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Effective Strategies for Managing the Outsourcing of Information Technology

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Walden University

College of Management and Technology

This is to certify that the doctoral study by

Marsha Hopwood

has been found to be complete and satisfactory in all respects,
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Walden University
2018

Abstract

Effective Strategies for Managing the Outsourcing of Information Technology

by

Marsha Hopwood

MBA, University of Minnesota, 2004

BS, Florida Agricultural and Mechanical University, 1995

Doctoral Study Submitted in Partial Fulfillment

of the Requirements for the Degree of

Doctor of Business Administration

Walden University

July, 2018

Abstract

More than half of information technology (IT) outsourced projects fail, primarily due to a lack of effective management practices surrounding the outsourcing end-to-end process. Ineffective management of the IT outsourcing (ITO) process affects organizations in the form of higher than expected project costs, including greater vendor switching or reintegration costs, poor quality, and loss of profits. These effects indicate that some business leaders lack the strategies to effectively manage the ITO process. The purpose of this single-case study was to apply the transaction cost economics (TCE) theory to explore strategies 5 business professionals use to manage an ITO project in a financial services organization located in the Midwestern region of the United States. Participant selection was purposeful and was based on the integral role the participants play on the ITO project. Data collection occurred via face-to-face semistructured interviews with the participants and the review of company documents. Data were analyzed using inductive coding of phrases, word frequency searches, and theme interpretation. Three themes emerged: vendor governance and oversight, collaborative strategic partnership, and risk management strategies enabled effective management of ITO. Identifying and executing appropriate outsourcing strategies may contribute to social change by improving outsourcing infrastructure, which might support job creation; increasing standards of living, especially within emerging markets; and heightening awareness of different cultures, norms, and languages among people living in different regions around the world to establish commonalities and gain alignment with business practices.

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Dedication

I can do all things through Christ who strengthens me.

-Philippians 4:13

First and foremost, I dedicate this study to my Lord Jesus Christ, who I give all the glory, honor, and praise for strengthening me over the course of completing this degree and research study. God's grace and mercy renewed my spirit daily to continue to persevere to the finish line. Second, I would like to thank my mother, Laura, for the tremendous support she provided while I spent countless hours studying. Mom, you have always encouraged me to pursue my goals, dreams, and aspirations, and I will be eternally grateful for all the help you provided me over the years. Third, my true inspiration for not giving up was the love and joy of my life, my son T.J. Thank you for being caring, understanding, and supportive of me while I completed this degree. I hope that I have provided an example of the persistence and dedication needed to accomplish your goals. I also thank my brother, Damion, for always offering a lending hand in order to lighten the load while I completed the program. Additionally, I thank my dog, Gizmo, for always comforting me by cuddling next to me during my study time. Your presence soothed my soul and encouraged me to continue to press forward. Last, I thank all my friends and family (too many to mention individually) around the globe who provided words of encouragement and inspiration to never quit. Thank you all for your motivating support of me during this journey.

Acknowledgments

I want to thank my committee members for their respective efforts to guide me through this process. To my chair, Dr. Tim Truitt, for providing me timely feedback, general guidance, and resources needed to complete my study. To my second committee member, Dr. Gergana Velkova, for paying close attention to detail and providing specific feedback that helped me significantly improve my study. To the University Research Reviewer, Dr. Annie Brown, for her behind-the-scenes efforts in ensuring my research study complied with the requirements of the university and the research community as a whole. Without these individuals, and various other professors, editors, and scholars, this journey would have been far more difficult and far less rewarding. The learning experience has been profound and has opened my mind to the endless possibilities ahead of me.

