga and Werle, 2000).

After the choice of the candidate activities, organisations can use various tools to assist the decision of whether or not to outsource a specific chosen activity (Humphreys et al, 2002; Platts et al, 2002; Tayles and Drury, 2001; McIvor, 2000; Spina et al, 2000; Coman and Ronen, 2000; C  nez et al, 2000). This decision, commonly called the 'make or buy' decision, always has to be moderated by the specific context situation and environment (Wilson and Zhang, 2002; Ghausi, 2002; Nellore and Soderquist, 2000; Arnold, 2000; Dekkers, 2000; Fill and Visser, 2000; Lonsdale, 1999; Jennings, 1997; Gavin and Matherly, 1997). Some research also suggests that for the

maximisation of companies' effectiveness, the aim should be the achievement of an optimum point between integration and outsourcing (e.g. Grossman and Helpman, 2002).

The 'make or buy' decision is the most commonly studied of the outsourcing phases. Even though conservative literature states that only non-core activities should be outsourced (e.g. Mullin, 1996), a new breath of literature argues for the outsourcing of activities related to companies' core competences (e.g. Heikkila and Cordon, 2002; Baden-Fuller et al, 2000).

At the end of this phase the client company should have a good level of knowledge of its competitiveness, a strategic direction which is well defined, a candidate activity to outsource, and the decision of whether or not it should be outsourced.

2.4.2. Assessment and approval

Research focusing on the choice of supplier for outsourcing is not abundant (e.g. Choy et al, 2003; Choy et al, 2002; Choy and Lee, 2002), although research focusing on the choice of suppliers in general is rich. It is expected that many of the techniques suggested for the choice of general suppliers can also be used to choose an outsourcing supplier. These techniques range from tools based on performance measurement (e.g. Lau et al, 2001) to methods related to operational research (e.g. Talluri and Narasimhan, 2004; Talluri, 2002). Park and Krishnan (2001) examined the supplier selection practices among small business in the mid-West United States, to decide which were the most significant models for predicting the supplier selection practices in small firms. Customers select suppliers based on the relative importance of different attributes such as quality, price, flexibility and delivered performance (Verma and Pullman, 1998), but the purchasing relationship between companies is also important (Humphreys et al, 1998).

At the end of this outsourcing phase the client company should have chosen a supplier based on the proposals. The decision is normally based on risk, performance (related both to output and costs) and relational issues.

2.4.3. Contract negotiation

Once the supplier has been chosen, the following step is to choose the best outsourcing configuration (Kakabadse and Kakabadse, 2000; Insinga and Werle, 2000; Suarez-Villa, 1998; Currie and Willcocks, 1998) and to negotiate the contract accordingly. The literature on contracts is wide. Some authors focus on how to negotiate a contract (e.g. Sankaran et al, 2002), while others discuss the constituents (e.g. Sadler, 2002; Logan, 2000) and consequences (e.g. Harris et al, 1998) of contracts. There is even research recognizing variations of contract type according to geographic location (Ryan, 1999).

Some new and more informal types of contracts are appearing in the market, and the role of both formal and informal contracts is analysed in the literature (Frankel et al, 1996). Some researchers suggest that formal and informal contracts are complementary (e.g. Poppo and Zenger, 2002) and that long term contracts are not always the best solution (e.g. Cohen and Agrawal, 1999).

The literature realises that contracts based on incentive/disincentive contracting are becoming common (e.g. Bubshait, 2003; Berends, 2000). These contracts normally take the form of service level agreements (SLA) or of performance contracts (Mullin, 2002; Lehr and McKnight, 2002; Gilleard and Kam-shim, 2001; Davies and Chan, 2001; Bissel et al, 2000; Larson, 1998; Robison, 1998; Parish, 1997; Hiles, 1994; Pratt, 1994). The literature also presents several means of avoiding common pitfalls associated with this kind of contract (e.g. Behn and Kant, 1999), as well as technological methods to support their use (e.g. Chan and Chung, 2002; Bhoj et al, 2001).

The signed contract defines the rules for the relationship and is very important for both the quality of the relationship and for the outputs of the outsourcing.

2.4.4. Project execution and transfer

This phase corresponds to the transfer of control of the outsourced activity from the client to the supplier. Outsourcing introduces a new relationship and a different culture into an organisation. Strategic steps need to be taken at the beginning of the relationship to properly manage the agreement and the change of control in the outsourced activity. For its success, both parties have to define their expectations and

work together to handle the problems in a manner that keeps the relationship following its original objectives (SourceNet Solutions, 2003). Companies may struggle in the 'project execution and transfer' phase. This difficulty has many sources, for example the differences between company cultures, or the lack of attention paid to the soft sides – human concerns – of the process (Lynch, 2000a).

Although the transition from internal to external (supplier) service has proven to be a complex and demanding process, literature guiding this outsourcing phase is practically nonexistent. There are some 'loose' paragraphs in the literature referring to the transition from client to supplier, but no work focusing on the process of the outsourcing transition phase was found. It is believed that the change management literature can help in the transition process.

At the end of this phase the supplier should understand the outsourced activity and be able to control its process. The supplier should also be already integrated into the client's company, and both companies should have adapted to each other.

2.4.5. Managing relationship

In the 'managing relationship' phase the outsourcing is operating in full. The supplier controls the process and has the main responsibility for the outsourcing.

Although Momme and Hvolby (2002) have called this phase 'Managing Relationship', it is much more than the relationship that is being managed. It is the results, the processes, the supplier and the relationship of the outsourcing activity. So, from hereafter, this phase of the outsourcing overall process will be called the on-going phase or the on-going management of the outsourcing.

The prime risk in outsourcing is non-performance. If the supplier does not deliver the goods or services according to the requirements of the contract, the client organisation could suffer a loss. Outsourcing has been perceived to be risky because control of the outsourced activity process is given to the supplier. Although there is risk associated with any activity, the subjective 'distance' that contracting places between the client and supplier creates a heightened perception of risk (Domberger, 1998). Outsourcing management and monitoring is used to control this risk. It has four main objectives: to ensure that the supplier's work is faithful to the contract and the client's wants, to identify the extent of variation in quality and its relationship to cost factors, to

determine whether the clients (both the ones from within the client company and the client company's own clients) are satisfied with the service, and to determine the most cost-effective approach to ensure that efficiency and innovation gains from outsourcing are not eroded (Dean and Kiu, 2002). Outsourcing management and monitoring is essential to the success of outsourcing. Its philosophy is to monitor the outsourcing, and when an irregularity is discovered to deal with it preventatively. This way problems are prevented or corrected at an early stage, conflicts are avoided and the objectives of the outsourcing are more likely to be met (Tuten and Urban, 2001).

Notwithstanding this importance of outsourcing management, managers tend not to reflect much about how they actually manage, and should manage their outsourcing relations (Kern and Willcocks, 2000). 'The 2003 Outsourcing World Summit' seems to support this affirmation. It concluded that less than half of the outsourcing companies have specific programmes in place to develop relationship management capabilities for outsourcing (Corbett, 2003). As an observation on the lack of reflection about the best way to manage the outsourcing, there are clients that still neither archive performance-related data using formal recording systems nor report contractors' performances through proper channels (Ng et al, 2002). Such practices are likely to compromise the quality of an outsourcing management, and consequently the achievement of the outsourcing objectives.

During this phase the client tries to guide the performance and supplier in such a way that the contract is respected and the objectives are achieved.

Practitioners' neglect of the best way to manage outsourcing is mirrored by the academic community. Nevertheless, being the longer phase and the phase in which the outsourcing objectives are or are not met, guides about how to manage an outsourcing during its on-going phase and studies focusing on the pitfalls that occur during it (and which can jeopardise its success) are rare in the literature. Even though some works refer to problems which may occur in on-going outsourcing management, they tend to refer to them simply as part of a broader argument (e.g. Kakabadse and Kakabadse, 2000). So problems are simply identified, spread and lost in the outsourcing literature. The literature which does analyse the problems in outsourcing management is more normally directed towards practitioners (Lynch, 2000a; Bendor-Samuel, 2000) and does so simply to immediately 'sell' a solution for the problems. Academic studies focusing

on outsourcing management and its problems are missing. The present research focuses on this on-going phase of the outsourcing process, where the on-going outsourcing management takes place.

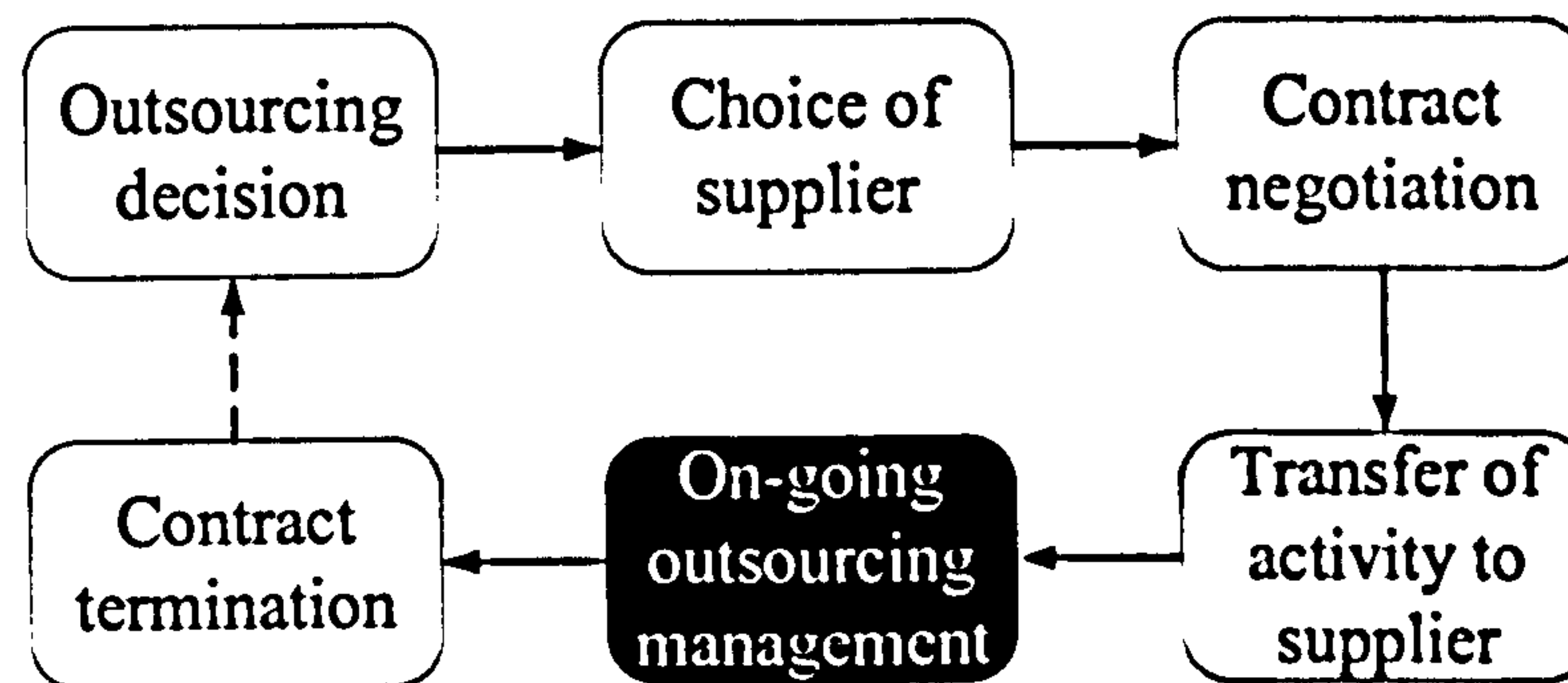


Figure 4 – Outsourcing phase focused by the research

2.4.6. Contract termination

At the end of an outsourcing contract the client has three options: to renegotiate the contract with the same supplier, to change suppliers, or to in-source the activity again (or a combination of the three). The two first options highlight the cyclical nature of outsourcing, while the last one corresponds with its end.

No literature focusing specifically on the end of an outsourcing activity was identified, but some pieces of research focusing on business relationships in general are useful. Halinen and Tahtinen (2002) present a work about the ending of business relationships; what it is, why it happens, and how an extant relationship dissolves.

2.5. Types of outsourcings

The present work focuses on strategic outsourcings of services. Strategic outsourcings are outsourcings which are aligned with the client organisation's long-term strategies, where results which are either positive or negative will be important for it and which may emerge over several years (Greaver, 1999).

Some authors suggest that a buying organisation has an overall management style that affects all their relationships (and, consequently it is not possible to manage absolute variety of types of relationships) (e.g. Donaldson and O'Toole, 2000). Nevertheless, the general view in the literature is that organisations cannot manage with only one design for all relationships, and need to manage a portfolio of relationships (e.g. Gadde and Snehota, 2000; Bensaou, 1999; Spekman et al, 1999). The same

happens with outsourcing. The characteristics of the outsourcing and the risks and benefits associated with its failure or success drive the type of needed management. There must be a concern covering issues of value in outsourcing management (Dean and Kiu, 2002). Developing close links and a good outsourcing management system with suppliers is resource-intensive (needs assessment, coordination, adaptation and interaction costs), so it can be only justified when the costs of extended involvement in outsourcing management are less than its benefits. Although outsourcings can be analysed according to the nature of the activity (IT, contract manufacturing, catering, etc.) (e.g. Rothery and Robertson, 1995), an analysis according to their characteristics (e.g. importance for the client organisation) could be more effective when dealing with on-going management.

The next section distinguishes two types of outsourcing; traditional and transformational outsourcings. The last, due to its characteristics, is closely related to strategic outsourcing.

2.5.1. Traditional vs transformational outsourcing

Conventional wisdom suggests that organisations should only outsource commodity activities (e.g. Mullin, 1996), recently it has been argued that under-certain conditions, more strategic activities can also be outsourced, as long as the outsourcing remains flexible and the client strategically controls (e.g. Heikkila and Cordon, 2002). Nowadays outsourcing is no longer limited to the simple reengineering of support systems to offload companies from non-core activities, reducing costs and improving strategic focus. It is already used to achieve rapid and sustainable improvement in the performances of companies at the enterprise level through access to competitive skills and improved ability to respond to changing business needs (Linder, 2004; Linder et al, 2002).

According to Mazzawi (2002), there are two main types of outsourcing: traditional and transformational.

Strategic drivers

Characteristics	Classical outsourcing paradigm	New outsourcing paradigm
<u>Primary driver:</u>	Reduction or control of operating costs.	To grow and stay competitive (e.g. lower cost and improve service).
<u>Complementary driver:</u>	Increased availability of capital funds. Cash infusion. Specialisation. Access to expert skills (lack of internal resources). Problematic functions.	Global competition. Focus on core competencies – redirecting internal skills/ capabilities and resources to high value-added areas. Improved business focus. Move to flatter organisations/ downsizing. Search for greater flexibility. Cumulative production experience. (Re) invention of value to the customer. Advances in IT. Shared risk.
<u>Debate focus:</u>	Whether to outsource?	What to outsource?
<u>What is being outsourced:</u>	Non-core functions – parts, facilities and components.	Business processes – intellectual based systems (e.g. customer response handling, management).
<u>Decision based on:</u>	Strategic vs commodity approach.	Value creation approach.
<u>Efficiency gains primarily:</u>	In a single function.	In a whole process (e.g. greater shareholder value across the enterprise).
<u>Reason for increased growth of outsourcing:</u>	Reduction of costs. Lack of expertise.	Reduction of costs. Economic downturn. Global competition, mergers and acquisitions. Specialisation. Reducing size of the enterprise (including government).

Figure 5 – Strategic drivers: comparison between classical and new outsourcing paradigms (Kakabadse and Kakabadse, 2000)

Traditional outsourcing focuses on avoiding doing in-house what others can do more efficiently and effectively. It embraces non-core services and adds value by giving access to best practice and economies of scale in non-complex and non-core areas. A shift from fixed to variable costs and access to new technology is achieved, but normally there is no significant business change. With this type of outsourcing performance improvements are operational or tactical rather than strategic. The objective is to do the same thing better, faster and cheaper. Thus, the added value it can

bring to an organisation is limited. Traditional outsourcing is no longer a competitive differentiator (Mazzawi, 2002).

Market

Characteristics	Classical outsourcing paradigm	New outsourcing paradigm
<u>Outsourcing market:</u>	Large corporations.	Large-scale businesses. Medium and small businesses. Government. Outsourcing vendors themselves (e.g. EDS).
<u>Major outsourcing sector:</u>	Manufacturing.	Services and manufacturing.
<u>Growth market:</u>	Predominantly USA, UK and Australia.	Global and sectoral (e.g. retail, financial services).

Figure 6 – Market: comparison between classical and new outsourcing paradigms (Kakabadse and Kakabadse, 2000)

Previously, conventional wisdom held that all problems should be fixed in-house and that only well-run operations should be outsourced (e.g. Forst, 1999). The logic was based on the difficulties that third parties could have in understanding and fixing problems. But, with new different needs and the broader capabilities of suppliers, situations and practices have changed. Suppliers have now considerable experience in improving operational performance and clients are anxious to access that experience to fix some of their problems faster and more effectively. As a result, traditional outsourcing has evolved to become more business focused and problem solving, with a focus on achieving all the benefits of traditional outsourcing, plus adding value through its strategic base. This is known as transformational outsourcing (Mazzawi, 2002).

Configuration

Characteristics	Classical outsourcing paradigm	New outsourcing paradigm
<u>Effects of outsourcing on organisational form</u>	‘Hollow organisation’ (i.e. turning organisation into an empty box).	‘Virtual organisation’ interconnected relationships.
<u>Outsourcing arrangements</u>	Takeover of existing assets and human resources. Large up-front payments from the outsourcing suppliers to clients for the clients' IT assets, followed by performance improvement and cost reduction in the clients' IT operations.	Suppliers install and run new systems. Unit cost reduction portion of operational savings goes into R&D and systems innovation, savings and profits shared with vendors (e.g. Swiss Bank/Perot Systems).
<u>Organisational form</u>	Vertical integration. Diversified corporation.	Networked organisation (e.g. virtual organisation, Shamrock). Specialised corporation.

Figure 7 – Configuration: comparison between classical and new outsourcing paradigms (Kakabadse and Kakabadse, 2000)

While traditional outsourcing focuses on efficiency, transformational outsourcing focuses on effectiveness. Transformational outsourcing focuses on core activities and business issues, using outsourcing as an important element of the wider strategy rather than an isolated entity. It is a tool to adapt enterprises to respond to market volatility and the pace and nature of the change. Transformational outsourcing combines consulting, technology and outsourcing, stimulating and facilitating business change. It helps to establish the capacity and capability to respond rapidly and effectively to the range of unpredictable events that occur in the actual business environment, or to improve the effectiveness of more strategic functions. Transformational outsourcing has the potential to enable an enterprise to achieve rapid and sustained benefit from a new market opportunity, or to improve the effectiveness of a function nearer to its core competences. Hence, transformational outsourcing is about helping to create a new strategic business model and a new management approach (Mazzawi, 2002). Transformational outsourcing tends to exploit intellectually-based systems (knowledge capacities) enabling higher value, more flexible and more integrated systems, improving a company's capacity to remain current and to innovate by interacting with ‘best in world’ knowledge sources (Quinn, 1999). While traditional outsourcing is directed at support functions, transformational outsourcing is close to a company's strategic issues. Some authors even suggest the outsourcing of activities essential to a company's future

direction, such as innovation (e.g. Quinn, 2000). As can be seen from its characteristics, transformational outsourcing is closely related to strategic outsourcing.

Performance management

Characteristics	Classical outsourcing paradigm	New outsourcing paradigm
<u>Organisational focus:</u>	Vertical integration.	External contracting of key activities.
<u>Management focus:</u>	Managing integration.	Managing portfolio of relationships.
<u>Communication focus or:</u>	Control activities associated with market-exchange relationship.	Complex co-ordination task.
<u>Primary skills:</u>	Monitoring performance (e.g. procurement and contract management).	Managing relationship and/or 'virtual corporation'.
<u>Flexibility:</u>	Limited, with specification for possible additional services based on agreed schedule of rates.	Flexibility based on rapid and full sharing of information. Adjustments in scale or scope are negotiated on this basis.
<u>Control:</u>	Contract specifies detailed performance provisions, including monitoring, penalties and guarantees.	Control through co-operation, monitoring, sharing of benefits and risks.
<u>Specialisation:</u>	Individuals within single organisation (i.e. individual specialists).	Entire organisation, contracting on particular set of activities (e.g. core competencies, organisational capabilities).
<u>Purpose of recontracting:</u>	Primarily to re-negotiate terms of contract and/or change supplier.	Primarily to reposition and reinvigorate the relationship with the supplier (e.g. Kodak).
<u>Contract document:</u>	Detailed, formal (legally binding) and highly specific.	Agreement between parties spells out general purpose and objectives of the relationships. Documentation usually parsimonious and not formal.
<u>Dispute resolution:</u>	Mechanisms stated in contract document including the provision for specific arbitration.	Expectation is that potential disputes are resolved before they reach adversarial level. Emphasis on risk management and conflict resolution. No formal mechanisms specified although all legal processes can be utilised.
<u>Success dependent on:</u>	Effective choice of the supplier.	Preparation and the commitment to manage outsourcing.
<u>Common contract size:</u>	Mega-large contract.	Medium size deal (with discrete deliverables).

Figure 8 – Performance management: comparison between classical and new outsourcing paradigms (Kakabadse and Kakabadse, 2000)

Traditional and transformational outsourcings fall respectively into Kakabadse and Kakabadse's (2000) classical and new outsourcing paradigms. Representing different

paradigms, these outsourcings target different strategic drivers (Figure 5) and different markets (Figure 6). Hence, they have different configurations (Figure 7), different performance management (Figure 8) and different supplier interfaces (Figure 9), resulting in different levels of value, and consequently of outsourcing satisfaction (Figure 10).

Supplier interface

Characteristics	Classical outsourcing paradigm	New outsourcing paradigm
<u>Supplier choice:</u>	Single supplier offering one-stop-shop or one-size-fits-all model, where the entire IT operation is handed over to one big supplier.	Multiple suppliers or 'best-in-breed' approach, where different suppliers are selected for each area of specialisation. Expected to provide seamless service (e.g. Halliburton Co., Kodak).
<u>Provider specialisation:</u>	Primarily technology and business driven.	Industry-sector driven (e.g. shared service centres in oil industry).
<u>Number of contracts:</u>	Contracts for each individual supplier.	Contract for individual consortia of suppliers (e.g. Pinnacle Alliance).
<u>Contractual relationship:</u>	Purchaser/supplier.	Increasingly joint venture (e.g. shared risk, equity stakes, consortia, and spin-offs).
<u>Contracting duration:</u>	Variable, depending on activity, generally between three and seven years.	Variable but generally longer, often 10-15 years.

Figure 9 – Supplier interface: comparison between classical and new outsourcing paradigms (Kakabadse and Kakabadse, 2000)

Although outsourcing practices differ slightly with the geographical localisation, its overall picture and evolution is similar (Kakabadse and Kakabadse, 2002b).

Outsourcing satisfaction/dissatisfaction

Characteristics	Classical outsourcing paradigm	New outsourcing paradigm
<u>Satisfaction:</u>	70 per cent unhappy with outsourcing outcomes.	70 per cent unhappy with one or more aspects of their suppliers.
<u>Major reasons for dissatisfaction with outsourcing:</u>	Incorrect and rigid specifications, loss of control, failure of service/goods delivery, high costs, inadequate quality, uncooperative vendor, and unrealistic expectations.	Contract not adequately written, under-estimation of the time and the skills needed for managing contracts, lack of clarity of ownership, competitive advantage in the market no longer exists.

Figure 10 – Outsourcing satisfaction/dissatisfaction: comparison between classical and new outsourcing paradigms (Kakabadse and Kakabadse, 2000)

2.5.2. Manufacturing vs service outsourcings

The present work focuses on outsourcings of services.

Service purchasing and quality in individual customer services (e.g. retail banking, credit cards) is very different from purchasing and quality of goods (Zeithaml et al, 1990). Services are basically intangible; they are experiences rather than objects. Airline transportation and aerobic exercises cannot be measured, tested and verified in advance of sale to assure quality. The criteria customers use to evaluate them may be complex and difficult to capture precisely. Services are heterogeneous; their performance often varies from producer to producer, from customer to customer, and from day to day. Production and consumption of many services are inseparable. Quality in services often occurs during service delivery. Service quality is more difficult for customers to evaluate than goods quality. Therefore, the criteria that customers use to evaluate service quality may be more difficult for the marketer to comprehend. Moreover, customers do not evaluate service quality solely on the outcome of a service (e.g. how a customer's hair looks after a haircut); they also consider the process of service delivery (e.g. how involved, responsive and friendly the hair stylist is during the haircut). The only criteria that count in evaluating service quality are defined by customers. Only customers judge quality; all other judgements are essentially irrelevant. Specifically, service-quality perceptions stem from how well a provider performs vis-à-vis the customer's expectations about how the provider should perform (Zeithaml et al, 1990).

In industrial relations the purchasing of services is also more complex than the purchasing of products. Fitzsimmons and colleagues (1998) re-state that services are less tangible, making the evaluation of the supplier difficult to measure and the specification of the service delivered less precise. The same authors say that it is difficult to judge whether the services being delivered are meeting expectations because they are not subject to close scrutiny. There is no incoming inspection of deliveries as is the case of material goods. Manufacturing (products) outsourcing and service outsourcing differences are summarised in Figure 11.

Factor	Manufacturing	Service
<u>Definition of Expectations:</u>	Precise. Represented by engineering drawings and standards.	Usually imprecise. Broad definitions with many exceptions.
<u>Quality:</u>	Emphasis on objective and measurable criteria.	Some objective and many subjective and perception-based criteria.
<u>Points of contact:</u>	Few. Communication usually channelled by a few people, such as purchasing or the project manager.	Many. The service provider often interacts directly with end users as well as the programme managers.
<u>Physical separation of host firm and contractor facilities:</u>	Separation is normal from host company. This allows the use of any contractors – even international – to control costs, etc.	Separation is difficult as most services must be provided on the host company's site and cannot be inventoried or stored.
<u>Predictability of demand:</u>	Dependent on the accuracy of forecasts for final customer demand.	Dependent on both internal priorities and external demand, both of which are dynamic.
<u>Work content/cost determination:</u>	Work content is a direct function of the number of units consumed, so costs are easy to determine.	Work content is situation specific, so needs to be monitored and accounted for.
<u>Security of information/data:</u>	Information can be shared with contractors on a need-to-know basis.	Contract workers may be exposed to confidential information during the delivery of their services (hallway conversations, access to restricted areas).
<u>Problem resolution:</u>	Formal procedures with clear responsibilities can be easily specified.	Difficult to create a process because problems often occur due to interpersonal issues or vague, ill-defined expectations; problem resolution requires greater flexibility.
<u>Transition between contractors:</u>	With planning, it is usually possible to change contractors with no noticeable effect on supply; inventory can be maintained during change.	Transition is more visible, requires more communication to minimize problems; disruption is often unavoidable because services cannot be stored and new contract workers are introduced to the site.

Figure 11 – Differences between outsourcing of manufacturing and services (Allen and Chandrashekar, 2000)

2.6. Research aim, objectives and novelty

2.6.1. Research aim

The overall aim of the research is to provide exploratory, structured knowledge about how clients manage strategic outsourcings of services in real world settings during their on-going phase, and about the problems that exist in such management.

Strategic outsourcings of services

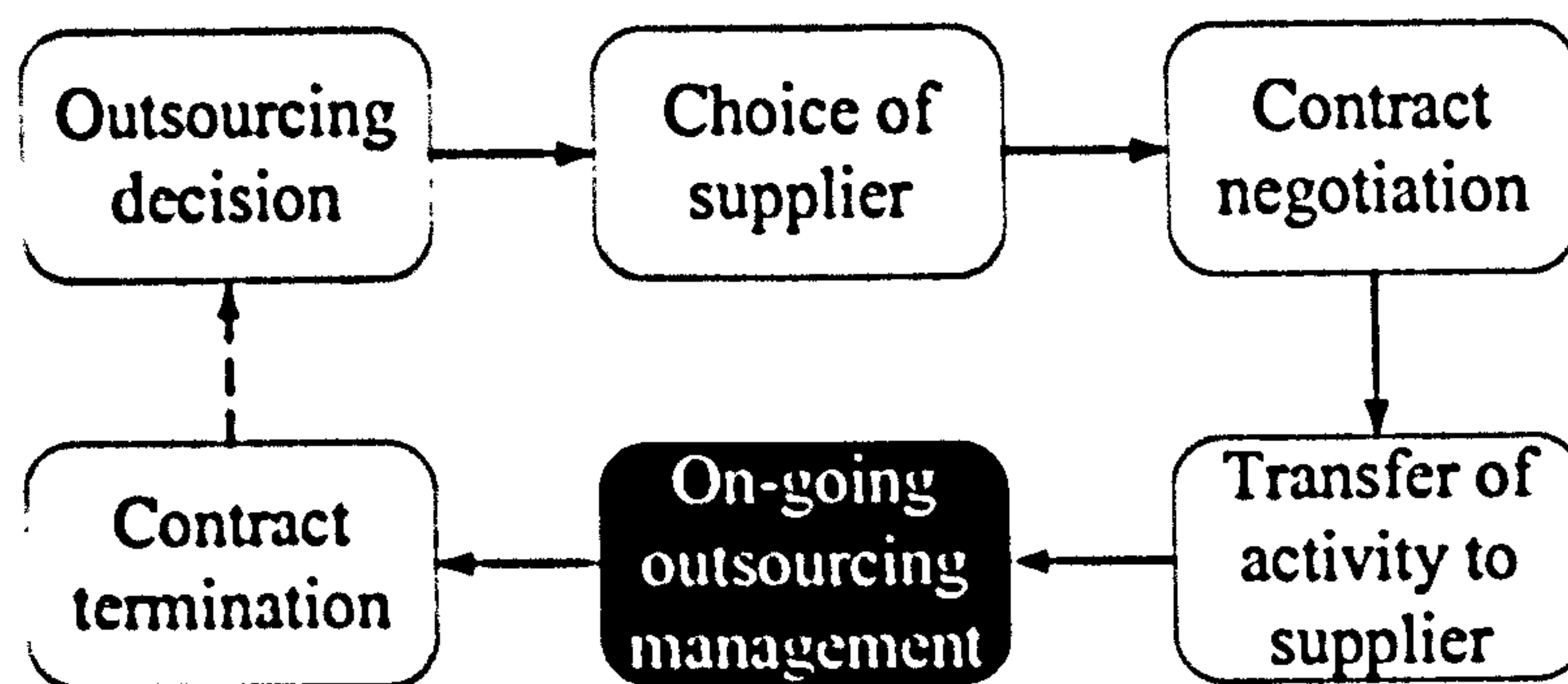


Figure 12 – Focus of the research: clients' on-going management of strategic outsourcing of services

2.6.2. Research objectives and deliverables

The outsourcing management process has been neglected in the literature, and there is very little previous research on the management of an outsourcing. Thus, there is a significant gap in the literature around the management of outsourcing and a need to identify specific areas for further research.

This exploratory research focuses around the following research questions and their respective objectives:

Research questions	Objectives	Deliverables
<u>How do clients manage strategic outsourcing of services during their on-going phase?</u>	<p>To provide exploratory knowledge about the clients' process of managing on-going strategic outsourcing of services. This can be used as a starting point for further research about outsourcing on-going management.</p> <p>To describe and structure clients' management process of on-going strategic outsourcings.</p>	<p>A model describing the process of how clients manage on-going strategic outsourcing of services.</p> <p>Insight and structure to understand how clients manage their on-going strategic outsourcing of services.</p>
<u>What problems may affect the clients' on-going management of strategic outsourcing of services?</u>	To understand and explain problems (causes and consequences) which occur in strategic outsourcing of services on-going management and which may reduce the outsourcing's effectiveness.	<p>Identification, structuring and explanation of problems that occur in strategic outsourcing of services on-going management.</p> <p>Insight into problems that occur in strategic outsourcing of services on-going management.</p>

Figure 13 – Research questions and research's objectives

2.6.3. Novelty of the research

Previous outsourcing research has tended to focus on general issues related to the success and planning of outsourcing (e.g. make or buy decision), leaving operational issues of real world outsourcings aside. This exploratory research therefore investigates what happens in real world strategic outsourcings of services during their on-going phase.

The research therefore contributes new knowledge by:

- Describing and modelling in an exploratory way the process by which clients manage their on-going strategic outsourcings of services;
 - Identifying three management levels in such a management process, with different objectives and characteristics;
 - Structuring such management process into ten activities and exploring their characteristics;
 - Recognising the constant learning and adaptation mechanism existent in strategic outsourcing of services on-going management;
 - Recognising clients' continuous and active monitoring and guidance over an outsourced activity and corresponding supplier;
- Identifying and exploring problems that occur during the on-going management of strategic outsourcing of services, which might have an impact on its effectiveness;
 - Identifying nine management gaps and twenty-four problems, and distinguishing and exploring their causes and consequences in a constructivist way;
 - Recognising that problems in the on-going management of strategic outsourcing of services can be originated by ineffectiveness in previous phases of the outsourcing overall process;
 - Concluding that both outsourcing parties sometimes adopt opportunistic behaviours which can jeopardise the objectives of outsourcing;
 - Identifying misalignments between aspects of the on-going management process activities which are, to a certain extent, a consequence of outsourcing on-going management problems;
 - Concluding that many of the identified problems are related;

- Identifying the need for further research related to on-going outsourcing management.

2.7. Overview of the chapter

This chapter has provided an overview of outsourcing and defined the subject under investigation. A wide literature review concerning outsourcing, as well as similar relationships (e.g. partnerships, normal client-supplier relations) was undertaken to organise the background to the outsourcing research. The chapter demonstrated that the outsourcing literature is still not consolidated. The main concepts used in the thesis were defined, the general process of outsourcing was presented, and the phase under focus in this thesis identified: being the on-going outsourcing management phase (which is consistent with Momme and Hvolby's 'Managing relationship' phase). Outsourcings were distinguished according to their characteristics as well as type of outsourced activity. The type of outsourcing on which this research focuses was identified as strategic outsourcing of services. Finally the researcher presented the aims and objectives of the study, as well as how it makes a novel contribution to the existent body of literature.

3. Research Design

Research design is an integrated statement of and justification for the more technical decisions involved in planning a research project (Blaikie, 2000). It is the “logical plan for getting from here to there, where here may be defined as the initial set of questions to be answered, and there is some set of conclusions (answers) about these questions” (Yin, 2003). A research design “is much more than a work plan. The main purpose of the design is to help to avoid the situation in which the evidence does not address the initial research question. In this sense a research design deals with a logical problem and not a logistic problem” (Yin, 2003). The purpose of this chapter is to show the reader that the selected research design was appropriate to the aims and constraints of the research. The chapter aspires to outline, discuss and validate the chosen research design employed in this research. First, the research topic, research questions and objectives are restated. Second, the researcher’s expectations for the study are presented. Then, the research strategy and tactics are introduced. Next, the methods used in the research will be introduced, jointly with explanation of how the collected data was analysed. The chapter concludes with a discussion about the quality of the research.

3.1. Research problem

The statement of the research topic both sets the research on a specific path and defines the area to be explored. Notwithstanding that the research topic has already been presented in the literature review, its formal statement follows.

The topic itself provides very little direction for the design of the project. Research questions are fundamental to give the research a clear focus and direction, connecting what is going to be researched with how it is going to be researched (Blaikie, 2000). The research questions behind the research are presented, as well as a discussion about the type of research and its objectives.

3.1.1. Research topic and research questions

The new breadth of outsourcing (e.g. transformational and strategic) and the outsourcing of services require an even more rigorous management, due to their importance and delicateness. This research explores clients’ on-going management of strategic outsourcing of services. It attempts to structure and describe such a management process and explain and understand some of its problems.

Strategic outsourcings of services

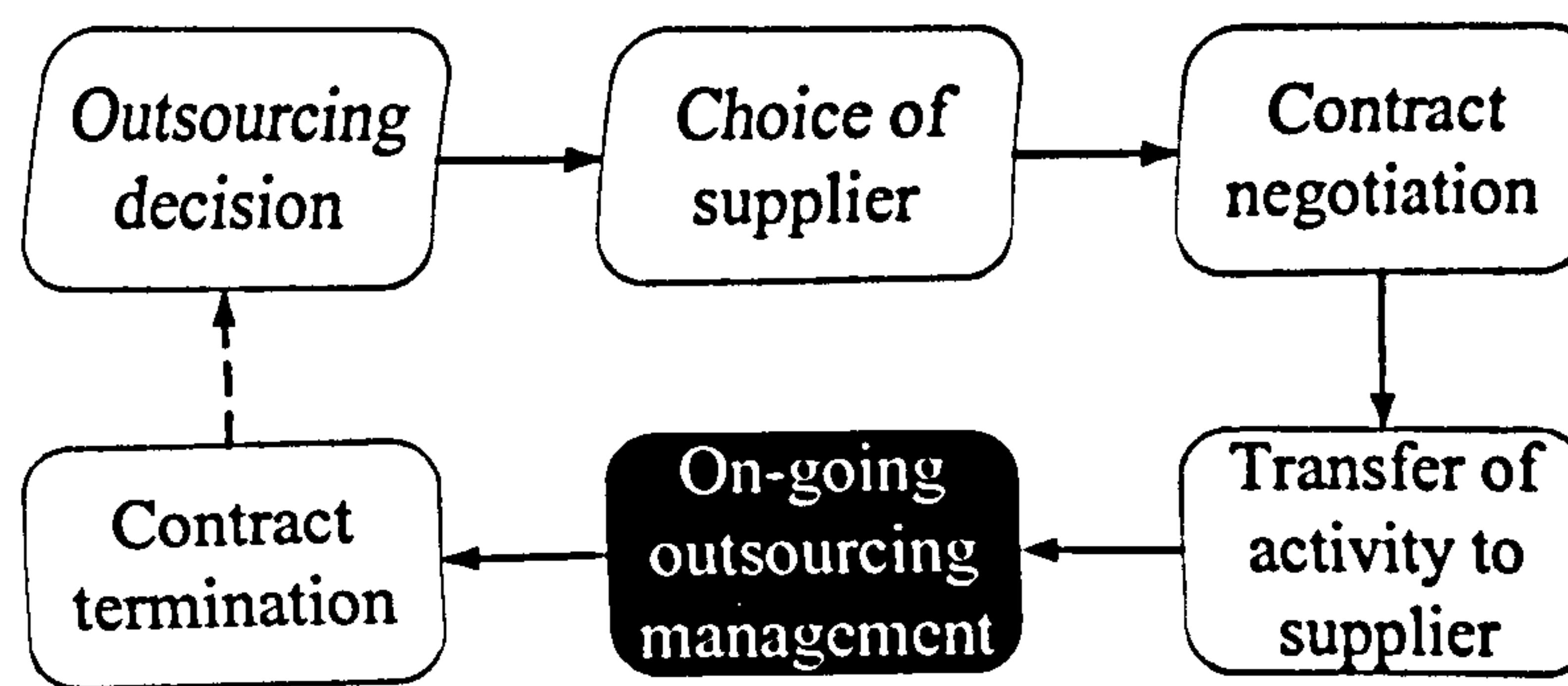


Figure 14 – Focus of the research: clients' on-going management of strategic outsourcing of services

The research is based in two research questions:

- How do clients manage strategic outsourcing of services during their on-going phase?
- What problems may affect the clients' on-going management of strategic outsourcing of services?

3.1.2. Type of research

Neuman (1997), based on Freeman and Rossi (1984), suggests an ideal typical contrast between basic and applied social research (Figure 15). Basic research is concerned with producing knowledge for understanding, and applied research is concerned with producing knowledge for action.

Basic	Applied
Research is intrinsically satisfying and judgements are made by other sociologists.	Research is part of a job and is judged by sponsors outside the discipline of sociology.
Research problems and subjects are selected with a great deal of freedom.	Research problems are narrowly constrained by the demands of employers and sponsors.
Research is judged by absolute norms of scientific rigour, and the highest standards of scholarship are sought.	The rigour and standards of scholarship depend on the uses of results. Research can be 'quick and dirty' or may match high scientific standards.
The primary concern is with the internal logic and rigour of the research design.	The primary concern is with the ability to generalise findings to areas of interest to sponsors.
The driving goal is to contribute to basic, theoretical knowledge.	The driving goal is to have practical payoffs or uses for results.
Success comes when results appear in a scholarly journal and have an impact on others in the scientific community.	Success comes when results are used by sponsors in decision making.

Figure 15 – Basic and applied social research (Neuman, 1997)

Notwithstanding this ideal dichotomy, Blaikie (2000) states that research is often a mixture of basic and applied. This research about clients' on-going management of strategic outsourcing of services is mainly basic, but has also the intention of helping to solve a practical problem and assisting practitioners in their jobs.

3.1.3. Research objectives

Research objectives are concerned with the type of knowledge to be produced. Research objectives include exploration, description, explanation, understanding, prediction, change, evaluation and impact assessment. Basic research focuses on the first five objectives, but particularly on description, explanation and understanding; while applied research may include some of these 'basic objectives', it is particularly concerned with change, evaluation and impact assessment (Blaikie, 2000).

This research has the objective of exploring, describing, explaining and understanding. The way in which the research aims to address each of these research objectives is now presented:

Exploration: Very little is known about how clients' manage on-going strategic outsourcing of services. So, this research is exploratory and is used to develop an initial description and understanding about the process and its problems.

Description: This research seeks to present an accurate, albeit initial account of the structure of the clients' on-going management process of strategic outsourcing of services. Thus, it is also descriptive. Blaikie (2000) states that in practice the boundary between exploratory and descriptive research is blurred, but that descriptive research is more rigorous and is usually narrower in its focus.

Explanation: This research seeks to account for patterns in the clients' on-going management process of strategic outsourcing of services. It attempts to make intelligible the structure of such a management process and that of some of its identified problems. Thus, this research is also explanatory; it gives an account of why the relationship between its components is as it is, as well as why some of the problems in the process may occur.

Understanding: Blaikie (2000) notes that "the difference between explanation and understanding is a matter of how intelligibility is achieved; it is the difference between causal explanation and reason explanation. Explanations identify causes of events or

regularities, the factors or mechanisms that produce them, and understanding is provided by the reasons or accounts social actors give for their actions. The latter is also associated with the meaning of an event or activity in a particular social context, either that given by social actors or the meaning that researchers derive from social actors' accounts. Explanations are produced by researchers who look at the phenomenon from the 'outside', while understanding is based on an 'inside' view in which researchers grasp the subjective consciousness, the interpretations, of social actors involved in the conduct (...) Whereas explanation is concerned with abstract patterns of relationships in deductive arguments or causal sequences, understanding is concerned with the reasons social actors give for their actions. The focus is not so much on the explanations that the researcher constructs but on the explanations social actors can offer and which can be used by the social researcher to construct a social scientific account of their activity." This research focuses on some of the problems that occur in the on-going management of strategic outsourcing of services. It does it in two different ways: structuring the identified problems that occur in such a management and suggesting explanations for some of them; using managers' opinions and beliefs to justify some of those problems.

Therefore it can be concluded that the research does not aim to produce generalisable results, but to develop an exploratory understanding that can be readily absorbed and taken up by academics and practitioners. Academics may use it to improve the presented on-going management of strategic outsourcing model or as a base for further research, while practitioners may use it to better understand their outsourcings and improve their practices accordingly.

3.2. What the study is designed to achieve

The study will...	The study will not...
Explore and enhance understanding about the clients' on-going management of strategic outsourcing of services	Produce facts or objective truths
Provide insights that are expected to have value in the clients' on-going management of strategic outsourcing of services	Establish the relevance of existing theory
Have a holistic and abstract view of how clients manage on-going strategic outsourcing of services	Describe exactly the practices of the case studies
Have an exploratory focus on the elements and problems of the on-going management of those outsourcings that were most salient to the researcher and the ones involved in the study	Be generalisable to all strategic outsourcing of services
Focus on the emerging understanding and tendencies concerning the identified problems	Use population variables to compare differing perspectives
Give an overall, exploratory view about the on-going management of strategic outsourcing of services' process, gaps and problems	Study the problems in depth
Identify gaps and problems in the on-going management of strategic outsourcing of services	Find a solution to the gaps and problems
Be a relevant and meaningful starting point to the exploration of on-going management of strategic outsourcings of services	Provide all the answers

3.3. Research strategy

On-going management of strategic outsourcing of services is undertaken by people, involved in groups and bounded by the context they live in. Those people's actions, which guide the outsourcing on-going management, are directed by how they think, feel and behave both as individuals and groups. Therefore, the approaches and methods of the social sciences need to be employed in the attempt to absorb and interpret the relationships between the companies involved in the outsourcing and the way in which these are perceived and operated by the people involved. This chapter shows how the research problem defined the strategic approach (logic of enquiry) to this study.

3.3.1. Philosophy of the research

From a philosophical point of view, ontology is 'the science or study of being'. However, ontology is normally used in a more specific sense: "ontological assumptions are concerned with what we believe constitutes social reality" (Blaikie, 2000). Approaches to social enquiry can be divided into two main groups in terms of their ontological assumptions; they are either positivist or constructivist. "Positivism, critical rationalism and [structural version of (Blaikie, 2000)] realism all assume that social reality exists independently of the observer and the activities of social science, that this reality is ordered and that these uniformities can be observed and explained. However, they differ in their view of the elements that constitute social reality, particularly the explanatory elements, and on whether this reality also exists independently of social actors. (...) The other major approaches, interpretivism, critical theory, structuration theory and feminism, are all fully or partly constructivist in their ontological assumptions, and [constructivist version of] realism also includes some elements of it. A constructivist ontology entails the assumption that social reality is produced and reproduced by social actors; it is a preinterpreted, intersubjective world of cultural objects, meanings and social institutions. A consequence of this position is that in any social situation there may be multiple realities" (Blaikie, 1993). Thus, there is a fundamental choice to be made by the social researcher between very different ontological positions: positivist versus constructivist. The main differences are presented in Figure 16. Easterby-Smith and colleagues (2002) argue that an understanding of philosophical issues is useful in research because it can support the creation of an adequate research design.

The author's research took a constructivist position; it is assumed that the reality is determined by people rather than by objective and external factors. Hence not only were facts gathered (for example contracts) but the different constructions and meanings that people create from their experiences were also absorbed. The focus of the study was not only about what was happening in the outsourcing, but also on what the people involved were thinking and feeling. These thoughts and feelings were found to affect people's behaviour towards the outsourcing, and consequently affect the outsourcing itself. The research looked for general structures and problems in the outsourcing management as well as attempting to understand and explain companies' and

employees' motivations, experiences and actions which affected those factors. In this way, stakeholders' perspectives and interests were analysed, as well as the complexity of the outsourcing.

Issue	Positivist	Constructivist
<u>Nature of reality</u> <u>Starting point</u>	Single Theory Technical language Outside	Multiple Observation Lay language Inside
<u>Role of language</u>	1:1 correspondence with reality	Constitution of social activity
<u>Lay accounts</u>	Irrelevant Corrigible Trans-situational	Fundamental Authentic Situational
<u>Social science accounts</u>	Generalisable across social contexts	Specific in time and space
<u>Researcher</u>	Subject-to-object Detached Outside expert	Subject-to-subject Involved Reflective partner
<u>Objectivity</u>	Absolutist Static	Relativist Dynamic
<u>Theory of truth</u>	Correspondence Political	Consensus Pragmatic
<u>Aim of research</u>	Explain Evaluate	Understand Change

Figure 16 – Main differences between realist and constructivist approaches to social enquiry (Blaikie, 1993)

3.3.2. Research tactic

3.3.2.1. Research approach

Case studies were chosen to undertake the present research. This decision followed Yin's (2003) guidelines, as is explained below:

Type of research question – this investigation's "what" question is exploratory, so case studies, as well as other tactics (survey, experiment, history ...) are appropriate. The "how" question of the research, in addition to being exploratory, deals with operational links and so needs to be traced over time. Hence it favours the use of case studies, experiments or histories.

Extent of control over behavioural events – in the investigation the researcher did not have control or power of manipulation over relevant behaviours, thus experiments were not appropriate to the situation in hand. The researcher had absolutely no control over the research context. In a real world situation it is almost impossible to establish direct causal links between events and their impact on the outsourcing; the closest the researcher can aim is to establish correlations, and therefore potential relationships between events and their impacts (and then support for these relationships may be sought). Case studies and histories remain possibilities.

Degree of focus on contemporary as opposed to historical events – as the outsourcings were functioning at the same time as the researcher was undertaking the study, the full range of evidence available (documents, interviews and observations), the flexibility and the depth of understanding that the situation permitted were able to be used in this investigation. Consequently case studies were chosen in preference over histories. In this way contextual conditions which were believed to be pertinent to the study of the outsourcing – in fact the outsourcing is not readily distinguishable from its context – could also be considered.

The case study tactic focuses on understanding the dynamics present within single settings (Eisenhardt, 1989), even though each case can be analysed and compared with others.

3.3.2.2. Sampling decisions

The cases undertaken had as unit of analysis the clients' process of on-going management of strategic outsourcing of services and its problems. All the case studies were conducted within the outsourcing of maintenance and were undertaken in the Portuguese pulp for paper industry.

The overall aim of the research is to provide exploratory, initial structured knowledge about how clients manage strategic outsourcings of services in real world settings during their on-going phase, and about the problems that exist in such management. The resources and time available for the research were limited and its nature needed a deep analysis. So, the researcher had to compromise between depth and breadth; and he chose depth. Therefore the study focuses deeply upon just a sector of the population.

The researcher is Portuguese and elected to work with Portuguese companies, to benefit from sharing the same language and values with the people involved in the outsourcings, while also facilitating the interface, the relationship and the communication.

The researcher sought important on-going strategic outsourcings that were operating in Portugal. He discovered that the Portuguese pulp for paper industry tended to outsource all their maintenance function, including management and coordination of the maintenance activities; and that these were among the largest outsourcings operating in Portugal.

Industrial maintenance is crucial in such a continuous production industry, since it is strongly related to the primary process of such companies. Uptime, capacity and precision of equipment are extremely important for their business model; and the impact of maintenance on the quality of the final product is crucial. The aim of maintenance is to support and maintain efficient production, thus it needs to be integrated into the main business processes of the pulp for paper companies. Given that industrial maintenance is a service essential for the client's success, it is judged to have high strategic importance, and therefore qualifies as a case of a strategic outsourcing of services.

While based in a specific context, the research is expected to be of value to on-going management of strategic outsourcings of services in general. Although focused on outsourcing of the maintenance function in the pulp for paper industry, and specifically within Portuguese companies, it is expected that the insights and conclusions emerging from the research have value to a much wider variety of outsourced activities and industries. The cases did not exhibit extreme or unusual contexts or behaviours (when compared to the broader literature on outsourcing); the analysis also drew upon the limited extant literature and the wider international and cross-sectoral experience of some of the interviewees to provide limited support for the findings outside of the specific context of Portuguese pulp for paper companies.

3.3.3. Division of the research

To reach its objectives, the research activity was divided into two sequential parts with complementary objectives: the exploratory and the reinforcement phases. Each is briefly presented following.

3.3.3.1. Exploratory phase

✓ The on-going management of outsourcing of services is an area that has not received much attention in the literature.

The exploratory phase of the research was used to develop the initial knowledge about the clients' on-going management of strategic outsourcing of services (exploratory research objective). The data collection stage was long and used a wide range of techniques to enable the absorption of a variety of different aspects. In this first phase, only data from the client side was collected, enabling a closer relationship to be developed with it. Such closeness was expected to bring benefits for the investigation. The research pursued the conceptual structure of the clients' process of on-going management of strategic outsourcing of services, and the identification and understanding of some of the problems that exist in such a management.

Following the data collection, the researcher constructed a conceptual model which described the clients' process of on-going management of strategic outsourcing of services (description research objective) and identified some of the problems that were arising in the studied on-going outsourcing, locating them in the steps of the model and presenting their rationale. To do this, the study used not only the opinions and beliefs put forward by staff within the client companies (understanding research objective), but also used the researcher's critical mind to suggest constructions and mechanisms (explanation research objective). The long data collection phase, the closeness to the outsourcing managers and the variety of methods used enabled a deep understanding to be developed about the actual outsourcing, which facilitated this investigation and reflection.

Thus, at the end of the exploratory phase the researcher had an initial **outsourcing management process model** (model of the clients' on-going management of strategic outsourcing of services, in which its components are identified, structured and described). This model was also populated with some of the problems that were identified within each step of the strategic outsourcing of services on-going management; the rationale behind them was also presented. This group of problems and correspondent rationales is called **outsourcing management problems**. These two components (outsourcing management process model and the outsourcing management

problems) constitute the **outsourcing management model** proposed by the exploratory phase.

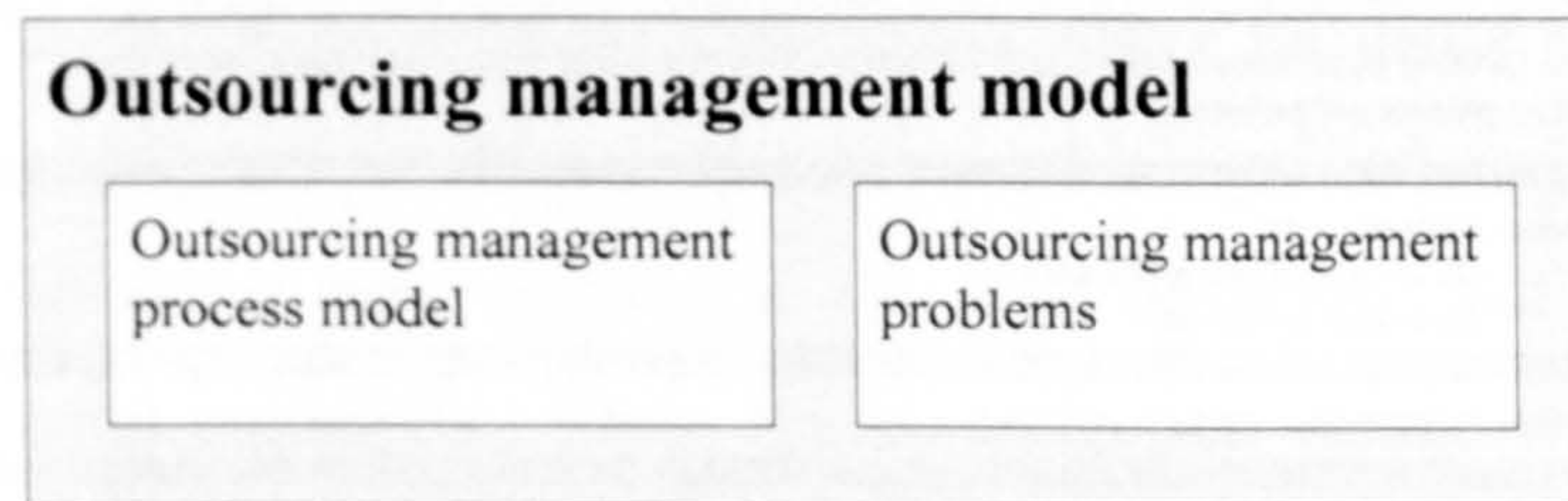


Figure 17 – Constitution of the outsourcing management model

The proposed model was then taken to the next phase of the research: the reinforcement phase.

3.3.3.2. Reinforcement phase

Unlike the first phase of the investigation, which aimed at a deep understanding of the reality of clients' strategic outsourcing of services on-going management, the reinforcement phase had two main objectives. Firstly, to see whether the model constructed based on a deep knowledge of one situation (the outsourcing management model resultant from the exploratory phase) was recognised as real and supported by the people involved in that actual situation; and to see whether the model was also useful and appropriate to describe what happened in other two different situations.

Thus, if the model was reinforced by the data collected in the reinforcement phase, the model's appropriateness to describe the clients' on-going management studied in the exploratory phase would be strengthened, as would be the confidence for its use to describe other outsourcings.

The data corresponding to the reinforcement phase was collected from the same initial outsourcing and from two other outsourcings. In this phase data was collected from both parties of the outsourcing. Due to the objectives of this phase, and the limited resources available, the data collection techniques used were more direct, and much quicker.

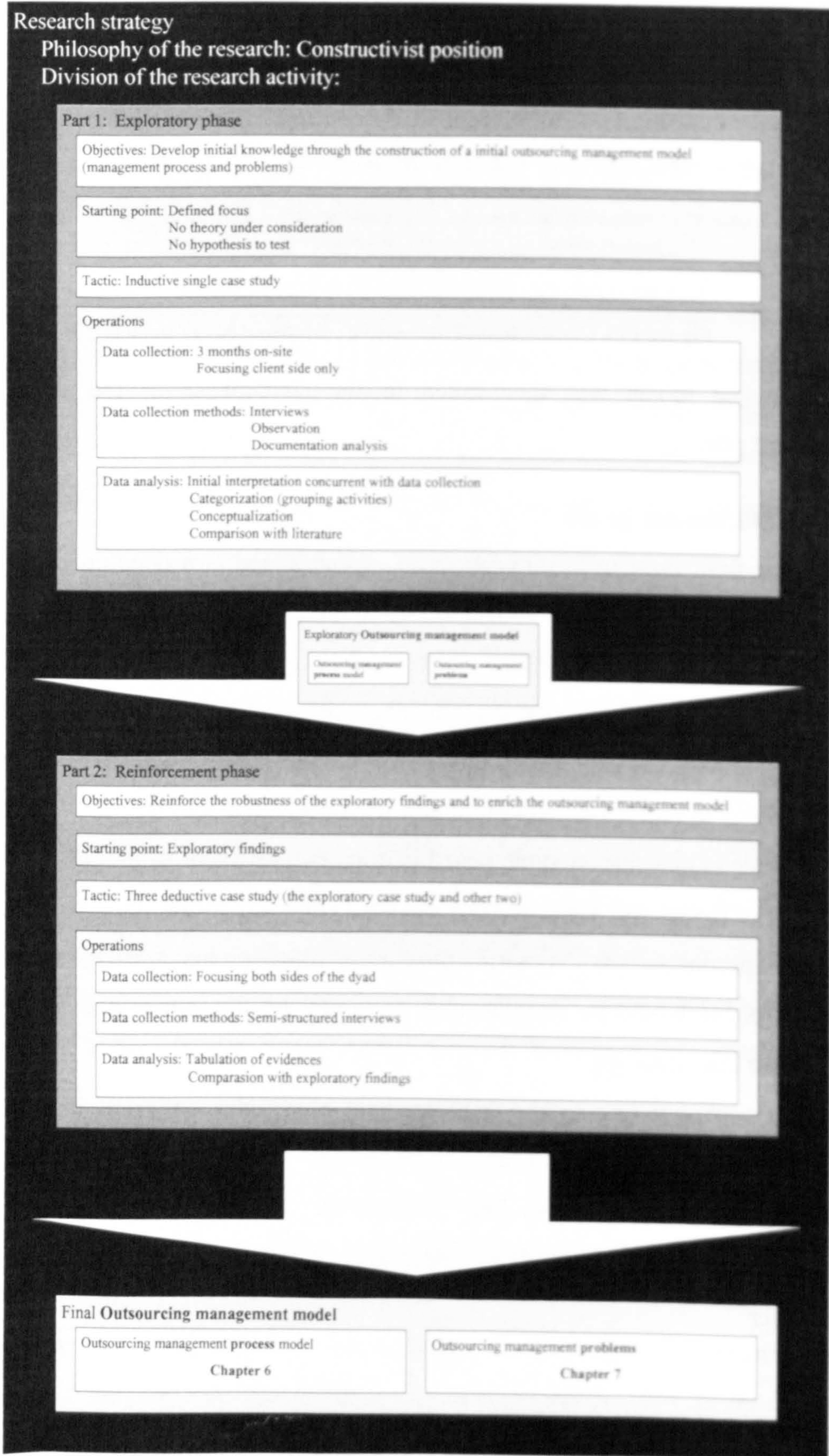


Figure 18 – Main characteristics of the two sequential phases of the research

A detailed discussion about the characteristics of the two phases of the research follows.

3.4. Exploratory phase

In the exploratory phase a case study was used to build theory in an inductive fashion. Eisenhardt (1989) structures the steps necessary for using a case study to build theory. After identifying the research questions which guided and focused the study, the outsourcing literature was reviewed. It was observed that no current theory addressed the research questions. Thus, the investigation started with no theory under consideration and no hypotheses (or propositions) to test. Eisenhardt (1989) considers this to be desirable for this type of research. The aim is to remain unbiased from previous research and not to limit the possible findings right from the beginning. The investigation then continued on to the selection of the cases.

3.4.1. Objective

The objective of this phase of the investigation and case study was to develop the initial knowledge about the clients' on-going management of strategic outsourcing of services. So, the data collection process was long and involved a wide range of techniques. The aim was to enable the absorption of a variety of aspects of the actual situation, in order to comprehend the complexities of outsourcing. This was the only way that permitted the researcher to understand the construction that insiders build about the outsourcing, and at the same time, develop a critical view about it, suggesting alternative or further explanations about the same situation. The focus of the exploratory phase was on meaning, understanding and depth. The objective was the creation of knowledge and construction of a conceptual outsourcing management model. The resulting model was intended to be tested during the reinforcement phase of the research.

3.4.2. Type of case study

A single case study approach was chosen to conduct the exploratory phase of the research. As Blaikie (2000) suggests, case studies are expensive to conduct, so multiple-case studies should not be undertaken lightly. Moreover, Yin (2003) recognises that “the conduct of a multiple-case study can require extensive resources and time beyond the means of a single student or independent research investigator”..

3.4.2.1. Limitations of the type of case study

Despite opting for a single case study in the exploratory phase, the researcher was aware of its main limitations:

Uniqueness of the case – a case may have very special (and possibly unique) characteristics. It may be dangerous to extrapolate the findings from a randomly chosen single case study to other situations as they may have very different characteristics;

Limited data – single case studies limit the researcher's ability to gain a wider and more representative range of data;

No possibility of cross-case analysis (direct replication, contrasting situations, simple comparison, etc.) – single case studies limit the researcher's power of analysis. The absence of cross-analysis may discourage investigators from using structured data analysis and hence limit them from going beyond initial impressions. As a consequence analytical conclusions created by single case studies may not be considered as powerful as those originated by multiple case-studies;

Inability to reach theoretical saturation – in the use of case studies to build theory, researchers should ideally stop adding cases when theoretical saturation is reached (Eisenhardt, 1989). Theoretical saturation is simply the point at which incremental learning is minimal because the researchers are observing phenomena already seen before. In single case studies it is not possible to achieve theoretical saturation since the data available is restricted by the case. The only closure that can be obtained in single case studies is analysis closure. Analysis closure corresponds to the point at which the researcher should stop iterating between theory and data because the incremental improvement to the theory is minimal. Thus, it is possible to achieve within-case analysis closure in single case studies.

3.4.2.2. Techniques used to minimise the limitations

In this investigation robustness was also a requirement. The single case study's limitations were minimised by:

Use of a representative case (Yin, 2003) – in this study the population and the sector under study were well defined and the case selected was typical of that sector. So the lessons learned from this representative case are expected to be informative about what happens in other outsourcings of the population.

Overlap of local data analysis with data collection – enabled the researcher to have a flexible data collection process, being free to explore emerging themes or to collect extra data if found necessary for a better comprehension of the situation.

Opportunistic data collection – enabled the researcher to take advantage of special opportunities for data collection and to explore emerging themes. The investigator tried to understand the case in as much depth as possible, attempting to collect all significant data about aspects considered important to the study and research questions.

Data collected referring to other cases – the researcher had the opportunity to collect some data referring to other cases through conversations with practitioners and based on their past experiences. This data and understanding was useful to better comprehend an outsourcing situation and to develop the necessary critical perspective to construct the outsourcing management model. The fact that the data collected was not specifically related to the chosen case was not a negative point since the model does not aim to describe the specific outsourcing, but to be an initial conceptual outsourcing management model to represent general practices of the client's on-going management of strategic outsourcings of services.

Great reflection after data collection and local analysis – after the data collection and local analysis, the results were the focus of considered thought and reflection by the researcher. Varied interpretations were tried and various points of view attempted. The researcher had the task of structuring the data analysis to keep the final interpretation as independent as possible from the initial one, and from the interpretations and understandings transmitted by the practitioners. Furthermore, since the outsourcing literature did not focus on the studied problems, inspiration for analysing and structuring the data was sought elsewhere (in literature felt to be parallel to the outsourcing situation under study, such as that of personal consumer services, partnerships, alliances, normal client-supplier relationships etc.).

Comparison with the literature – after data analysis, a preliminary model of outsourcing management was constructed, based solely on the data collected. Then, the preliminary model was compared with the available literature (both academic and practitioner). Naturally some of this literature did not refer to the population and sector under study, but had the potential to highlight some of the problems characteristic of general outsourcing management. Even though no similar construct to this study exists

in the literature, some of the outsourcing problems included in the suggested model were sporadically referred to in the literature. Thus, supporting and contradicting literature within similar fields of research were used to complete the model. Some of these issues were included in the model with the corresponding reference, and aimed either to support the model or to suggest an alternative, increasing the external validity of the research.

Further research – the exploratory study created an output – the outsourcing management model – which would be further used in the reinforcement phase. The aim of this multiple-case study phase was to support the exploratory model's appropriateness to describe what happened. Its structure was completely different and was adapted to its own objectives. The reinforcement study reduced some limitations of the single case-study and contributed to the validity and quality of the overall study. The reinforcement phase was expected to support or criticise the suggested exploratory model, so increasing the robustness of the study.

3.4.3. Case selection

Being a single-case study phase, the case selection for the exploratory phase of the research was of special importance.

3.4.3.1. Criteria for case selection

Representative case (Yin, 2003) – the selected case had to be a typical case of outsourcing of the maintenance function within companies of the Portuguese pulp for paper industry.

Wide access to data – the selected case had to enable the researcher to have extensive access to people at different levels who were involved in the outsourcing and were willing to give insights about its management and problems, to documents defining the outsourcing rules (e.g. contracts), and to the observation of the outsourcing management practices themselves.

Stable outsourcing on-going management – the selected case had to be active for long enough to have developed clear outsourcing management procedures.

3.4.3.2. How the chosen case satisfied the criteria for case selection

Representative case – the chosen case was representative since it corresponded to an outsourcing with the same basic principles as the other outsourcings within the studied sector of the population.

Wide access to data – the researcher had the sponsorship and support of the most senior managers of the group (specifically of the President and of one of the members of the administration board) which owns the studied company. Moreover, the researcher developed a good professional relationship with the two maintenance directors of the case study. Furthermore the researcher was located in an office in the maintenance managers' area, so encouraging informal contacts.

Stable outsourcing management – the selected outsourcing had been running for more than two years when the research began, so outsourcing management procedures were already well defined. At the time the client had two maintenance directors because one was about to retire and was passing the job on to his successor. The new director came from another large Portuguese pulp and paper company in which the maintenance was also outsourced, and so brought further insights to the research.

3.4.4. Data sources

In the exploratory phase of the research all the data was collected from the client's side. In this way the researcher would be seen as 'one of the client's' and consequently the client's managers would be much more willing to share their views about the outsourcing. This tactic was successful in making data available in greater quantity, quality and depth. For example, the researcher often had the experience of one of the client's managers knocking on his door to 'accuse' the supplier of something or to vent their feelings about aspects related to the outsourcing. This data gave further insight about the outsourcing management process, revealed some of its problems, or shed light on new issues. It is believed that if the researcher had also had proximity to the supplier, this spontaneous and revealing type of data would not have been available because the client's managers would view the researcher with more reservations.

3.4.5. Data type

Qualitative data was more suitable for the research objectives than quantitative data. This phase of the investigation had an explorative objective. The intention was to look for depth and richness of meaning, which might well be specific to the context. The overall aim was to develop a new and empirically grounded understanding about the clients' process of managing on-going strategic outsourcing of services and its problems. Quantitative research normally tries to keep the researcher completely detached from the people being studied, uses preconceived notions of which concepts are relevant and how they are defined, and is highly structured. Qualitative research normally requires the involvement of the researcher in the social world under investigation, may have no theory in mind when entering the field and lets it be constructed by the concepts that emerge in the field, and is highly flexible, enabling the researcher to take advantage of exploration opportunities that arise during the inquiry (Blaikie, 2000). Moreover, qualitative data is said to focus on naturally occurring, ordinary events in natural settings, so that researchers can have a strong handle on what 'real life' is like; confidence in qualitative data is boosted through local groundness because the fact that the data is collected in close proximity to the studied specific situation while the researcher is involved in its context may permit deeper understanding. Qualitative data is rich and holistic, having a strong potential for revealing complexity, and the continuity of data collection during the period makes qualitative research powerful for studying a process, since it gives more than simple 'snapshots' of the process in specific moments (so the objective can go further than what and how many, to respond to how and why). The extra flexibility of qualitative research provides further opportunities to better understand the process under study; with its emphasis on people's lived experience, qualitative research has the potential to connect the meanings that people place on what happens around them with their social world (Miles and Huberman, 1994). So, favouring contextualisation, complexity and exploration, qualitative research seemed to be the most appropriate approach to answering the research problem and satisfying the objectives of this phase.

3.4.6. Researcher's role

The researcher entered the company as an academic to create a performance management system to help with the management of the outsourcing. He was welcomed into the maintenance managers' area. This proximity with the people involved in the outsourcing was ideal to collect data since due to the philosophy of the investigation and objective of the exploratory phase the researcher wanted to feel the studied outsourcing from the inside. Such a role enabled the researcher to have a great deal of depth since it allowed him to get very close to the outsourcing and develop an understanding about the management processes and attitudes behind it.

The researcher immersed himself in the outsourcing, allowing himself to experience that setting as much as possible, almost in the same way as any other organisational member, so he was well integrated into the client firm. He had access to what was actually happening; to what managers and directors actually did and thought (informal organisation), as opposed to what they might claim they do, and what official sanctions impel them to do (the formal organisation) (Gill and Johnson, 2002). Through this direct experience of the outsourcing the researcher was able to construct knowledge not only based on what managers communicated to him – which would make him dependent upon their honesty and their abilities to symbolise their experience (Gill and Johnson, 2002) – but also on what he saw and his own experiences. Naturally these last aspects remain part of the data collected and also influenced the local analysis and data collection.

Notwithstanding the proximity, the researcher always kept to his commitment of being a researcher. During the data collection the researcher had the difficulty of trying not to internalise the client's culture because this would make it difficult to take a dispassionate view of events. So, even in the field the researcher internalised for himself his role as researcher and maintained an analytic detachment. After the data collection stage the researcher retreated from the company to analyse all the data collected, including the first analyses. The researcher detached himself a little more from the day-to-day functioning of the case with the intention of diminishing bias and enabling the more systematic final analyses to be as rigorous as possible. Nevertheless the intimate knowledge of managers' frames of reference was very important for interpreting and analysing the data, and for avoiding misunderstandings.

3.4.7. Data collection

The objective of this phase of the investigation was to develop the initial knowledge about the clients' process of managing on-going strategic outsourcing of services and its problems. So, the data collected needed to be wide and deep in order to absorb the rich nature of the reality of the outsourcing.

Timing: The researcher collected data from the outsourcing during a three month period on-site, where all the outsourcing activity was developed. Then he went back to England to analyse the data and construct the suggested outsourcing management model.

Data collection techniques:

Interviews: Interviews were an essential source of the case study evidence and also directed the researcher to other sources of evidence. The researcher kept in mind the fact that interviews are simply verbal reports and as such are subject to bias, poor recall and poor and inaccurate articulation (Yin, 2003). Unstructured interviews (Robson, 2002) were the main type of interviews undertaken. These unstructured interviews normally took the form of simple conversations between the researcher and the managers. The researcher developed a relationship with many managers which facilitated more open discussions and explorations of issues that perhaps they would not discuss in front of others. Thus, the researcher tried to satisfy the needs of the inquiry while having 'friendly' and open conversations. In terms of ethics, there was no problem since the managers understood that the researcher was in the company not only to develop a performance management system, but also to study that specific outsourcing and its management. The interviews were not recorded because a recording device would take the natural freedom and spirit out of the conversations. Furthermore, the researcher did once, at the beginning of the research, ask for authorisation to record a more formal interview (which was more suited to being recorded than the informal conversations) – a focus group with the two directors of maintenance. The response was that they did not mind, but then they told the story of a person who had serious problems in the company due to a recorded meeting. This story, and the way and circumstances in which it was told were interpreted by the researcher as 'If you want a rich and open conversation, please do not record it'. As the richness and openness of the conversation were essential to the researcher's aim, he did not try to record any

interviews from then on. The findings from all the interviews were registered as field notes. These constituted palpable data which was used in later analyses.

Observations: The investigator observed directly the client's entire outsourcing management mechanism in a casual way. He tried to record what was going on (Eisenhardt, 1989) through on-going field notes (Lofland and Lofland, 1995). The researcher needed a certain selective process which bounded the data according to the initial research questions in order to prevent problems of data overload (Miles and Huberman, 1994). The on-going field notes normally involve a concurrent analysis of the raw data – the observation. As happens with the interviews, this overlapping analysis enabled interactive research. So, as data was collected, key topics and aspects were identified, guiding the remaining data collection. With this flexible practice the research gained the advantage of being able to explore and clarify new insights that continuously emerged.

