



Success factors in IT outsourcing – vendor’s view

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Abstract

The world is getting smaller and thus competition gets fiercer. Therefore, companies are seeking new ways to utilize other companies core competencies by partnering with them. The success of these partnerships is important for both parties. Success factors of an IT outsourcing relationship has been studied quite a bit since the first ones took place in 1990's. However, due to nature of IT, the outsourcing has been seen cumbersome and thus, it is an appealing topic to investigate. The topic of the thesis was to investigate the definition of success and success factors of an IT outsourcing relationship from vendor's point of view. Consequently, the research questions are:

RQ1: What constitutes a successful IT outsourcing relationship from vendor's point of view?

RQ2: Which factors affect IT outsourcing relationship success from vendor's point of view?

The research questions are answered based on the literature review and data produced in semi-structured interviews, utilizing qualitative research methods. In RQ1 the data analysis method was deductive. The RQ2 answer is conducted from factors identified in literature review, and the factors that were listed as success factors, from vendor's point of view, in the interviews are counted as success factors in this study.

RQ1 answer: The successful IT outsourcing relationship from vendor's point of view is achieved when the pre-set goals are met. The most fundamental goal is to make business. More precisely, the goals usually are mainly monetary, but they can also be related to developing vendor's capabilities, or other strategic objectives.

RQ2 answer: The success factors identified are communication, trust, strategic partners, governance, contract, competence, culture, and management support as well as personal relationships and chemistry. Combined factors affecting the success are information sharing, business understanding, benefit/risk sharing, interdependence, commitment, coordination, and conflict management, and social competence. The factors might be connected to each other, but their connection and importance depends on the nature and situation of the relationship.

This research is done from vendor's point of view, even if the literature review is originally done from both parties' point of view. None of the success factors directly affect the IT outsourcing relationship to be successful. They however improve the likelihood of longer relationship and make the relationship more reliable source of income. The study introduces two new success factors 1) social competence, 2) personal relationships and chemistry. The practitioners should ensure that the goals are defined before entering into the relationship. The vendor should also make sure that the vendors' personnel interacting with customers have high social competence, as well as production and technology related competence is sufficient, and the contract suits the delivery.

Keywords

Partnership, Outsourcing, IT Outsourcing, Success factor

Supervisor

PhD, Associate Professor, Marianne Kinnula

Foreword

Humble thank you for Mrs. Kinnula for guiding me through the process of creating the thesis. It has been a long journey! Also, I would like to thank my beloved wife for listening to my rant about the literature, research, and errors that I still had in my work. Also, for giving me the best helping hand anybody can get, by proof-reading, facilitating the writing and being the voice of reason. Obviously, big thank you belongs to the research subjects who participated the research and gave their insights for me to utilize in my research.

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1. Introduction

Heavy global competition has compelled companies to seek new ways to improve their core competencies to be able to survive and respond to the challenges in turbulent business world (Chen & Wu, 2007). Companies are forming partnerships with increasing speed to be able to maintain their current competitive advantages, which probably could not have been done by acting alone (Mohr & Spekman, 1994). Partnership in this thesis is defined as two individual companies seeking for better success by remaining legally independent but sharing benefits and managerial control, and by contributing in one or more strategic areas to the partnership. There are different forms of partnerships which require different contribution from partners, but the main goal remains the same, mutual benefits. (Mohr & Spekman, 1994; Todeva & Knoke, 2005.)

In this thesis I define outsourcing as a company hiring another company to run a defined set of operations on behalf of their own operations. In essence there are two different approaches to outsourcing a function. First one is operational, where the corporations seek for short-term gains from procuring a service or product from another company. The second one is more strategic, where the goal is to gain long-term gains with longer cooperation with another company. (Todeva & Knoke, 2005.) IT outsourcing can somehow be seen as both, because one of the main goals is to gain cost reductions but also amongst other things to get access to higher quality, technology, and know-how. In the beginning of the 1990's, Eastman Kodak and General Dynamics are known to be the first ones to outsource their IT functions (Earl, 1996). Earl (1996) states that outsourcing an IT function should be treated as any other business outsourcing.

Fairchild (2004, p. 1) defines outsourcing IT as “the practice of one company hiring another one to run an IT aspect of its business, such as maintaining its PC or managing a data center”. IT outsourcing has been studied quite heavily during the past decades and there's bulky amounts of information about it (Lacity et al., 2011). Dibbern et al. (2004) identified five research gaps, one of them is supplier perspective and another one is supplier-client relationship. Lacity et al. (2011) did a thorough literature survey on IT outsourcing studies. On their study the authors state that in the sample of 164 papers only 11 include only supplier participants and 28 papers both parties, which altogether represents only 24% of the stack of papers. Even if authors state that there have been more studies done on these two areas since 2004 when Dibbern et al. (2004) proposed their gaps, to me the split seems rather uneven.

Today outsourcing IT is more or less de facto on all industries, therefore investigating the success factors is important. To this thesis, I am reusing the definition of success factor for partnership from Mohr and Spekman (1994, p. 136), “the characteristics of partnership that are associated with its success.” The research area is interesting to me personally as I have been selling IT outsourcing services for more than ten years and I have seen various customers, customer teams and status of their relationships, as well as how they talk about the other when the other party is not present. Therefore, I feel that it is interesting to try to understand, what factors really make the outsourcing relationship flourish from vendor's point of view. Lacity and Willcocks (2012) state that IT outsourcing has been seen problematic since Eastman Kodak and General Dynamics did the first trials in the 1990's. Therefore, it will be an interesting and ever-growing area to research also in the future (Lacity et al., 2016; Lacity & Willcocks, 2012).

This master's thesis is built up utilizing my bachelor thesis (Säntti, 2023). The literature review is consumed heavily. The bachelor thesis literature research crystallized that I

wanted to investigate IT outsourcing success factors from the vendor's point of view. Therefore, the research questions of the study are:

RQ1: What constitutes a successful IT outsourcing relationship from vendor's point of view?

RQ2: Which factors affect IT outsourcing relationship success from vendor's point of view?

The research questions are answered through the qualitative semi-structured interview study. The interviewees are experts in customer account management with seven to fifteen years of experience on the supplier side. The analysis is done with deductive method for the RQ1. To answer the RQ2 the interview data is compared with the framework created in the literature review of this thesis. All results are looked at from the vendor's perspective. I'm concentrating only on the pure one-to-one IT outsourcing relationship and exclude all possible other outsourcing partnering forms. By pure IT outsourcing, I mainly refer to outsourcing IT infrastructure, end user or application maintenance and development services or projects. All kinds of multi-vendor relationships are excluded even if I agree that they are currently very common and there should be cooperation between vendors.

The theory is split into two separate sections. Chapter two discusses about partnering, partnering success factors as well as outsourcing characteristics and success factors. The third chapter talks about IT outsourcing and success factors. The success factors are summarized in a table in chapter 3.2. Chapter 4 will introduce the research method, practicalities and practices used. Analysis results are presented in chapter 5 and discussed on chapter 6. The chapter 7 includes summary of the thesis, limitations, implications, and thoughts for future research. The interview questions can be found after the references as an appendix.

2. Partnership, outsourcing and what makes them successful?

Because the competitive environment is becoming less fixed companies search for economic benefits and partners to share the risk with (Lee & Kim, 1999; Mohr & Spekman, 1994). Early research on partnering relationships concentrates only on the concept of exchange relationship. Both parties need exchange of money and products or services, and necessary social interaction and other interactive processes. When services are being exchanged the interdependency between parties is different than in traditional product exchange relationship. (Halinen, 1994, as cited in Holmlund, 2004.)

There are two fundamentally different approaches in developing partnerships. The first is operational, where the corporations seek for concrete short-term gains from procuring a service or product from another company, like cost reduction. The second is strategic, where the goal is to gain long-term gains with longer cooperation with another company. The sought after benefits can be direct, like cost reductions in operational partnerships or indirect, like access to resources or technology. (Todeva & Knoke, 2005.)

Partnering or alliance relationship may be formed among competitors or non-competitors. It may be tied because of operational or strategic reasons. For example, non-competitive partners can be industrial buying organization and their suppliers. In such relationships the focus is on improving the operational procedures and efficiency. This sort of relationship can be called a cooperative relationship. When companies develop new products, services, or technologies together the relationship can be characterized as a collaborative relationship. (Ellram & Hendrick, 1995). Companies form partnerships and rationale their cooperation relationships with economic and competitive advantages. The idea is to gain vertical benefits without the risk of owning the operations, like for instance HR, IT, or stock. (Ellram & Hendrick, 1995.) Bleeke and Ernst (1993, as cited in Todeva & Knoke, 2005) state that reasons for partnering are: access, scale, skills, money, or some combination of them. They also state that it does not matter what industry the companies are the reasons stay the same.

Since decades there has been a tendency to form vertical and horizontal alliances when companies are trying to learn how to be more competitive. The alliance formation can be done on local and international scale. The alliances lower autonomy of individual companies but can however give massive benefits in terms of sales, scale, reach and lower the risks. (Pett & Dibrell, 2001; Prahalad & Hamel, 1990.) Mohr and Spekman (1994) state that usually companies within manufacturing channel establish partnering relationships with up- and downstream distributors and other manufacturing parties to establish more efficient supply chain. Also, distribution relationships are tied to increase penetration in different markets and to provide better customer service to their end customers.

High-tech companies' business environment differs very much from traditional manufacturing companies (Chen & Wu, 2007). For instance, high-tech companies strive for fast innovations (Deeds et al., 2000), a shorter product lifecycle, quickly transforming the business world, and their products are extremely reliant of complex technologies. Urge to develop core competencies in both traditional manufacturing and high-tech companies is the same and the underlying reason is the same; to be more competitive. (Chen & Wu, 2007; Todeva & Knoke, 2005.) Partnerships can grant access for companies to enter new markets with new products or services. Partnership also gives access to R&D

information from completely different business areas, which then may speed up the product development process and with that the time to market. Many companies pursue having more and more strategic partnerships, but the success rate is not impressive. (Mohr & Spekman, 1994.)

2.1 What makes the partnership successful?

Mohr and Spekman (1994) and Todeva and Knoke (2005) state that characteristics of a successful partnership is not evaluated properly. La Londe and Cooper (1989, as cited in Ellram & Hendrick, 1995) state that futuristic orientation, Win-Win/Risk Sharing, and communication issues are the most important factors to focus on in relationships. Authors also argue that in their research they found out that buyers and suppliers are expecting same characteristics from partnering relationship. The most desired attribute by both parties to improve in a long run is communication.

Today's buzz word continuous improvement was recognized in partnering relationships already in 1990's. Companies see that it is the only way of having a partnering relationship. (Ellram & Hendrick, 1995.) Kern and Willcocks (2000) state that successful relationship mainly comes from high customer satisfaction, achieving the expectations and objectives of the cooperation. Lee and Kim (1999) state that successful partnership means that both parties reach their organizational objectives, which are relative to the partnership, and can build a competitive advantage that neither of the parties could have been able to achieve on its own. The authors also characterize the success as adequacy between customer's expectations and outcomes. They specifically want to separate the quality and success of the relationship. They state that high relationship quality can be a vital requirement of a successful relationship, but it does not mean that it is the only prerequisite, i.e., if a goal is to reduce costs and the quality of the partnership is excellent, it does not help, if the partnership fails to hit the planned cost reductions. Authors also argue that the most remarkable factor towards successful partnership is quality.

Mohr and Spekman (1994) state that key factors affecting partnership success are: commitment, coordination, interdependence, and trust. Commitment means that both parties are willing to put enough effort for greater mutual good. Coordination can be understood so that tasks related to the relationship are done by the party, which is expected to do them. Like, for instance, in supply chain/just-in-time environment if somebody fails to do its task the whole process might fail, and a lot of money and time is lost. Interdependence refers to committing to shared goals so that both parties benefit from all the efforts that are done. Trust in this case indicates that both companies have been capable to count on the other party without a doubt. According to authors high level of trust, coordination, interdependence, and commitment are seen in characteristics of successful relationship more often and on higher level than in an unsuccessful relationship. They also state that mutual commitment is one of the most vital factors in relationship. A high level of commitment by both parties will lower the problems in short term and amend possibility for long term goal accomplishment. It is very important for both parties to understand that for a successful relationship the efforts made by both parties affect the success rate. If one party acts too opportunistically the relationship tends to fail but if both parties acknowledge their mutual dependency and if they are willing to work together towards success the relationship may work. (Mohr & Spekman, 1994.)

2.2 Characteristics of an outsourcing partnership

As already described earlier, authors Todeva & Knoke (2005) state that there are two different models to partnerships, one of these is strategic. Outsourcing relationships can be characterized as a strategic partnership. Outsourcing relationships are set up in search of longer-term gains. (Todeva & Knoke, 2005).