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Section 1: Foundation of the Study

Researchers have acknowledged profitability as a key indicator of business performance (Agrawal & Haleem, 2013). Due to the complexity and uncertainty surrounding business decisions related to outsourcing, however, corporate leaders have struggled with estimating total outsourcing costs to determine profitability (Handley & Benton, 2013; Larsen, Manning, & Pedersen, 2013). Patil and Wongsurawat (2015) stated that ITO might be more complicated compared to other types of outsourcing due to the technical skills required to execute complex infrastructure activities. Given the compound nature of outsourcing transactions, Schwarz (2014) posited defining and estimating the success of outsourced IT processes are challenging tasks.

Successful outsourcing requires a holistic and comprehensive strategy toward managing outsourced operations, which includes contract management, vendor governance, and risk management (Wiengarten, Pagell, & Fynes, 2013). Letica (2014) found a statistically significant, positive correlation between robust contract management and successful outsourcing. Business leaders who outsource may reap benefits, such as reduce costs; improve productivity; and gain new capabilities, innovation, and flexibility (Marchewka & Oruganti, 2013). Wiengarten et al. (2013) argued that business leaders commonly applied both cost and quality performance metrics to measure outsourcing success. Moreover, Wiengarten et al. added the cost metrics were easier to measure because quality parameters were highly subjective in nature. Hence, enhancing business leaders' understanding of effective strategies for outsourcing IT offshore and onshore might improve the success rate of ITO.

Background of the Problem

Business leaders execute many outsourcing initiatives that are below expected economic and performance levels (Huber, Fischer, Kirsch, & Dibbern, 2014; MacKerron, Kumar, Benedikt, & Kumar, 2015). Handley and Benton (2013) noted that leaders facing poor communication with their service providers, complexity of business processes, inadequate contract management, and insufficient vendor oversight generated lower than projected outsourcing performances. Business leaders who participate in offshore outsourcing face additional challenges, including language barriers, cultural differences, corruption, and harsh government and foreign policies (Denning, 2013b; Osadchyy & Webber, 2016). This is an issue because more than 50% of Fortune 500 company business leaders are outsourcing IT offshore to India (Javalgi, Joseph, Granot, & Gross, 2013). Therefore, leaders must be properly trained to identify and implement appropriate strategies to successfully manage offshore ITO processes.

With an understanding of effective strategies for ITO, business leaders might be able to achieve better outcomes. Patil and Wongsurawat (2015) found that business leaders who implemented appropriate outsourcing strategies mitigated the opportunistic behaviors of vendors, reduced cost, and improved performance. Conversely, Hodosi and Rusu (2013) reported an imbalance in the related literature on successful strategies from the perspectives of service providers and their outsourcing clients. Consequently, I addressed this gap in the literature by eliciting clients' perspectives on effective strategies for managing ITO.

Problem Statement

Over 55% of IT outsourced project leaders fail primarily due to higher than expected project costs, thereby leading to unfavorable financial results, including greater vendor switching or reintegration costs (Gorla & Somers, 2014). Despite the high failure rate of ITO projects (Schwarz, 2014), business leaders have continued to increase their ITO investments, which reached $288 billion in 2013 globally, with a forecasted compounded annual growth rate of 5.4% until 2017 (Lioliou & Zimmermann, 2015). The general business problem is that business leaders are experiencing increased project costs because of ineffective outsourcing management practices and, subsequently, low project success rates of less than 45% for executed ITO projects. The specific business problem is that some business leaders lack strategies to manage ITO.

Purpose Statement

The purpose of this qualitative single-case study was to explore strategies that business leaders use to manage ITO. The population included five business professionals in a financial services organization located in the Midwestern region of the United States who used strategies to manage ITO. Implications for positive social change include the potential to (a) improve outsourcing infrastructure, which might support job creation; (b) increase standards of living, especially within emerging markets; and (c) heighten awareness of different cultures, norms, and languages among people living in different regions around the world to establish commonalities and gain alignment with business practices.