Documentation: Documents – e.g. contracts and supplier's reports – provided other specific details to corroborate information received from other sources. Furthermore documents were also useful to understand better the actual situation, and sometimes to draw inferences about explanations of behaviours or problems. Nevertheless, these inferences were treated only as clues and needed to be confirmed by other sources.

3.4.8. Data analysis

The objective of this phase of the investigation was to develop the initial knowledge about the clients' process of managing on-going strategic outsourcing of services and its problems. The data had to be organised and the researcher had to make sense of it in such a way that it was adequate to reflect the rich nature of the outsourcing situation.

The resulting exploratory outsourcing management model was composed of two components: the outsourcing management process model and the outsourcing management problems (including the identification of the problems that occur within each component of the outsourcing management process model, and their rationale). The data was analysed separately according to the topic to which it related; the outsourcing management process model, or outsourcing management problems.

The main procedures of the data analysis for the exploratory phase are presented next. These procedures constituted a developmental, rather than a linear process.

3.4.8.1. Outsourcing management process model

Initial interpretation: While still on-site the researcher started to develop an initial understanding about the outsourcing management process. With this understanding, doubts and questions frequently arose, so the researcher attempted to collect data which filled the identified gaps. Data collection and analysis while on-site was an iterative process. At the end of this process the researcher had recorded and made an initial interpretation of the main activities of the outsourcing management process.

Categorisation: After leaving the site the researcher started to group the activities in a logical and chronological sequence, through an iterative process. This iteration process between the previously recorded data and the grouping ended when there was no incremental improvement. The aim of this process was to categorise the activities, and the end result was a raw categorisation of activities according to their logical order in the outsourcing management process, followed by a broad chronological sequence of those groups of activities.

Conceptualisation: The researcher then made an abstraction of the chronological sequence. The ultimate objective was to achieve a descriptive and conceptual display which ordered the main components of the outsourcing management process according to logic and sequence, correspondent to the descriptive research objective. Thus, the historical chronological flow was preserved, enabling a clear view of what led to what and when, as suggested by Miles and Huberman (1994).

✓ The outsourcing literature does not focus on the issue under investigation, so this step of the analysis was done without supporting literature. Nevertheless the researcher tried to find inspiration elsewhere, in other types of literature. A fundamental source of inspiration for this stage of the research was Parasuraman's team work (Parasuraman et al, 1994b; Parasuraman et al, 1994a; Berry et al, 1994; Zeithaml et al, 1990; Berry et al, 1990; Parasuraman et al, 1988; Parasuraman et al, 1985) about service quality in individual customer services (e.g. retail banking, credit cards). They (Parasuraman et al, 1985) suggest a service quality model (Figure 19) which was the main inspiration for the development of the proposed outsourcing management process model. This service quality model was a good starting point for the outsourcing management process model, but was far from sufficient to representing that particular situation. These two situations

– service to individual customers and outsourcing of services – are different (e.g. different activities, different client-supplier relationship, different power balances).

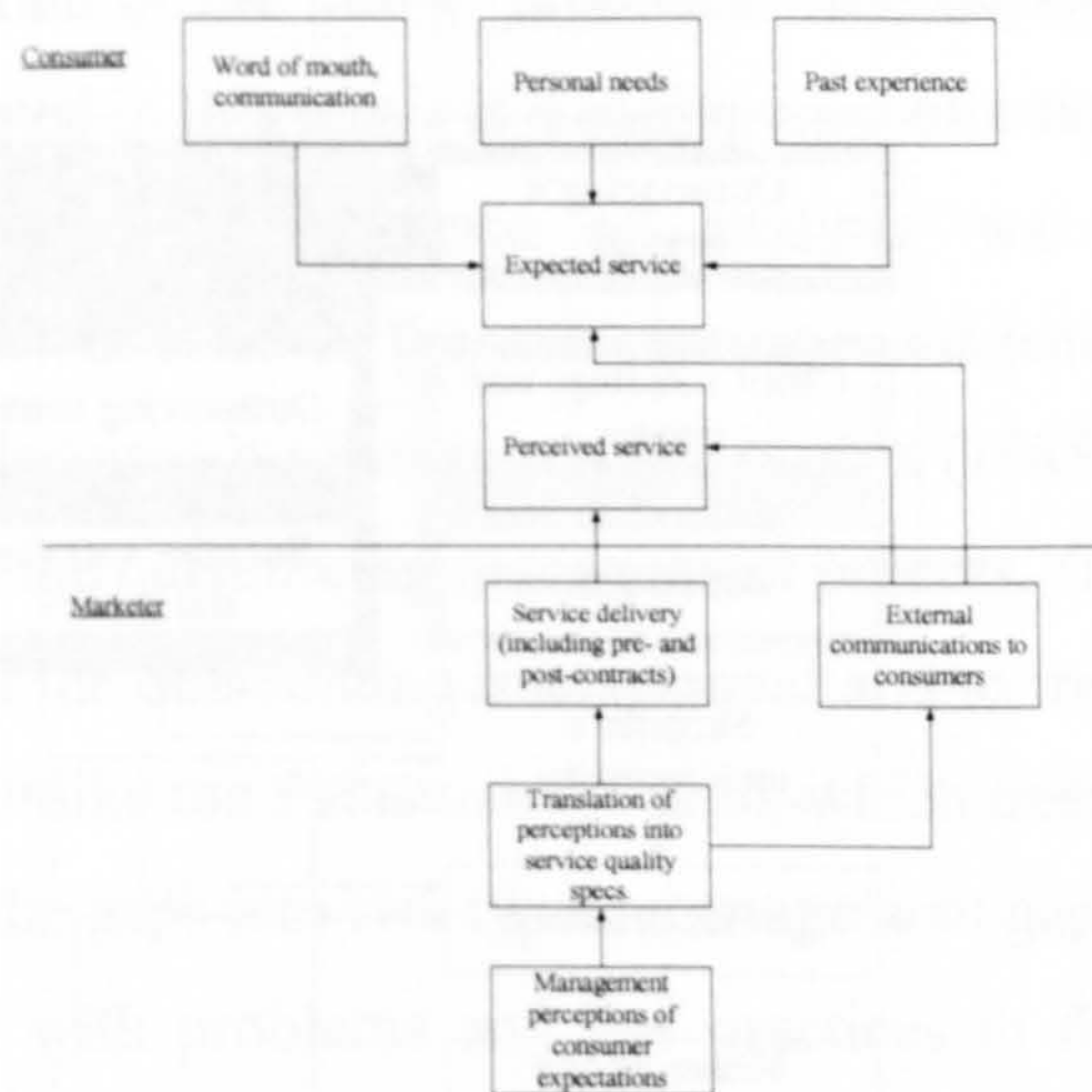


Figure 19 – Parasuraman’s team’s (1985) “Service quality model”

The categorisation achieved in the previous step of the analysis was the origin of the concept of the outsourcing management process, based on a chronological sequence. So – once again based on the cycle of tentative, revisiting the data, reflection and refinement – a conceptualisation of the outsourcing management process was undertaken.

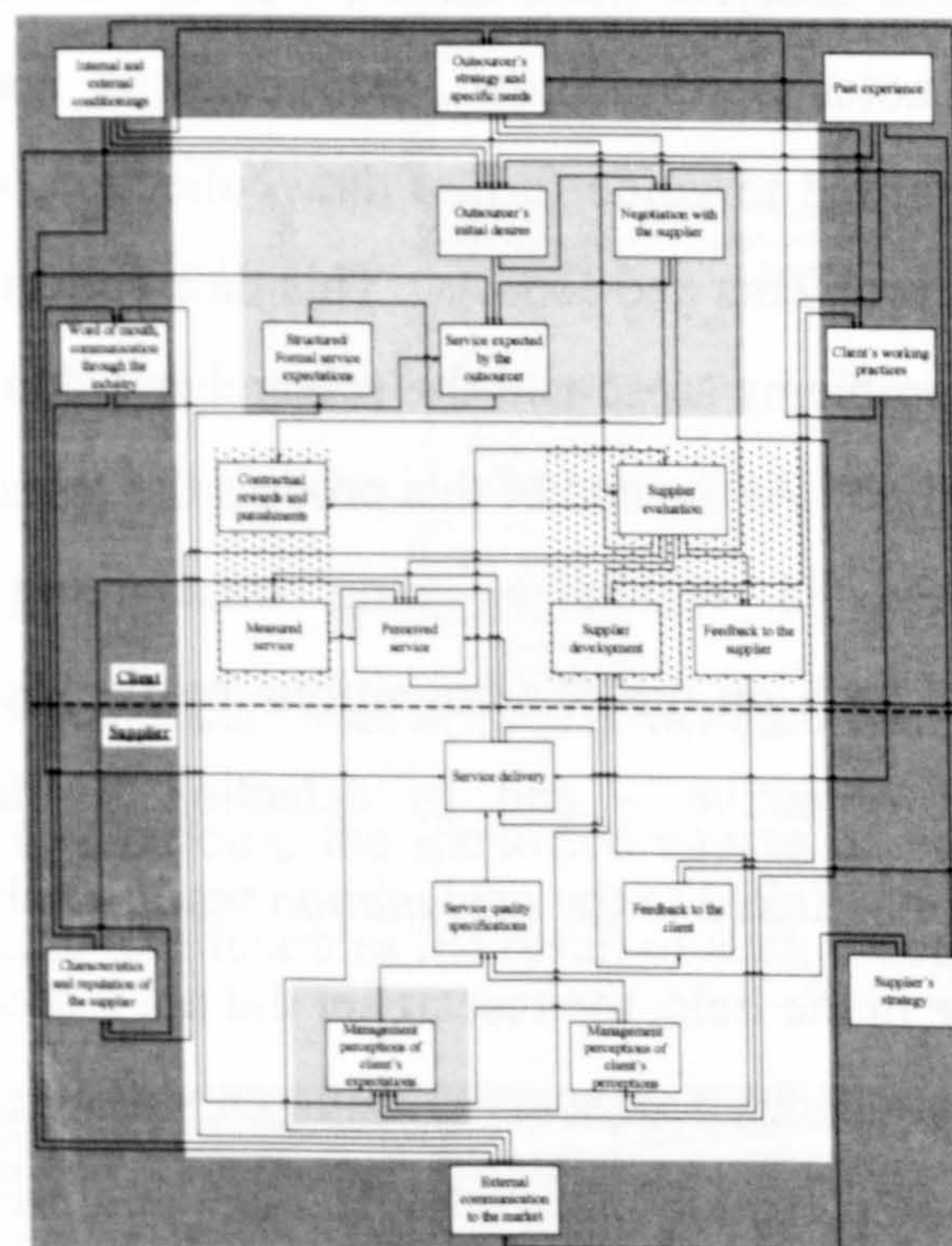


Figure 20 – An early version of the conceptualization of the outsourcing management process model (included as Appendix A)

The end result of this process was the suggested exploratory outsourcing management **process** model which describes its components and positions them according to their chronological order in the outsourcing management process.

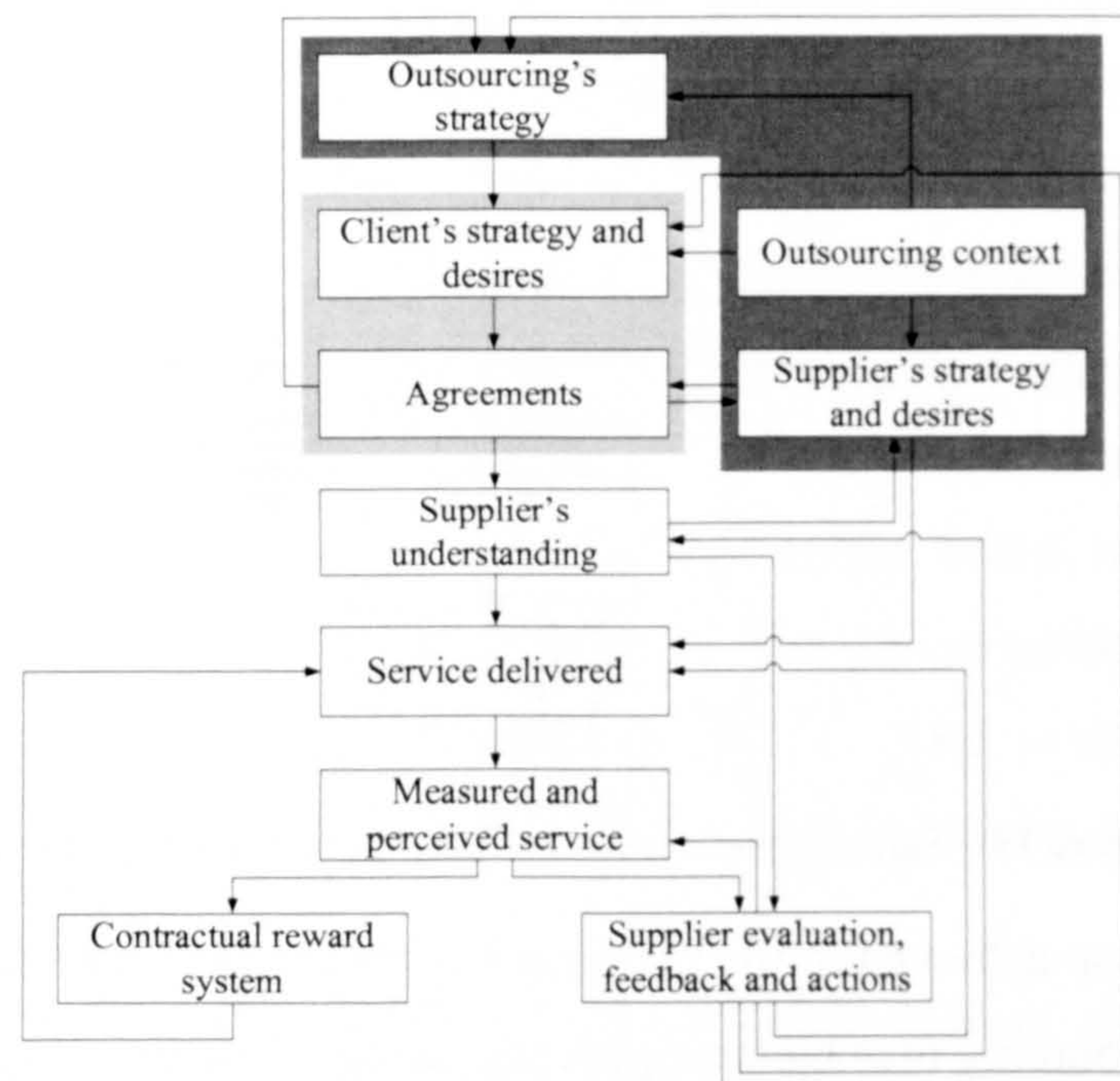


Figure 21 – Outsourcing management process model suggested at the end of the exploratory phase

3.4.8.2. Outsourcing management problems

Initial interpretation: This initial analysis of the data was done while still on site. Data collection and initial analysis while on site was an iterative process; as the data was collected the field notes were recorded, then analysed, and the remaining doubts and questions were identified to guide further data collection, which then modified or built on prior identified problems and aspects. This data collection and analysis period finished when no new problems arose and the researcher's doubts about those already identified had been clarified. At the end of this process the researcher had identified the main problems that existed within on-going outsourcing management. This identification was based both on direct recognitions by the managers – linked to the *understanding* research objective – and in detection by the researcher through observation and reflection – linked to the *explanation* research objective.

Categorisation: While in the field, the researcher did not distinguish bad management practices and their consequences. All were considered simply as problems: the former were problems because they created inconvenience for the outsourcing, while the latter were those inconveniences themselves. After reflection the researcher comprehended

this distinction. Then, using brainstorming and planning software he distinguished all the identified ‘problems’ into the two categories of causes and consequences. The end result was a categorisation of the initial ‘problems’ into causes and consequences. In reality a problem as treated in this thesis is a conjunction of a cause and a consequence.

Initial conceptualisation: This phase of analysis was undertaken after the construction of the base structure of the outsourcing management process model. So, the researcher – again inspired by Parasuraman’s team’s (1985) research (Figure 22) – identified some gaps in the outsourcing management process. These gaps corresponded both to bad practices in the outsourcing management and to trenches between different performances levels. Unlike the Parasuraman team, which treated all the gaps as equal, the researcher divided the gaps into two types: management gaps and performance gaps. The former are linked with problems and bad practices in the on-going outsourcing management, and the latter are linked with differences in performance of the service (e.g. the client expected a certain level of performance but received another level).

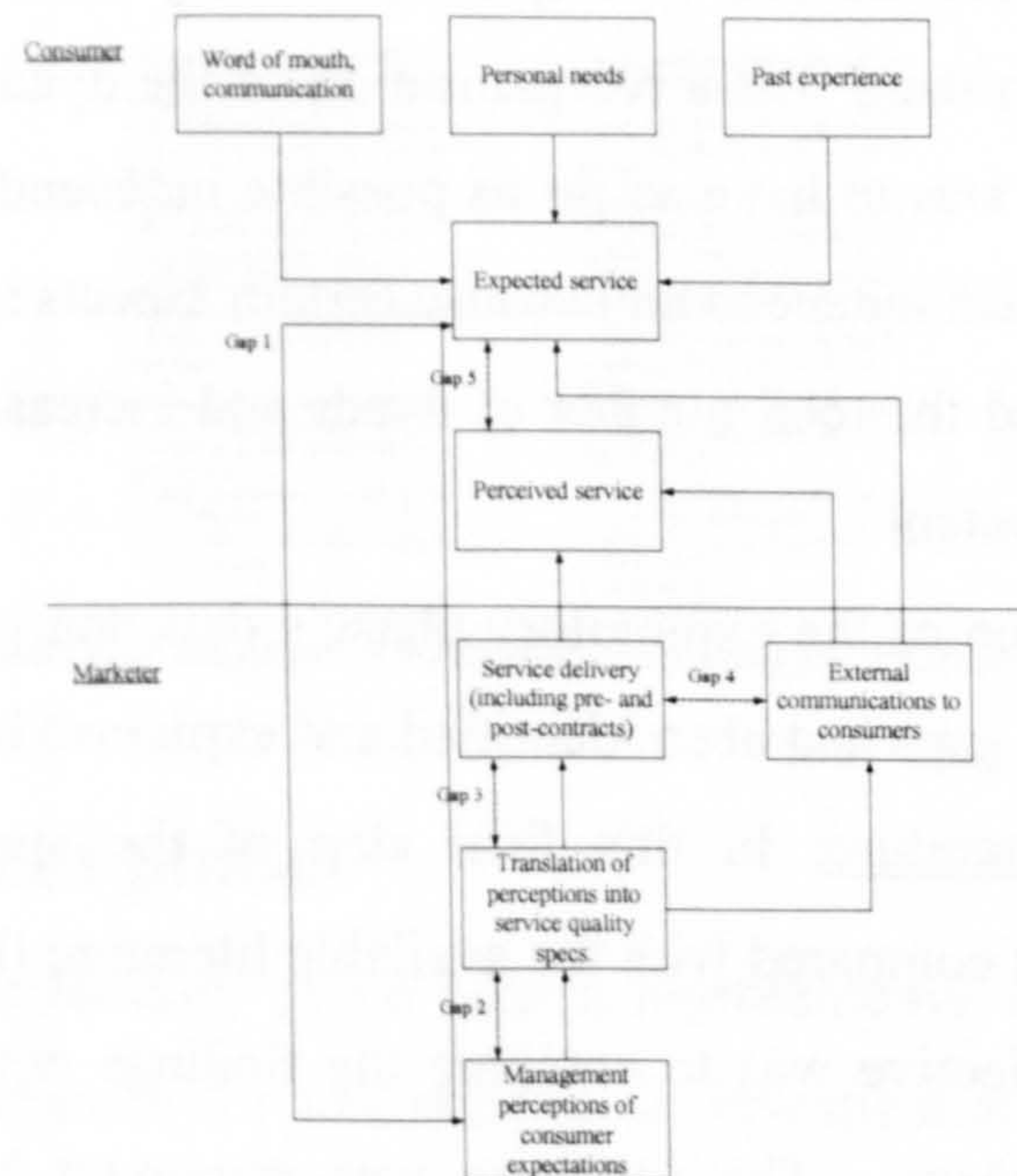


Figure 22 – Parasuraman’s team’s (1985) service quality model and its gaps

The next step was to distribute the identified causes of problems to the identified management – gaps. Figure 23 illustrates the result of such process.



Figure 23 – Mind map document correspondent to an early distribution of the causes of problems by the management gaps (see Appendix B for full scale version)

At the end of this phase of the analysis the researcher had defined the outsourcing management process model with identified management and performance gaps. These management gaps were filled with the identified causes of problems which occurred in the corresponding management activity, and which contributed to the existence of the gaps.

Development of connections: In this step of the analysis the researcher connected the already distributed causes of problems with the previously identified consequences. Some of the causes of problems could not be connected with previously identified consequences and vice-versa. These were analysed further and the consequences or causes of the corresponding problems were gathered from the available data.

The end result was a connection between causes and consequences of the problems. These dyads were also already distributed through the management gaps identified in the outsourcing management process model.

Final conceptualisation: At this step of the analysis the researcher revised the connected causes of problems and consequences. Many of the dyads were somehow related or dependent, so there was a reorganisation of the dyads. This involved many merges. The objective was to have as far as possible independent dyads, even though some related dyads remain independent because certain aspects about them could be lost if merged. This reduced the total number of dyads and increased the simplicity of the model without losing content.

At the end of this step of the exploratory phase's data analysis the problems which caused the management gaps had been identified and explained by the data collected.

Comparison with literature: In this final step of the analysis, the outsourcing management model was compared with the available literature (both in outsourcing and related areas). The objective was to compare the findings with the literature to find support or contradict them. The literature was important because it enabled the inclusion of other aspects important to the situation in the constructed model. The supporting literature was important to confirm that aspects identified in the study occurred in other outsourcings or in other situations parallel to outsourcing. In this way the study gained strength, supporting the model's possible appropriateness to other outsourcings, and thus attributing to it a higher conceptual level. Conflicting literature –

when found¹ – was also analysed. This was also important because it increased confidence in the findings, as well as obliging researchers to argue their views more vehemently (Eisenhardt, 1989). So, the outsourcing management problems previously identified were confronted, completed and supported by the available literature.

The end result was the exploratory outsourcing management **problems**, which, jointly with the outsourcing management process model, formed the complete exploratory **outsourcing management model** (Figure 24). This model was going to be the focus of further analysis in the reinforcement phase of the investigation.

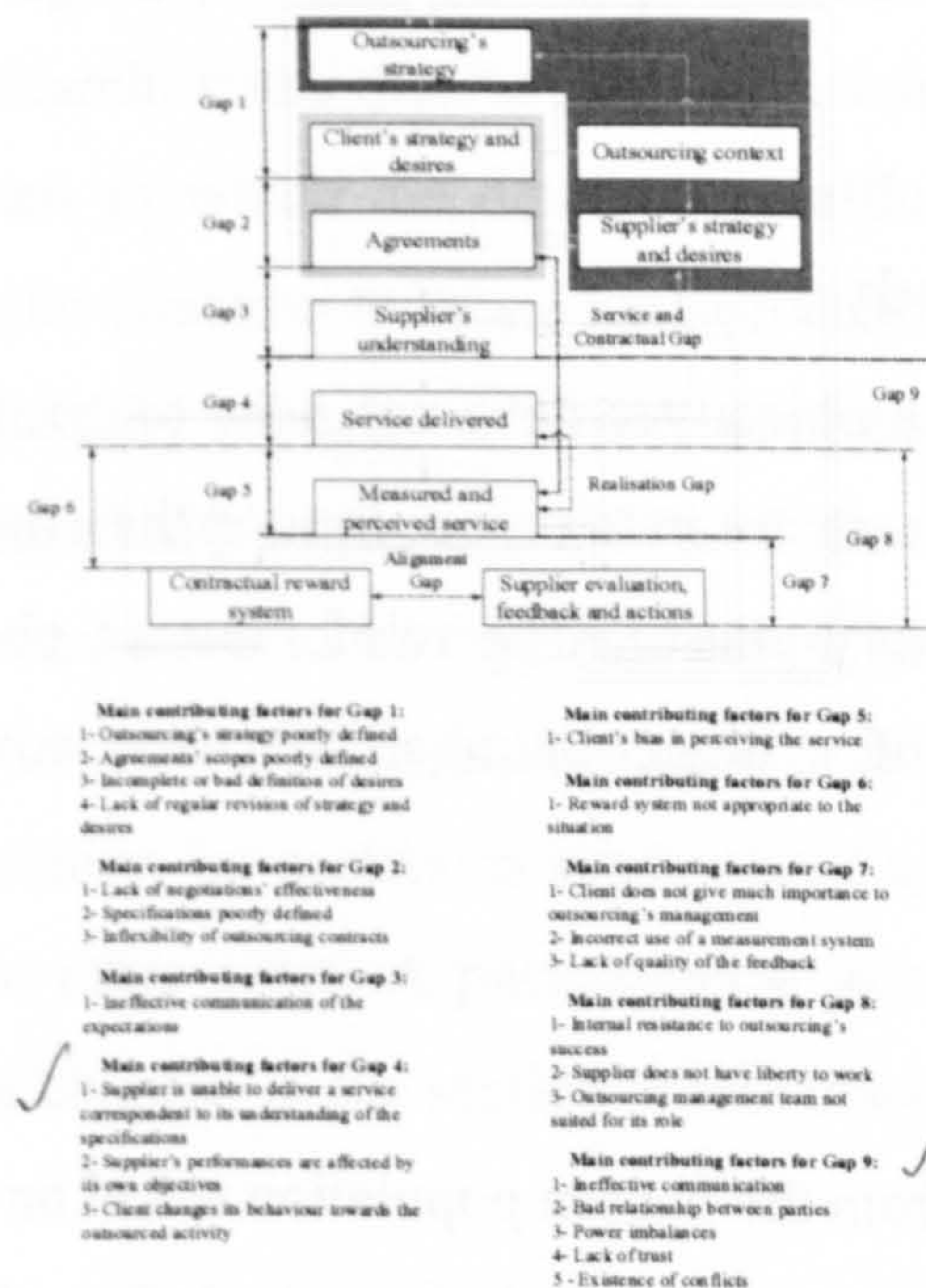


Figure 24 – Outsourcing management model that resulted from the exploratory phase

3.5. Reinforcement phase

Even though the exploratory phase used a representative and revelatory case – in itself an acceptable rationale for undertaking an investigation based on a single-case study (Yin, 2003) – it was decided to add another phase to the investigation with the objective of reinforcing and increasing the robustness of the findings of the exploratory phase. This phase is also based on a case study rationale, but with different characteristics from that of the exploratory phase.

¹ Due to the nature of the statement, finding literature which stated that a specific problem did not occur was not common.

3.5.1. Objective

The reinforcement phase had the objective of confirming that the outsourcing management model resultant from the exploratory phase was appropriate to the case in which it was developed. Moreover, its appropriateness to two other outsourcings of the same sector of the population was investigated. The study did not aim to prove the model, but to show its appropriateness to some on-going outsourcing management situations and to enrich the model through providing important detail. Since the objective was to support the model, data collection during the reinforcement phase was direct and structured. Expansion of the initial and suggested model was not an objective.

3.5.2. Type of case study

A case study with these objectives does not need to go deep in the field. So the resources needed for each case are much more limited than those needed for the single-case study of the exploratory phase. The reinforcement phase used a multiple-case study to take advantage of a bigger number of cases, covering a wider range of situations.

3.5.3. Case selection

The sampling of cases from the chosen population relied on theoretical sampling (i.e. cases are chosen for theoretical, not statistical reasons) (Eisenhardt, 1989). “The mode of generalization is ‘analytic generalization’, in which a previously developed theory is used as a template with which to compare the empirical results of the case study. If two or more cases are shown to support the same theory, replication may be claimed” (Yin, 2003). The sampling technique aimed at focusing efforts on “theoretical useful cases” (Eisenhardt, 1989). In this situation the cases were expected to replicate the findings and support the outsourcing management model. This corresponds to Yin’s (2003) ‘literal replication’ objective, through which the cases are selected in such a manner that similar results are expected

The purpose of this phase of the research was to support the exploratory outsourcing management model. For that three typical cases were selected. It is very difficult to show that a specific case is typical. Blaikie (2000) presents Mitchell’s (1983) argument

against trying to find typical cases: “There is absolutely no advantage in going to a great deal of trouble to find a ‘typical’ case: concern with this issue reflects a confusion of enumerative and analytic modes of induction. For general purposes any set of events will serve the purpose of the analyst if the theoretical base is sufficiently well developed to enable the analyst to identify within these events the operation of the general principles incorporated in the theory”. Blaikie then concludes that Mitchell’s argument defends the view that researchers should not be concerned with the issue of representativeness and generalisation in the narrow sense, but, rather, with appropriateness. Following this, Blaikie (2000) presents Bassey’s work which, in the context of educational research, states that “an important criterion for judging the merit of case study is the extent to which the details are sufficient and appropriate for a teacher working in a similar situation to relate his decision making to that described in the case study. The relatability [directly related to appropriateness] of a case is more important than its generalisability” (Bassey, 1981). Following these arguments, even though using what are considered to be ‘typical’ cases, the researcher of the present investigation prefers not to think about generalisation in this research. Instead, and in the line with Bassey’s inquiry, he prefers to speak about appropriateness and value of the research’s findings to other cases. A philosophical discussion related to this issue can be seen further in the chapter, in the section which discusses the internal validity of the study.

One of the three cases chosen is same as in the exploratory phase. This had the objective of confirming that the exploratory outsourcing management model is considered appropriate to describe what happens in that outsourcing by the persons involved in it, thus increasing the construct validity. Since the research approach is completely different from that of the exploratory phase, the case studied in the exploratory phase is treated and considered itself as a normal and independent case in this phase of the research.

3.5.4. Data sources

In the reinforcement phase of the research the data was collected both from the client and supplier sides of the outsourcings. In the exploratory phase the researcher just collected data from client’s side; personnel perceptions, opinions, behaviours towards

the outsourcing and documents. It was decided that this reinforcement phase would confirm those views and the model constructed from them, and also give the supplier's view of the constructed exploratory outsourcing management model. This was expected to confirm and make the outsourcing management model more robust.

3.5.5. Data type

Qualitative data was also more suited than quantitative data for the research objectives of the reinforcement phase. Once again the contextualisation of the problem was important and qualitative research gave extra flexibility to the researcher to investigate how well the outsourcing management model fitted the studied cases.

3.5.6. The role of the researcher

In the reinforcement phase the researcher's objective is to find support for the constructed outsourcing management model, which was a much more structured activity, and did not require as much involvement as the exploratory phase. The researcher needed only to be sensitive to managers' views about the model, retaining the integrity of the managers' opinions and accounts either in favour of or against the various aspects of the model. The researcher only had contact with the outsourcing during the interviews, as a visitor.

3.5.7. Data collection

The objective of this phase of the investigation was to find support (or not) to the exploratory outsourcing management model. So, the data collection was direct and structured and did not intend to expand the model.

Data collection techniques:

Interviews: The reinforcement phase was based on interviews with a defined sequenced structure. This type of semi-structured interview was considered to be the one most suited to the objectives of the reinforcement phase, since this phase focused on testing the model (Wengraf, 2001). The reinforcement phase started with the model suggested by the exploratory study which defined the 'collectable facts' that should be collected or generated. This corresponds to Wengraf's (2001) "anti-common-sense hypothetico-deductivist semi structured interview model". From the prior suggested

outsourcing management model – which at the beginning of the reinforcement phase is considered to be a hypothetical model – “the researcher generates a particular hypothesis [or proposition] whose truth or falsity could be ‘tested’ by a particular selection of ‘hypothesis-relevant facts’”. The hypothesis-relevant facts are then collected, and the hypothesis [or proposition] is either supported by the evidence of those facts or it is refuted by them”. The interviews followed a well defined protocol (example in Appendix C) where each question corresponded to a component of the model. The use of semi-structured interview protocols ensured that the same topics were covered in all interviews while giving a certain space for the interviewees to explain their views about the studied relations and problems.

It was not an objective of this phase to expand the model, so no extra relations or problems were being looked for – just support or otherwise of the initial suggested model. Thus the flexibility of discussion in the interview was limited at times by the researcher, to prevent deviations from the subject being analysed.

During the interviews the researcher was careful about the way he asked the questions (e.g. body language, tone of voice). The objective was to avoid leading and biased questions which could contaminate the response. As Wengraf (2001) says, most informants feel somewhat vulnerable in ‘opening up’ to an interviewer. “If you let them know in any way that you have a preferred response to one of your questions, they are more likely to tailor their responses to what you seem to be hoping for. A few will go the other way, and be determined to give you what you seem to be hoping not to hear”. Either way the answer is contaminated. “Much of this [questioning contamination] is ‘read’ by them from your tone of voice and general body behaviour”.

Wengraf (2001) also highlights the contamination that the type of questions themselves may bring. So, to diminish the possible leading and bias, Wengraf advises interviewers to indicate to the interviewees how wide the range of possible and legitimate answers is and to indicate why all of them might be reasonable, and so welcomed by researcher. He also presents other tactics such as asking indirect questions or asking questions biased in the direction opposite to the expected response as a way to enhancing the chances of the hypothesis to be falsified (Wengraf, 2001). These three tactics were adopted in the research interviews. Furthermore, the researcher also asked the interviewees to give examples of situations that had occurred in the

specific outsourcing which supported the propositions. This was used as a tactic to verify the existence of those problems and to give empirical illustrations of them. If there was no situation in that specific case history, examples of situations from the interviewee's previous experience, or situations that the interviewee knew about were asked for. As an example the protocol for the interviews concerning the outsourcing management problems is included as Appendix C.

Because the interviews were much more focused, and because no sensitive information was going to be exchanged, the researcher asked if he could record them. This time he had a positive answer from almost all the interviewees and recorded them in a digital format. When the interviewees preferred the interview not to be recorded the researcher took notes.

Ten interviews (some divided in parts, separated by less than a week) were carried out with the responsible for the outsourcing of both parties. Six of these interviews focused on the outsourcing management process model while the other four focused on the outsourcing management problems. These interviews were in Portuguese or in English, depending on the interviewees' nationality.

The six interviews concerning the outsourcing management process model were undertaken with three senior managers from the client company, and three from the supplier. The researcher interviewed one representative from each side of the dyad of each of the three studied outsourcings. Interviews were undertaken with both sides of the dyad in order to get a feel for the differences between the ways in which the client and supplier saw the client's management and management problems, resulting in a wider understanding, and one which was probably closer to the reality. The four interviews focusing on outsourcing management problems were with two senior managers from the client company (already interviewed concerning the outsourcing management process model) and two from the suppliers (one already interviewed concerning the outsourcing management process model and the other was the administrator to whom the other two suppliers' managers interviewed reported to). The change of interviewees was due to the fact that the opportunity arose to interview the supplier's administrator responsible for the supplier's maintenance section in Portugal – and thus someone who had a wide experience in maintenance outsourcings across several industries – instead of the two site managers who reported to him and who were

interviewed in the previous interviews. One of the client executives previously interviewed was not available at the time of the reinforcement phase due to incompatibility of schedules, and the data collected from the other two client executives was so rich (the interviews took around five hours each) that it was decided that there was no need to undertake that interview later. Moreover, during the interviews concerning the outsourcing management process model some problems had already been spontaneously commented on by the interviewees.

The senior managers² were chosen because they were considered to be the people who had a better overall view, and greater detachment and criticality over the outsourcing. Nevertheless, the researcher realises that they may not want to recognise some practices within their outsourcings (or even in others), and that consequently they may not be entirely sincere, or they may omit some factors. For example, the suppliers' managers could not speak frankly about the client's management problems if the supplier was gaining an advantage from them. The researcher also realised that the suppliers' representatives tended to be more careful in the information they gave, and some tended to avoid giving concrete examples related to the outsourcing under study.

The semi-structured interviews related to the outsourcing management process model lasted from one to four hours (the normal was around two hours), while those referring to the outsourcing management problems lasted from two to five hours (the average was three and a half hours).

3.5.8. Data analysis

The objective of this phase of the investigation was to support (or not) the exploratory outsourcing management model. Expansion of the model was not an objective. So, the data analysis was direct and structured. The analysis was based on the comparison of the collected data with the exploratory outsourcing management model, on the comparison between cases, and on the comparison between clients' and suppliers' perceptions about the same situation.

The analysis of the interviews was based on a gradual support for the model during the interviews and tabulation of evidences after the interviews. This analysis was greatly

² The client's maintenance or mill directors who regulated the outsourcing at the high level; the supplier's highest manager in-local and an administrator of one of the supplier companies.

facilitated by the structure that the interviews' protocols gave to the interviews. The strategy chosen to develop the interview was to gradually go through the all components of the model, following the interview protocol. The objective was to find evidence that reinforced or contradicted each element of the model with intermediate questions. Thus, the initial within-case analysis would take place during the interview jointly with the interviewee. Later, the researcher re-played the interviews and divided them in several parts, according to the component of the model under consideration. The notes taken during the un-recorded interviews were used in a similar way. This enabled a deeper and more rigorous analysis of the data, because when analysing each component of the model the researcher could be focused on the selected data and therefore was more able to analyse the extent to which the individual components of the model were supported by the interview. See Figure 25 as an example of how the interviews were broken down and brought together under the particular elements of the model. Whenever possible the researcher also inserted detail from the interviews to the outsourcing management model. A cross-case analysis comparing the results obtained from the different interviews was also undertaken. Finally conclusions were drawn from the analysis and the final outsourcing management model presented. As all the components of the exploratory outsourcing management model were supported, the final outsourcing management model is equal to the exploratory one, but enriched with detail. The final outsourcing management model is presented in the 'Outsourcing management model' part of the thesis.

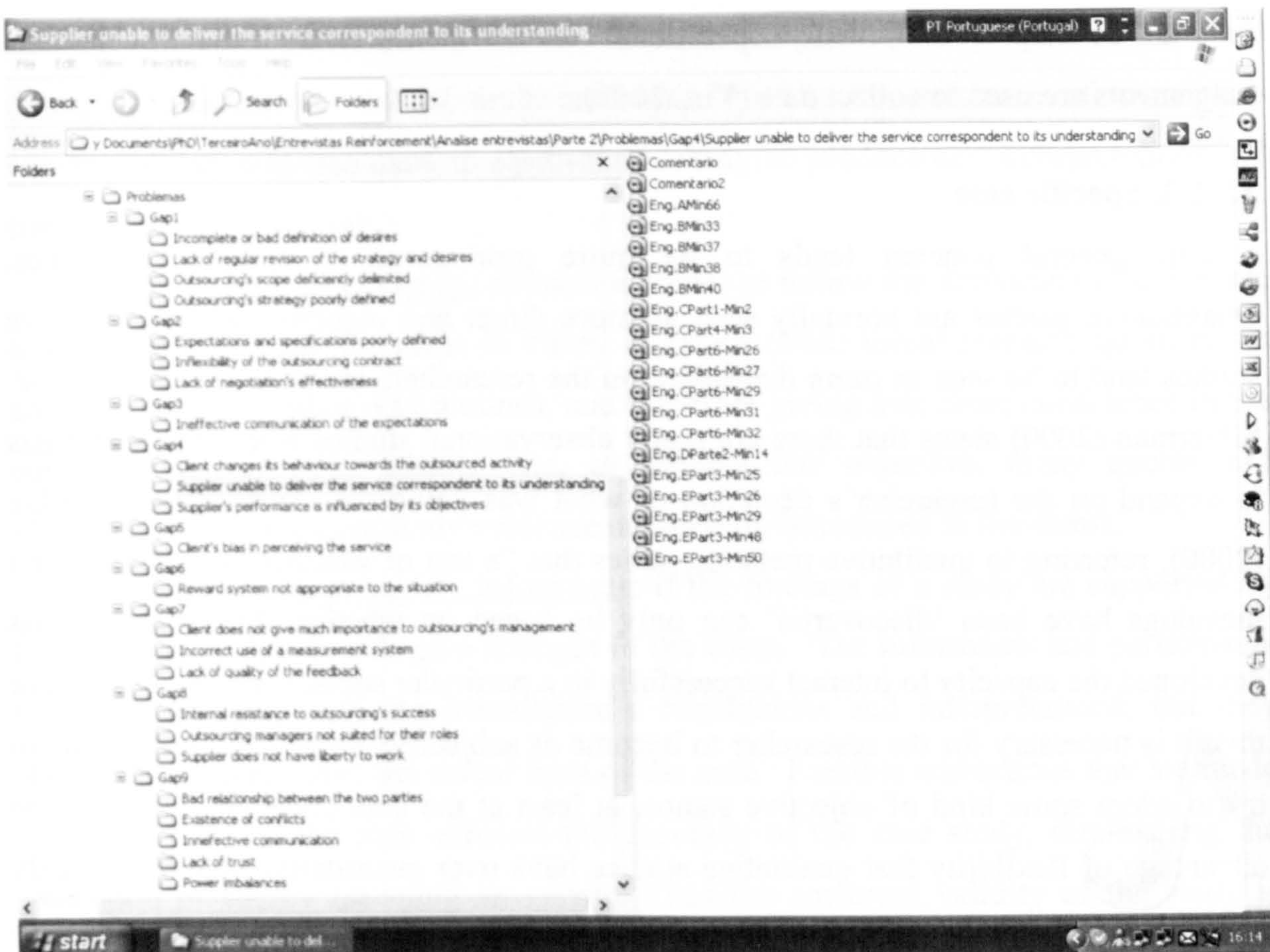


Figure 25 – Illustration of the organisation of the extracts of the interviews that referred to each component of the outsourcing management model (in this case the Gap 4 outsourcing management problem “Supplier is unable to deliver a service correspondent to its understanding of the specifications” with 20 interview extracts associated with it)

3.6. Research quality

A researcher’s ability to show that the methods used were reliable and that the conclusions are valid is crucial to a social inquiry (Silverman, 2000). Yin (2003) identifies four concerns that are relevant to establish the quality of empirical social research: construct validity, internal validity, external validity and reliability. Each of these tests was undertaken for the present research and commented on accordingly in the following section.

3.6.1. Construct validity

3.6.1.1. General concerns

Construct validity is described as the degree of certainty one has that the phenomenon has been appropriately measured and studied. It is especially problematic in case study research. Many criticise case studies arguing that a case study investigator

fails to develop a sufficiently operational set of measures and that ‘subjective’ judgements are used to collect data (Yin, 2003).

3.6.1.2. Specific case

This general concern tends to be more pronounced in qualitative studies. Quantitative studies are normally seen as more direct and objective while qualitative studies tend to be seen as more dependent on the researcher, and thus not so objective. Silverman (2000) states that there are many observational studies where the reader has to depend on the researcher’s depiction of what was going on. Furthermore, Blaikie (2000), referring to qualitative methods, states that “a test of whether the social actor’s meanings have been ‘discovered’ can only be based on whether the researcher has developed the capacity to interact successfully in a particular social context. To achieve this, it is necessary for the researcher to become as subjective as possible rather than to try to adopt some kind of objective stance, at least at the data collection stage”. The advantage of flexibility that qualitative studies have over quantitative studies is highly connected with the possible ‘subjective’ judgements made to decide which data to collect. These ‘subjective’ judgements are the drivers for opportunistic data collection which focuses on emergent issues or clarifies further certain doubts. Such opportunistic data collections normally represent new important and clarifying data.

To diminish the criticism about construct validity, the study used the countermeasures presented below.

3.6.1.3. Countermeasures

Multiple sources of evidence: the use of more than one source of data enables the development of converging lines of inquiry. This corresponds to the triangulation of data sources, which aims at collecting information from multiple sources to corroborate the same fact or phenomenon (Yin, 2003). So, data triangulation can address the problems related to construct validity, since the multiple sources of evidence provide multiple measures of the same phenomenon. In this research triangulation was also used to expand the understanding over the outsourcing on-going management due to the variety of data which offered different perspectives. Additionally, the multi-method approach used was also a strategy “to attack a research problem with an arsenal of methods that have non-overlapping weaknesses in addition to their complementary

strength” (Brewer and Hunter, 1989). Thus a more complete view was achieved through the concurrent use of multi-methods. Finally, the existence of some non-convergent data was also used, in a provocative way, to produce new interpretations and conclusions (Blaikie, 2000).

Maintain a chain of evidence: allowed a reader to follow the derivation of evidence, enabling him to trace the steps in either direction (from initial research questions to conclusions or the other way around), and therefore giving him more confidence in the construct validity (Yin, 2003). So, to achieve this objective, many quotes and illustrations from the case study evidence are directly introduced in the thesis.

Model was reviewed by key informants: if the findings of a study are supported by the informants, then it will give strength to the cases. The informants and participants may still disagree with the investigator’s conclusions and interpretations, but they should not disagree over the actual facts of the case. Possible corrections that are made about the facts of the case enhance the accuracy of the case study, diminishing the likelihood of falsely reporting an event. Thus the construct validity of the study is increased (Yin, 2003). In the present investigation, the first case study of the reinforcement phase was conducted in the same outsourcing as the exploratory case study, enabling the confirmation of the exploratory evidences to happen.

3.6.2. Internal validity

3.6.2.1. General concerns

Internal validity concerns the establishment of a causal relationship, whereby certain conditions are shown to lead to other conditions, as distinguished from spurious relationships. It is essential in experimental and quasi-experimental research, but inapplicable to descriptive or exploratory studies (whether the studies are case studies, surveys or experiments) since they are not concerned with making causal claims. In relation to case studies, it is only a concern for causal (or explanatory) case studies. For example, a research design has failed to deal with some threat to internal validity when a researcher tries to determine if an event x led to an event y and incorrectly concludes that there is a causal relationship between them, without knowing that some third factor – z – may actually have caused y (Yin, 2003).

3.6.2.2. Specific case

This general concern seems to be derived from positivist ontology. The present research is based on constructivist ontology and the explanation of the research objective is dealt with within a realist epistemology. This is an epistemology of laws as expressing tendencies of things, as opposed to the conjunctions of events advocated by positivism (Blaikie, 1993). Realism rejects “Positivism’s pattern model of explanation, i.e. that explanation can be achieved by establishing regularities, or constant conjunctions, within phenomena or between events. (...) [Realism argues] that establishing such regularities is only the beginning of the process. What is then required is to locate the structure or mechanism that has produced the pattern or relationship. These structures and mechanisms are nothing more than the tendencies or powers of things to act in a particular way. The capacity of a thing to exercise its powers, or the likelihood that it will, depends on whether or not the circumstances are favourable. This view of causation allows for the possibility that competing or cancelling mechanisms may be operating when no event or change is observed, i.e. lack of movement may be due to opposing forces at work” (Blaikie, 2000). So, all the presented explanations are based in tendencies of connections and causality because the context may affect the mechanism. Due to the complexity and lack of control over the environment – unlike what happens in experimental research, which gives significant attention to internal validity – this research cannot guarantee that x leads to y . The maximum it can say is that there is a tendency of x to lead to y . But some contextual forces can break that tendency.

Nevertheless, the research also used some techniques which are normally related to the increase of internal validity. These techniques are presented below.

3.6.2.3. Countermeasures

Logic models and explanation building: in the exploratory study the outsourcing management process model was a conceptual model describing its main components and their relationships. The explanatory part of the exploratory study suggested some outsourcing management problems, as well as their logic (cause-effect) mechanisms. These mechanisms (explanation building) were constructed by an iterative process based on the following cycle: initial proposition, new comparison with data, reflection, refinement of the proposition, and so on (Yin, 2003). This practice was much helped by

the researcher's analytic insight about the outsourcing gained during his long immersion in the field. At the end of the exploratory phase the researcher had a suggested outsourcing management model which was going to be the target of further studies to increase its robustness during the reinforcement phase.

Pattern matching logic: after the exploratory study the researcher had an outsourcing management model which contained suggested explanations for certain problems. Such explanations were the focus of further analysis in the reinforcement phase. This phase was based on the comparison of the suggested explanations with the empirically-based reactions to this patterns made and discussed by the interviewees. As the data collected in the interviews supported the outsourcing management model, the reinforcement phase helped to increase the study's 'internal validity'.

3.6.3. External validity

3.6.3.1. General concerns

External validity concerns the extent of confidence one has that the findings can be generalised beyond the immediate case. It has been a major barrier in doing case studies, since critics classically state that single cases offer a poor basis for generalising. However, such critics are implicitly contrasting the situation to survey research, in which a sample readily generalises to a larger universe. This analogy is incorrect when dealing with case studies. Survey research relies on statistical generalisation, while case studies rely on analytical generalisation. In analytical generalisation, the investigator is striving to generalise a particular set of results to some broader theory, but the generalisation is not automatic (Yin, 2003).

3.6.3.2. Specific case

This research aims to develop an understanding that can be readily understood and taken up by academics and practitioners. Appropriateness is the aim, as discussed in the case selection of the reinforcement phase. It is expected that the findings of this study may not describe exactly all the other situations, but at least the details are sufficient and appropriate for a manager of an outsourcing of the same population to relate his case to that presented in this study.

Although generalisation is not an objective, the research used some techniques which are normally connected with that aim. They were used in this research with the aim of constructing a more solid study, and are now presented.

3.6.3.3. Countermeasures

Exploratory phase:

Use of a representative and revelatory case study: These are by themselves acceptable rationales to do an investigation just based in a single-case study (Yin, 2003). What was done in this study – and is pointed by Yin (2003) as a technique that supports the use of case studies to generalisations – was to create a theory from the study. This theory had the form of the outsourcing management model.

Comparison with literature: Furthermore the findings were then supported by existing literature covering other parts of the population under study and similar situations. This supports the argument that the findings are not specific to the sector of the population under study, increasing the findings' external validity.

Reinforcement phase:

The theory which resulted from the exploratory phase – outsourcing management model – looked for support in the reinforcement phase: First the exploratory theory was tested by another type of investigation in the same place in which it was based. The confirmation of the findings gave support that the theory was correct to that case – also increasing the study's construct validity (Yin, 2003). Then this first reinforcement case was replicated in two other cases which belonged to the sector of the population under study, giving support to the outsourcing management model. This support increased the external validity of the study (Yin, 2003) to the sector under study, indicating that the outsourcing management model was appropriate and had value to other situations. Thus, there is confidence that the understanding that comes from the study can be used and taken up by academics and practitioners in that sector. Nevertheless, the research is expected to be of value to on-going management of strategic outsourcings of services in general. Although focused on outsourcing of the maintenance function in the pulp for paper industry, and specifically within Portuguese companies, it is expected that the insights and conclusions emerging from the research have value to a much wider variety of outsourced activities and industries. The cases did not exhibit extreme or unusual contexts or behaviours (when compared to the broader literature on outsourcing); the

analysis also drew upon the limited extant literature and the wider-international and cross-sectoral experience of some of the interviewees to provide limited support for the findings outside of the specific context of Portuguese pulp for paper companies. The present research is expected to be a relevant and meaningful starting point to the exploration of on-going management of strategic outsourcings of services.

3.6.4. Reliability

3.6.4.1. General concerns

Reliability concerns the researcher's conviction that the research and its findings are repeatable. The emphasis is on doing the same case over again, not on replicating the results of one case by doing another case study. The goal of reliability is to minimise the errors and biases in a study (Yin, 2003).

3.6.4.2. Specific case

One prerequisite for enabling another investigator to repeat an earlier case study is to document the procedures followed in the earlier case. In the exploratory phase it was almost impossible to make a detailed study plan beforehand since it would limit greatly the flexibility and opportunism of data collected. The researcher entered the field without theories or hypothesis to validate, thus the research procedures had to be highly adapted to what he found and to the individual circumstances, which were very difficult to predict. It would be difficult for another researcher (or even the same researcher) to be able to repeat exactly the same exploratory study. The study was highly dependent on the dynamics that existed between the researcher and the managers, and was also conditioned by the context of the investigation and the outsourcing, which is always changing. "The character of qualitative data makes corroboration and replication more difficult, some would say impossible" (Blaikie, 2000). Due to the nature of the data collection techniques in the exploratory phase – which had to be adapted to the context and conditions of the study – it was difficult to separate the data/evidence from the interpretation made by the researcher. Due to the research constraints the data recording techniques described what the researcher saw and listened to, jointly with his interpretations. As Silverman (2001) noted, there are some studies where the reader has to depend on the researcher's depiction of what was going on. This way the data cannot

be the subject of separate, secondary analysis (Blaikie, 2000), independent of the original investigator's work.

The reinforcement phase was structured (seeing that the interaction between the researcher and the outsourcing is much more superficial), thus it would be far easier for another researcher to do the same case study again. The reinforcement phase had an initial study plan which was strictly followed. It had conditions for a much better reporting system since the data was collected and recorded in a much more direct way.

Some techniques were used to diminish the possible criticisms about reliability of the present study.

3.6.4.3. Countermeasures

Use of a case study protocol: The researcher started the exploratory phase with a broad initial protocol. Despite the protocol and some details that were added during the investigation, and as already justified, it would be difficult for another researcher (or even the same researcher) to be able to repeat exactly the same study. The reinforcement phase (multiple-case study) was much more structured and planned, thus the use of a protocol was much simpler and more usable. Thus the protocol used was much more complete and structured, making all the steps as operational as possible to clearly guide the development of the cases. Yin (2003) suggests that having a case study protocol is desirable under all circumstances, but it is essential in multiple-case studies. This is probably due to the replication intention; all the cases must be treated in exactly the same way to be compared with a degree of certainty. The interview protocol referring to the outsourcing management problems is included in Appendix C.

Case study database: due to the conditions of the exploratory study the research can be criticised for the absence of raw data, with no in-built interpretations. This is a problem that often occurs in qualitative data (Silverman, 2001; Blaikie, 2000). The researcher was not able to resolve it because he had very limited control over the conditions and rules within which he operated. Thus, he had to choose between having recorded raw data (for example recorded interviews) or having better and deeper data. The researcher chose to go for better and deeper data, as this was found to be the only possible way to gain a good understanding about the outsourcing. So, for example, instead of recording the interviews – a practice which would limit the freedom with which the interviewees could speak, as was previously concluded – the researcher

decided to listen and then make field notes accordingly. In this way the interviewees were more comfortable and sincere, transmitting a better knowledge of what was actually going on in the real outsourcing. This better knowledge supported the construction of the outsourcing management model.

After the construction of the model, the reinforcement study already had different characteristics which enabled the development of a formal, presentable database. This way other investigators can review the evidence directly and need not be limited to the written case study report. In such reports the data tends to be presented already pre-interpreted (as happened in the exploratory study). This thesis seeks to present some raw data (in form of quotes) for the reader to be able to draw independent conclusions about the study (Yin, 2003). But even that 'raw' data can be criticised for being pre-processed to a certain extent: not only is the data presented out of context – which presupposes a decision of what was important to show as an example – but it is also translated data, since some of the interviews were conducted in Portuguese (Wengraf, 2001).

3.7. Overview of the chapter

This chapter has discussed the choices made by the researcher at the strategic, tactical and operational levels of the research. The end result was a clear description of the overall research design which was planned to achieve the research objectives. The quality of the investigation was also discussed in terms of construct validity, internal validity, external validity and reliability.

4. Presentation of the case studies

This chapter gives an outline description about each case study analysed. The descriptions base themselves mainly in the presentation of the client, of the supplier and of the scope of the contract.

4.1. Exploratory phase

4.1.1. Main characteristics of the single case study

4.1.1.1. Client

The mill in which the exploratory study took place – ABCA³ – belongs to ABC Group. The ABC Group is one of the five largest European producers of uncoated woodfree paper. The ABC Group has a productive capacity that exceeds 1 million tonnes of paper and 1.2 million tonnes of pulp, with 138 thousand hectares of forest and an annual turnover of over 1000 million euros. One of the Group's present priorities is its strategy of integration (from forest plantation to commercialisation of own brand paper), which is part of its continued drive towards consistent growth and greater presence in international markets.

The Group's production structure is based at three mills: ABCA, ABCF and ABCS. The ABC Group has been formed from two companies with different histories. ABCP (the owner of the ABCA and ABCS mills) bought ABCSO (the owner of the ABCF mill) in 2001. The operations of ABCA, ABCS and ABCF mills are independent; they are treated in this study for simplicity of language as three different companies of the same group.

ABCP began operations at ABCA mill in 1953 and it was the first mill to produce pulp and paper from eucalyptus at an international level, in 1957. ABCA mill is set in the heart of the largest area of eucalyptus forest in the country, which is said to have special characteristics for this industry. The proximity of this raw material is a key

³ The client's and the supplier's company names are disguised. This disguise is used only in the chapter presenting the case studies, since the other chapters avoid the use of the company names by just referring to the "client" and the "supplier".

advantage that this unit has exploited to be more competitive and to increase the value of its products. Furthermore, an innovative attitude has been a constant feature at this industrial unit, which has capitalised on the know-how accumulated over decades. This mill produces 260 thousand tonnes/year of pulp normally suited for special applications – it has a well-established position at an international level in market segments with its pulp for ‘décor’ papers, its coated papers and high quality ‘tissue’ papers – and investigations about the viability of its extension are being undertaken. Historically ABCA grew to 1000 direct employees but at the moment, due to advances in technology and due to outsourcings and sub-contracting, it employs around 300 people.

4.1.1.2. Supplier

The objective of the outsourcing was to have a consortium of the client and of another firm delivering the maintenance in a partnership spirit. Even though that consortium existed formally, it was far from working in practice. What existed was that an external firm (which is from now considered to be the supplier in this outsourcing) managed the maintenance and commanded an operational workforce (that partly belonged to the client), while having its performances being evaluated and controlled by a team of the client, which was also part of the consortium.

The supplier company – XYZ – is an international company with a very good reputation around the market through over 100 years of history. It presents itself as the worldwide leader in power and automation technologies and in engineering and management of full service maintenance contracts. The supplier company provides customers with a wide variety of services and operates in around 100 countries, employing around 105,000 people.

In the outsourcing case study, the supplier was responsible for the maintenance function of the client company. For that it had a management team on-site which guided former employees of the client, who continued to perform maintenance services for the client company, and were still employees of ABCA, but were now under orders of the supplier firm.

4.1.1.3. Main rationale for the outsourcing

- Decrease maintenance costs per tonne of produced pulp;

- Increase productivity (improving the availability of the mill through higher maintenance effectiveness);
- Improve the maintenance practices through a specialised supplier;
- Bring new know-how from the supplier to the client company;
- Substitute client workers who were leaving (ABCA was reducing the number of own employees);
- Raise the flexibility over the management of the workforce.

4.1.1.4. Contract signed

September 2000, but in February 2002 there was an increase of its scope.

4.1.1.5. Contract duration

3 years.

4.1.1.6. Scope of contract

Areas covered by the contract:

- Wood reception and preparation;
- Energy and recuperation;
- Pulp production;
- The maintenance (preventive and corrective) of the previous sectors, including all the works needed up to level 4 of AFNOR NF X 60-010.

Equipment included in the contract:

- Electrical equipment;
- Mechanical equipment;
- Electronic and instrumentation equipment;
- Structures and buildings;
- Fluid systems;
- Other equipment considered by the supplier to be necessary for the successful functioning of the mill.

For strategic reasons (keeping internal knowledge in the firm so as to have immediate control of the maintenance of the mill again; in this way the client is safe from surprises and retains negotiation power) the client company continued to staff the maintenance engineering function – responsible for analysing process equipment, supporting capital investments and planning the annual shutdown – using its own staff,

and had another outsourcing contract related to the workshops, which include the facilities inside the mill and also some special workshops outside. The client also maintained the spare parts stores.

4.2. Reinforcement phase

4.2.1. Main characteristics of Case A

Case study A was undertaken in the same mill as the exploratory single case study, but two years later.

Many structural and organisational changes were put in place in the outsourcing by the new maintenance director during those two years. The biggest change was that the client turned the client's evaluation team in the consortium into an operational maintenance work-group to work jointly with the supplier (the old relationship manager is integrated into that team, as well as many of the client's old maintenance management team members). This work-group and the supplier now constitute a single team that works together in the operational issues towards the same objectives. The partnership (as the client and supplier called it, but, as already seen in this thesis, is perhaps better denominated by the term alliance) spirit was starting to appear and the consortium team was starting to work as a homogeneous team. Even though this was an objective from the beginning of the outsourcing, these structural and organisational modifications enabled it to start to work. In fact these modifications implemented by the client's new maintenance director, with the help of a new site manager from the supplier, were felt to improve the performance and cooperative spirit of the outsourcing.

Now the client's management of the outsourcing was undertaken directly by the maintenance director, and the client began to consider extending the contract with the same supplier.

4.2.2. Main characteristics of Case B

4.2.2.1. Client

The mill in which case study B took place – ABCF – is one of the most efficient pulp and paper production units in Europe. It also belongs to the ABC Group as ABCP

bought ABCSO (which owned ABCF) in 2001, forming the group. The acquisition and integration of ABCSO by ABCP was very political and carefully done. The buyer did not make an aggressive move and is integrating ABCSO slowly. Thus, in ABCF there is still a little independence from the group.

ABCF was inaugurated in 1984 and is considered a benchmark for the European fine uncoated paper industry. This unit, with 850 highly educated and specialised employees, has its pulp production partially integrated with the uncoated printing and writing paper production. It guarantees an annual volume of production and processing of fine uncoated papers of around 750 thousand tonnes, and represents the biggest mill site in Europe for uncoated woodfree paper. Almost all the paper produced is transformed internally into sheets for the graphics industry (large format) and into sheets for office use (A4 and A3). The present portfolio comprises almost 7000 different product items as the result of the combination of different grades, weights, brightness, packing specifications and consignees, etc.

4.2.2.2. Supplier

The organisation is similar to that of Case A (and the exploratory case): a consortium between the client and an external company. The situation of the consortium seemed to be similar to what was happening in Case A during the exploratory phase of this investigation; even though the consortium between the client and the supplier existed formally, it seemed not to work in practice as an alliance for a long time, and it was only at the last part of the outsourcing that a cooperative spirit started to become apparent within the outsourcing.

The supplier company of Case B is the same as that of the exploratory single case study, even though the management structures in the two cases are independent.

4.2.2.3. Main rationale for the outsourcing

- Leave internal resources to be entirely dedicated to the core business;
- Create conditions which, in the long term, will enable suppliers to reduce specific costs of the maintenance and reduce downtimes due to higher effectiveness of the maintenance (the client feels that at the moment no supplier can provide the service better and cheaper than previously, when the service was performed in-house).

4.2.2.4. Contract signed

February 2002.

4.2.2.5. Contract duration

3 years.

4.2.2.6. Scope of contract

Areas covered by the contract:

- Wood reception and preparation;
- Energy and recuperation of the pulp mill;
- Pulp production;
- The maintenance (preventive and corrective) of the previous sectors, including all the works needed to level 4 of AFNOR NF X 60-010.

Equipment covered by the contract:

- Electrical equipment;
- Mechanical equipment;
- Electronic and instrumentation equipment;
- Structures and buildings;
- Fluid systems;
- Other equipment considered by the supplier to be necessary for the successful functioning of the mill.

For strategic reasons the client company continued to staff the engineering function – responsible for analysing process equipment, supporting capital investments and planning the annual shutdown –itself, and had another outsourcing contract related to the workshops, which include the facilities inside the mill and also some special shops outside. The client also managed the spare parts stores.

4.2.3. Main characteristics of Case C

4.2.3.1. Client

The mill in which Case study C took place – ABCS – also belongs to the ABC Group. It includes two industrial units that work in an integrated way. The mill produces bleached eucalyptus pulp and sends almost 40% of its production to the

printing and writing paper mill. These plants have capacities of 500 thousand tonnes/year and 275 thousand tonnes/year respectively, employing 800 workers.

The foremost competitive advantages of the pulp mill are an excellent energy performance and its eco-efficiency. In fact ABCS is self-sufficient in energy production and by means of burning biomass from useless parts of raw material – mainly the eucalyptus globules from Portuguese forests – generates an excess that is sold to the national grid.

The paper produced is transformed in cut-size formats (near 50%), folio-sizes (30%) and reels (20%), destined for the domestic and European office paper market, offset, pre-print and envelopes.

4.2.3.2. Supplier

In this case the maintenance service was also formerly delivered by a consortium. This time the consortium – made up of around 150 people – was formed by the client and three other companies. Among other areas of expertise related to maintenance, one of the companies involved was a well-known worldwide producer of machinery for the pulp and paper industry; much of the main production equipment of the ABCS mill was made by this firm. Thus this firm had considerable knowledge about process design, engineering, equipment design and manufacturing of the equipment used. Another of the three firms was also a global firm with a solid reputation in a wide variety of businesses (from consumer products – such as mobile phones or televisions – to services to industry passing by technology development). Its pulp and paper section has solutions and services for entire plants and individual products, with a portfolio that is said to cover every aspect of a plant's lifecycle – from automation, drive engineering and energy, to infrastructure, communication, and enterprise resource planning (ERP). The third external enterprise involved in the consortium is a Portuguese company which specialises in general industrial maintenance and mechanic works. The client was not integrated as deeply as the three other companies in the consortium. Thus the working group constituted by the three external companies is here considered to be the supplier.

4.2.3.3. Main rationale for the outsourcing:

- **Financial:** increase the availability of the mill and reduce specific maintenance costs;

- **Maintenance practices:** improve the maintenance practices with a specialised supplier with experience from a wide number of other situations in several industries (when the activity is done in-house there is a tendency to crystallise the knowledge and have a slower rate of improvement in practices);
- **Human resources:** suppliers have more flexibility when dealing with employees, since the client is a previously public company and the employees have some privileges which are difficult to stop;
- **Control:** the control of a service in outsourcing is much easier because the exigency with a supplier can be much higher and more rigid than the exigency with colleagues inside the same organisation.

4.2.3.4. Contract signed

This contract was the result of several contracts. The outsourcing started in 1992 in the wood yard. At the time the contract was very superficial since part of the management of the activity was still undertaken by the client. In 1994 the management of the wood yard was completely given to the supplier. In 1999 the supplier started to be responsible for part of the mill's maintenance and was also included in the contract, and from then on the contract gradually started to incorporate more elements.

4.2.3.5. Contract duration

In the actual main configuration: 5 years (finishes at the end of January 2005), but in the middle there was an increase of its scope.

4.2.3.6. Scope of contract

All the equipment of the wood yard, power section of the pulp mill and the fibre line.

4.3. Overview of the chapter

This chapter has presented the major characteristics of the outsourcings, including a brief description of the client companies, the supplier companies and the scope of the contracts. The client firms all belong to the same pulp and paper group, but have generally independent management of the outsourcing. The supplier firm is the same in Case A and in Case B, but the outsourcings management are independent.

II. Outsourcing management model

Aim: Presentation and support to the outsourcing management model - process and problems

5. Introduction to the outsourcing management model

The aim of the chapter is to review the problem under analysis, explain the approach taken by the research, and describe the structure of presentation of the findings.

5.1. Research problem

This research explores clients' on-going management of strategic outsourcing of services. It attempts to structure and describe such a management process and explain and understand some of its problems.

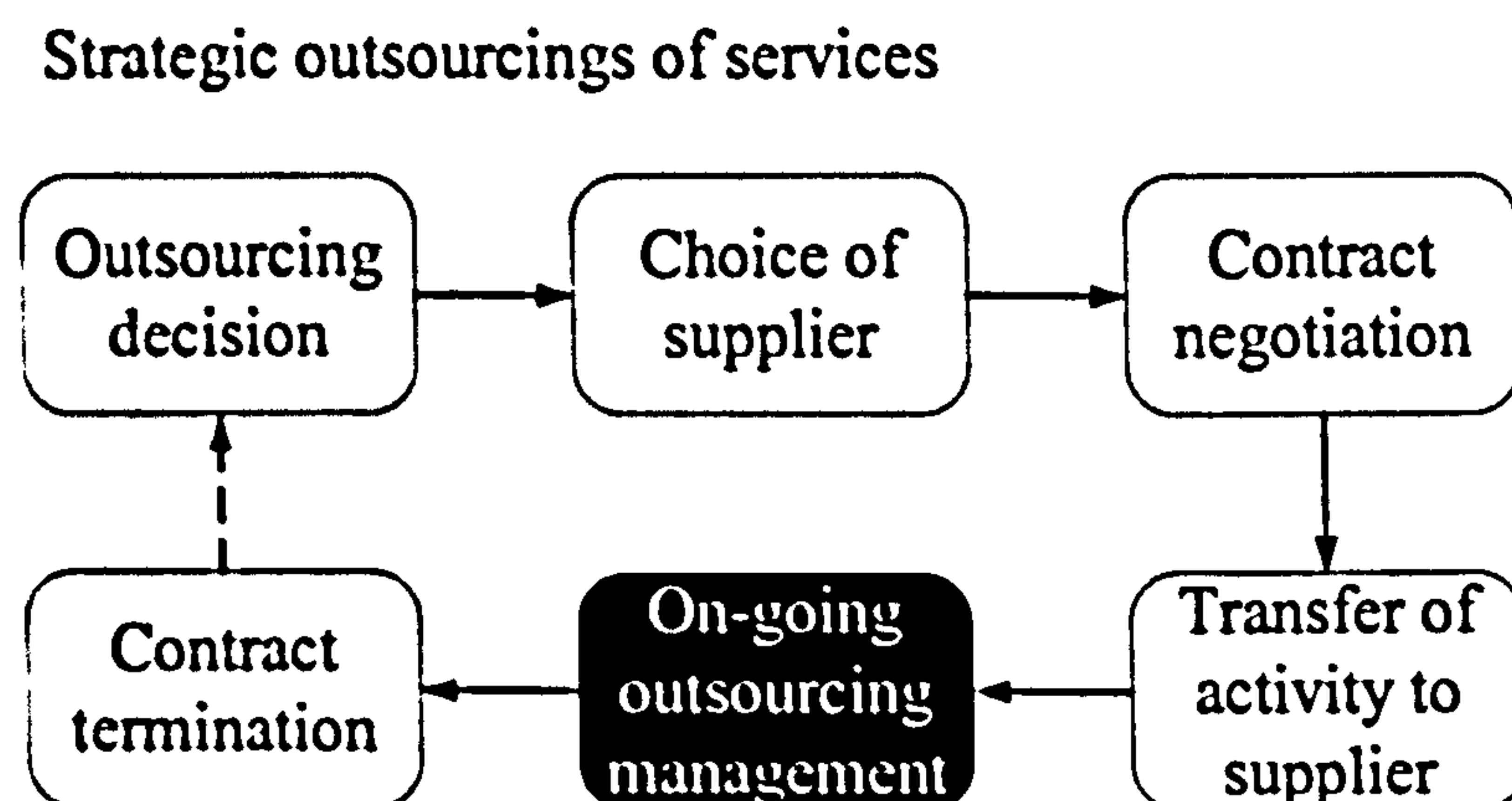


Figure 26 – Focus of the research: clients' on-going management of strategic outsourcing of services

The research is based in two research questions:

- How do clients manage strategic outsourcing of services during their on-going phase?
- What problems may affect the on-going management of strategic outsourcing of services?

5.2. Research approach

A two phase sequential research approach was undertaken to answer these questions.

First, an exploratory phase was used to develop initial knowledge about the clients' on-going management of strategic outsourcing of services. The details of this phase of the research were presented in the 'Research design' chapter, and its main characteristics are reviewed in Figure 27.

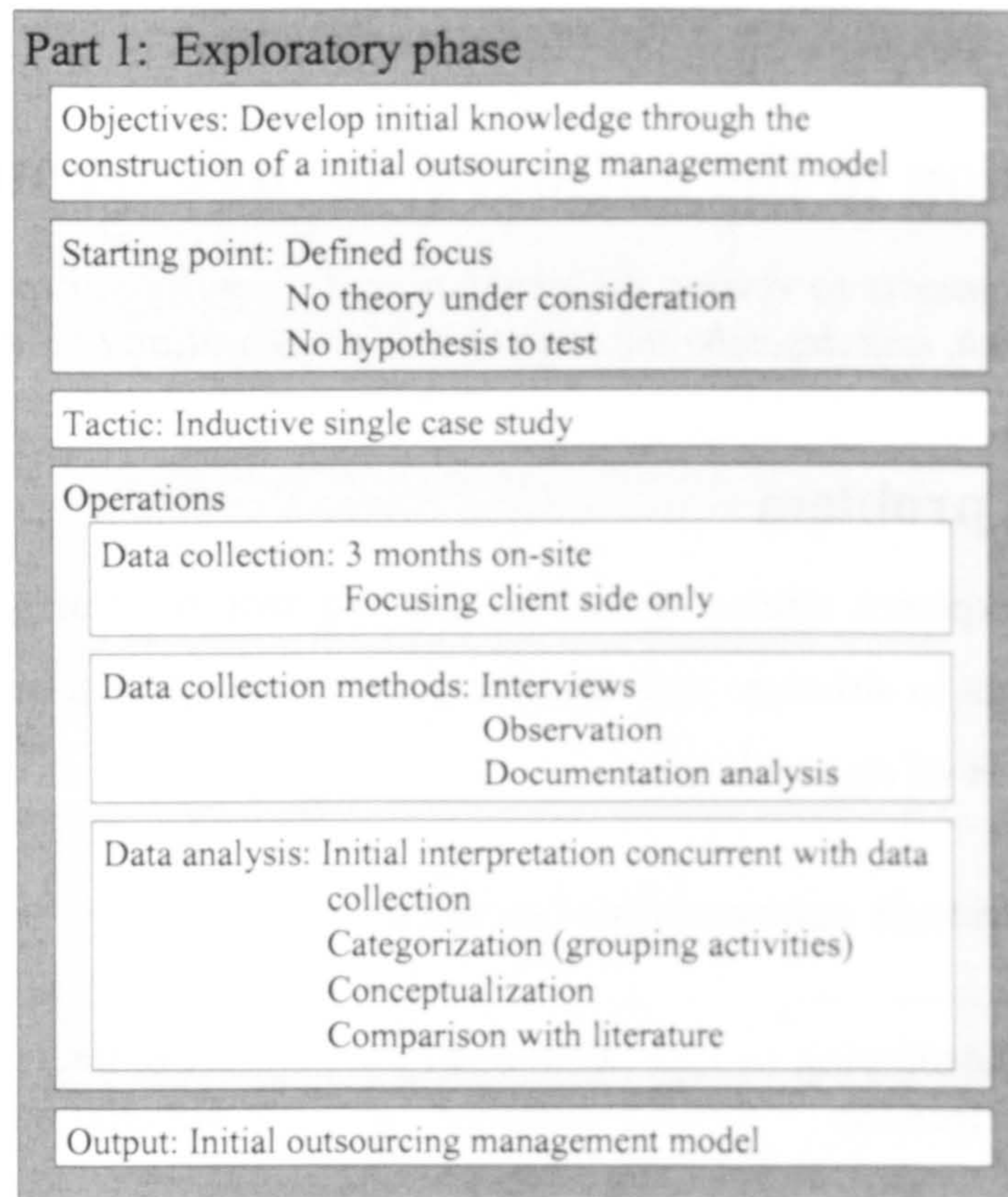


Figure 27 – Main characteristics of the exploratory phase of the research

This exploratory phase of the research developed an initial outsourcing management model in an inductive way. This model structured the observed clients' process of on-going management of strategic outsourcing of services and identified some of its problems, locating them in the steps of the model where they tended to occur and developing their rationale. These are the two different components of the outsourcing management model: the outsourcing management **process** model and the outsourcing management **problems**.