Companies want to focus on their core competencies and assign personnel to produce ultimate unique value for their customers. Companies strategically outsource every other function to those whose core competence it is, so that the actions provided by third parties are as cost-efficient as possible and on top of the game. There are four reasons for doing this: first one is that companies want to concentrate their own resources into actions that bring value to customers. Second is that concentrating on core competencies companies hinder their competitors entering the market. Thirdly, they want to leverage the third party's investment, know-how and innovations which is in practice impossible to follow without investing huge amounts of resources. Fourth is simply the need for change in turbulent business environment. (Quinn & Hilmer, 1994.)

Outsourcing is not any more seen only as a way of cutting costs and improving strategic focus. In business world today companies are looking for new ways of using other companies' core competencies to achieve more effective ways of doing business. Therefore, the most important goal for outsourcing parts of one's company is to obtain competitive gains for the business. For example, companies can get access to larger pool of innovative IT solutions, which can then benefit the company in product development and give competitive advantages by shortening time-to-market and reducing development costs. (Fjermestad & Saitta, 2005.)

Competitiveness, in a long run, comes from ability to build or produce with as low cost as possible and to be faster than competitors. The seed for success is core competencies and the ability to change in fast paced markets in sense of skills and products. To be able to be competitive managers must identify the skills within the company and try to understand which of those can be used in some innovative way in the future. This gives competitive advantage also in the future. Good example of such companies could be Asian companies who have started as developer of low-cost components. When they have mastered the component development, they moved to complete product development; and when they do – they are not only low-cost players anymore. To be able to develop core competencies managers need to have a roadmap for core competence development which helps them to understand the strategy and resource allocation of a company. (Prahalad & Hamel, 1990.)

Prahalad and Hamel (1990) use tree metaphors to symbolize the core competences of a company. They state that core products are the trunk and major branches, and the smaller branches are the business units, and the leaves and fruits the different configurations of the core products i.e., end products. They state that core competences are the root system. When you focus on your core competencies it means that you are creating unique value to your customers which cannot be copied. Companies have usually five or six core competencies that should be preserved. Authors state that when a company has found out company's core competencies it should embrace and develop them. The core competencies are usually something insubstantial i.e., skills that are possessed by bunch of people. The problem with skills is that they must be practiced and evolved to be able to do them and most of all to keep on the edge of developing something new. These people should not be bound up but rather set free and therefore the internal and external resource circulation is important so that the skills will get new influences to develop. Core

competencies are usually cross-unit skills and abilities, and competitors will have hard time to imitate them if not impossible. Therefore, the sharing of information and know-how is important to be able to be competitive. Core competencies do not wear out by using but they evolve as they are used and shared, or you might say that core competencies are the ones that keep the world changing. (Prahalad & Hamel, 1990.) Companies must see three core areas: core competencies, and core products and end products. If a company is winning now in core products, it does not mean that it'll be that way forever. If, however, the company is losing the battle in end products but ahead in core competencies it will win its competitors in the future in the sense of new product feature development or cost-efficiency or even in both. (Prahalad & Hamel, 1990.)

Beyond focusing on core competences and cost reduction, other reasons to outsource are that the functions are not the core competence of the company, access to skills/expertise, need to improve processes, access to leading edge technology, and political reasons (Lacity et al., 2011). Baldwin et al. (2001) support the statement that traditionally the reason to outsource has been financial and costs, but nowadays the reasons may vary from personal to political and strategic. Of course, all companies have their own ways of doing business and being unique which should be reflected into what, how and why they outsource. The reasons can be reduced costs, more superior quality of services, and access to resources and technology. In addition, companies seek higher flexibility and competitive edge to improve their overall performance. Currently companies are moving their people from operations of IT to the business side of IT where they can concentrate on supporting the ever-changing business needs better. (Baldwin et al., 2001.)

Lonsdale (2001) states, that there are several risks discussed in literature about outsourcing. The risks are pre- and post-contract. These, of course, are dependent on the characteristics of the outsourcing relationship. Especially the risks rise if the outsourcing relationship requires physical asset investments. Also, if the outsourcing includes, as the author states, transaction-specific investments the companies can find themselves in so called locked-in business relationship, which gives one party dominant position and can violate the other party's business severely. This kind of situations are more common in traditional Supply Chain Management (SCM) situations where a company is handling the whole supply chain, but it is very dependent on the parts along the way which other companies provide for the supply chain. According to Fjermestad and Saitta (2005) other negative effects of outsourcing can be loss of in-house know-how, loss of control and data security.

Authors Håkansson and Ford (2002) have proposed three paradoxes concerning business networks and interaction within them. Their third paradox concerns control. The paradox is: the more a company gets control over a network, the less effective and innovative it will become. The ambition to develop one self's network position is a change force of a network, but if a single company achieves dominant position, it influences the whole network negatively. Mohr and Spekman (1994) argue that there are several things that companies oversee when forming relationships: increased complexity, lower autonomy, and information asymmetry. There's a certain irony in outsourcing since managers may feel that they are just shifting from one set of risks into a different set of risks (Mohr & Spekman, 1994).

3. IT outsourcing

Even though the IT outsourcing has been researched from 1990's the companies are still realizing the possibilities, and most are only 2nd or 3rd generation outsourcers, some of course are early adapters and are on their 4th generation of outsourcing or even further. The decision to outsource has originally cumulated from fundamental question: make or buy? (Lacity et al., 2010.) It is acknowledged that IT has become the core that strongly supports organizations (Dibbern et al., 2004). On the turn of 1990's Eastman Kodak and General Dynamics started the wave of outsourcing IT functions to third parties. Depending on the motives companies have outsourced or smart sourced, e.g., selectively outsourced, their IT, i.e., management and operation of legacy systems, or non-core systems. (Earl, 1996.) The IT outsourcing has been seen useful from small and local firm to big global multi-national company point of view (Dibbern et al., 2004).

Earl (1996) suggests also that if IT operations are already efficient then outsourcing shouldn't be considered as an option. If, however, the performance is low, and the value for business is high then at least benchmarking or even outsourcing should be seriously considered while searching for options to improve. Earl (1996) also says that before going to outsourcing managers should examine why it makes sense or why it'll work. According to Earl (1996) companies should consider if the risks of outsourcing are manageable and if the risks take place, are the benefits greater than the downsides. Lacity and Willcocks (1998) agree with stating that companies that compare internal and external bids are more likely to success when making the sourcing decision. Earl (1996) also argue that outsourcing IT is not an absolute value but should be treated as any other business enabling support function. Lacity and Willcocks (1998) state that when directors and IT management conclude who and what to outsource, it brings more successful sourcing results than if just one group makes the decision alone.

Lee and Kim (1999) present that there are two ways to outsource IT: asset and service outsourcing. Outsourcing assets refers to transport of assets (like hardware) and personnel to the service provider. Outsourcing services means system integration and system management services, i.e., no assets are transferred. Companies have also pondered what degree of outsourcing they should be doing and what sort of contracts they should be making. In addition, the decisions about sourcing locations have been wondered. Also, one reason for outsourcing is increased service levels with the same cost. (Lacity et al., 2010.) Lacity and Willcocks (1998) argue that selective outsourcing has been proven to bring more successful outsourcing results in IT than full outsourcing or insourcing. Baldwin et al. (2001) tells that within their research the company who did selective outsourcing in early 90's and even with poorly detailed contract was nevertheless able to reach out its goals. According to Lacity and Willcocks (1998) short-term contracts archive higher success rates than long-term contracts. On their study Lacity and Willcocks (1998) found out that newly signed contracts were more successful of reaching the cost savings goals than the old contracts. This may reflect that customers are learning and able to negotiate better contracts. The authors also discovered that the size of the IT operations didn't really affect the success of outsourcing on financial side.

At first reason for outsourcing IT was purely cost reduction (Gallivan & Oh, 1999). It is stated that it is still the most important reason for outsourcing (Lacity et al., 2010). But the cost reduction is not only reducing monetary budgets but rather being more efficient, doing more with the same money. Also, it is very important to be able to do the right things, i.e., if you are doing the wrong thing very efficiently, it does not help the business.

(Luftman & Zadeh, 2011.) Outsourcing has been especially practiced in information technology (Lacity et al., 2011). Because of the business environment is constantly changing, companies are searching for external IT service providers who can provide the services cheaper, better, and with better performance, and more innovatively. Because of substantial business impact of IT, the focus of traditional chief information officers (CIO's) has been transformed from IT management to active contract management. (Ye, 2005.) By contracting properly companies try to avoid paying several types of transactional costs (Todeva & Knoke, 2005). The technology development is providing companies constantly new possibilities as sourcing models like for instance cloud computing, application service provisioning, and business process outsourcing (BPO) (Lacity et al., 2011).

The BPO market is still quite new as it requires quite a bit non-IT know-how from the vendor, but it remains quite interesting to companies seeking possibilities to outsource to gain benefits (Baldwin et al., 2001). In near past companies have been outsourcing their business processes to external service providers. BPO market is relatively smaller than IT outsourcing, but it is growing at greater pace. BPO means basically that non-core processes are managed by external supplier to reduce costs and therefore the buyer does not have to concentrate on improving the competence of standard functions of a company like for instance HR related or other admin processes. (Lacity et al., 2011.)

Earl (1996) states that getting competitive advantage from outsourced IT require continuous efforts to find and implement new ways of using IT. Companies seek IT-based business enhancements that directly affect their business performance. For instance, such could be logistics optimization, customized marketing, dynamic forecasting, or product offerings. (DiRomualdo & Gurbaxani, 1998). However, the improvements need to be done without affecting production too much, as if the production needs to be run down only because of new innovative usage of IT the benefits may slip away completely. (Earl, 1996.) According to Dibbern et al. (2004) companies' senior executives do not see IT functions any longer as their core competencies, and they understand that IT vendors can provide the same services in robust and more efficient way because IT vendor's know-how and scale for economics. IT is seen as an essential part of company's support functions, but then again, it is also seen as an overhead. As IT is not seen any more as part of core competences and it is more seen as a cost burden the outsourcing wave has become more and more common. However, several companies have paid enormous sums to get out of IT outsourcing relationships and re-constructed their own internal IT, but the trend is more the opposite, i.e., to outsource IT to third party vendors. (Dibbern et al., 2004.)

Reason for vendors to sell IT outsourcing is simple: deals give them reasonably long-term solid revenue stream, and they are enablers of longer relationships. This may be on the contrary to IT consulting relationships, where revenue stream may not be as long-term but again companies try to get more profit from shorter sprints. It is a known fact by both parties that at least part of the contract will be renegotiated during the contract term. It can be the prices, content, terms, all, or subset of these. (Dibbern et al., 2004.)

There are also few negatives to IT outsourcing decision like concern for security or fear of losing control. The bigger the worry for both, the bigger the chance is that IT outsourcing is not done. Also, the performance of the IT department affects the willingness to outsource – if the performance of IT department is low the willingness to outsource is bigger than if the performance is at least reasonable. (Lacity et al., 2011.) Earl (1996) presents how to define what to outsource and what not to. He presents that if the part of IT is commodity and the performance of current (in-house) operations is low

it should be outsourced, however if the efficiency of that commodity IT is already high there can be areas which could be smart sourced. When the part of IT at hand is close to core business and (in-house) delivery is facing problems with efficiency the area should be benchmarked within the market. Although if the efficiency is already high and the area is close to core business it should be kept as in-house. Research has pointed out few other downsides on outsourcing IT, like for instance lock-in relationship, reduced service quality, loss of flexibility or control, and dependence on vendor. (Antonucci et al., 1998; Araujo, 1998; Barthelemy, 2001; Lei & Hitt, 1995; Longsdale, 2001). In addition, the possible business risks may occur which may cause notable business drawbacks, like production line forced to be shut down and losses in money can be substantial (Baldwin et al., 2001).

3.1 IT outsourcing success

When thinking about success factors of partnership you eventually will ask that what does the success of partnership mean (Mohr & Spekman, 1994). The chapter discusses what constitutes as successful IT outsourcing. Todeva and Knoke (2005) tell that business literature has identified several aspects of successful partnership like better return on equity and investment, and higher success rates, when comparing to the corporations who have bought a company or merged into each other.

Mohr and Spekman (1994) state that successful relationship can be measured based on objective indicators for both parties, i.e., how well the performance expectations are met. In partnering relationship, the parties have a mutual agreement of the characteristics of a successful partnership, i.e., characteristics are the same for both parties. Even though the partnership would be going very well both parties have ideas how to improve the relationship. It is also common that the things to be improved, how and how much are seen similarly (Mohr & Spekman, 1994).

DiRomauldo and Vijay (1998) argue that the business benefits pursued for in IT outsourcing are increased return on asset, cost benefits, added income, profit gains, winning new markets, time-to-market, new business, and market channel development. The authors argue that to exploit IT for the benefits, companies should not stay in traditional vendor-customer relationship format, but rather explore possibility of strategic alliances or joint ventures. They continue that when the relationship is deep enough, and the importance of IT is high enough the expectations and goals for the IT outsourcing partnership changes being more strategic. However, so does the units of measure for success. In other words, the success of a relationship is measured based on traditional business indicators.