Nature of the Study

I chose a qualitative methodology for this study. The three research methods include (a) qualitative, (b) quantitative, and (c) mixed methods (Bernard, 2013). Qualitative researchers explore ideas, opinions, and complex phenomena through use of techniques, such as physical observation, interviews, and document review (Merriam & Tisdell, 2015). Quantitative research is suitable for conducting statistical data analysis, measuring variables to test hypotheses, and evaluating relationships and correlations with numerical data (Bernard, 2013). A mixed-method researcher incorporates both qualitative and quantitative aspects (Starr, 2014). Quantitative and mixed-methods approaches were not appropriate for this study because the purpose was not to conduct statistical analysis, evaluate relationships, or draw correlations. I chose a qualitative research approach because I sought to evaluate a complex business phenomenon primarily through interviews and document review.

I chose a case-study design for my research. Merriam and Tisdell (2015) stated that the four qualitative research designs include (a) case study, (b) phenomenology, (c) ethnography, and (d) narrative. A case-study research design is an empirical inquiry a researcher conducts to bring clarity to complex issues, ideas, and objects by using a minimum of two qualitative data collection techniques, such as physical observation, interviews, and document review (Yin, 2013). Yin (2013) noted that multiple data collection methods provide a holistic understanding of real-world, complex business phenomena. Researchers use a phenomenological design to gain an understanding of individuals' lived experiences, primarily through in-depth interviews (Tomkins &

Eatough, 2013). I rejected the phenomenological design for this research because the purpose of the study was not to gain a deeper understanding of the participants' lived experiences. Investigators use the ethnography research design to analyze societal and cultural aspects of research phenomena (Goldstein, Gray, Salisbury, & Snell, 2014). I opted not to use the ethnography design because the purpose of the study was not to analyze societal and cultural elements of the phenomenon. Researchers use a narrative research design to focus on storytelling based on a description, historical account, or sequence of events (Stephens & Breheny, 2013). I did not use the narrative research design because the purpose of the study was not to focus on storytelling or to review a sequence of events. I chose the case-study design to gain a comprehensive and holistic understanding of the effective strategies business professionals use to manage ITO.

Research Question

The overarching research question for the study was, What strategies do business leaders use to manage outsourced IT processes?

Interview Questions

I asked the following series of open-ended interview questions to address the stated research question:

1. How did you identify which IT processes to outsource and which processes to maintain in-house?
2. What were the specific metrics (e.g., cost and quality performance metrics) used to determine a favorable result for the outsourced IT project?

3. How do you align outsourcing initiatives with the overall business strategy and priorities of the company?
4. What strategies did you use to select a suitable vendor for the outsourced IT project?
5. What vendor management strategies did you employ to manage the outsourced IT project effectively?
6. What techniques or strategies do you implement to oversee and govern the major outsourcing activities to ensure successful outcomes?
7. How do you identify and mitigate key risks and challenges throughout the outsourcing engagement?
8. How do you hold relevant employees and management accountable for the success of outsourced IT projects?

Conceptual Framework

The TCE theory was the conceptual framework for the study. Inspired by Coase's (1937) contract theory and the transaction cost concept, Williamson (1979) reintroduced and expounded the TCE theory during the 1970s. Lacity and Willcocks (2014) found that the TCE theory was the most appropriate and widely used for evaluating ITO transactions. By focusing on key characteristics of a transaction, practitioners and scholars have used the theory to explain and forecast outsourcing decisions, as well as business outcomes (Gorla & Somers, 2014).

Some researchers have used the TCE theory to provide insight into reducing transaction costs by implementing effective strategies to mitigate outsourcing cost drivers

through a sound governance infrastructure (Vilko, 2013; Vining & Globerman, 1999). The key propositions underlying the theory include (a) attributes of a transaction (i.e., asset specificity, uncertainty, frequency, and complexity) and (b) behavioral assumptions (i.e., bounded rationality and opportunism; Brewer, Wallin, & Ashenbaum, 2014). Cabral, Quelin, and Maia (2014) noted that researchers could use TCE theory to assist business leaders in identifying the appropriate governance structures to manage outsourcing while Vining and Globerman (1999) observed that the theory was helpful to researchers in identifying appropriate decisions and strategies, given various transaction cost determinants (i.e., complexity and uncertainty).