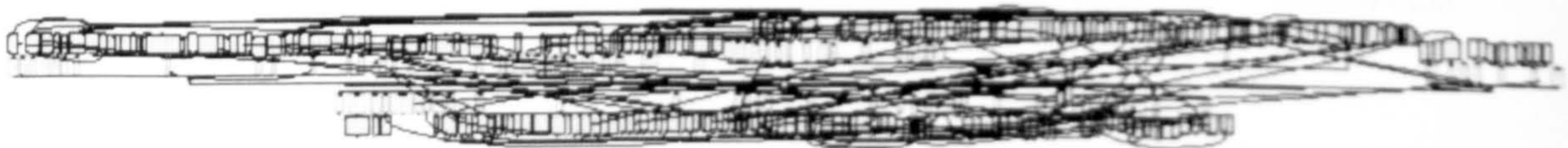
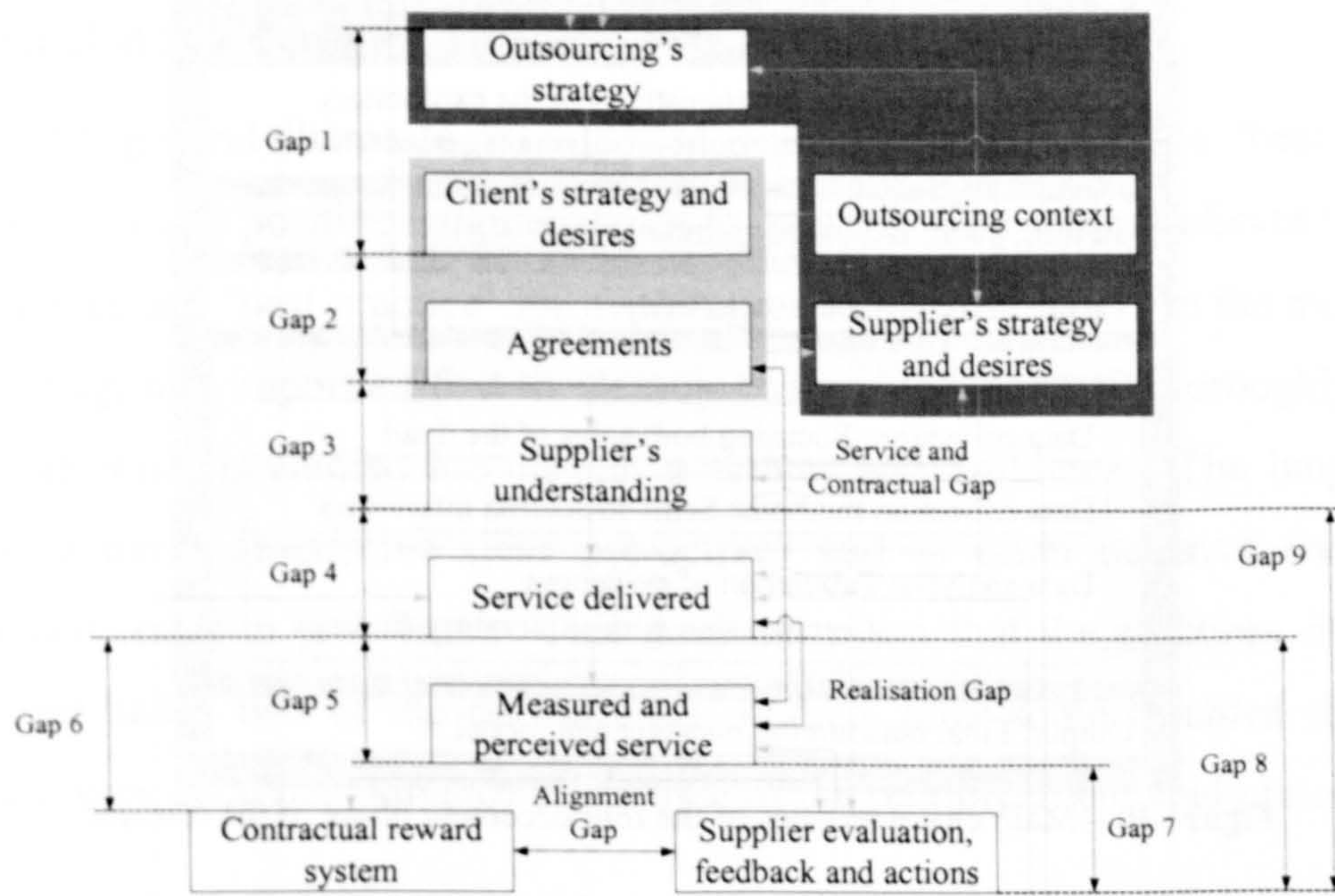


Figure 28 – Example of the analysis made during the exploratory phase, already discussed in the 'Research design' chapter (included as Appendix B)



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- Main contributing factors for Gap 1:**
- 1- Outsourcing's strategy poorly defined
 - 2- Agreements' scopes poorly defined
 - 3- Incomplete or bad definition of desires
 - 4- Lack of regular revision of strategy and desires

- Main contributing factors for Gap 2:**
- 1- Lack of negotiations' effectiveness
 - 2- Specifications poorly defined
 - 3- Inflexibility of outsourcing contracts

- Main contributing factors for Gap 3:**
- 1- Ineffective communication of the expectations

- Main contributing factors for Gap 4:**
- 1- Supplier is unable to deliver a service correspondent to its understanding of the specifications
 - 2- Supplier's performances are affected by its own objectives
 - 3- Client changes its behaviour towards the outsourced activity

- Main contributing factors for Gap 5:**
- 1- Client's bias in perceiving the service

- Main contributing factors for Gap 6:**
- 1- Reward system not appropriate to the situation

- Main contributing factors for Gap 7:**
- 1- Client does not give much importance to outsourcing's management
 - 2- Incorrect use of a measurement system
 - 3- Lack of quality of the feedback

- Main contributing factors for Gap 8:**
- 1- Internal resistance to outsourcing's success
 - 2- Supplier does not have liberty to work
 - 3- Outsourcing management team not suited for its role

- Main contributing factors for Gap 9:**
- 1- Ineffective communication
 - 2- Bad relationship between parties
 - 3- Power imbalances
 - 4- Lack of trust
 - 5- Existence of conflicts

Figure 29 – Initial outsourcing management model

This outsourcing management model was taken to the second phase of the research. This reinforcement phase aimed to confirm that the constructs included in the exploratory outsourcing management model were appropriate to describe the situation under study, and to enrich the model through providing important detail. This phase of the research had the objective of strengthening the findings of the exploratory phase, increasing the robustness of the research; not of developing further the model as for example through the identification of new problems.

The details of this phase of the research were presented in the 'Research design' chapter, and its main characteristics are reviewed in Figure 30.

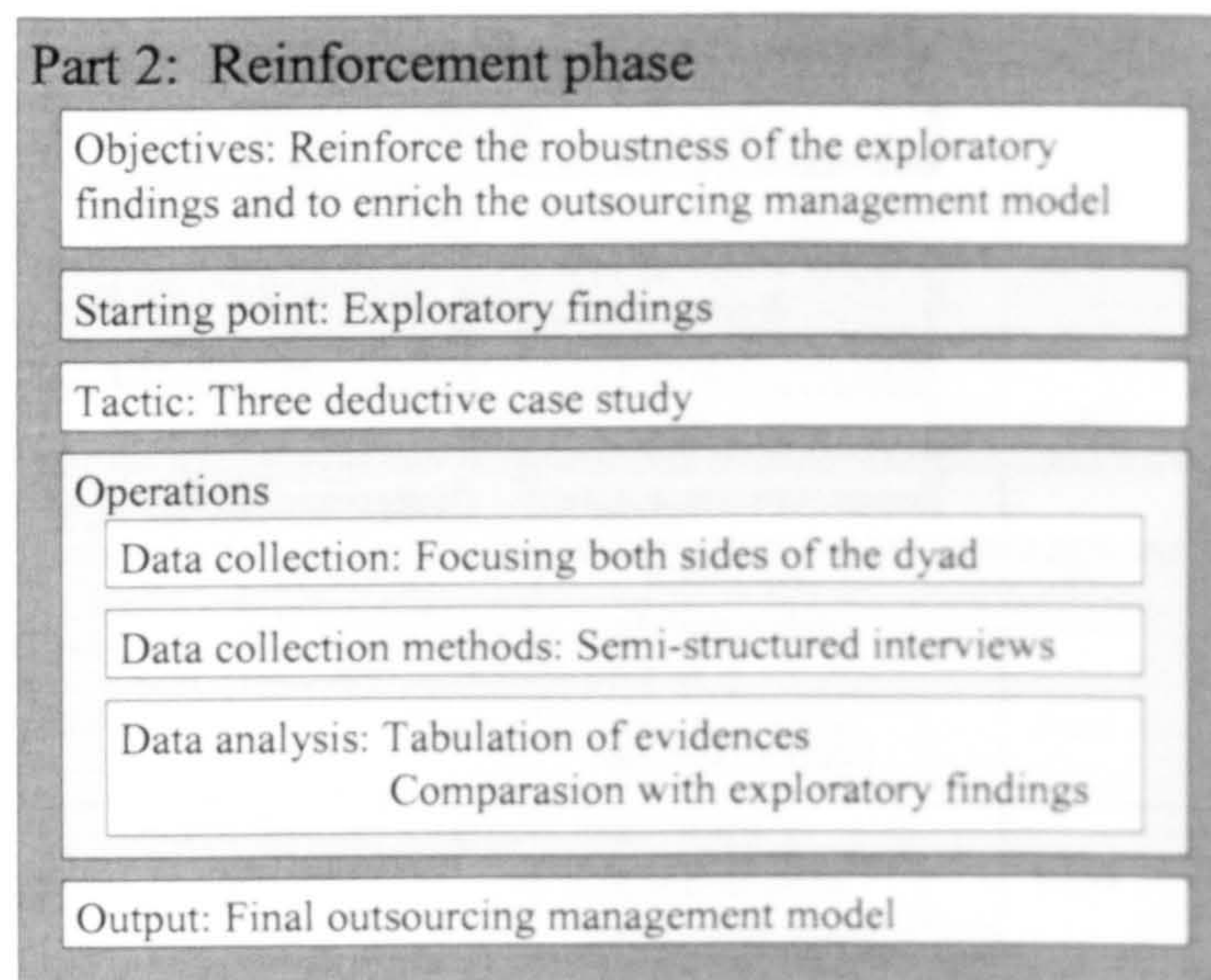


Figure 30 – Main characteristics of the reinforcement phase of the research

The end result of the reinforcement phase of the research was the final outsourcing management model. All the components of the initial outsourcing management model were supported during the reinforcement phase, so the final outsourcing management model is equal to the initial one, with additional detail in the descriptions and content, since the initial outsourcing management model was enriched during the reinforcement phase.

The ultimate output of the present research is the final outsourcing management model, which is presented in this part of the thesis.

5.3. Structure of the presentation of the findings

The final **outsourcing management model** is presented in the next two chapters. The presentation within the thesis does not follow the timeline of its construction; instead it will follow the logic of the model, presenting each of its components. First the outsourcing management **process** model is presented in Chapter 6, and then the outsourcing management **problems** are presented in Chapter 7.

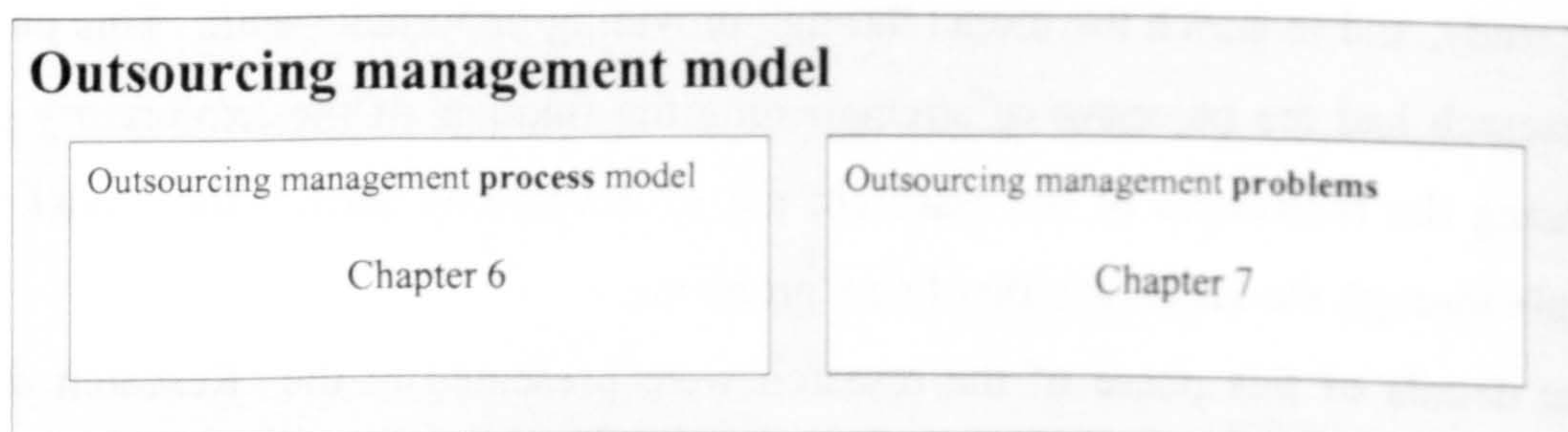


Figure 31 – Structure of the presentation of the outsourcing management model

5.4. Small note concerned with language

Today the general literature is saturated with works referring to ‘best practice’. Thus, pro-active and positive language tends to be used. The author believes that before offering advice and ‘best practice’ for avoiding or solving problems in the management of outsourcing, it is important first to identify and understand them thoroughly. Hence, in this work what is studied are current practices and problems. The language and emphasis is more descriptive (less pro-active) and is often negative (referring to practices that result in problems). This does not mean that the practices of the case-studies were bad – two of the outsourcings studied, after some troubled times, were achieving a very good performance at the time of the reinforcement study interviews.

5.5. Overview of the chapter

This chapter has reviewed the problem under analysis and the approach taken by the research. It has explained the way how the findings are presented in the thesis. This is expected to help the reader understand better the content of the next chapters.

6. Outsourcing management process model

This chapter proposes a conceptual model of the mechanism of on-going outsourcing management which was synthesized from the data collected. Due to there being more than one dimension in the on-going outsourcing management situation, the model suggests the differentiation of three management levels. It structures the clients' on-going outsourcing management process, describes its components (steps and context) and their chronological influence. Moreover, it uncovers three broad aspects: distinguishing of outsourcing on-going management levels and exploration of their relationships, the constant learning and adaptation mechanism inherent to outsourcing on-going management, and the need for clients to continue to monitor and guide the outsourced activity, even after it has been outsourced. The model is presented at the beginning of the chapter and is used to structure its presentation. Quotes collected during the reinforcement phase of the research are used to enrich the model with illustrative detail.

6.1. Outsourcing management levels

On-going management of outsourcing is a complex process which takes place at different decision levels within a firm and is influenced by diverse aspects. The process of on-going outsourcing management was divided in three main levels (**Figure 32**).

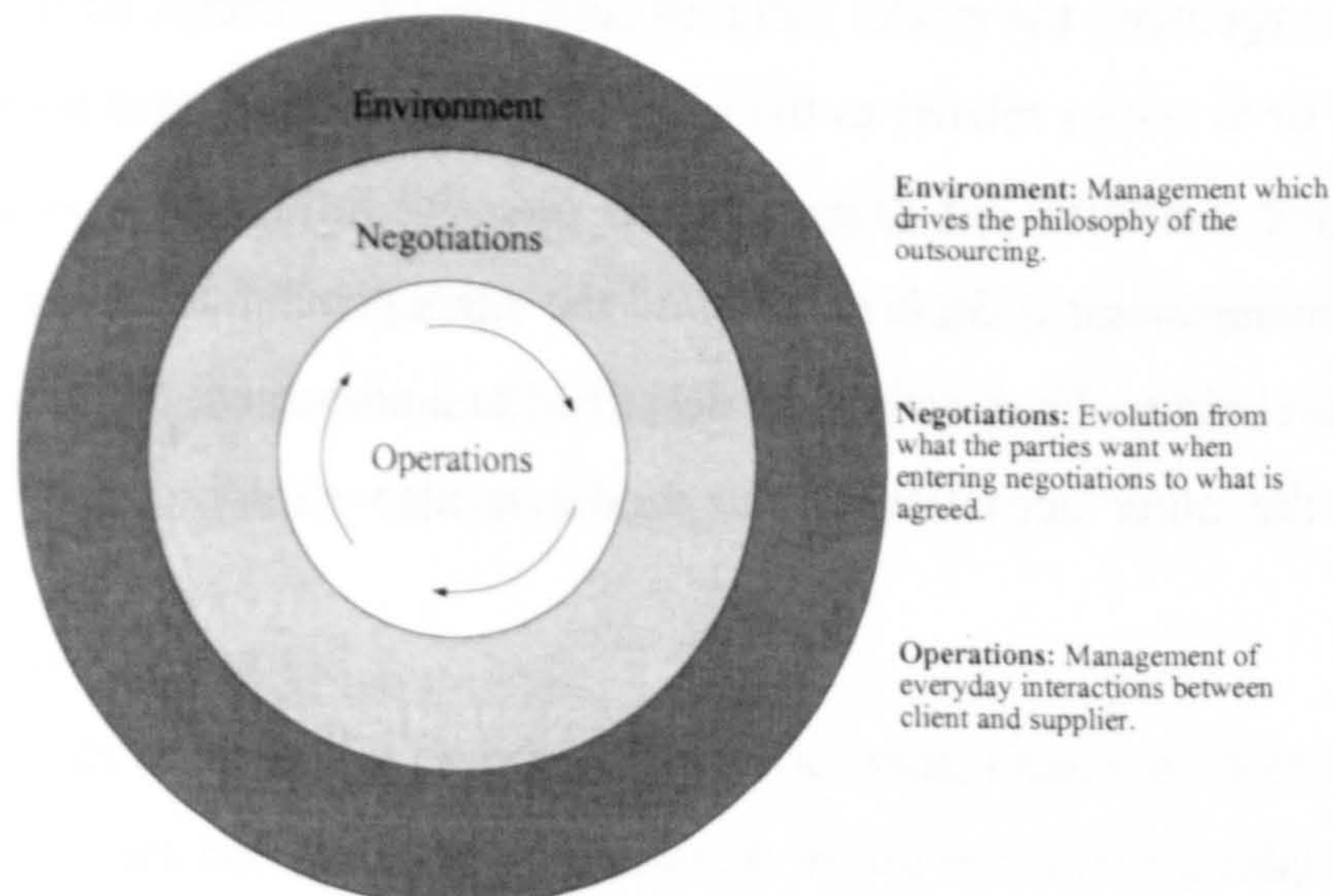


Figure 32 – Levels of the outsourcing on-going management process

In normal daily operations, outsourcing management does not go further than the 'operations' level. Suppliers provide the service which is evaluated by the client. Then the client gives feedback to the supplier according to the evaluation and in certain situations tries to help the supplier to improve the performance of the service. When

one of the parties decides to change something in the outsourcing (either due to self-interest or to a better understanding of the situation), the outsourcing management teams from both sides take actions at the ‘negotiations’ level (e.g. to establish the other party’s openness to negotiate the change). In less frequent cases in which the philosophy of the outsourcing needs to change (e.g. due to a change in its context) the management teams take action at the ‘environment’ level (e.g. defining a new strategy for the outsourcing). The three management levels are interactive. Understandings or decisions within one management level can lead to actions in the others. The frequency of management activity increases from the higher to the lower management level.

6.2. Description of the outsourcing management process

Figure 33 presents the model which emerged from the investigation and which focuses on the way how clients manage on-going strategic outsourcing of services. It has been divided into ten activities over three different management levels. Management levels are shaded in Figure 33 and are ‘environment’, ‘negotiations’ and ‘operations’. The model structures clients’ on-going outsourcing management processes, and describes their main activities and links. Notwithstanding the focusing on clients’ management, the model includes activities that correspond to general aspects of the market or to issues related to the supplier. They are included because aspects of the market and activities of the supplier directly influence a client’s on-going outsourcing management. Each activity of the management levels is presented in a separate section below. Each activity is described and discussed; the relationship of that activity with the other activities of the model is also explored, and its importance explained.

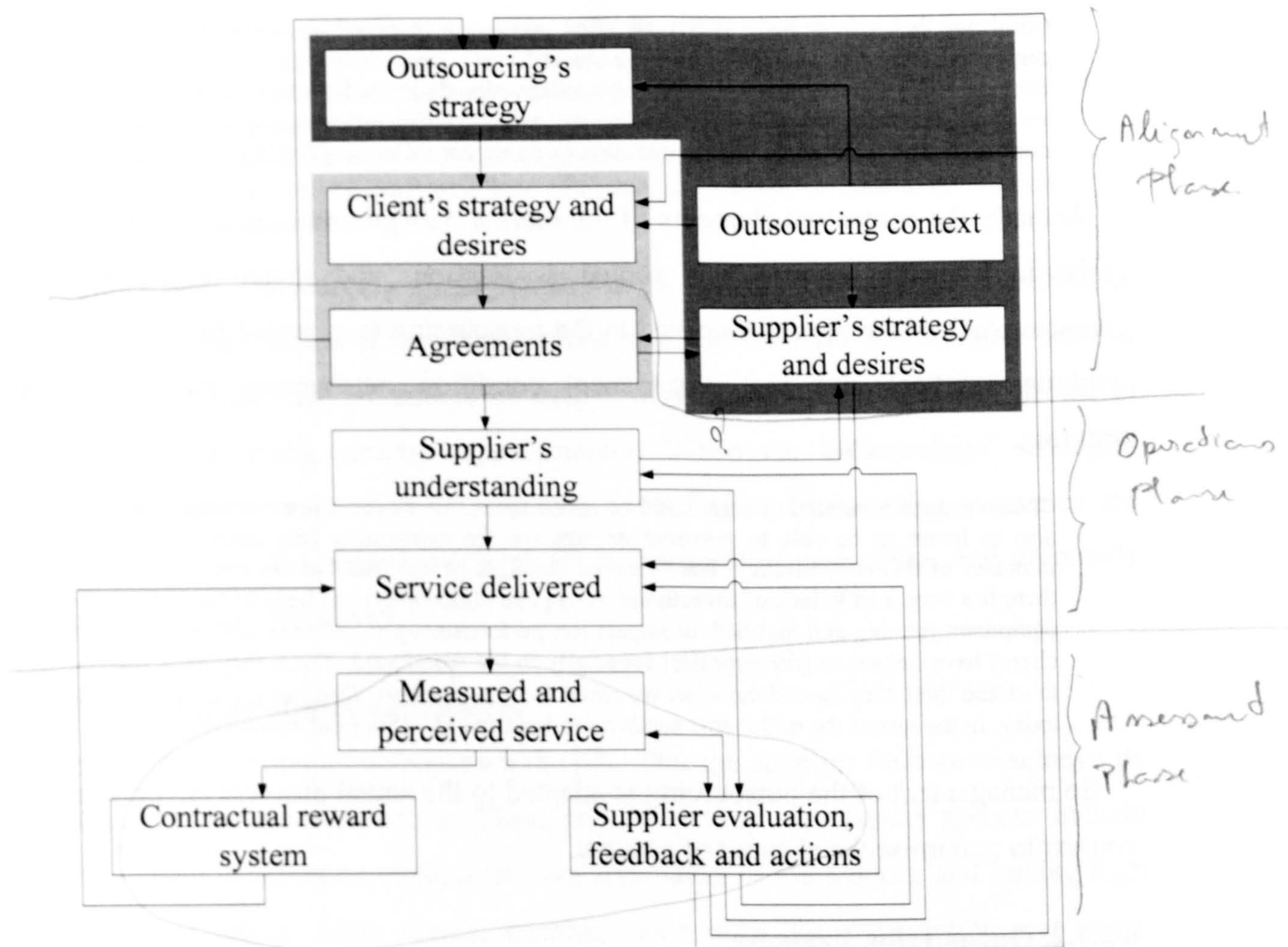


Figure 33 – Outsourcing management process model

6.2.1. 'Environment' level

The 'environment' level (represented as dark grey in Figure 32 and Figure 33) relates to the macro factors which drive the outsourcing management philosophy and set the background for their development. This deals with both the context of the outsourcing and each party's strategies for the outsourcing.

6.2.1.1. Outsourcing context

Outsourcings develop in the context of specific rules, characteristics and constraints constituted by factors both internal and external to the outsourcing relationship and the parties involved.

Managers look beyond their own organisation for information, ideas and support. A single company does not have the resources to perform all the experiments on its own; therefore they try to learn about each others' attempts, results and reflections.

"During this outsourcing we had several companies that came here to know more about the outsourcing, because they do not want to make the same mistakes and have the same

problems that others had. When the first ones get involved in something [strategic outsourcings is a new practice and the studied cases were among the first large ones in Portugal] they face the unknown. Then the others already know how to avoid problems. As we were the first outsourcing a full-service, what we did influences others outsourcing companies and their management practices. Even we are influenced.” (Client executive)

Actually the contextual elements of the market background (e.g. actual demand and legislation), market culture (e.g. rooted assumptions and shared experiences) and characteristics of the parties involved in the outsourcing (e.g. actual financial situation, working practices and past experience) condition outsourcing management and progress.

“Maintenance is related to some kind of investments. You cannot just maintain; you have also to invest to be able to preserve or improve the availability [the main performance indicator of this outsourcing]. The financial situation in this mill has not been the best, so there has been a little lack of investment. (...) [The philosophy] has been trying to keep the equipment running and that had an impact [on performance]. (...) In the last year they [the client] have helped us [the supplier] especially in the wood yard. There they have listened to us and there they have done what we asked for [investment]. That has given them results today. In the rest of the mill it still needs more investment.” (Supplier executive)

So management of the outsourcing is adapted to the actual business environment and context to maximise the chances of success.

6.2.1.2. Outsourcing strategy

Outsourcing strategy encompasses the plan that the outsourcing is expected to follow in order to achieve its objectives. Clients are responsible for establishing outsourcing strategy and objectives, while suppliers are responsible for the activity's tactical and operational issues.

“The client has a strategy for the outsourcing. They have declared what they would like to have from us. They want to have this special knowledge, they expect us to develop a maintenance concept that gives them both higher availability and lower costs.” (Supplier executive)

Even though outsourcing strategies are not often changed, there are occasions on which they have to be adapted. Outsourcing strategies are dependent on issues related to the context of the company and the outsourcing. Laws, constraints, past experiences or market conditions may limit or enhance the success rate of certain outsourcing strategies. Changes in the context, as well as the evolution of the outsourcing itself, can lead to the need to make adaptations to the outsourcing strategy. A client is likely to change the outsourcing strategy when it realises that the actual strategy is not being successful or could be improved.

“In the beginning we defined a strategy that is simple. They have to establish preventive maintenance – when I say preventive it is preventive and predictive and that had to be a priority... We also established that then [when the preventive plans and their practices were in place] they should focus on failure analysis and lastly the planning. In practice we changed it because of the outsourcing development. The planning is being focused on now and failure analysis will be dealt with later. We established this as the plan to reach lower costs.” (Client executive)

Although rarer, outsourcing strategies can even be adapted to react to conditions created during negotiations. If the client understands that there are conditions to achieve a better deal, it may take advantage of such a negotiation opportunity and decide to change the outsourcing strategy appropriately. Whenever outsourcings’ strategies change, their practices have to be adjusted accordingly. Outsourcing strategies are fundamental to help the accomplishment of the outsourcing objectives, and ultimately the client’s business objectives.

6.2.1.3. Supplier strategies and desires

The supplier’s strategy encompasses the plan that the supplier follows to achieve its own objectives for the outsourcing. These objectives may vary greatly and can include achieving client satisfaction, raising its own reputation in the market, and having high profits, among others. Like clients, suppliers also enter the outsourcing and every negotiation with their own desires. They reveal what suppliers would like to get and give in the outsourcing, reflecting the benefits they would like to achieve from it. Supplier strategies and desires are also dependent on the context – both external (e.g. concurrency in the market) and internal factors (e.g. supplier capacity, expertise and actual financial situation). Moreover they may change with the evolution of the outsourcing context, opportunities that appear during negotiations, and the improved understanding about the outsourcing or client’s views that suppliers gain with time.

“When you start an outsourcing in a company you have a strategy: this is the way I am going to work. Then you start to work with the client and you see that the strategy may be not the most adequate one. So you may have to change it a little to get, for example, closer to the client. After a while you even may get a better understanding about what the client really wants; that means that you have to change the strategy a little again.” (Supplier executive)

The supplier’s desires and strategy for the outsourcing drives its behaviour in the outsourcing. The supplier knows that it has to follow and accomplish the outsourcing strategy and objectives defined by the client, but how and to what degree it will try to achieve them is dependent on the supplier’s own strategy for the outsourcing. So the

supplier's desires and strategy for the outsourcing influence the evolution of the outsourcing, and thus the type of posture and management needed by the client.

6.2.2. 'Negotiations' level

The 'negotiations' level (represented in light grey in Figure 32 and Figure 33) relates to the evolution from what the client wants out of the outsourcing when entering negotiations to what is agreed, i.e. it represents adjustments of each party's desires to the expectations they have from the outsourcing after the agreement. It deals with the client's desires, the client's posture in the outsourcing, and with the negotiations between the parties.

6.2.2.1. Client strategies and desires

After the specification of a new outsourcing strategy the client translates it into operational targets. Jointly with other aspects that the client would like to receive from the outsourcing (e.g. related to financial, performance, behavioural or temporal aspects), these targets represent the desires that the client takes into negotiations. The client also defines for itself the posture it will adopt in the relationship and during the negotiations. This client's strategy refers to the way the client faces the outsourcing management and the supplier. It encompasses the behaviour and the spirit with which the client rules its own existence in the relationship; for example being a proactive or a passive client; being a motivator (when the results are good recognising those accomplishments but always motivating and challenging the supplier to achieve better results) or a hard-nosed client (always saying that the results are not good enough and demanding more, putting on negative pressure).

"They [the client] were not happy with the cost per tonne we had. (...) The client told us that they were not happy and they have been very active to try to decrease the cost by supporting us to decrease the man-power, by supporting us to borrow people between areas..." (Supplier executive)

Clients' desires can change during the outsourcing, even when the strategy does not. When the context changes or the client analyses the outsourcing, the client may decide to adapt the outsourcing slightly. This way it is likely to have new desires and try to enter into new negotiations. The client's posture in the relationship may also be modified during the outsourcing due to changes in the outsourcing context, changes in desired performances, episodes that happened in the outsourcing or supplier evaluation.

For example the client may want to change its position from passive to active in supplier development because the supplier is not achieving the expected performance; or conversely, the client may want to pass from an active to a passive position in the outsourcing because its performance is already satisfactory and the client needs to focus resources and efforts in other areas. These modifications may happen any time during the outsourcing and may not need negotiations.

“First we were just waiting for the activity to be delivered. (...) The supplier was performing badly and losing money. (...) We had to learn from that. So, from then on we got involved much more in the outsourcing and started to do the management jointly [with the supplier]. From there on they did not lose money and the performances increased.”
(Client executive)

Both the client’s strategy and desires also depend greatly on the outsourcing context. For example, when defining the performance it desires the supplier to achieve in the outsourcing, a client normally bases this on its own past experience – but this is also sensitive to information in respect of performance achieved elsewhere, to the information that the supplier sends to the market and to the supplier’s reputation; also with more experience the client increases its ability to recognise the best way to approach certain type of suppliers and its own supplier to achieve the expected objectives.

“If I know that certain performances are being achieved elsewhere, or that other companies are being successful at managing the outsourcing in another way, obviously we will adapt or at least try to bring for us the benefits that such management or experience brought to others.” (Client executive)

The desires that the client takes into the negotiations will drive what is agreed and thus greatly influence the future performance of the outsourcing. The client’s strategy is also crucial in the outsourcing management because it defines how much effort the client puts into the outsourcing and what type of conditions are offered to the supplier to perform its work.

“I do whatever I can to influence the supplier to reach my objectives. If for me it is crucial that to have lower costs my supplier needs to have some profit, then I orient myself in a way that enables it to have profit... then I reach my objectives. (...) I follow my objectives, but if to reach them I need to do something to influence the achievement of supplier’s objectives... I have been doing it, and I believe we should continue to do it... but not without having my objective in mind.” (Client executive)

The definition of ‘client strategy and desires’ and ‘supplier strategy and desires’ are parallel activities, but one is considered to belong to the ‘negotiations’ management

level, while the other belongs to the ‘environment’ management level. This apparent contradiction is explained by the fact that the outsourcing management process focused upon in this thesis refers to the client’s management, and consequently ‘client strategy and desires’ is interior to the client organisation, while ‘supplier strategy and desires’ is exterior and belongs to its business environment.

6.2.2.2. Agreements

Sometimes there are negotiations during the outsourcing. These negotiations are not the initial outsourcing contract negotiations, but negotiations that occur during on-going outsourcings. Such intermediate agreements may be used by either party to change or improve aspects that were identified as being prejudicial or opportunistic for the outsourcing. When parties have specific desires they may also try to re-enter negotiations. These negotiations during the outsourcing may have different degrees of seriousness. While the majority just involve clarifications and adjustments in the outsourcing, others are serious and may seem close to re-negotiation of the contract – though this is very unusual. Client and supplier start negotiations with desires for the outsourcing. Even when small clarifications are the only content being dealt with, each party’s desires are normally different or are not entirely compatible and have to be negotiated. This process needs flexibility and trade-offs in each party’s desires (e.g. between performance and prices) for an agreement to be reached. The negotiations finish when clear rules and specifications are agreed.

“An outsourcing contract has to be always open to alterations and improvements because outsourcing is a partnership between two companies. But this is a written partnership with certain objectives and intentions. In its daily life what happens is different and if there is no capacity for permanent adaptation it will not work. (...) So, it is desirable that both parties have negotiation capacity during the outsourcing to improve the aspects that are found to be ‘less well’.” (Client executive)

To avoid future confusion one of the parties may create a formal document in which its understanding of the agreement is objectively and clearly defined. The formalised document defines in detail the aspects agreed during negotiations. This content can include: what the parties should deliver or make available, what the parties will not deliver or make available, what the parties can do, what the parties cannot do, what are the priorities, what is the level of performance expected and how it will be measured, what are the rewards or punishments corresponding to the achievement of target performances, among other issues. If the other party does not agree with the proposals

described in the formal document both parties will go back to negotiations until all the misunderstandings are clarified. These formal documents are attached to the initial contract. A formal and structured service specifications document was also observed being used as a means to reinforce the communication between the client and the supplier. If the communication between the parties is not effective, then there is the risk that the supplier will not know what it is supposed to deliver and that it will give priority to issues that are not important to the client while neglecting aspects that the client considers essential. So, the formal and structured service expectations document is part of the effort that parties make to enhance the supplier's understanding about client wants and expectations from the outsourcing.

“There were some doubts about some work which because it was expensive the supplier defended that it was a major repair and thus we should pay for it. I said ‘I will not pay. This is not a major repair [which would not be included in the contract] and I will not pay.’ We went to the process [the agreements folders that are attached to the initial contract] and there it was stated that we [supplier and client most senior outsourcing managers] jointly agreed that it was work included in the outsourcing and thus the supplier's responsibility. And there was my signature and the supplier's site manager's signature. (...) Nevertheless at the time we discussed and negotiated the issue and reached an understanding. (...) Thus the agreements have to be transparent and clear to help us understand and remember better what was agreed.” (Client executive)

The negotiations in the middle of the outsourcing are important for its adaptation to the changing environment or to its own evolution. An outsourcing just governed by the rules defined in the original contract would fail to adapt to the new circumstances and consequently would jeopardise its success.

“Both in terms of operations and management, corrections and adjustments which benefit both parties should be done [through negotiations].” (Client executive)

The use of a formal document stating the agreements made in the intermediate negotiations is also seen to be important, because it enables the identification of unclear points and its immediate clarification, avoiding disputes further in the relationship. Furthermore, the formal and structured agreement is also a tool used to support the clarity of the communication between parties during negotiations.

“One issue that is discussed a lot is what is included in the scope. There have been some letters between us, clarifying what the client and supplier understood from the agreements. We try to clarify things by this mailing. (...) When you have these negotiations sometimes we do not go to the detail and when we start to do the work, you realise that parties have different understandings. As a client you would like to have everything, as a supplier you just give what you think you agreed to. That has needed clarifications from the two sides and now we use this process [the letters] to have a better common understanding of what is included or not.” (Supplier executive)

6.2.3. 'Operations' level

The 'operations' level (represented in white in Figure 32 and Figure 33) relates to the everyday interactions between client and supplier. It deals with the supplier's understanding about what to deliver, the service delivery, the measurement of the service performance and its perception by the client, the results of the contractual reward system and the evaluation and feedback that the client gives to the supplier.

6.2.3.1. Supplier's understanding

The supplier understands the characteristics and performance of the service it has to deliver. The supplier's understanding has two different dimensions. In the first dimension the supplier understands what the client says it wants, as agreed to during negotiations. This corresponds to the discussions and information exchange that took place in negotiations, during which the supplier understands what was agreed and absorbs what the client wants from the outsourcing. This initial understanding is then refined through the formalisation of the agreement. Furthermore, during all their interactions, parties exchange information which is useful for the alignment of the supplier's understanding with the client's actual expectations. In the second dimension of the supplier's understanding, the supplier senses the client's reaction, and uses this to make a judgement concerning the way the client perceives the quality of the service and its overall satisfaction. This understanding is achieved through the feedback that the client gives to the supplier and through the interpretation of the client's behaviour. "Past performance conditions future behaviour" (Domberger, 1998). This understanding of the client's perception and satisfaction with the service helps the supplier to better understand the client's real expectations, priorities and the levels of performance which are sufficient to achieve its satisfaction. The quality of the supplier's understanding is fundamental for outsourcing success, since it is a driver of the supplier's behaviour and operating methods. Nevertheless, the supplier's actions and performance may be moderated by its own interests and strategy for the outsourcing.

"What the client wants from the outsourcing is understood and clarified during negotiations. (...) If I see that the client is not happy I will try to find out why. Then we have the opportunity to change our way of working." (Supplier executive)

6.2.3.2. Service delivered

The continuing adaptation of the supplier's understanding is seen as important to the revision of the supplier's delivery plans. In these plans the supplier's management defines internal service specifications to their own operators based on its understanding about what the client wants. Once the internal quality specifications are defined, the operational part of the supplier organisation tries to meet the specifications defined by its own management.

"They [the supplier] many times know what we desire and want, but are conditioned by financial and economic reasons related to the contract and therefore cannot always deliver what we want." (Client executive)

The internal service specifications are also observed to be indirectly dependent on the supplier's actual situation and its strategy towards the outsourcing. If the supplier is in a difficult financial situation it may define lower specifications as a way to save money. In addition internal specifications may be influenced by contractual reward systems – suppliers are often motivated by bonus payments to make an extra effort toward achieving certain performances and to give priority to certain issues. The way in which the supplier's management notices the client's perception about the delivered service can also influence the internal service specifications – e.g. if the supplier's management feels that the client is satisfied with the actual performance, it is unlikely to raise the internal specifications; but if it feels that the client is dissatisfied then it may choose to raise them.

"While they [the supplier] were in financial difficulties it was very difficult for them to understand that the mill could not be under-maintained, and that there were certain activities that need to continue to be done independently of costing money. (...) On the other hand we feel today that being helpful to them making some money in the outsourcing it is much easier to demand from them aspects that are almost out of the contract. (...) Clearly, we feel that they are willing to satisfy as far as possible everything that we define as a necessity and that are inside the scope of the contract. Visibly, when they are reaching their objectives they try to follow the agreements, their obligations and our desires." (Client executive)

Sometimes the client organisation takes action and interferes directly in the service delivery. This may happen for example when the client sees that the supplier is not able to achieve the expected performances alone and thus decides to take supplier development actions. When the supplier feels that the client does not perceive or use the service as it should, then it communicates with the client in an attempt to enhance its understanding of the service. Suppliers also address clients with many other objectives,

e.g. clarifying doubts, justifying poor performance and asking for modifications to the client's normal practices to improve the performance of the outsourced activity. Some suppliers regularly produce reports about the performance and achievements of the outsourcing. All this feedback from the supplier can help the client to better understand the outsourcing, its own process, and find bottlenecks and problems.

“Nowadays in practice we observe that we still do some operational management (...) [We] support our supplier in the operations management, in the parts that they do not dominate and that are from our ‘metier’ [expertise specific to the pulp and paper industry]. When they deliver less well some of these practices [specific to the pulp and paper industry] in which we have several years of experience, we support them to try to pass our experience and knowledge to them.” (Client executive)

The delivery of the service is the core of the outsourcing. Therefore it is not a great surprise to find that its results directly affect the management of and behaviours in the outsourcing.

6.2.3.3. Measured and perceived service

The characteristics and outputs of the service are measured in accordance with the defined contract and agreements. Parallel to this the client perceives the service delivery and results. Normally there is a difference between the service that the supplier delivers and the service that the client perceives. The client perceives the service in a complex way, affected by many intangibles. The ‘perceived service’ is exactly the way the client ‘feels’ the service. This involves not only the service itself and its outputs, but also diverse intangible factors – e.g. factors related to how the service was delivered, the relationship between the two companies, the environmental conditions, the achievement of the expectations, the reputation of the supplier, the word of mouth through the industry, the promises made by the supplier, among others.

“Many times the quantitative evaluation may even be good (...) [but clients are still dissatisfied because] the client feels that they [the supplier] do not approach some issues in a technical way; they behave opportunistically; they are not good professionals...” (Client executive)

Factors such as service measurement and supplier evaluation appear to help reduce the gap between the service that the client perceives and the service actually delivered. Although the client immediately perceives the service in a certain way, later it may analyse objective data and information which will refine its perception of the service.

Nevertheless the intangibles related to the way the service is perceived are important for the client to better understand what is happening in the outsourcing.

“If the client feels that the service is very bad, for him to change his mind means that the supplier has to more or less show him the opposite [in the following service delivery]. (...) Many times the first impression it [the client] gets is not right because many times the service is evaluated just for one occasion, and one occasion can be bad. But then they deliver five times a good service; that mean that those five cover the first one; that means that the client changes its mind.” (Supplier executive)

6.2.3.4. Contractual reward system

In the contract negotiations at the beginning of the outsourcing, both parties agree service levels through which the supplier receives rewards or punishments against defined performances. The data collected in the measurement of the outputs of the outsourcing is used to calculate those rewards or punishments. Clients use reward systems to stimulate the supplier to work in the most important areas and to achieve good performances in them. Indirectly clients use reward systems to orientate the supplier’s service delivery, motivating the supplier to follow its outsourcing strategy and achieve the outsourcing objectives.

“Equipment availability is the main driver of the reward system. (...) If we have bad availability in a certain area [of the mill], for sure we focus on that area to try to solve the problem. (...) As we have done for example in the wood yard: the performance was very bad one year ago and today is excellent. (...) Today we are much more focused on the pulp drying machine [which did not have a good availability]. (...) So that [the reward system] can move your efforts.” (Supplier executive)

6.2.3.5. Supplier evaluation, feedback and actions

After analysing the results, performance and progress of the outsourcing, the client can make an overall evaluation of the outsourcing and the supplier. This evaluation is partly done by comparison of the measured service with the formal and structured specifications. Such evaluation also embraces aspects such as the achieved performance and their trends, the supplier’s behaviour and problems that occurred in the outsourcing. Even though the evaluation is mainly based on objective data (measurement of outsourcing’s process and outputs), it also has an intangible part. Intangible factors perceived by the client are important for an on-going and complete supplier evaluation – e.g. variations in the supplier’s motivation, professionalism, working methods, behaviour towards the outsourcing, among others. The constraints communicated by the supplier as affecting its activity influence this overall evaluation.

“If I would see indications that the client is seeing things and that they are going to approach us to question them... I would like to push my organisation to be proactive instead of reactive. I would like to go to the customer before he sees anything, because that avoids a lot of problems and less confusion. If you are proactive and you go and say that you have a justification... because sometimes maintenance is right and has reasons to do some things that in the client’s eyes are not the most clever things... So, if you go beforehand and you say that tomorrow we are going to do this thing because of this thing, the client will not raise the issue: not before, not during and not after. So you avoid all the unnecessary communication by being proactive. Of course sometimes there are cases in which we urgently need to act and do certain things, but even then I try not to pick up the mobile phone – because that is the normal technique – and instead I try contacting them saying that this is the actual situation, this is what I am going to do and this is what will happen... (...) Normally client’s satisfaction is guaranteed.” (Supplier executive)

The evaluation was then seen to be communicated to the supplier through a detailed report. In this report the client makes a critical and proactive analysis about the supplier’s performance, identifying aspects in which the supplier achieved good performance, aspects in which the supplier performed poorly, problems that occurred, issues that it does not want to see again, issues that it wants to see improved, and identification of priorities. The supplier may give a response to the evaluation – e.g. to justify some of the non-achievements. The evaluation is used by the client as a way to maintain control over the outsourcing, to motivate the supplier and to guide its performance towards the client’s objectives. Jointly with the report the client has meetings with the supplier in which the report is presented, analysed and discussed. The objective of this feedback is to communicate the actual performances to the supplier, to explain how the client perceives the service and to help the supplier to understand the most effective way to achieve the client’s objectives. The feedback that the client gives to the supplier is not limited to the report and joint discussions. During all the contact between the parties, informal sharing of information and opinions takes place. The client tells the supplier what it thinks, giving new information and opinions to the supplier, and vice-versa.

“Daily we have meetings; monthly we make the balance of the month and of the KPIs. Monthly we make an evaluation of the contract, daily we work the contract.” (Client executive)

When the client concludes from the supplier evaluation that the supplier is not able to achieve the expected performances by itself, then it determines whether or not it should help the supplier or undertake supplier development actions.

“[When they were having bad performances] we told them that they had to change their organisation and prioritise the preventive maintenance to diminish the number of breakdowns we were having and therefore the number of non-programmed stops. We

demanding, but still did another thing. We put at the head of the preventive maintenance two of our men. (...) [Additionally] we contracted a 'coacher' [a retired maintenance director from another mill of the group] that worked as a consultant to help them to improve their performances." (Client executive)

The supplier development decision is dependent, among other factors, on how the client has evaluated the supplier's strategy, efforts and commitment to the relationship (Krause, 1999). The decision to conduct supplier development is also connected to the client's strategy towards the outsourcing. If the client wants to have excellent performance in the outsourced service then it is likely to plan supplier development initiatives, but if it does not consider the outsourced service performance a priority it is less likely to embark upon supplier development and will just pressure the supplier to achieve better performances. Supplier development is facilitated by the client's expertise in the outsourced activity. The experience enables the client to see the supplier's strengths and weaknesses, and then help the supplier to overcome the weaknesses that it cannot overcome by itself. If the client does not have enough expertise to undertake supplier development, but nevertheless wants the supplier to be developed, then it may seek such expertise elsewhere.

The 'contractual reward system' and the 'supplier evaluation, feedback and actions' can be seen as two quite distinct levels of motivation, monitoring and management in the outsourcing process: a contractual (and financial) level in which the reward system defines bonus or penalties according to the achieved performances and the rigid rules defined in the contract; and a separate feedback (and emotional) level where the client regularly evaluates the performance of the outsourcing, giving feedback to the supplier about its wants, needs, suggestions, opinions and wishes. The evaluation and feedback actions included in this activity are crucial to the evolution of the outsourcing, since they transmit to the supplier the aspects that are performing well and those needing improvement. This orientates the supplier's efforts towards the most important aspects for the client. Moreover the supplier development actions are also fundamental to enabling the supplier to improve its performances beyond certain levels.

6.3. Discussion

The chapter has structured the clients' on-going management process of strategic outsourcing of services into ten different activities based on evidence collected across three case studies. Each of the activities was described and their relationships explored.

The model highlights the difference in character between groups of activities. Within the model three management levels are distinguished, according to each activity's nature and purpose. Existing research does not analyse deeply the process of client's on-going management of outsourcing. The wide range of activities that take place during this phase has not been clearly distinguished. Contrary to current models that structure the outsourcing lifecycle suggest – such as Momme and Hvolby's (2002) – the on-going outsourcing management process deals with much more than the proposed simple communication between the parties, joint development projects and performance assessment of results. In the normal daily operations this simplification may indeed apply. Suppliers provide the service and the client evaluates it. Then the client gives feedback to the supplier according to the evaluation, and may even help the supplier to try to improve performance. But the case studies clearly illustrate the frequency with which other activities take place, such as when one of the parties decides to try to change something in the outsourcing – either due to self-interest or to a better understanding of the situation – or when adaptations or clarifications are needed. In these circumstances it was observed that the outsourcing management acts at a different level and negotiates, corresponding to actions at the 'negotiations' level in Figure 32. This may also be interpreted within the Momme and Holby model as going back in the outsourcing lifecycle to the phase where negotiations and agreements are made, as suggested in Figure 34.

Detached from these daily actions the context that surrounds the outsourcing evolves. With this, as well as with the evolution of the outsourcing and the companies, both parties' objectives for the outsourcing and strategies to achieve such objectives change. The reality is that, albeit not frequently, the philosophy of the outsourcing was also observed as changing. These transformations correspond to another management level; the 'environment' level. Again this may be seen as a step back in the client's outsourcing process lifecycle to the earlier phase in which the client defines the strategy for the outsourcing, as suggested in Figure 34. When these changes occur, entire

outsourcing is adapted. The three management levels are interactive, with understandings or decisions at one management level possibly leading to actions in the others. The actions at these three levels have different characteristics. While the management at the ‘operations’ level tends to be done at shop-floor level and is continuous, the actions at the ‘negotiations’ level are discontinuous. They were observed as only taking place when issues needed to be agreed or clarified. These negotiations can be made across various levels in the outsourcing team’s hierarchical structure – from daily operational agreements made by operational engineers to more strategic issues agreed by those with prime responsibility for outsourcing – depending on their seriousness. The frequency of these negotiations tends to be inversely proportional to their seriousness, as is suggested by the independent lines of actions in the ‘negotiations’ management level of Figure 34 (the upper line corresponds to negotiations undertaken at higher management levels). In extreme cases the negotiations may even surpass the outsourcing management team’s authority and needs to be conducted at the organisation’s highest levels of management. The actions taken at the ‘environment’ level are also undertaken at these higher levels, often jointly with the outsourcing management team. The frequency of management action occurring tends to increase from the higher to the lower management level. Figure 34 illustrates the frequency (suggested by the proximity of actions, represented by hexagons) and scale of efforts during the outsourcing management at each management level.

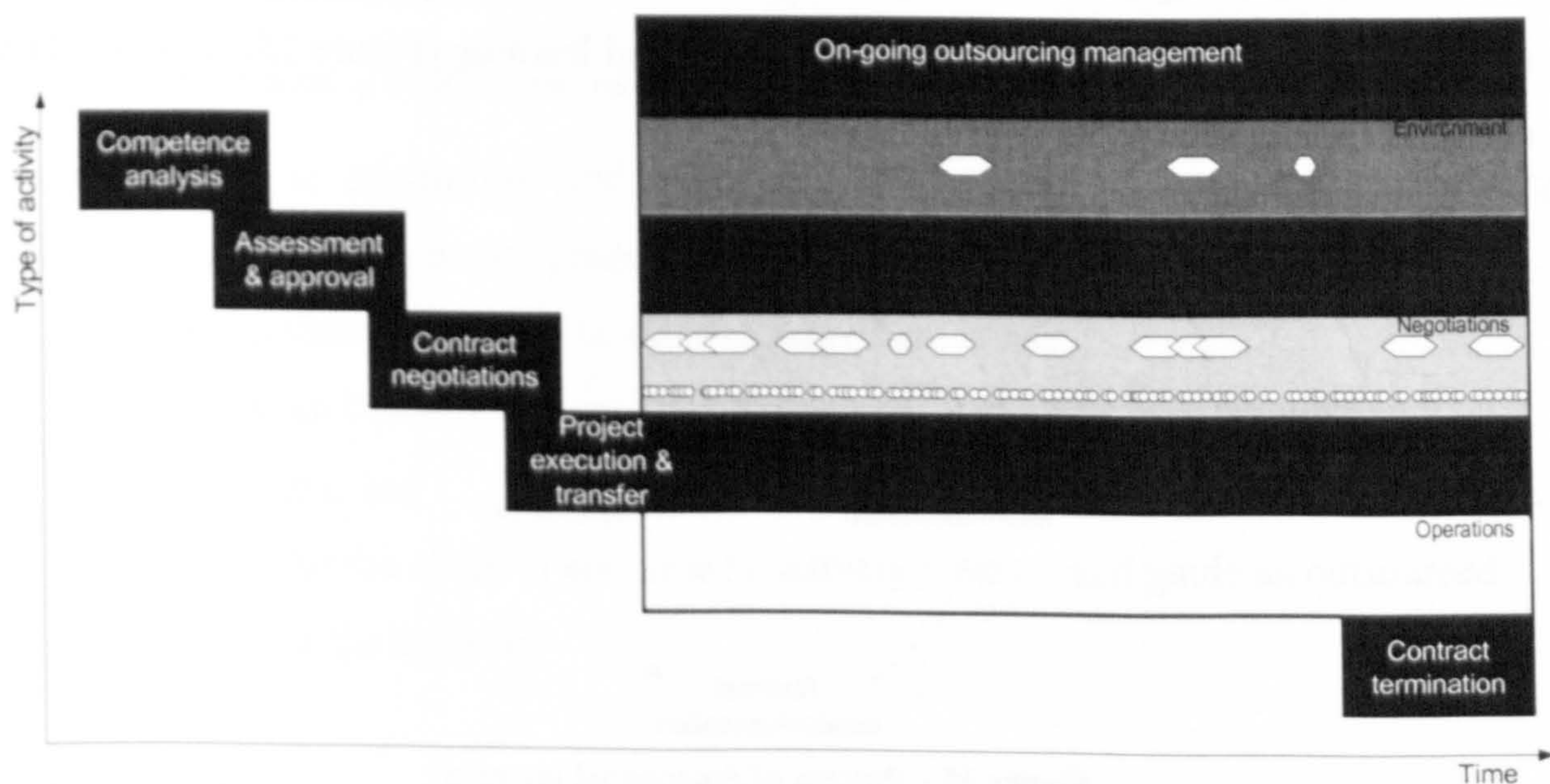


Figure 34 – Frequency and nature of the actions taken at the on-going outsourcing management phase

A further aspect highlighted by the model is that on-going outsourcing management is a continuous learning and adapting process. This is contrary to the norm suggested by other outsourcing lifecycle models, where the on-going management phase of the outsourcing is presented as relatively stable. The cases show that there are permanent adaptations at all three management levels, due to factors either internal or external to the outsourcing. Instead of remaining static, and potentially jeopardising their success, clients and suppliers choose to adapt to the new knowledge, understanding and circumstances.

The client's management was observed to adapt its outsourcing strategy and its own desires and position towards the outsourcing, possibly due to extra understanding from the analysis of previous results, or to the recognition of changes in the outsourcing's context. When such changes of desires occurred, both parties were seen to negotiate changes in the rules of the outsourcing. Due to the identification of problems in previous agreements, the parties tried to resolve them with new agreements. Thanks to extra understanding obtained through previous experiences, the client's outsourcing management team tried to improve its own management practices and gave feedback to the supplier, explaining more clearly what it wanted from the outsourcing. Thanks to the recognition of the supplier's limitations, clients were seen to take action to help suppliers overcome them and improve their performance. In an iterative way, the client's understanding about the actual situation and past performance was used to guide action with the objective of improving future performances. This learning and adaptation can be expressed as a form of experiential learning (Figure 35), as studied by classical authors such as Kolb (1984).

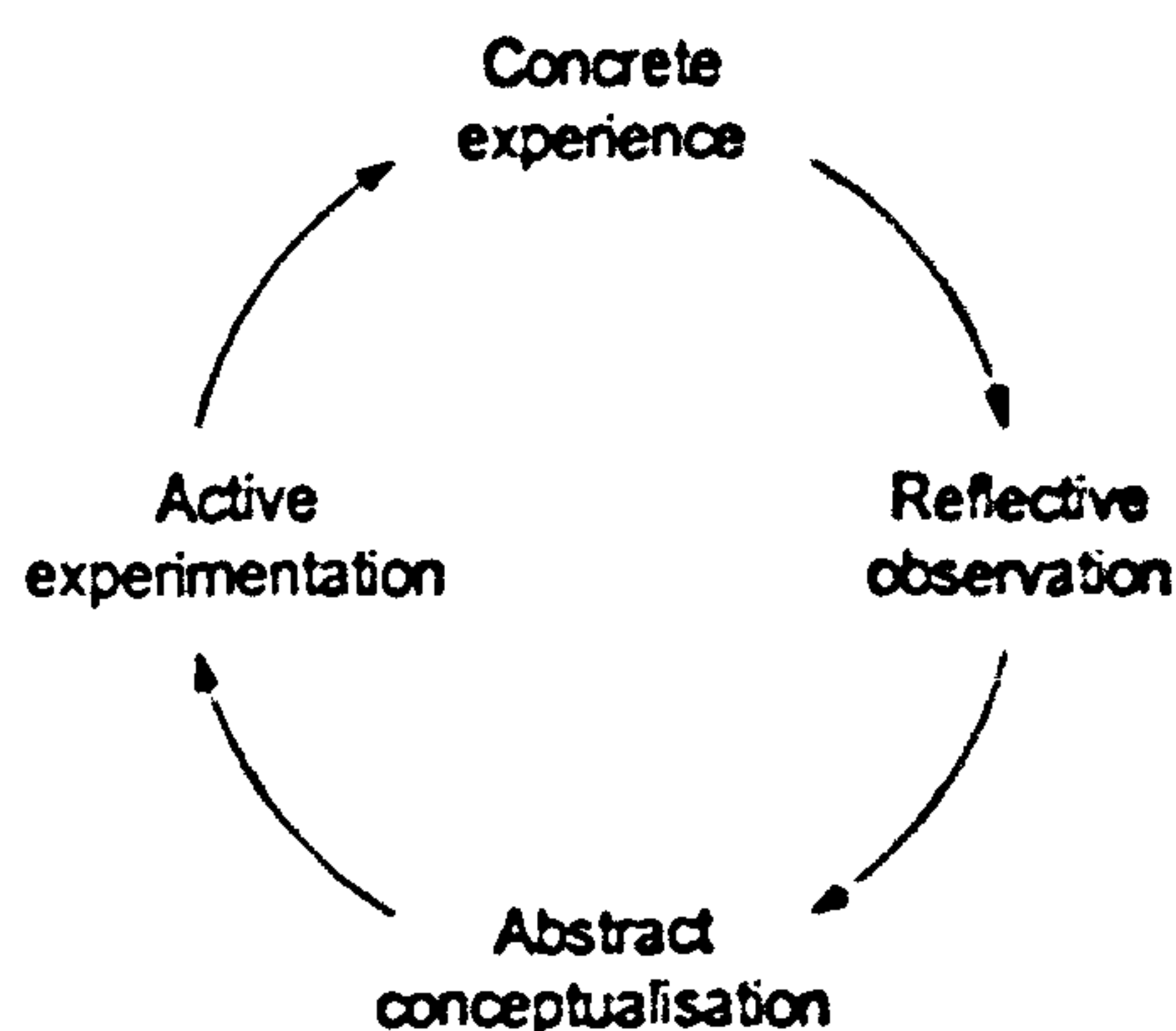


Figure 35 – Process of experiential learning

The model also highlights that even after an activity is outsourced the client still has to manage it actively. Often at the beginning of an outsourcing, practitioners think that once an activity is outsourced the client does not have to worry about it very much and may choose to focus on its core competences. The existing literature and models which focus on outsourcing lifecycles also fail to highlight the permanently active management needed in outsourcing, even during its on-going management phase. They propose that during this phase the client mainly (or even only) exchanges information with the supplier, measures the performance and becomes involved in joint development projects. This study and the model emphasise the need for active and continuous outsourcing management. During the whole of the outsourcing the client needs to have constant and active management to ensure that the supplier's work is faithful to the agreements and to the client's objectives. Such management also seeks to ensure that the outsourcing adapts to the actual situation, with the objective of maximising the outsourcing's potential benefits and minimising its risks. It has been observed that clients change their management style: instead of managing operations and resources (similar to the management of the outsourced activity when done in-house) clients start to manage the contract, the supplier and its performance. Clients of strategic outsourcing of services still need to closely manage and take actions related to the outsourced activity. This is illustrated by a client maintenance director who had moved from managing in-house maintenance to heading the outsourcing management team of one of the case studies:

"With outsourcing we have even more work!" (Client executive)

In addition to structuring and describing the process of on-going outsourcing management during its mature phase, the chapter presents three new perspectives:

- The relationship between the three management levels;
- The constant learning and adaptation mechanism existent in outsourcing management; and
- The need for the client to continue to actively monitor and guide an outsourced activity and the supplier.

6.4. Overview of the chapter

This chapter suggested a conceptual model to structure and describe the clients' on-going outsourcing management process. The model structures the clients' on-going outsourcing management process of strategic outsourcing of services into ten activities, describes each of them and explores their relationships. It divided these activities into three interactive management levels according to the type of issues dealt with. The interactive adaptations needed in an outsourcing are suggested by the many loops of the model – typical of an experiential learning process (e.g. Senge, 1993; Kolb, 1984) – and show that this outsourcing phase is not stable, as outsourcing lifetime models suggest. The findings also highlight the need for resources and permanent attention from the client to monitor and guide the outsourcing, contradicting conventional wisdom.

7. Outsourcing management problems

The aim of the chapter is to present the management outsourcing problems that were uncovered in the study. They are linked with poor practices in on-going outsourcing management and to situational contexts. Quotes collected from the reinforcement phase of the research are used to enrich the model with illustrative detail. The chapter explores twenty-four problems which were observed to affect the day-to-day management of outsourcings during their on-going phase and which impact the service delivery. It is suggested that some of these problems are originated by ineffectiveness of the outsourcing's preparation (e.g. selection of the supplier and construction of the contract) and are partly originated by clients' management practices, contrary to what is often supposed by clients. Moreover, the chapter suggests that parties' opportunistic behaviours to reach extra short-term benefits can jeopardise their long-term gains. Finally, the chapter also concludes that many of the outsourced management problems are related.

7.1. Management gaps and problems

The previous chapter presented the outsourcing management process in which the outsourcing management problems occur. Within each step of the process there are management or situational deficiencies within parties that contribute to poorer service quality and may have negative consequences for the outsourcing. In this thesis those deficiencies are called problems. The group of problems that occur within each step of the outsourcing management process contributes to the existence of inconsistency and lack of alignment between the outsourcing management steps and their objectives. This thesis calls such inconsistencies and lack of alignment 'gaps'. Gaps are caused by general ineffectiveness within each step.

Each problem that contributes to a gap is called a 'contributing factor' to the gap and can be divided in causes and consequences. Such division should not be seen in a positivistic way (Blaikie, 1993) – using fixed 'causal relationships': if *this* then *that* – but instead in a constructivist way (Blaikie, 1993) – a relationship expressing tendencies or powers of things to act in a particular way. The division of the problems into causes and consequences is made bearing in mind that the capacity of a cause to exercise its powers and consequences, or the likelihood that it will, depends on whether or not the circumstances are favourable. This view of causation conceptualises the cause as having strong and significant correlation with the consequence, but also allows for the

possibility that competing or cancelling mechanisms may be operating when the consequence is not observed (Blaikie, 2000).

This chapter focuses on the identification, exploration and understanding of problems that occur in the day-to-day management of service-strategic outsourcings during their on-going phase. These problems are contributing factors to the gaps presented in Figure 36. Each gap and its corresponding contributing factors are presented in separate subsections. For each contributing factor the causes are presented first, followed by the consequences. Within each, the findings are presented and supported with illustrative quotes; at the end the supporting literature is explored. Problems are assigned to the gaps according to the location of their cause in the outsourcing management process model.

In this work effectiveness is used to refer to the relationship between benefits and costs.

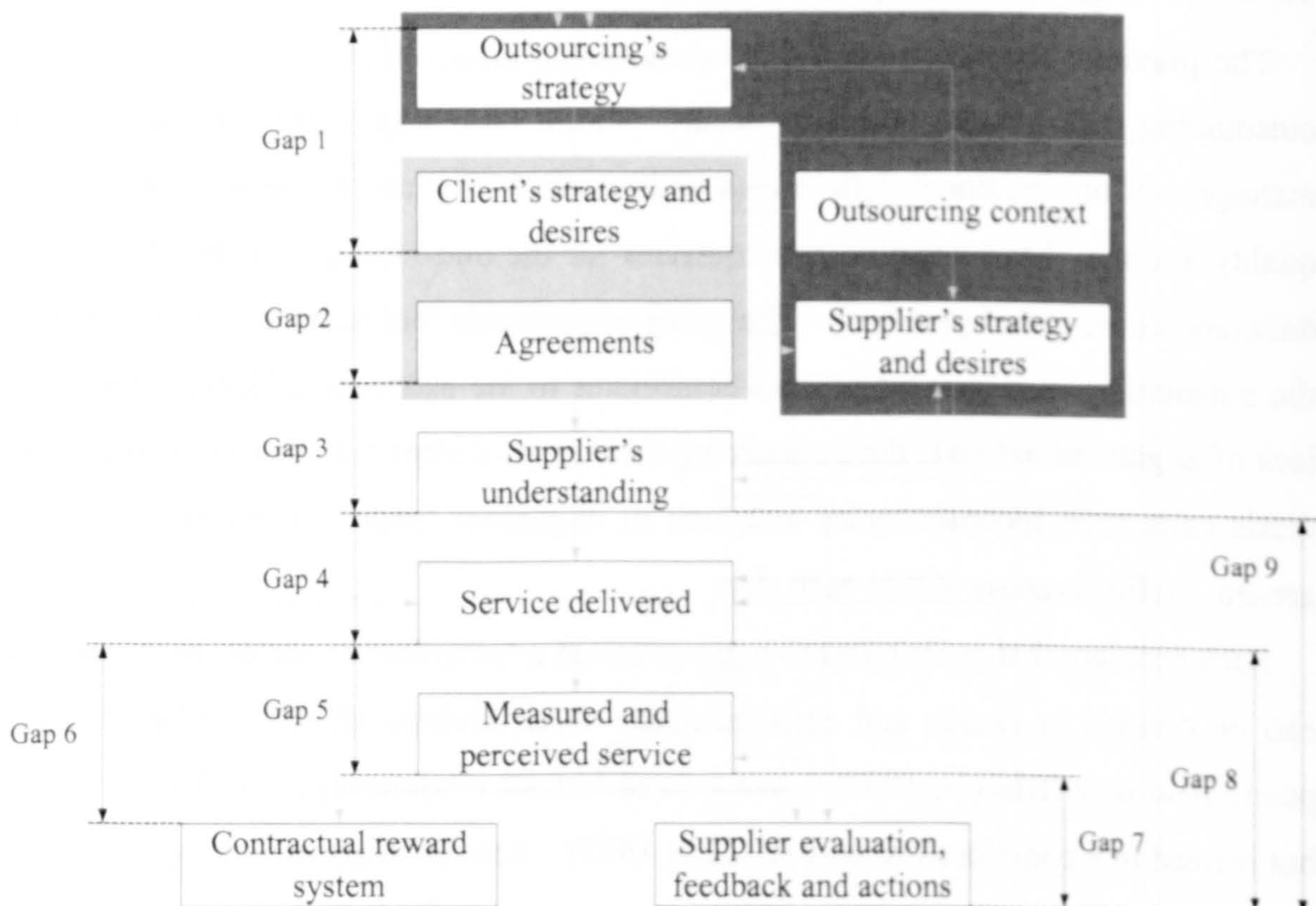


Figure 36 – Outsourcing management gaps

7.2. Gap 1

Gap 1 corresponds to the misalignment between what is important to clients' business strategies and the desires they take to negotiations. This difference was found to be based in four contributing factors: first, 'Outsourcing's strategy poorly defined'; second, 'Agreements' scopes poorly defined'; third, 'Incomplete or bad definition of desires'; and fourth, 'Lack of regular revision of strategy and desires'.

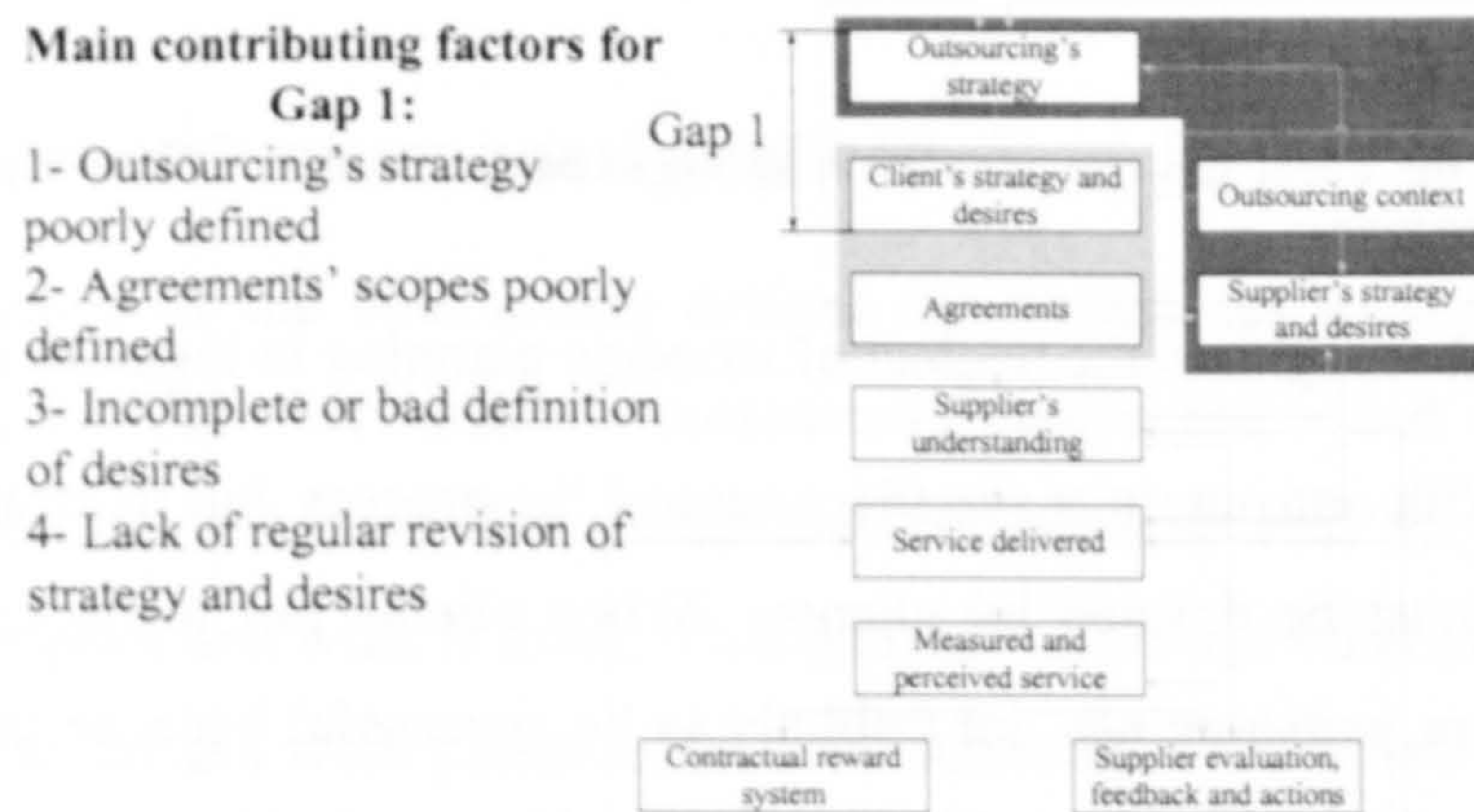


Figure 37 – Key factors contributing to Gap 1

7.2.1. Outsourcing's strategy poorly defined

Cause: Companies often are in their outsourcing adventures without determining exactly what they are attempting to accomplish through outsourcing, and how they want to achieve it. Outsourcing by itself is not the strategy; it is a means of achieving the business strategy and thus needs its own strategy.