Väyrynen and Kinnula (2012) state that to ensure success of the relationship, the expected path to be taken, outcome and goals should be defined at the very beginning. Bharadwaj (2009) present that a 'win-win' constitutes as successful relationship. If you combine the descriptions, you can assume that when both parties have achieved the goals set forth at the beginning, or if both parties have achieved their private goals they have had for the relationship before the relationship was established, the IT outsourcing can be characterized as successful. Literature regarding IT outsourcing partnership success in general points out reasons for engaging into outsourcing relationship but does not define what is a successful relationship. However, if goals for outsourcing are defined it is safe to assume that by achieving those goals the partnership is successful.

Lee and Kim (1999) did an outsourcing satisfaction study on two levels, on business and end user. The conclusions are that the satisfaction of these groups is based on somewhat different factors as end user satisfaction is gained when quality of the relationship is high, but the business satisfaction is achieved by getting strategic, economic, and technological benefits, i.e., the end users do not necessarily see the big picture.

3.2 IT outsourcing success factors

In the chapter I'll introduce the factors identified in literature affecting success of IT outsourcing relationship. The affecting factors are also described individually in more detail later in the chapter.

Lee and Kim (1999) state that to be able to achieve success through partnership, the parties should try to establish and cherish high quality relationship by concentrating on improving intimacy of the partnership. They also argue that partnership factors affecting positively on quality are communication, participation, information sharing and, top management support. Harmfully affecting factors are age of partnership and mutual dependency. Authors also elaborate that traditionally a long relationship is a strength, sign for stability and successful relationship. But they also point out that it also is weakness. At least, if the contract is longer than 5 years and can cause dissatisfaction between parties.

Fjermestad and Saitta (2005, p. 44) introduce on their article *The Information Technology Outsourcing Framework*. The authors argue that success factors are: "alignment to business strategy, management support, culture, infrastructure, contracts, strategic partnership, governance, cost and quality." They also state that the goal of outsourcing is cost, and quality, and the effect of the components are dependent on the nature of the engagement. The components of the framework are not meant as individual success factors but might vary from relationship to another depending on the form and shape of the relationship. As an example, if the relationship is only a small software integration project, then not all factors are relevant (Fjermestad & Saitta, 2005). According to authors' literature research aligning the IT outsourcing with business strategy was the most evident success factor. Lee and Kim (1999, p. 53) have identified factors that form cooperation quality. They are "trust, business understanding, benefit and risk share, and commitment".

According to Väyrynen and Kinnula (2012) focusing on core competences, mature service provider assessment process, controlling decisions regarding IT, selective outsourcing, risk/reward sharing, service quality, trust, communication, cooperation, company values and understanding the total cost of ownership in outsourcing are identified as success factors. In addition, their research lists other important factors like culture, management support, governance, and contracts. Authors state that according to their literature research the success factors of IT outsourcing are both soft and hard. Trust and communication being soft factors and contract and personnel competence hard ones. The biggest risks at relationships can also be seen as success factors. If the risks can be avoided or mitigated, it'll help the relationship thrive.

In the next chapters I have made a deep dive into success factors identified in Fjermestad and Saitta's (2005) *The Information Technology Outsourcing Framework*, as well as others which have been pointed out as important in the literature.

3.2.1 Economics: Cost and Quality

Fjermestad and Saitta (2005) tell that companies should first figure out the full costs of providing IT services before a proper comparison can be made. They also refer to previous research on economics of IT outsourcing which states that companies should first strive for internal development and only after that think about outsourcing possibilities. Authors also repeat that former research argues that outsourcing does not automatically bring cost reductions, higher quality, or competitive advantage. Lacity and Willcocks (1998) state that in their research the most cited goal was cost savings. The authors also state that mostly used success indicator was reaching the cost savings. In addition, they argue that it is the easiest factor to verify.

When trying to leverage the possible economies of scale of IT vendor's capabilities, the environment, scope, and strategy may influence the possibilities, especially if the environment differs from industry standards (Lee and Kim, 1999). However, Baldwin et al. (2001) argue that a careful balance of cost and quality is the best way to success as opposed to only going for low-cost selective outsourcing. The authors also state that by doing the balanced approach into outsourcing ensures the best strategic benefits as vendors can utilize their innovativeness to produce additional value and avoid pitfalls.

Fjermestad and Saitta (2005) state that outsourcing does not necessarily derive into longer term cost reductions, but the real value may be the access to better services and capabilities. However, the outsourcing may seem cheaper option due to financial engineering. The outsourcers should try to see past the preliminary savings to the total cost of ownership. The dilemma cost versus quality has been studied quite a lot. When a company is thinking about outsourcing some portions of their IT, they should first try to identify full and complete internal costs of that functions before making a cost comparison. It should be kept in mind that IT outsourcing isn't absolute value for competitive advantage, higher quality services and costs savings. Often, they are completely opposite targets. There are various models to provide certainty for the buyer about suppliers' quality, like CMM/CMMI and ITIL. CMM/CMMI is a way to measure the disciplines of a software development maturity of a company. (Fjermestad & Saitta, 2005.) ITIL (Information Technology Infrastructure Library) is not a standard but can be identified as group of best practices of service management processes that are connected to each other. The processes can be divided into two areas: service support and delivery processes. (Marquis, 2006.)

Often financial and cost aspects are put as priority when outsourcing but nowadays other factors also are starting to rule. As the decision-making is done based on other factors than cost the process is getting more complex. There are political, human, and organizational aspects involved. In addition, there's always the risk and uncertainty of managing one's own IT environment. From management point of view there's also considerable business possibilities and risks involved in short and long-term. Even though wide number of companies have outsourced their IT as a strategic choice and therefore the know-how on outsourcing has improved the circumstances vary in sense of time and company. (Baldwin et al., 2001.) Despite of improved understanding on outsourcing it is yet important to understand and manage the total cost of ownership (TCO) of an outsourcing engagement. The TCO consists of transaction costs, scope and contract growth control costs, hidden management costs, transition costs, potential cost savings. (Aubert et al., 2005; Ho et al., 2003; Kern & Willcocks, 2000.)

3.2.2 Alignment to Business Strategy

Alignment to business strategy means that IT outsourcing strategy needs to strive from company business goals. The IT strategy needs to start from vendor selection and outsourcing approach, i.e., when selecting a vendor, what are the most significant factors in vendor selection, cost, or contribution to strategic goals? In the academic literature several of them are reporting the significance of business alignment and creating value for it. In addition, there has been identified enablers and inhibitors and supplier maturity levels to be able to align with customers business strategy. (Fjermestad & Saitta, 2005.) Kohli and Deveraj (2004, as cited in Fjermestad & Saitta, 2005) present four steps to measure IT value impact to business investments: communication, involvement, analysis, and alignment. Fjermestad and Saitta (2005) also state that business strategy should be re-defined or even re-engineered after the possibilities of IT has been understood. McLean and Luftman (2004, as cited in Fjermestad & Saitta, 2005) argue that the most important concern for IT management was business alignment and the biggest inhibitor for proper alignment was lack of executive support. They also state that the best enabler was vendor understanding of the customer's business environment.

3.2.3 Trust

Trust is identified as very important factor in relationship. In this context, it means that either party's word can be trusted, and they will act according to it as has been stated formally or informally (Mohr & Spekman, 1994). Sabherwal (1999, p. 80) defined trust as "each party's perception of the motives of the other party". Kern and Willcocks (2000) argue that as the trust is listed as critical factor to relationship it is not clear if it is meant as confidence or trust between individuals i.e., communication and transparency. They also state that it takes a while to develop trust between parties and it often comes with high quality service delivery.

Sabherwal (1999) states that there are four types of trust: calculation-based, knowledge-based, identification-based, and performance-based. Calculation-based trust originates from structural behaviour regarding delivery. This also roots from vendor's willingness to make a structural contract. Knowledge-based trust points to each party knowing another party. This type of trust can be gained by experiencing series of events together as companies but nevertheless the trust upwells from the individuals. The identification-based trust is gained by understanding other party's goals. By gaining this trust both parties can support the other party towards its goals and by doing so the goals are mutual. The identification-based trust is usually nurtured by joined team-building efforts. Performance-based trust is dependent on performance at the early stages. Reaching the agreed goals in the beginning of the relationship seems to have positive effect on trust and cooperation. Therefore, the first accomplishments are good thing to celebrate with joined teams. The performance-based trust is extremely important when the customer and vendor are geographically far away from each other, i.e., offshored delivery.

Sabherwal (1999) states that in his studies he has seen lack of trust cause bad performance and vice versa. It is usual that lack of trust ends up to finger pointing what the other parties have done or not done to cause the problems within the delivery, as all parties are only interested in their own benefits as opposed to getting the job done. Sabherwal (1999) states that the trust issues can be mitigated by careful 3rd party selection. But careful selection does not take you all the way, but it requires work among the parties to reach mutual trust.

When a formal contract is crafted, everything cannot be written down. Thus, when the written contract is born there's always a psychological contract born at the same time consisting of all the expectations of each party about the obligations and prerogatives. They tend to vary from contract or relationship to another and the parties are not usually aware of them. Simple and short projects can normally be run even without any written contract, i.e., based only on communication and trust (Sabherwal, 1999).

3.2.4 Culture

Widely accepted key success factor on IT outsourcing is culture, especially on offshore outsourcing engagements. It withholds written and verbal communication, time zones, and political and social factors. Mitigate actions can be considered as communication and training for both parties. Some vendors for instance train their staff on religious differences, language accents, as well as social activities to decrease the possible gap. However, the cultural training shouldn't be considered as a simple task and when we also consider industry specific government requirements like the U.S. Patriot Act or SOX (Sarbanes Oxley). (Fjermestad & Saitta, 2005.)

Authors Ellram and Hendrick (1995) and Mohr and Spekman (1994) argue that even though companies' organizational cultures were alike it does not ensure success in partnership. Companies must dedicate their efforts into reaching mutual goals, i.e., they must have mutual futuristic orientation. Also, Lee and Kim (1999) argue that the cultural fit does not affect that highly into the outsourcing success. They however admit that it may be a factor at first but once the initial state of outsourcing relationship is passed it does not play a big role anymore.

3.2.5 Communication

To be successful in a relationship communication behaviour is essential. This means mutual high-quality communication, participation in planning which includes goal setting, and other kind of formal and informal information sharing. (Mohr & Spekman, 1994.) Authors also illustrate communication as the vitality of relationship. Parties should be very open regarding goals and strategic choices to each other, but the problem is that it is not natural for traditional manager to be open regarding the listed issue with another company. This is to be learned by doing and when parties find the mutual understanding of each other's goals they can way easier hit mutual goals. Authors also state that the problem with outsourcing relationships is companies internal – how to develop company's internal management culture to support outsourcing actions; to see that when driving mutual goals, the company's own goals are more likely to get achieved.

There are two forms of communication between parties: the formal, i.e., service performance reports which are traditionally in a way, or another defined in contract. The second form of communication is informal, i.e., day-to-day interactions between parties. To make the informal communication successful the actors, managers from both parties, need to be skilled in communicating with each other and to different levels of each company, i.e., technical and business. (Kern & Willcocks, 2000.) Kern and Willcocks (2000) state that an important factor to be considered is the informal communication of the top management of each party. According to the authors these inter-company relationships are essential especially in conflict situations.

3.2.6 Contracts

Making a contract in outsourcing is habitually seen as a clench done in the beginning of the relationship (Kern & Willcocks, 2000). On outsourcing contract, the roles, responsibilities, requirements, and run-phase performance measurements need to be defined properly, otherwise they will change as people tend to change and it'll cause unnecessary ambiguity. Even though the contract is important to be precise it is likely to change due to various reasons, which may be, for example, long contract term, rushed signing or vague definition of responsibilities. Even though incomplete and vague contracts are warned about, yet they are very common and when they are communication and understanding of both parties' business is emphasized to be a key factor to a successful business relationship. In addition, one important part of contract, on top of the already listed ones, are SLA's (Service Level Agreements) and attached penalties. The SLAs should be measured and reported properly. (Fjermestad & Saitta, 2005; Lacity & Willcocks, 1998.) What's written in the contract about governance, SLA's, KPI's (Key Performance Indicators), and other official controls is presented in the literature as formal governance. The formal contractual governance guides parties in formal manner how to cooperate, what's acceptable behaviour, as well as not to act too opportunistically and ruin the possible success of the engagement. (Lioliou et al., 2014.)

There might be several different problems in IT outsourcing like for instance: hidden costs, failure to produce cost savings, failure to implement new innovations, disputes about contract terms, different understandings of performance indicators. To be able to avoid these companies have been very careful with contract terms and conditions. (Gallivan & Oh, 1999.)

It is evidenced in literature that the most difficult and the most important task in IT outsourcing is contract crafting so that it maximizes the control and yet flexibility and minimizes the agency problem (Ye, 2005). Agency problem refers to theory called agency theory. The agency theory means that if the outsourcer wishes to achieve specialization benefits it delegates the work to a specialized agent, i.e., vendor. Agency theory focuses on reducing IT outsourcing costs with tight contracting. The problem appears when the outsourcer and the agent have different targets, and the measurement of agents' doings is too hard or expensive for outsourcer. (Eisenhardt, 1989, as cited in Ye, 2005; Ye, 2005.)