Mackenzie and DeCusatis (2013), proponents of the TCE theory, asserted that leaders who used appropriate outsourcing strategies generated positive outcomes. In contrast, corporate outsourcing initiatives can create significant losses and raise quality concerns if not executed properly (Marchewka & Oruganti, 2013). TCE theory was applicable for the study because it provided a lens through which I was able to explore the different characteristics of a transaction that influenced the decisions and strategies used to mitigate the numerous outsourcing risks that affected business outcomes.

Operational Definitions

Backsourcing: Backsourcing is the opposite of outsourcing and is the process of reintegrating production or processes in-house that a third-party vendor previously performed (Cabral et al., 2014).

Business process outsourcing (BPO): BPO refers to when management transfers an entire process or a segment of an internal process to a third-party service provider (Brcar & Bukovec, 2013; Pratap, 2014).

Contract manufacturing (CM): CM is a type of outsourcing where another manufacturer, acting on behalf of the original equipment manufacturer (OEM), produces a product or a component of a product (Brewer, Ashenbaum, & Carter, 2013a).

Information technology outsourcing (ITO): ITO refers to the transfer of IT tasks, including operations, infrastructure, application development, and maintenance, to an external IT service provider to improve performance and/or reduce cost (Shemi, Mgaya, & Nkwe, 2015).

Offshore outsourcing: Offshore outsourcing refers to service providers' production of goods or services at equal (or higher) quality outside the home country of the client (Javalgi et al., 2013).

Outsourcing: Outsourcing is a classic make-or-buy decision that enables a third party to produce certain goods or services at a competitive rate, while also enabling redeployment of internal resources to perform value-added activities (Javalgi et al., 2013).

Reshoring: Reshoring is the opposite of offshoring and entails bringing processes or services back in-house that vendors previously performed outside the home country of the outsourcing client (Skiffington, Akoorie, Sinha, & Jones, 2013).

Sustainable outsourcing: Sustainable outsourcing is the ability to outsource products or processes intended to achieve social, environmental, and economic business

objectives, also known as the *positive triple bottom line* (S. Li, Okoroafo, & Gammoh, 2014).

Assumptions, Limitations, and Delimitations

Assumptions

In the context of scholarly research, assumptions refer to information that is deemed factual without validation or confirmation (Carpenter, Roger, & Kenward, 2013). I made three assumptions for this research. The first assumption was that participating business leaders would understand the strategies they used to manage ITO. The second was that the research participants could accurately recall their experiences and key learning while participating in the ITO project. The third was that all participants would provide honest responses to the interview questions.

Limitations

Connelly (2013) defined limitations as potential weaknesses that were not in the control of the researcher. I identified two limitations for this study. First, using a single-case study provided a limited and skewed perspective that did not represent the targeted population. Second, research participants could choose not to answer certain interview questions due to confidentiality concerns, which might have affected the quality and validity of the study.

Delimitations

Delimitations refer to the boundaries or scope of a research study (Carstens, Pelletier, Reid, & Satler, 2013); these are within the control of the researcher. Delimiting factors may include the research purpose, the research question, the types of variables,

the conceptual framework, and the selected population (Yin, 2013). One delimitation of my study was that I interviewed financial services leaders who engaged in an ITO project for a company located in the Midwestern region of the United States. For this reason, the findings might not be transferable to other organizations or research sites. Finally, I analyzed the findings exclusively through the lens of the TCE theory.

Significance of the Study

Contribution to Business Practice

Outsourcing is highly complex due to the numerous uncertainties surrounding the end-to-end process including vendor selection, contract negotiations, and vendor governance (Tseng & Chen, 2013). Identifying appropriate strategies to manage outsourced IT processes that maximize profitability and improve performance is challenging for many business leaders (Agrawal & Haleem, 2013). This study, thus, has significant implications for business practices because it provides leaders, including IT professionals, project managers, and risk management professionals, the skills necessary to identify appropriate business strategies for managing IT outsourcing. A better understanding of ITO might aid business leaders as they seek to make more cost-effective decisions related to the outsourcing of IT processes.