"I had contacts with many companies that are starting the outsourcing process and came here to ask our experiences with outsourcing. Normally they just want to reduce costs with outsourcing, lacking other type of objectives. Many times the strategy is just that. 'We have to reduce maintenance costs, so we outsource maintenance and then the supplier reduces costs.' But the general objectives and the strategy are not specified. How to do the outsourcing? What for? In which base and path? No, they just went to the market to see who does the maintenance and sign contracts specifying big short-term cost reduction. (...) Some clients just go along the outsourcing fad." (Client executive)

Although the studied outsourcings had specified strategies, they were little more than a common understanding in the head of some senior managers. Clients believed that the lack of formalisation of the strategy did not lead to more difficult understanding of the outsourcing strategy throughout their company. To guarantee the knowledge flow executives had meetings with their managers to communicate the objectives and

strategy of the outsourcing, asking them to pass the information down in the hierarchy. But clients did not monitor the effectiveness of such a communication process, and in fact it seemed not to be very effective since suppliers complained that although client executives had a well defined strategy, mid-managers did not behave according to it, and towards shop-floor level the knowledge about the outsourcing became progressively limited. Thus it seemed that the long-term objectives of the outsourcing, and the way they were expected to be achieved, were unclear to many people involved in it.

“Sometimes the client has one idea and customers have another idea and expectation.”
(Supplier executive)

Lynch (2000a) recognises the neglect of strategic planning in logistics outsourcings.

Consequence: With outsourcings suppliers control the process, but its strategic direction and objectives must be defined by clients. When clients fail to do that and fail to orientate suppliers, outsourcings are unlikely to be successful because their operations become looser, unfocused in final objectives, and without priorities.

“What has happened is that outsourcings’ objectives are not achieved because their strategies were not well thought and planned. (...) As clients do not know and define what they want, outsourcings run without a specific path, services’ performances are poor, they do not achieve their objectives and it is a disappointment.” (Client executive)

Even when there are strategies for outsourcings, their lack of specificity, clarity and documentation have the potential to influence negatively the outsourcing, both inside client companies and in their interface with suppliers. Inside client companies because the lack of documentation of the outsourcing’s strategies may lead to ambiguity and to different opinions among senior managers, without them realising it. In such a situation each will be working according to their own understanding of the strategy, potentially resulting in disperse and unfocused efforts which jeopardise the benefits of the outsourcing. Besides, the lack of documentation of the strategy makes its specific and clear communication across the entire client company more difficult. So mid-managers and operational employees may well not know the strategy and have difficulties in guiding their efforts and directing the supplier according to the strategy. Thus there is the risk that their actions and feedback are misaligned with the outsourcing strategy, jeopardising the achievement of its objectives. In respect of the client-supplier interface, unspecific, unclear and non-documented strategies may also contribute to

suppliers' poor understanding about what they should accomplish and how it should be achieved. Such lack of understanding about clients' desires and priorities is likely to result in suppliers not supplying what clients want, and hence not achieving the objectives of the outsourcings.

Vining and Globerman (1999) suggest that badly defined strategies facilitate suppliers' opportunistic behaviours, which are likely to reduce the benefits of the outsourcing.

7.2.2. Agreements' scopes poorly defined

Cause: The scope of the outsourcing defines the boundaries of the deals and each party's responsibilities. Nevertheless outsourcing agreements – and even outsourcing contracts – are often not clear about what they include and what they do not, what is included in the price and what is extra, what parties will do and what parties will not do, what parties can do and what parties cannot do. Although the studied outsourcings had full-service and business function outsourcing characteristics – and thus were expected to have more involving and clear boundaries than outsourcings of a specific part of an activity – they also had problems of scope, and the parties realised that outsourcing agreements often have blurred scopes and consequently many 'grey zones' of responsibility.

“It is not possible to write agreements about the extensive inter-firm activities that outsourcings require. There are too many tasks, connections and uncertainty. (...) Even the best thought agreement is unlikely to leave no doubts about what is included or not in the outsourcing. (...) Frequently who pays has one interpretation [referring to what is specified in the agreements] and who delivers has another.” (Client executive)

The literature does not focus on what happens in intermediate outsourcing negotiations and agreements. Nevertheless it recognises that outsourcing procurement processes usually focus on getting what is perceived as a good price, leaving the definition of the scope for the supplier to establish after the contract is signed. In such situation suppliers determine what they will and will not do during the course of the agreements (Bendor-Samuel, 2000).

Consequence: Poorly defined scope can lead parties to dangerous situations in outsourcings. If one signs the contract believing that the scope of the contract is one thing but then in practice it turns out to be another, it may end up in a difficult financial

position, jeopardising its expected benefits. One party's situation becomes even worse when the other party takes advantage of the favourable situation created by poorly defined agreement scopes to have opportunistic behaviours.

“Many times those ‘grey zones’ define the success or not of an outsourcing [for a party].”
(Client executive)

Parties also referred to the fact that poorly defined agreement scopes can result in misunderstandings, discussions, tension, distrusts and conflicts between parties. Such environments can lead to changes of behaviour and an atmosphere unsuited for cooperation – which was referred to earlier as the key for outsourcing success.

The literature reveals that a common practice in outsourcing is for some suppliers to attempt to achieve their profits by moving activities that were originally intended by the client to be in the scope of the service and then claim they are not a part of the outsourcing. They use poor agreement scopes to behave in an opportunistic way and redefine the outsourcing boundaries with the objective of maximising their revenue (Bendor-Samuel, 2000).

7.2.3. Incomplete or bad definition of desires

Cause: Sometimes the desires that clients define for themselves and then take to negotiations are not adequate to their situation. Suppliers referred to the fact that it seems that clients' negotiators define desires without consulting the direct customers of the outsourcing inside their company; the definition of the desires and the negotiations are done at a level at which the employees directly related to the outsourcing operations are not involved. Clients also admitted that the desires they take to negotiations may not be accurate and may need further definition during the outsourcing. Additionally clients often use new measurement systems to better control outsourcings and whose target values are frequently based in their managers' feelings and opinions, because they lack empirical data to specify them. In such situations the specified targets are unlikely to be the correct ones.

“Our desires to the outsourcing are not always well defined. Sometimes we agree and start with general ideas and then with the practice we particularise... There are the general desires and they gradually become more concrete through negotiations as the outsourcing progresses and divergences appear. The practice helps to define, quantify and particularise better those desires.” (Client executive)

✓ The literature recognises the difficulty for clients to clarify internal requirements and acknowledges that often clients fail to tell suppliers of everything they want (Forst, 1999). ✓

Consequence: After the desires are specified, they are negotiated with suppliers. When clients have not clearly specified their desires for themselves, it is hard for them to communicate those desires to their suppliers. Thus, certain desires are likely not to be discussed during the negotiations, compromising their delivery and accomplishment. Additionally, even if desires address the critical issues, when their target values are not the most appropriate to the situation, there is the danger that suppliers accept them and that they are agreed in negotiations. Suppliers may be caught up in the enthusiasm surrounding a high value agreement and accept unrealistic objectives, or take advantage of the situation to opportunistically accept easy and unchallenging desires for the price paid. So, in either situation, clients' inappropriate definition of desires is likely to create problems for the future of the outsourcing, jeopardising the achievement of their objectives.

“Too high target values are unlikely to be achieved, bringing tension to the relationship and lack of motivating to the supplier; low targets can limit the potential benefits that suppliers could bring to outsourcings and make clients pay rewards without having the expected benefits.” (Client executive)

The literature states that sometimes suppliers are asked to negotiate with clients without a clear understanding of own desires, nor information to provide to suppliers about the possibility of their achievement. Often suppliers succumb to the temptation of extra business and commit to agreements that do not reflect the reality of the situation, to find out later they had made a decision they simply cannot live with (Lynch, 2000a).

7.2.4. Lack of regular revision of strategy and desires

Cause: Clients' needs change continuously with the evolution of the context, of their activities and of their own outsourcing. When clients do not periodically review their outsourcing strategies and desires, they are likely to be inadequate to their actual situation.

Clients said that their strategy was followed informally and was analysed monthly. Nevertheless they referred that many client companies were not adapting their outsourcings to the evolutions in the outsourcing environment. The actual concurrency

from new pulp and paper producers was given as an example: European pulp companies need to adapt themselves to the new market conditions where new producers, such as those from the Brazilians mills in Amazonia, produce very cheap pulp, helped even more by the ‘weak’ dollar at the time; so European producers needed to lower their costs and that cost reduction extends to the maintenance outsourcings.

“They seem to limit themselves to receive the service that was agreed at the beginning of the outsourcing, neglecting everything that is changing around them. (...) They are not critic about the all situation.” (Client executive)

This need for adaptation is expected to be even more pronounced in other industries and services, since maintenance in the pulp and paper industry is not volatile in terms of needs for strategic changes; operational and tactical modifications are frequent, but not strategic adaptations.

✓The literature recognises that clients’ needs change over time (Forst, 1999). Nevertheless, outsourcing contracts normally lack the flexibility to accompany these changes in clients’ needs and strategies (Lynch, 2000b).✓

Consequence: Outsourcing strategies and desires define and guide the service delivered by suppliers. If they are not adapted to clients’ new understandings and circumstances, suppliers are likely to continue delivering services according the last defined strategies and desires. Thus the delivered service is likely to be inappropriate to the actual situation, diminishing the effectiveness of the outsourcing.

Parties agreed that the lack of frequent adaptations of outsourcing strategies and desires to the actual circumstances is likely to misalign the outputs of the outsourcing with clients’ wants, and thus result in lost opportunities.✓Notwithstanding this view, parties also defended that too frequent changes in outsourcing strategies and objectives are likely to cause confusion in the outsourcing, having negative impacts on the planning, and increasing the costs.✓

“Of course adaptations in the strategy are constantly needed to respond to changes, but I defend that outsourcing strategies need to have a coherent direction.” (Client executive)

The literature states that outsourcing strategies and desires are based on important assumptions in terms of technology, personnel, business conditions, and market environment, among others. As soon as outsourcing contracts are signed these conditions begin to change, and if the strategies and desires are not adapted to the new

situation, at least one of the parties is likely to become dissatisfied with the outsourcing (Lynch, 2000a).

7.3. Gap 2

Gap 2 corresponds to the misalignment between clients' desires and the output and specifications of the negotiations – always having in mind that there are trade-offs between parties' desires. This difference was found to be based on three contributing factors: first, 'Lack of negotiations' effectiveness'; second, 'Specifications poorly defined'; and third, 'Inflexibility of outsourcing contracts'.

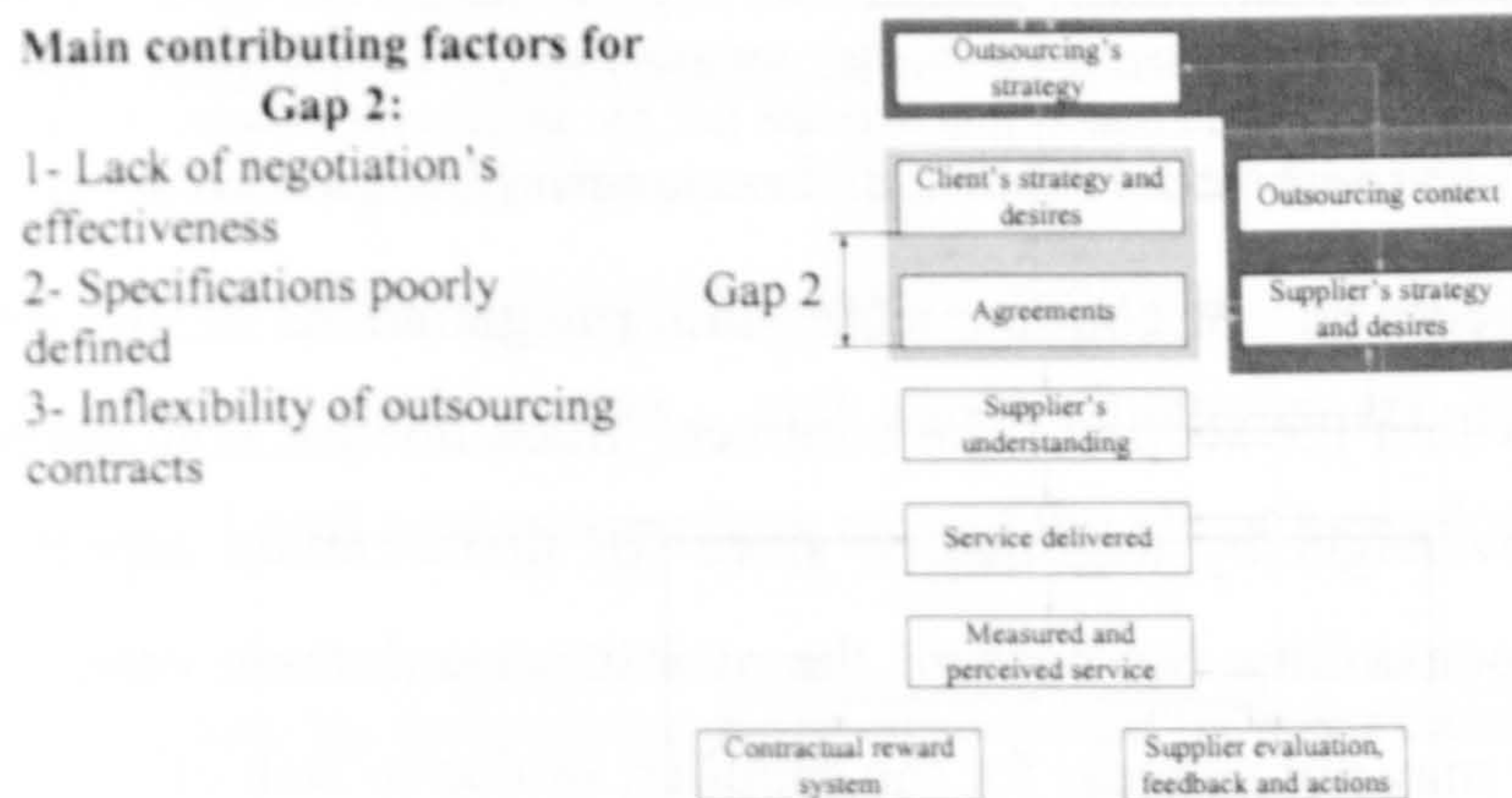


Figure 38 – Key factors contributing to Gap 2

7.3.1. Lack of negotiations' effectiveness *(should include all stakeholders.)*

Cause: Sometimes parties do not put as much effort and resources as they should in preparing and undertaking contractual and intermediate negotiations. Consequently negotiations are not as detailed as they should be, leaving important issues aside.

"Negotiations sometimes are done in a precipitate way, believing that everything will run ok and that if there are problems outsourcings' 'marriage' spirit will solve them. (...) With such a rush it is almost inevitable that certain important issues are not dealt." (Supplier executive)

Additionally, each party's negotiation team may lack important skills: technical competencies, for example if the negotiations are undertaken by people with purely commercial backgrounds; or negotiation competencies, for example if the negotiations are undertaken by people with technical backgrounds without the support of the commercial department.

“If negotiators do not have skills in the outsourced activity, for sure there will be desires of the both parties that are not clarified. (...) If it is so bad that the negotiators do not have people that will execute the work, then you will have a big problem... Because you cannot sit and make the negotiations and when you finish you call the guys that should execute the work and say: ‘Hei! Here is the contract. Do it!’” (Supplier executive)

Sometimes clients do not tell correctly or clearly to suppliers everything they want. They often have desires they want suppliers to deliver, but do not specifically communicate them. In other cases clients do not formalise some desires in the contract or agreements, just informally communicating them to suppliers.

“The supplier is the world leader in that area... We have big deficiencies in it. Thus, although we did not discuss it, we were naturally expecting them to improve our condition. (...) To formally define everything [clients’ wants] well is difficult. (...) We take to negotiations the clear desires we have on our mind. But, probably because we supplied the service in-house for many years, sometimes we forget to discuss and include certain aspects we want to be supplied because for us they are obviously inherent to maintenance... The activities intrinsic to maintenance function are not the same everywhere. (...) [Moreover] new aspects occur with the development of the outsourcing.” (Client executive)

Frequently clients do not communicate during negotiations all the details that they consider to be within the scope of the contract. Such unclear communication may be simply due to oversight by negotiators, since for them certain aspects are clearly a maintenance responsibility, but because the maintenance domain varies from company to company they may not be clear for the supplier; or due to lack of effort on the part of the negotiators which may be caused for example by bad-will against the outsourcing.

“Now we are going to start negotiations for renewing the contract and we want to include the maintenance engineer part [responsible for analysing process equipment, supporting capital investments and planning the annual shutdown, and which initially was still out of the contract due to strategic reasons]. (...) I have to make sure that I clearly communicate to the supplier that it involves aspects as responsibility for some of the mill’s licensing and the DCM management [mill’s command system]. They are not automatically attributed to maintenance, but here they had always been maintenance responsibility. (...) I admit that there are many people [probably technical persons] involved in outsourcing negotiations and which think that it [outsourcing] is a bad solution. So, they go to negotiations without deep discussions and just saying: ‘I want the maintenance as I do it. My output is this. That is what I want.’” (Client executive)

Since the 1980s client-supplier partnerships emerged in the literature as a model of purchasing excellence, based on closeness and trust relationship where contracts played a minor role (e.g. Goffin et al, 1997) Thus well structured outsourcing contracts started to be seen as unnecessary (Barthélemy, 2001) and their negotiation was quick (Langfield-Smith et al, 2000; Mullin, 1996). Such haste in outsourcing negotiations tended to result in a lack of preparation and rigour, leaving important issues undefined or unclear. One of the biggest mistakes clients make is signing standard supplier

contracts. With those contracts clients' control over the outsourcing is likely to be more difficult and they often contain details that not even the client's legal staff can understand, and which hide future costs (Lacity et al, 1995). The posture with which parties enter negotiations and the relationship between the people involved are important for effective negotiations (Landeros et al, 1995)✓

Consequence: When desires are not discussed, negotiated, agreed and formalised they are unlikely to be delivered during the outsourcing, reducing each party's benefits and jeopardising the success of the outsourcing. This may be either because suppliers do not know of their existence or because as they were not formalised, suppliers do not feel obliged to supply them. Either case has the potential to negatively affect clients' own operations and performance. Additionally, when negotiations leave important issues unclear, 'grey zones' of responsibilities are likely to be created. Such 'grey zones' tend to emerge in the middle of the outsourcing, causing problems such as misunderstanding, distrust and conflict between parties. All these situations are likely to magnify dissatisfaction and bad-will against suppliers among the client's employees.

"Leaving aspects that seem small and with limited importance aside outsourcings' negotiations may have big consequences during outsourcings!" (Client executive)

The variety of direct and informal channels of communication existent when the activity was performed in-house and which enabled swift changes of wants and desires become limited, complicating changes of specifications during outsourcings. With outsourcings two companies with distinct interests and objectives are involved, and thus it is more difficult to make the trade-offs necessary to modifying objectives and specifications. This increases the importance of taking accurate and appropriate desires to negotiations, because if not, consequences such as extra payments or non-delivery of the desires not specifically agreed in the negotiations are likely to occur.

When parties' negotiation teams lack important skills such as technical or commercial competencies outsourcings may suffer serious consequences: teams are likely to fall in commercial traps which create misunderstandings or may favour opportunistic behaviours; or teams may not have enough knowledge about their companies' own needs for the outsourcing and their importance, making agreements that may jeopardise their own firm's activities. This is true for both contractual and intermediate agreement negotiations.

“We were practically all maintenance men negotiating and clearly we did not have a commercial person in the negotiations. Therefore the negotiations were always more technical than properly commercial. When the maintenance historic values were referred, we simply gave it to the supplier [for them to analyse before bid]. (...) [Already in the middle of the outsourcing] the supplier complained that the maintenance costs we gave were not accurate, creating a bad environment around the outsourcing. In fact costs as structure costs were not included in the historic costs we gave to them... Our records never aimed at analysing those aspects. (...) We gave with good faith what we had. They should have analysed the reports better to see what was included or not. (...) At the time we did not had big commercial worries in negotiations and that was a fault. (...) But not leaving everything in the hands of commercial is not bad. (...) [Without technical support and support from the future outsourcings’ internal customers] commercials tend to focus negotiations on price, trying to achieve the minimum price possible and leaving important issues and guarantees out of negotiations. This could have serious consequences for our future production.” (Client executive)

The literature recognises that spending too little time negotiating, expecting that the ‘partnership’ relationship will take care of everything, is a mistake (Barthélemy and Adsit, 2003). Despite the importance of trust in relationships, it is still necessary to formalise a precise contract (Tuten and Urban, 2001). The draft of a good contract is always important because it allows partners to set specifications and to commit themselves to the goals of the outsourcing (Barthélemy and Adsit, 2003). Haste and lack of detail in outsourcing negotiations is likely to result in parties not achieving expected benefits and consequent dissatisfaction (Langfield-Smith et al, 2000; Mullin, 1996).

7.3.2. Specifications poorly defined

Cause: Often the specifications that are included in the contract or in the outsourcing agreements are not complete or clear. The outsourcing contracts studied had selected indicators which were expected to enable the analysis of performance. Although these indicators were partly intended to work as expected performance specifications, many even failed to have target values. Suppliers partly blamed the poor definition of the specifications on clients’ poor definition of desires and on the ineffectiveness of the negotiations. ✓

“If clients do not define for themselves clearly what they want, then the specifications are unlikely to be precise and well defined.” (Supplier executive)

Clients admitted that this was not a problem exclusive to contracts. Although intermediate agreements tend to have a very limited scope and tend to be implemented

to clear up imprecise contractual points, they often fail to achieve their objective, and their specifications end up not being as clear and objective as expected.

✓ The literature states that clients often define poor specifications (Lynch, 2000a). This difficulty is expected to be greater for services than for products, due to the more intangible characteristics of services (Fitzsimmons et al, 1998). ✓

Consequence: When outsourcing specifications are poorly defined, suppliers are likely to misinterpret clients' wants and priorities. Additionally, both parties are in better positions to justify opportunistic behaviours, such as suppliers trying to escape from responsibilities that are not clearly specified, and clients arguing that particular aspects that are in the blurred border between the contract's fixed and variable cost parts belong to the fixed cost part, and that hence the supplier should not be paid extra.

"When certain aspects of the service are not clearly specified in the contract and do not involve much money, suppliers tend to deliver them without complaining and arguing that they are in the 'spirit of the contract'; but when those aspects involve considerable amounts of money they try to escape from their delivery arguing that they are not specified in the contract." (Client executive)

Such situations were said to create misunderstandings, tension and conflicts in the relationship, creating conditions not favourable to improvements and cooperation.

"It is impossible to run like that. Both parties will lose! Both in performances and in money wise. You will spend too much time and resources to define what the specifications really are, instead of doing the proper outsourcing work." (Supplier executive)

The literature recognises that many outsourcing relationships fail because of misunderstood and ill-defined specifications (Kakabadse and Kakabadse, 2002a). The quality of the service delivered is influenced by the specifications against which it is evaluated, since they signal the client's priorities (Forst, 1999). Poor specifications are likely to be misunderstood by suppliers, misdirecting their efforts from what the client wants (Lynch, 2000a) and thus not achieving the objectives of the outsourcing. Although suppliers sometimes perform poorly, it is also true that many bad outsourcing decisions are direct results of the inadequate definition of requirements (Kakabadse and Kakabadse, 2000). Additionally, poor specifications encourage opportunistic behaviours between parties (Vining and Globerman, 1999). The more precisely specifications are defined and documented, the greater the probability that suppliers understand and feel obliged to fulfil them (Moore, 2002). Poorly defined specifications are likely to cause problems as each party may understand the specifications and

corresponding metrics in different ways (Stank et al, 1999; Landeros et al, 1995). Lacity et al. (1995) reported an example of such a situation: “[In an IT outsourcing contract the client] clashed with the telecommunications supplier over the interpretation of the service levels outlined in the contract. For example, Energen [the client company] had assumed that the 99% availability requirement meant that all nodes on the network had to be up and running 99% of the time. The supplier, however, interpreted it to mean that the host node had to function 99% of the time. When links to 20 of its service stations went down, Energen demanded a cash penalty, which the supplier refused to pay.” Moreover, poor target values can also jeopardise the objectives of outsourcings, since “You get what you ask for” (Forst, 1999). Suppliers are only as good as they have to be, they are unlikely to deliver more than what was agreed (Leenders and Blenkhorn, 1988). Outsourcing parties have different objectives (Sparrow, 2003; Domberger, 1998), even if simply because profit motives are not shared. This makes the change of specifications and target values even more difficult since clients’ desires normally interfere with suppliers’ potential benefits. Suppliers make investments to prepare themselves to achieve the agreed specifications and they want to amortise those investments over the lives of their contracts. Jointly with enhanced negotiation power, and due to lack of competition, these investments make suppliers relatively unwilling to agree changes in specifications to meet their clients’ desires without receiving healthy rewards (Bendor-Samuel, 2000).

7.3.3. Inflexibility of outsourcing contracts

Cause: Outsourcing contracts often have all the issues set from the start and do not have renewing mechanisms established. Parties recognised that outsourcing contracts tend to be rigid and inflexible.

“I even have an outsourcing where the regularity of revision of the motors is clearly specified in the contract.” (Supplier executive)

The literature identified the naturally static nature of outsourcing contracts (Mullin, 1996) and their long term. Lacity et al. (1995) observed that the average length of the total outsourcing contracts they studied was more than 8 years.

Consequence: Inflexible contracts define from the beginning the rules of the outsourcing, making changes in the outsourcing strategy and desires more difficult to be

achieved through agreements made during the outsourcing. So, inflexible contracts create difficulties for outsourcings to be adapted to the new conditions and to changes in parties' needs; but if outsourcings are not adapted to the actual needs then their effectiveness is likely to diminish.

"Inflexible contracts make it difficult for parties to adapt outsourcings to new conditions. (...) But flexibility in contracts does not mean bad or weak rules! It means that there are structures and clauses which permit outsourcings to adapt to new conditions automatically or which facilitate intermediate negotiations." (Client executive)

Inflexibility in outsourcing contracts was exemplified to lead almost to the rupture of a contract. In that case serious negotiations almost constituting contract re-negotiations had to be made because the inflexibility of the contract brought about a situation in which one of the parties was losing too much money. Even more than the discontinuity to the parties concerned, it was argued that due to the importance of the outsourcing, the rupture would be noticed by the media, and that that would have negative consequences to both parties' image in the market. Although this was an extreme example, the inflexibility of the contract was recognised as not enabling the outsourcings to adapt to the actual conditions, and thus having the potential to put at least one of the parties in a difficult or uncomfortable position.

"I can remember an ice-cream business with a fix price full maintenance outsourcing. (...) In a certain year the summer was going to be cold and very wet, so the production was lower. (...) Although the client had smaller production [and thus less needed maintenance], it paid the same to the supplier. The client lost a lot of money, but the supplier made a lot of money." (Supplier executive)

✓ Suppliers also complained that inflexible contracts limit the potential for the improvement and innovation that they can bring to outsourcings. ✓

"The contract specifies that certain motors have to be reviewed every two weeks. Although I think that those motors just needed to be reviewed every two months, I have to respect the contract. (...) [So,] I am wasting time and resources in things I think are not important." (Supplier executive)

✓ Such situations were said to lead to uncooperative behaviour, and possibly to opportunistic moves by the party that feels prejudiced, creating conflicts and lack of trust between parties. ✓

The literature defends the notion that the assumptions on which contracts are based can change during the outsourcing, and that most contracts do not anticipate the changes of their evolving background (Lacity et al, 1995). Within two years of the signing of

the contract 70% of outsourcing contracts become irrelevant to clients' business plans (Mullin, 1996). Although the average length of the outsourcing contracts studied by Lacity et al. (1995) was 8.6 years, they realised that by the third year most clients complained that the technology supplied by their suppliers was already outdated. Even prices and service levels established in the contracts tend not to have meaningful mechanisms for adaptations (Lynch, 2000a), which could potentially redirect suppliers' efforts and motivate continuous improvements according to actual client needs. Absence of improvement targets may jeopardise potential savings and performances, diminishing the outsourcing's competitiveness in relation to the market (Fan, 2000). Moreover, once a contract is running there is a great temptation for each party to attempt to reap benefits at the expense of the other (Lynch, 2000a); inflexible contracts normally favour such opportunistic behaviour. Such inflexible contracts usually favour suppliers (Lynch, 2000a; Lamming et al, 1996). Bendor-Samuel (2000) recognised that suppliers are in a relatively strong bargaining position because they are often the only entities that understand what needs to change in the client's processes; this can result in a supplier charging relatively high rates for execution of trivial tasks. Additionally some of the changes that clients want to make may not be in the supplier's interest, making them relatively unwilling to agree changes without opportunistically receiving healthy rewards. Langfield-Smith et al. (2000) reported a situation in which the inflexibility of outsourcing contracts was a major problem for a company. It was under considerable pressure to reduce costs, but was unable to increase efficiency or save costs from the supplier because they were locked into long-term and fixed price contracts. Furthermore the client was committed to fixed volumes of service with suppliers, which did not take into account process improvements that led to reductions in volume.

7.4. Gap 3

Gap 3 corresponds to the difference between what was specified – and which from now on is referred as the clients' expectations – and what suppliers understood to be specified. This difference was found to be based on one contributing factor: 'Ineffective communication of the expectations'.

Main contributing factors for Gap 3:
1- Ineffective communication of the expectations

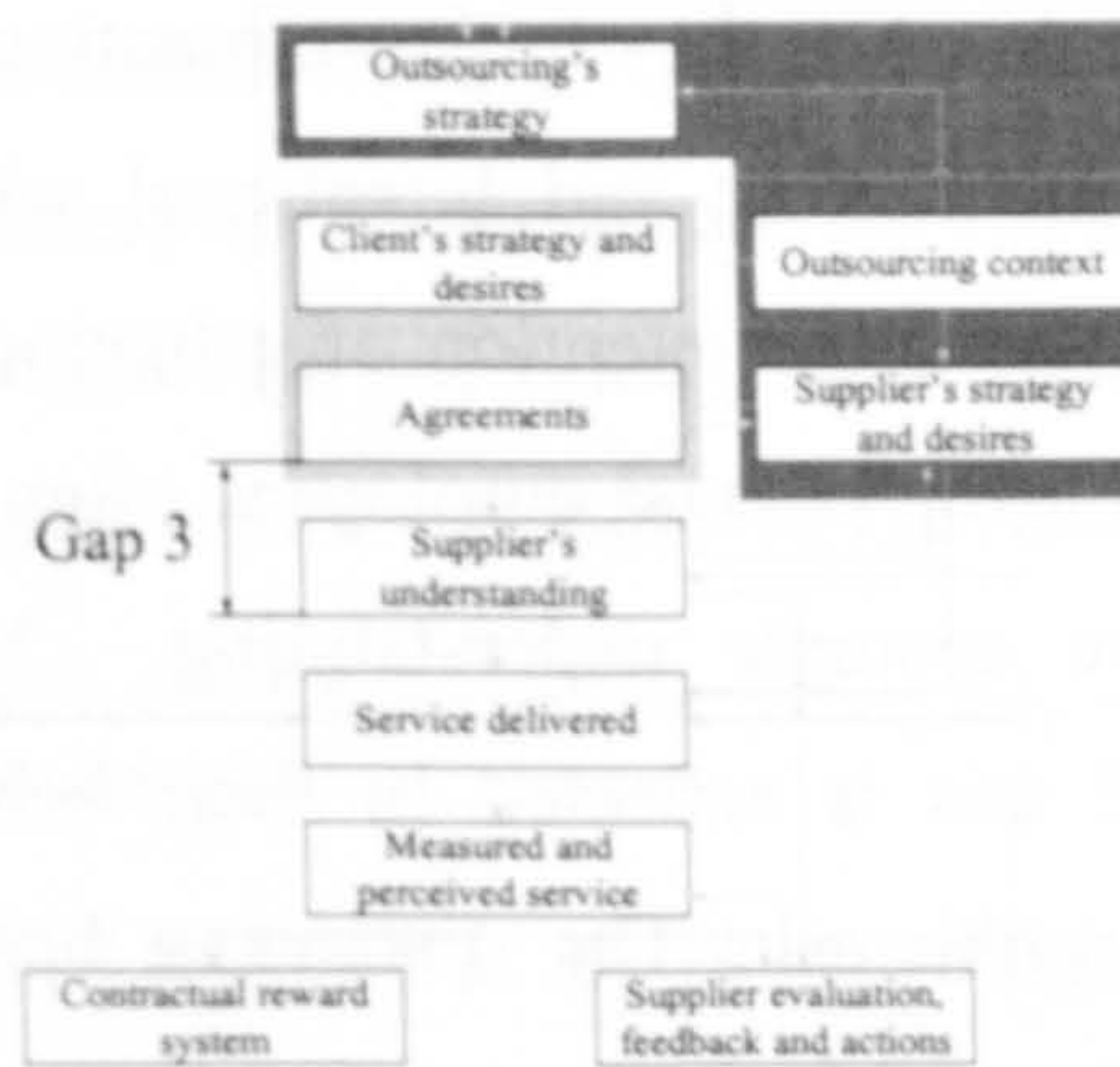


Figure 39 – Key factors contributing to Gap 3

7.4.1. Ineffective communication of the expectations

Cause: Each party's interpretations of the agreements are transformed into their expectations for the outsourcing. But the formalisation of the agreement in a document is not enough for each party to clearly understand what they should deliver and what they are going to receive. During and after negotiations there are often not enough discussions to clarify what is being agreed and what the agreement really means. Parties often fail to put enough effort into discussing and communicating their desires. This is more visible in cases where the clients used to perform the outsourced activity in-house over a long time, because they are used to receiving the service in a certain way, which is the result of many years of adaptations and internal trade-offs. Clients frequently fail to understand that what is clear and normal for them is not clear for the supplier and so they do not communicate everything they want and expect in detail, assuming that the suppliers will deliver what they want. ✓ An agreement is not enough to communicate to suppliers what the client wants, and how it expects the service to be delivered. There are too many tasks, connections and uncertainties. Without a richer communication medium, such as continuous two-way discussions, it is hard to pass an accurate understanding on to suppliers and to respond to their emerging doubts. ✓

"Sometimes the all information is not given... After a while you find out 'It should be like this instead of that!' (...) They are used to know that the people know what to do, but the new company [supplier] is likely not to know all that information." (Supplier executive)

✓ At an organisational level, ineffectiveness of communication between the parties can be either unintentional or intentional; unintentionally when they lack communication skills or when they simply do not communicate things to the other party in good faith,

such as for example when they forget to mention something, or think it is clear and thus unnecessary to mention it; and intentional when they do not communicate certain necessary aspects with the intention of behaving in an opportunistic way in the future. At an individual level, clients' employees often are not willing to support suppliers in reaching a more accurate understanding. Many of them are even against the outsourcing, and this is reflected in their behaviour, which creates distancing and communication problems. The distancing between client and supplier outsourcing teams was highly visible in the exploratory case study, even in terms of physical distance, since the suppliers were located far from the client's outsourcing management team. Such a distance makes the quality and quantity of communication between the parties even more difficult.

"If the client does not know to explain itself well about what it wants or if it stays with 'aces up its sleeve' expecting that the supplier is obliged to do something more in the future – if there is a not loyal relationship – the supplier will not understand correctly what the client wants." (Client executive)

Others reasons, such as differences in culture and language between clients' and suppliers' managers were also cited as diminishing the effectiveness of communication.

"At the beginning we started saying: 'We want you to do the maintenance of the mill with all the jobs that the maintenance is responsible.' But this is a simplistic lecture of the situation. When we start to think about what maintenance does, many things appear... Some may be even not logic as maintenance's responsibility to the supplier, because perhaps he never did it. (...) Maintenance's responsibilities vary from company to company [with its culture]." (Client executive)

The literature states that unlike what happens in services to individual people (Zeithaml et al, 1990) and in transactions of standardised activities, in business to business relationships, clients directly tells suppliers what they want to receive (Araujo et al, 1999), but often do not express themselves in clear terms which enable appropriate action (Forst, 1999).

Consequence: When parties do not discuss what they understand to be agreed and communicate clearly what they want in detail, they will not have an aligned understanding about needs and agreements. If clients do not communicate clearly to suppliers what they want and other details important to service delivery but not written into the agreement, they create a blurred statement of direction for suppliers. This way it is likely that suppliers are not aware of certain aspects that they are expected to deliver, or the performance level and constraints of the delivery. Suppliers guide their

decisions by what they perceive that the clients want, so if they do not have a clear idea of what clients want their efforts are likely to be misguided by the lack of direction, wasting resources on aspects that their clients do not value. Thus clients are unlikely to receive the results they wanted, creating tension and conflict in the relationship.

“If clients do not know to express themselves and do not tell everything they want, how can suppliers do what they want?” (Client executive)

The literature (Spekman et al, 1999; Landeros et al, 1995) recognises that unclear communication of expectations between parties can jeopardise suppliers’ correct understanding about what they are expected to deliver, and thus result in poor outsourcing decisions (Kakabadse and Kakabadse, 2000).

7.5. Gap 4

Gap 4 corresponds to the difference between what the supplier understands the client to want, and what it delivers. This difference was found to be based on three contributing factors: first, ‘Supplier is unable to deliver a service correspondent to its understanding of the specifications’; second, ‘Supplier’s performances are affected by its own objectives’; and third, ‘Client changes its behaviour towards the outsourced activity’.

Main contributing factors for Gap 4:

- 1- Supplier is unable to deliver a service correspondent to its understanding of the specifications
- 2- Supplier’s performances are affected by its own objectives
- 3- Client changes its behaviour towards the outsourced activity

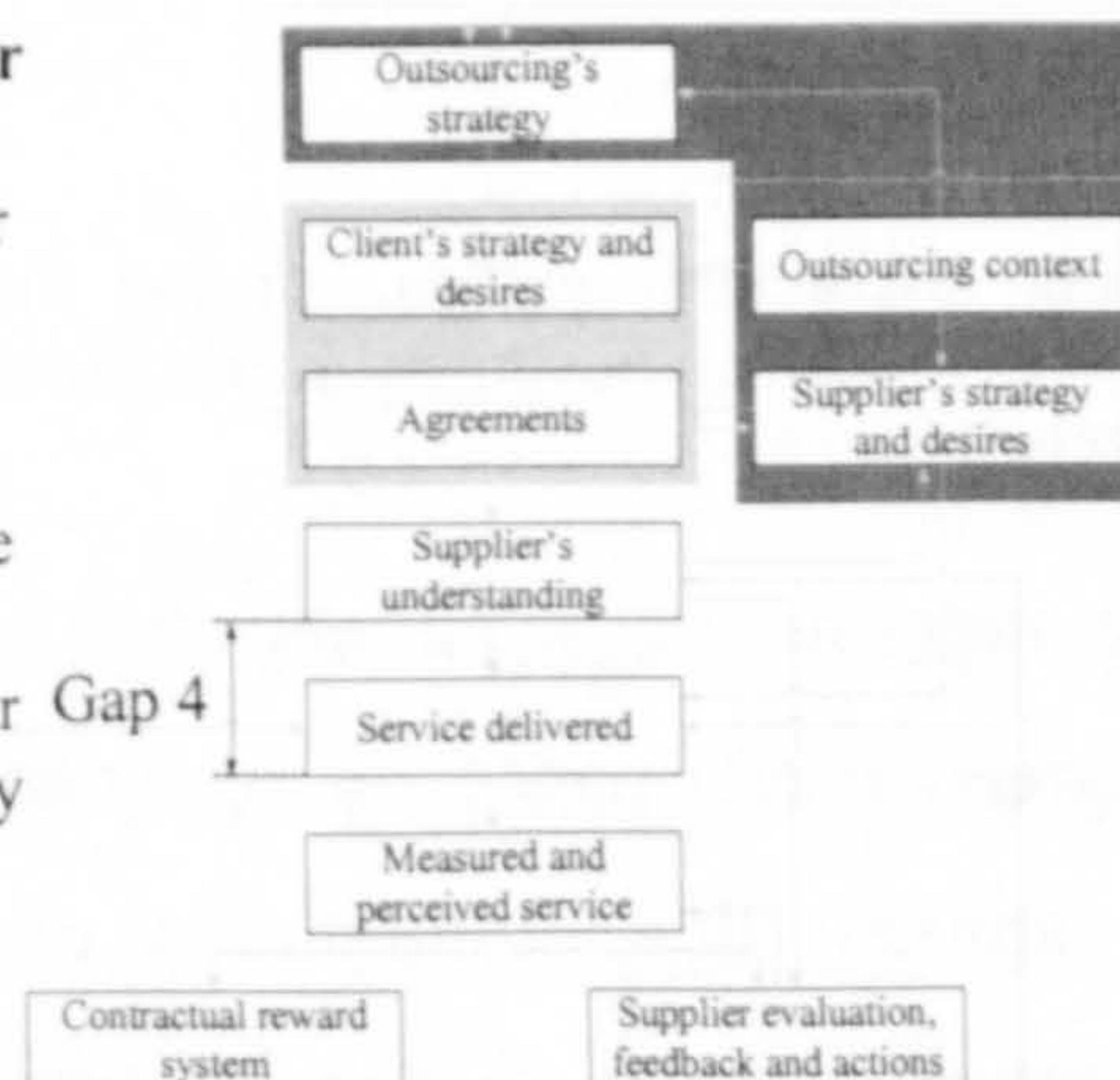


Figure 40 – Key factors contributing to Gap 4

7.5.1. Supplier is unable to deliver a service correspondent to its understanding of the specifications

Cause: Sometimes suppliers are not able to perform at the levels they understood to be agreed with the client, due to either lack of ability or lack of resources.

“They [the supplier] are not achieving the performances we agreed and expected. (...) Some of my colleagues believe that this is because the team in-site is not sufficiently backed up with resources. Personally, I think that they may be very good in other industries but lack the needed know-how for maintaining a pulp and paper mill.” (Client operational manager)⁴.

The literature reports that sometimes suppliers agree to performances that they cannot achieve; e.g. referring to financial performances, Forst (1999) reports that to win and secure outsourcings suppliers sometimes sign contracts with prices lower than the cost of the service.

Consequence: When suppliers are unable to deliver a service correspondent to what was agreed, outsourcings are unlikely to reach their objectives. This is likely to affect the client’s own performance and the relationship between the parties. A client reported that while the agreed performances were not being achieved, it was having high downtimes and thus losing production. The client was dissatisfied with the poor performance and presented a bill correspondent to the reward-punishment system for the supplier to pay, accentuating the bad environment surrounding the outsourcing relationship, which could jeopardise its success.

“The resulting discomfort, conflict, tension and distrusts were prejudicial for the outsourcing. (...) [Such an environment is] normally the way to outsourcings’ disgrace!” (Client executive)

The literature suggests that suppliers often try to avoid the responsibilities of not achieving the agreed performance by opportunistically raising issues related to the contract scope, arguing the interpretation of the specifications or supporting its performance by saying that the client did not give enough conditions (e.g. information, investments) to the supplier for the expectations to be met (Kakabadse and Kakabadse,

⁴ To be fair to the supplier’s performance it is important to say that this declaration was collected during the exploratory study. At the time of the reinforcement study (two years later) the client was much happier with the supplier’s performances. Realising the poor performance, both parties made changes in the organisation of the outsourcing’s which enabled this improvement. Moreover, with time the supplier developed its competencies internally and absorbed competencies-related knowledge through supplier development initiatives made by the client.

2000; Bendor-Samuel, 2000; Lacity et al, 1995). This behaviour does not improve the situation and is likely to degrade the relationship even more, decreasing the possibilities of joint work to try to find solutions to improve performance.

7.5.2. Supplier's performance is affected by its own objectives

Cause: The two parties involved in outsourcings normally have different objectives, even if only because profit motives are not shared. This was clear in the studied outsourcings; while suppliers want to make a profit and increase their reputation in the market to facilitate the gain of a bigger market share, clients seek to obtain the best value for money from the contract.

"We [client and supplier] do not have the same objectives. (...) We may have some common objectives; but we all know that their objectives are theirs and ours are ours. For example, the low downtime objective is common. (...) But I do not lose my objectives of reducing the maintenance costs and they do not drop the objective of making more profit than is expectable. (...) [Even that common objective may be seen as just indirectly common] because they know that if they achieve it, they earn more money [bonus of the reward system]." (Client executive)

✓ This is in accordance with the literature (Sparrow, 2003; Domberger, 1998). Contrary to many authors (e.g. Greco, 1997), Bendor-Samuel (2000) defends the notion that outsourcing parties are not partners: they are allies. For him a partnership is an association of entities with undivided interests, where both parties embark on joint efforts, having joint interests, joint risks and rewards; 'partners' implies joint ownership and a permanent relationship, whether good or bad. Allies, on the other hand, act together for the benefit of each other in many areas and occasions where their common interests match. In an alliance, there is a pact or agreement between the parties to cooperate for a specific purpose and to merge their separate interests and efforts for that common purpose. For him, the allies' relationship is longstanding but not permanent; in fact, where their interests do not match, they may be not allied. ✓

Consequence: When parties' objectives do not match, they do not abdicate from their own objectives to the detriment of common objectives. To achieve their own objectives parties sometimes even take steps that will undercut the other party's objectives or in the work quality.

"If you are going to do a job, before you do it you always make some kind of rough calculation. If you see that this job will cost a little bit too much than expected... than

maybe you try to do it in a little different way and that can sometimes influence the quality.” (Supplier executive)

Clients stated that because of this misalignment of objectives, suppliers sometimes start behaving opportunistically, affecting clients’ future performance and neglecting situations they know will evolve into problems no longer included in the contract.

“[The supplier] starts not doing some maintenance actions to save money and then this lack of maintenance will have future consequences in equipments’ effectiveness. (...) A situation which is current maintenance in a certain time, if not repaired can evolve and give origin to a ‘big repair’. What a certain time was part of the contract and should be done but the supplier did not do, after a while the consequences are so big that they are already a ‘big repair’. And if it is a big repair it is already out of the contract. So, sometimes suppliers close their eyes to situations they know will evolve to outside the contract.” (Client executive)

Clients believed that when the suppliers’ own objectives are being achieved, they fight for the common objectives, but when they are not achieving their own objectives, then they slightly forget these common objectives in trying to achieve their own. This opportunistic behaviour on the part of the suppliers results in production losses, extra money being spent, conflict and lack of trust in the relationship, adversely affecting the synergy of both parties.

The literature (Vining and Globberman, 1999) recognises that outsourcing parties can behave opportunistically and self-interestedly, even with bad faith.

7.5.3. Client changes its behaviour towards the outsourced activity

Cause: Sometimes clients change their behaviour towards the outsourced activity during outsourcings, directly affecting suppliers’ work or changing the conditions on which the agreements were based.

“At the start of the contract the market was very good for the client. But during the contract the market changed, bringing financial problems to the client (...) and it started to try to get more out of the supplier. (...) They have changed their behaviour. While before it was prepared to pay extra for services that were in contract’s ‘grey zones’ [requirements that were not clear in the contract due to a poorly defined boundary and scope], once it became into a worse financial situation it started to pressure us to deliver the ‘grey zones’ jobs free of charge [arguing that they were included in the contract], increasing the load on us.” (Supplier executive)

Moreover, suppliers complained that changes in their clients’ production plans have effects on the mills’ conditions, and hence on the necessary maintenance.

“[Metaphorically speaking] one person can almost ‘kill’ a luxury car like a Mercedes in just 15 thousand kilometres. But the same person can drive a cheap Fiat [expected to be less

reliable] for 150 thousand kilometres without problems [and less maintenance needed]. It all depends how the person drives the car.” (Supplier executive)

Clients partly attributed the change of behaviours to their managers. Clients’ outsourcing managers were the people who undertook the maintenance in-house and were used to have maintenance operations limited by budget restrictions; thus although they were willing to do more maintenance, they could not do it because of lack of money. Once the outsourcings started, these managers were no longer limited by the budget because maintenance works were globally included in the contract. Consequently those managers became more exigent with the maintenance, asking more of the supplier than they used to do in-house – conditions in which the outsourcings’ bids were made. So, like suppliers, clients can also display opportunistic behaviours.

The literature (Lynch, 2000a) points that once the contract is signed there is a temptation for both parties to attempt to get benefits from the outsourcing, even at the expense of the other.

Consequence: Changes in clients’ behaviour may put suppliers in difficult situations, affecting their performance and behaviour in the outsourcing.

“[With the change of client’s behaviour related to the ‘grey zones’] the cost to us has increased too much! (...) We have to carry more costs and that has been so much now that we are in a trouble situation!” (Supplier executive)

Clients referred to the fact that suppliers in such financial difficulties were likely to take opportunistic shortcuts to avoid extra work, resulting in potential production losses for the client and conflict between the parties.

The literature (Bendor-Samuel, 2000) defends the idea that when allies’ objectives do not match, they tend to look principally to their own interests, causing misunderstandings and distrust.

7.6. Gap 5

Gap 5 corresponds to the difference between what is actually delivered by the supplier and what is perceived by the client. This difference was found to be based on one contributing factors: ‘Clients’ bias in perceiving the service’.

**Main contributing factors for
Gap 5:**
1- Client's bias in perceiving
the service

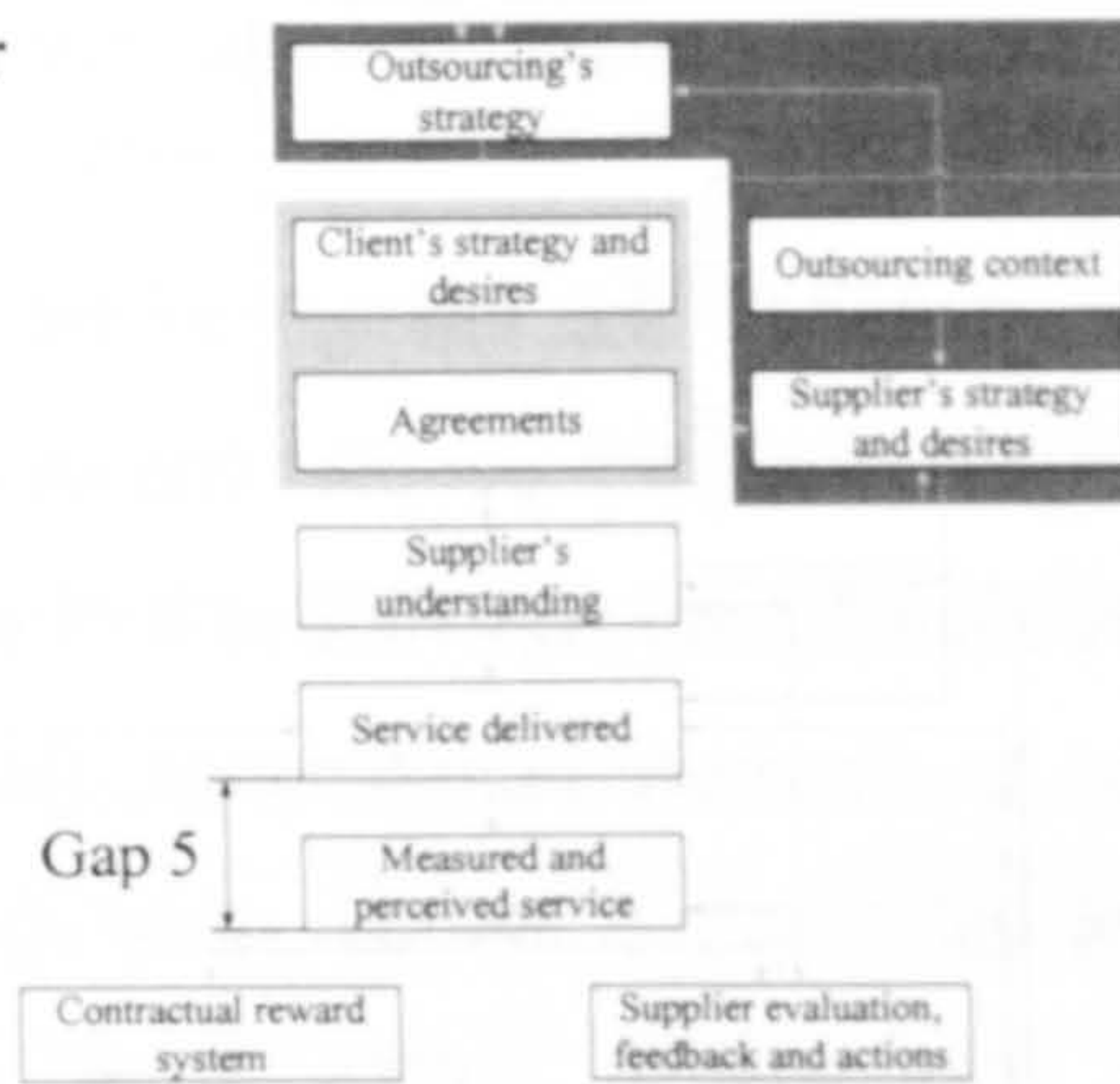


Figure 41 – Key factors contributing to Gap 5

7.6.1. Client's bias in perceiving the service

Cause: Clients' employees usually have hard feelings and bad will against outsourcings because of perceived insecurity or loss of benefits (e.g. power, change of duty, relocation and criticisms from the supplier about their normal practices). Such ill feeling against the outsourcing is often magnified by factors such as the suppliers' employees enjoying greater benefits than their co-worker client's employees. For example, this was notorious in one of the studied outsourcings, where some of the supplier's employees' right to a car provoked reactions from the client's employees.

“There are many people that for various reasons are against the outsourcing: because it destroys the number of persons in the company and reduces labour, they feel their jobs threatened; because it is an attack on the old employees; because the gained power and comforts start to deteriorate... There are many reasons – good and bad, as the loss of company know-how – in which people focus to believe that outsourcing is bad.” (Client executive)

The literature (Greaver, 1999; Domberger, 1998) recognises that as in most transformation projects, in an outsourcing the clients' employees' emotions run high, resulting in a resistance to change. Sometimes clients' employees do not see the benefits of the relationship (Christopher and Juttner, 2000), feeling that they were betrayed by their company and that no other company can possibly do the job as well as it was done in-house (Bendor-Samuel, 2000).

Consequence: When clients' employees have bad-will against the outsourcing their impartiality is likely to be jeopardised, affecting the way in which the client organisations perceive the delivered service. If members of the outsourcing management team share that bad-will against the outsourcing, and the members of each

party's outsourcing teams have bad personal relationships, then the problem becomes more serious. Bad feeling against the outsourcing on the part of the client's employees means that the supplier's performance will be poorly evaluated and not properly valued. Additionally such bad-will also magnifies the importance that the client's employees place on any problems that occur.

"If suppliers' performances are poor they [client employees] are implacable saying that suppliers are bad, that they would do better and that there was no need for outsourcing; if performances are good they say that they would also reach such performances if they had more time."(Client executive)

In the exploratory study, the client's employees expected such a highly regarded supplier to achieve a very good performance, but it transpired that the supplier had little experience in the pulp and paper industry, and during the first years the performance was not very good. As its performance was worse than the client's employees were expecting, they perceived the service to be even worse than it really was. Moreover, the client's employees did not have access to information about the actual performance, and the way they perceived the service was based almost entirely on their own opinions. This did not give them the opportunity to align their understanding of the performance with the reality, and they continued to evaluate the outsourcing performance as being even lower than it actually was. This environment contributed to the existing bad-will towards the outsourcing.

Often employees' opinions and feelings are made clear to the client's top management, and then suppliers have to expend resources and effort to convince them that it is not true, explaining the actual situation instead of focusing on the service. These situations are high in tension and conflicts between the respective parties' employees, resulting in a general distrust and discomfort in the relationship. Such an environment has consequences for the way in which both parties behave.

The literature (Domberger et al, 1993) suggests that perceptions of quality in contracting are clouded by the relationship between the two parties involved. Additionally, research related to service industries to individuals (Zeithaml et al, 1990) defends the suggestion that the expectations that clients bring to the service affects its evaluation and way they perceive the service; the higher the expectations, the better the delivered service must be to be perceived as high quality. Due to the inherent parallels, the same is expected to happen in business to business outsourcing relations.

7.7. Gap 6

Gap 6 corresponds to the misalignment between the contractual reward system and the outsourcing's objectives. This misalignment was found to be based in one contributing factor: 'Reward system not appropriate to the situation'.

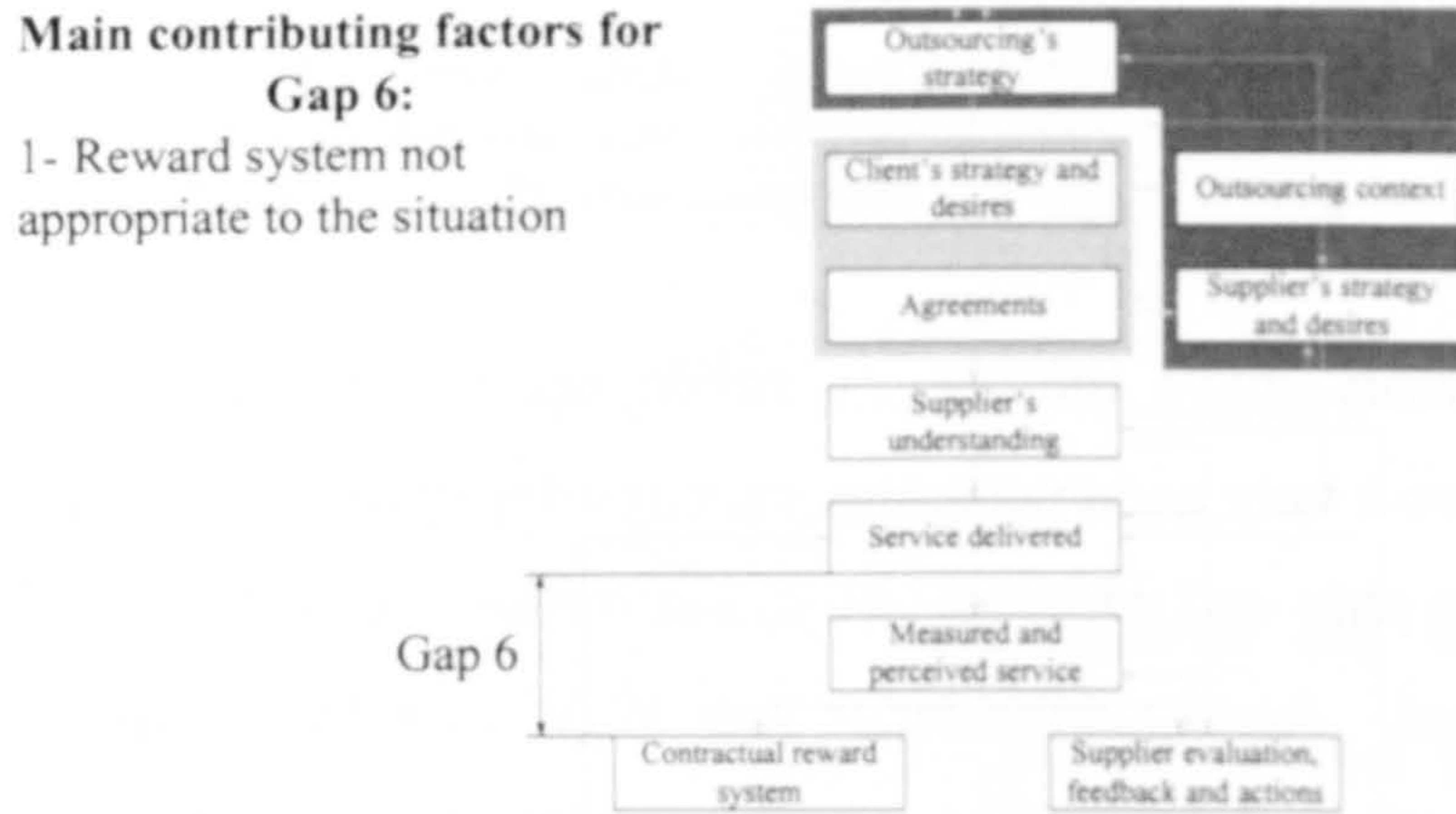


Figure 42 – Key factors contributing to Gap 6

7.7.1. Reward system not appropriate to the situation

Cause: Clients use reward systems to orientate and motivate suppliers. Nevertheless, sometimes these systems are not aligned with clients' priorities and wants. Such misalignment may be due either to an ill-designed or stagnated system, which does not translate clients' priorities and wants, or does not accompany their evolution. The reward systems studied were almost exclusively driven by output factors, leaving the way the service was delivered – which can affect the client's work and is a driver for internal customers' satisfaction with the outsourcing – aside. Clients associated the fact that the reward systems were mainly related to production outcomes with the fact that the contract and the reward system were constructed by people with technical backgrounds. Additionally, reward systems were found not to cover all of the outsourcings' main objectives and to have key performance indicators (KPI) which were ineffectively or ill-defined. A supplier executive gave an ironic example:

“In the eyes of this reward system, if an employee gets injured it is better to kill him because that way we will not be losing working time [which drives the KPI].” (Supplier executive)

Before the start of the outsourcings, clients created new measurement systems – which drive the reward systems – to try to control outsourcings effectively. However

these new systems had not been tested empirically and so some of their target values were established based on managers' opinions and feelings. Sometimes these values, not based on factual data, were shown not to be aligned with the client's real expectations, and thus, the same was the case with the rewards systems.

The literature (Lynch, 2000a) notes that pricing issues are normally established at the beginning of the contract and usually do not contain meaningful mechanisms for continuous adjustment. ✓ This suggests that in the middle of the outsourcing the reward system is likely to become misaligned with clients' priorities, needs and desires, since these change with time. ✓

Consequence: When reward systems are not clear and aligned with clients' priorities and wants, their own existence may be counterproductive for the objectives of the outsourcing. Such conditions are likely to create conflicts between the parties and a misguidance in the supplier's work and motivation. In the cases studied there were KPIs which were not being measured and used, due to their poor definition in the contract. ✓ The inclusion of ill-defined KPIs in the contract were prejudicial for the outsourcings because they created conflicts between the parties and ended up not being used, putting the client and its reward system in a fragile position in the eyes of the supplier. ✓

“During the outsourcing we [the parties] never reached an agreement of how that KPI [related with environmental issues] should be measured and calculated. (...) We had to drop [not use] it. (...) This may be seen as a sign of weakness. (...) If there are KPIs without well defined rules, the most certain is that the objectives behind their inclusion are not dealt by the supplier as carefully as expected.” (Client executive)

The fact that not all the objectives of the outsourcings were included in the reward system was also said to be a flaw which enables suppliers to not suffer the consequences of not achieving the outsourcings objectives. In this way suppliers are likely to put less effort into those objectives, jeopardising their achievement. Additionally, inadequate target values were mentioned as being prejudicial for outsourcings: too high target values are unlikely to be achieved, bringing conflicts to the relationship and lack of motivating to the supplier; while low targets can limit the potential benefits that the supplier could bring to the outsourcing and make the client to pay high rewards without reaping the expected benefits.

✓ The literature (Bendor-Samuel, 2000) defends the suggestion that when inadequate reward systems exist, the temptation for suppliers is to attempt to achieve increased

profitability by reducing service quality. This seems to suggest that reward systems not appropriate to the situation may enable suppliers to reach greater benefits by behaving opportunistically than by achieving the objectives of the outsourcing.

7.8. Gap 7

Gap 7 corresponds to the lack of quality in the processes of clients' supplier evaluation, feedback construction and preparation of supplier development activities. It was found to be based on three contributing factors: first, 'Client does not give much importance to outsourcing's management'; second, 'Incorrect use of a measurement system'; and third, 'Lack of quality of the feedback'.

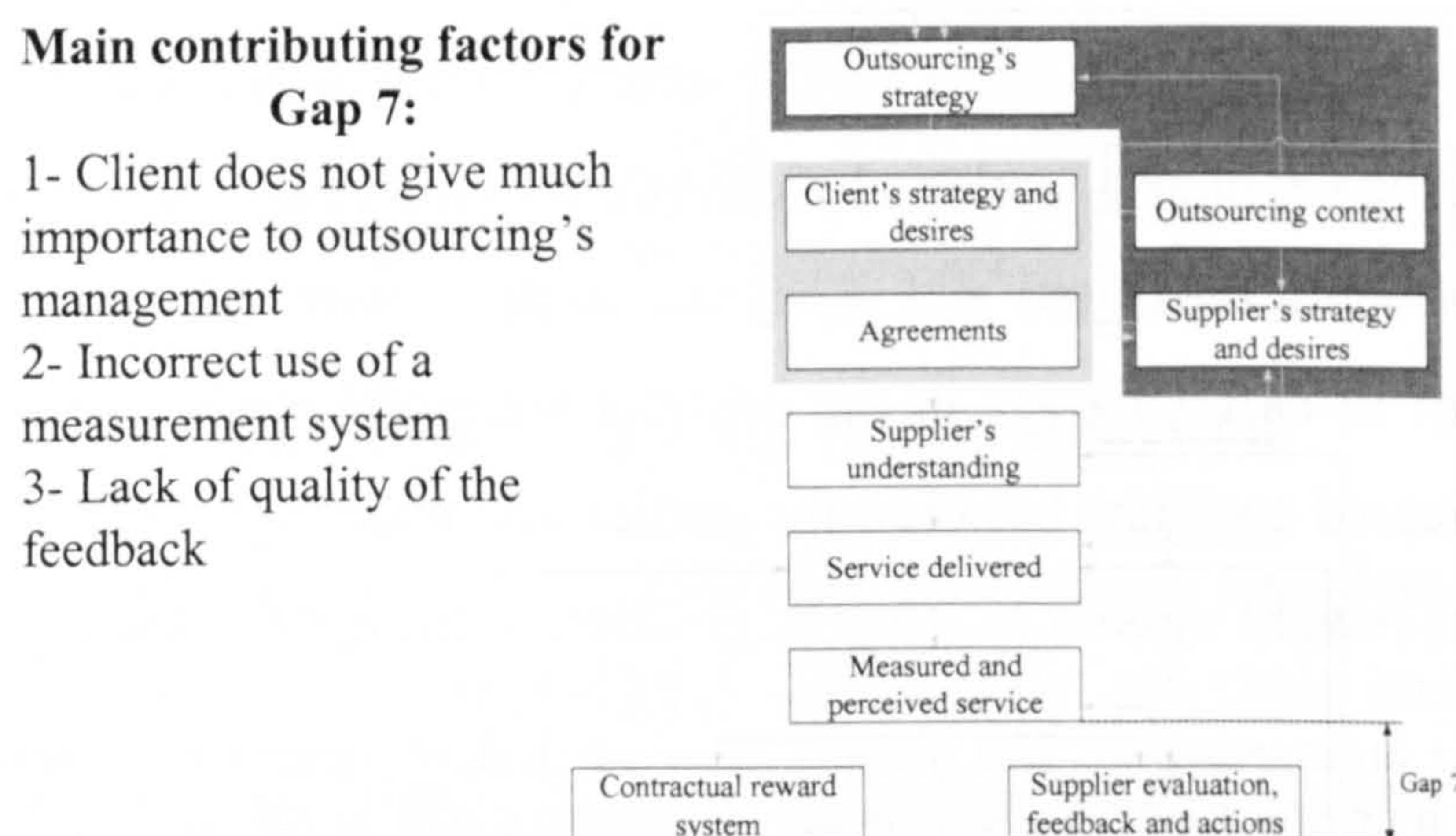


Figure 43 – Key factors contributing to Gap 7

7.8.1. Client does not give much importance to outsourcing's management

Cause: Sometimes clients do not place much importance on the way they manage outsourcings; often they manage them passively, just expecting services to be delivered.

“It happened to us in the first year. (...) We adopted that position: ‘We made the outsourcing and the way it is developed and the service delivered is the supplier’s responsibility. We have nothing to do with it.’” (Client executive)

Even when clients try to manage outsourcings actively, very often they do not give sufficient thought to the best way to do it.

“We give much importance to the outsourcing management. But I have to admit that we do not have a systematised management. (...) We do not look at the outsourcing management with the appropriate detail. But we have placed a lot of importance on the outsourcing

management. In the last two years 80% of the work I do is to manage the outsourcing. (...) In the last year even the mill director has accompanied the outsourcing. (...) [But] we manage more than think how to manage an outsourcing.” (Client executive)

Furthermore, clients’ outsourcing managers are often the people who had performed the outsourced service in-house, and who are not adequately prepared to manage outsourcings. They tend to place more emphasis on the operational and immediate side of the activity than on its business and strategic side.

“We are very used to the other management [maintenance management] and not to this management [outsourcing management]. (...) Our [type of] management is more operational (...) than the management of maintenance as a business. (...) We are clearly not prepared to manage it [the maintenance] as a business.” (Client executive)

The literature (Lamming et al, 1996) defends the idea that the assessment and management of suppliers in general appears to favour clients more than it favours suppliers; nevertheless clients do not spend as much time managing on-going relationships as they do making the initial purchasing decision (Bozarth et al, 1998). Buyers frequently underestimate the time and attention required to manage an on-going outsourcing relationship; a common source of difficulty is leaving suppliers to their own management devices, expecting them to operate on their own, with little or no direction from the client (Lynch, 2000a). Although this is desirable to a certain degree, advice and counsel must be available when needed. Managers pay little attention to reflecting about how they actually manage their outsourcing relationships (Kern and Willcocks, 2000) and the majority of outsourcing companies do not have specific programmes in place to develop relationship management capabilities for outsourcings (Corbett, 2003). Most companies continue to manage their supplier relationships in a relatively informal way (Heckman, 1999) and do not staff their outsourcing management teams sufficiently (Lacity et al, 1995).

Consequence: When clients do not place much importance on outsourcing management, they are unlikely to control the path that the outsourcing takes. Thus suppliers probably lack a sense of direction and prioritisation in outsourcings, jeopardising the achievement of the outsourcing’s objectives. Moreover, clients’ needs specific to their situation may not be communicated or taught to suppliers.

“In the first year we did not involve ourselves much in the outsourcing management and we did not guide well the supplier. (...) The supplier was a little disoriented and we did not have control over the situation. (...) [When this happens] suppliers do not deliver the

service we expect (...) and that can have negative consequences for our production performances.” (Client executive)

Additionally, suppliers may take advantage of their clients’ lack of outsourcing management to guide the outsourcing opportunistically, trying to achieve their own objectives and leaving the clients’ objectives in second place.

“If a client does not manage the outsourcing, the supplier manages the outsourcing as it wants, preferentially in its own interest. While it happens in that way clients may have prejudice or at least do not reach the expected objectives. (...) Probably clients also lose negotiation capacity, since suppliers are likely to say ‘You did not tell us that; you did not put us in the right path.’ So clients lose.” (Client executive)

Because clients virtually abdicate the outsourcing management and do not put enough thought in it, suppliers retain control of the outsourcing (Mullin, 1996). When clients underestimate the time and attention required to manage outsourcings, or when they hand over management responsibility to suppliers, suppliers begin to operate in a priority vacuum and service quality tends to deteriorate, since the suppliers’ agenda is not in sync with the clients’ business objectives (Lynch, 2000a). After all, the objectives of each party are not always the same (Sparrow, 2003; Domberger, 1998).

7.8.2. Incorrect use of a measurement system

Cause: Clients often use weak and poorly constructed measurement systems.