The contract and attached service agreements normally withhold in detail legal terms and conditions, content of services, financial matters, service execution and monitoring methods, ways to communicate, key personnel and multi-level conflict management methods (Kern & Willcocks, 2000). However, problem with air-tight contract is that in IT world there are usually a lot of unknown things and components which cannot be incorporated in the contract, for instance it is impossible to predict the future (Ye, 2005). Ye (2005) propose that outsourcers should consider doing short-term contracts which can be renegotiated and broken off if needed. Lacity et al. (2009) state that the contract should be detailed enough but still have enough flexibility. Lacity and Willcocks (1998) argue that companies should be aware of what do they want to outsource, ensure that their procurement know-how is high enough, and make sure that the purchased service is aligned with requirements, i.e., flexibility, service scope, length of the contract, price, and other possible known demands. Companies also need to contractually ensure that they have enough control over their IT related decisions (Lacity & Willcocks, 1998). Lacity et al. (2011) state that there's substantial evidence that higher monetary valued, more precise, and shorter-term contracts have notable effect on more positive outcome of the outsourcing engagement.

A good contract does not secure profitable relationship (Kern & Willcocks, 2000). The contract can be read word by word without capturing the spirit of the agreement, which may lead into failure of the relationship. By following the contract, the delivery or the requirements of the services are often seen as black and white, which leads easily to incomplete delivery and inflexible relationship. Therefore, Kern and Willcocks (2000) argue that even though the contract is important, understanding the contract is more important to have successful relationship.

3.2.7 Strategic partners

Companies tend to search for strategic partnership in IT outsourcing but hardly any fulfil the description of such relationship (Gallivan & Oh, 1999). Strategic partnership is defined by Fjermestad & Saitta (2005, p. 51) as "...collaborative efforts of both a vendor and a client in the attainment of a mutually beneficial goal." The idea is that parties extend beyond traditional buyer/seller roles. Currently in outsourcing companies seek for strategic partnerships as a long-term strategy opposed to cost reduction, which has been the most significant motivator to outsource. The savings as the goal has changed to on-demand and utility-based services, flexibility to change according to business needs, innovativeness, time to market, and strategic solution building. (Fjermestad and Saitta, 2005.) We often misuse the term partnership as fee-for-service contracts are characterized as partnerships (Lacity & Willcocks, 1998). The authors also argue that companies should see if there are more favourable options like: flexible-priced, performance-based, or strategic alliance-based contracts available, where the risk and rewards can be shared.

Kern and Willcocks (2000) have identified three areas where the client-supplier relationship can be improved. The first is a mutual understanding that the supplier is part of clients' business environment. Second, is joined view of high customer satisfaction. Third is the commitment of common long-term goals. The achievement should be that the vendor will have common objectives, develop more intimate relationship, and to nourish better integration. Lee and Kim (2003) argue that when the relationship reaches strategic partnership mode it will be constantly changing to maximize the mutual benefits. Kaiser and Hawk (2004, as cited in Fjermestad & Saitta, 2005) add that when partnership is in even more mature mode it is a natural way of behaving that the vendor will dispense customer's IT competencies, which will then support customer personnel's career development. Fjermestad and Saitta (2005) state that value of a strategic partnership cannot be measured clearly.

Mohr and Spekman (1994) argue that one important factor for successful relationship is interdependence. It means that when companies that join forces understand that their business success is mutually dependant on efforts of both parties and the goal is to achieve such results which either party cannot achieve acting solo (Mohr & Spekman, 1994). Kern and Willcocks (2000) argue that in IT outsourcing the contract puts the customer very reliant state on the service provider's delivery capabilities. However, according to Lacity et al. (2016) on the other hand the service provider relies on the ability of the customer to steer the provider as well as raise up to challenges when they occur. Kern and Willcocks (2000) state that after the relationship hits so called steady state, and the daily operations run smoothly the additional value can be gained by understanding of each other's business. Therefore, both parties need to have the skills and put in the efforts to make the engagement successful (Lacity et al., 2016).

3.2.8 Governance

According to Fjermestad and Saitta (2005) and Kaiser and Buxmann (2012) governance is one of the most frequently listed success factors in IT outsourcing literature. Fjermestad and Saitta (2005) state that there were five important elements identified on the governance area. They are conflict management, bi-directional communication, contract management, coordination across companies and control mechanisms. Authors suggest that strategic intent should be the underlying goal to outsource IT. The governance practices should be described in the contract high enough detail (Lioliou et al., 2014). Even though if the contract between contractors is good it does not ensure good relationship. Companies must agree on social norms between parties and for a successful relationship the partnership needs to be active in sense of social communication and the relation rather partnership than supplier/buyer in nature. (Ye, 2005.)

A proper governance should be built, i.e., processes, relationships, communication, and common visions, which cannot be contractual items as they vary depending on the person and the party (Kern & Willcocks, 2000). Also, the parties need to actively try to improve the situation even if there's no problem within the relationship. The participation of both parties affects directly to the duration of the relationship. If a party does not participate actively and it affects another party to achieve set goals, it affects negatively to the relationship. (Lee & Kim, 1999.) The authors also state that participation is strongly related to trust, business understanding and commitment. Lioliou et al. (2014) argue, the rigid contractual writing should not be followed to the grave, but rather if both parties agree they can act against the contract if parties are able to gain mutual benefits. To lower the risk profile of activities done, the contracts should be changed to reflect the reality.

For outsourcer to success in outsourcing relationship it is a must to possess sourcing competencies and capabilities (Kaiser & Buxmann, 2012). Outsourcing relationship can be managed by two ways: 1) formal governance, e.g., contracts 2) relational governance, e.g., day-to-day governance. It is believed that outsourcer's organizational customer facing, and internal structure must be defined to align strategy for outsourcing engagement to be successful. Obviously, the organizational structure cannot alone bring success but with right processes, information flows, collaboration, and partner it makes it more likely. (Kaiser & Buxmann, 2012; Lacity et al., 2016.)

From buyers' perspective it has been recognized that successful IT outsourcing is only reached by good supplier management. Yet, the companies are unable to verify how many people are needed to manage the suppliers successfully. This is partly because the people who are contributing to the management process are from different parts of organization and their set up skills vary but it is dependent on the nature of the contract. (Kaiser & Buxmann, 2012.) Kaiser and Buxmann (2012) suggest that companies should centralize and streamline their vendor management processes and organization to get better visibility on the overarching costs spent.

Coordination, a very important factor, means defining the relationship boundaries, what's governed annually, monthly, or daily (Lee & Kim, 1999; Mohr & Spekman, 1994). The governance boards are the formal body to support alignment to business and ensure IT choices support business strategy. The committee is also to align with key decision makers on both parties all the decisions and progress. There are several different levels needed on governance so that, for example, day-to-day actions are not managed on strategic level of the governance committees. (Fjermestad & Saitta, 2005.) Weill (2004) presents that a formal process for governance amends the outsourcing relationship and enforces the decision-making towards operational, tactical, and strategic goals.

Fjermestad and Saitta (2005) state that in these boards the parties can ensure the necessary support for business alignment and safeguard that IT and business strategies are supported by the outsourcing relationship. The authors continue that the joint governance should include risk analysis, security issues, privacy, and cost analysis.

The governance processes influence atmosphere and socio-psychological quality of the relationship as well as to the efficiency of everything. How parties use power and communication influences the other party's attitude. The best baseline is being open and fair. Parties' openness and fairness are especially measured in conflict situations. (Möller & Wilson, 1995.) Even so, in outsourcing relationship there are always conflicts and how the conflict situations are handled is critical for both parties. The impact of conflict situation handling can be productive or destructive. Many companies try usually to dominate the other one in conflict situation so that the other party would use their process in handling of the conflict which can be easily destructive but if both parties are open-minded the situation is more likely productive for both parties. (Deeds et al, 2000; Mohr & Spekman, 1994.) Lee and Kim (1999) argue that when parties enter a conflict situation that high level of individual participation influences positive into the full relationship. Lacity and Willcocks (2017) present that there have been three different conflict types. 1) commercial conflicts, which refer to monetary disputes. 2) service conflicts, they are regards to service quality, slowness, or errors within the service content. 3) Relationship conflicts, which means disputes between people. The conflicts can be solved in various ways. In general, whatever approach the parties end up with, the result has three options: 1) vendor wins, customer loses, 2) vendor loses and customer wins, or 3) both win/lose. The wanted option is obviously the latest but to get there it usually requires some sort of sacrifice from both parties. (Lacity & Willcocks, 2017.)

3.2.9 Management support

In this context the management support in the literature seems to be two-fold. Firstly, the change management leadership and support. Secondly proper participation on outsourcing procurement and engagement leadership. And of course, management need to ensure that the planned endeavours follow corporate strategy. Management support has been proven to reduce change resistance. The nature of the change does not really matter. Regarding IT, the change can mean, for example, a new IT system or an outsourcing engagement. When outsourcing decision is done, the management needs to communicate in time and truthfully to ensure smooth transformation. Change management leadership in outsourcing scope refers to employee satisfaction work, securing needed competence, and other possible training of personnel. (Fjermestad & Saitta 2005.)

According to the literature review by Fjermestad and Saitta (2005) beyond change management, the management support refers to actively taking part in the procurement process for the outsourcing, setting up the newly accomplished partnership and continuously steer and participate in governance boards. It is important to have the senior executives involved all the way with the partnership to steer the relationship into right direction to be able to achieve the business goals and address possible lower-level unsolvable issues.

Carmel and Agarwal (2002) propose that IT executives should address three steps to be taken regarding outsourcing and internal changes. Firstly, an outsourcing should have strategic importance, and therefore the top management involvement is a must. Secondly, suppress the fears of the employees by being replaced, as well as worries about managing a partner delivery from offshore. The fears are suggested to be addressed by extensive

and coherent communication. Thirdly, it is recommended by authors to promote internationalization on all levels. Company should be urged to hire employees from various cultures, backgrounds, education programs and possibly utilize the overseas exchange programs.

3.2.10 Infrastructure

For a company to be able to run proper e-business model the infrastructure is a key underlying element on top of business model, and other more business-related issues. The same can be applied to IT outsourcing, i.e., the infrastructure needs to be solid to be able to execute proper IT strategy and part of strategy may be outsourcing or smart sourcing. One of the most vital technical functions is telecommunications infrastructure. The infrastructure refers to physical infrastructure elements as well as software components, corporate IT setup, used communication standards between systems, scalability, and maintainability. (Fjermestad & Saitta, 2005.)

3.2.11 Competence

Infrastructure in my mind refers to fundamental setup, like hardware, software and processes described above but also to competence across the board. When companies outsource the key roles to have in-house are all essential roles of management, architects, business analysts, business enhancement, technology know-how, project, and supplier management (Earl, 1996; Morello, 2003, as cited in Fjermestad & Saitta, 2005). The roles as such however are not silver bullet to have in-house but rather the ability to shift from managing people and processes to help the vendor with input and output. Being able to manage and avoid possible issues and risks in the new setup and environment is proven also to be critically important. (Fjermestad & Saitta, 2005; Lacity et al., 2010; Lacity et al., 2011.) The vendor's technical and non-technical ability to deliver services is listed in the literature as success factors of an outsourcing relationship. Technical ability refers to technical skills on the domain that's being outsourced. The non-technical skills refer to ability to govern the work internally as well as with the customer. (Lacity et al., 2010; Lacity et al., 2011).

The research presents (e.g., Fjermestad & Saitta, 2005; Väyrynen & Kinnula, 2012) the contract is an important success factor in IT outsourcing relationship. Therefore, it is obvious that procurement knowledge is an important skill to possess when drafting the contract. However, the knowledge of business, its processes and requirements are important as well. (Lacity and Willcocks, 1998.)

3.3 Summary of success factors of IT outsourcing

Here is a summary of the success factors found from literature presented in this thesis, including chapters 2, 2.1, 2.2, 3 and 3.1, i.e., partnership, outsourcing and IT outsourcing success factors. They are combined with success factors in Fjermestad and Saitta's (2005) The Information Technology Outsourcing Framework. The factors are all related to each other, and they are identified in literature as important and connected to each other. Factors found from literature with same underlying gist have been coupled. The overarching title has been kept the same than Fjermestad and Saitta (2005), e.g., TCO is coupled under factor Cost & Quality.

The authors also state that importance of individual factors depends on the relationship. Even if all the success factors are covered, it will not ensure positive outcome from outsourcing. The outsourcing will still be troublesome. It is not a quick fix to save money and gain resource access. IT outsourcing requires different approach to management than managing your internal delivery, and it requires hard work from both parties to gain the possible benefits (Lacity & Willcocks, 2012). The success factors are combined listed in table 1 below.