✓ Frequently measurement systems are simply constituted of individual measures which are important for clients, lacking a group rationale. Systems constructed in such way will hardly follow an outsourcing’s strategic structure and consequently will not to be aligned with its strategy and objectives. Such an unstructured way of defining measures usually results in performance systems with too many measures, some of which are of very limited importance for the outsourcing. Probably motivated by unstructured performance measurement construction processes, measurement systems also sometimes fail to incorporate important issues for outsourcings. Outsourcing performance systems often focus on short-term operational issues, failing to include other aspects important for the outsourcing’s success and strategic measures. /

“The unique indicator related with cost control was of materials costs. We failed to include maintenance’s global cost and specific cost as indicators. (...) We thought of the indicators almost just in terms of production.” (Client executive)

Measurement systems are often created just before the start of the outsourcing to try to control it. However these new systems have not been tested empirically and some of their target values were established based entirely on managers' opinions and feelings. Not being based on factual data, these values were sometimes revealed not to be aligned with the client's real expectations. More extreme cases exist where even the measures included in the performance measurement systems are poorly defined. For example, in the studied outsourcings the performance systems had measures that failed to clearly define their calculation rules and their target values. Even when calculation rules are defined, they may be not clear enough to have consensus between the parties about how they should be measured, and may even be wrongly measured and calculated. ✓

✓The literature (Dean and Kiu, 2002) states that clients believe that they should perform more rigorous performance monitoring and that the frequency of monitoring affects the quality of the outsourcing's outcomes. One of the key features in the success of an alliance is the presence of constant evaluation and monitoring, since the information collected helps both parties to better understand what is going on, permitting adjustments to improve performance (Cravens et al, 2000). Initial studies on performance measurement emphasised accounting factors principally related to financial issues, which tend to represent past performances and did not report qualitative information (Kaplan and Norton, 1996). Arguing that partial measurement may lead to incorrect conclusions, the new performance measurement literature (e.g. Neely et al, 2002; Kaplan and Norton, 2001; Kaplan and Norton, 1996) broadened business performance measurement to include both financial and non-financial aspects. Although clients' satisfaction depends on both operational and relational performance (Stank et al, 1999), this broadening of performance measurement does not appear to have been extended to outsourcings; outsourcings' performance measurement usually depends on costs, neglecting less tangible issues of performance and quality (Dean and Kiu, 2002). ✓

Consequence: When outsourcing measurement systems are ill constructed and have weaknesses such as not being constructed in line with their strategies, there is the danger that important perspectives are not analysed by both parties. On the other hand, the inclusion of measures not important for the outsourcing also wastes resources in their analysis and may deflect management attention from what is really important. If

any measure of the system is difficult to undertake, then neither party is likely to spend much time trying to measure it. When the measures are not clearly defined in the measurement system, then conflicts about how they should be used are likely to appear during the outsourcing. When target values are shown to be inappropriate to the situation, then the objectives of the outsourcing are jeopardised, harming its development and quality. Too high target values are unlikely to be achieved, bringing conflict to the relationship and a lack of motivating to the supplier; low targets can limit the potential benefits that the supplier could bring to the outsourcing and force the client to pay high rewards without reaping the expected benefits. If the parties comprehend performance systems as ineffective then they are likely to gradually stop using them, and the management becomes based more on feelings than on concrete data, creating conditions appropriate for management bias, assumptions, game playing and opportunistic behaviour. In one of the case studies, although the measurement system had 22 indicators, only 4 were being used, and those 4 were part of the 6 indicators that were related to the reward system.

“Some indicators included in the contract do not tell us anything and so we do not measure them. Some others we did not know how to measure and use them. And when indicators are not well measured we do not know how to evaluate well what we want and what should be delivered. (...) If we have a bunch of indicators, many of which were not important... Then even the important ones that are in the middle of the bunch stop being measured and followed.” (Client executive)

Tension between parties also arises when the defined measures are not well used, e.g. the existence of a continuous measurement error, as happened in one of the outsourcings, where one measure which drove more than half of the reward system was discovered to be continuously wrongly calculated by the client; that created a difficult and uncomfortable situation between the parties when the error was discovered. A poorly defined or poorly used measurement system is likely to give a wrong or incomplete understanding about the outsourcing’s real situation, misdirecting operations from the outsourcing’s objectives, jeopardising improvements and creating tension between the parties.

The literature (Lynch, 2000a) states that some outsourcing managers become so fascinated by the reports of the measures that they insist on measuring meaningless trivia; too many measurements can bury the operation in details and lead to friction between parties, but too few or general measures make outsourcings difficult to manage.

7.8.3. Lack of quality of the feedback

Cause: Clients often do not give good feedback to suppliers. Clients may have a passive posture within the outsourcing management, or give feedback reflecting the immediate situation. Frequently clients are more concerned about and focused on informal feedback related to immediate daily operations than on strategic feedback regarding long-term objectives and evolution of performance. This is expected to be even more pronounced when client employees have bad-will against the outsourcing, since they tend to communicate just when problems occur and consequently give negative feedback. Moreover if clients do not use correctly the performance measurement systems they can even give erratic feedback to the supplier.

“Poor quality feedback is a general problem; not only in outsourcings. Every time you do something that is wrong you get the feedback immediately. But it would also be good to get the feedback when you did things well... Because then you know: ‘This is what he expects from me.’ (...) Most of the people are very good giving bad feedback but not so good giving good feedback.” (Supplier executive)

Suppliers have said that sometimes it seems that clients do not want to show the benefits they are having with the outsourcing, either because their employees have difficulty in accepting the suppliers’ success or because clients want to keep their suppliers in an uncomfortable position, expecting that they will do more work or that suppliers will continue to have low negotiation power.

The literature (Bendor-Samuel, 2000) states that as a strategy to preserve harmony clients often do not address important issues in the feedback, hoping that their suppliers will bring them up. Other clients use performance measurement in an adversarial way: parties are engaged in a cat-and-mouse game, where the client is in pursuit and the supplier is trying to avoid being caught (Domberger, 1998). Frequently clients fail to give a sense of priorities to their suppliers and do not tell them what they need; instead of clearly articulating requirements, they suggest solutions, offer opinions or identify new services (Forst, 1999). Additionally, clients often rely too much on the indicators (Domberger, 1998) and take good performance for granted, not showing recognition when good work is supplied (Lynch, 2000a).

Consequence: When clients do not give good feedback to suppliers – identifying what is good and bad in the outsourcing, prioritising and proactively directing suppliers’ efforts – suppliers are unlikely to have a sense of strategic direction in the outsourcings

or to understand the actual situation correctly. ✓ As suppliers control the process, feedback is the way in which clients control the outsourcing. ✓ If they do not give good feedback to their suppliers, then they are using that control in a bad way, or even losing it. Incorrect or untimely feedback has the potential to misdirect suppliers' efforts and priorities, resulting in wrong decisions and wasted resources being used; moreover it is unlikely to prevent problems from happening before they have serious consequences. As a result the effectiveness of the outsourcing erodes and thus its objectives and the client's needs are unlikely to be delivered.

“If clients are not able to transmit to the supplier the outsourcing's real situation and the objectives they desire, then the supplier does not deliver what clients desired because it was not communicated correctly what the supplier should deliver and thus the supplier does not know what the client wants.” (Client executive)

Suppliers highlighted the importance of feedback, even when clients are happy. It is a way to understand better what the client really wants, and then they can develop their practices in that direction. ✓ Additionally, exclusive negative feedback puts suppliers under permanent pressure, does not help them to understand the situation and the client's needs better, and does not help them in directing their efforts. Continuous negative feedback may demotivate suppliers from trying to do their best and may cause discomfort in the relationship. In such circumstances suppliers were said to be more likely to adopt opportunistic behaviour. Bad feedback was also exemplified to have undermined the suppliers' accountability over the performance of the outsourcing. ✓

“That already happened sometimes. We 'beat' them so much [always complaining and negative feedback] that it was difficult that they did something well. (...) It was bad. For example two site-managers were substituted. They were so 'beaten' that they end up going away. And then came another one, and now there is a new one. (...) When the feedback is 'caustic' [always negative] what happens is that clearly a lack of motivation and the abandonment from people. They already do not mind the 'beating' and stop trying to improve. Anything they do is wrong. It happened some times and was a problem.” (Client executive)

The literature (Bendor-Samuel, 2000) suggests that suppliers simply ignore unappraised issues; when clients do not address issues, suppliers receive an implicit message that those issues are not important. ✓ Clients get what they inspect, not what they expect. Clients failing to address important issues in the feedback may have serious consequences, since their suppliers are unlikely to focus on them (Barthélemy and Adsit, 2003); this may have future consequences because it creates poor precedents, and relationships are built on precedents (Bendor-Samuel, 2000). Too narrow a focus

on measures can lead to perverse results because suppliers may give so much attention to meeting a particular performance target that the overall consequences can become significant (Domberger, 1998); moreover, management and feedback of an outsourcing solely done in terms of the defined measures may lead to a sub-optimisation of the outsourcing's benefits, or to the loss of the notion of outsourcing as a unit (Bendor-Samuel, 2000). Use of performance measurement systems in an adversarial way is also not effective because the discussion tends to focus on symptoms and fails to go deep into the causes of the problems; furthermore such discussions are likely to poison the relationship (Domberger, 1998). When clients' feedback does not prioritise and state what they want, it will fail to guide the suppliers' efforts (Frost, 1997) and may create problems of accountability. Accountability problems are likely to lead to poor performance and to opportunistic behaviour by suppliers (Bendor-Samuel, 2000). But few things frustrate suppliers more than giving excellent service and seeing it to go unrecognised (Greaver, 1999); approval and recognition are basic human needs (Lynch, 2000a).

7.9. Gap 8

Gap 8 corresponds to ineffectiveness in clients' active outsourcing management practices. It was found to be based on three contributing factors: first, 'Internal resistance to outsourcing's success'; second, 'Supplier does not have liberty to work'; and third, 'Outsourcing management team not suited for its role'.

Main contributing factors for Gap 8:

- 1- Internal resistance to outsourcing's success
- 2- Supplier does not have liberty to work
- 3- Outsourcing management team not suited for its role

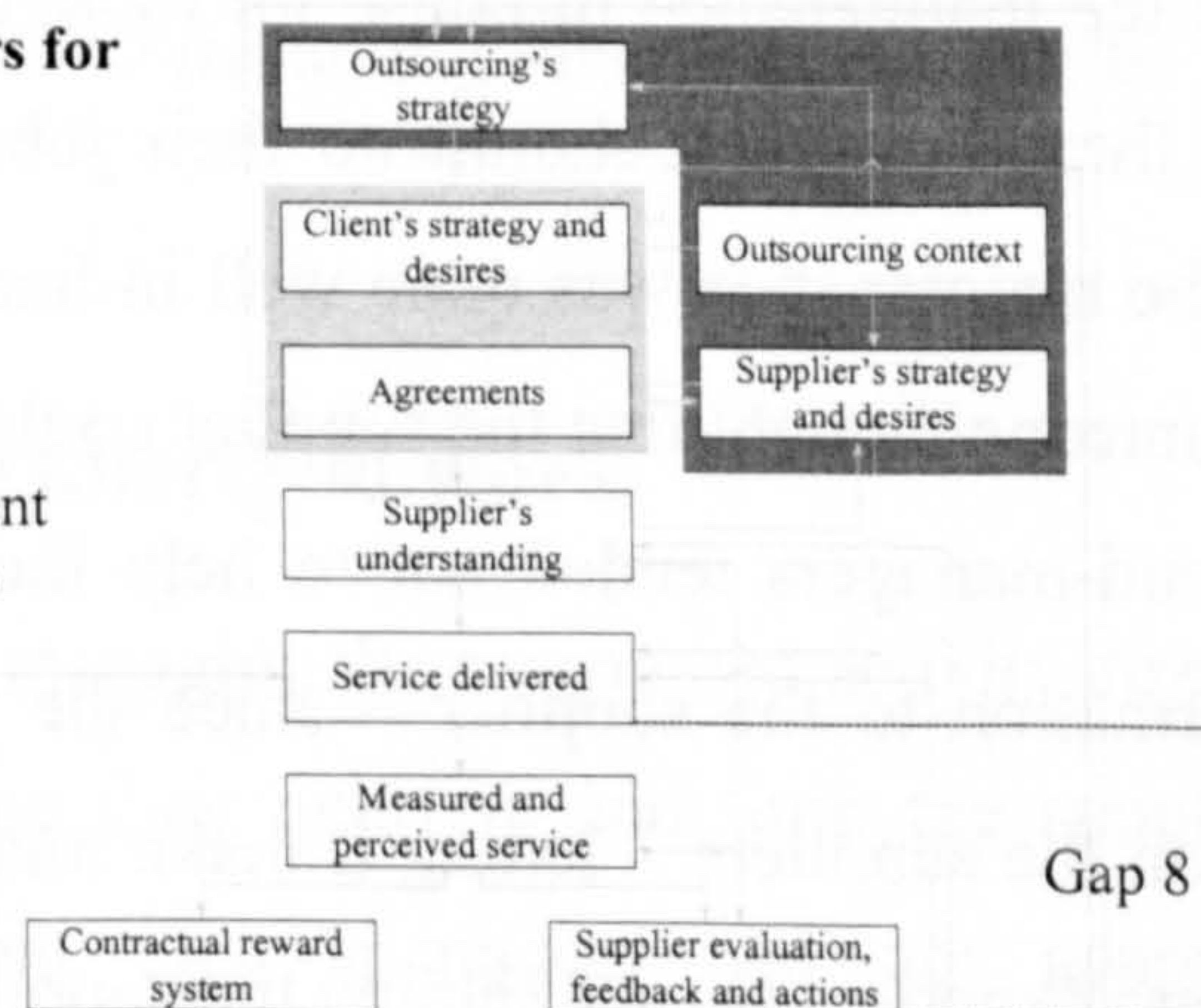


Figure 44 – Key factors contributing to Gap 8

7.9.1. Internal resistance to outsourcing's success

Cause: Clients' employees often have hard feelings and bad will against outsourcings because of a sense of insecurity or loss of benefits (e.g. power, change of duty, relocation and criticisms from the supplier about their normal practices).

“Ten years ago when we started the outsourcing business, typical start-up project would be one year or one year and a half. (...) But nowadays start-up is question of one month... the basic processes are implemented in one month. The difference is big. This highlights how difficult area is change management of the people minds. It can take five years, but still some processes are implemented in one month. (...) While the top management supports the outsourcing, the other hierarchical levels [which directly work in the outsourcing] have different attitudes. (...) Shop-floor level employees have limited knowledge about the outsourcing, fear its consequences [e.g. lost of job] (...) [and thus] are against the change. (...) Mid-management have a more refined understanding about the outsourcing, but believe that the maintenance was successful when it was done in-house (...) [Thus] mid-managers and production behave as traditionally they have behaved and tend not to change their behaviour towards the outsourced activity and do not collaborate openly with us.”
(Supplier executive)

The literature (Greaver, 1999; Domberger, 1998) recognises that as in most transformation projects, in outsourcing, the client's employees' emotions are heightened, resulting in a resistance to change. Sometimes clients' employees do not see the benefits of the relationship (Christopher and Juttner, 2000), feeling that they were betrayed by their company and that no other company can possibly do the job as well as it was done in-house (Bendor-Samuel, 2000).

Consequence: Such bad-will against outsourcings tends to be transformed into reactive behaviours which prejudice the outsourcing's success. Suppliers reported difficulties in changing the client's employees' practices, arguing that some of the client's employees had performed the maintenance in-house for more than twenty years and did not want anyone to tell them how they should do their jobs. Moreover, many mid-managers believed that the maintenance was done well in-house, and that if it was outsourced it was because someone thought that the supplier could do it better. So, probably to prove them wrong, mid-managers tended not to help the supplier much; they did not give important information to the supplier – since the clients' employees knew the mills much better than the suppliers – letting it make mistakes. They did not give proactive feedback or share experiences, not helping the supplier to understand the situation better to improve its practices. They lost the initiative to work and waited passively until the supplier's next order, diminishing the dynamics and responsiveness of the outsourced

function. They were more exigent with the supplier than when the activity was performed in-house, significantly increasing the workload. These practices did not help the success of the outsourcing, creating conflicts and limiting the work of the supplier and the performance of the outsourcing.

“When a supplier enters in a client organisation, some of them [client employees] feel that ‘Maybe I have not been successful.’ So, some avoid to give the right information to the supplier. And that means that you may make some mistakes before you find out that they did not tell what the problem or real expectation was. (...) Imagine that you [incarnation of a client] have been working in a certain thing for 10 years. And you feel ‘I really can do it and I do it in the best way.’ And then, suddenly, there is another guy standing there [the supplier] telling you ‘You should do it like this.’ For sure you feel ‘Why must somebody else come in and tell me how to do my work?’ That is very common. (...) We tried to teach some of the people, but they sometimes said ‘Don’t try to tell me how to do it. I have been doing this for 10 years. I know what to do!’ (...) And if they do not follow my orders, how can I do a good job and achieve good performances?” (Supplier executive)

The literature states that some clients’ employees may tend to channel their emotions about the outsourcing into two counterproductive streams; self-defence and retaliation. Self-defence, because some employees break company policies in order to gain favour with management, as exemplified by Embleton and Wright (1998): “In one instance employees had deduced that the key to job retention was to bring work in time and under budget (...) Quality was being sacrificed for short-term budget savings and the chance to attract [supplier’s] management’s attention.” Retaliation, because other employees try to undermine the outsourcing either actively (fighting the outsourcing and the change by applying pressure, threatening and sabotage) or passively (opponents refuse to fight, but also refuse to change and withhold information, play politics and delay decisions) (Greaver, 1999). Both self-defence and retaliation reactions reflect changes in behaviour due to the new outsourcing situation and can be very damaging for the outsourcing and its parties.

7.9.2. Supplier does not have liberty to work

Cause: It is hard for clients to stop managing the outsourced activity directly and start to manage the outsourcing. This way they interfere and limit the supplier’s work and processes. Clients recognised that their managers had not adapted themselves completely to their new organisational role and boundaries. They did not change their practices significantly, and involved themselves too much in the process of the outsourced activity, even bypassing the suppliers and giving direct orders to operational

employees, who were the same ones who used to perform the service in-house and thus historically used to work under those client mid-managers orders.

“We performed the activity in-house for many years, so our managers clearly still have the natural tendency to try to directly control the process and operations. Even I have that temptation!” (Client executive)

✓The literature states that with outsourcing the client transfers ownership and control of business processes to the supplier; this is what distinguishes outsourcing from other business relationships in which the client retains control of the process (Bendor-Samuel, 2000). ✓There are two main control mechanisms: direct supervision over staff and operations, and formal and indirect control mechanisms. Many companies believe that unless they have direct control over the inputs of the process, they have little if any control over the output (Langfield-Smith et al, 2000). One error that clients typically make is forgetting that they traded an internal infrastructure with its personnel and technical issues for a business relationship with the supplier. So, even though clients outsource an activity, they still try to dictate the process (Bendor-Samuel, 2000).

Consequence: When clients try to control the process of the outsourced activity, the supplier loses the freedom to work since it is not free to apply its expertise and innovation capacity. Clients often want suppliers to perform the service as it used to be performed in-house, killing from the start part of the improvements that the supplier could bring. Suppliers reported that when clients try to oblige them to do the work in a certain way, after a while they are likely to follow the clients’ instructions because clients have more power in the relationship. Nevertheless, although suppliers accept changes in their processes, they feel unhappy and uncomfortable with the situation because they are not allowed to do the work in the way they know is best and thus cannot introduce innovations to the outsourcing. Such interference not only limits the potential performance of the outsourcing but also reduces the trust and cooperation between the parties, bringing tension and conflict to the relationship.

“[If a client dictates the process] for sure the supplier will not be happy and the team work and the trust will diminish and there will be problems in the future. (...) Supplier will feel very, very badly if it is not allowed to do the way it wants to do it, because he knows that ‘If I do it in this way I save 3 hours, but now I have to do as he [the client] says and it will cost me 3 hours’. And also, if they pay for a supplier to come here that means that they expect to lower costs, to higher efficiency and so on. (...) And then they do not listen to me... So why did they bring me here?” (Supplier executive)

Clients noted that when they interfere too much in the outsourced process, suppliers need much more time to achieve maturity in the outsourcing than if they had assumed all of the responsibility for the outsourcing. They also revealed that the transfer of control over the process to the supplier created concerns over potential loss of control, leading to over-monitoring, which resulted in duplication of effort, adding high indirect costs to the outsourcings.

The literature (Bendor-Samuel, 2000) recognises that the temptation for a client to try to fix problems instead of working through its supplier can be overwhelming, but such attempts are likely to be fruitless or further compound the situation. Problems tend to occur when buyers try to continue to manage and dictate the process and do not allow the expert supplier to deal with the way in which the results will be provided. In doing so, conflicts occur and clients undermine their suppliers' accountability for the results of the process, which is one of the most valuable elements of outsourcing.

7.9.3. Outsourcing management team not suited for its role

Cause: Outsourcing managers frequently do not have the characteristics needed for their role, and outsourcing management teams are not balanced with the different characteristics needed for complete management. Suppliers reported that although outsourcing managers have a big impact on an outsourcing's success, they are sometimes not well suited to their roles. They stated that outsourcing management is completely different from maintenance management, because with outsourcing managers need to be flexible between both the client's and the supplier's teams. Moreover, outsourcing managers often do not understand the outsourcing's overall context and do not take a balanced approach to issues.

“Outsourcing in theory seems simple, but its implementation is far from simple. (...) [To make it worse] companies are trying to implement concepts [as outsourcings] without having people that clearly understand them. (...) Issues as the partnership spirit behind the relationship, the discipline that is needed, the need for a global view instead of a narrow vision of isolated bottlenecks and the necessity of constant investment are many times not understood.” (Supplier executive)

Clients tend to put the people who previously performed the outsourced activity in-house in charge of the outsourcing management. It is difficult for client managers to remove themselves from the operational maintenance and many are not prepared to manage maintenance as a business. Although clients' executives who headed the

studied outsourcing management teams had technical backgrounds, their previous experience – reflected by their hierarchical level – gave them some business characteristics. Nevertheless the rest of the management teams – who were operating the outsourcing on a day-to-day basis with direct contact with the supplier – tended to be very skilful in terms of maintenance engineering, but with little expertise in business. They had a tendency to lack a general overview, analysing individual work in extreme ways (or good or bad, right or wrong) making communication and cooperation between parties more difficult. Additionally many of those managers believed that the maintenance was well done in-house and did not believe in the outsourcing, thus magnifying such problems. ✓

✓ The literature supports the suggestion that with outsourcing, the client manager's role changes (Barthélemy and Adsit, 2003) from managing resources to managing the result of the contract (Gadde and Snehota, 2000). Successful outsourcing requires a shift in managerial and organisational learning, from how to do something to how to manage a supplier doing something (Allen and Chandrashekar, 2000). Thus outsourcing managers need different skills from those needed to manage the outsourced activity in-house: strategic thinking, negotiation and deal making, relationship governing, managing change, problem solving and communication (Kern and Willcocks, 2000; Langfield-Smith et al, 2000; Useem and Harder, 2000). Lynch (2000b) specifies for logistics outsourcing: "Although managers may be good logistics problem solvers, they may lack the necessary managerial and leadership capabilities". Outsourcing management teams must also have enough authority and power to commit their organisations to their decisions and agreements (Huiskonen and Pirtila, 2002). But because the major outsourcing challenges are not with the supplier but within the client organisation itself (Lynch, 2000a), those teams need the capacity to effectively coordinate not only inter-firm but also intra-firm activities (Takeishi, 2001). ✓

Consequence: When outsourcing managers are not suited and prepared for their role, problems are likely to occur in the outsourcing. Clients recognised that when operational people are responsible for the management of the outsourcing there is a natural tendency to place a greater focus on the operational side of the activity than on its business and strategic side, limiting the innovation that the supplier could bring to the outsourcing, and decreasing the guidance to the supplier. Notwithstanding these

drawbacks, clients highlighted that it is important to retain good technical know-how in the management team. It is the only way to enable an effective monitoring, control, help, development and guidance over the supplier. Such know-how keeps organisational memory inside client companies, preventing practices that by experience they know are erratic and which could potentially jeopardise clients' production. Additionally, clients defended the idea that retaining technical know-how within the company prevents clients from being completely dependent on suppliers, guaranteeing the continuation of the activity whenever needed. Suppliers noted that sometimes outsourcing managers are against outsourcings and feel threatened by suppliers. Thus their behaviour can create difficulties for the outsourcing and the relationship between the parties, negatively affecting the delivered service.

“Clients' managers many times do not have interest in cooperation and joint work to enable better results. (...) [It seems that] they prefer to look for conflicts than for solutions.”
(Supplier executive)

The literature gives examples of problems that can occur when technical people make the leap to managing outsourcing contracts: “... the two Energen [the name of the company] experts retained to manage the telecommunications contract had difficulty understanding that their job had changed. Instead of actually operating and maintaining the network, they were now responsible for interpreting users' needs and communicating them to the supplier. When a technical problem arose, the two experts still wanted to solve it themselves rather than just report it to the supplier's account manager, who argued that technical matters were his domain” (Lacity et al, 1995). In fact when technical people are in charge of managing outsourcing contracts, due to traditional habits they tend to keep managing the outsourced activity in the same way as they did before the outsourcing, interfering with suppliers' work (Corswant and Tunalv, 2002). When outsourcing management teams do not have power to commit their organisations to their decisions, then their credibility in the other firms' eyes is at risk, affecting future agreements and the relationship between parties (Huiskonen and Pirttila, 2002). When outsourcing management teams do not have the power and capability to influence internally the functions related to the outsourcing, problems may exist inside the client organisation due to critics and the resulting unpleasant environment, or even due to undermining of the outsourcing (Lynch, 2000a).

7.10. Gap 9

Gap 9 corresponds to ineffectiveness in clients' ability to maintain suppliers' understanding permanently in sync with their needs. It was found to be based on five contributing factors: first, 'Ineffective communication'; second, 'Bad relationship between parties'; third, 'Power imbalances'; fourth, 'Lack of trust'; and fifth 'Existence of conflicts'.

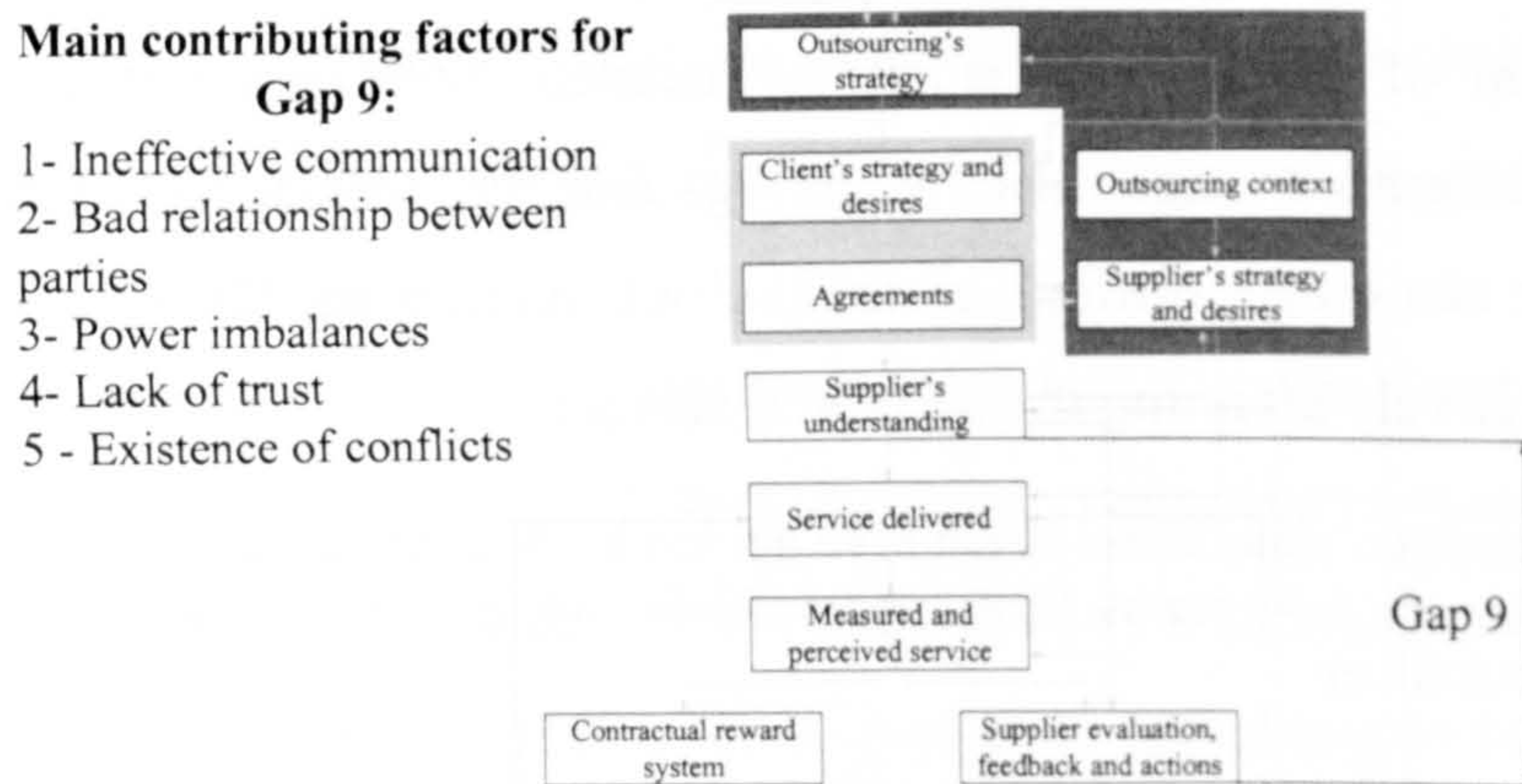


Figure 45 – Key factors contributing to Gap 9

7.10.1. Ineffective communication

Cause: Often communication between outsourcing parties is not of a high quality. Frequently communication just focuses on problems, lacking the positive and proactive spirit to overcome them. At other times there is a certain distance between parties that can cause difficulties for the effectiveness of communication. Ineffectiveness of communication between parties can be either unintentional or intentional: unintentional when they lack communication skills or when they simply do not communicate things to the other party in good faith, such as for example when they forget to mention something or think it is clear and thus unnecessary; and intentional when they do not communicate certain necessary aspects to enable them to adopt opportunistic behaviour in the future.

When clients' employees have bad-will against the outsourcing or do not have a good relationship with suppliers, communication problems are likely to be magnified. Clients' employees by themselves often are not willing to support suppliers in developing an understanding. Many of them are even against the outsourcing and this is reflected in their behaviour, when they create problems of distance and communication.

The distancing between client and supplier outsourcing teams was highly visible in the exploratory case study; even physically, since suppliers were located far from the client's outsourcing management team. Such distance makes quantity and quality of communication between the parties even more difficult.

“There has been some communication barrier between us. (...) When a supplier enters in a client organisation, some of them [client employees] feel that ‘Maybe I have not been successful.’ So, [to avoid outsourcing's success] some avoid giving the right information to the supplier.” (Supplier executive)

Negotiations were also pointed to as an indirect obstacle to communication. Their ineffectiveness may create role ambiguity and lack of communication rules between parties, potentially leading to a situation where clients do not understand that they need to tell the suppliers what they want, and suppliers do not know how to get information from clients. Others reasons, such as the differences of culture and language between clients' and suppliers' managers were also referred to as diminishing communication effectiveness. ✓

The literature (Lynch, 2000b) notes that problems in communication between parties are not unusual. They might be originated by insufficient communication (Bozarth et al, 1998), one way communication (Lynch, 2000a), ambiguous communication (Wynstra and Pierick, 2000), low width communication limited to a number of contact points (Landeros et al, 1995), and inadequate communication medium (Lynch, 2000a) among others.

Consequence: When communication between parties is not good, suppliers are likely to become confused, not understanding clearly what clients want. In such situations they make errors, waste resources on aspects clients do not value and are unlikely to deliver the benefits that clients want. Such situations create tension and conflict between parties, jeopardising the trust in the relationship. Additionally, lack of communication was also mentioned as diminishing suppliers' motivation and making their development more difficult.

“One problem for this outsourcing company has been the communication problem, because to achieve fully the performance you [the supplier] have to be able to communicate to the guys [the client]. And that influenced our work because we have not been able to come close to the [client] organisation as we expected [wanted]. (...) [If there is lack of communication] in the worse case the outsourcing will not do what the client is expecting; in other cases it puts the trust in a difficult situation (...) The worse case is that you [the supplier] do not know what the client wants from you.” (Supplier executive)

The literature (Spekman et al, 1999; Landeros et al, 1995) recognises that unclear communication of expectations between parties can jeopardise suppliers' correct understanding about what they are expected to deliver, and thus resulting in poor outsourcing decisions (Kakabadse and Kakabadse, 2000). Additionally when clients do not address issues with suppliers, outsourcing performance is likely to suffer. Suppliers take shortcuts that are not caught and corrected, or do not get answers to doubts and suggestions for improvement; these situations may result in delays or inappropriate assumptions being made, which are likely to create future problems (Greaver, 1999). Additionally, suppliers not communicating to clients issues such as changes of operations may also have a negative impact over clients' operations and performance (Lynch, 2000a).

7.10.2. Bad relationship between parties

Cause: Often the relationship between clients and suppliers is problematic. Aspects such as lack of diplomacy between managers (more evident when managers are technical people), bad-will against the outsourcing by the clients' employees and performances weaker than expected accentuate these problems. Frequently they are even created at a personal level between clients' and suppliers' managers.

“In the past I even had to change site managers because of bad personal relationships with clients.” (Supplier executive)

The literature (Meer-Kooistra and Vosselman, 2000) acknowledges the influence that the social context of outsourcings can have over them and over the behaviour of both parties.

Consequence: When the relationship between clients and suppliers is problematic, the parties involved regard each other as strangers and suspicious characters. Tension arise and communication problems, such as clients not giving the supplier all the information necessary are likely to occur. In such an environment distrusts and conflicts affecting cooperation are likely to occur. These conditions have the potential to sabotage the outsourcing.

“It is better to have a not so good contract with two [clients and suppliers'] management teams which have a good relationship than a very good contract and two management teams which have a bad relationship.” (Client executive)

The literature recognises that to an important extent alliances are between people; due to the complexity of outsourcings, contracts do not cover all aspects of it (Lewis, 1995). Many believe that contracts are just pieces of paper; it is the people that make them work (Kern and Willcocks, 2000; Christopher and Juttner, 2000). When relationships between parties' employees are not good, distrust and destructive behaviour appear, and although often overlooked, the human side of outsourcings may impede its value creation (Bendor-Samuel, 2000).

7.10.3. Power imbalance

Cause: Clients are normally the strongest part in outsourcing relationships. They pay for the service and they say what they want to receive. Many contracts even have clauses to ensure that certain changes are not made without the clients' approval.

“The customer is the customer and the client is always right!” (Supplier executive)

The literature of outsourcing (e.g. Kern and Willcocks, 2000), partnerships (e.g. Tuten and Urban, 2001), alliances (e.g. Ramaseshan and Loo, 1998) and normal client-supplier relationships (e.g. Gadde and Snehota, 2000) is unanimous in recognising the existence of power imbalances between the parties in a relationship.

Consequence: When there are power imbalances between outsourcing parties, they are sometimes used by the stronger party to control the relationship, and that may have negative consequences for the outsourcing. Trust, cooperation and the relationship between the parties are likely to be negatively affected. The stronger party has more negotiation power and is likely to use it to protect its interests; the weaker part is likely to become frustrated and to adopt opportunistic behaviour to protect itself.

“If a party has more power, it can condition the outsourcing. If the client has more power the relationship may not work as an outsourcing... It is an outsourcing, but it is the client that rules. So the activity is performed as it was before [before the outsourcing]... Its ideas and how it wants continue to be done. If the supplier is stronger in the relationship, then it may cheat the client: selling one thing but delivering another worse, not doing the maintenance it should and saving money where it should not.” (Client executive)

When clients control the relationship and try to control the processes of the outsourced activities, suppliers are likely to provide in the way how clients want after a while, but become frustrated. When suppliers' processes are commanded by clients, they take much longer to reach maturity within the outsourcing, and the potential for

innovation they could bring to the outsourcing is limited. So, in such circumstances, the outsourcings' performances are also limited.

The literature (Tuten and Urban, 2001) suggests that power imbalances may lead to conflicts and opportunistic behaviours by both parties. Such a situation diminishes the perception (Ramaseshan and Loo, 1998) and the effectiveness of the relationship (Gadde and Snehota, 2000).

7.10.4. Lack of trust

Cause: Often parties do not trust completely each other, because they are afraid that the other party is behaving opportunistically.

“Suppliers are afraid that clients will ask things they think they do not have to do; clients are afraid that suppliers do not do what they should and that they are winning money at clients expenses and that clients later have consequences of the work not being well done.”
(Client manager)

Parties occasionally even distrust the competences of the other in relation to the outsourced activity.

“We believe that they [suppliers] do not have enough competencies to do the outsourced activity all by themselves; by another side I believe that they have all the right of saying ‘You did a not very good maintenance; we arrived and nowadays it is much better. You were not very competent in terms of maintenance. We arrived and it improved.’” (Client manager)

✓ The literature (Langfield-Smith et al, 2000) recognises that often mistrust arises due to different cultures between the parties. ✓ Additionally, most business executives practice gaming ethics in the routine discharge of their responsibilities, failing to honour compromises (Lynch, 2000a). The resulting lack of trust between parties is magnified when there is risk of information leaks and breaches of confidentiality (Momme and Hvolby, 2002; Elmuti and Kathawala, 2000). ✓ Sako (1992) divides inter-firm trust into three types: contractual trust, based on moral standards of honesty and keeping one’s word; competence trust, based on the expectation that the supplier has the necessary technical and management competencies at his disposal; and goodwill trust, based on the expectation that parties have an open commitment to each other. ✓

Consequence: When parties do not trust each other even at a personal level, there tends to be more conflict and parties are more careful in dealing with issues related to the outsourcing. Distrust limits the degree of risk that parties are willing to take, thus

limiting the outsourcing's potential benefits. Outsourcing management becomes even more difficult; everything takes more time, and resources to be analysed and implemented. Past behaviour influences future behaviour.

“When there is no trust parties are always with full attention and trying to read the invisible signs of what is coming from the other side. It creates a permanent difficulty for management. One person is always much more cautious.” (Client executive)

Additionally, parties are more likely to try to reap additional benefits from the outsourcing through opportunistic behaviour and to try to control the outsourcing, limiting the other party's actions. In such an environment there also tends to be a reduction of each party's cooperation and commitment, jeopardising the outsourcing's success.

The literature (Meer-Kooistra and Vosselman, 2000) suggests that this lack of trust makes both parties think more about the risks of outsourcing and behave accordingly; e.g. hiding information from the other party (Huiskonen and Pirttila, 2002) or taking advantage of situations for opportunistic moves (Spekman et al, 1999).

7.10.5. Existence of conflicts

Cause: Often there are conflicts in outsourcings. These conflicts may have different degrees of severity, ranging from conflicts that could lead to the rupture of the contract to conflicts with virtually no impact on the outsourcing, and can be so distinct that they can occur at a personal or company level. ✓ Conflicts were said to be more frequent in outsourcings with ill-defined agreements, since the parties have more liberty to behave according to their own interests. ✓ Distrust between parties as well as the presence of managers not suited for the role of outsourcing management are also likely to bring about conflict. ✓

“Outsourcing is a permanent management of conflicts!” (Client executive)

The literature identifies many grounds for conflict: parties' objectives are not the same (e.g. Domberger, 1998), agreements (e.g. Langfield-Smith et al, 2000) and mechanisms for sharing benefits are ill-defined (e.g. Spina and Zotteri, 2000), lack of mutual respect (e.g. Brinkerhoff, 2002), tendency for over-control by one party (e.g. Tuten and Urban, 2001) among others.

Consequence: Conflicts in outsourcings were shown to be potentially catastrophic for outsourcings, even leading to their premature ending. Conflicts affect parties' satisfaction with outsourcings and limit their motivation and cooperation in terms of quality and quantity. Conflicts and their resolution may lead parties to modify their behaviour towards the outsourcings, and these changes can be positive or negative. Jointly with the resulting lack of trust, such an environment is likely to limit the potential benefits of the outsourcing.

“If suppliers are not able to make clients pay extra for some works already done they believe are outside the scope of the contract, after losing the conflict they many times study the contract much better to look for things that until then it did not charge, but from then on it will charge all. Even insignificant things... It is like revenge... And it creates discomforts and probably more conflicts. (...) [In such situation] distrusts increase... Everything gets worse.” (Client executive)

It was also mentioned that outsourcing conflicts can have global consequences for parties in the marketplace.

“If that conflict was not solved, it was sure that it would be published by the media [because it was one of the biggest outsourcings in Portugal]. That would have great negative impact for our [client and supplier's] image in the market and could affect parties' future businesses.” (Client executive)

The literature (Spina and Zotteri, 2000) recognises that conflicts are likely to lead to a degradation of the relationship between parties and to a reduction of the relationship's performance. The way they are handled affects the level of satisfaction with the relationship (Selnes, 1998). When conflicts are not resolved but just smoothed over, it is unlikely that their cause is rectified, and the conflict is likely to stay in people's minds, potentially undermining the relationship at any moment. Ramaseshan and Loo (1998) distinguish conflicts in a relationship as dysfunctional and functional: dysfunctional conflicts are disagreements that cannot be solved by parties, whereas functional conflicts are disagreements that can be solved in a friendly manner. While dysfunctional conflicts negatively affect an alliance's effectiveness, functional conflicts have the potential to enhance their effectiveness. Absence of conflicts is not always a good sign, since it normally hides games of power or represents a lack of mutual influence.

7.11. Comment on data not supporting findings

The research also sought to identify data that contradicted the findings. Although they were strongly supported by data, some aspects are not entirely supported. Such aspects are now presented.

7.11.1. Gap 1

7.11.1.1. Outsourcing's strategy poorly defined

The existence of outsourcing strategies does not guarantee that they are followed because their implementation may be conditioned by issues outside the outsourcing.

“We almost breed that we have to do preventive maintenance. The problem is in the practice. We cannot always put in action that strategy. (...) When we calculate some indicators we notice that the preventive maintenance still does not have more ‘height’ than the corrective. (...) Not everything depends on the maintenance. Doing preventive maintenance involves stopping production. That involves negotiations with production. If they are inflexible it is difficult to make programmed stops.” (Client executive)

Nevertheless, this does not contradict the analysis concerning the identified problem. A poor outsourcing strategy compromises the outsourcing's success, whatever the conditions. This section notes that even when the outsourcing strategy is well defined, it may have difficulties in being implemented.

7.11.1.2. Agreements' scopes poorly defined

Even when in theory the scopes seem to be well defined, in practice the situation may be different.

“There are always issues that are a little grey. We go to the contract and we see: ‘Full-maintenance to the equipments according to the AFNOR norm – level 4’. But if we go and see what that norm says and the other norms that it obliges to analyse to determine for example what is damage by usage and what is non-normal damage... We would be disgraced because we would discuss for hours and hours to discuss that a certain pump that went out three times and then we substituted part of the rotation group because we did not know what was happening... When we get it out we have to have a big group of inspectors to understand if the failure was by normal usage or because the thermal was poorly regulated or even if that was the production that put there something it should not. It would be a great confusion.” (Client executive)

This does not contradict the analysis concerning the identified problem, since a poorly defined scope compromises the outsourcing's success, whatever the conditions. What is suggested is that even when the scope seems to be well defined, it may prove the contrary in practice.

7.11.1.3. Lack of regular revision of strategy and desires

Notwithstanding the necessity of adapting objectives and strategies to the actual reality, too regular changes can be counterproductive.

“I believe that things must adapt to reality. But I believe that the strategy must be followed and achieved. We have to establish a strategy and adapt it until we reach objectives. From the moment they are achieved we have to refine the strategy... We can even have to change it because for example we want to jump to another level of performances and the strategy to reach the new objective has to be very different. But permanently changing strategy, I believe it is wrong. I admit that paths are changed, but not the objectives. If not we will look like a ‘lose cannon’: always shooting in every direction without a specific target.”
(Client executive)

This is not to say that the lack of regular revision of the outsourcing strategy and the client’s desires does not jeopardise the outsourcing’s success. The analysis concerning the identified problem is valid, but it was added that too regular modifications of strategies and desires may also lead to confusion and defocus efforts.

7.11.2. Gap 4

7.11.2.1. Client changes its behaviour towards the outsourced activity

In the middle of an outsourcing, clients may also change their behaviour in a way that favours the outsourcing.

“Since we started with the open-book accounting, we are much more aware of supplier’s costs. We became aware that everything had a cost and so we understand now that we can not ask supplier to put the mill impeccable next day because everything has costs. (...) We now even saw the other side: before the supplier asked us more and now that they are in a more comfortable situation, it even offers more things that are in the scope. But this also varies from person to person. It also has to do with the personal relations and with the persons that are in front. (...) If in my relationship with the site manager this is more or less clear, he knows that when he has possibilities he should do a little more than is specified; and he knows that I will not ask him extra things than the needed to maintain the stability of the mill when I see that he is troubled.” (Client executive)

This does not contradict the analysis concerning the identified problem; just highlights that not all changes in clients’ behaviour towards the outsourcing activity are prejudicial for the outsourcing.

7.11.2.2. Supplier’s performances are affected by its own objectives

The problem is not that the parties’ objectives are different, but that they may be incompatible.

“The fact that our objectives are different is not prejudicial *per se*. The problem is when they are not compatible... and many times they are not.” (Client executive)

This does not contradict the analysis concerning the identified problem. Just clarifies that the problem for outsourcings is not that parties' objectives are different, but that they are incompatible. And many times they are incompatible: e.g. clients want to spend as little as possible in the outsourcing, while suppliers want to make as much profit as possible.

7.11.3. Gap 7

7.11.3.1. Incorrect use of a measurement system

The potential for an ill-constructed measurement system to prejudice an outsourcing is limited, because outsourcing management is not exclusively based on it.

“But the measurement system is just part of our management. Our understanding and critical mind is important to solve some of the incongruence that appear.” (Client executive)

But the measurement system is a very important tool, that when used incorrectly can create erratic ideas which may trigger erratic actions, jeopardising the outsourcing's benefits. So the analysis concerning the identified problem remains valid.

7.11.4. Gap 8

7.11.4.1. Internal resistance to the outsourcing's success

Notwithstanding the negative impact that negative behaviour on the part of the client's employees can have against outsourcings, some of them can indirectly contribute to outsourcings in a positive way.

“Employees stay in that situation: ‘Let see what these guys [supplier] want, what they tell me to do. And so I just do what they tell me to do!’ (...) They do not make the decisions by themselves. (...) [They think] ‘Now it has to pass by A and B and C to decide what to do. So let it be!’ And therefore the process' dynamics is partly lost when compared with when the power decision was a little more divided. But it has all the pros and cons. This behaviour enables a better control about costs... If everyone does what he thinks is the best... Then at the end you have the old story of the credit card... Sometimes when you wake up you have invoices to pay, many times without really knowing where they come from.” (Client executive)

But this does not contradict the analysis done earlier, when discussing the problem. The prejudices that internal resistance to the outsourcing's success can have largely outweigh the benefits they potentially can bring.

7.11.4.2. Supplier does not have liberty to work

Although it may limit some benefits of the outsourcing, sometimes clients do not give total liberty to their suppliers as self-defence mechanism in order to prevent potentially serious problems.

“[In another outsourcing] we used to do thermography every two months. Our supplier needed to reduce costs and passed the thermography to twice a year. When we knew about that we told them: ‘Be careful!’ Because my initial idea was to let them work. We needed to let them work freely for things to change. And he argued. And I said: ‘We already had experiences that the end of two months and something, three months, hot points appear and the centrals blow. And this is experience from many years.’ And he said: ‘But during this year we always did every two months and nothing happened.’ And I said: ‘Ok, but we are here not to happen.’ He insisted and we accepted. ‘Let see!’ We did not need to wait one month... Pummm! One of the centrals blow, then another blow in another place and the supplier came to speak with us very worried. And we said: ‘See, and now? What are you going to do?’ ‘I am going to pass it to every two months again.’ In this outsourcing, not long ago, the supplier manager also said: ‘This every two months... It is better to pass it to every four or every six months...’ And I said: ‘Look, I am going to tell you one story...’ He listened and of course he let it stay to every two months. We controlled what should be done... May be it is wrong! But I also think that if we do not do that we have the risk of prejudicing ourselves. (...) We have imposed them some things, but we also have given them some liberty... For example, the diminishing of the wood yard team... (...) [After explaining the change] First I did not agree but I accepted. (...) The change had good results. There we did not impose our own opinion.” (Client executive)

Active involvement of clients in the outsourcing may also have advantages for outsourcings.

“The client is much more involved in the outsourcing. Now this is becoming co-sourcing. This way we can also better use clients’ knowledge and experience about the mill and industry.” (Supplier executive)

But this does not contradict the analysed problem that when clients try to control the process of the outsourced activity, they may jeopardise the outsourcing’s potential benefits. This section just notes that clients’ involvement in the outsourcing activity can also have some advantages for the outsourcing.

7.11.5. Gap 9

7.11.5.1. Existence of conflicts

Notwithstanding the negative impacts that conflicts have, they may end up having positive aspects for outsourcings.

“Sometimes conflicts can reduce the ‘grey zones’. They can also teach both parties thinking and how to look at things. In some cases conflicts can even be a development of the relationship... if they are not too big... Small conflicts can help parties understand better each other.” (Supplier executive)

As expressed during the analysis of the problem, conflicts tend to be negative for relationships. But, they may also end up creating conditions or actions which favour outsourcings.

“The adoption of open book accounting [which was extremely important for the improvement of the outsourcing] resulted from a big conflict.” (Client executive)

7.12. Discussion

Execution of the research design led to the identification and understanding of problems in the clients’ on-going outsourcing management. The findings are now discussed.

Reflections on the identified problems

Although some problems are sporadically identified in the literature, no investigation focusing on the topic was found. This work partly fills this gap in the literature by reporting on and exploring twenty-four problems which affect on-going outsourcing management and which have an impact on service delivery. The author believes that a good understanding of such problems is important in order to prevent them.

✓ The study revealed that problems in this outsourcing’s on-going phase are often originated by ineffectiveness of previous phases: e.g. the chosen supplier is not able to operate at the expected performance levels, the contract does not specify clearly the scope of the outsourcing, and the reward system is misaligned with the outsourcing’s objectives. This fact highlights the importance of a careful preparation of arrangements for the outsourcing to ensure its success.

When suppliers do not achieve the expected results, blame is usually automatically attributed to them. But this study highlights the fact that suppliers’ lack of success can also be partly due to their clients’ behaviour.

✓ Moreover, it was shown that unsupportive client managers are a common problem, as well as outsourcing management teams inadequate for their roles. Outsourcing management is different from managing the outsourced function in-house; nevertheless many outsourcing managers pass from managing the outsourced function in-house to managing the outsourcing itself without special preparation for the change. Client executives even complained that they did not have many people with whom they could discuss outsourcing management. The outsourcing literature reveals that outsourcing

managers do not reflect very deeply about how they actually do and should manage their outsourcings (Kern and Willcocks, 2000) and less than half of outsourcing companies have specific programmes in place to develop their outsourcing relationship management (Corbett, 2003).

* The study also uncovered the existence of opportunistic behaviours from both outsourcing parties, through which parties try to enhance their outsourcing benefits, even if that represents losses to the other party. These behaviours were found to be negative to the outsourcing, since these tendencies towards short-term benefits are likely to have an impact on the relationship between parties, on their behaviour, and ultimately on the quality of the service. Many of these practices for immediate, easy gains at the other party's expense jeopardise the comfort of the other party and thus their behaviour in the outsourcing, influencing the outsourcing's performance and putting at risk future larger gains. A client executive clearly showed this, saying that in the past his supplier had experienced serious financial losses in the outsourcing (some people said that this was partly due to the client's opportunistic behaviour); thus it was trying to save money with a tendency to do less maintenance than was needed. This caused continuous conflicts with the client because his production was being affected. When the financial situation of the outsourcing became untenable for the supplier, the client was made aware of the situation and accepted a renegotiation of the value of the contract. From then on the supplier became more comfortable in the outsourcing and thus made investments, improving the quality of the service, and thus enabling the client to achieve better production performance.

Additionally, the study suggested the existence of performance gaps. Unlike management gaps, performance gaps do not represent bad management practices, but differences that exist between types of performance. The 'contractual gap' is the difference between a standard performance that was agreed to be delivered (the contract reference) and the performance delivered. The gap may be positive – when the supplier's performance is better than that expected – or negative – when the supplier's performance is worse than expected. The 'contractual gap' drives the reward systems. The 'service gap' is the difference between the service that the client expects and the service that it perceives that it gets. It is normally a driver of the client's satisfaction: if the client perceives that it is receiving from the supplier what it was expecting or even

more, then it will likely be satisfied with the service; if not it will likely be dissatisfied with the outsourcing and the supplier's performance. ✓ The 'alignment gap' is the difference between the results of the contractual reward system and the supplier evaluation. ✓ For a good reward system the alignment gap is zero. The results of the reward system should always be in accordance with the evaluation that the client undertook about the supplier's work and performance. If this is not true, there is the danger of influencing contractors to make things (because they will be rewarded) that are not in the client's interest (which will not increase the client's satisfaction and hence make the evaluation of the supplier better). The 'realisation gap' is the difference between the service that the client perceives and the service that is supplied in reality. As seen, the way the client perceives the supplied service is affected by many intangibles and is also dependent on the capability that the client has to make a good evaluation of the service. Thus, it is normal that there is a misalignment between the service that is delivered and the one that the client's managers perceive. This misalignment may be either positive – when the perceived service is better than what is delivered in reality (for example due to the influence of a good supplier's reputation which can blind the client somewhat) – or negative – when the perceived service is worse than what is delivered in reality (for example due to bad-will from the client's management team against the outsourcing). Management gaps were discovered to have an influence on the existence of performance gaps and vice-versa. The performances gaps are represented in Figure 46.

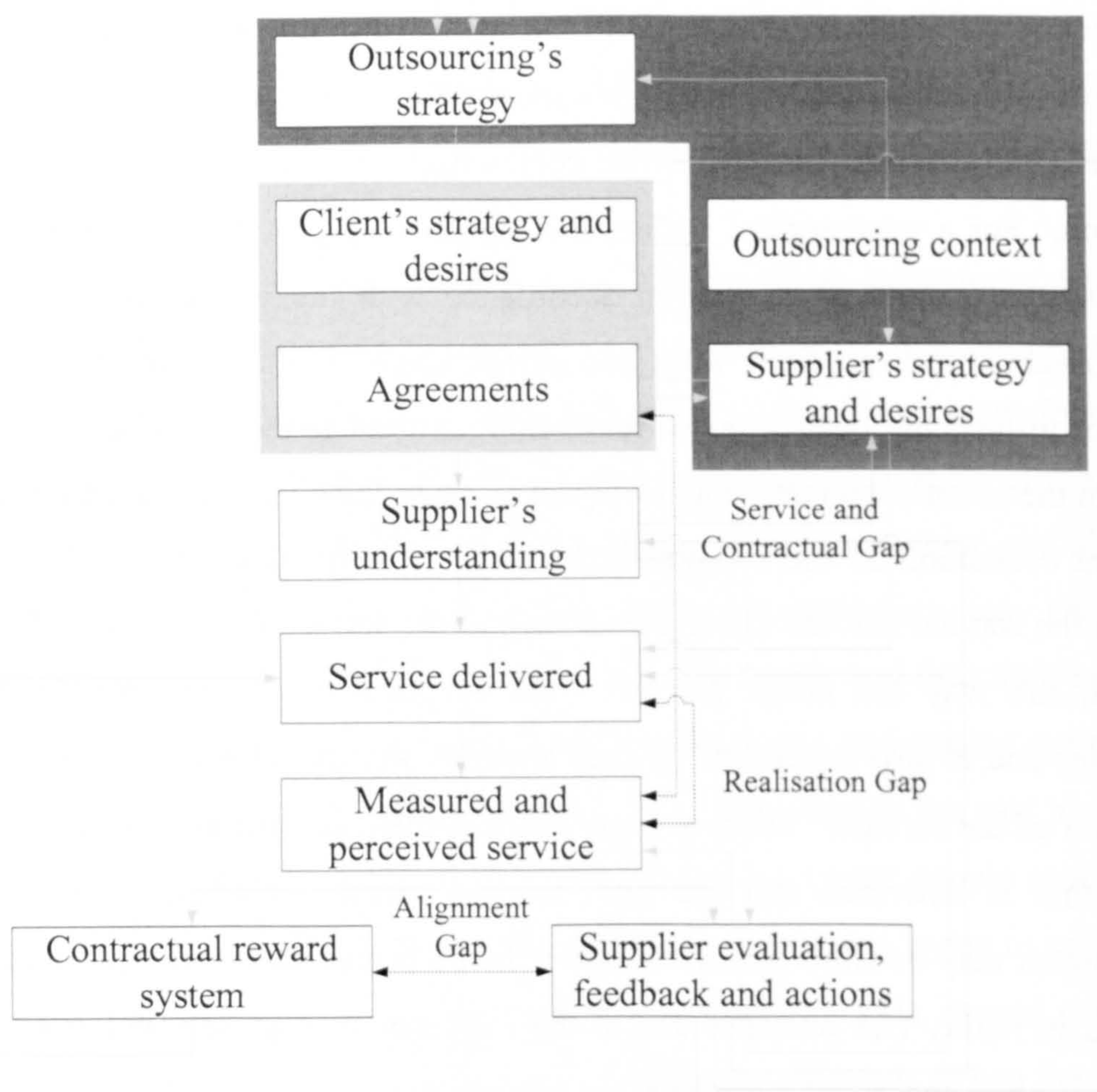


Figure 46 – Performance gaps

Finally, one theme that underlies the findings is that many of the identified problems are related. Although problems may not be associated with each other in every case, it became clear that problems frequently had direct or indirect effects that led on to other problems. This suggests the existence of a snowball effect in which the existence of a problem creates more favourable circumstances for the occurrence of other problems or to the increase of a problem's seriousness, even if the problems correspond to different gaps. For example, outsourcing management teams not suited for their roles are more likely to define the scope of the agreements poorly, which is later likely to create conflicts and a bad relationship between parties.

So, beyond identifying and exploring the problems that occur in each step of the clients' on-going outsourcing management, the chapter uncovers five broad aspects. These are:

- Problems in the on-going phase of the outsourcing can be originated by ineffectiveness in previous phases of the overall outsourcing process;

- Outsourcing's lack of success can partly be the fault of the clients;
- Both outsourcing parties sometimes adopt opportunistic behaviours which can jeopardise the outsourcing's objectives;
- Identifying that misalignments between aspects of the activities of the management process are to a certain extent a consequence of the existence of the outsourcing management problems;
- Many of the identified problems are related and thus it is expected that the minimisation of a problem can lead to the minimisation of other problems.

Reflections on the research design

It is expected that the findings uncovered have value to general strategic outsourcings of services. Although focused on outsourcing of the maintenance function in the pulp for paper industry, and specifically within Portuguese companies, it is expected that the insights and conclusions emerging from the research have value to a much wider variety of outsourced activities and industries. The cases did not exhibit extreme or unusual contexts or behaviours (when compared to the broader literature on outsourcing); the analysis also drew upon the limited extant literature and the wider international and cross-sectoral experience of some of the interviewees to provide limited support for the findings outside of the specific context of Portuguese pulp for paper companies.

One aspect of the research design was the fact that data related to both sides of the outsourcing dyad was collected. The exploratory study revealed that clients' and suppliers' perceptions about the existence of the identified problems are not very different, increasing the confidence about their existence. Nevertheless the degree of seriousness attributed by both parties to each problem varied.

7.13. Overview of the chapter

The chapter structured and presented the twenty-four problems that were uncovered by the research. Each of the problems was presented, positioned within the outsourcing management process model, developed and commented upon.

III. Closing section

Aim: Presentation of the conclusions and of the concluding remarks

8. Conclusion

The previous chapters discussed in detail, then summarised the major findings from the research. This chapter briefly highlights the general conclusions drawn and outlines the researcher's own view of the strengths and weaknesses of the approach taken in the investigation. A statement of its contribution to knowledge is also made. The chapter ends with recommendations for future research and practitioners.

8.1. Overview

The thesis began by tracing the evolution that led to the generalisation of outsourcing and presented a definition of it. Then, after presenting the overall process of outsourcing, it identified the type of outsourcings that were dealt with by this investigation. The research is focused on strategic outsourcings of services; more specifically in its on-going management.

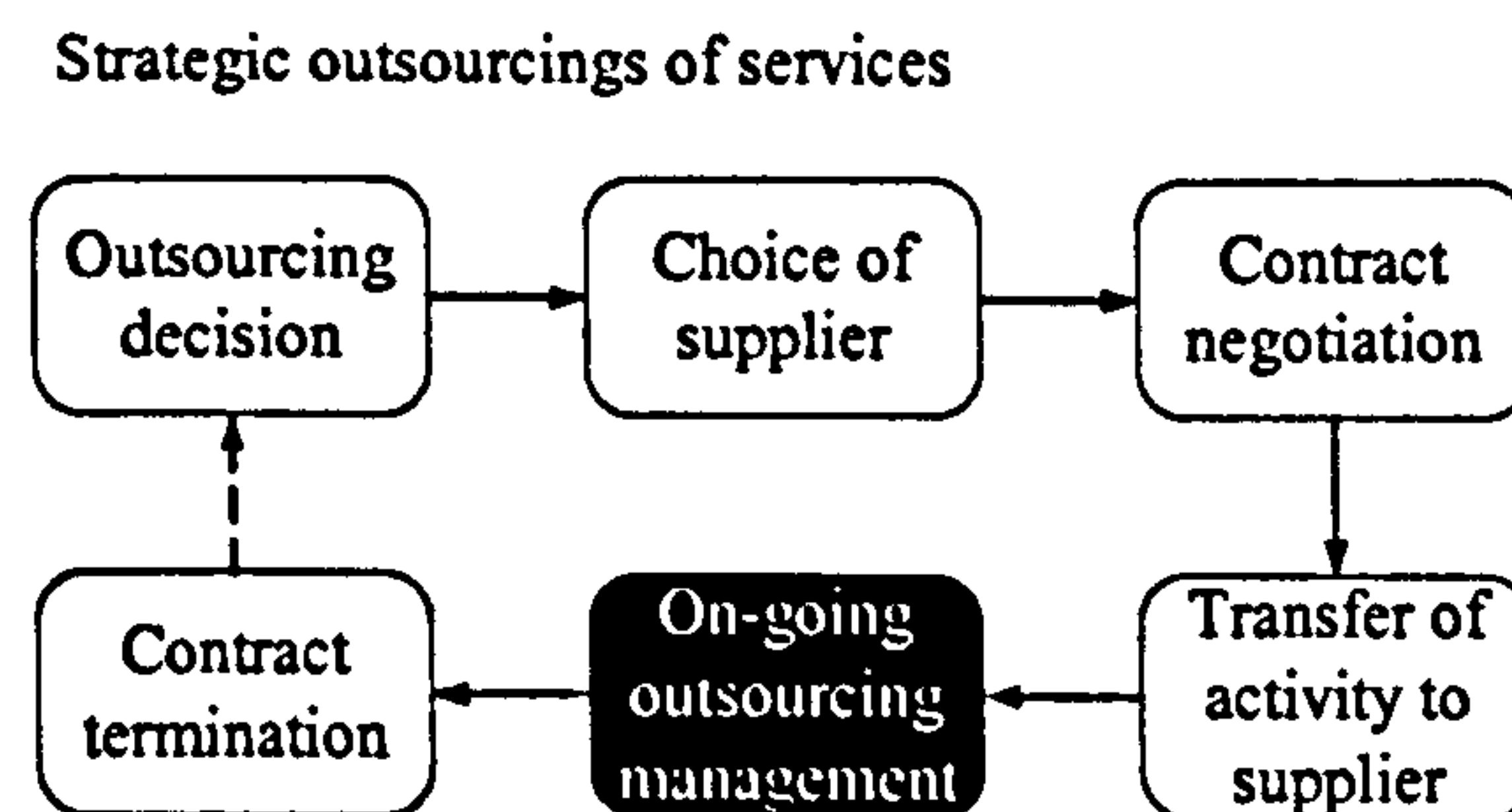


Figure 47 – Focus of the research: clients' on-going management of strategic outsourcing of services

Previous research discovered that managers do not tend to reflect very deeply about how they actually do or should manage their outsourcings. The literature review showed that this outsourcing on-going management was also an aspect almost neglected by academic research. To highlight the necessity for further research about the management of outsourcing was one of the objectives of this investigation. Aiming to provide an initial knowledge about the outsourcing management process, the researcher decided to focus his research on the structure of the clients' outsourcing on-going management process and on the identification of some of its problems.

The research was divided into two distinct phases. The first phase – the exploratory phase – was based on a single case study and its objective was to develop a model to describe the clients' outsourcing on-going management process and the problems that occur in each of its steps. This model was called the outsourcing management model

and constituted two components: the outsourcing management process model and the outsourcing management problems. The second phase – the reinforcement phase – was based on three case studies and its objective was to support the appropriateness of the outsourcing management model developed in the exploratory phase.

8.1.1. Outsourcing management process model

The outsourcing management process model shows how the management of outsourcing is influenced by the overall context in which it develops and the objectives of the intervenient parties. The outsourcing and outsourced activity's objectives and strategy are defined by the client. During the outsourcing's lifetime the client may decide to change them due to, for example, changes in the overall context in which the outsourcing fits. When this happens the client thinks out its role in the outsourcing and defines a posture that characterises its behaviour in the outsourcing. At the same time the client translates its objectives into operational desires that are taken to negotiations with the supplier. Negotiations can also be started by the supplier when its desires for the outsourcing change or when it would like to change some aspect of the outsourcing. After reaching an agreement both parties understand the desires and expectations of the other party and may adapt their strategies for the outsourcing accordingly. Then the supplier delivers the service, trying to achieve what the client expects, even though its own strategy and desires for the outsourcing may influence the service delivery. The client continuously measures and perceives the service that it receives from the supplier. The client uses this information to motivate and guide the supplier in two different ways: at a contractual level, in which the reward system defines bonuses or penalties according to the performance achieved and the rigid rules defined during the contractual negotiations; and at a feedback level, where the client regularly evaluates the actual performance of the outsourcing and the supplier, giving feedback about its wants, needs, suggestions, opinions and wishes to the supplier. The reward system is expected to motivate the supplier to achieve the expected performance, while the feedback is expected to guide the supplier in its efforts and to improve its understanding about the outsourcing's situation and the client's expectations. Faced by the collected information, the client may also decide to undertake supplier development initiatives with the objective of improving the supplier's potential to achieve the expected

aside. This exploratory research therefore investigated what happens in real world strategic outsourcing of services during their on-going phase. Although focused on outsourcing of the maintenance function in the pulp for paper industry, and specifically within Portuguese companies, it is expected that the insights and conclusions emerging from the research have value to a much wider variety of outsourced activities and industries. The cases did not exhibit extreme or unusual contexts or behaviours (when compared to the broader literature on outsourcing); the analysis also drew upon the limited extant literature and the wider international and cross-sectoral experience of some of the interviewees to provide limited support for the findings outside of the specific context of Portuguese pulp for paper companies.

The research therefore contributes new knowledge by:

- Describing and modelling in an exploratory way the process by which clients manage their on-going strategic outsourcings of services;
 - Identifying three management levels in such a management process, with different objectives and characteristics;
 - Structuring such management process into ten activities and exploring their characteristics;
 - Recognising the constant learning and adaptation mechanism existent in strategic outsourcing of services on-going management;
 - Recognising clients' continuous and active monitoring and guidance over an outsourced activity and corresponding supplier;
- Identifying and exploring problems that occur during the on-going management of strategic outsourcing of services, which might have an impact on its effectiveness;
 - Identifying nine management gaps and twenty-four problems, and distinguishing and exploring their causes and consequences in a constructivist way;
 - Recognising that problems in the on-going management of strategic outsourcing of services can be originated by ineffectiveness in previous phases of the outsourcing overall process;
 - Concluding that both outsourcing parties sometimes adopt opportunistic behaviours which can jeopardise the objectives of outsourcing;

- Identifying misalignments between aspects of the on-going management process activities which are, to a certain extent, a consequence of outsourcing on-going management problems;
- Concluding that many of the identified problems are related;
- Identifying the need for further research related to on-going outsourcing management.

8.3. Strength and potential weaknesses of the approach

8.3.1. Strengths

Grounded investigation and directly connected with the real world:

- The findings are grounded in a real world investigation and understanding of outsourcings;
- The findings were revealed to have a high degree of relevance to those involved in the research and experience of outsourcings;
- “Managerial research relies on a complex web of conventions and rules which determine what counts as research and what does not. (...) It is possible to have academic research which scores high on ‘rigour’ and ‘cleverness’ but low on connection to ‘real’ problems. However, in management more than any other discipline (and operations management at that) there is a fundamental commitment to an encounter with that which managers and workers do. If this is not the case, then research could perhaps be more accurately labelled under a different heading” (New and Payne, 1995).

Dual nature of the research:

- The exploratory phase of the research is designed as an exploratory study, aiming for in-depth context-specific understanding;
- The comparison with the literature and the reinforcement study support the appropriateness of the results to describe what happens in other outsourcings;
- The overall design is novel; it has contributed to the approach and objective of going deep in one case and show the appropriateness of the findings to other outsourcings.

Uncovering of a new, interesting and important topic:

- The research focused on a topic that, in spite of its importance for outsourcing success, has been almost neglected by academics;
- The research has generated valuable insights that form the basis for further investigation and generation of new theories related to the on-going management of outsourcing;
- This is considered to be important to the outsourcing research area.

8.3.2. Potential weaknesses

Rigid boundaries in the identification of problems:

- The exploratory research was based on a single case study and the reinforcement study did not aim at the identification of further problems;
- The exploratory study only collected evidence from the client;
- Thus the identification of problems was based just on one case and on insight brought from one side of the dyad;
- Even though the problems identified were revealed to be significant to other outsourcings, more problems than those identified are likely to exist in normal outsourcing management.

Use of some indirect data:

- In the exploratory research not all the steps of the outsourcing management could be directly observed;
- Even though the researcher had almost total freedom during the exploratory phase to speak with whomever he wanted, he never had direct contact and was assisted with some steps of the outsourcing management process (e.g. negotiations);
- This way the data collected corresponding to these steps was based on accounts that the participators gave, and on indirect means to understand the outputs (such as analysis of resulting documents);
- This type of data may be infected by a certain (even if not intentional) bias brought to bear by the outsourcing managers;
- The reinforcement study was based solely on interviews – indirect data – thus there is also the danger of reflecting some bias that outsourcing managers bring

to the supplied data; nevertheless data from both sides of the dyads was collected.

The cases focused on by the research had some similar characteristics:

- All the cases studied were outsourcings of the same service and in the same industry; even though this restricted the research, it was important to clearly define the sector of the population under study for the purposes of comparison and appropriateness;
- The clients of all the cases studied belonged to the same group of companies (parallel to what happens with Ford, Volvo and Land Rover) and the supplier in two of the cases was the same;
- Notwithstanding this proximity, the studied outsourcings were not all based in the same contract; they were independent, different, and were managed by different people with different backgrounds; the outsourcings had differences in terms of philosophies and scope, different practices, different problems and were achieving different results.

8.4. Recommendations for future research

As argued during the whole thesis, there is a lack of research related to the management of on-going outsourcings. In many respects it is felt that this research has provided a starting point for future research on the on-going management of outsourcings. The research has provided an understanding and deeper insights about the on-going outsourcing management process and some of its problems. A conceptual model was developed and each of its steps populated with problems that may occur. Some recommendations for further research and work to continue the development of on-going outsourcing management research area are now suggested:

Check findings:

- It would be interesting to check the findings through replication of the study and through other studies using different tools with the same purposes.

Refinement of the outsourcing management model:

- The present research only focused on three outsourcings, two of which were used just to reinforce the findings related to the first. Thus it would be interesting to undertake research that aimed at refining the outsourcing

management process model and to develop further each of the identified problems.

Extension of the outsourcing management model:

- The development of the outsourcing management model was based on a single case study. Even though these findings have been supported by other case studies, it would be interesting to undertake research in the same sector of the population with the aim of identifying and exploring other problems that occur in each step of the outsourcing on-going management.

✓ Expansion of the outsourcing management model:

- ✗ The outsourcing management model was developed just considering the outsourcing of maintenance in the Portuguese pulp for paper industry. It would be interesting to see how appropriate the model is to describe what happens in other strategic outsourcing of services in other industries;
- It would also be interesting to compare the management of strategic outsourcing of services with the management of other types of outsourcings;
- It would also be interesting to compare the outsourcing of services with the outsourcing of products, thus research studying the management of product outsourcing would also be welcome.

Identification of the most serious problems:

- The outsourcing management research would benefit from knowing which are the most common and most serious problems that occur in outsourcing management (both globally and within each gap). Thus it would be interesting to do a survey which answers these questions and compares the data collected from clients and from suppliers.

✗ Solutions for the problems:

- ✗ Now that some of the on-going outsourcing management problems¹ are clearly identified and analysed it would be interesting to study how outsourcing managers – from both the client and supplier companies – avoid or solve those problems;
- ✗ It would also be useful to compare how managers in different industries or managing different outsourced services solve their problems, since some solutions can be extrapolated to other industries or services;

- ✕ • It would also be important for some academics to focus their research on suggesting possible solutions or minimisations for those problems;
- ✕ • The aim of such investigations would be the creation of a tool to support on-going outsourcing management and that helps to avoid some of its problems. The researcher believes that the balanced scorecard has much potential to be customised to help managers overcome some of the identified problems.

Study of the development towards co-sourcing:

- As this thesis testifies, the researcher assisted in the evolution from outsourcing to co-sourcing. It would be interesting to study this evolution: the factors that lead to co-sourcing, the problems that existed and created difficulties for co-sourcing and collaboration, the conditions that had to be created for the success of co-sourcing and of the collaboration (e.g. open-book accounting), the results of the co-sourcing collaboration, among others.

8.5. Recommendations for practitioners

The interviews undertaken during the reinforcement phase of the research were proof of the importance that this research may have for outsourcing managers. Most of the interviewees commented on their lack of reflection about how to manage the outsourcing. Instead, they react and manage the outsourcing in the best way they can. The interviewees said that the structure of the outsourcing management model helped them to better understand the overall outsourcing management mechanism, and enabled them to realise some links that before were not clear. They complained about the lack of time they have to reflect about the best way to manage the outsourcing and the lack of people with whom to discuss it. Most of the outsourcing managers interviewed clearly recognised that they found the discussions around the outsourcing management process model and the outsourcing management problems very useful for them to improve their understanding about what goes on in an outsourcing management.

Thus the research is expected to:

Motivate practitioners to reflect about how to manage an outsourcing:

- The research showed the need for outsourcing managers to stop managing outsourcing based on ‘gut feelings’ and to start to reflect more on the way they manage this new type of relationship with another company. So practitioners

should use the presented outsourcing management model to start thinking more about how they manage their on-going outsourcings and about the best way to manage such a relationship.

Help practitioners understand better all the main interactions that exist in on-going outsourcing management:

- The description of the outsourcing on-going management process is expected to make practitioners understand better the entire process, mechanism and connections. So practitioners should be able to take advantage of such knowledge to improve their management practices and achieve greater benefits from the outsourcing.

Help practitioners understand better some of the problems that exist in on-going outsourcing management:

- The identification of outsourcing management problems is expected to make practitioners realise their existence and thus think of ways of avoiding them, minimising their consequences or even solving them. So practitioners should take advantage of this knowledge to adapt and improve their practices in a way that permits them to avoid or overcome some of the problems identified in each step. This is expected to diminish the costs of outsourcing and increase its benefits, contributing to the likelihood of increased outsourcing success. Examining the factors that negatively affect the effectiveness of outsourcing may provide additional insight into what outsourcing managers and their organisations should do to ensure its effectiveness and success.

8.6. A final comment

The present research was conducted with the aim of enabling both academics and practitioners to better understand the process of managing a strategic outsourcing of services during its on-going phase. A better understanding of on-going outsourcing management is expected to serve as a basis for further academic investigation and to help practitioners to realise the real potential of outsourcings. This work is expected to contribute to academic and practitioner communities' realisation that outsourcing on-going management is different from what happens in normal client-supplier relationships. Thus such realisation is expected to increase the reflection about the best

way to manage on-going outsourcings and how to avoid some of its usual problems, contributing to the increased likelihood of outsourcing success.

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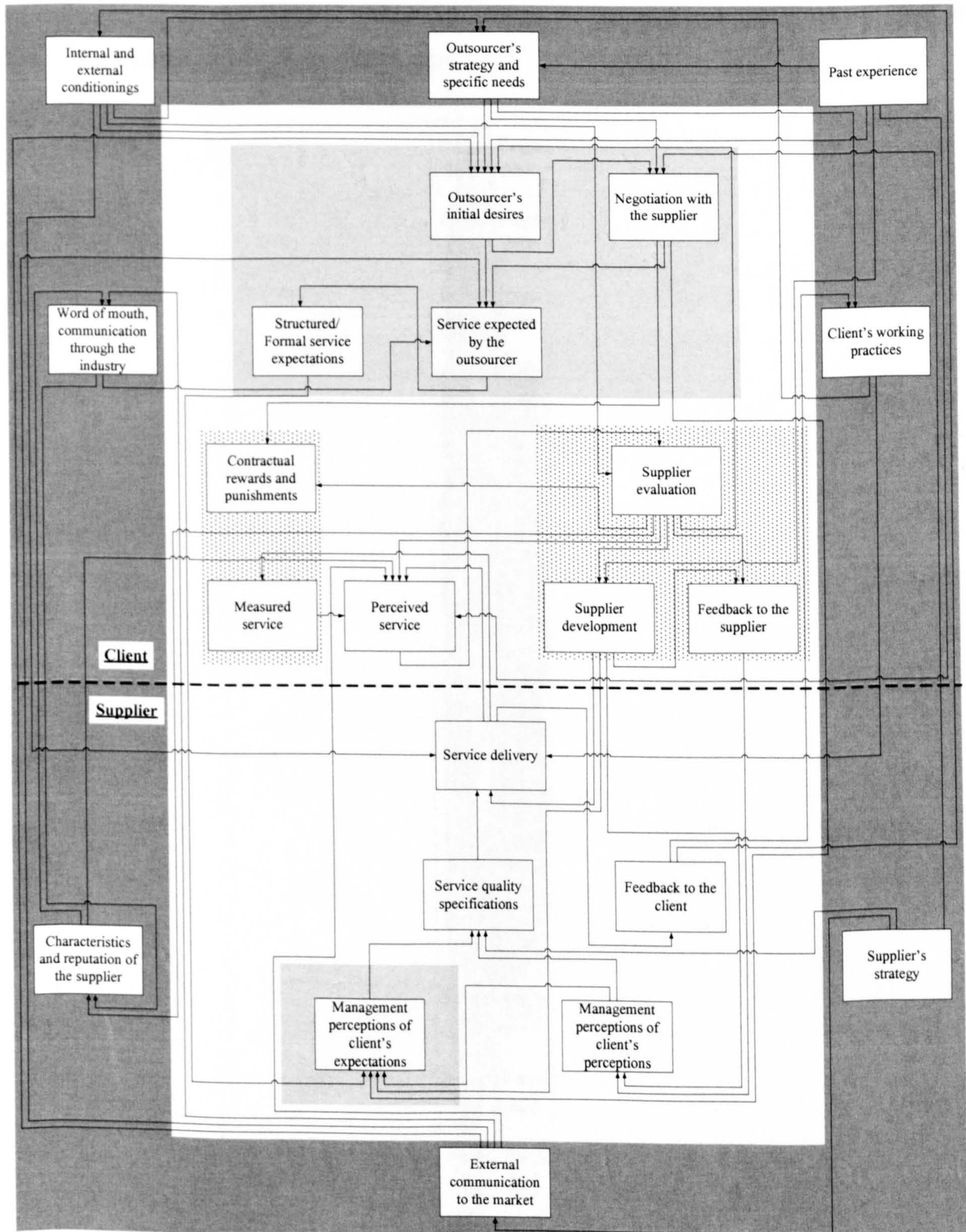
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IV. Appendixes

Aim: To present support material for the thesis

A. Appendix A

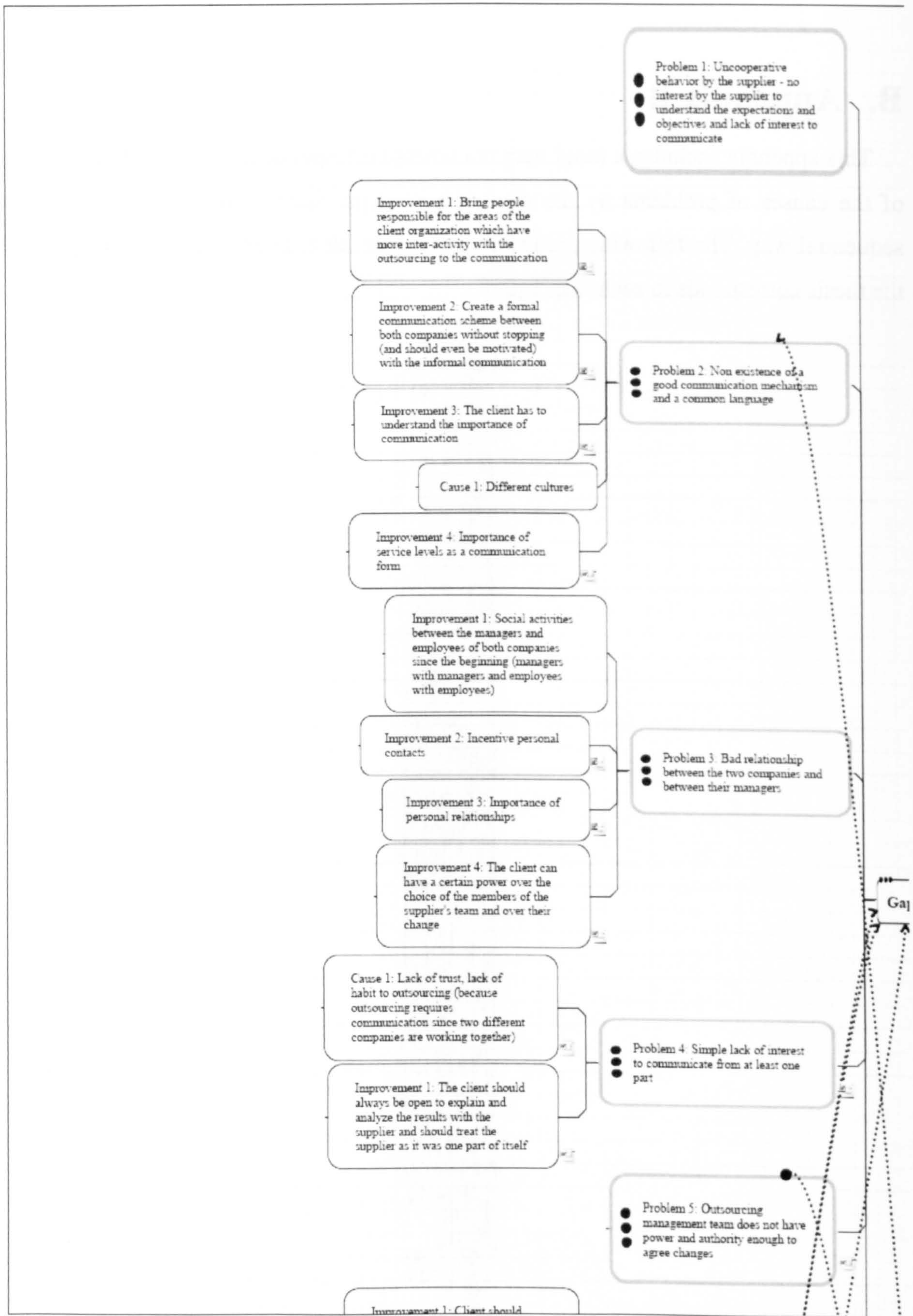
An early version of the conceptualization of the outsourcing management process model:

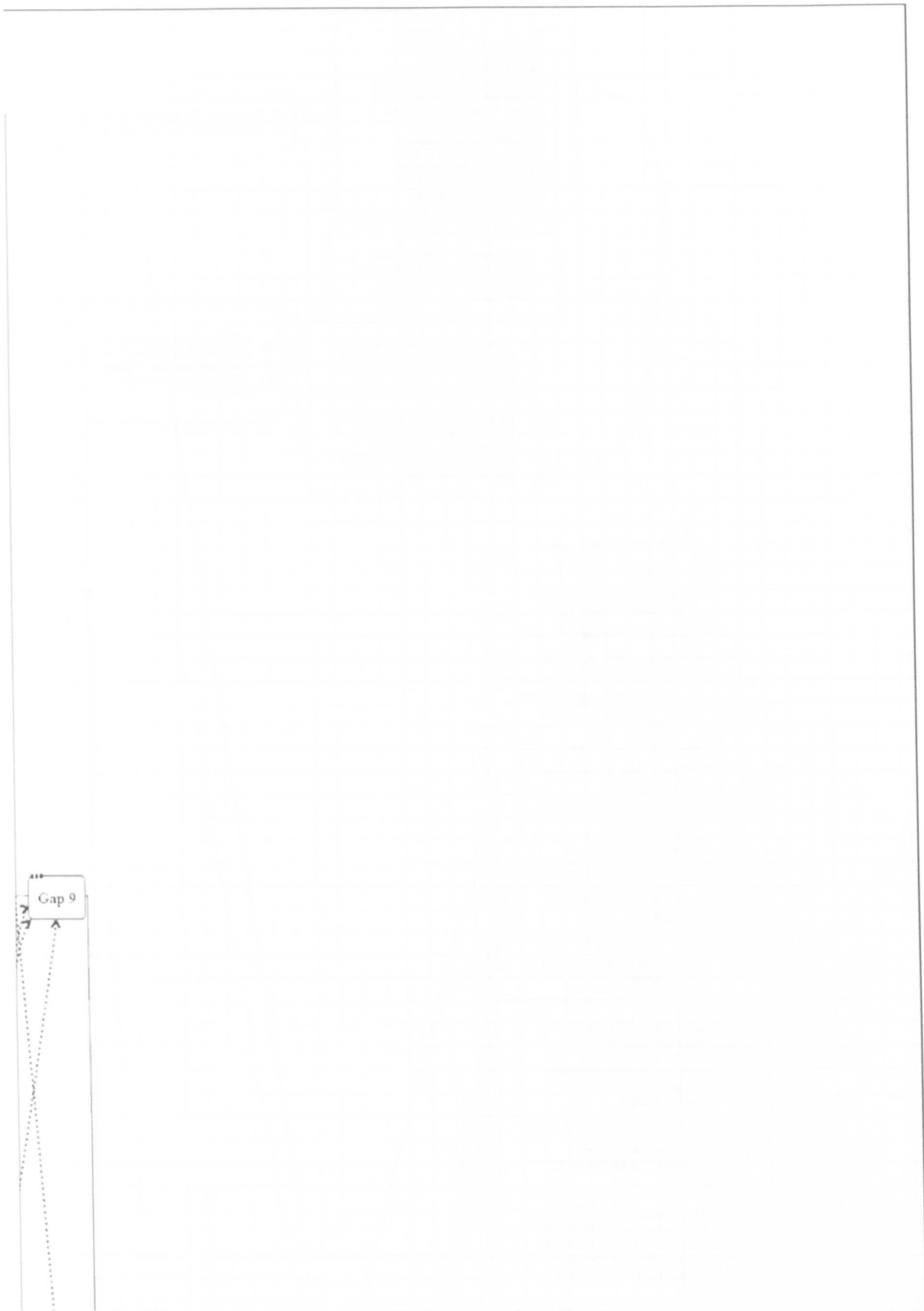


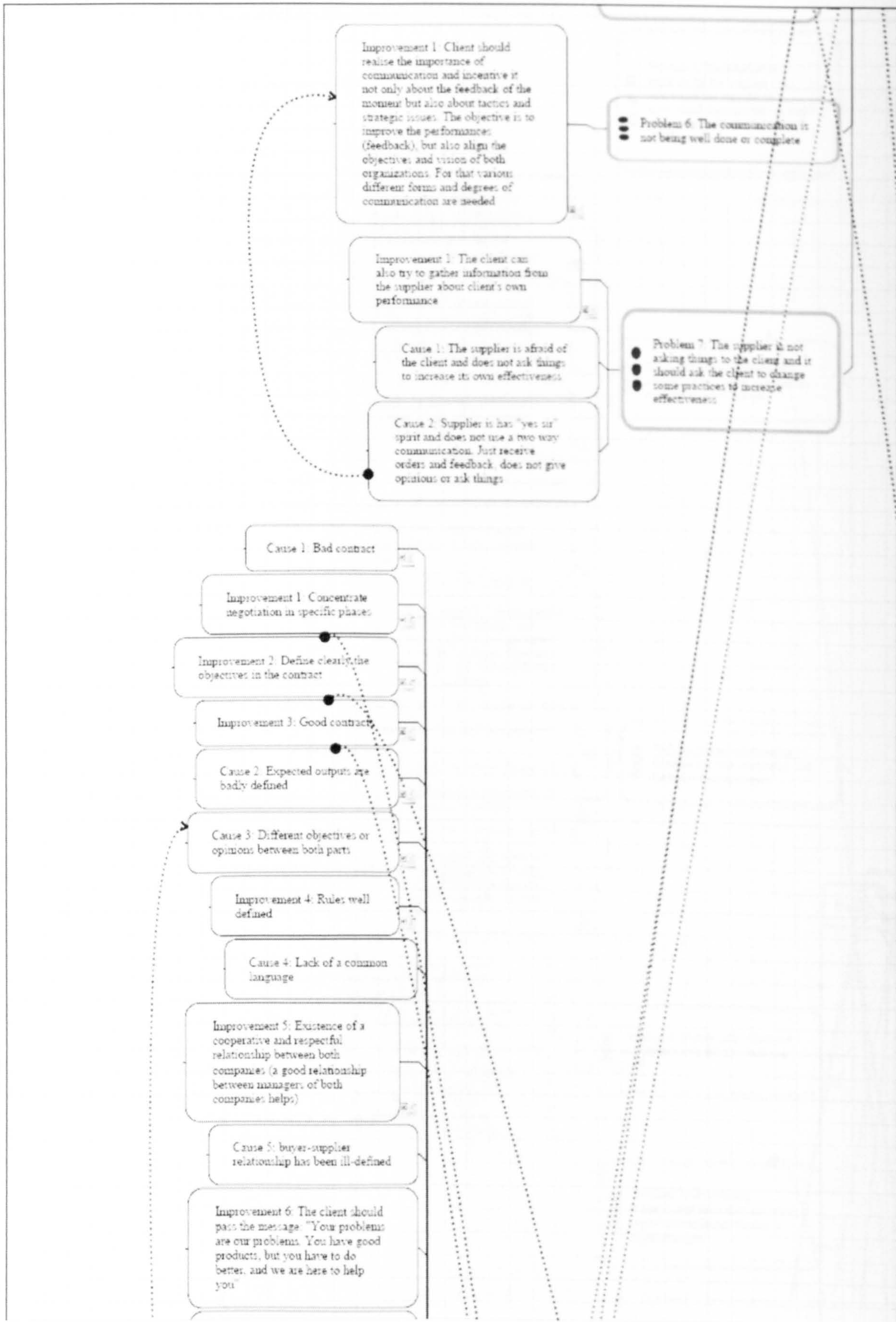
B. Appendix B

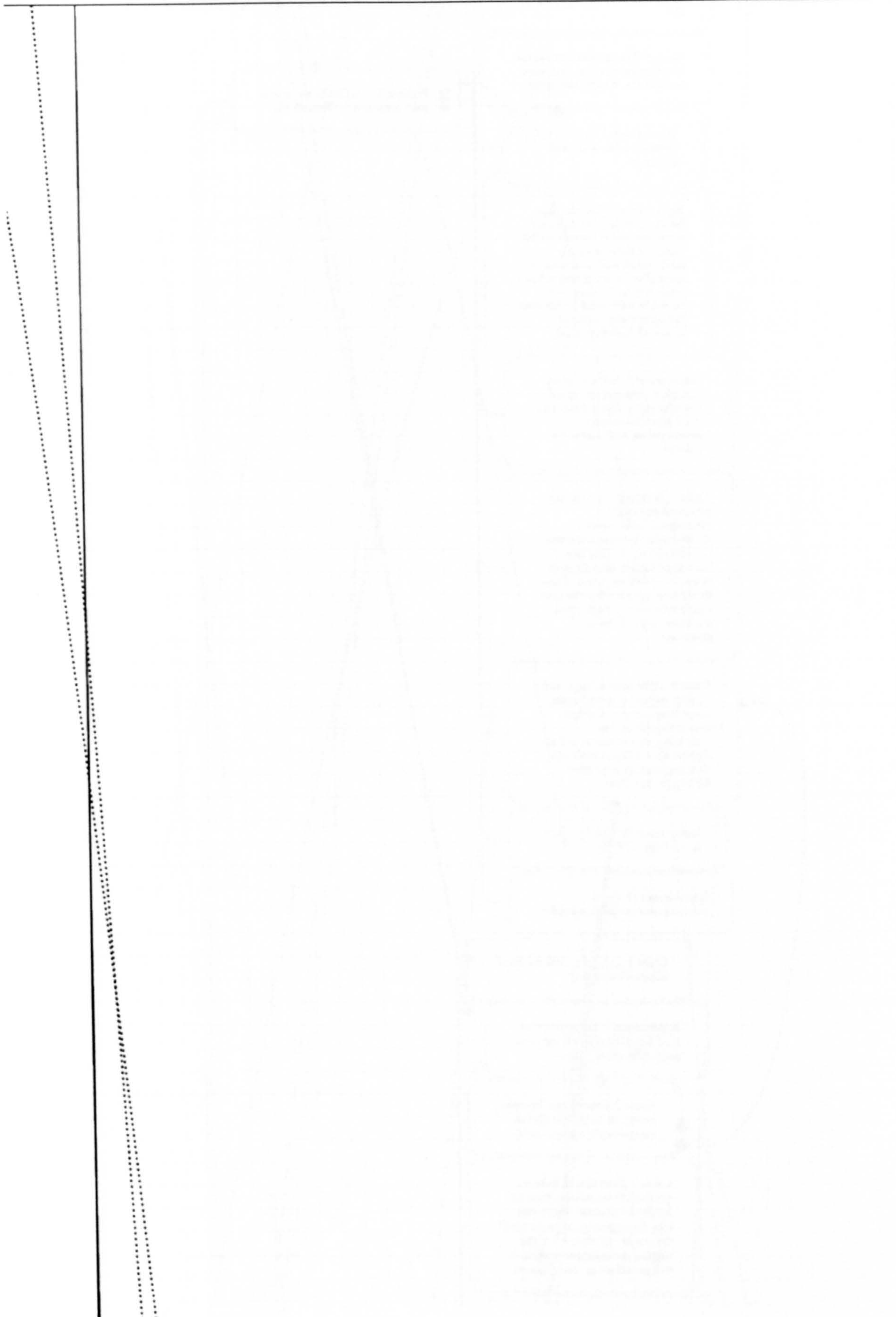
This appendix includes a mind map document correspondent to an early distribution of the causes of problems by the management gaps. Such map should be read in a sequential way. The following picture illustrates the all map and shows which page of the thesis corresponds to each map's part.

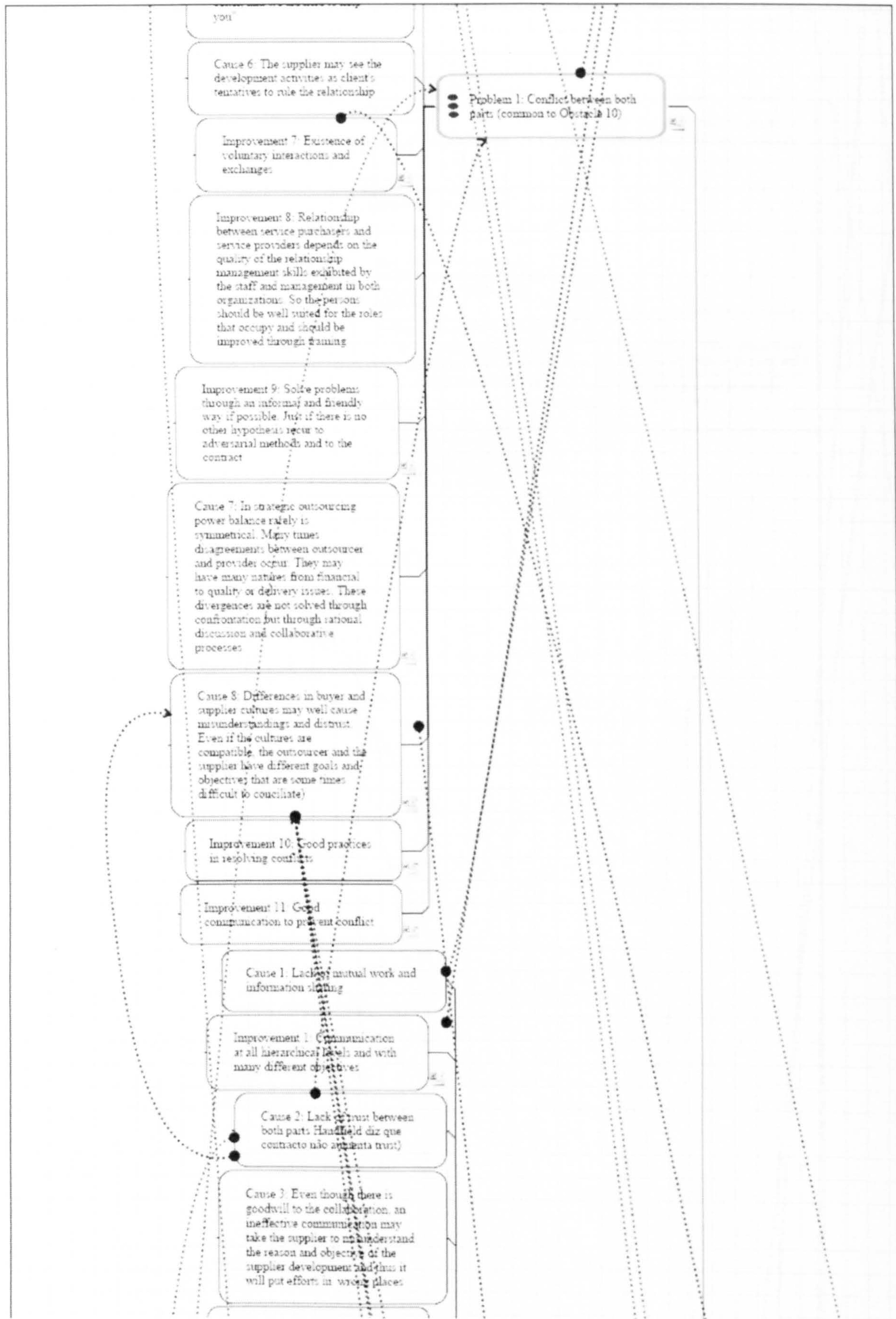
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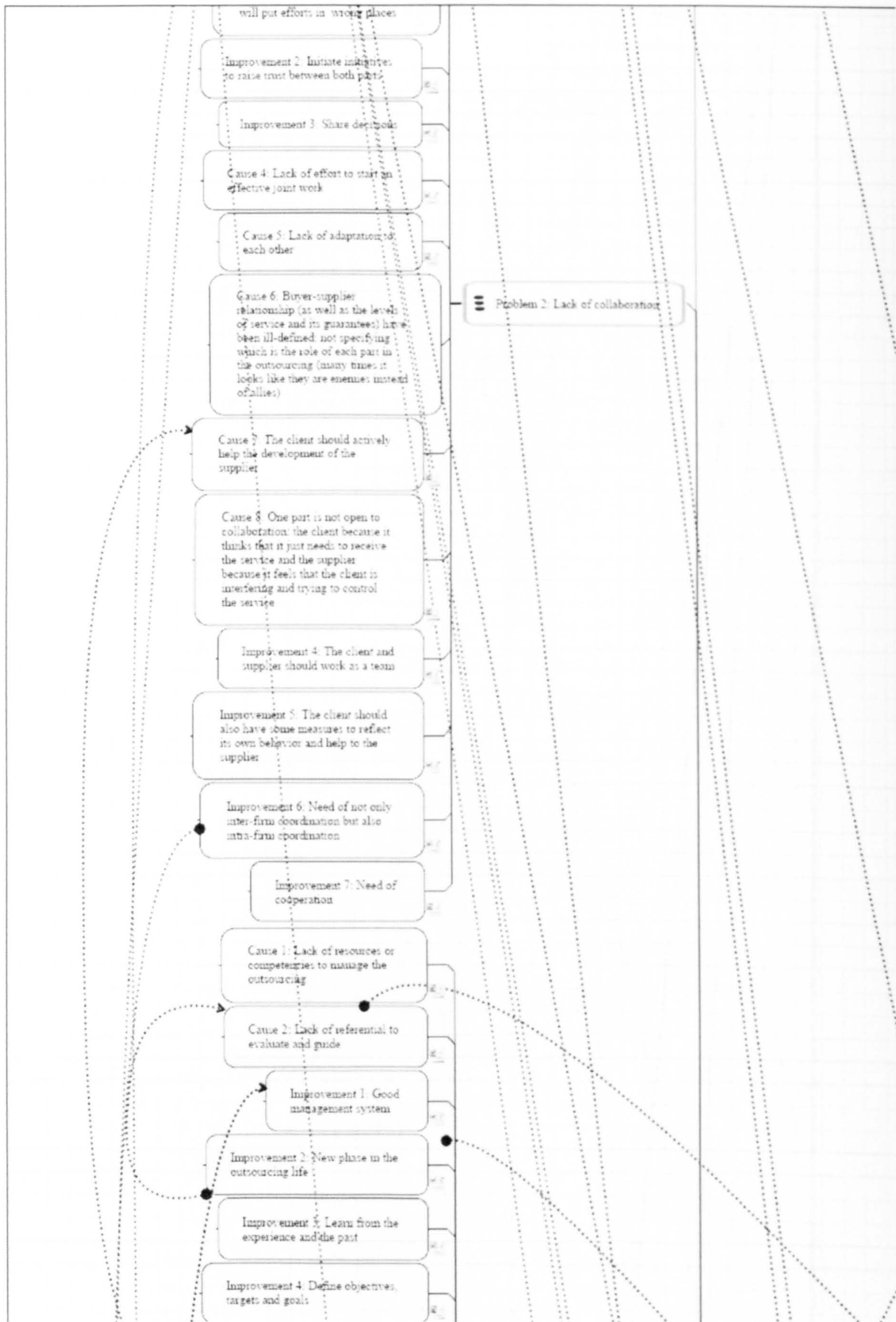


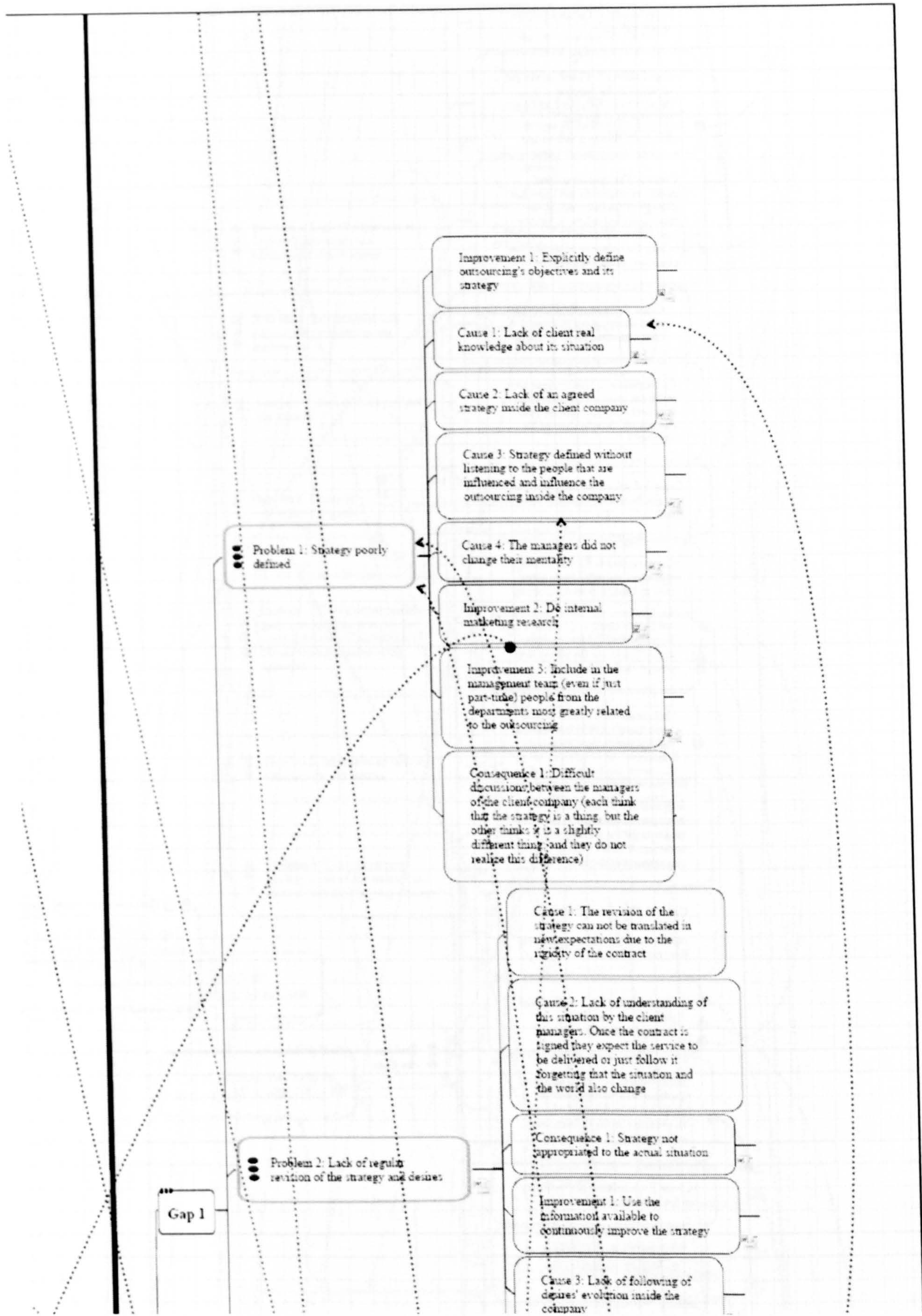


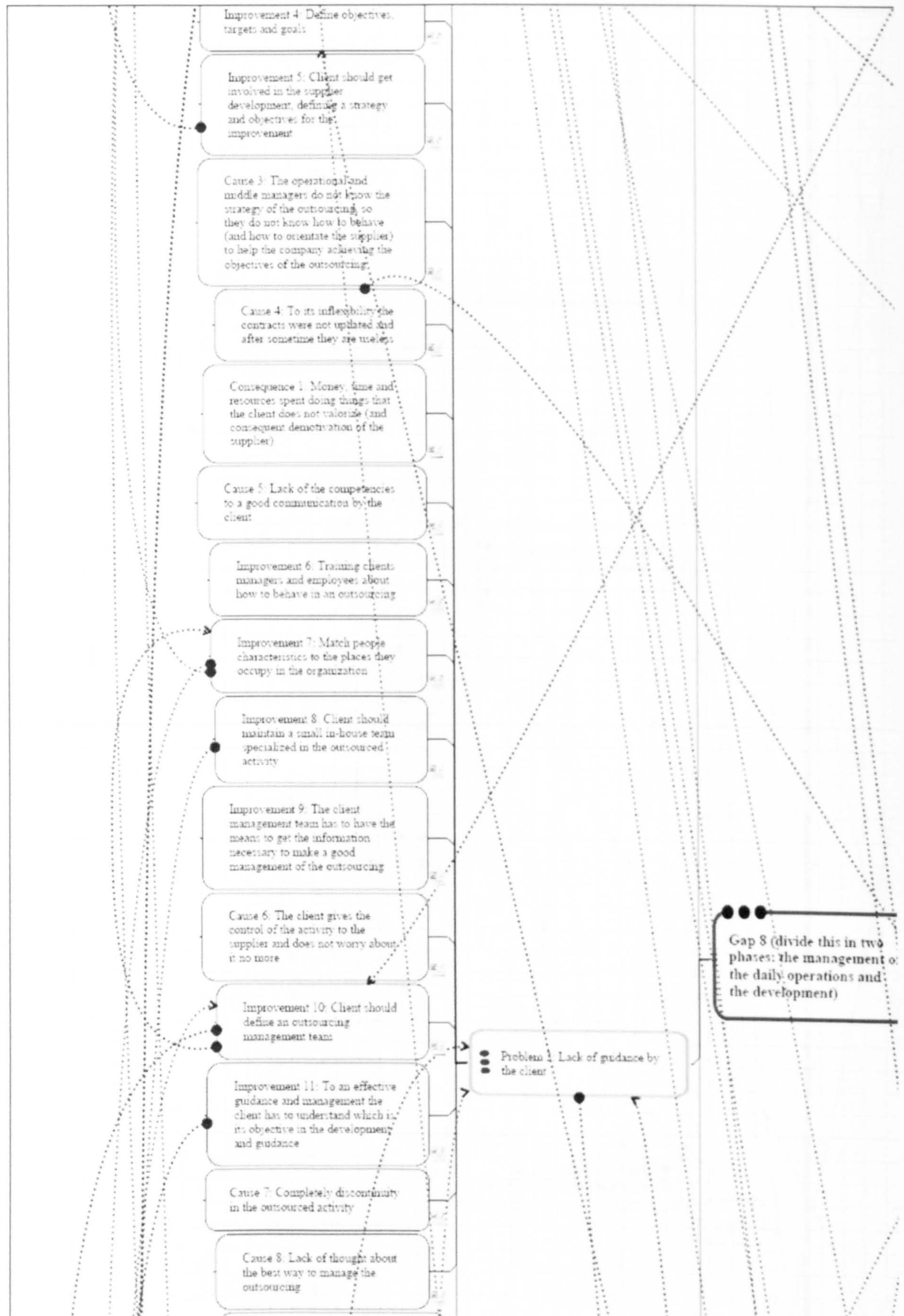


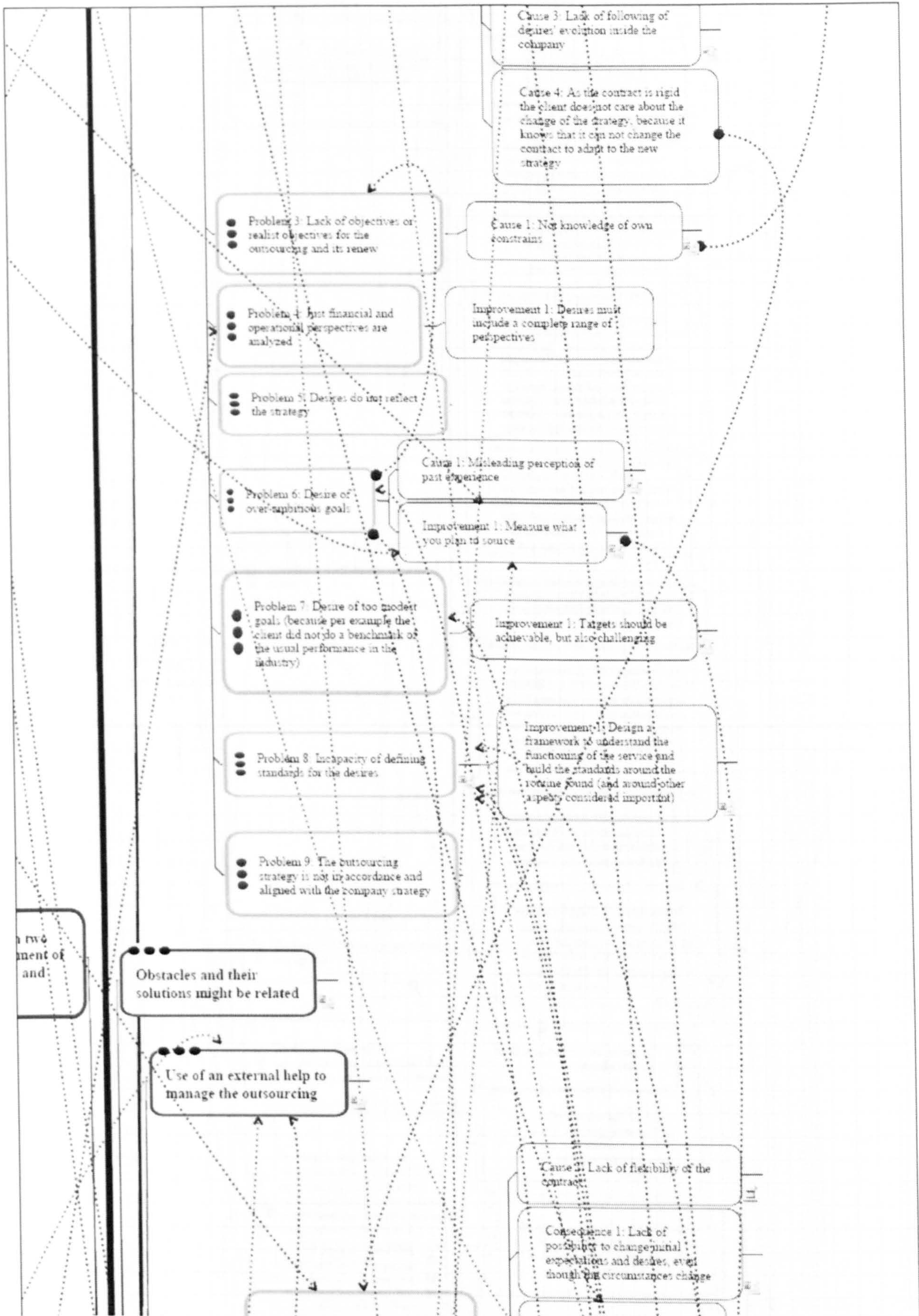


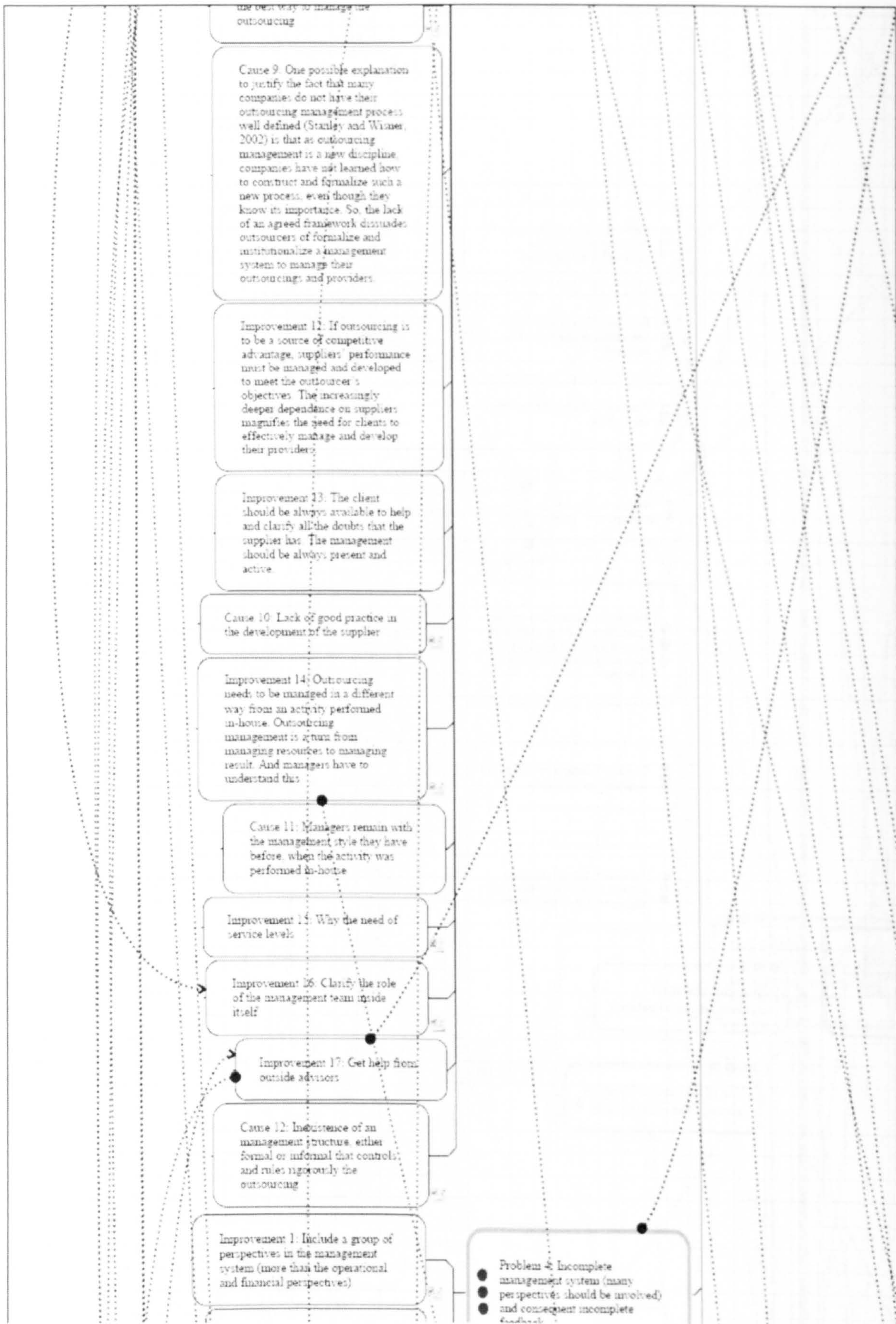
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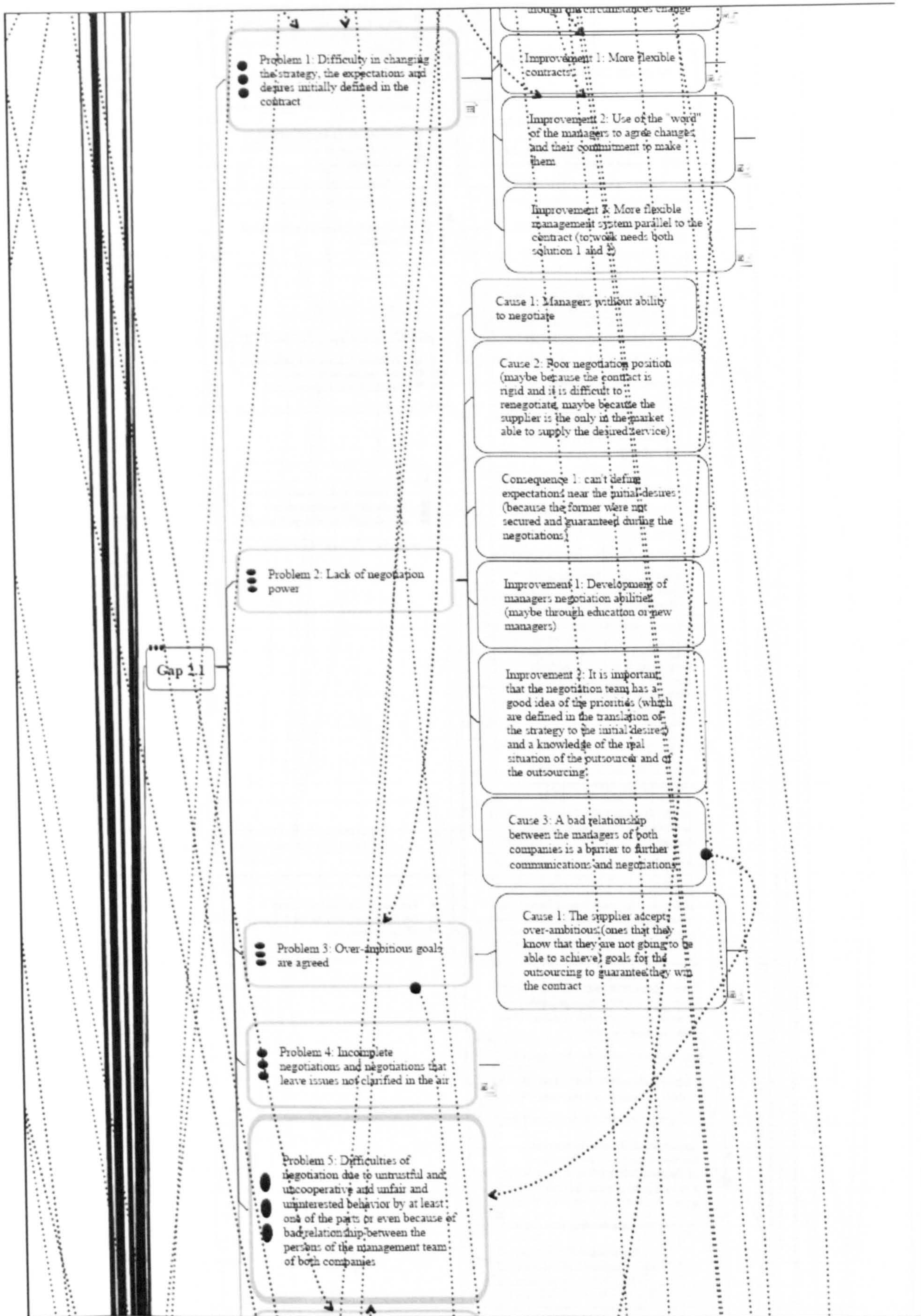