Table 1 Success factors of IT outsourcing relationship

Success Factor	Author(s)
Cost & Quality - Total Cost of Ownership (TCO)	Fjermestad & Saitta (2005), Lee & Kim (1999), Baldwin et al. (2001), Lacity & Willcocks (1998), Gallivan & Oh (1999), Lacity et al. (2010), Luftman & Zadeh (2011), Aubert et al. (2005), Ho et al. (2003), Kern & Willcocks (2000), Earl (1996), Lacity et al. (2011)
Alignment to Business Strategy - Selective outsourcing	Fjermestad & Saitta (2005), Lacity & Willcocks (1998), Väyrynen & Kinnula (2012), McLean and Luftman (2004), Earl (1996)
Trust	Mohr & Spekman (1994), Kern & Willcocks (2000), Lee & Kim (1999), Sabherwal (1999), Väyrynen & Kinnula (2012)
Culture	Fjermestad & Saitta (2005), DiRomualdo & Gurbaxani (1998), Lee & Kim (1999), Väyrynen & Kinnula (2012)
Communication - Information Sharing	Mohr & Spekman (1994), Ellram & Hendrick (1995), Kern & Willcocks (2000), Lee & Kim (1999), Väyrynen & Kinnula (2012)
Contracts - Contractual governance	Fjermestad & Saitta (2005), Lacity & Willcocks (1998), Gallivan & Oh (1999), Ye (2005), Väyrynen & Kinnula (2012), Kern & Willcocks (2000), Eisenhardt (1989), Todeva & Knoke (2005), Lacity et al. (2011), Lacity et al. (2016), Lioliou et al. (2014)
Strategic Partners - Benefit/Risk Sharing - Business Understanding - Interdependence - Intimacy	Fjermestad & Saitta (2005), Lee & Kim (1999), Mohr & Spekman (1994), Gallivan & Oh (1999), Lacity & Willcocks (1998), Kern & Willcocks (2000), Lioliou et al. (2014), Lee & Kim (2000)
Governance - Coordination - Commitment - Conflict management - Participation	Fjermestad & Saitta (2005), Ye (2005), Mohr & Spekman (1994), Weill (2004), Möller & Wilson (1995), Lee & Kim (1999), Deeds et al (2000), Väyrynen & Kinnula (2012), Kaiser & Buxmann (2012), Lacity et al. (2010), Kern & Willcocks (2000), Lioliou et al. (2014), Lacity & Willcocks (2017)
Management Support	Fjermestad & Saitta (2005), Lee & Kim (1999), McLean and Luftman (2004), Väyrynen & Kinnula (2012), Carmel & Agarwal (2002, Lacity & Willcocks (1998))
Infrastructure	Fjermestad & Saitta (2005)
Competence	Fjermestad & Saitta (2005), Lacity et al. (2011), Lacity et al. (2010), Earl (1996), Lacity and Willcocks (1998)

4. Methodology

Chapter four describes the used research method and explains how it was used. Chapter 4.1 describes what is qualitative research method, which was used in this thesis, and chapter 4.2. explains the research methods used in the study. It also describes how the empirical data was gathered, coded and analyzed.

When researchers have been investigating the success factors of IT outsourcing relationship, the research method has been mostly qualitative with semi-structured interviews or a structured literature review. The research method should be chosen based on the research question or the epistemological view of the researcher (Harper, 2011). The selected research method for the thesis is qualitative with semi-structured interviews, as it fits the investigation of the research question the best.

4.1 Research methodology

In short, quantitative research works with numbers and qualitative is everything else (Aspers & Corte, 2019). At times, the gap between qualitative and quantitative research methods has been extremely steep. The difference is especially shown in the natural sciences as researchers investigate laws of nature as well as social sciences which some people see as mutually exclusive. However, if ontological questions are excluded from the method the qualitative and quantitative are not that different. (Tuomivaara, 2005). The underlying goal of the researchers is to get a better understanding of the world, even if their research methodologies are different (Becker 1966 as cited in Aspers & Corte, 2019).

According to hermeneutic science view, humans differ from other animals due to their free will, and the cultural way of living. Therefore, activities performed by individuals and communities should be studied as if they include feelings, various reasonings, free will, and values, i.e., various meanings and motives. As opposed to explaining it with reasons and laws of nature. The underlying goal of qualitative research method is to investigate the phenomenon from the research target's point of view. The idea is really to elaborate and interpret the understanding that the target has on things, behavior, or activities. (Tuomivaara, 2005). A variety of issues can be studied with a qualitative approach. On qualitative method the focus is on comprehending the processes, peoples' experiences and values people give to matters. (Kalof et al., 2008.) Even though qualitative research may not be fully mathematically solid as quantitative research is the qualitative researchers do not have any special rights when it comes to line-of-thought and logic. Both parties must obey the same basic principles. (Tuomivaara, 2005.)

In qualitative research the aim is not to get statistically generalizable results, but rather describe an occurrence or an event, understand specific activity or give theoretically meaningful interpretation for a specific phenomenon. Therefore, it is important that when conducting qualitative research, the subjects have vast amount of experience and knowledge about the research topic. The selection of the interviewees should therefore be done with care. There are a couple of different methods for hoarding the interviewees, e.g., snowball sampling or elite interviews. In snowball sampling, the first person to be interviewed leads the researcher to one or many next subjects and so on. On the elite interviews, the interviewees are selected according to pre-acquired information of the expertise of the applicants. (Sarajärvi & Tuomi, 2017.)

In qualitative research the means to gather material are for example interviews, questionnaires, observation and information gathered from documents. The methods can be chosen depending on resources, as seen most suitable for the research and the results. (Sarajärvi & Tuomi, 2017.) The interviews can be structured, semi-structured or informal. Usually for qualitative research semi-structured, also called theme interviews by Saaranen-Kauppinen & Puusniekka (2009), or informal interviews are utilized. The less formal interview methods are used to provide flexibility and to be able to capture all thoughts from the research subject. (Jackson et al., 2007.) In semi-structured interviews the questions are set beforehand, but they are open-ended and broad in nature. They offer a chance to discuss in detail but within the boundaries set by the researcher and giving the researcher an opportunity to steer the discussion to get the answers. One-to-one interview is one of the most popular data gathering methods in qualitative research. (Oun & Back, 2014.) The data is captured often either on recordings or written format directly. Either way, the data needs to be transformed to analyzable format. The transcript can be done word-for-word or on a higher level capturing the gist. (Holstein & Gubrium, 1995, as cited in Jackson et al, 2007.)

Because data gathering in qualitative research is very time consuming, the qualitative researchers are usually satisfied with smaller amount of research subjects than quantitative researchers.. While the data gathering is still ongoing the analysis of the data can at least start. There are three main methods for analyzing data: interpretive techniques, recursive abstraction and mechanical techniques. Interpretive techniques are the most common way of analyzing data in qualitative research. The interpretive techniques are based on understanding humankind. Coding is one of the methods for interpreting data. The data is organized with coding, and the coding also steers researcher to present the deciphered data as a single qualitative method. Recursive abstraction is a simplified approach, which is based on combining information in phases. The first researcher will do a summary of the gathered information. Then the researcher will do a summary of the summary and continues to summarize until the result is precise and explicit abstract. The mechanical techniques are dependent on computers, which will analyze, scan, summarize and condense vast amounts of data. The method is especially useful when the amount of data is so extensive that doing the work manually would be troublesome and challenging. (Oun & Back, 2014.)

In general, data analysis refers to reading, organizing, separating, arranging and contemplating the data content or its structure, or in other words, careful investigation of the data, while testing and comparing the content. Analysis can be understood as utilizing points of view and summarizing the data. Also, the analysis can be seen as a method of going through the data systematically, looking for either substantive or structural similarities or differences. (Saaranen-Kauppinen & Puusniekka, 2009.) The goal of analysis phase of the qualitative data is to bring clarity of what data contains and produce fresh knowledge of the investigated phenomenon. With analysis the data will be condensed to make fragmented content clear and meaningful, but yet containing the essential substance. To be able to compress the data efficiently and precisely the researcher should know the data thoroughly. (Eskola & Suoranta, 2014.)

Data analysis on qualitative research can be split into two groups. For group one there's always a certain theoretical or epistemological positioning. The second group includes the forms of analysis, which is not guided by theoretical or epistemological framework, but the researcher can apply different kinds of theoretical or epistemological frameworks as they see fit the purpose. (Sarajärvi & Tuomi, 2017.)

The analysis should be guided by the research problem. This thesis is investigating critical success factors in IT outsourcing relationship from vendor's perspective. At first the data is examined regarding things and views which fit the research problem. The progress of the analysis depends on if the interest is in the details or the higher-level gist of the content. The level of detail that interests the researcher will determine what is the level required from transcript and if coding of the text is needed, as well as on what level. (Saaranen-Kauppinen & Puusniekka, 2009.)

4.2 Data gathering and analysis

In this research semi-informal interview data gathering method was used. The questions were open and additional explanatory follow-up questions were asked where needed. The questions were submitted to the interviewees beforehand. The interviews were done in Finnish. The questions, translated in English, are listed in Appendix A: Interview questions. No other information about the theoretical background was shared to keep the interviewees as non-biased as possible. The quotes presented in findings are my personal translations from Finnish to English.

The interviews were held via Microsoft Teams and recorded with an audio recorder on a mobile phone. The rendezvous lasted from 20 to 35min. The interviewees were experts in their field. They all have had a position in Account Management (leader of a customer account team in vendor's organization), e.g., Account Executives, Account heads, Account managers or the similar roles, and they have extensive experience in being responsible of a customer account all-in-all, i.e., new sales, current delivery, profit and loss of the account, customer satisfaction and contract management amongst other activities.

A list of interviewees with their age, current role, experience and length of the interview is presented in table 2 below. The interviewees were selected to fit the description above, i.e., they need to be experts in customer account management. The experience of each interviewee is defined in table 2 below as either 5-10 years or 10-15 years. Five interviews altogether were conducted. The questions are asked informally without intention to use same formulation of words or even same words on each interview, as long as the gist stays the same.

The interviewees work in different companies. They all work within the IT industry, but in different roles currently. Interviewee 1 works as a CEO on an IT recruiting company. He also has experience from an IT consultancy company and niche IT technology vendor. Interviewee 2 works for a global IT technology vendor as a team lead for hunting sales personnel, and he's also an Account Executive for a few customers. He has experience from IT consultancy company and a global IT technology vendor. Interviewee 3 works as a pre-sales manager for local IT software and consultancy vendor. On top of his current company, his experience is from an IT consultancy and technology consultancy company. Interviewee 4 works for a global research and advisory company. On top of his current role, he has experience from a smaller IT technology vendor, as well as from a Nordic System Integrator. Interviewee 5 works as an Account Executive for a global IT technology vendor. Beyond that his experience is from Nordic System Integrator, and smaller IT technology vendor. They all have customer account lead experience. The experience they have gained is from various different companies. The sizes of the companies, and their focus areas vary, i.e., IT consultancy, System Integrator, and IT technology vendor.

Table 2 Interviewees

#:	Age:	Gender:	Current role, and company description:	Experience in customer account management in IT partnerships:	Interview length (min:sec):
1	45	M	CEO, Entrepreneur (recruitment business)	5-10 years	26:43
2	39	M	Head of new business, Nordics, global IT technology vendor	10-15 years	27:21
3	41	M	Pre-sales Manager, IT System Integrator	10-15 years	27:20
4	43	M	Senior Account Executive, IT Research & Advisory services company	10-15 years	21:20
5	38	M	Senior Account Executive, global IT technology vendor	10-15 years	31:02

In this research the interviews were captured as recordings and transcript to text with the help of Microsoft Word Transcript tool. The transcript in general refers to transferring the data to written format when the management and analysis is substantially easier. The detail of the transcript depends on the research problem. On some research all that has been discussed is transcript word-for-word, but on some cases the only relevant part for the research is. However, it is good to keep in mind that if only the essential parts are captured for analysis, something substantial could be left unnoticed. (Saaranen-Kauppinen & Puusniekka, 2009.) The recordings were transferred to word format word-for-word, whilst removing the expletive wording as well as modifying the sentence structures of the spoken language. Some noticeably short discussions were excluded from the transcript as they were clearly out of scope regarding the research topic.

4.3 Coding and analysis

After transcript of the data, coding was conducted utilizing different colors of highlighting. Coding with colored highlights refers to utilizing different colored highlights on the content referring to certain factor (Saaranen-Kauppinen & Puusniekka, 2009). Coding in general means different notes, markings and classifications that are done to the data during analysis phase. The notes and markings can be numbers, letters, highlights or underlining. Coding is not mandatory, but it can help when data is being reviewed and analyzed. By coding the data, it is easier and quicker for the researcher to unscramble the relevant data. It'll also give a more comprehensive view of the content and the researcher can start the analysis phase sooner. (Saaranen-Kauppinen & Puusniekka, 2009.)

The coding and initial analysis were started right after the first interview was conducted. As a part of warming up for the success factors the interviewees were asked what does successful and unsuccessful IT outsourcing means. The questions generated data for research question 1. Analysis was done by coding and copying the answers to an excel

sheet, comparing the answers to each other, finding the common nominators, comparing them, and then deducting the irrelevant extra parts.