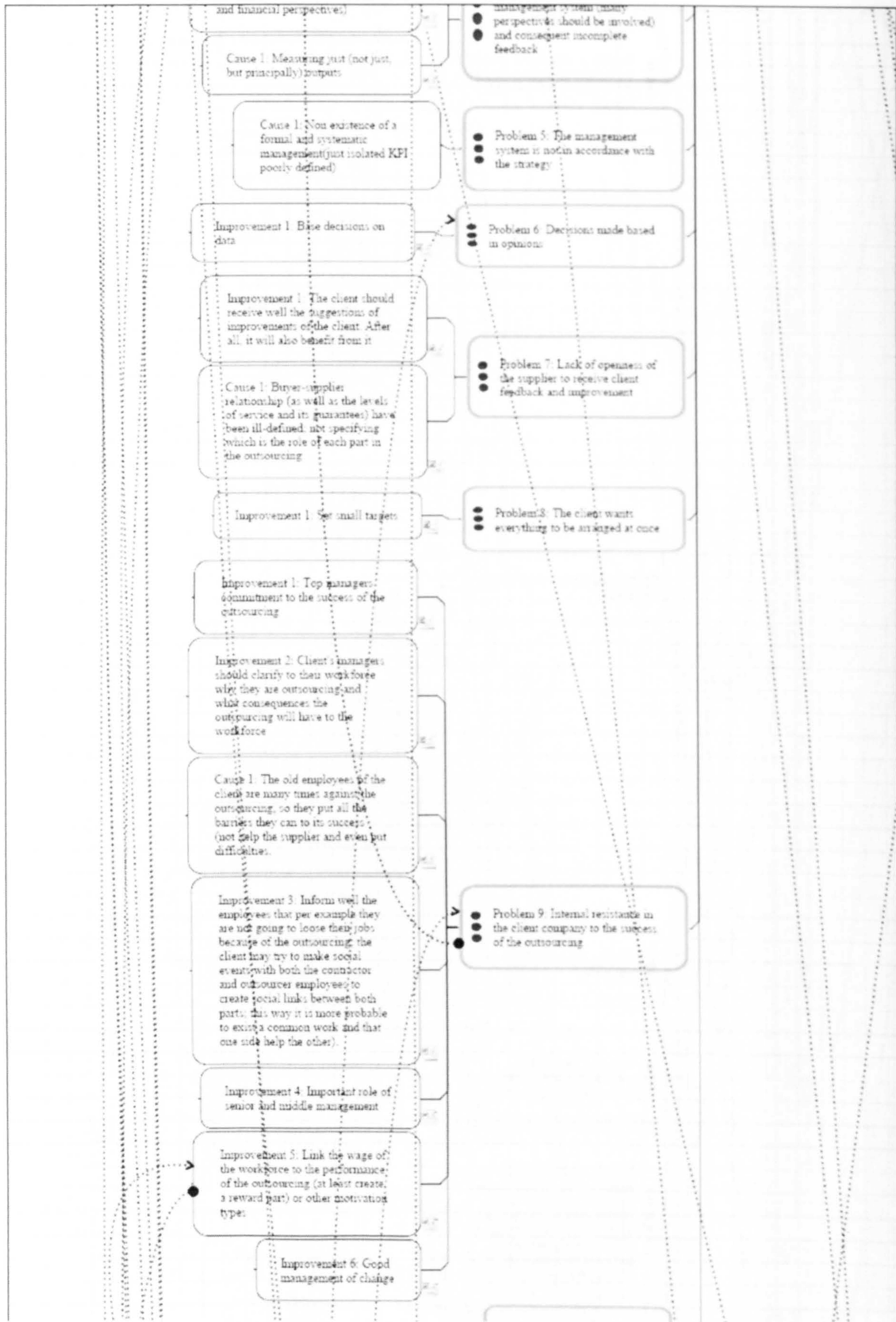


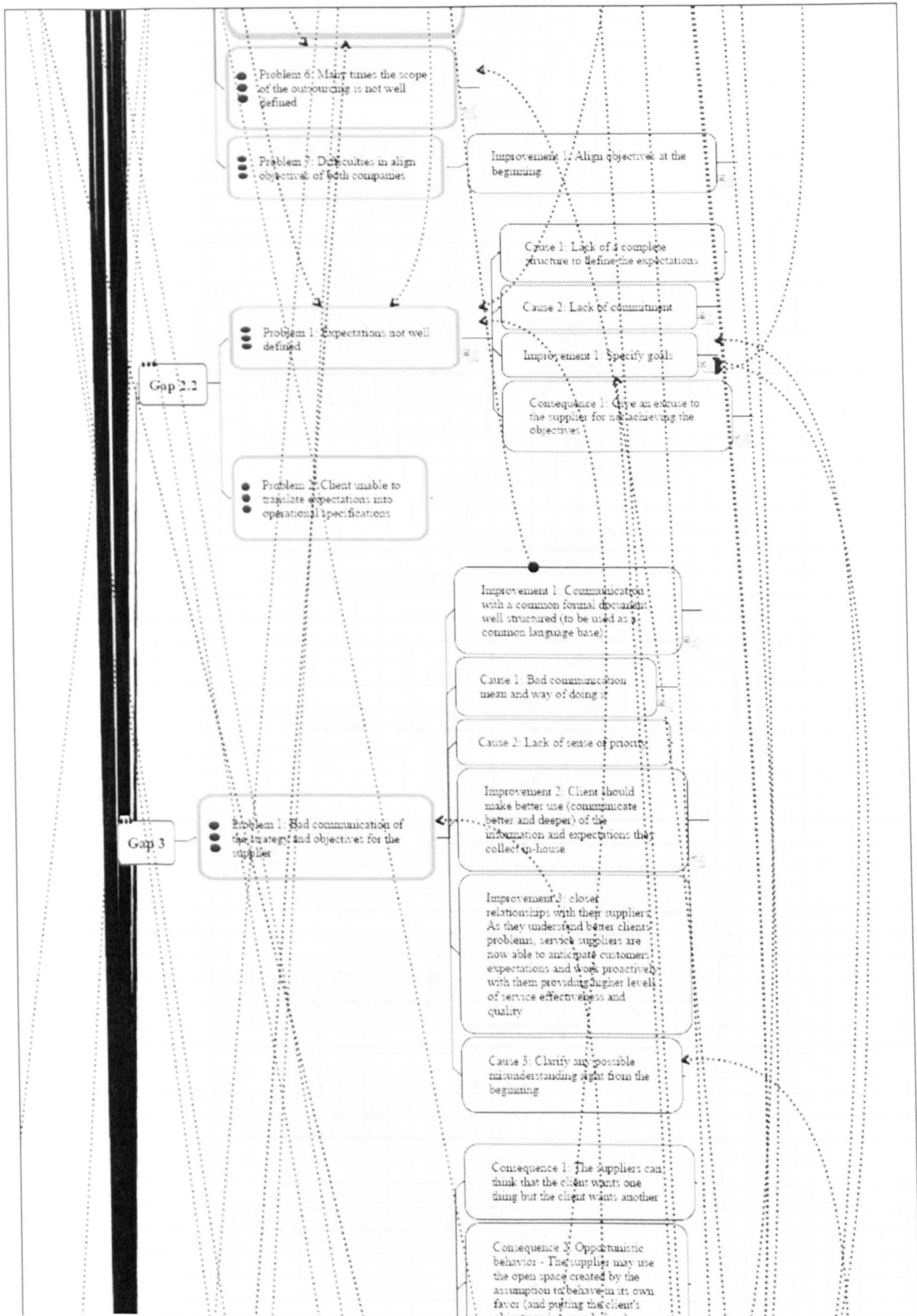


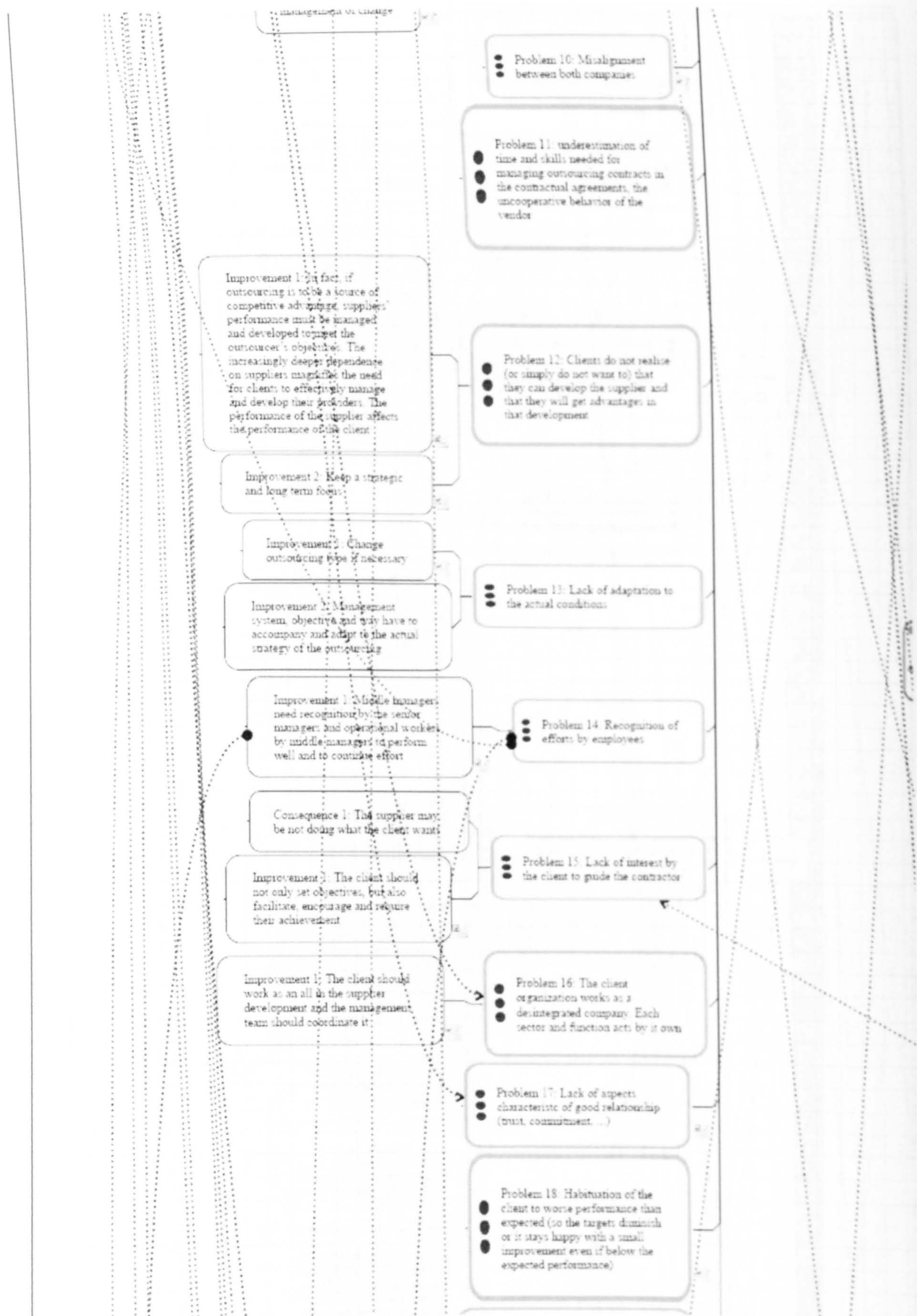


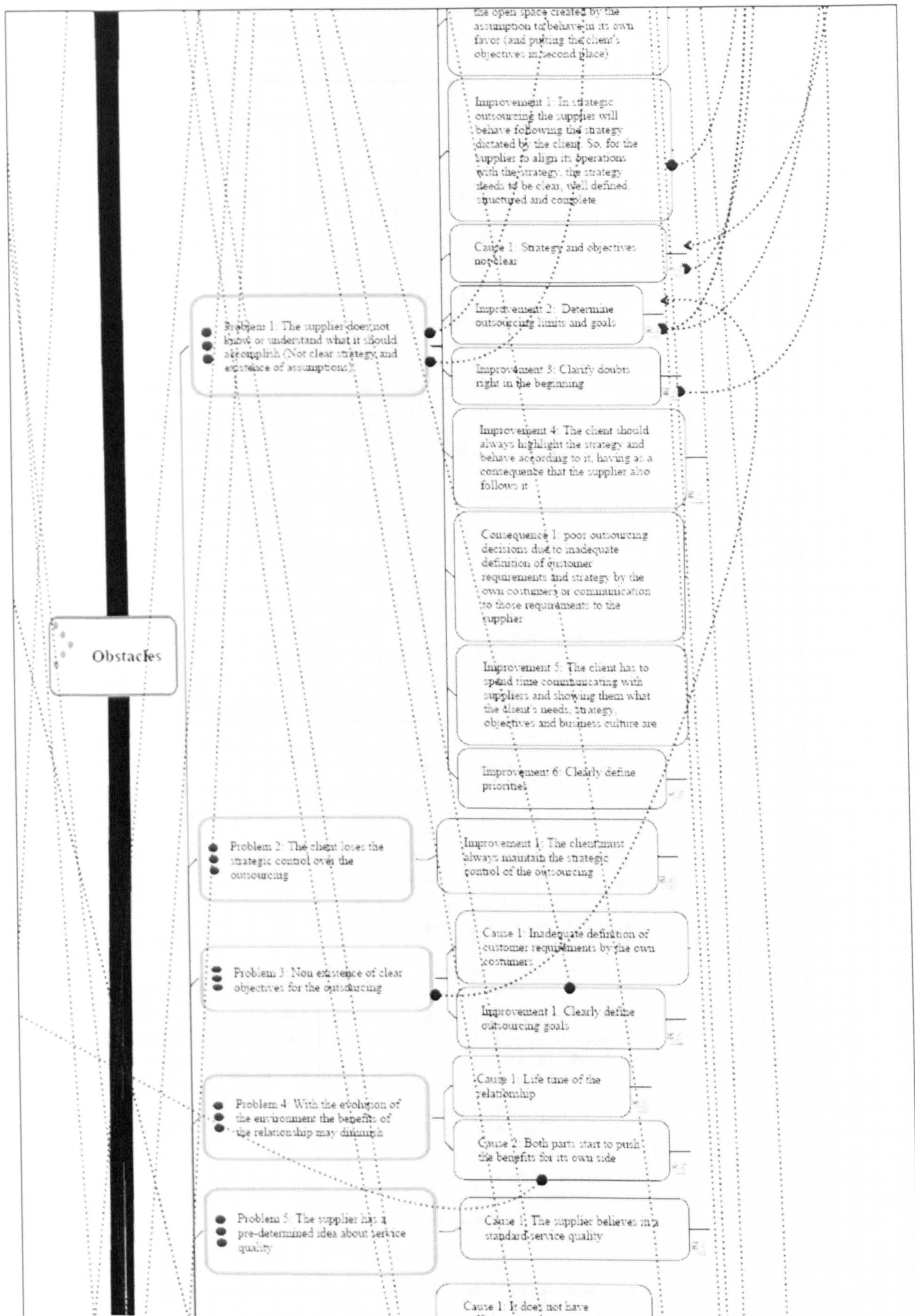


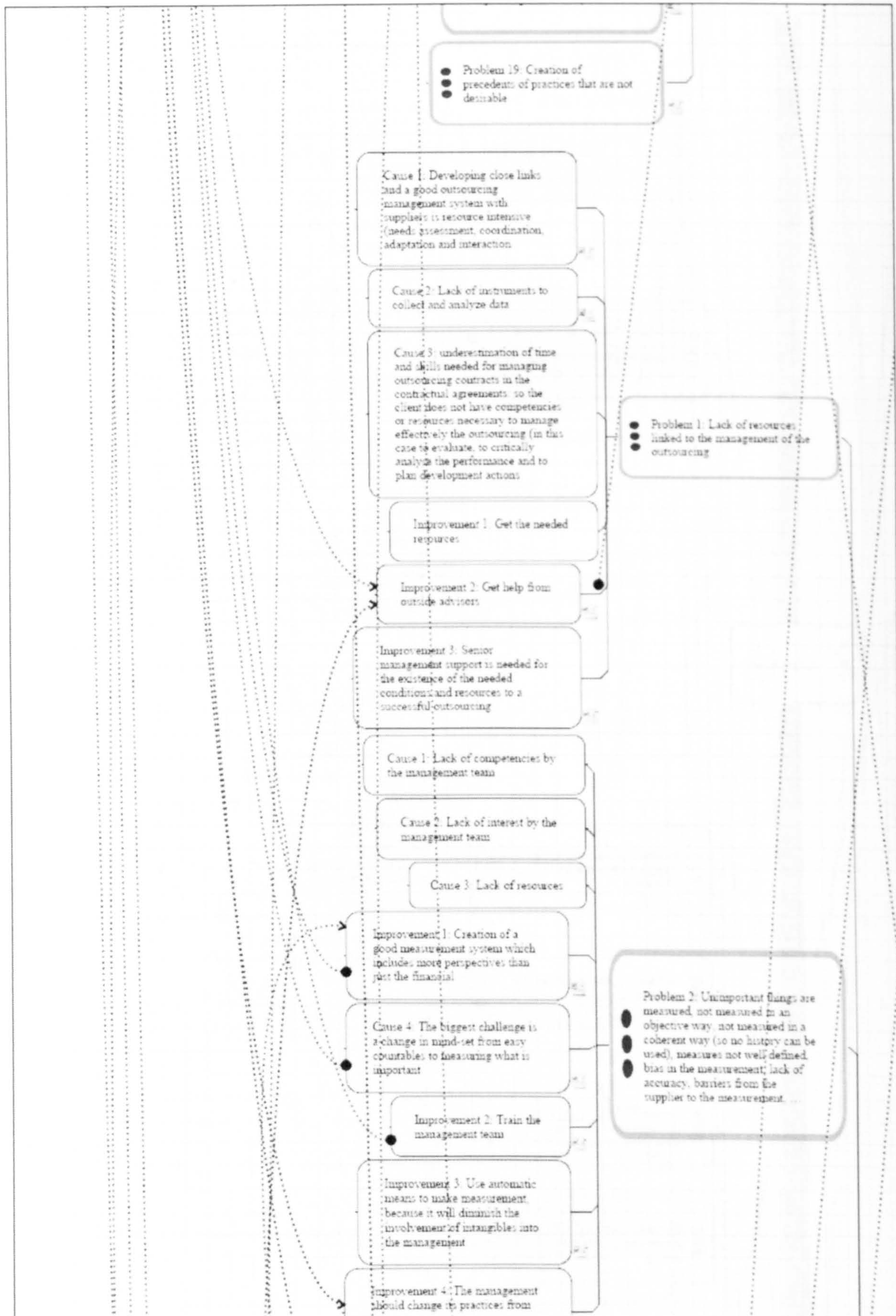


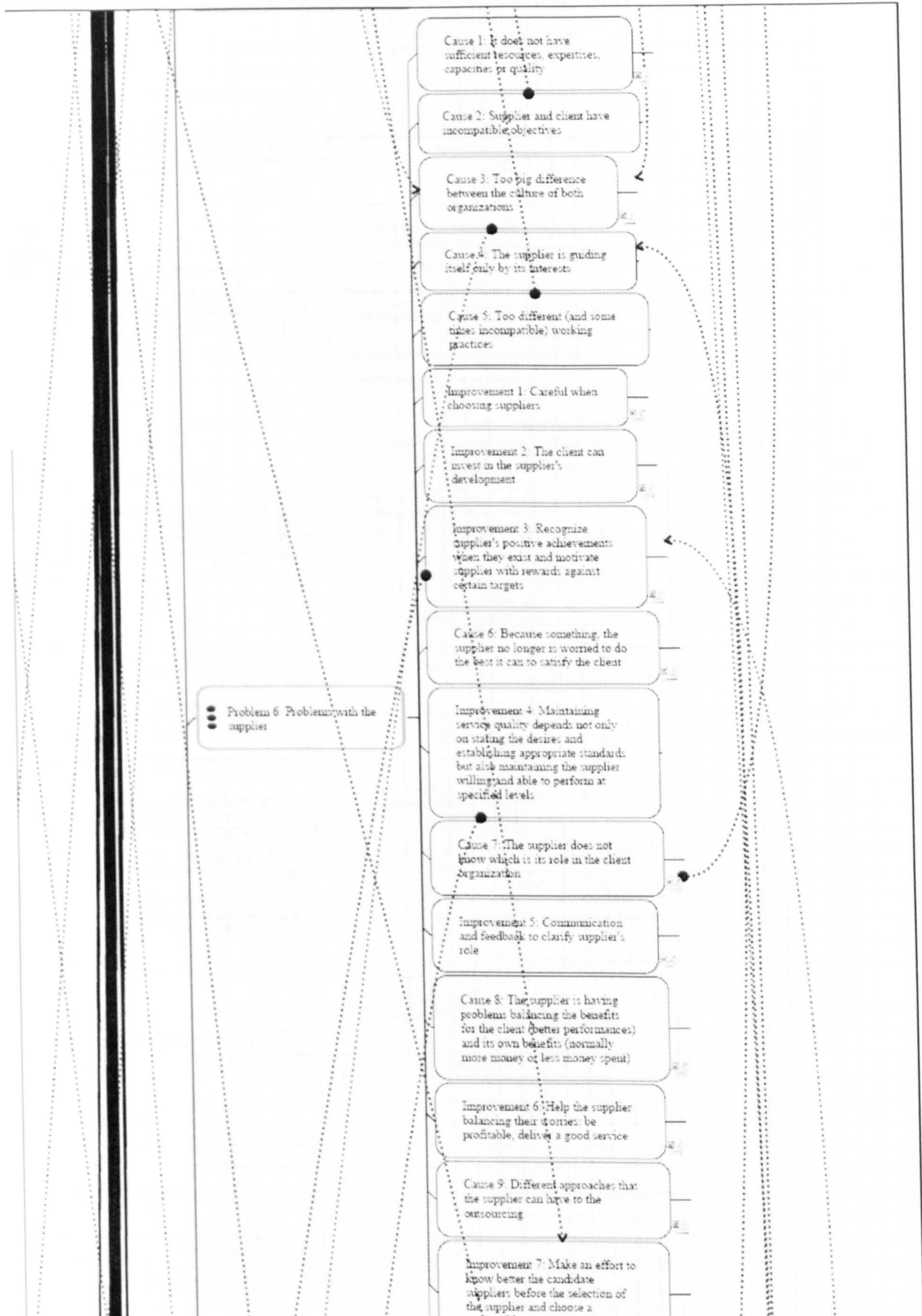


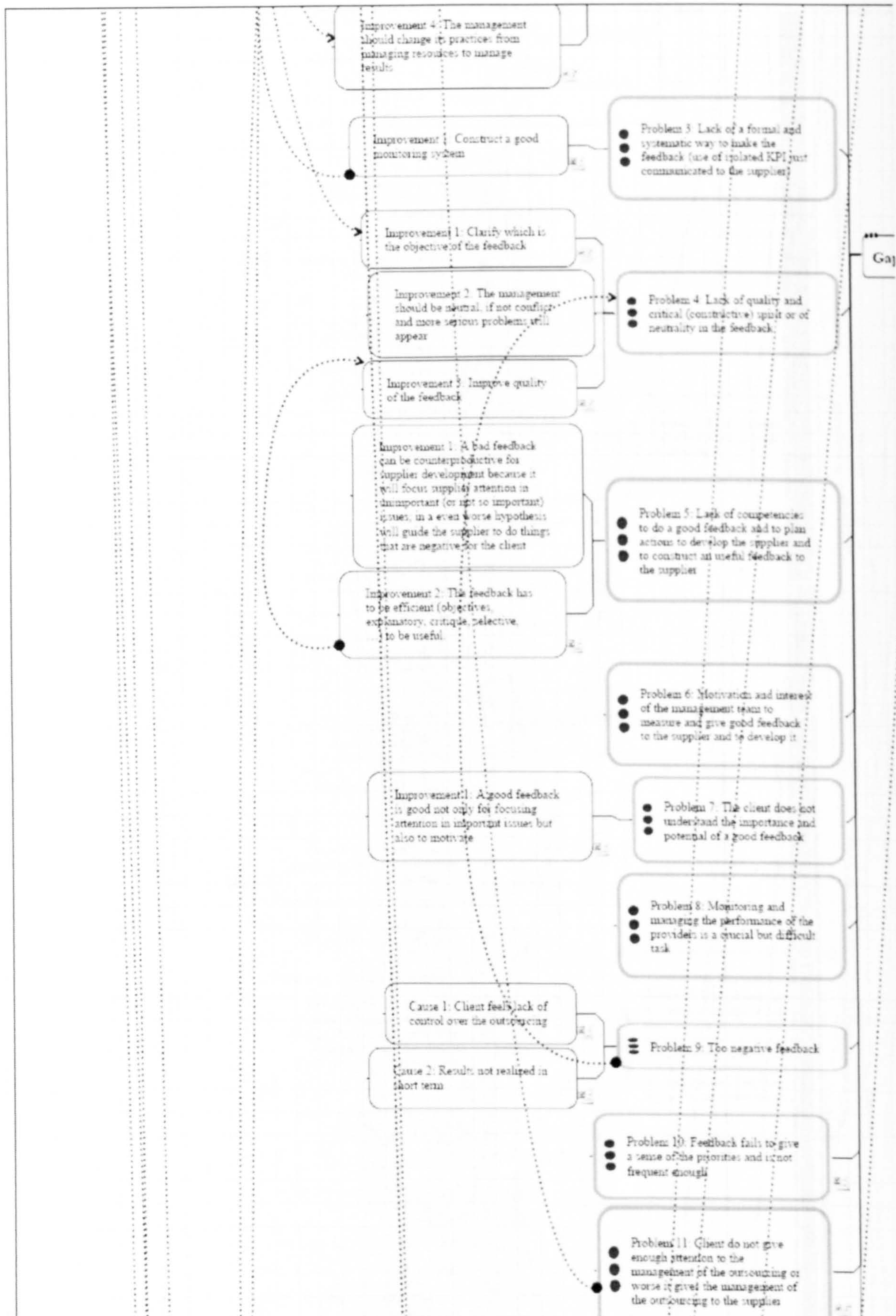


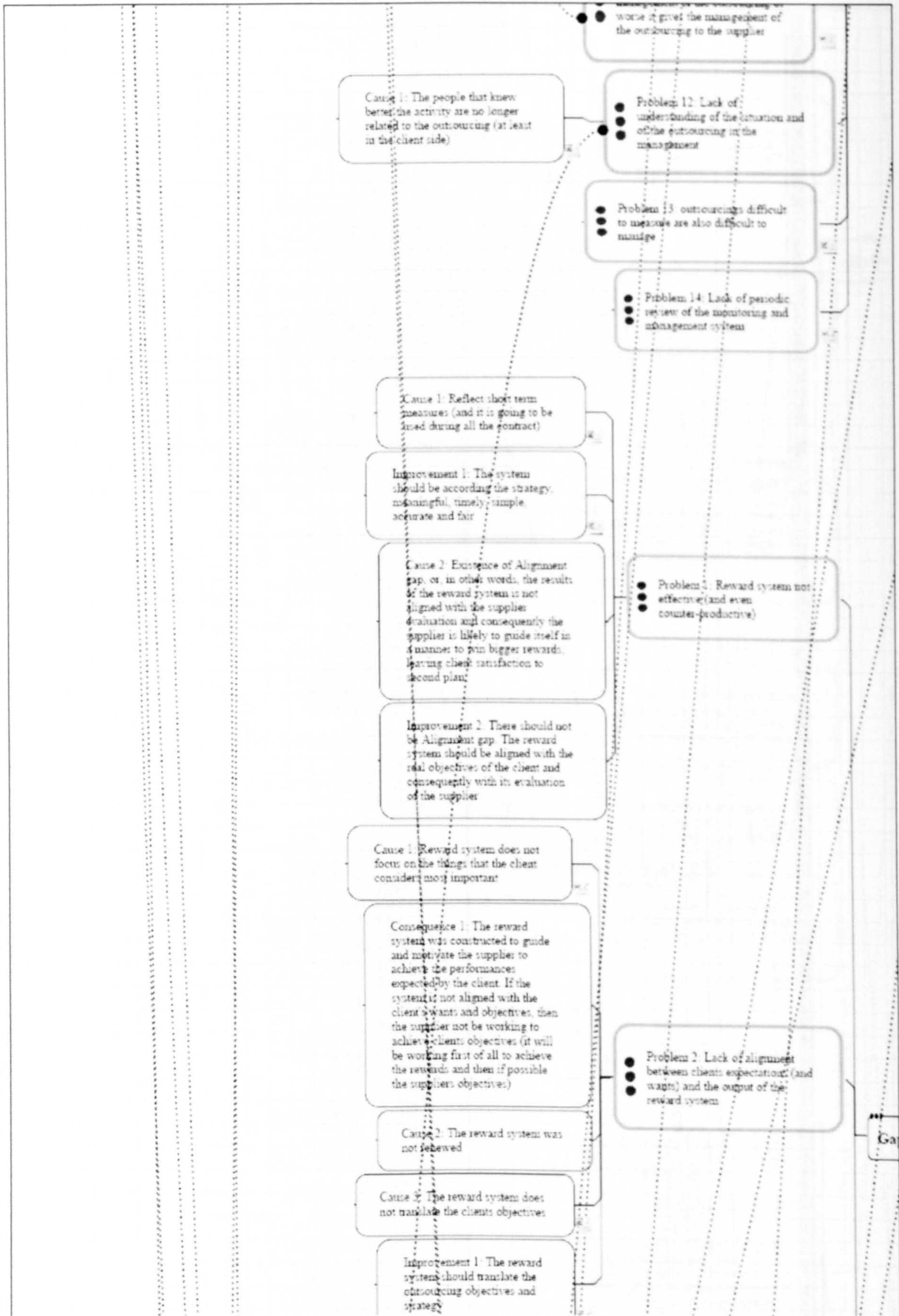


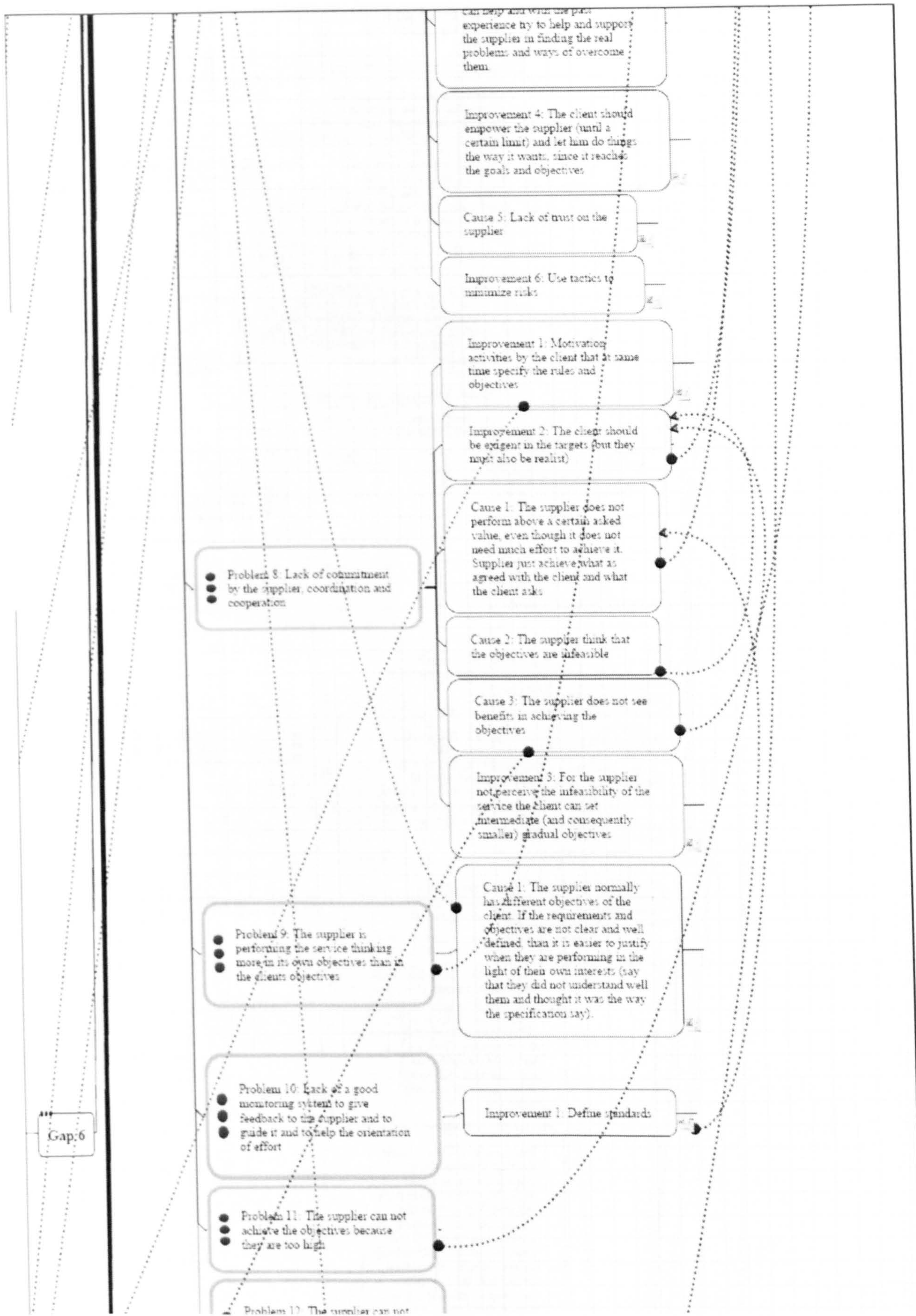


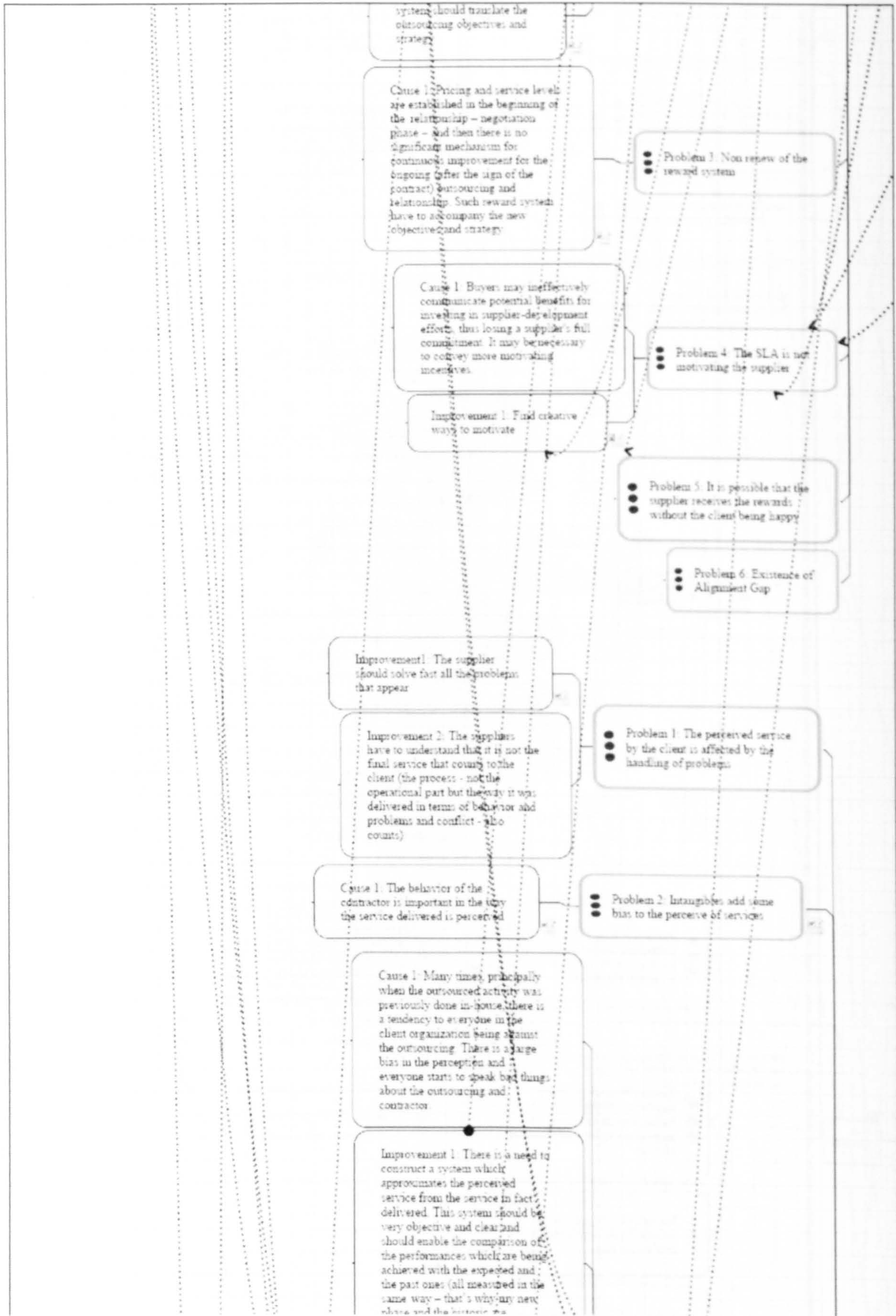


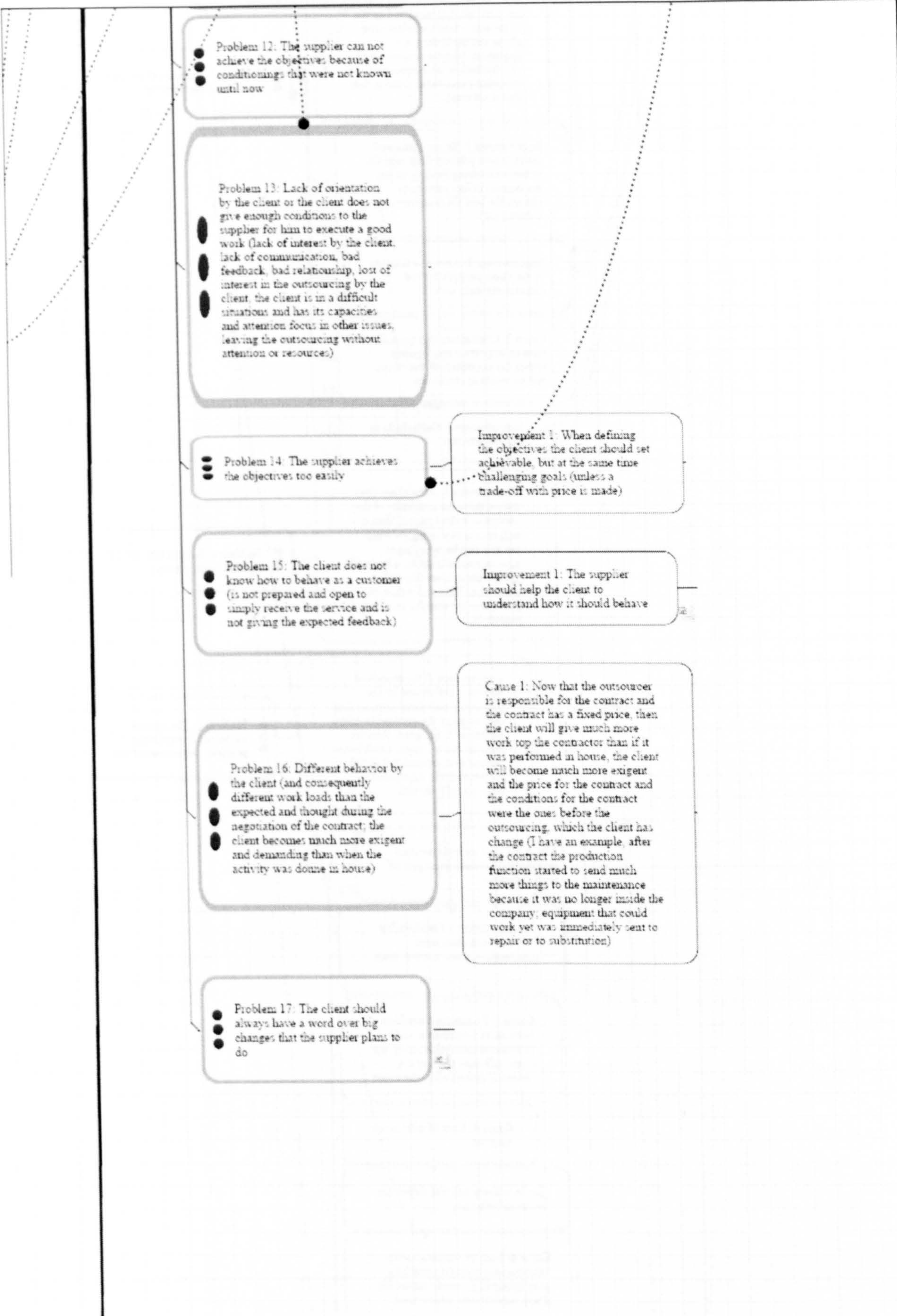


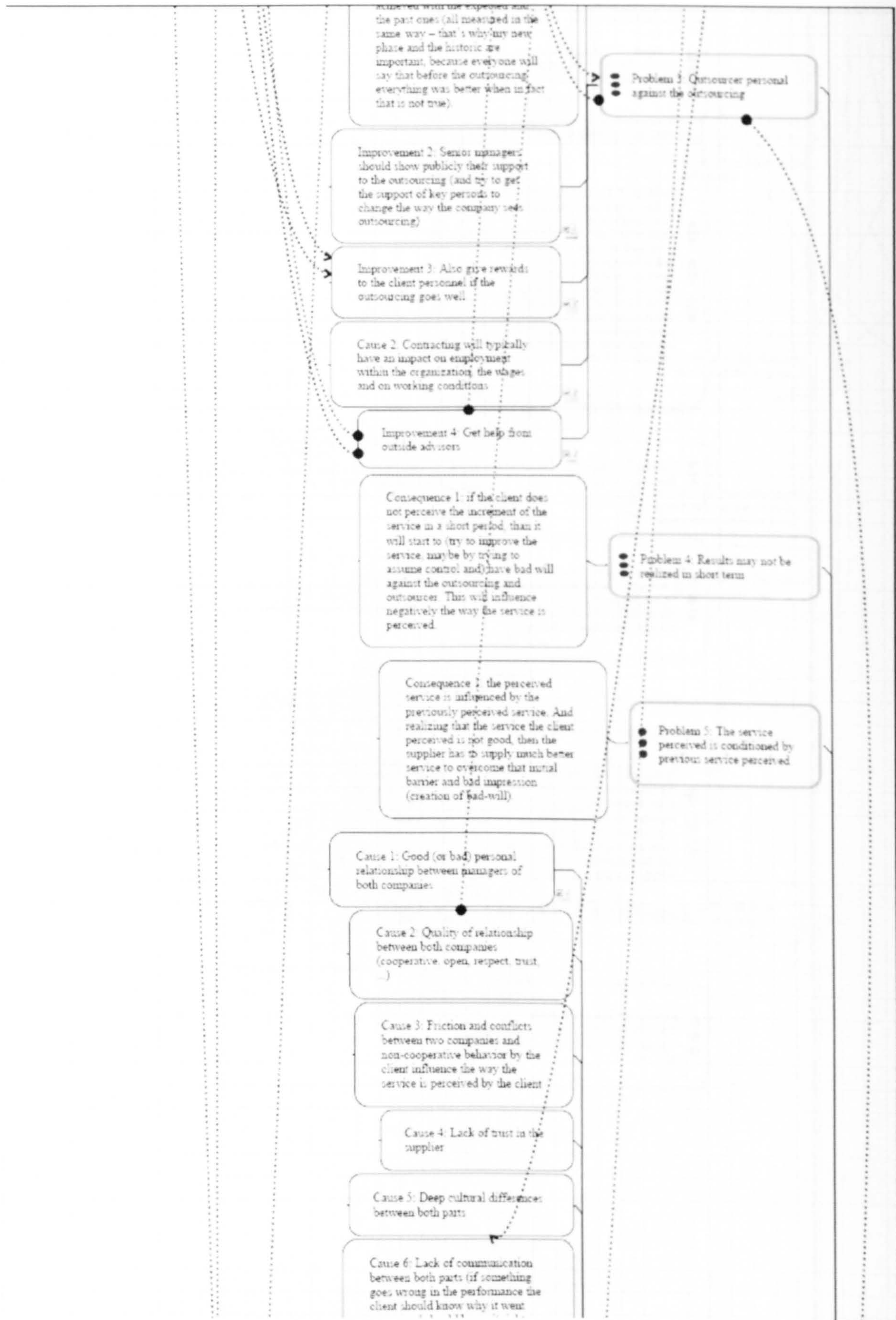


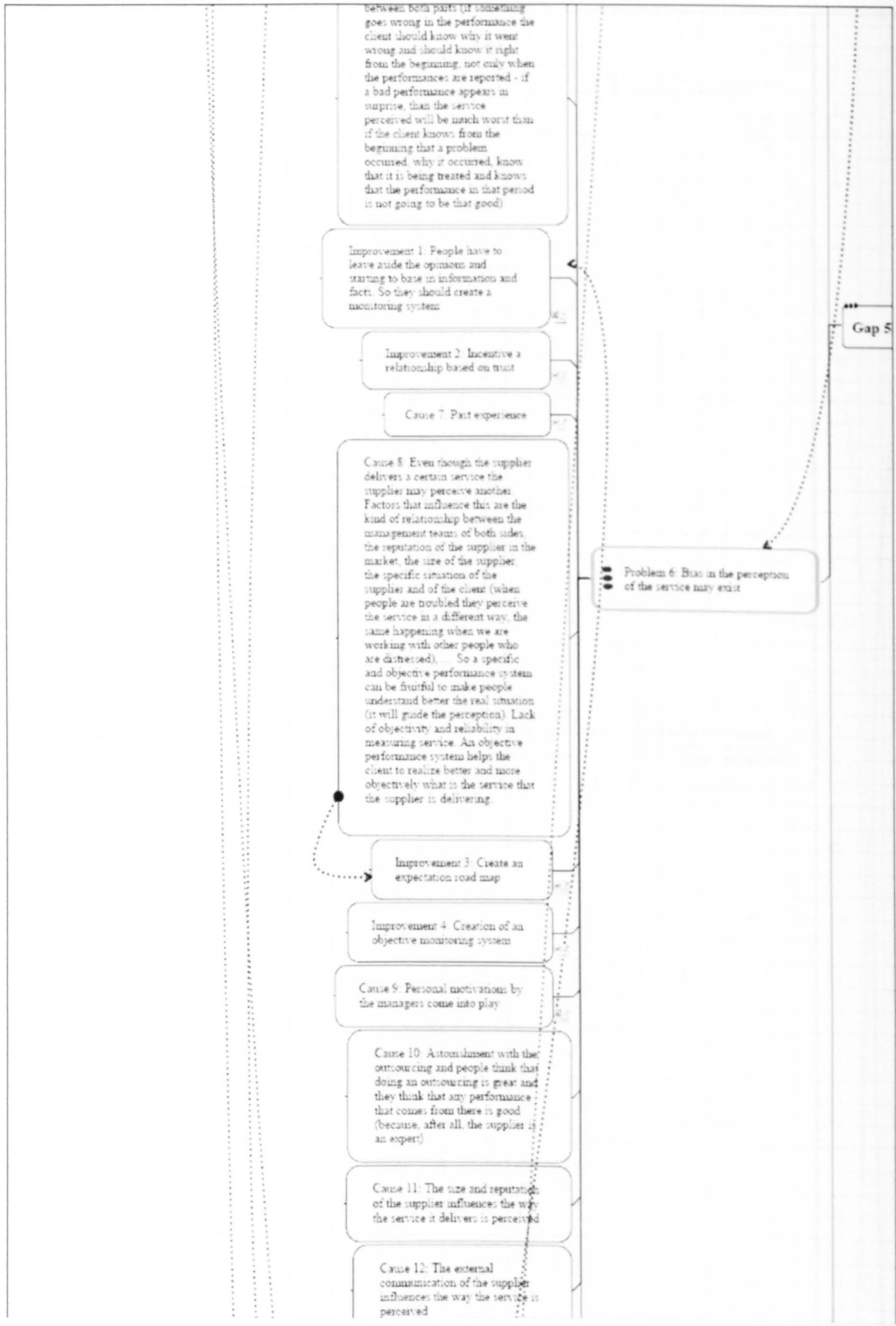




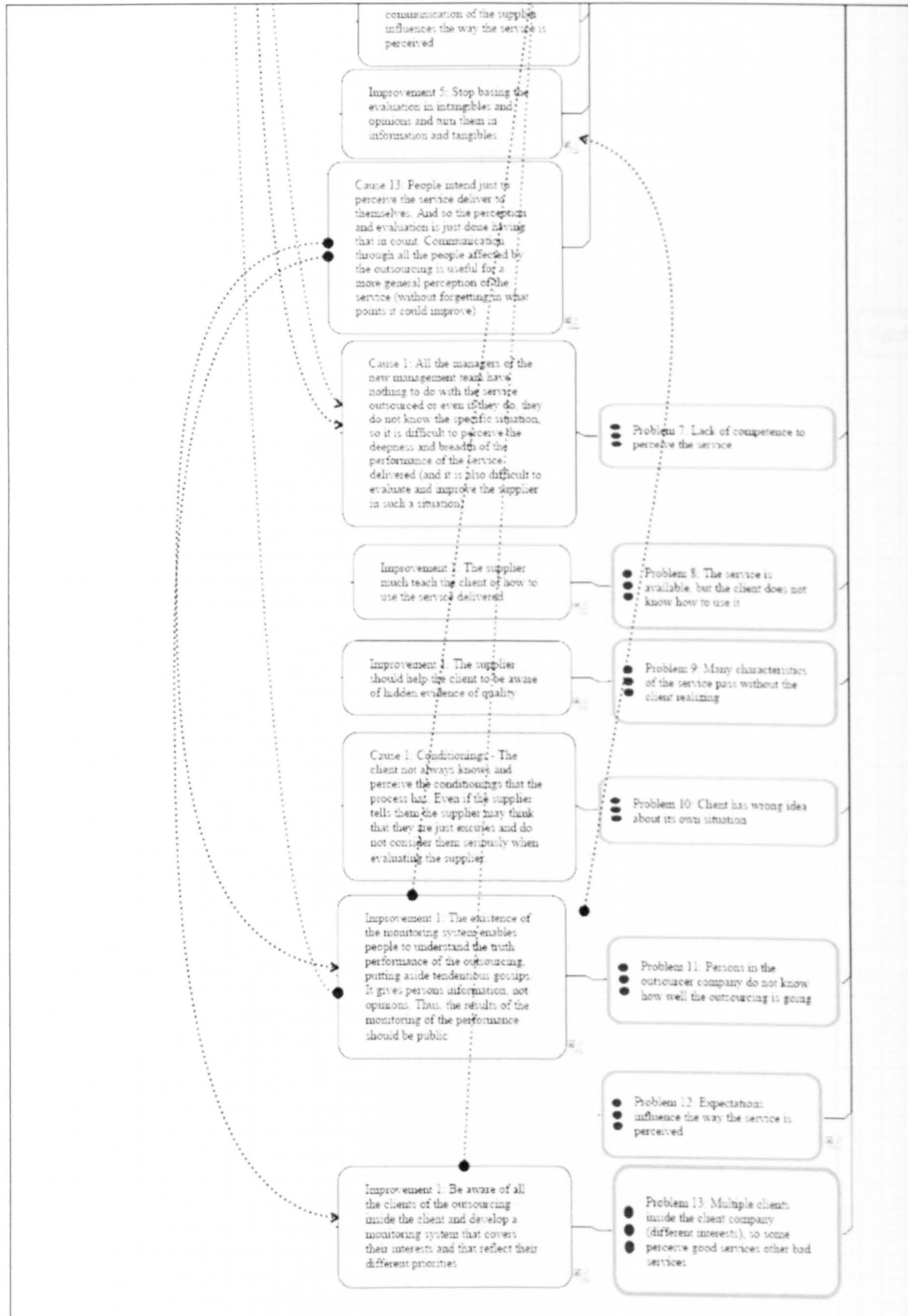








Gap 5



C. Appendix C

Protocol of the semi-structured interviews correspondent to the outsourcing management problems part of the outsourcing management model (in Portuguese):

INTRODUÇÃO

Objectivos geral desta entrevista:

- Discutir problemas que ocorrem durante a gestão on-going do outsourcing.

Quais os problemas a serem discutidos:

- Problemas identificados no estudo exploratório deste trabalho.

Objectivo concreto da entrevista:

- Recolher informação que suporte ou não a possível existência dos problemas identificados.
- Todos os problemas estão divididos em causa e consequência. Estes dois factores serão discutidos separadamente.

Que tipo de informação gostaria de receber:

- Gostaria que respondesse às perguntas não só baseado no que acontece neste outsourcing específico, mas tivesse em conta a sua experiência passada de outros outsourcings e conhecimentos do que acontece noutros outsourcings.
- Se me pudesse dar exemplos concretos destes problemas que se tenham passado neste outsourcing ou noutros agradecia, já que os exemplos são importantes para mim.

Regras:

- Se não se importar vou gravar a entrevista. Ajuda-me na análise da informação.
- Se a qualquer momento quiser que pare de gravar é só dizer.

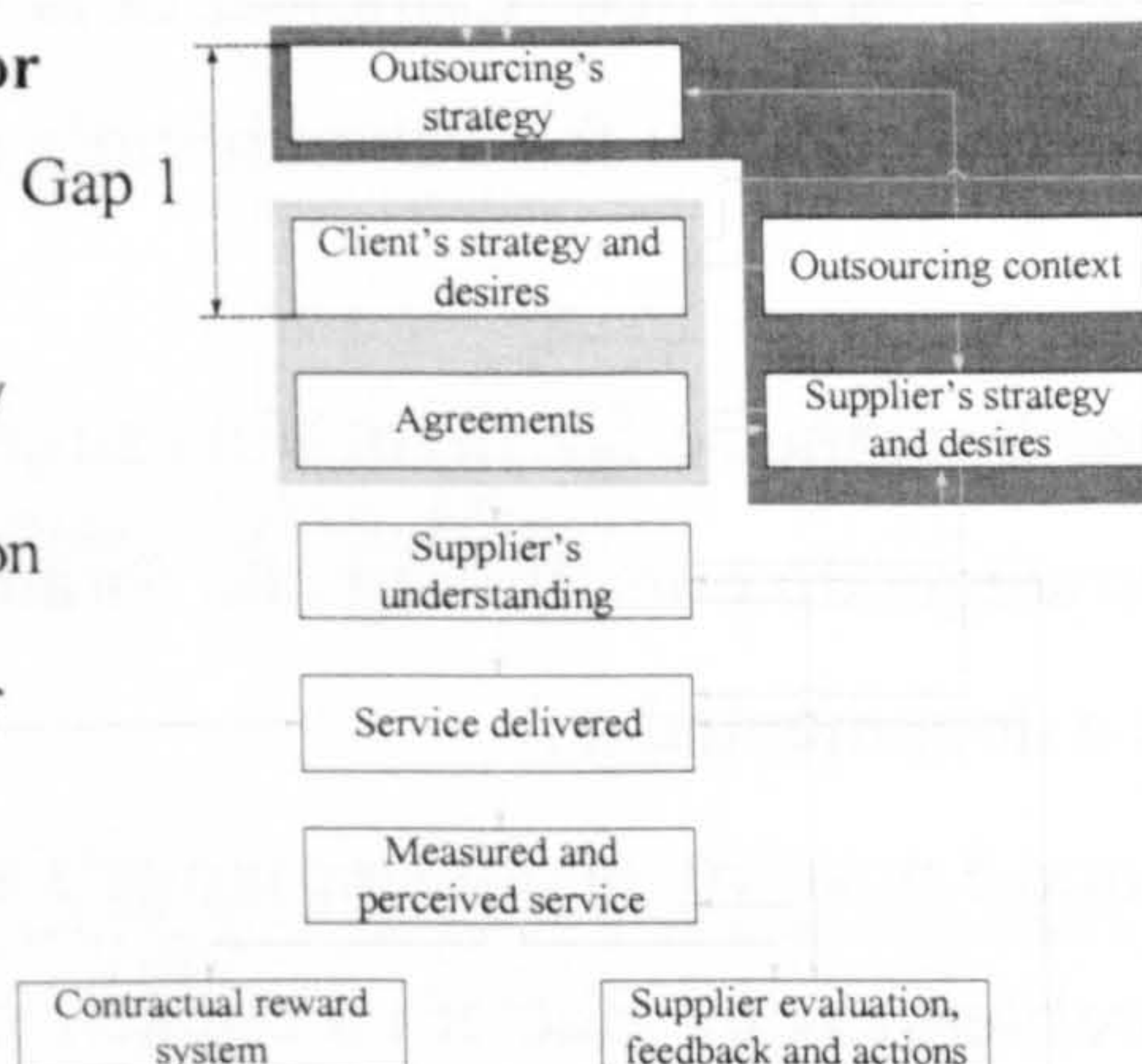
Assunto:

- O processo de gestão do outsourcing discutido na nossa última conversa sugere a existência de nove possíveis conceptuais ineficácias na gestão do outsourcing (apresentar as gaps).
- Problemas que gostaria de discutir hoje são, pelo menos parcialmente, os responsáveis por essas ineficácias conceptuais.

GAP 1

Main contributing factors for Gap 1:

- 1- Outsourcing's strategy poorly defined
- 2- Agreements' scopes poorly defined
- 3- Incomplete or bad definition of desires
- 4- Lack of regular revision of strategy and desires



Problem 1: Outsourcing's strategy poorly defined



Causa 1:

✓ *Proposição:* Outsourcing's specific long-term objectives and strategy are unspecified or unclear in some companies.

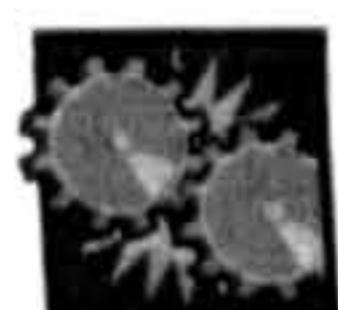
❗ *Pergunta:* Acha que os objectivos do outsourcing no longo prazo e a estratégia de como os atingir estão bem especificados nas empresas que fazem outsourcing?

O que quero dizer com isto? Por exemplo acha que:

- Estratégias dos outsourcings tendem a ser bem pensadas, discutidas e estruturadas dentro da empresa?
- Estratégias e objectivos dos outsourcings são mais elaboradas e bem documentadas do que um simples entendimento na cabeça dos gestores mais seniores?

🔍 *Pedido de exemplo:*

- Como é que a estratégia foi definida neste outsourcing?
- Essa estratégia está bem especificada, clara e documentada?
- O que acha que acontece nas outras empresas? Acha que há empresas que não tenham a estratégia dos seus outsourcings bem definida e clara?
- Será que podia dar um exemplo?



Consequência 1:

✓ *Proposição:* Unspecified or unclear outsourcing's long-term objectives and strategy can be prejudicial for outsourcing's effectiveness.

❗ *Pergunta:* Imagine se faz favor uma situação na qual os objectivos de longo termo e a estratégia do outsourcing não foram bem pensadas, discutidas, estruturadas e documentadas.

O que acha que é possível acontecer em tais situações em relação ao potencial de criação de problemas que afectem a eficácia do outsourcing?

Exemplos do que pode acontecer:

- Entendimento comum da estratégia na cabeça dos gestores poderá divergir (mesmo se só em pormenores) sem eles se aperceberem;
 - Em tal situação é provável que haja uma ideia algo ambígua em relação aos objectivos e estratégia do outsourcing dentro da própria empresa cliente;
 - Assim sendo é natural que haja esforços dispersos e não focados em acções não interligadas, porque cada gestor sénior irá fazer o que acha o melhor para atingir o que é a sua ideia de objectivos e estratégia;
 - Como consequência os gestores médios e os trabalhadores operacionais com certeza ficaram confusos sobre as verdadeiras prioridades do outsourcing.
 - Esta confusão tenderá a ser passada ao fornecedor em todas as interacções, feedback e discussões entre trabalhadores dos dois lados.
- Uma estratégia não clara pode guiar um fornecedor à confusão ou assunções erradas que provavelmente desviarão o fornecedor dos esforços mais correctos, reduzindo os benefícios que poderiam ser atingidos pelo outsourcing.
- A existência de uma estratégia mal definida facilita comportamentos oportunisticos por parte do fornecedor. Tais comportamentos provavelmente resultarão num aumento de custos do outsourcing e numa diminuição dos seus benefícios, diminuindo a sua eficácia.

🔍 *Pedido de exemplo:*

- Será que me podia dar um exemplo que conheça (neste ou noutra outsourcing)

em que objectivos de longo termo ou estratégia do outsourcing não tenham sido bem pensadas, discutidas, estruturadas e documentadas e isso tenha diminuído a eficácia do outsourcing? (diminuição dos benefícios ou aumento dos custos)

Problem 2: Agreements' scope poorly defined



Causa 1:

✓ *Proposição:* Sometimes outsourcing's scope is poorly defined.

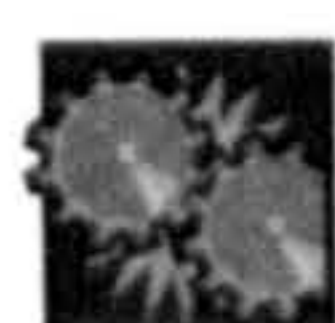
ⓘ *Pergunta:* Acha que o que está incluído no outsourcing e a abrangência do outsourcing estão sempre bem definidos?

O que quero dizer com isto? Por exemplo acha que:

- O contrato e os acordos feitos dentro do outsourcing são sempre claros sobre as actividades que estão e não estão incluídas no acordo? (os limites do acordo)
- O que está incluído no preço e o que é extra?
- O que o cliente/fornecedor podem fazer e o que o cliente/fornecedor não podem fazer?

🔍 *Pedido de exemplo:*

- Neste outsourcing houve algum problema em relação aos limites e scope do outsourcing?
- Será que podia dar um exemplo?
- O que acha que acontece nas outras empresas? Acha que há outsourcings em que os seus limites não sejam claros?
- Será que podia dar um exemplo?



Consequência 1:

✓ *Proposição:* A poorly defined outsourcing's scope is likely to influence negatively outsourcing's effectiveness.

❗ *Pergunta:* Imagine se faz favor uma situação na qual os limites, o scope e o que está incluído no outsourcing não estão muito bem e claramente definidos. O que acha que é possível acontecer em tal situações em relação ao potencial de criação de problemas que afectem a eficácia do outsourcing?

Exemplos do que pode acontecer:

- O fornecedor pode tirar vantagem da situação para ter comportamentos oportunistas;
 - Através de tais comportamentos o fornecedor pode atingir lucros extra movendo por exemplo actividades ou custos originalmente pretendidos pelo cliente ser parte do acordo de outsourcing para fora e depois reivindicar que eles não faziam parte do serviço acordado;
 - Esta prática subiria os custos para o cliente ou reduziria os benefícios do outsourcing para o cliente, reduzindo a sua eficácia.
- Existência de discussões e conflitos entre as duas partes que podem afectar negativamente o seu relacionamento futuro, o seu entendimento e trabalhos conjuntos futuros.

🔍 *Pedido de exemplo:*

- Será que me podia dar um exemplo que conheça (neste ou noutra outsourcing) em que os limites, scope e abrangência do outsourcing não estivessem bem definidos e isso tenha diminuído a eficácia do outsourcing? (diminuição dos benefícios ou aumento dos custos)

Problem 3: Incomplete or bad definition of desires



Causa 1:

✓ *Proposição:* Client companies sometimes have unwritten expectations.


❗ *Pergunta:* Acha que as empresas clientes negociam sempre e discutem com o fornecedor todas as expectativas que têm para o outsourcing e tudo o que querem receber dele?

O que quero dizer com isto? Por exemplo acha que:

- No fim das negociações há sempre um documento em que tudo o que o cliente

quer receber do outsourcing é agrupado, acordado e assinado por ambas as partes?

- Acha que o cliente deixa bem claro nesse documento tudo o que o ele quer receber?

 *Pedido de exemplo:*

- Neste outsourcing o cliente tem algumas expectativas ou desejos que não tenha sido formalizados?
- Será que podia dar um exemplo?
- O que acha que acontece nas outras empresas? Acha que todas definem e formalizam claramente todas expectativas e desejos que têm para o outsourcing durante as negociações? (negociações iniciais e negociações durante o outsourcing)
- Será que podia dar um exemplo?



Consequência 1:


✓ *Proposição:* The absence in the contract of client's unwritten expectations is likely to influence negatively outsourcing's expected effectiveness.

❗ *Pergunta:* Imagine se faz favor uma situação em que o cliente deseja receber do outsourcing algo que não está documentado.

O que acha que é possível acontecer em tal situações em relação ao potencial de criação de problemas que afectem a eficácia do outsourcing?

Exemplos do que pode acontecer:

- O cliente não irá receber os desejos que não estão formalizados;
 - Ou porque como não estão documentados o fornecedor ignora-os;
 - Ou mesmo porque o fornecedor nem sabe de tais desejos e portanto não os fornece.
- Isto provavelmente poderá levar a insatisfação do cliente e possíveis conflitos.
- Qualquer uma destas consequências levará a que o cliente não receba todos os seus desejos ou trazendo conflitos para o outsourcing diminuindo a eficácia do outsourcing.

 *Pedido de exemplo:*

- Será que me podia dar um exemplo que conheça (neste ou noutra outsourcing) em que o cliente tivesse desejos não documentados e isso tenha diminuído a eficácia do outsourcing? (diminuição dos benefícios ou aumento dos custos)




Causa 2:

✓ *Proposição:* The desires that clients take to negotiations sometimes do not reflect exactly the desires inside their own organisations.

① *Pergunta:* Acha que às vezes a equipa de gestão do outsourcing do cliente poderá levar a negociações desejos que não correspondem integralmente aos desejos dentro da sua própria empresa?

O que quero dizer com isto? Por exemplo acha que:

- É possível que a equipa de gestão do outsourcing possa levar para negociações desejos apenas relacionados com o output final do serviço, mas os desejos das pessoas dentro da empresa e que trabalham directamente com o outsourcing possam incluir aspectos relacionados com o modo como o serviço é fornecido?
- Que a equipa de gestão só leva para negociações assuntos relacionados com a empresa como um todo e os objectivos empresariais, não levando para negociações assuntos que os seus trabalhadores gostassem de receber e considerem importantes?

 *Pedido de exemplo:*

- Neste outsourcing acha que aconteceu isso? Que o cliente não tenha levado ou não leve para as negociações os desejos dentro da sua própria organização?
- Será que podia dar um exemplo?
- O que acha que acontece nas outras empresas? Acha que todas levam para as negociações os desejos dos seus trabalhadores? (negociações iniciais e negociações durante o outsourcing)
- Será que podia dar um exemplo?



Consequência 2:

✓ *Proposição:* When the desires that clients take to negotiations do not reflect exactly the desires inside their own organisations, outsourcing's effectiveness is likely to be affected negatively.

❗ *Pergunta:* Imagine se faz favor uma situação em que os desejos que o cliente negocia com o fornecedor não reflectem exactamente os desejos dentro da empresa cliente.

O que acha que é possível acontecer em tal situações em relação ao potencial de criação de problemas que afectem a eficácia do outsourcing?

Exemplos do que pode acontecer:

- O fornecedor apenas fornece o que foi negociado e não terá em conta os desejos e necessidades dos trabalhadores do cliente;
 - Deste modo os clientes internos do outsourcing no cliente (ou seja, os trabalhadores do cliente) não estarão satisfeitos com o outsourcing;
 - Os trabalhadores do cliente, não estando a receber o que gostariam e portanto estando insatisfeito provavelmente reagirão negativamente ao outsourcing dificultando a acção do fornecedor;
 - Outro caso mais extremo que pode acontecer é que os trabalhadores do cliente não estejam a receber do outsourcing as condições necessárias para executarem eficazmente as suas próprias actividades;
 - Neste caso pode acontecer que o fornecedor só mude o seu desempenho perante o pagamento de um custo extra.
- Isto provavelmente poderá levar a insatisfação dentro da empresa cliente e possíveis conflitos.
- Qualquer uma destas consequências levará a que o cliente não receba todos os seus desejos, a um aumento do custo do outsourcing ou a conflitos no outsourcing diminuindo a eficácia do outsourcing.

🔍 *Pedido de exemplo:*

- Será que me podia dar um exemplo que conheça (neste ou noutro outsourcing) em que a equipa de gestão do cliente não tenha levado a negociações assuntos importantes para os seus próprios trabalhadores e isso tivesse reflexo na sua actividade (obrigando por exemplo o cliente a entrar em negociações com o

fornecedor) e isso tenha diminuído a eficácia do outsourcing? (diminuição dos benefícios ou aumento dos custos)



Causa 3:

✓ *Proposição:* Non regular revision of the strategy and desires is likely to influence negatively outsourcing's effectiveness.

① *Pergunta:* Acha que os desejos que os clientes levam para as negociações podem não ser bem apropriados e podem não reflector o que eles realmente querem receber do outsourcing?

O que quero dizer com isto? Por exemplo acha que:

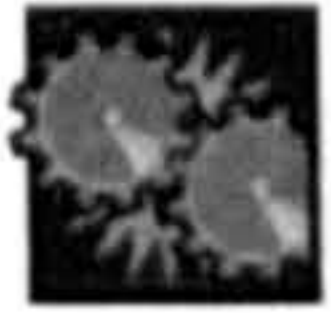
- Os desejos podem ser negociados com base num novo sistema de medição de performances (já que os clientes muitas vezes renovam os seus sistemas de medição de performances para poder ter uma 'melhor' gestão do outsourcing) mas que esse sistema não esteja ainda testado?
 - Nessas situações o cliente poderá ter dificuldades em definir valores alvo e poderá levar para negociações valores que reflectem a opinião da equipa de gestão do outsourcing sobre o que será uma boa performance vista nos olhos do novo sistema;
 - Assim sendo esses desejos que o cliente leva para as negociações podem não reflectir exactamente o que o cliente quer receber do outsourcing;
- Acha que podem acontecer esta ou situações semelhantes em que o cliente leva para as negociações desejos que não correspondam exactamente ao que eles querem ou que não incluam actividades que querem que sejam fornecidas?

🔍 *Pedido de exemplo:*

- Neste outsourcing acha que aconteceu isso? Que o cliente tenha levado para as negociações desejos que depois se revelaram não apropriados para o outsourcing?
- Será que podia dar um exemplo?
- O que acha que acontece nas outras empresas? Acha que pode acontecer que elas levem para negociações desejos não apropriados para a sua situação?

(negociações iniciais e negociações durante o outsourcing)

- Será que podia dar um exemplo?



Consequência 3:

✓ *Proposição:* When the desires taken to negotiations by the client are inappropriate to its situation (bad desires), outsourcing's effectiveness is likely to become negatively affected.

❗ *Pergunta:* Imagine se faz favor uma situação em que o cliente não leva para negociações os desejos apropriados para a sua situação.

O que acha que é possível acontecer em tal situações em relação ao potencial de criação de problemas que afectem a eficácia do outsourcing?

Exemplos do que pode acontecer:

- O fornecedor não fornece um serviço de acordo com os desejos do cliente (mas sim de acordo com o que foi negociado);
 - Se nada for feito, o cliente também fica com menos benefícios do outsourcing do que esperava
- É pouco provável que o fornecedor aceite mudanças nas performance alvo previamente acordadas ou no que foi acordado a não ser que haja pagamentos extra;
 - Nesta situação os custos do outsourcing aumentam, diminuindo a sua eficácia.
- Isto provavelmente poderá levar a insatisfação dentro da empresa cliente e possíveis conflitos.
- Qualquer uma destas consequências levará a que o cliente não receba todos os seus desejos, a um aumento do custo do outsourcing ou a conflitos no outsourcing diminuindo a eficácia do outsourcing.

🔍 *Pedido de exemplo:*

- Será que me podia dar um exemplo que conheça (neste ou noutra outsourcing) em que a equipa de gestão do cliente tenha levado a negociações desejos não apropriados para a sua situação e isso tenha diminuído a eficácia do outsourcing? (diminuição dos benefícios ou aumento dos custos)

Problem 4: Lack of regular revision of the strategy and desires



Causa 1:

✓ *Proposição:* Clients sometimes do not revise regularly their strategies or desires.

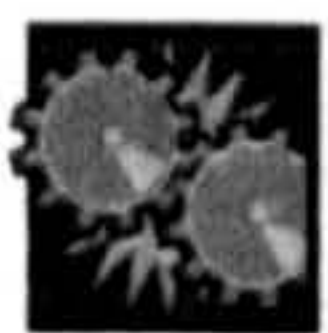
❗ *Pergunta:* Acha que a estratégia e desejos que o cliente tem para o outsourcing são regularmente revistos pelo cliente?

O que quero dizer com isto? Por exemplo acha que:

- O cliente adapta a sua estratégia e desejos para o outsourcing de acordo com o seu actual contexto?
- Que as mudanças nas condições do mercado ou na tecnologia resultam logo em adaptações da estratégia e desejos para o outsourcing?
- Acha que o contrato pode ser um impedimento para tais adaptações?

🔍 *Pedido de exemplo:*

- Neste outsourcing acha que aconteceu isso? Que o cliente tenha adaptado a sua estratégia à evolução do outsourcing?
- Será que podia dar um exemplo?
- O que acha que acontece nas outras empresas? Acha que pode acontecer que elas não adequem a estratégia do outsourcing à evolução da realidade?
- Será que podia dar um exemplo?



Consequência 1:

✓ *Proposição:* Non regular revision of the strategy and desires is likely to influence negatively outsourcing's effectiveness.


❗ *Pergunta:* Imagine se faz favor uma situação em que a estratégia e desejos do outsourcing não estão revistos regularmente.

O que acha que é possível acontecer em tal situações em relação ao potencial de

criação de problemas que afectem a eficácia do outsourcing?

Exemplos do que pode acontecer:

- As necessidades dos clientes mudam com o tempo já que são baseadas em assunções importantes em termos de tecnologia, condições do negócio, ambiente do mercado entre outros. Estas assunções mudam com o tempo e se a estratégia e desejos não são adaptados para a nova realidade é provável que a eficácia do outsourcing diminua já que o cliente deixa de receber o que quer, diminuindo os seus possíveis benefícios.

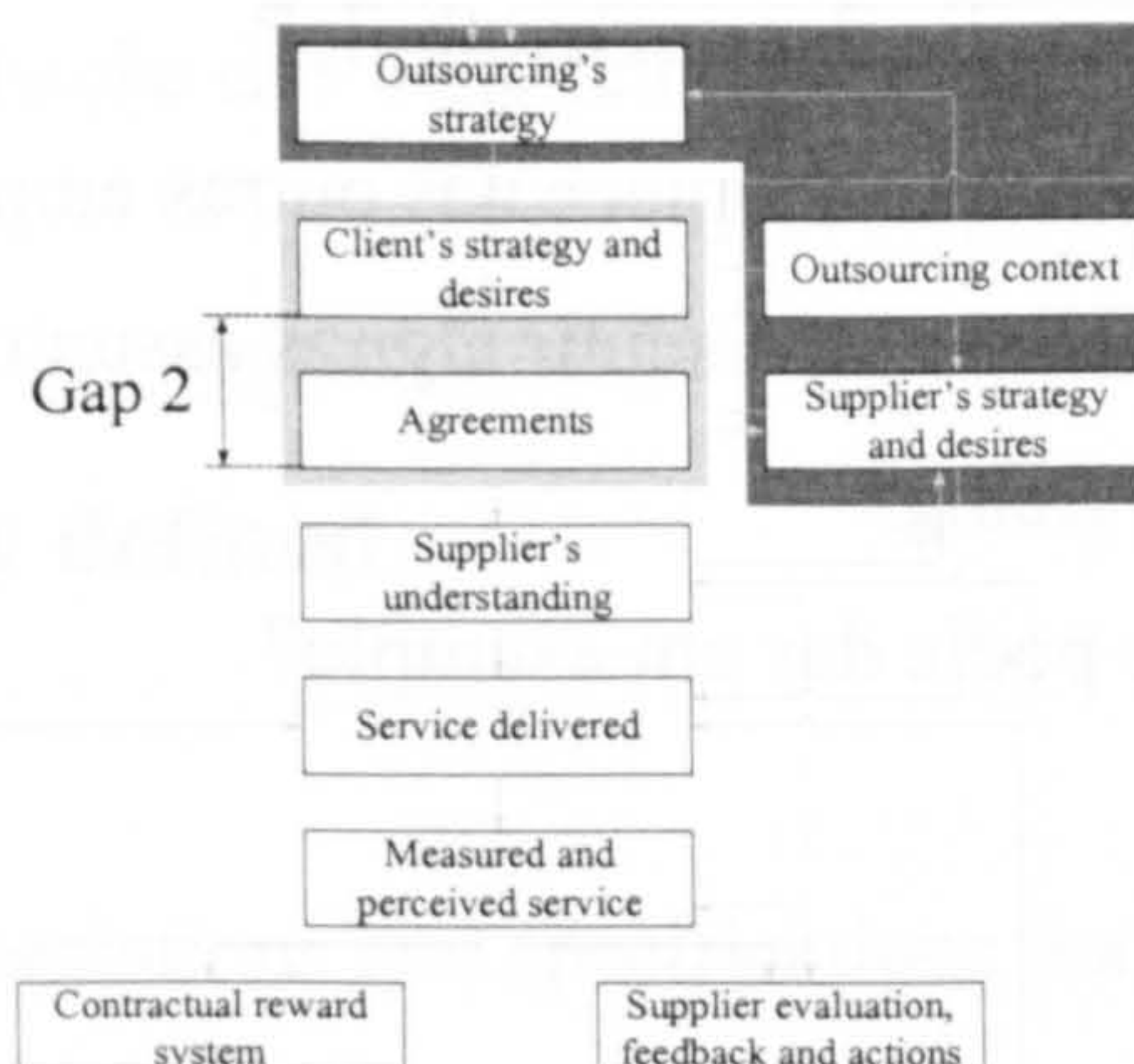
 *Pedido de exemplo:*

- Será que me podia dar um exemplo que conheça (neste ou noutra outsourcing) em que a estratégia do outsourcing e da actividade do outsourcing não tenha sido adaptada ao longo do tempo e isso tenha diminuído a eficácia do outsourcing? (diminuição dos benefícios ou aumento dos custos)

GAP 2

Main contributing factors for Gap 2:

- 1- Lack of negotiation's effectiveness
- 2- Specifications poorly defined
- 3- Inflexibility of outsourcing contracts



Problem 1: Lack of negotiation's effectiveness




Causa 1:

✓ *Proposição:* Sometimes outsourcing negotiations leave important issues aside.

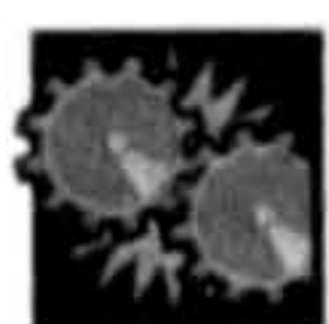
❗ *Pergunta:* Acha que por vezes há assuntos importantes para o outsourcing que não são discutidos durante as negociações?

O que quero dizer com isto? Por exemplo acha que:

- Por vezes assuntos importantes são deixados de lado nas negociações porque o cliente acredita que o fornecedor vai ter um espírito de parceria e que se alguma coisa precisar de ser mudada no outsourcing, não haverá problemas;
- O contrato ou as adaptações (correspondente às negociações durante o outsourcing) podem ser negociadas à pressa e não tão cuidadosamente como devia;
- A equipa de negociação pode não ter competências para as negociações ou porque não tinham experiência em negociações ou porque não sabiam tudo o que era importante receber do outsourcing;
- O cliente aceita assinar contratos standard que os fornecedores já têm elaborados;
- As relações pessoais entre as pessoas envolvidas dos dois lados pode afectar negativamente a eficácia do contrato?

 *Pedido de exemplo:*

- Acha que nas negociações que houveram neste outsourcing ficaram assuntos importantes por discutir?
- Será que podia dar um exemplo?
- O que acha que acontece nas outras empresas? Acha que há empresas que possam deixar de discutir alguns assuntos importantes nas negociações que há no outsourcing?
- Será que podia dar um exemplo?



Consequência 1:


✓ *Proposição:* A diminution of negotiations' effectiveness is likely to reduce outsourcing's effectiveness.

❗ *Pergunta:* Imagine se faz favor uma situação em que alguns assuntos importantes para o outsourcing não foram discutidos nas negociações. Em tal situação a eficácia das negociações não é alta.

O que acha que é possível acontecer em tais situações em relação ao potencial de criação de problemas que afectem a eficácia do outsourcing?

Exemplos do que pode acontecer:

- O fornecedor vai-se manter fiel ao contracto e assim sendo está ainda numa melhor posição para se comportar oportunisticamente;
- O acreditar piamente que a relação de parceria resolverá tudo e portanto negligenciar um pouco a elaboração do contrato e dos acordos poderá ter consequências graves resultando em insatisfação durante a vida diária do outsourcing;
- Se o cliente quiser mudar algo no contrato ou se estiver disposto a fazer negociações extra para o fazer, com certeza só o conseguirá se estiver disposto a pagar ao fornecedor.
- Em qualquer destas situações o cliente recebe menos benefícios do que estava à espera ou tem que ter maiores custos para ter tais benefícios, portanto tal situação diminui a eficácia do outsourcing.

 *Pedido de exemplo:*

- Será que me podia dar um exemplo que conheça (neste ou noutro outsourcing) em que a ineficácia de negociações tenha contribuído para uma diminuição da eficácia do outsourcing? (diminuição dos benefícios ou aumento dos custos)

Problem 2: Specifications poorly defined




Causa 1:

✓ *Proposição:* Sometimes the expectations and specifications that are included in the outsourcing contract are poorly defined.

ⓘ *Pergunta:* Acha que as expectativas e especificações acordadas nas negociações e incluídas nos contracto e acordos de outsourcing são sempre muito bem definidas?

O que quero dizer com isto? Por exemplo acha que:

- Todas as medidas de performances acordadas e definidas nas negociações e incluídas nos contractos são claras específicas e completas?
- Por exemplo, essas medidas nunca falham em dar os seus valores alvo e especificar a maneira como são medidas?
- Este tipo de especificações é mais difícil de definir para serviços do que para produtos devido à sua natureza muito intangível.

 *Pedido de exemplo:*

- Acha que as expectativas e especificações acordadas nas negociações e incluídas neste contracto e nos acordos que foram feitos durante o outsourcing são sempre muito bem definidas?
- O que acha que acontece nas outras empresas? Acha que há empresas que possam não definir bem as suas expectativas e especificações?
- Será que podia dar um exemplo?




Consequência 1:

✓ *Proposição:* Poorly defined expectations and specifications of the expected performances in the outsourcing contract are likely to reduce outsourcing's effectiveness.

❶ *Pergunta:* Imagine se faz favor uma situação em que as expectativas e as especificações para o outsourcing depois das negociações não estão bem definidas. O que acha que é possível acontecer em tais situações em relação ao potencial de criação de problemas que afectem a eficácia do outsourcing?

Exemplos do que pode acontecer:

- O fornecedor não vai perceber muito bem o que é esperado que ele forneça ou vai tentar tirar partido da situação de má definição das especificações para fornecer um serviço de menor qualidade, podendo-se defender argumentando que o serviço respeita o que foi negociado e incluído no contrato ou acordo;
 - Quanto pior as especificações são definidas e documentadas, menor as probabilidades que os fornecedores percebam e se vejam obrigados a cumprir as especificações – porque se as especificações não forem claras não são eficazes a guiar o fornecedor e se as especificações não forem claras os fornecedores têm mais defesas para justificar o não alcançar das performances esperadas;
- A falta de boas e precisa definição de especificações podem levar a uma situação em que as duas partes definam as medidas com maneiras de cálculo diferentes.
 - Desta forma é provável que haja conflitos.
- A má definição de algumas especificações pode levar ao seu negligenciar e esquecimento;
- Em qualquer destas situações o cliente recebe menos benefícios do que estava à espera ou tem que ter maiores custos para ter tais benefícios, portanto tal situação diminui a eficácia do outsourcing.

 *Pedido de exemplo:*

- Será que me podia dar um exemplo que conheça (neste ou noutro outsourcing) em que a má definição das expectativas e especificações acordadas tenha contribuído para uma diminuição da eficácia do outsourcing? (diminuição dos benefícios ou aumento dos custos)

Problem 3: Inflexibility of outsourcings contracts




Causa 1:

✓ *Proposição:* Sometimes outsourcing contracts are inflexible.

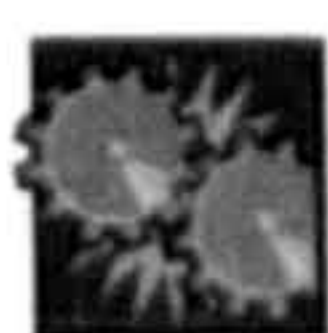
ⓘ *Pergunta:* Acha que os contractos de outsourcing às vezes são inflexíveis?

O que quero dizer com isto? Por exemplo acha que:

- Os contractos de outsourcing são estáticos e que é muito difícil fazer adaptações ao outsourcing através deles? (mesmo através de negociações paralelas)

 *Pedido de exemplo:*

- Acha que este contrato é inflexível?
- O que acha que acontece nas outras empresas? Acha que há empresas que tenham contratos inflexíveis?
- Será que podia dar um exemplo?



Consequência 1:


✓ *Proposição:* Inflexible contracts are likely to influence negatively the outsourcing's effectiveness.

ⓘ *Pergunta:* Imagine se faz favor uma situação em que o contracto de outsourcing é inflexível.

O que acha que é possível acontecer em tais situações em relação ao potencial de criação de problemas que afectem a eficácia do outsourcing?

Exemplos do que pode acontecer:

- O contexto do outsourcing vai evoluir, tal como aquilo que o cliente quer receber.
- Como o outsourcing está ligado a um contrato inflexível, o outsourcing não acompanha essas mudanças.
- Em tal situação ou o cliente vive com o actual contrato (sub-optimizando o possível potencial do outsourcing) ou entra em negociações com o fornecedores.
- Essas negociações normalmente representam e resultam em custos extra para o cliente, e portanto também diminuem a eficácia do outsourcing.

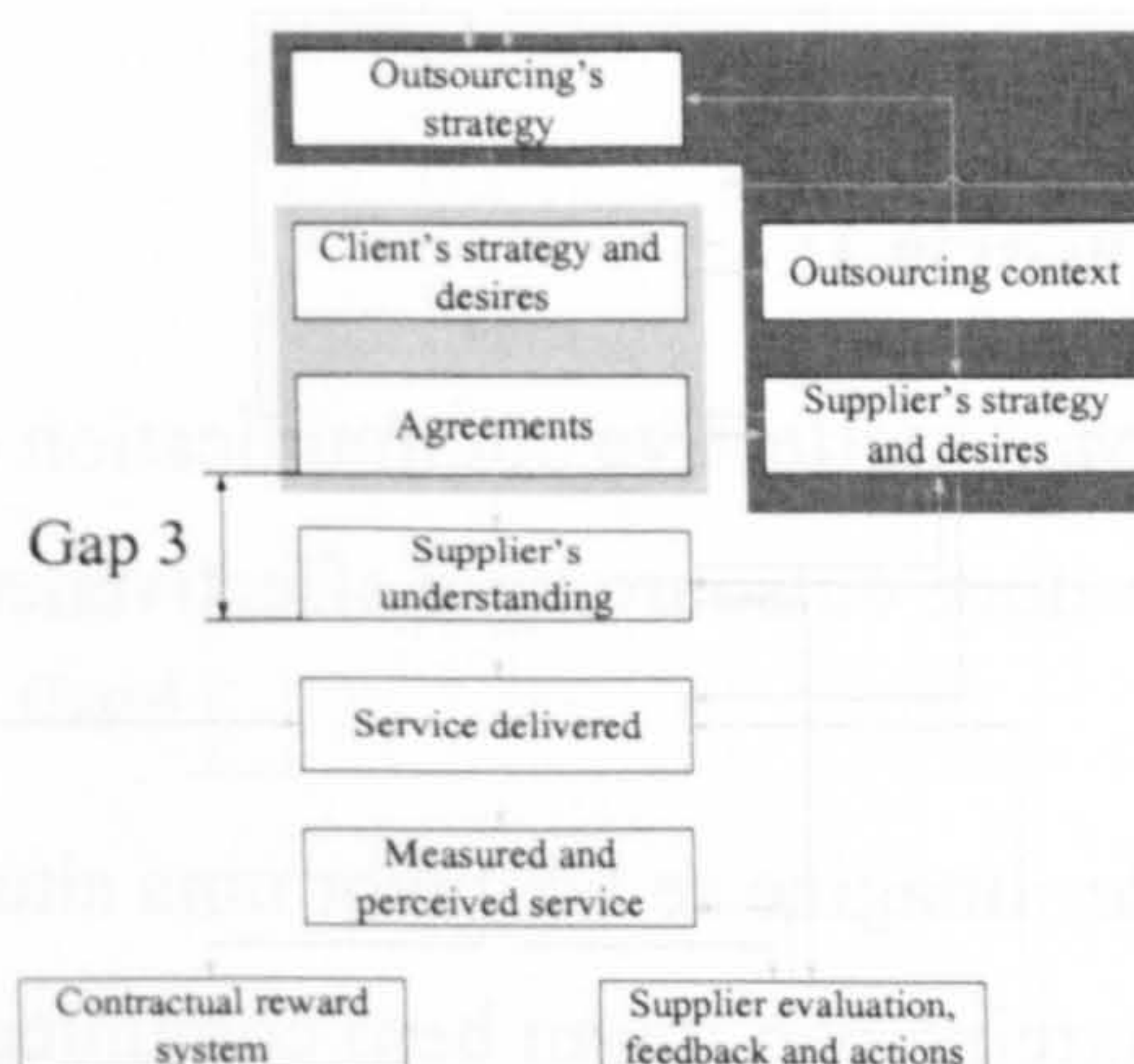
 *Pedido de exemplo:*

- Será que me podia dar um exemplo que conheça (neste ou noutra outsourcing) em que a inflexibilidade do contrato de outsourcing tenha contribuído para uma diminuição da eficácia do outsourcing? (diminuição dos benefícios ou aumento dos custos)

GAP 3

Main contributing factors for Gap 3:

1- Ineffective communication of the expectations



Problem 1: Ineffective communication of the expectations



Causa 1:

✓ *Proposição:* Sometimes clients do not communicate clearly and effectively its expectations to the supplier.

❗ *Pergunta:* Acha que por vezes há falhas na comunicação das expectativas do cliente ao fornecedor?

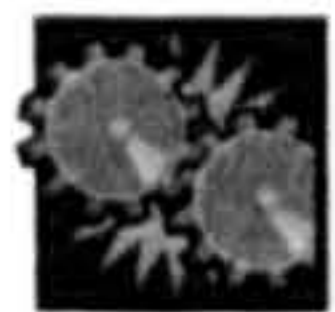
O que quero dizer com isto? Por exemplo acha que:

- O cliente pode estar tão habituado a fornecer (ou receber) o serviço internamente que nem se apercebe que há muitas coisas e aspectos que espera e tem que dizer ao novo fornecedor e portanto não o faz;
- O cliente pode não pôr esforço suficiente na comunicação destas expectativas, vendo-a como secundárias;
- A má definição de especificações contribua para problemas na comunicação.

🔍 *Pedido de exemplo:*

- Acha que as expectativas e especificações acordadas nas negociações e incluídas neste contracto e nos acordos que foram feitos durante o outsourcing são sempre muito bem comunicadas e percebidas pelo fornecedor?
- O que acha que acontece nas outras empresas? Acha que há empresas que possam não comunicar bem as suas expectativas e especificações ao fornecedor?

- Será que podia dar um exemplo?



Consequência 1:

✓ *Proposição:* Ineffective communication of client's expectations to the supplier is likely to reduce outsourcing's effectiveness.

ⓘ *Pergunta:* Imagine se faz favor uma situação em que as expectativas do cliente para o outsourcing não foram bem comunicadas ao fornecedor.

O que acha que é possível acontecer em tais situações em relação ao potencial de criação de problemas que afectem a eficácia do outsourcing?

Exemplos do que pode acontecer:

- Se as expectativas e especificações do cliente – que depois das negociações traduzem o que o cliente quer receber do outsourcing – não forem bem comunicadas, o fornecedor pode não entender bem o que deve fornecer, afectando as suas decisões no processo de outsourcing.
 - Assim sendo os benefícios do outsourcing devem reduzir-se, tal como a sua eficácia.

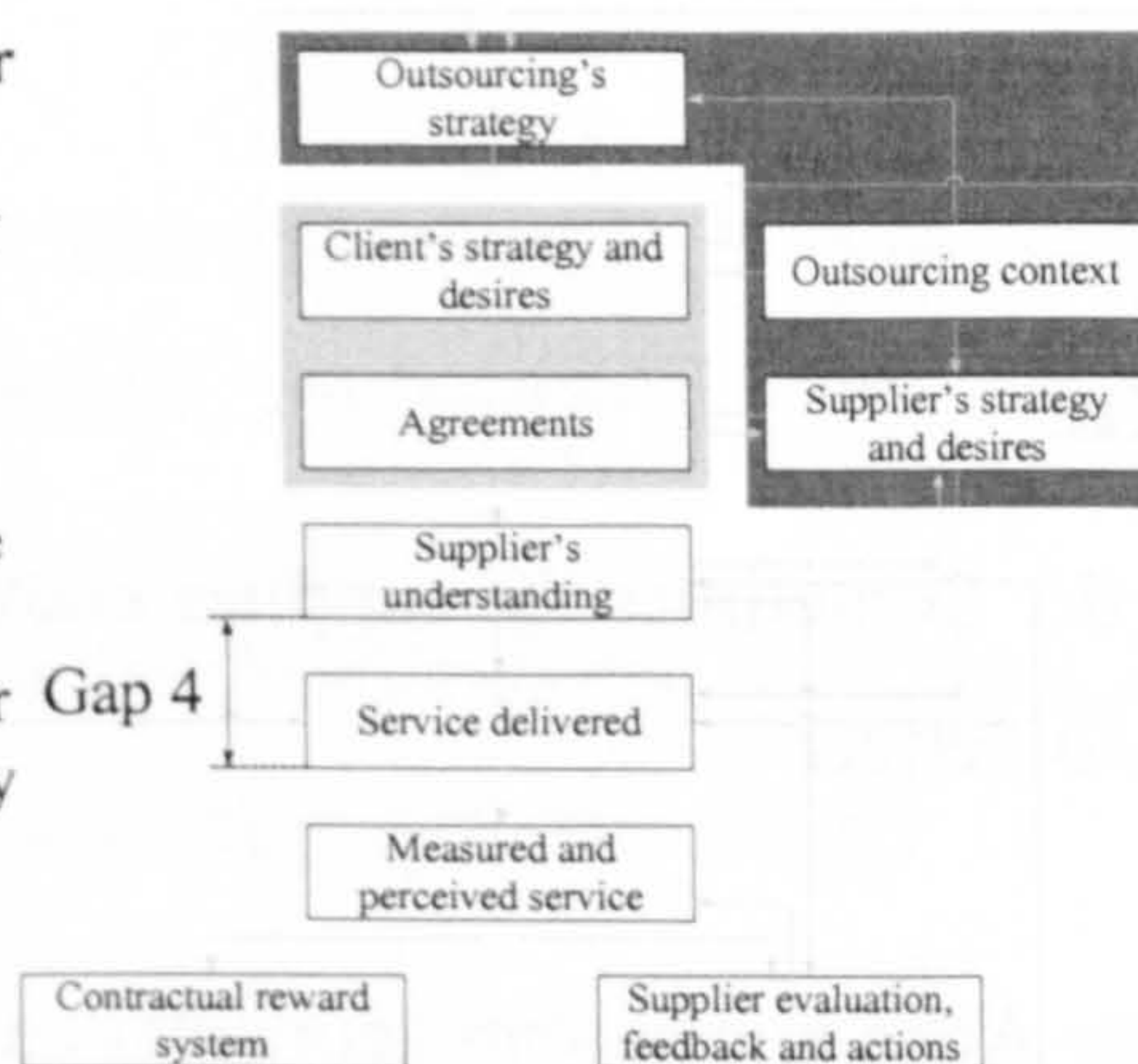
🔍 *Pedido de exemplo:*

- Será que me podia dar um exemplo que conheça (neste ou noutra outsourcing) em que a má comunicação das expectativas e especificações acordadas tenha contribuído para uma diminuição da eficácia do outsourcing? (diminuição dos benefícios ou aumento dos custos)

GAP 4

Main contributing factors for Gap 4:

- 1- Supplier is unable to deliver a service correspondent to its understanding of the specifications
- 2- Supplier's performances are affected by its own objectives
- 3- Client changes its behaviour towards the outsourced activity



Problem 1: Supplier is unable to deliver a service correspondent to its understanding of the specifications



Causa 1a:

✓ *Proposição:* Sometimes the supplier is not capable to achieve the performances expected by the client.

ⓘ *Pergunta:* Acha que os fornecedores por vezes não são capazes de atingir as performances acordadas com o cliente, embora quando as acordaram acreditasse que sim?

O que quero dizer com isto? Por exemplo acha que:

- Um fornecedor inexperiente pode acordar performances que acha que pode atingir mas depois apercebe-se que não consegue atingir;
- Alterações no contexto do outsourcing ou mesmo internas ao outsourcing podem levar a que o fornecedor não seja capaz de atingir as performances acordadas com o cliente?

🔍 *Pedido de exemplo:*

- Acha que o fornecedor neste outsourcing deixou de ser capaz de fornecer performances que acreditasse que conseguia atingir na altura em que foram acordadas?
- Será que podia dar um exemplo?
- O que acha que acontece nas outras empresas? Acha que há fornecedores que

acordem performances que depois acabam por não conseguir atingir?

- Será que podia dar um exemplo?



Causa 1b:

✓ *Proposição:* Sometimes the supplier knows exactly what the client wants, but chooses not to deliver it.

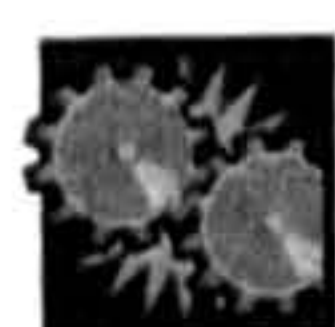
❗ *Pergunta:* Acha que podem acontecer casos em que o fornecedor sabe o que o cliente quer, mas decide não o fornecer?

O que quero dizer com isto? Por exemplo acha que:

- É possível que um fornecedor pudesse atingir as performances acordadas, mas por motivos internos decide não atribuir recursos suficientes à equipa local e assim estes ficam incapacitados de atingir essas performances?
- Um fornecedor numa situação financeira má possa decidir comportar-se e actuar de uma maneira que lhe permita atingir as recompensas monetárias extra disponíveis no contracto ao mesmo que tempo que poupa recursos e dinheiro ao não pôr o esforço necessário noutros aspectos ligados às expectativas e satisfação do cliente, mas que não estão ligadas às recompensas financeiras?

🔍 *Pedido de exemplo:*

- Acha que o fornecedor neste outsourcing alguma vez tinha capacidades para atingir as performances acordadas e esperadas pelo cliente mas por algum motivo decidiu não o fazer?
- Será que podia dar um exemplo?
- O que acha que acontece nas outras empresas? Acha que há fornecedores têm capacidades para atingir as performances que acordaram mas por algum motivo decidam não o fazer?
- Será que podia dar um exemplo?



Consequência 1:

✓ *Proposição:* Sometimes the supplier does not deliver the service it understands clients' wants, diminishing outsourcing's effectiveness.

ⓘ *Pergunta:* Imagine se faz favor uma situação em que o fornecedor não fornece o serviço que entende que o cliente quer – ou porque não consegue ou porque decide não o fazer.

O que acha que é possível acontecer em tais situações em relação ao potencial de criação de problemas que afectem a eficácia do outsourcing?

Exemplos do que pode acontecer:

- As performances do outsourcing são inferiores do que aquilo que o cliente esperava.
 - Isto vai directa – através da redução dos benefícios do outsourcing – ou indirectamente – através da influência negativa que a má performance do fornecedor pode ter na empresa cliente, por exemplo limitando o seu processo – reduzir a eficácia do outsourcing.

🔍 *Pedido de exemplo:*

- Será que me podia dar um exemplo que conheça (neste ou noutra outsourcing) em que o fornecedor tenha decidido não fornecer as performances acordadas com o cliente e isso tenha contribuído para uma diminuição da eficácia do outsourcing? (diminuição dos benefícios ou aumento dos custos)



Causa 1:


✓ *Proposição:* Sometimes suppliers agree in the contract performances they know they can not achieve.

ⓘ *Pergunta:* Acha possível que alguns fornecedores durante as negociações acordem performances que sabem que não podem atingir ou que saibam que só muito dificilmente as poderão atingir?

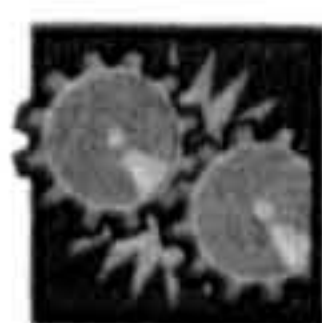
O que quero dizer com isto? Por exemplo acha que:

- Alguns fornecedores acordem performances altas para captar o cliente mas sabem que não estão à altura de as atingir?

- Alguns fornecedores acordem performances altas que gostariam de atingir mas que sabem ser muito difícil atingir?
- Alguns fornecedores possam acordar preços mais baixo do que o próprio custo do serviço?
 - Esses fornecedores sabem à partida que durante o outsourcing podem-se comportar oportunisticamente e portanto ganhar dinheiro extra do cliente através de algumas técnicas como defender que certas actividades inerentes ao serviço não estão incluídas no contrato e portanto têm que se fazer pagamentos extra?

 *Pedido de exemplo:*

- Acha que o fornecedor neste outsourcing já acordou performances que sabia ou pelo menos desconfiava que não seria capaz de atingir?
- Será que podia dar um exemplo?
- O que acha que acontece nas outras empresas? Acha que há fornecedores que acordem performances que sabem que não vão conseguir atingir?
- Será que podia dar um exemplo?



Consequência 1:

✓ *Proposição:* Agreement of performances that the suppliers know they are not able to achieve is likely to affect negatively the outsourcing.


ⓘ *Pergunta:* Imagine se faz favor uma situação em que um fornecedor negocia e acorda performances que sabe à partida que não consegue atingir.

O que acha que é possível acontecer em tais situações em relação ao potencial de criação de problemas que afectem a eficácia do outsourcing?

Exemplos do que pode acontecer:

- O fornecedor não atinge as performances acordadas e portanto o cliente não vai atingir os benefícios que ele estava à espera do outsourcing e portanto a eficácia do outsourcing é reduzida;
- O fornecedor provavelmente justifica o não atingir das performances com muitas desculpas;

- Isto provavelmente aumenta ainda mais os conflitos entre as duas partes tendo consequências – como a redução da comunicação, do trabalho conjunto e mudança na postura das partes no outsourcing – que inevitavelmente reduziram a eficácia do outsourcing.

 *Pedido de exemplo:*

- Será que me podia dar um exemplo que conheça (neste ou noutra outsourcing) em que um fornecedor tenha negociado e acordado performances que sabe à partida que não conseguia atingir e isso tenha contribuído para uma diminuição da eficácia do outsourcing? (diminuição dos benefícios ou aumento dos custos)

Problem 2: Supplier's performances are affected by its own objectives




Causa 1a:

- ✓ *Proposição:* Client's objectives are many times different from supplier's objectives.

❗ Pergunta: Acha que nos outsourcings o cliente e fornecedor têm sempre exactamente os mesmos objectivos e tentam atingi-los?

O que quero dizer com isto? Por exemplo acha que:

- A realidade normal nas relações cliente-fornecedor em que o cliente quer pagar o mínimo possível por um certo serviço e o fornecedor quer fazer tanto lucro quanto possível está ausente numa relação de outsourcing?

 *Pedido de exemplo:*

- Acha que neste outsourcing o cliente e o fornecedor têm exactamente os mesmos objectivos?
- Será que podia dar um exemplo?
- O que acha que acontece nas outras empresas? Acha que o cliente e o fornecedor são sempre parceiros com os mesmos objectivos?
- Será que podia dar um exemplo?



Causa 1b:

✓ *Proposição:* Rewards systems sometimes are not completely aligned with client's expectations.

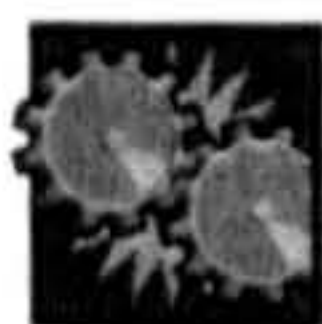
① *Pergunta:* Acha que o sistema de prémios está sempre exactamente alinhado com o que o cliente quer receber do outsourcing após negociações?

O que quero dizer com isto? Por exemplo acha que:

- Como a satisfação do cliente com o outsourcing de serviços é muitas vezes não só ligada ao resultado final mas também ligada à forma como o serviço é fornecido o sistema de prémios não está apenas ligado aos resultados da actividade mas também à maneira como o serviço é fornecido?
- Há clientes que definem novos sistemas de medição das performances especialmente para o outsourcing com o objectivo de controlar melhor a actividade?
 - Acha que estes sistemas possam ser construídos num vácuo de dados reais e informação concreta e que portanto os valores alvo definidos sejam baseados em opiniões?
 - Acha que é possível que essas opiniões nem sempre estejam bem alinhadas com a realidade e portanto com o que o cliente realmente quer?

🔍 *Pedido de exemplo:*

- Acha que neste outsourcing o sistema de prémios está completamente alinhado com o que o cliente espera do outsourcing?
- Será que podia dar um exemplo?
- O que acha que acontece nas outras empresas? Acha que os sistemas de prémios das empresas estão sempre completamente alinhado com o que o cliente espera do outsourcing?
- Será que podia dar um exemplo?



Consequência 1:

✓ *Proposição:* As client's and supplier's objectives sometimes are not the same, a reward system that is not aligned with client's real wants and expectations is likely to diminish outsourcing's effectiveness.

❶ *Pergunta:* Imagine se faz favor uma situação em que os objectivos do cliente e do fornecedor não são exactamente os mesmos ou que o sistema de prémios do outsourcing não está alinhado com o que o cliente quer.

O que acha que é possível acontecer em tais situações em relação ao potencial de criação de problemas que afectem a eficácia do outsourcing?

Exemplos do que pode acontecer:

- O outsourcing pode ter problemas porque o fornecedor provavelmente vai-se guiar pelos seus próprios interesses.
 - Por exemplo no caso em que o sistema de prémios não está alinhado com o que o cliente quer o fornecedor provavelmente tenta obter o máximo de prémio possível e atingir os seus próprios objectivos, deixando os objectivos do cliente para segundo plano;
 - Desta maneira o cliente não vai atingir todos os seus objectivos, diminuindo a eficácia esperada para o outsourcing.

🔍 *Pedido de exemplo:*

- Será que me podia dar um exemplo que conheça (neste ou noutra outsourcing) em que o fornecedor se tenha guiado principalmente pelos seus interesses e isso tenha contribuído para uma diminuição da eficácia do outsourcing? (diminuição dos benefícios ou aumento dos custos)

Problem 3: Client changes its behaviour towards the outsourced activity



Causa 1:

✓ *Proposição:* With outsourcing the client sometimes changes its behaviour towards the outsourced function.

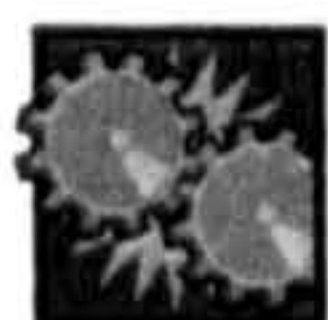
❗ *Pergunta:* Acha que os clientes podem mudar o seu comportamento para com a actividade outsourcingzada depois do acordo ser assinado?

O que quero dizer com isto? Por exemplo acha que:

- A partir do momento que certa actividade é alvo de outsourcing com um acordo baseado num preço maioritariamente fixo o cliente pode começar a usá-la mais e a aumentar o seu volume de trabalho?

🔍 *Pedido de exemplo:*

- Acha que neste outsourcing isso se passou? Ou seja, acha que neste outsourcing o cliente está mais exigente com a manutenção do que quando a realizava em casa?
- Será que podia dar um exemplo?
- O que acha que acontece nas outras empresas? Acha que há clientes que se tornam mais exigentes com a actividade outsourcingzada do que quando ela era efectuada por si próprio?
- Será que podia dar um exemplo?



Consequência 1:

✓ *Proposição:* A change of behaviour by the client towards the outsourcing may reduce outsourcing's effectiveness.

❗ *Pergunta:* Imagine se faz favor uma situação em que o cliente mudou o seu comportamento em relação à actividade outsourcingzada, aumentando o seu volume de trabalho.


O que acha que é possível acontecer em tais situações em relação ao potencial de criação de problemas que afectem a eficácia do outsourcing?

Exemplos do que pode acontecer:

- O preço que o fornecedor negociou foi provavelmente baseado no volume de trabalho que havia antes do outsourcing;
 - O aumento do volume de trabalho aumenta os custos para o fornecedor, e portanto o fornecedor com certeza não ficará contente com a situação;
 - O fornecedor pode nem ter capacidade para responder ao novo volume de

trabalhos;

- Se o cliente não estiver disponível para pagar mais ou para converter os valores da quantidade de trabalho para valores próximos dos que eram normais aquando da negociação do contrato, é natural que conflitos apareçam e que o fornecedor comece a tentar fazer lucro de outras maneiras ou não consiga responder a todas as solicitações;
- Em qualquer dos casos a eficácia do outsourcing será diminuída ou porque os benefícios esperados pelo cliente não são todos atingidos ou porque os custos aumentam.

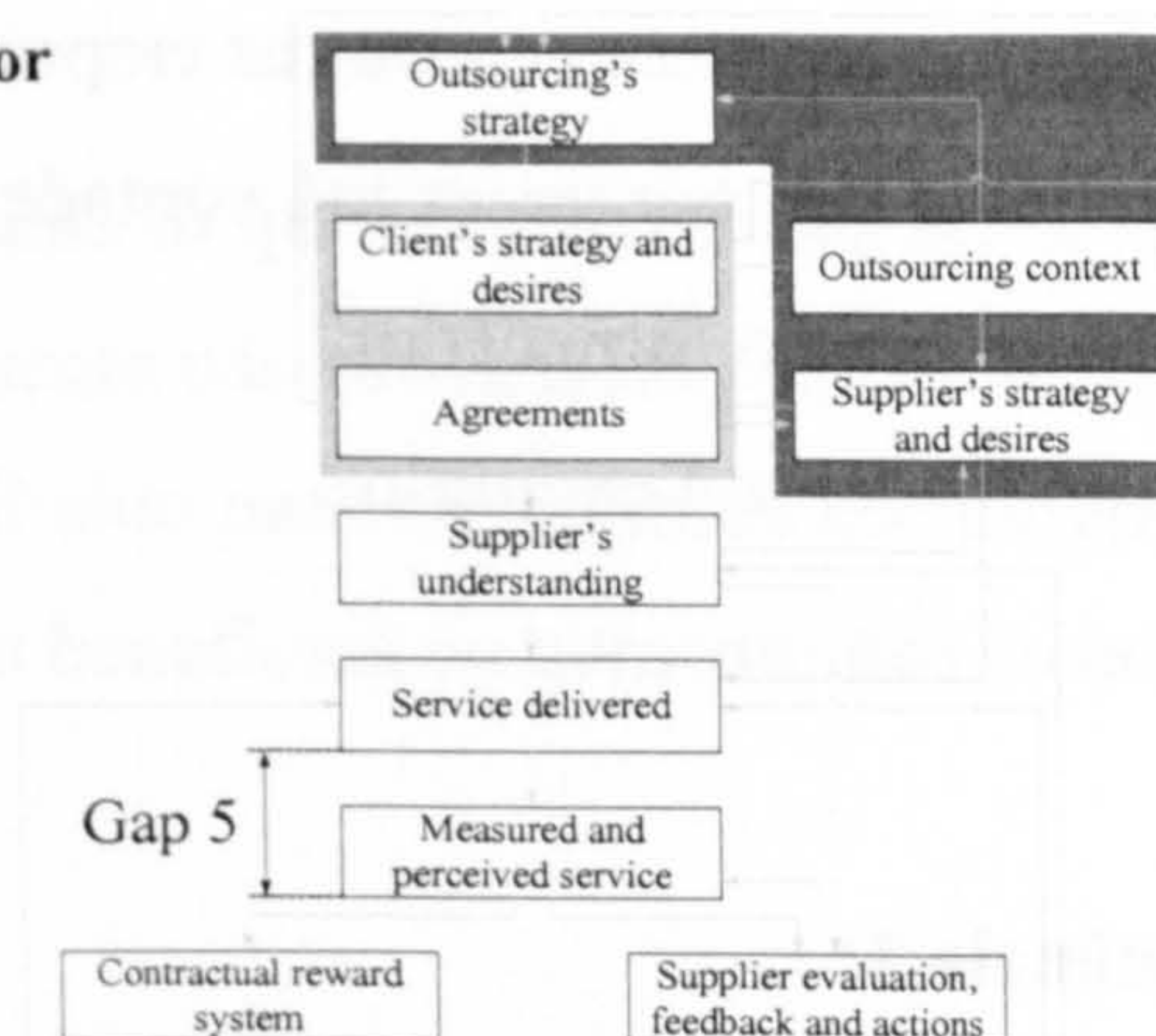
 *Pedido de exemplo:*

- Será que me podia dar um exemplo que conheça (neste ou noutra outsourcing) em que o cliente mudou a sua atitude em relação à actividade outsourcingada e isso tenha contribuído para uma diminuição da eficácia do outsourcing? (diminuição dos benefícios ou aumento dos custos)

GAP 5

Main contributing factors for Gap 5:

1- Client's bias in perceiving the service



Problem 1: Client's bias in perceiving the service



Causa 1:

✓ *Proposição:* Sometimes client's employees are against the outsourcing and have bad-will against it.

❗ *Pergunta:* Acha que por vezes os funcionários do cliente estão contra o outsourcing e têm má vontade em relação ao outsourcing? Ou então vêm-mo demasiado bem sem espírito crítico?

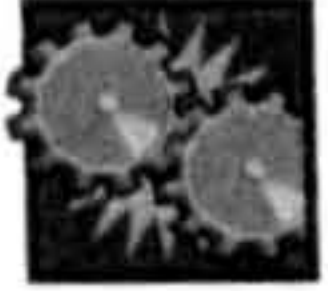
O que quero dizer com isto? Por exemplo acha que:

- Os funcionários do cliente podem resistir ao sucesso do outsourcing porque estão com medo de perder o emprego ou poder e conforto do seu emprego?
- Os funcionários do cliente podem ficar deslumbrados por terem uma grande empresa de grande reputação a trabalhar para eles e aperceberem-se que o serviço é melhor do que aquilo que realmente é porque “Eles é que sabem”?
- A maneira como o serviço é percebido pelo cliente pode ser afectado pela capacidade tem de ‘vender’ o serviço e convencer o cliente da sua qualidade?

🔍 *Pedido de exemplo:*

- Acha que os funcionários do cliente estão contra o outsourcing e que têm má vontade contra ele? Ou que estão tão deslumbrados com a grandeza do fornecedor que nem se apercebem bem do serviço que realmente está a ser fornecido?

- Será que podia dar um exemplo de como essa má vontade ou deslumbramento se reflecte?
- O que acha que acontece nas outras empresas? Acha que os funcionários da empresa cliente têm por vezes má vontade contra o outsourcing ou que ficam deslumbrados com o fornecedor?
- Será que podia dar um exemplo?



Consequência 1:

✓ *Proposição:* When client's employees are against the outsourcing and have bad-will against the outsourcing outsourcing's effectiveness may be affected negatively.


❗ *Pergunta:* Imagine se faz favor uma situação em que os funcionários do cliente estão contra o outsourcing e têm má vontade em relação a ele, uma situação em que os funcionários do cliente estão maravilhados por trabalhar com um fornecedor de grande renome ou uma situação em que o fornecedor sabe vender muito bem o serviço.

O que acha que é natural acontecer em tais situações e que possa afectar a eficácia do outsourcing?

Exemplos do que pode acontecer:

- A percepção que os funcionários do cliente têm sobre o serviço é afectada pela sua má vontade em relação ao outsourcing. Assim sendo eles provavelmente entendem o serviço como sendo pior do que aquilo que realmente é, o que também afecta o seu comportamento em relação ao outsourcing. Tal insatisfação, má avaliação e resultantes comportamentos provavelmente comprometem a eficácia do outsourcing.
 - A percepção que os funcionários do cliente têm sobre o serviço pode ser melhor do que a real quando essa percepção é influenciada pela boa reputação do fornecedor ou quando o fornecedor sabe vender bem o serviço. Assim sendo embora os funcionários achem que estão a receber um bom serviço isso pode não estar a acontecer e portanto também não actuam de modo a melhorar o serviço. Assim sendo o cliente não recebe

todos os benefícios que estava à espera.

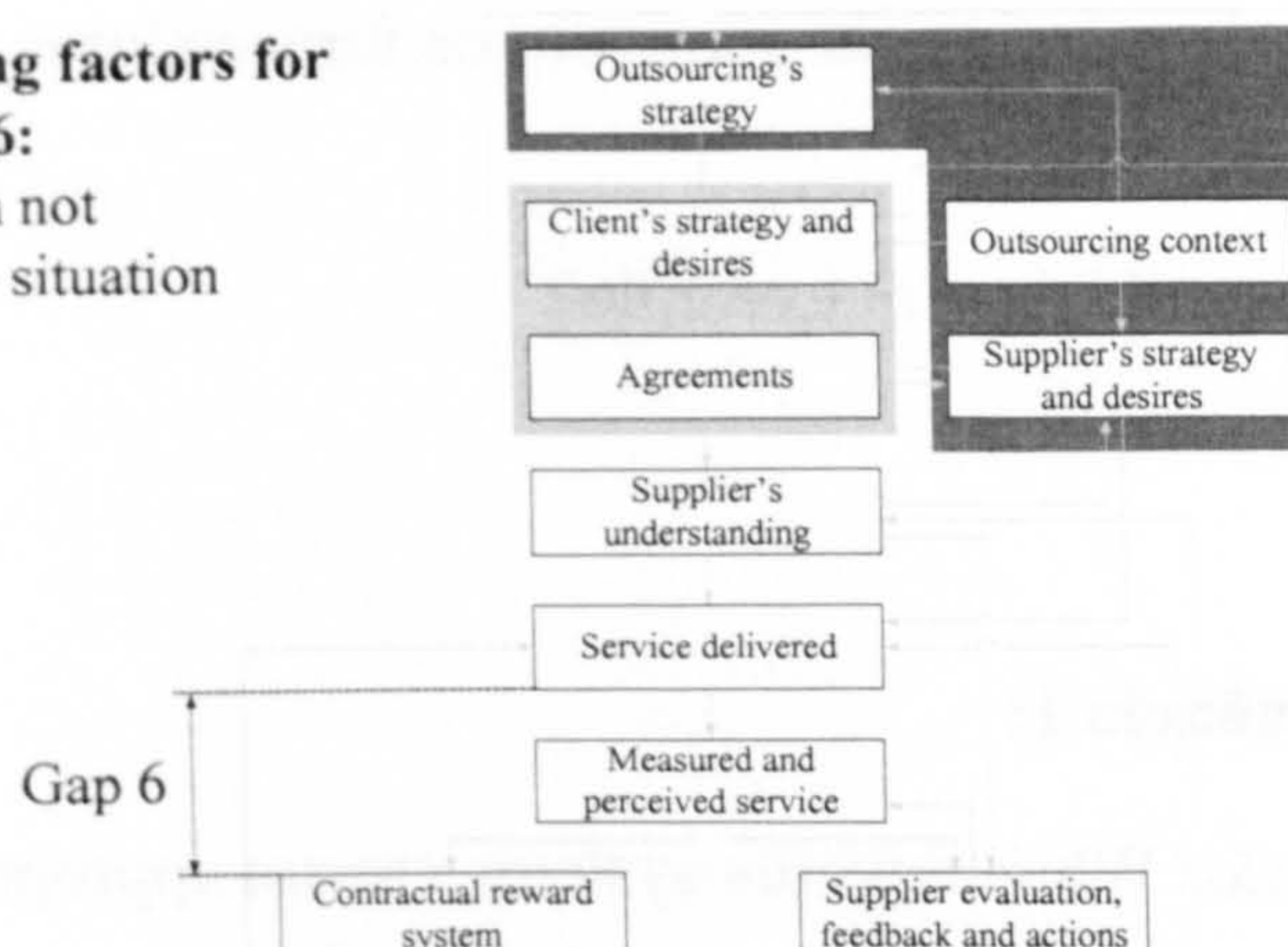
 *Pedido de exemplo:*

- Será que me podia dar um exemplo que conheça (neste ou noutra outsourcing) em que os funcionários do cliente não estivessem a aperceber-se correctamente do serviço e isso tenha contribuído para uma diminuição da eficácia do outsourcing? (diminuição dos benefícios ou aumento dos custos)

GAP 6

Main contributing factors for Gap 6:

1- Reward system not appropriate to the situation



Problem 1: Reward system not appropriate to the situation



Causa 1:

✓ *Proposição:* Sometimes rewards systems are not appropriate to the outsourcing.

ⓘ *Pergunta:* Acha que o sistema de prémios são sempre bem definidos e apropriados para o outsourcing específico?

O que quero dizer com isto? Por exemplo acha que:

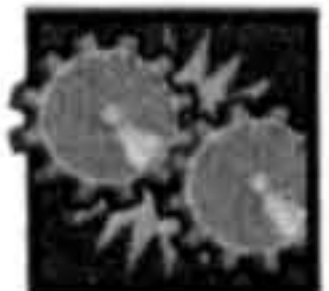
- O sistema de prémios está sempre alinhado com os objectivos do cliente e foca sempre os assuntos mais importantes?
 - Por exemplo acha que mesmo quando o sistema de prémios não é renovado ao longo do outsourcing este está sempre a focar os aspectos mais importantes para o cliente naquela altura;
 - Que o sistema de prémios tem sempre valores alvo correctos e que foca sempre os pontos mais importantes – por exemplo medidas relacionadas com o processo quando o modo como o serviço é fornecido é importante em vez de um sistema de prémios exclusivamente ligado aos resultados finais.

🔍 *Pedido de exemplo:*

- Como é que o sistema de prémios está definido neste outsourcing? Acha que

como está leva sempre o fornecedor a fornecer o serviço que o cliente quer?

- Será que podia dar um exemplo?
- O que acha que acontece nas outras empresas? Acha que há empresas que os sistemas de prémios não motivem os fornecedores a fornecer o que o cliente quer receber?
- Será que podia dar um exemplo?



Consequência 1:

✓ *Proposição:* When rewards systems are not appropriate for the outsourcing, outsourcing's effectiveness is likely to be reduced.

❗ *Pergunta:* Imagine se faz favor uma situação em que o sistema de prémios não é apropriado para o outsourcing específico e no instante específico portanto não motiva o fornecedor a fornecer exactamente o que o cliente quer.

O que acha que é possível acontecer em tais situações em relação ao potencial de criação de problemas que afectem a eficácia do outsourcing?

Exemplos do que pode acontecer:

- O fornecedor pode estar a receber prémios ao mesmo tempo que o cliente não está satisfeito com o outsourcing ou vice-versa.
- Os prémios costumam ser usados para sinalizar ao fornecedor quais são as prioridades dos clientes e que tipo de performances são mais importantes, motivando o seu alcance. Mas se o sistema de prémios não estiver alinhado com as expectativas do cliente e os níveis de performance esperados, então o sistema de prémios vai ser provavelmente contra-produtivo já que o fornecedor tenderá a tentar maximizar os seus próprios benefícios – tenta ter o maior prémio possível – deixando a satisfação do cliente para segundo plano.
 - Assim os benefícios do outsourcing serão menores do que aquilo que o cliente esperava e portanto a eficácia do outsourcing diminui.

🔍 *Pedido de exemplo:*

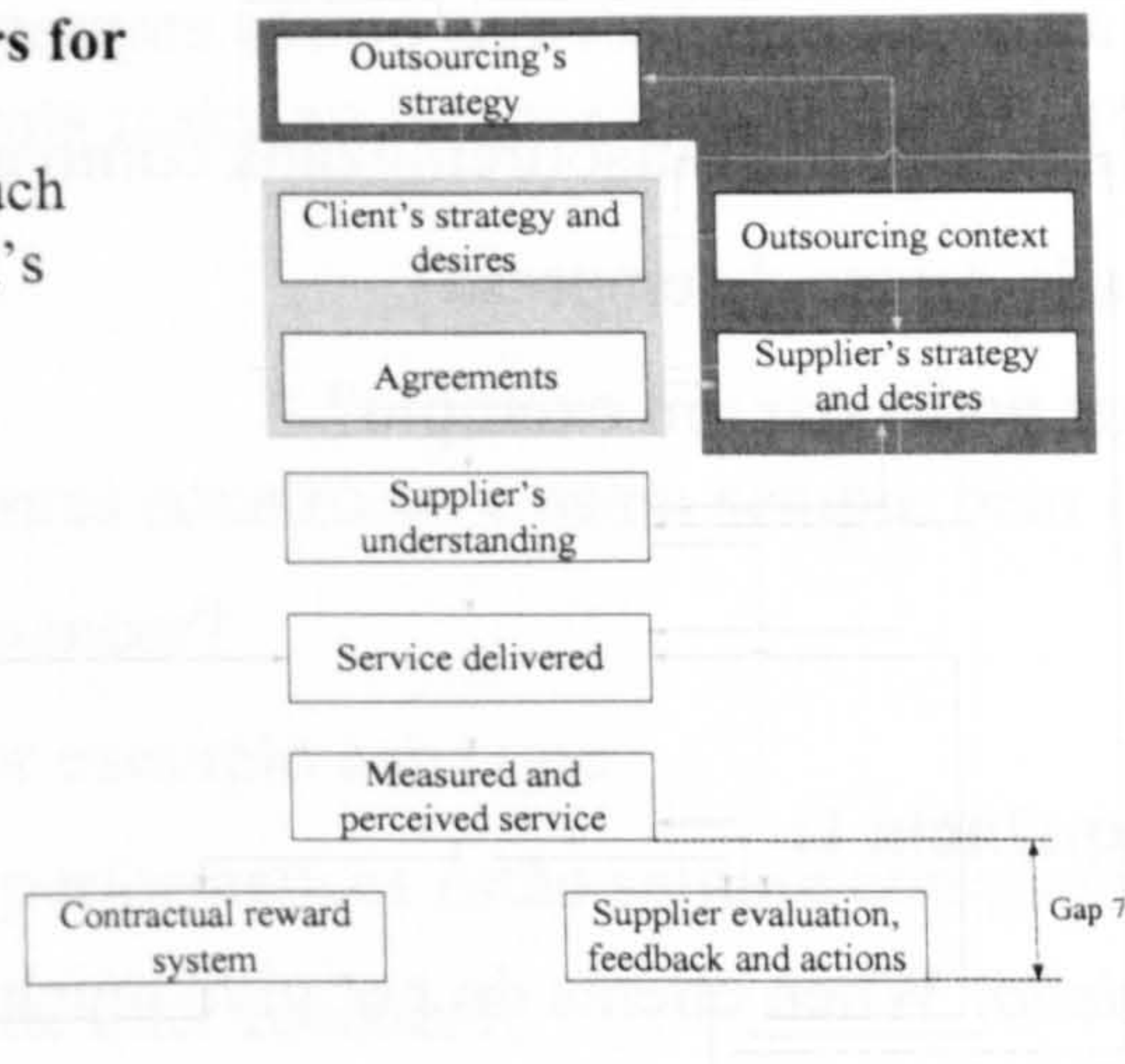
- Será que me podia dar um exemplo que conheça (neste ou noutra outsourcing) em que sistema de prémios não fosse adequado para a situação do cliente e isso

*tenha contribuído para uma diminuição da eficácia do outsourcing?
(diminuição dos benefícios ou aumento dos custos)*

GAP 7

Main contributing factors for Gap 7:

- 1- Client does not give much importance to outsourcing's management
- 2- Incorrect use of a measurement system
- 3- Lack of quality of the feedback



Problem 1: Client does not give much importance to outsourcing's management



Causa 1:

✓ *Proposição:* Sometimes clients do not give much attention to the way they manage the outsourcing.

❗ *Pergunta:* Acha que às vezes as empresas clientes subestimam o tempo, atenção e recursos necessários para gerir um outsourcing?

O que quero dizer com isto? Por exemplo acha que:

- Os clientes por vezes não guiam suficientemente os fornecedores?;
- Que a gestão dos clientes por vezes foca principalmente assuntos operacionais em vez de assuntos estratégicos?;
- Que os clientes não pensam e reflectem profundamente em como gerir um outsourcing nem tentam melhorar a sua maneira de gerir um outsourcing, já que a gestão de um outsourcing é um tipo de gestão diferente daquele que se costuma usar no seio da empresa e ao qual os gestores tendem a não estar habituados?

🔍 *Pedido de exemplo:*

- Como é que avaliaria a gestão deste outsourcing por parte do cliente? Esse tipo

de gestão foi bem pensado e adaptado às exigências de um outsourcing desde o início?

- Será que podia dar um exemplo?
- O que acha que acontece nas outras empresas? Acha que há empresas que gerem a actividade outsourcingada como a geriam antes, quando era executada dentro da empresa?
- Será que podia dar um exemplo?



Consequência 1:

✓ *Proposição:* When clients do not give much attention to the way they manage the outsourcing, outsourcing's effectiveness is likely to be reduced.

❗ *Pergunta:* Imagine se faz favor uma situação na qual um cliente não dá muita atenção à forma como gere o outsourcing e à gestão do outsourcing propriamente dita.

O que acha que é possível acontecer em tais situações em relação ao potencial de criação de problemas que afectem a eficácia do outsourcing?

Exemplos do que pode acontecer:

- O fornecedor vai operar num vácuo de prioridades;
 - Assim sendo as performances do outsourcing provavelmente pioram já que a agenda do fornecedor não está de acordo como os objectivos do cliente – ou porque o fornecedor põe os seus objectivos em primeiro lugar ou porque não sabe bem quais são os objectivos do cliente.
 - Assim sendo os benefícios que o cliente esperava receber do outsourcing são reduzidos, diminuendo também a eficácia do outsourcing.

🔍 *Pedido de exemplo:*

- Será que me podia dar um exemplo que conheça (neste ou noutra outsourcing) em que cliente não tivesse dado muita atenção à gestão do outsourcing e à maneira como o fazia e isso tenha contribuído para uma diminuição da eficácia do outsourcing? (diminuição dos benefícios ou aumento dos custos)

Problem 2: Incorrect use of a measurement system



Causa 1:


✓ *Proposição:* Sometimes clients make an incorrect construction and use of measurement systems.

① *Pergunta:* Acha que os clientes constróem e usam sempre bem os seus sistemas de medição de performances?

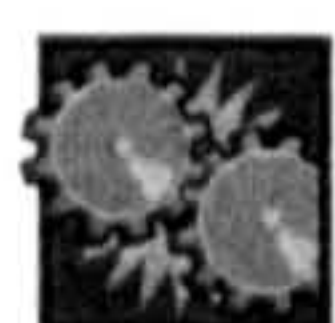
O que quero dizer com isto? Por exemplo acha que:

- Os sistemas de medição de performances estão sempre completamente alinhados com o que o cliente quer receber?;
- O sistema de medição traduz correctamente a estratégia do cliente e não apenas o output final imediato da actividade?;
- O sistema de medição das performances colhe sempre a informação necessária para o cliente fazer uma boa gestão?;
- O sistema de gestão limita-se a reunir informação directa ou indirectamente ligada a performances financeiras, ou também se preocupa com performances de qualidade?
- O sistema de gestão foca-se apenas no que foi atingido ou também se preocupa com o como foi atingido?
- Todas as medidas incluídas no sistema de gestão estão bem definidas e de forma completa – têm o modo como se deve medir, os valores alvo, a forma como vai ser calculada, ...?
- Os sistemas de medição são completos – focam os resultados finais e o modo como o serviço é fornecido, focam tanto as perspectivas operacionais como as estratégicas?;
- Os sistemas de medição de performances são actualizados e renovados frequentemente para reflectir e acompanhar as mudanças que há nos objectivos e prioridades dos outsourcings?
- As performances poderão ser mal medidas pelo cliente?
- As medições são suficientemente regulares para identificar problemas a tempo de evitar consequências sérias?
- Num outsourcing normalmente há dois tipos de riscos: relacionados com a

performance e relacionados com o relacionamento. Ambos estes aspectos são incorporados nos sistemas de medição de performances?

 *Pedido de exemplo:*

- Como é que avaliaria a gestão deste outsourcing por parte do cliente? Esse tipo de gestão foi bem pensado e adaptado às exigências de um outsourcing desde o início? O sistema de medição tem as características referidas anteriormente?
- Será que podia dar um exemplo?
- O que acha que acontece nas outras empresas? Acha que há empresas que gerem a actividade outsourcingada como a geriam antes, quando era executada dentro da empresa?
- Será que podia dar um exemplo?



Consequência 1:

✓ *Proposição:* An incorrect construction and use of measurement systems is likely to reduce outsourcing's effectiveness.


❗ *Pergunta:* Imagine se faz favor uma situação em que o sistema de medição das performances ou não era bem construído ou bem usado.

O que acha que é possível acontecer em tais situações em relação ao potencial de criação de problemas que afectem a eficácia do outsourcing?

Exemplos do que pode acontecer:

- O cliente ao ver que o sistema de medição não é eficiente pode deixar de o usar, pelo menos em toda a sua plenitude.
 - Em tal situação a gestão começa a ser baseada em opiniões e sentimentos e portanto a gestão baixa de qualidade já que alguns aspectos podem passar despercebidos ao cliente e a gestão está mais susceptível a intangíveis e problemas de relacionamento.
 - Assim sendo os benefícios do outsourcing provavelmente reduzem-se e portanto o mesmo acontece à sua eficácia.
- O cliente torna-se demasiado fascinado com o sistema de medição e até começam a medir assuntos com pouco significado;
 - Como poucas medidas tornam as performances da actividade difíceis de

- gerir, demasiadas podem afundar a gestão em detalhes fazendo com que a equipa de gestão deixe de ver o panorama geral do outsourcing;
- Este tipo de problemas para além de uma má gestão do outsourcing podem também levar a conflitos entre as partes.

 *Pedido de exemplo:*

- Será que me podia dar um exemplo que conheça (neste ou noutra outsourcing) em que o sistema de medição das performances não fosse bem usado ou construído e isso tenha contribuído para uma diminuição da eficácia do outsourcing? (diminuição dos benefícios ou aumento dos custos)

Problem 3: Lack of quality of the feedback



Causa 1:

✓ *Proposição:* Sometimes the client gives feedback poor in quality to the supplier.


① *Pergunta:* Acha que por vezes os clientes dão um feedback pobre e fraco ao fornecedor?

O que quero dizer com isto? Por exemplo acha que:

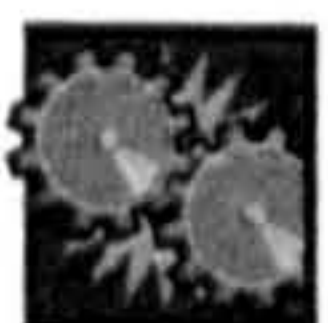
- Alguns clientes baseiam o seu feedback apenas em termos operacionais – reflectindo os problemas imediatos das operações diárias – em vez de o usar para articular uma direcção estratégica (preventiva e pró-activa) para o outsourcing – tendo em conta a evolução a longo-termo das performances?
- Alguns clientes não analisam bem as performances do outsourcing, ficando portanto numa posição má para definir prioridades e guiar o fornecedor?
- Alguns clientes no feedback não dizem exactamente o que precisam mais do outsourcing?
- Alguns clientes podem apenas usar as medidas do sistema de medição das performances para gerir o outsourcing, esquecendo-se de analisar a situação geral do outsourcing?
- Alguns clientes não especificam assuntos importantes no feedback porque esperam que o fornecedor se aperceba deles e assim a harmonia no

relacionamento entre as duas partes se mantém?

- Por vezes alguns clientes em vez de dizerem os problema e dizer qual o resultado que querem tentam arranjar e sugerir a solução?
- O cliente apenas dá feedback negativo ao fornecedor, não o congratulando do atingido? Ou seja, o cliente toma boas performances como garantidas e portanto não mostra reconhecimento no feedback quando boas performances são atingidas.
- O feedback por vezes se torna como um jogo do gato e do rato: o cliente procura a identificação de problemas e o fornecedor foge para tentar escapar de ser apanhado.

 *Pedido de exemplo:*

- Como é que avaliaria o feedback que o cliente dá ao fornecedor? Acha que esse tipo de feedback é o indicado para dar a entender ao fornecedor o que o cliente acha do serviço e quais as suas prioridades, direccionando os esforços do fornecedor para esses assuntos?
- Será que podia dar um exemplo?
- O que acha que acontece nas outras empresas? Acha que há empresas em que o feedback que o cliente dá ao fornecedor não é indicado ou suficiente para este melhorar as suas performances e a satisfação do cliente?
- Será que podia dar um exemplo?



Consequência 1:

✓ *Proposição:* Lack of quality of the feedback given by the client to the supplier may reduce outsourcing's effectiveness.

❗ *Pergunta:* Imagine se faz favor uma situação em que há falta de qualidade no feedback que o cliente dá ao fornecedor.

O que acha que é possível acontecer em tais situações em relação ao potencial de criação de problemas que afectem a eficácia do outsourcing?

Exemplos do que pode acontecer:

- A má qualidade do feedback cria uma falta de direcção ao fornecedor, dificultando o dar prioridade e sequenciar acções para melhorar o serviço.

- Assim sendo o potencial para más decisões e recursos mal utilizados aumenta.
- A má qualidade do feedback ou um feedback só negativo pode deixar o fornecedor sem perceber o que está a fazer bem, o que está a fazer mal e o que o cliente realmente quer, dificultando também a organização do seu trabalho e das prioridades;
 - O exclusivo uso do feedback de uma maneira adversarial pode envenenar a relação entre as duas partes, já que as discussões tendem a andar à volta dos sintomas dos problemas e tende a não haver trabalho para descobrir as suas causas e soluções;
 - Como reconhecimento é uma necessidade humana a falta dele no feedback pelas boas performances atingidas pode também levar a perdas de motivação;
 - Para além do mais se assuntos importantes não são medidos e comentados, há o perigo de eles não serem respondidos pelo fornecedor, já que assuntos não medidos nem comentados são normalmente ignorados pelo fornecedor. Deste modo os benefícios do outsourcing diminuam e portanto também a eficácia do outsourcing seria reduzida.
 - Feedback apenas focado nas medidas pode levar a resultados perversos, já que o fornecedor pode pôr demasiado peso a atingir um certo valor alvo e esse esforço pode acusar consequências negativas; ou seja, gerir o outsourcing só baseado nas medidas do sistema de monitorização tem o perigo de sub-optimizar o outsourcing ou de se fazer perder a noção de outsourcing como uma unidade;
 - A falta de um bom feedback pode levar a um outsourcing com problemas de atribuição de responsabilidades já que o fornecedor poderá então sempre defender-se dizendo que nunca foi alertado para os problemas;
 - Falta de atribuição de responsabilidades pode levar a más performances dos fornecedores e até permitir aos fornecedores ter comportamentos oportunistas.
 - Assuntos que não são discutidos com o fornecedor podem ser entendidos como não sendo importantes: muitas vezes os clientes recebem o que inspeccionam e avaliam, não o que desejam.

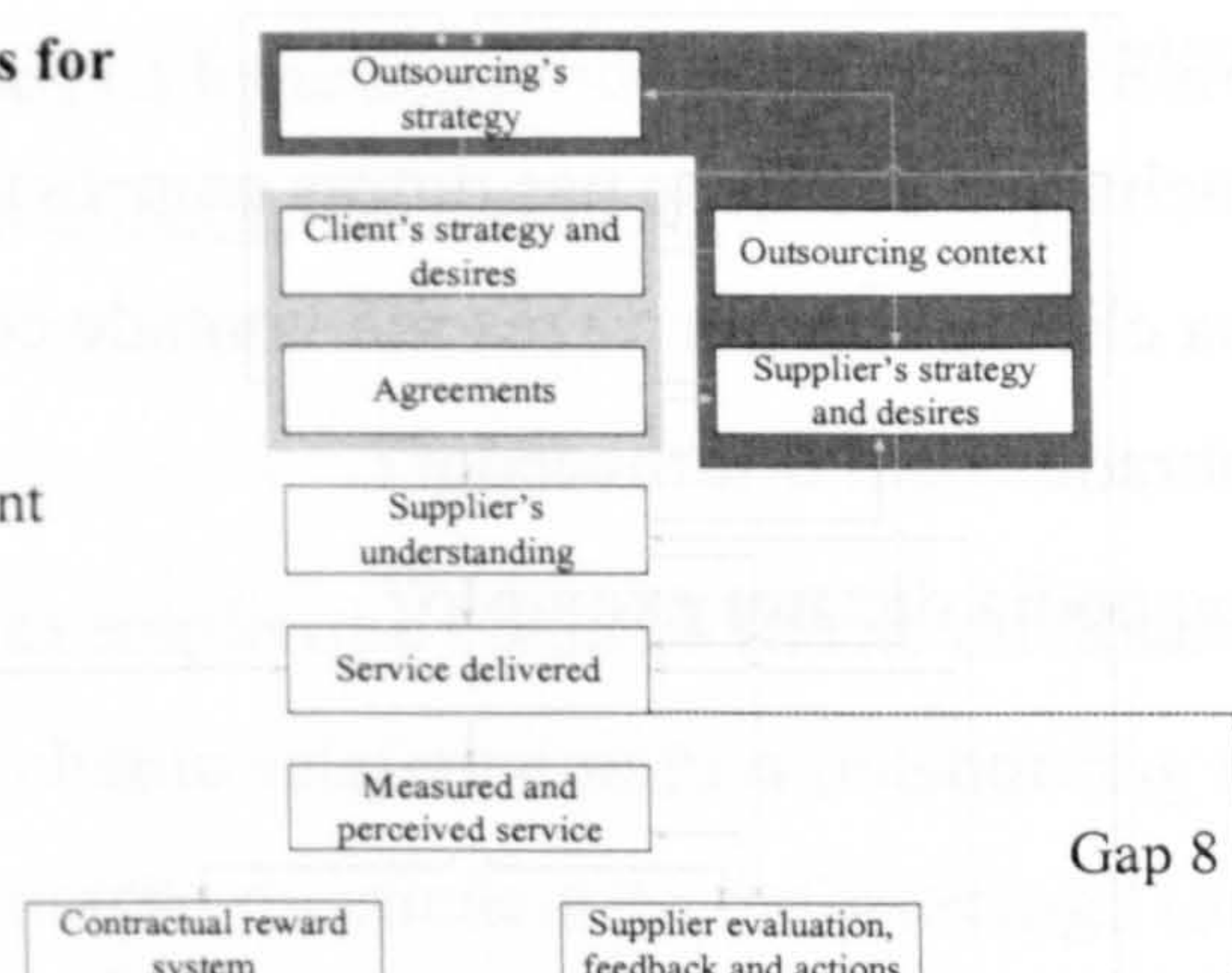
 *Pedido de exemplo:*

- Será que me podia dar um exemplo que conheça (neste ou noutro outsourcing) em que o feedback que o cliente desse ao fornecedor não fosse de grande qualidade e isso tenha contribuído para uma diminuição da eficácia do outsourcing? (diminuição dos benefícios ou aumento dos custos)

GAP 8

Main contributing factors for Gap 8:

- 1- Internal resistance to outsourcing's success
- 2- Supplier does not have liberty to work
- 3- Outsourcing management team not suited for its role



Problem 1: Internal resistance to outsourcing's success



Causa 1:

✓ *Proposição:* Sometimes clients do not give much attention to the way they manage the outsourcing.

① *Pergunta:* (JÁ FOI VISTO ANTERIORMENTE NA GAP 5) Acha que às vezes as empresas clientes subestimam o tempo, atenção e recursos necessários para gerir um outsourcing?

O que quero dizer com isto? Por exemplo acha que:

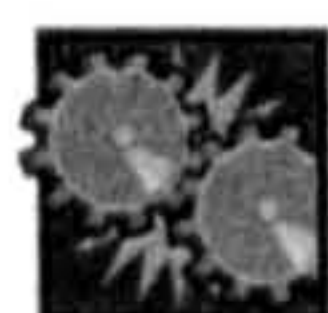
- Os clientes por vezes não guiam suficientemente os fornecedores?;
- Que a gestão dos clientes por vezes foca principalmente assuntos operacionais em vez de assuntos estratégicos?;
- Que os clientes não pensam e reflectem profundamente em como gerir um outsourcing nem tentam melhorar a sua maneira de gerir um outsourcing, já que a gestão de um outsourcing é um tipo de gestão diferente daquele que se costuma usar no seio da empresa e ao qual os gestores tendem a não estar habituados?

🔍 *Pedido de exemplo:* (JÁ FOI VISTO ANTERIORMENTE NA GAP 5)

- Acha que os funcionários do cliente estão contra o outsourcing e que têm má vontade contra ele? Ou que estão tão deslumbrados com a grandeza do

fornecedor que nem se apercebem bem do serviço que realmente está a ser fornecido?

- Será que podia dar um exemplo de como essa má vontade ou deslumbramento se reflecte?
- O que acha que acontece nas outras empresas? Acha que os funcionários da empresa cliente têm por vezes má vontade contra o outsourcing ou que ficam deslumbrados com o fornecedor?
- Será que podia dar um exemplo?



Consequência 1:

✓ *Proposição:* When client's employees are against the outsourcing and have bad-will against the outsourcing outsourcing's effectiveness may be affected negatively.

❗ *Pergunta:* Imagine se faz favor uma situação em que os funcionários do cliente estejam contra e tenham má vontade em relação ao outsourcing.


O que acha que é possível acontecer em tais situações em relação ao potencial de criação de problemas que afectem a eficácia do outsourcing?

Exemplos do que pode acontecer:

- Os funcionários que ficaram na empresa cliente vão ter tendência a não ajudar o fornecedor e a constantemente criticar o trabalho do fornecedor;
- Os funcionários que ficaram na empresa cliente vão ter tendência para retaliar contra o outsourcing, lutando contra ele ou simplesmente recusar mudar.
 - Algumas das técnicas usadas são a aplicação de pressão negativa, o não partilhar e até esconder informação, fazer jogos políticos, ameaçar, atrasar decisões que interfiram com o planeamento do fornecedor, não ajudar o fornecedor e em casos mais extremos até sabotar o outsourcing;
- Por outro lado outros funcionários podem querer cair nas graças dos novos chefes (o fornecedor) mesmo que tenham que quebrar algumas das regras dos seus próprios patrões (o cliente).
 - Por exemplo se os funcionários deduzirem que a chave para reter o seu emprego é acabar o trabalho a tempo e abaixo do tempo, então os

funcionários podem tentar chamar a atenção sobre eles acabando o trabalho rapidamente e de forma económica, mesmo que para isso a qualidade seja reduzida;

- Em qualquer um destes casos os benefícios obtidos pelo outsourcing são diminuídos e portanto a sua eficácia também o é.

 *Pedido de exemplo:*

- Será que me podia dar um exemplo que conheça (neste ou noutra outsourcing) em que os funcionários do cliente estejam contra o outsourcing e isso tenha contribuído para uma diminuição da eficácia do outsourcing? (diminuição dos benefícios ou aumento dos custos)

Problem 2: Supplier does not have liberty to work




Causa 1:

✓ *Proposição:* Sometimes the client organisation tries to continue having direct control over the outsourced activity.

❗ *Pergunta:* Acha que por vezes os clientes tentam continuar a ter controlo directo sobre a actividade outsourcingzada?

O que quero dizer com isto? Por exemplo acha que:

- Clientes que tenham fornecido a actividade agora outsourcingzada durante muito tempo podem ter dificuldades em mudar as suas práticas e tentem continuar a ter controlo directo e operacional sobre as actividade?
- Tais empresas clientes podem ter dificuldades em mudar de uma supervisão directa sobre a actividade para uma supervisão e gestão baseada num mecanismo de controlo indirecto?
- Que o cliente por vezes tenta ditar o que o fornecedor deve fazer, não lhe dando liberdade para trabalhar ao seu gosto e aplicar todas as suas capacidades?
- O cliente tem a tentação de resolver directamente os problemas que aparecem tomando o controlo directo da situação em vez de os trabalhar através do fornecedor?

 *Pedido de exemplo:*

- Como é que classificaria a gestão deste outsourcing por parte do cliente? O cliente dá liberdade ao fornecedor para trabalhar? Que limites e práticas impõe?
- Será que podia dar um exemplo?
- O que acha que acontece nas outras empresas? Acha que há empresas que ditem a maneira como o fornecedor deve efectuar o serviço?
- Será que podia dar um exemplo?



Consequência 1:


✓ *Proposição:* When the client organisation tries to continue having direct control over the outsourced activity, the outsourcing's effectiveness may be reduced.

❗ *Pergunta:* Imagine se faz favor uma situação em que a empresa cliente tente continuar a ter controlo directo e operacional sobre a actividade outsourcingzada e o seu processo.

O que acha que é possível acontecer em tais situações em relação ao potencial de criação de problemas que afectem a eficácia do outsourcing?

Exemplos do que pode acontecer:

- O fornecedor não tem condições para aplicar todas as suas expertises e portanto a possível inovação que o fornecedor podia trazer à actividade outsourcingzada é limitada;
- A accountability e responsabilização pelos resultados ao fornecedor é degradada já que este pode-se defender dizendo que as performances esperadas não foram atingidas devido à interferência do cliente;
- Por causa das tentativas do cliente tentar ter controlo directo e operacional sobre a actividade e suas consequências, muitos conflitos tendem a aparecer degradando o relacionamento entre as duas partes e pondo em risco futuros entendimentos e trabalho conjunto.

 *Pedido de exemplo:*

- Será que me podia dar um exemplo que conheça (neste ou noutro outsourcing) em que a empresa cliente tenha tentado continuar a ter controlo directo e operacional sobre a actividade outsourcingzada e o seu processo e isso tenha contribuído para uma diminuição da eficácia do outsourcing? (diminuição dos benefícios ou aumento dos custos)

Problem 3: Outsourcing management team not suited for its role



Causa 1:


✓ *Proposição:* Sometimes outsourcing managers (elements of the management team) are not suited for their roles.

ⓘ *Pergunta:* Acha que os elementos das equipas de gestão de um outsourcing por vezes não têm o perfil indicado para essa posição?

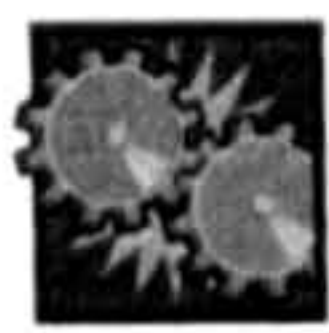
O que quero dizer com isto? Por exemplo acha que:

- As pessoas encarregues de gerir o outsourcing têm sempre características relacionadas com bom pensamento estratégico, competências em negociações e em fazer acordos, governação de um relacionamento, resolução de problemas e comunicação?
- Que há uma tendência natural para pôr à frente da gestão de um outsourcing um homem de negócios em vez de um especialista operacional da actividade outsourcingzada?
 - O homem de negócios terá características na área de gestão de contratos e de gerir um fornecedor a fazer algo; o especialista operacional da actividade terá características na área de como fazer algo e gerir funcionários para o fazer.
- As equipas de gestão de outsourcings estão bem balanceadas entre homens de negócios e pessoas mais operacionais que permitam um maior espirito critico sobre a actividade do fornecedor?
- As equipas de gestão de outsourcings têm capacidade para coordenar tanto internamente (na sua própria organização) como externamente (influenciar a outra organização) os interesses do outsourcing?

- Uma característica importante neste aspecto será a leadership.
- As equipas de gestão de outsourcings têm poder e autoridade suficientes para fazer acordos e comprometer as suas empresas nas suas decisões e acordos?

 *Pedido de exemplo:*

- Como é que caracterizaria a equipa de gestão neste outsourcing? Como é constituída? Acha que é completa e que tem as características necessárias?
- Será que podia dar um exemplo?
- O que acha que acontece nas outras empresas? Acha que há empresas em que as equipas de gestão do outsourcing não sejam adequadas?
- Será que podia dar um exemplo?



Consequência 1:

✓ *Proposição:* When outsourcing managers (referring to members of the management team) are not suited for their roles, outsourcing's effectiveness may be reduced.

❗ *Pergunta:* Imagine se faz favor uma situação em que a equipa de gestão de um outsourcing não tem características apropriadas para o seu papel.


O que acha que é possível acontecer em tal situação em relação ao potencial de criação de problemas que afectem a eficácia do outsourcing?

Exemplos do que pode acontecer:

- Quando a equipa de gestão é só constituída por pessoas com características mais operacionais: o cliente tem maior tendência em se meter nos problemas técnicos, na actividade e operações do fornecedor, criando insatisfação no fornecedor;
 - Pessoas mais operacionais à frente de um outsourcing terão tendência a gerir o outsourcing da maneira como antes geriam a actividade quando esta era fornecida dentro da empresa, ou seja, ter controlo directo sobre a actividade;
- Quando a equipa de gestão é só constituída por pessoas com características mais relacionadas com o negócio: o cliente corre o risco de perder o controlo sobre a actividade outsourcingzada, ficando incapacitado de fazer o

outsourcing acompanhar a evolução do contexto e perdendo o controlo sobre o futuro da actividade.

- Pessoas de negócios à frente de um outsourcing tenderá a piorar a monitorização e gestão critica da actividade outsourcingzada.
- Se a equipa de gestão de um outsourcing não tiver recursos humanos suficientes então a gestão do outsourcing pode ser afectada e portanto também os seus resultados;
- Se a equipa de gestão não tiver força suficiente dentro da sua empresa então a sua credibilidade aos olhos da outra empresa é comprometida, tendo consequências na relação entre as equipas de gestão do outsourcing das duas empresas.

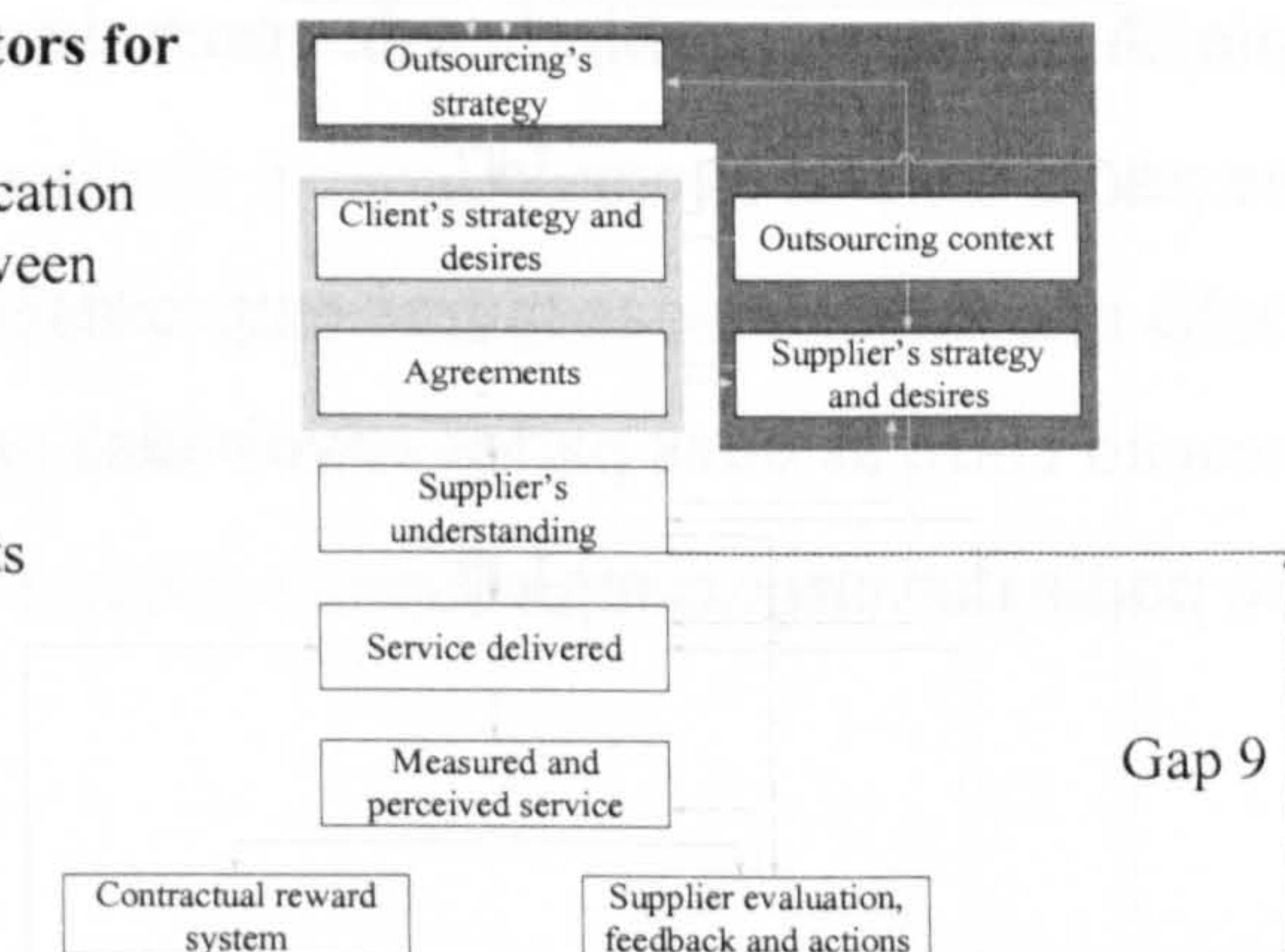
 *Pedido de exemplo:*

- Será que me podia dar um exemplo que conheça (neste ou noutra outsourcing) em que a equipa de gestão de um outsourcing não tenha características indicadas para o seu papel e isso tenha contribuído para uma diminuição da eficácia do outsourcing? (diminuição dos benefícios ou aumento dos custos)

GAP 9

Main contributing factors for Gap 9:

- 1- Ineffective communication
- 2- Bad relationship between parties
- 3- Power imbalances
- 4- Lack of trust
- 5 - Existence of conflicts



Problem 1: Ineffective communication



Causa 1:


✓ *Proposição:* Sometimes the communication between the outsourcing management team of the two parties is not very effective.

❗ *Pergunta:* Acha que por vezes há problemas na comunicação entre as duas empresas envolvidas no outsourcing e entre as equipas de gestão do cliente e do fornecedor?

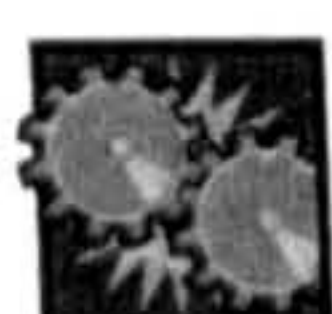
O que quero dizer com isto? Por exemplo acha que:

- Por vezes há comunicação insuficiente entre as partes do outsourcing?
- Por vezes parece que só um dos lados é que quer comunicar?
- Por vezes a comunicação é apenas reactiva e à volta de problemas faltando-lhe um carácter pró-activo?
- Por vezes a comunicação entre as duas partes do outsourcing é ambígua?
- Por vezes a comunicação é feita por um número muito/demasiado limitado de pessoas?
- Por vezes o meio de comunicação usado não é apropriado à importância do assunto em discussão? (por exemplo, muitas vezes as coisas são tratadas por mail ou telefone mas certos aspectos mais importantes terão que ser frente a frente)
- Por vezes o mau relacionamento pessoal entre as equipas de gestão pode

comprometer a comunicação entre as duas empresas?

 *Pedido de exemplo:*

- Acha que há ou houve problemas de comunicação neste outsourcing?
- Será que podia dar um exemplo?
- O que acha que acontece nas outras empresas? Acha que há problemas de comunicação entre as duas partes envolvidas no outsourcing?
- Será que podia dar um exemplo?



Consequência 1:

✓ *Proposição:* When the communication between the two parties is not very effective, outsourcing's effectiveness may be reduced.


ⓘ *Pergunta:* Imagine se faz favor uma situação em que há problemas na comunicação entre as duas empresas envolvidas no outsourcing e entre as equipas de gestão do cliente e do fornecedor.

O que acha que é possível acontecer em tais situações em relação ao potencial de criação de problemas que afectem a eficácia do outsourcing?

Exemplos do que pode acontecer:

- As partes envolvidas no outsourcing não se entendem bem (portanto as ambições e expectativas não são esclarecidas e alinhadas) e acabam-se por gastar recursos a fazer coisas que o cliente não valoriza;
- Se o cliente não comunicar eficazmente os assuntos que o preocupam é provável que a performance do fornecedor diminua, já que este pode tomar atalhos que não são descobertos nem corrigidos, porque o fornecedor não recebe respostas às suas perguntas (causando atrasos ou levando o fornecedor a fazer assunções que poderão ser erradas) ou pedidos de mudança;
 - Estas situações são prováveis em acabar no fornecedor fazer coisas que o cliente não quer (porque a gestão do fornecedor não percebeu bem o que o cliente queria, porque uma cadeia de más decisões e uma sub-otimizada distribuição de recursos pode começar ou porque o fornecedor pode-se comportar de forma oportunista) com os respectivos custos.

- A má comunicação leva à existência de conflitos, de maus entendidos e um peso emocional na relação entre as duas empresas que vão condicionar o relacionamento entre as duas partes;
- Uma má comunicação pode levar a um clima de incerteza, diminuir a flexibilidade da relação, reduzir a capacidade de identificação e resolução rápida de problemas, reduzir a coordenação, cooperação e a qualidade de trabalho conjunto entre as duas empresas;
 - Todos estes factores terão consequências negativas para o outsourcing.

 *Pedido de exemplo:*

- Será que me podia dar um exemplo que conheça (neste ou noutra outsourcing) em que os funcionários do cliente estejam contra o outsourcing e isso tenha contribuído para uma diminuição da eficácia do outsourcing? (diminuição dos benefícios ou aumento dos custos)

Problem 2: Bad relationship between parties




Causa 1:

✓ *Proposição:* Sometimes the relationship between the management team of the two parties involved in the outsourcing is not very good.

❗ *Pergunta:* Acha que o relacionamento entre as duas partes de um outsourcing é sempre boa?

O que quero dizer com isto? Por exemplo acha que:

- Há sempre bom entendimento, confiança e respeito entre as duas partes do outsourcing e as pessoas envolvidas na relação?

 *Pedido de exemplo:*

- Acha que neste outsourcing as duas equipas de gestão e as duas empresas em si têm um bom relacionamento?
- Será que podia dar um exemplo?
- O que acha que acontece nas outras empresas? Acha que pode haver problemas de relacionamento entre as duas partes envolvidas no outsourcing?

- Será que podia dar um exemplo?



Consequência 1:

✓ *Proposição:* When the relationship between the management team of the two parties involved in the outsourcing is not very good, outsourcing's effectiveness is likely to be reduced.

❗ *Pergunta:* Imagine se faz favor uma situação em que o relacionamento entre as duas partes de um outsourcing é má.

O que acha que é possível acontecer em tais situações em relação ao potencial de criação de problemas que afectem a eficácia do outsourcing?

Exemplos do que pode acontecer:

- Como é impossível escrever contratos sobre todas as actividades entre-firmas que alianças cliente-fornecedor necessitam (demasiadas tarefas, ligações e incerteza), essas alianças são muitas vezes entre pessoas. Essa aliança entre pessoas que confiam uma na outra e se percebem é a única maneira de fazer ajustamentos ao mesmo tempo que se garante que o empenhamento e a satisfação se mantêm;
- Um mau relacionamento social entre as pessoas que gerem o outsourcing poderá diminuir a qualidade e quantidade de comunicação, cooperação e trabalho conjunto entre as duas empresas e contribuir para o aparecimento de desconfianças e comportamentos destrutivos do relacionamento.

🔍 *Pedido de exemplo:*

- Será que me podia dar um exemplo que conheça (neste ou noutra outsourcing) em que houvesse um mau relacionamento entre as pessoas das duas equipas de gestão ou entre os funcionários das duas empresas e isso tenha contribuído para uma diminuição da eficácia do outsourcing? (diminuição dos benefícios ou aumento dos custos)

Problem 3: Power imbalance



Causa 1:

✓ *Proposição:* Sometimes there are power imbalances in outsourcing relationships.

① *Pergunta:* Acha que por vezes uma das partes do outsourcing tem mais poder na relação do que a outra?

O que quero dizer com isto? Por exemplo acha que:

- Acha que por vezes o cliente tem poder para impor mudanças no fornecedor e impor a maneira como o serviço é executado?

🔍 *Pedido de exemplo:*

- Acha que neste outsourcing as partes têm um peso de poder diferente?
- Será que podia dar um exemplo?
- O que acha que acontece nas outras empresas? Acha que o poder está dividido igualmente entre cliente e fornecedor?
- Será que podia dar um exemplo?



Consequência 1:

✓ *Proposição:* The existence of power imbalances in an outsourcing relationship may diminish outsourcing's effectiveness.

❗ Pergunta: Imagine se faz favor uma situação em que não há uma igualdade de poder no outsourcing.

O que acha que é possível acontecer em tais situações em relação ao potencial de criação de problemas que afectem a eficácia do outsourcing?

Exemplos do que pode acontecer:

- Se cliente tiver maior poder e obrigar o fornecedor a trabalhar de determinada forma o fornecedor pode ficar frustrado, perdendo motivação e diminuindo inovações que o fornecedor poderia trazer;
- Níveis de poder diferente, podem levar a comportamentos oportunistas por uma das partes e a conflitos entre elas.

🔍 Pedido de exemplo:

- Será que me podia dar um exemplo que conheça (neste ou noutra outsourcing) em que houvesse uma diferença de poder entre as duas partes num outsourcing e isso tenha contribuído para uma diminuição da eficácia do outsourcing? (diminuição dos benefícios ou aumento dos custos)

Problem 4: Lack of trust



Causa 1:

✓ *Proposição:* Sometimes the parties involved in the outsourcing do not completely trust in each other.


❗ Pergunta: Acha que o cliente e o fornecedor confiam sempre um no outro?

O que quero dizer com isto? Por exemplo acha que:

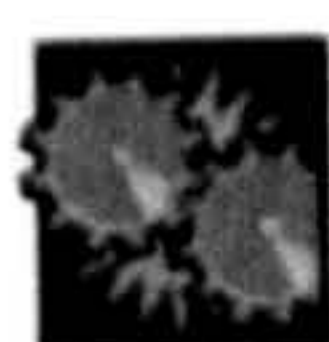
- O cliente confia sempre na competência que o fornecedor tem para lhe fornecer o serviço que ele quer? (competence trust: expectation that the supplier has the necessary technical and management competencies at his disposal)
- O cliente ou o fornecedor confiam sempre que a outra parte vai respeitar sempre o contrato e o que foi acordado? (contractual trust: based on moral standards of honesty and keep the word)
- O cliente ou o fornecedor têm sempre lealdade um com outro e estão sempre

prontos a entre ajudarem-se? (good-will trust: based on the expectation that parties have an open commitment to each other)

- Nenhuma das partes pratica jogos de ética no dia a dia para fugir a responsabilidades e deixar de cumprir compromissos?
- Acha que as partes envolvidas no outsourcing não têm receio que a outra parte passe informação importante para a concorrência ou para o mercado, quebrando acordos de confidencialidade?
- A existência de diferenças culturais entre as duas partes pode criar desconfianças?

 *Pedido de exemplo:*

- Acha que neste outsourcing as partes confiam uma na outra?
- Será que podia dar um exemplo?
- O que acha que acontece nas outras empresas? Acha que as partes confiam sempre uma na outra?
- Será que podia dar um exemplo?



Consequência 1:

✓ *Proposição:* When the parties involved in the outsourcing do not trust each other it is likely that behaviours which reduce outsourcing's effectiveness are adopted.


ⓘ *Pergunta:* Imagine se faz favor uma situação em que não há confiança entre as duas partes envolvidas no outsourcing.

O que acha que é possível acontecer em tais situações em relação ao potencial de criação de problemas que afectem a eficácia do outsourcing?

Exemplos do que pode acontecer:

- Quando confiança está ausente numa relação de outsourcing há uma tendência das partes para pensarem melhor nos riscos das suas situações e portanto terem comportamentos mais reservadas nas suas acções (limitando potenciais benefícios do outsourcing) e tentarem controlar o outsourcing (para controlar melhor os riscos);

- Devido à falta de confiança as partes podem esconder informação da outra ou sentirem-se mais livres para tirar partido de movimentos oportunistas;
- Este tipo de situações tendem a reduzir o empenho das partes para o outsourcing (deixam de se pôr as suas melhores práticas e capacidades naquela relação) e a criar conflitos entre as partes.

 *Pedido de exemplo:*

- Será que me podia dar um exemplo que conheça (neste ou noutra outsourcing) em que não há confiança entre as duas partes envolvidas no outsourcing e isso tenha contribuído para uma diminuição da eficácia do outsourcing? (diminuição dos benefícios ou aumento dos custos)

Problem 5: Existence of conflicts




Causa 1:

✓ *Proposição:* Sometimes there are conflicts between the parties involved in the outsourcing.

① *Pergunta:* Acha que por vezes há conflitos entre as partes envolvidas no outsourcing?

O que quero dizer com isto? Por exemplo acha que:

- Motivos como o facto dos objectivos do cliente e do fornecedor serem diferentes, de os contratos muitas vezes não estão bem definidos ou completos, de os mecanismos para partilhar benefícios não estarem bem definidos, de haver falta de respeito entre as partes, de as pessoas das equipas de gestão não serem talhadas para essas posições, de haver falta de confiança entre as partes ou de tentativas de controlar o outsourcing por uma das partes podem resultar em conflitos entre as partes?

 *Pedido de exemplo:*

- Neste outsourcing há conflitos entre as partes envolvidas no outsourcing?
- Será que podia dar um exemplo?
- O que acha que acontece nas outras empresas? Acha que costuma haver

conflitos entre as partes?

- Será que podia dar um exemplo?



Consequência 1:

✓ *Proposição:* Conflicts between the parties involved in the outsourcing may reduce its effectiveness.

① *Pergunta:* Imagine se faz favor uma situação em que há conflitos entre as duas partes envolvidas no outsourcing.

O que acha que é possível acontecer em tais situações em relação ao potencial de criação de problemas que afectem a eficácia do outsourcing?

Exemplos do que pode acontecer:

- A existência de conflitos pode levar a uma redução da satisfação das partes com o relacionamento, limitando a motivação, empenho, cooperação e trabalho conjunto no outsourcing e portanto comprometer alguns dos benefícios possíveis de ser atingidos com o outsourcing.
 - Conflicts in a relationship may be distinguished as functional or dysfunctional. Functional conflicts are disagreements that can be resolved friendly by the allies. Dysfunctional conflicts are disagreements that can not be resolved by the allies. They defend that while a big number of dysfunctional conflicts within an alliance affect negatively its effectiveness, functional conflicts have the potential to enhance an alliance's effectiveness.

🔍 *Pedido de exemplo:*

- Será que me podia dar um exemplo que conheça (neste ou noutra outsourcing) em que tivesse havido conflito entre as partes envolvidas no outsourcing e isso tenha contribuído para uma diminuição da eficácia do outsourcing?
(diminuição dos benefícios ou aumento dos custos)

FECHO

Utilidade da identificação e estruturação das gaps e dos problemas

- Acha que a identificação e estruturação destas gaps e problemas que as causam pode ser útil para ajudar os gestores de outsourcing a perceber melhor a gestão do outsourcing e portanto contribuir para a melhoria da sua gestão?
 - Por exemplo evitando alguns dos problemas ou pelo menos reduzir as suas consequências.

Agradecimento

- Muito obrigado pelo tempo dispensado.
- Espero que tenha achado uma discussão interessante.