In the analysis of data for RQ2 each factor was given an independent color for coding purpose. The initial coding was done regarding the success factors of an IT outsourcing relationship on table 1. The coding of the data was started with initial coding and continued later with line-by-line coding. On the initial coding the data was read through carefully and factors were highlighted with colors appointed for each factor. The data was coded to find a single word, theme or the complete body of thought that would point to a single or several success factors.

During the first interviews it took a lot of time to navigate through the warm-up questions as well as on what constitutes a successful relationship. A few interviewees responded partially with success factors when asked about what a successful relationship means. Similar factors were identified at the end of the same interviews whilst asking about the success factors. All of these factors were counted as data points in the data analysis. The speed of running through the initial questions varied per interviewee. From the first interviews it became clear that the interviewees tended to highlight certain success factors multiple times during their interviews.

Whilst the interviews were ongoing the data was being coded and analyzed. The success factors in table 1 were used as themes to structure the data. After line-by-line coding the individual statements were moved to a Microsoft Excel sheet based on their tagging. The statements were structured under the individual success factor. To determine the importance of a specific factor the pure number of statements was looked at. To ensure that the view is homogeneous across the data, the number of interviewees who mentioned a factor was combined with the pure number of statements. After the high-level view, the individual statements per factor were analyzed to understand the context and tone. The absolute count per factor, combined with the content of statements determined the importance of the factors in the analysis. The same analysis was done for all success factors. Possible new factors listed in the data are also presented and their importance is presented depending on the frequency of how many times they are listed in the data.

5. Findings

In this chapter I'll present the findings from the interview data. The findings regarding RQ1, i.e., what constitutes a successful IT outsourcing from vendor's point of view, are presented in chapter 5.1. The findings for RQ2, i.e., which factors affect IT outsourcing relationship success from vendor's point of view, are presented in chapter 5.2.

5.1 Findings on successful IT outsourcing

All five interviewees stated that when the goals of the parties have been reached the IT outsourcing relationship can be identified as successful. All agreed that vendors' goals were mostly monetary. An interviewee argued that the vendor goals can be turnover, profit and future pipeline, as well as possibility for re-signing of the contract. One of the interviewees stated that a goal when entering a contract can also be to learn new skills as a company or strengthen a certain knowledge, e.g., technology knowledge. Three of the interviewees stated that customer satisfaction is also a good indicator of the success of the relationship. One of the interviewees stated that if both parties are happy, it is a token of success.

When asked about the failed relationship, all of the interviewees stated that IT outsourcing is considered unsuccessful if the goals are not reached. One of the interviewees stated that outsourcing can be good business for both in sense of profit and loss, but yet be a failure as the other goals were not reached. The data shows that both parties should have their own goals for the partnership and if these goals are not reached then the relationship may be considered a failure. One of the interviewees stated that you can add shade of gray to the equation. As an example, if the goals that were set by the managers before the outsourcing were reached but the end user satisfaction is extremely low. The response was referring to customer side.

One of the interviewees stated that the goals for each party are individual. However, they should be shared between the parties to understand the drivers of the other party. Vendors usually want to be able to keep the customer, i.e., re-sign the contract. Vendors can also be interested in developing a certain (technological) knowledge whilst delivering the agreed scope.

5.2 Findings on IT outsourcing success factors

The most highlighted topics during the discussions were communication, governance, strategic partnership, trust and competence. Data shows that communication was the most important factor, when counting the times, it was mentioned during the interviews. A new factor raised from the interview data is personal relationships and chemistry is discussed in chapter 5.2.2. Infrastructure, and combined factors TCO (Total Cost of Ownership), intimacy, and participation were not recognized as success factors during the interviews. The other factors were mentioned in the interviews at least once. Some of them were considered only from the customer's point of view and thus excluded in the results in chapter 6.

The split of the statements between different factors in absolute frequency and percentages of total frequency can be found from table 3 below. The table does not include

the mentions of new factors. The number of references on the table to the success factors includes success factors from the customer's point of view as well.

Table 3 Success factors mentioned in the interviews

Success Factor	Frequency	Percentage
Cost & Quality	8	6 %
- Total Cost of Ownership (TCO)	0	0 %
Alignment to Business Strategy	3	2 %
- Selective outsourcing	3	2 %
Trust	14	10 %
Culture	3	2 %
Communication	20	14 %
- Information Sharing	14	10 %
Contracts	9	6 %
- Contractual governance	0	0 %
Strategic Partners	14	10 %
- Benefit/Risk Sharing	4	3 %
- Business Understanding	7	5 %
- Interdependence	6	4 %
- Intimacy	0	0 %
Governance	7	5 %
- Coordination	0	0 %
- Commitment	3	2 %
- Conflict management	3	2 %
- Participation	0	0 %
Management Support	3	2 %
Infrastructure	0	0 %
Competence	19	14 %

5.2.1 Communication, information sharing and trust

According to interview data, communication can be divided into two areas. The first one is communication between individuals, and the second one is information sharing. Communication and information sharing were listed by all interviewees as success factors. The data reveals that communication between the parties, as well as internally, mutual terminology between the parties, open communication culture, listening, openness, and expectation management are important aspects.

Four of the interviewees stated that communication between individuals is fundamental for success. Also, communication and information sharing were mentioned in the data as factors that when lacking would influence the relationship negatively. One interviewee stated that a relationship may fail if the vendor does not listen to the customer enough. Another interviewee mentioned communication only once, but he said that he had experienced that the lack of communication was key factor that ruined a relationship.

“I experienced that the relationship was failed as we couldn’t communicate to the customer that continuous development was a necessity for good cooperation.” (interviewee 1)

One of the interviewees stated that expectation management on both sides of the relationship is one of the key factors for success. Others didn’t use the same terminology but referred to mutual goal setting and open discussion about content of the contract. Expectation management refers to sharing information back and forth and therefore the expectation management is considered to be part of information sharing success factor. Three of the interviewees stated that openness was an important success factor. According to data it refers to communication between people regarding current status, goals, ambitions and future, i.e., information sharing.

“Openness is a clear success factor. It means that both parties share which way we are heading. Customer should share vision for the future and what’s the end goal, i.e., big picture. So that the work is not just individual tasks without a context and goal. Also, the vendor should be open and share what is going on and how does everything look from vendor’s perspective.” (interviewee 3)

“The customer and vendor should act as if they were a single team, i.e., they can discuss and communicate about needs and problems openly without prejudice.” (interviewee 5)

Two of the interviewees pointed out that not only communication towards the customer is important but also communication within your own company and team plays a critical role in IT outsourcing relationships. They referred to internally precisely communicating the content of the contract, as well as the expectations of the partner.

Communication was pointed out in the data to influence trust immensely. But the other way around as well, i.e., if trust is in place, communication can also thrive. Trust was listed as one of the most important success factors by all of the interviewees. An interviewee argued that if the trust is not there, it’ll negatively influence the success of the relationship. One of the interviewees stated that trust and commitment go hand-in-hand, i.e., there cannot be one without the other. Two interviewees pointed out that trust is formed between people as opposed to between companies. They also stated that one of the most important factors is personal relations and chemistry.

“The governance team personnel are being changed often due to chemistry mismatches even if the delivery and cooperation has been impeccable on both sides.” (interviewee 3)

Four out of five interviewees identified trust as one of the success factors. Trust was stated as fundament of a relationship, i.e., if it is not there the relationship will fail. There was one interviewee who didn’t mention trust directly but implied it. He stated when people are performing activities, there will be errors and gaps. He continued that parties need to be flexible and if they are not, there will be trouble. To be able to be flexible the parties need to trust the other party to rectify their mistake.

“Always when people are actors, there will be errors and gaps. Sometimes the parties need to be flexible. If the parties are unable to do that the relationship will eventually become difficult.” (interviewee 5)

5.2.2 Personal relationships and chemistry

Four out of five of the interviewees raised the topic of relationships between people as a success factor. An interviewee stated that he was able to renew a business relationship, sign a contract, with a person after being away from business for few years. Renewed cooperation was possible due to good personal relationships and trust - trust was formed by delivering value. Later he continues that he had seen it as a great advantage to have good relations with customer personnel. Another interviewee stated that if there's no trust between people on both parties, it can be escalated high up and may cause parties to change people. He stated that even a single person in a team, if they do not fit in, may cause big problems in a relationship.

One interviewee argued that around 10-15% of decisions are made based on common sense, i.e., facts. The other 85-90% is done with feeling, which comprises trust, communication and chemistry between people. Another interviewee stated that it is important for both parties to have a go-to person that will make things happen if nothing else works. He continued that if the management of both parties do not get socially along with each other, it'll make things problematic.

“If we are socially not a good fit with customers leaders the cooperation will be hard.” (interviewee 4)

5.2.3 Strategic partners

Strategic partnership, including combined factors benefit/risk sharing, business understanding, and interdependence were highlighted on data as an important topic. All of the interviewees identified strategic partnership as a success factor. The strategic partnership as a term was not used but it was implied in multiple ways. The most important combined factor was business understanding. The interviewees referred to understanding the business of the customer, as well as what are the benefits the customer is looking for with the contracted scope, and why they are important.

“...first of all, if we can bring value-add to the customer so that they get business from it or can solve problems that they can't solve by themselves.” (interviewee 1)

One of the interviewees stated that it is important to have common goals for both parties and planning should be done jointly to reach the goals. One interviewee argued that the vendor should be able to show that they have skin in the game, i.e., common goals and connected awards if the goals are reached. He continued that the vendor should act as an extension to the customer that'll help the customer reach their goals, i.e., vendor and customer are interdependent. Another interviewee argued that when a customer and vendor are a single team it'll solve plenty of other possible problems. He stated that further to “us and them” -arrangement the parties find themselves in, the more they'll start hiding things from each other, and more difficult everyday life will become. He also stated that vendors' delivery management personnel should sit at customer locations to strengthen the one team approach as well as communication and trust.

“In best case scenario on IT integrator outsourcing the people would sit at customers site and they are factually part of the customers team.” (interviewee 5)

One of the interviewees stated that in his current role he has noticed that across the board vendors argue that they understand their customers and their customers business. But the customers claim that the vendors do not genuinely understand them.

“All vendors argue that they understand their customers. But the customers state that no they don’t.” (interviewee 4)

5.2.4 Governance

The importance of governance, commitment, conflict resolution, and coordination were highlighted in four interviews. Coordination was listed as a factor in competence area to coordinate resources as a company and thus, it is discussed in chapter 5.2.4.. An interviewee stated that the common governance practices should be agreed upon between the parties and noted down to the contract. Another interviewee pointed out that the lack of common ways of working, i.e., governance processes for day-to-day activities, can cause serious trouble in the relationship. He continued that, according to his experiences, when it is combined with lack of common terminology and understanding of the other party’s business, as well as commitment, the results can be catastrophic. He also argued that both parties should be flexible regarding scope of the responsibilities, and in general towards each other. The parties should try to understand that people make mistakes from time to time. It is safe to argue that for people to be flexible, they need to be committed to the relationship. Also, another interviewee stated that the lack of commitment from either party will bring trouble.

“Always when we talk about people, we’ll find mistakes and gaps from their doings. Flexibility is required. If there’s no flexibility, then eventually everything becomes difficult. I have seen this in the past. It drives the relationship very quickly into a toxic mode, if both parties have locked into these standings.” (interviewee 5)

Three of the interviewees stated that there will always be trouble in relationships. They didn’t mention conflict resolution as a term. They stated that there will always be trouble and the ability to resolve issues is an important factor. As a resolution tactic one of the interviewees pointed out an open discussion culture as soon as possible after the conflict has been noticed. Two of the interviewees stated that if parties need to review what’s written in the contract, it is the worst-case scenario. One of the interviewees stated that when a relationship is based on trust and transparent expectations it’ll help parties to resolve the conflicts easier.

5.2.5 Competence and contract

Four interviewees referred to competence being one of the success factors in relationships. According to data the competence can be split into two. Firstly, the vendors’ set of skills to deliver high quality services. Secondly, the customers’ ability to purchase the right thing and lead the vendor.

Three interviewees argued that the vendor needs to have relevant skills that are on the same level as the rest of the market, i.e., technology know-how. Two of them stated that competence also refers to the service delivery capability of the vendor, i.e., not only technical skills but also processes, coordination of resources and other practices to run services. One of them stretched the skills requirement to the ability to fix problems. He

stated that there will always be service downtime due to technology, but if the problems cannot be fixed within a reasonable time it'll cause major issues. He elaborated that the skill portfolio that's required from a vendor is in fact quite extensive.

“On top the skills fit is important. Many things are complex from technological point of view and therefore the skill portfolio required [from vendor] is great.”
(interviewee 4)

In a single interview an interviewee stated that it is particularly important to be able to perform a careful and proper due diligence and capture the scope of services in enough detail to the contract. He stated that if it is done properly, it is a good foundation of successful relationship, as it'll provide clear responsibility split as well as detailed enough description of the scope to both parties. He continued that it should describe the ways to work together.

It [contract] should cover the delivery scope, split of responsibilities as well as the governance model.” (interviewee 5)

All five interviewees identified the contract to be a success factor for IT outsourcing. Three of the interviewees stated that it is there to protect both parties. One person stated that the contract shouldn't be too detailed to ensure agile cooperation between the companies. Then on the other hand the contract should describe what can be purchased and what is not in the contract. One of the interviewees stated that the bigger the scope of the partnership is the more important it is to have a written contract. Another interviewee stated that the contract defines boundaries for the delivery.

5.2.6 Culture, alignment to business strategy and management support

Two of the interviewees argued that culture is an important factor. One argued that it is part of competence to be able to work with diverse cultures. Two of the interviewed interviewees stated that how companies work together is strongly influenced by the cultures of the companies. One of them states that if the corporate cultural difference is vast, it'll likely cause problems.

Alignment to business strategy was pointed out as an important factor by three interviewees. Two of them pointed out that customers should make an internal decision based on business strategy what to outsource and what skills to have within the company. One of the interviewees pointed out the importance of understanding what to outsource and why, as a customer. All three who raised the topic only talked about aligning the outsourcing decision from the customer's point of view.

Two interviewees argued that having management support is an important factor when outsourcing. One of them presented that vendors tend to show-off their top management as sponsors in sales opportunities to present that the vendor is serious about the partnership. The other interviewee stated that the management support is really two-fold. Firstly, ensuring business strategy alignment, and decision making during the procurement phase. Secondly, management involvement is an important factor in change management across the customer organization. The management support also ensures that when change and/or problems arise there will be less change resistance and finger-pointing.

5.2.7 Infrastructure and cost & quality

Not a single interviewee identified Infrastructure as a success factor. Also, nobody mentioned price at all during the interviews. However, quality was identified by three interviewees as a factor that can affect the IT outsourcing negatively if the delivery quality is not reached. They stated that it is an end result of vendor competence.

” ...the vendors need to be able to deliver according to required quality or assumed technological availability. The matters can't be faked if vendor can't deliver accordingly.” (interviewee 4)

6. Discussion

The chapter covers the discussion of the results against the theoretical framework. The chapter starts with answering both research questions briefly. They are followed by more detailed discussions on the topic. The chapter is concluded with a brief summary.

The research questions are:

RQ1: What constitutes a successful IT outsourcing relationship from vendor's point of view?

RQ2: Which factors affect IT outsourcing relationship success from vendor's point of view?

6.1 Successful IT outsourcing relationship discussion

In this chapter the interview data regarding RQ1 is played against the literature presented on chapters 2 and 3. The data from the interviews was surprisingly unanimous. Some interviewees elaborated more than others.

The interview data presents that when goals are reached the partnership can be argued to be a success. Väyrynen & Kinnula (2012) add that the objectives for the engagement should be defined before entering it. The objectives of a partnership according to Mohr and Spekman (1994) are better return on equity (RoE), return on investment (RoI), and altogether prospering against companies who have not partnered. Evaluating these goals to me seems rather a guessing game. As the world is turbulent, not many companies are in exact same situation to compare against and have similar future goals and plans. Mohr and Spekman (1994) argue that the success of a partnership can be measured on objective indicators that are same for both parties. The statement seems logical for R&D type of partnership but for IT outsourcing it is unlikely to be true. The interviewees state that in IT world the characteristics that are used to measure the success vary depending on the party and relationship.

Väyrynen and Kinnula (2012) argue that both parties should define all success criteria before the partnership is established. According to the interview data the ultimate goals for vendors in outsourcing relationships is to make business. The most common goals are profit and turnover. According to my knowledge they are usually set according to vendor's corporate guidelines unless the customer is remarkably desirable due to market penetration or other business reasons. On special occasions, and based on vendor's managerial decision, the goals might differ. How the monetary targets are calculated varies quite a bit depending on the vendor. As an example, they might be set for the complete delivery to a single customer, or they might be based on a single contract scope.

The data presents that the vendor might also have other objectives than pure monetary ones. One is future sales pipeline for the customer. Another one could be ability to prolong or re-sign the contract. Usually, the odds are better if the customer has reached their goals for the relationship, and thus the customer satisfaction is high. According to Todeva and Knoke (2005) partners might want to enter a relationship due to more strategic goals. One of the interviewed interviewees stated that gaining wider knowledge of a technology could be one. According to my understanding another could be to gain expertise on specifics of an industry sector, like oil manufacturing or healthcare. The vendor might

also want to develop a system for specific industry, and they are in a need of a partner. They can also be related to winning market share from a specific market.

As a summary, to respond to the RQ1 from vendors' point of view the successful IT outsourcing relationship is reached when the pre-set goals are met. The overall goal is to make business. The precise goals are mainly monetary, but goals can also include technical knowledge goals or other strategic objectives.

6.2 IT outsourcing success factors discussion

The chapter discusses the interview data regarding RQ2. The data is also mirrored to the literature review. The success factors are being discussed individually or in groups of two or more. Chapter 6.2.8. summarizes the topic. Before entering to RQ2 related questions, the interviewees were asked about what constitutes a successful relationship. Couple of interviewees started discussing about success factors. These responses have been considered as part of data that was analysed in this research.

The literature review presents eleven factors and twelve combined factors. The interviewees didn't identify all of them. They didn't identify price, TCO, participation, intimacy, contractual governance, or infrastructure as success factors. The most highlighted success factors were communication, trust, strategic partners, competence, and governance. The interview data reveals however personal relationships and chemistry as a new factor affecting success of an IT outsourcing partnership. Personal relationships and chemistry between people, as well as related social intelligence, will be discussed on the chapter 6.2.1. Fjermestad and Saitta (2005) state that the importance of the success factors depends on the relationship, one of the interviewees agreed with the statement.

6.2.1 Communication, trust, personal relationships, chemistry, and social competence

According to the interview data the most important factor was communication. Communication according to the interviewees includes formal and informal information exchange. The data reveals that it is not only communication or information sharing as an activity but also the practice, form and culture of communicating that is notable. Also, one of the interviewees stated that expectation management is extremely important to be able to reach successful end results. The literature identifies that there are multiple communication forms, formal and informal, and they all play an essential role in the success of the relationship, e.g., performance reports and chatting over coffee. The fact that interview data highlighted communication is not notable as such, but the magnitude compared to other factors was surprising. Around a fourth of the coded data was about communication.

The interview data states that good communication between individuals is a cornerstone for successful relationships. According to interviewees bad or incomplete communication will cause problems. Two of the interviewed interviewees argued that communication internally is also important. The communication can be about day-to-day activities, i.e., status and coordination, or it can be regarding the scope of the delivery information from the customer or any other relevant information about the scope or status.

The interview data presents that trust is greatly influenced by communication. If the communication is open and honest, instead of limited and concealed, it'll help parties to

form trust between them. Kern and Willcocks (2000) argue that trust is one of the most important success factors in relationships. I expected that the importance of trust would have been highlighted more in the interviews. The interviewees rated trust as fundamental for success but beyond that they didn't comment on it much more. Kern and Willcocks (2000) state that trust takes a long time to form, and that trust can be established via high quality delivery. The interviewees didn't confirm or deny this. It is safe to state that combined with high quality service, otherwise successful delivery, proper communication and time trust can be won. Trust was announced, by an interviewee, to be a key factor when solving conflicts in a relationship. I think that trust, earned or not, is a key factor in all cooperation in our everyday lives, and yet nothing less in a business context.

Trust requires people to feel the trust, and communication needs people to perform it. Based on communication and trust people form relationships. The interview data presents personal relationships and chemistry between people as a success factor. The interview data shows that even a single socially mismatching person can cause serious issues to the complete IT outsourcing relationship. According to the data the mismatch can be on any level, from technician to upper management. However, not everybody needs to like everybody, but with high social intelligence people get along and can make the business relationships thrive. Sales people usually have, or at least should have, high social intelligence to be able to do their job well. On the other hand, I have seen that when companies are engaging in a procurement process for outsourcing, there's sometimes a court display ongoing amongst the key players on both sides, including top management.

It is safe to say that communication, trust and social capability as well as chemistry between people play a big role on success of an IT outsourcing relationship from vendor's perspective. Thus, the vendor needs to have good skills for communication and to be able to form trust as well as skilled social personnel. However, because the relationship is a two-way street having the skills and capabilities does not guarantee success, but the customer needs to reciprocate. Communication, in many forms, and trust were highlighted by the literature review as success factors. However, literature didn't show social intelligence or personal relationships as success factors. They'll be added as new success factors to the framework.

6.2.2 Strategic partners

The interview data presents strategic partners as one of the most important success factors. The data also presents that within strategic partners area, business understanding was highlighted the most. According to the interviewees the vendor should try to understand the customer business and motives behind partnering engagement. Fjermestad and Saitta (2005) argue that customers are seeking various gains via outsourcing their IT, like utility-based and on-demand services, flexibility, innovation, time-to-market advancement. According to my experience these goals usually are released during the initiation phase of the relationship. How and with what level of details the goals for outsourcing are released depends on the customer and the goal. For example, a customer could release on an RfP that they wish to lower their run cost for the scope by 30% but they might not release their current run cost. Anyway, the more problematic part is understanding the customer business in detail. One of the interviewed interviewee states that even if vendors believe they know their customers business, they quite often might not. Nevertheless, it is stated as a clear success factor from vendor's point of view.

Kern and Willcocks (2000) state that the data presents that vendor and customer should have common goals and the parties should jointly plan to achieve them. The interview

data confirms their statement. One of the interviewees states that the vendor should be able to present that they have skin in the game as well, i.e., if the customer succeeds or fails the vendor gets a price or penalty as well. From the vendor's point of view, it is important to show that you are not there only to collect money, but to succeed with the customer, i.e., share the risks and benefits. Kern and Willcocks (2000) argue that both parties should aim for high customer satisfaction and customers should understand that the vendor is part of their business ecosystem.

Next step forward is that the parties work physically in the same location, as proposed by one of the interviewees. He argued as well that parties should play as a single team to gain higher trust and better communication. Ye (2005) argues that the relationship should have high frequency of social interaction, the social norms should be agreed upon and the cooperation should be partnership-like instead of traditional buyer and seller -setup. An interviewee stated that the vendor should act as an intertwined part of customer organization as possible, i.e., a helping hand for the customer. From the interview data strategic partnership, benefit/risk sharing, business understanding, and interdependence can be identified as success factors. The same factors were identified in the literature review.

6.2.3 Governance

According to literature (Fjermestad & Saitta, 2005; Kaiser & Buxmann, 2012) governance is one of the most important success factors. Surprisingly, the importance was not reflected in the interviews. The interviewees identified solving conflicts and commitment as important factors. Other than that, only two interviewees identified governance practices, or common ways of working, as important factors. One of the interviewees stated that he has seen lack of commitment and understanding the customer, and unclarity on common practices caused a relationship to fail. Therefore, it is important to form an official forum to cooperate.

Three interviewees stated that there will always be trouble in a relationship and resolving the trouble is one of the key factors keeping the relationship healthy. According to the interviewees the worst-case scenario is when the parties need to refer to contract to resolve the issue. One of the interviewees stated that it is important to understand that people make mistakes, and also, try to find common ground when it comes to the scope of the services. The literature also states that the end result of conflict resolution can give the relationship plenty of positive encouragement or a negative spin. The interviewees argued that the conflict resolution should be done as openly and transparently as possible.

From the list identified in literature governance, commitment and conflict resolution were listed as success factors in the interviews. Coordination was listed as a competence success factor, and therefore it is further discussed in chapter 6.2.4.. Participation was not listed as a success factor according to the interview data, so it is removed as a success factor.

6.2.4 Contract and competence

All interviewees identified contracts as a success factor, as does the literature. An interviewee stated that the governance practices should be noted down in the contract. Lioliou et al. (2014) argue that they shouldn't be noted with too much detail. Another interviewee argued that the contract shouldn't be in the way of being able to purchase the

wanted services, nor in the way of being able to deliver the purchased service. He continued that it needs to describe what can be procured with the contract and what cannot. Ye (2005) argues that having a good contract does not, however, guarantee a successful partnership.

Literature states that beyond governance and conflict resolution practices, roles and responsibilities, legal terms and conditions, scope of services, financial matters, formal communication methods, personnel and performance measurements should be described to the contract (Fjermestad & Saitta, 2005; Kern & Willcocks, 2002). Three of the interviewees argued that the contract should be there to protect both parties. The interviewed interviewees in general thought that having a contract is important but didn't exaggerate its importance in any way. One of the interviewees even argued that the importance of the contract is connected to the size of the agreed scope.

One of the interviewees raised the topic of careful due diligence and contracting. He stated that they are particularly important for the success of the relationship. He referred to a clear split of responsibilities and scope. Also, being able to clearly define the scope in the contract. According to literature the problem is two-fold. On the one hand, the knowledge of the customers' business processes and requirements is highlighted. On the other hand, the capability on procuring also plays a major role. (Fjermestad & Saitta, 2005; Väyrynen & Kinnula, 2012; Lacity and Willcocks, 1998.)

Four interviewees argued that competence is an important success factor. Two of them argued that competence to coordinate the resources within the services is a success factor. The other two pointed towards customers skills. One of the interviewees stated that as a customer was unable to lead them properly, and the vendor realized it too late, and all of a sudden nothing was left to do besides revoke the contract ahead of schedule. Competence and coordination were identified in the literature as well as in the interviews as success factors. The literature however, defined coordination as joint coordination of work, but in the interview data it is defined as a skill to manage resources for the delivery.

6.2.5 Culture

One of the interviewees expanded the skills, affecting relationship success, to also cover ability work efficiently with different cultures. Only two out of five interviewees identified culture as an important success factor. According to literature (Fjermestad & Saitta, 2005) it contains written and verbal communication, time zones, as well as social and political circumstances. Some companies even train their employees to work better with other cultures. I agree, as do the interviewees, that the major cultural differences can cause problems. Lee and Kim (1999) argued 24 years ago that it is not an issue. Since then, the world has changed quite a bit and therefore I believe that in business world today people are more aware of the possible cultural differences. Thus, people can modify their behaviour and utilize their skill to listen and to soften the possible differences. However, no vendor can argue that the culture will not play any role and therefore it is considered as a success factor.

6.2.6 Management support and alignment to business strategy

Only two interviewees identified management support as important. And one of them stated that vendors often use management to present the importance of possible partnership during the procurement process. During the sales phase, the vendors utilize

management to steer the sales funnel internally, to follow the strategy, steer the sales case, and make business decisions regarding the contract content. From the vendor's point of view if the management does not participate it'll make solving issues harder and present the vendor as it is not interested in investing into the relationship, and that will not raise trust towards the customer.

The other interviewee stated that management support is critical in two ways. Firstly, during the procurement phase of the engagement to steer the procurement and decide. Secondly, to support the organization with change management and leadership. Fjermestad and Saitta (2005) add continuous steering of the partnership to the equation. They state that by participating actively the management can ensure that the business goals are met, and the possible issues from lower levels of governance are solved.

Three interviewees argued that alignment to business strategy is an important success factor. They point out that based on their business strategy the customers should make decisions about what to outsource. The literature (Fjermestad & Saitta, 2005) elaborates a bit more on the details regarding selecting a vendor selection criterion but nevertheless agrees that it should be based on the strategy. Their view is very much focused on the customer point of view and thus not relevant for the study.

It is the job of the higher management within a company to ensure that the partnerships they form are aligned with business strategy. If the IT outsourcing partnership is not aligned with business strategy then then management has either not performed, or they have not been involved. Some of the contracts can become outdated in the turbulent business world, but according to Ye (2005) the market trend is to form shorter contracts. Management support and alignment to business strategy success factors were identified in the literature review as well as by the interviewees.

6.2.7 Infrastructure and cost & quality

The infrastructure is defined in literature as hardware and software needed to be able to deliver or receive services. It includes the technology, capabilities and architecture of the environments. (Fjermestad & Saitta, 2005). The infrastructure was not mentioned or even insinuated by any of the interviewed interviewees. Even if infrastructure is a must have for any business activity today and the companies have technical debt, it is still thought a considerably basic matter for corporations today. Companies can gain business benefits by utilizing the best of breed technological solutions, but it is a different story when it comes to IT outsourcing partnership success. Therefore, it is not a relevant success factor.

Lacity and Willcocks (1998) state that the most named reason for outsourcing IT is price. According to my experience when selecting a vendor, the price tends to have a significant role. Fjermestad and Saitta (2005) state that customers should do their utmost to understand the total cost for the scope. After that comparing the vendors' offers is easier and they give a better understanding of the potential savings. Nobody from the interviewees mentioned the price or cost to be a success factor. However, when thinking about the cost of producing services it is an important factor. If the success of the relationship from vendor's point of view is reaching profit goals, then the production costs versus the price of the service for the customer play an important role. However, in this research the cost is not considered as a success factor as it was not referred to in the interviews and in literature it is only referring to price for customer.

During the interviews quality was listed as a factor that if the delivery quality does not reach the required level relationship will be affected negatively. The literature states that price and quality are a trade-off. If the quality needs to be higher, the price will also rise. There are certain standards and alike that can be utilized to define required quality, like CMM/CMMI or ITIL. (Fjermestad and Saitta, 2005.) But as an example, ITIL is a standard-like that can be compliant with and as it is a market standard it is not a guarantee for high quality. Utilizing CMMI as a measurement of expected quality can be useful. A certified department is valued based on process maturity from 1 to 5. Nevertheless, from the vendor's point of view, if the required quality is not there it'll be the end of the relationship. The interviewees argue that the quality is the end result of vendor competence and therefore the competence is going to be listed as a success factor instead of quality.

6.2.8 Summary of success factors

This chapter describes the summary of success factors as an outcome of the study. The literature review presents eleven success factors and twelve combined factors. The success factors identified by the literature and interviews are communication, trust, strategic partners, governance, contract, competence, culture, and management support. The literature review highlighted cost & quality, infrastructure and alignment to business strategy as well. In the interview data, cost was not mentioned even once, and quality was highlighted as result of vendor competence. Therefore, they are not included as success factors from vendor's point of view. Infrastructure was not mentioned either by the interviewees and therefore it is dropped as well. The gist that literature and interview data make regarding alignment to business strategy refers to customer point of view only and thus it is excluded as a success factor.

The identified combined factors by literature and interview data are information sharing, business understanding, benefit/risk sharing, interdependence, commitment, coordination, and conflict management. The literature also identified Total Cost of Ownership (TCO), selective outsourcing, intimacy, participation, and contractual governance. However, they were not listed as success factors in interview data and therefore they are dropped as success factors.

The personal relationships were highlighted in the interviews from vendor's point of view as success factor. One of the interviewees introduced chemistry between people as a success factor. In this study personal relationships and chemistry are combined as a single success factor. The social intelligence can be defined as ability to cooperate and cope with different kinds of people. The social intelligence therefore can be understood as a skill. Thus, I'll add another combined factor, social competence.

The table 4 below to present the success factors that were listed in the literature as well as highlighted in the interviews. The factors from literature review that were not mentioned by the interviewees to be a success factor from vendor's point of view were left out, e.g., infrastructure and intimacy. The factors identified by literature but not included as success factors in the interviews are listed on table 5. Coordination was moved from governance to competence as the interview data suggests. The data presents it to be more related to capability to coordinate the production vendor resources than governance coordination as it is defined in the literature. Literature and interview data stated that the importance of the factors depends on the relationship and situation of the it.

Table 4 Success factors of IT outsourcing relationship from vendor's perspective

Success Factor	Combined Factors
Trust	
Culture	
Communication	Information sharing
Contracts	
Strategic Partners	Benefit/Risk Sharing Business Understanding Interdependence
Governance	Commitment Conflict management
Management Support	
Competence	Social competence Coordination
Personal relationships and chemistry	

The table 5, below, presents the factors that were identified in the literature review but were not either mentioned in the interviews, or how they were mentioned didn't fit the point of view, i.e., it was from customer point of view.

Table 5 Success factors discarded from results.

Success Factor	Combined Factors
Price & Quality	Total Cost of Ownership
Alignment to business strategy	Selective outsourcing
	Contractual governance
	Intimacy
	Participation
Infrastructure	

6.3 Discussion summary

The success factors identified in this study can be divided into two groups, soft and hard factors. Culture, trust, communication, as well as personal relationships and chemistry being examples of the soft factors. Contract and governance are examples of hard factors. The soft factors are formed between individuals and the hard factors are the frame for doing, i.e., what and how. All of the success factors contribute to forming a long-lasting outsourcing relationship. Which is one of the key characteristics of a successful relationship for vendor, i.e., make business.

Otherwise, if we define business as making profit and turnover, none of the success factors affect it directly. Of course, some form of contract, verbal or formal, is required to have a business relationship. Obviously, unless there's no contract, there's no relationship either. However, in this context the contract cannot be named as directly influencing the ultimate goal. Nonetheless, as the interviewees stated vendor's high

competence leads to high quality service, and thus we can assume that the highly competent vendor can produce the services with high efficiency and therefore produce better profits, as well as improve efficiency to produce even more profits. The profits are of course related to service scope, quality requirements and price. Therefore, competence alone is not a silver bullet for success. Turnover is more related to the scope and price, rather than affected by any specific success factor.

The results of the RQ1 indicate that from the vendor's point of view the goal of the outsourcing is to make business, i.e., reaching monetary goals. But none of the success factors from RQ2 directly lead to reaching the goals for outsourcing. However, they'll help vendors to improve their chances for longer relationships and create solid basis for building financial success.

7. Conclusions

The topic of the thesis was to investigate the success factors of IT outsourcing relationship from vendor's point of view. Thus, the research questions are:

RQ1: What constitutes a successful IT outsourcing relationship from vendor's point of view?

RQ2: Which factors affect IT outsourcing relationship success from vendor's point of view?

The research questions are answered based on the literature review and data produced in semi-structured interviews, utilizing qualitative research methods. In RQ1 the data analysis method was deductive. The RQ2 answer is conducted from factors identified in literature review, and the factors that were listed as success factors, from vendors point of view, in the interviews are counted as success factors in this study.

RQ1 answer: The successful IT outsourcing relationship from vendor's point of view is achieved when the pre-set goals are met. The most fundamental goal is to make business. More precisely, the goals usually are mainly monetary, but they can also be related to developing vendor capabilities, or other strategic objectives.

RQ2 answer: The success factors identified are communication, trust, strategic partners, governance, contract, competence, culture, and management support as well as personal relationships and chemistry. Combined factors affecting the success are information sharing, business understanding, benefit/risk sharing, interdependence, commitment, coordination, and conflict management, and social competence. The factors might be connected to each other, but their connection and importance depends on the nature and situation of the relationship.

This research is done from vendor's point of view, even if the literature review is originally done from both parties' point of view. None of the success factors directly affect the IT outsourcing relationship to be successful. They however improve the likelihood of longer relationship and make the relationship more reliable source of income. The study introduces two new success factors 1) social competence, 2) personal relationships and chemistry.

The practitioners should ensure that the goals are defined before entering the relationship. The vendor should also make sure that the vendors' personnel interacting with customers have high social competence, as well as production and technology related competence is sufficient, and the contract suits the delivery. The study also gives a general idea of what factors affect success and reminds practitioners to think if they have done their outmost best to take care of the business relationships. It is a known fact after all that it is cheaper to keep the current customers than acquire new ones.

Limitations of the study: Firstly, some literature that should have been included in the literature research has been with all likelihood missed by the author, and for that I apologize. Secondly, it is likely that some complex topics and factors have been over-simplified to fit the purpose of this thesis. It is not done on purpose and the author has no intention to belittle other researchers' work.

Thirdly, the interviews were conducted with only 5 people, and it lasted only 20 to 35 minutes. I believe that more in-depth interviews and conducting a few of them per interviewee would have given a deeper dive into the success factors. When people are trying to grasp the theoretical area of success factors of IT outsourcing relationship they tend to lean towards one or few of their recent encounters. And by doing so they unwillingly provide a narrow view of the field. Thus, the research validity can be easily challenged due to the low number of interviewees and similarity of their demographics. Also, the interviewees were all Finnish, and therefore, their experience is mostly from Finland and Nordic markets. Thus, the importance of factors might vary in different markets.

When researching success factors in day-to-day IT outsourcing relationships the people to interview should be, instead of customer account leads, customer delivery leads and other relevant personnel. I believe they should have a better understanding of the characteristics of the relationships. The customer account heads tend to have a very sales-oriented and high-level view of practices what happens with customers in real life. This is a limitation of this study as well as a recommendation for future research.

On the other hand, what might be interesting to understand, at least from vendor's perspective, is the reasons for selecting partners. The interviews should be done with corporate IT procurement professionals. One of the areas to research could be to investigate the importance of understanding customer business versus other factors. Also, it could be interesting to understand do the vendors actually understand their customers and to what extent.

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Appendix A: Interview questions

Interview questions:

1. *Informed consent: tell the purpose of the interview, who can use the interview data and for what purpose, what will you do to the data after your thesis is finished.*
 - *Is this ok for you?*
 - *Is it ok if I record the interview?*
2. *Warm-up questions (to set the scene and understand the experience of the interviewee on the topic):*
 - *What's your current role and title?*
 - *What kind of company are you currently working for?*
 - *Are you currently doing account management?*
 - *Please elaborate on your working experience regarding account management.*
 - *How many years do you have experience in account management?*
 - *Do you have experience from the customer's side?*
3. *Success vs failure of the IT outsourcing relationship:*
 - *What constitutes a successful IT outsourcing relationship? Why do you think this way?*
 - *What constitutes a failed IT outsourcing relationship? Why?*
 - *Are the factors the same for both parties? Why/why not?*
4. *Success factors of the relationship:*
 - *What factors are the most important factors affecting IT outsourcing relationship success and how? Why these factors are the most important ones?*
 - *Are there others that are less important ones? Why they are not that important?*
 - *What factors affect the failure of the IT outsourcing relationship and how?*
 - *Why these factors are the most important ones?*
5. *Is there something more you would like to say?*