Enabling management to proactively mitigate outsourcing risks might result in increased profitability (Cabral et al., 2014; Letica, 2014). Academic scholars and researchers might gain new insight and knowledge from this study's findings to enhance existing related theories or develop new models to facilitate the management of outsourcing (Lacity & Willcocks, 2014; Lyons & Brennan, 2014). Researchers might also

consider replicating the case-study research in other industries and/or regions in the United States to determine similarities and differences in managers' use of strategies for ITO, while further advancing the knowledge concerning this complex phenomenon.

Implications for Social Change

Patil and Wongsurawat (2015) stated that an appropriate outsourcing strategy would eventually reduce cost and improve enterprise performance, while driving future growth and demand for resources around the world. The results of this study might assist business leaders in identifying effective outsourcing strategies that could significantly reduce financial losses and improve the overall economic success rate of outsourcing. The research results might also contribute to positive social change by (a) improving outsourcing infrastructure that might support job creation; (b) increasing the standard of living, especially within emerging markets; and (c) heighten awareness of different cultures, norms, and languages among people living in different regions around the world to establish commonalities and gain alignment with business practices.

A Review of the Professional and Academic Literature

My purpose in completing the literature review was to develop a comprehensive understanding of the various decision-making theories, strategies, and risks regarding managing outsourcing. Studying these three key areas is imperative for understanding the strategies business leaders use to manage ITO. In conducting an extensive literature review, I found multiple types of outsourcing, strategies, risks, and theories that related to the study problem statement.

Criteria for Literature Search and Selection

To accomplish an extensive literature review, I reviewed search engines (or databases) for articles and conference papers dated from 2013 to 2018. The databases I searched included Science Direct, Emerald Management Journals, Sage, ABI/Inform Complete, Business Source Complete/Premier, and Google Scholar. The keywords and phrases used in the literature search included *outsourcing*, *outsourcing process, ITO, offshoring*, *ITO process*, *outsourcing strategies*, *outsourcing success factors*, *outsourcing failures, outsourcing risks*, *outsourcing risk mitigation strategies*, and *TCE theory.* Using these terms, I found over 1,000 articles and conference papers related to the research topic.

I examined each article and conference paper to determine if the reference was scholarly, peer-reviewed, and relevant for my study. I carefully reviewed relevant articles to determine the study's purpose, research design and methodology, the theory used, and key findings. Next, I summarized the key points from each study and assigned classification codes to clearly identify themes in the literature.

This literature review has five major categories: TCE theory, types of outsourcing, outsourcing process, advantages and challenges of outsourcing, and business strategies for managing outsourcing. For the TCE theory section, I discuss the primary propositions underlying the theory, as well as related and rival theories. Next, I discuss the different types of outsourcing arrangements, the end-to-end outsourcing process, and the advantages and challenges of outsourcing. Finally, I provide a comprehensive discussion around the various business strategies for managing outsourcing.

I used the TCE theory (Williamson, 1979) as the conceptual framework for analyzing the research problem and evaluating the findings. I aligned the literature review to the research question and business problem of interest. In agreement with Walden requirements, the literature review is composed of at least 85% peer-reviewed articles, with the remaining percentage comprised of seminal books and conference papers.

Transaction Cost Economics Theory

The TCE theory is the most prevalent decision-making theory that researchers use to assess governance, transaction attributes, and the implications for total costs arising from outsourcing (Hamed MoosaviRad, Kara, & Ibbotson, 2014; Tseng & Chen, 2013). Also known as transaction cost theory, the construct provides both internal and external perspectives on transactions conducted within organizations or on the external market through a governance hierarchy (Cabral et al., 2014). Cabral et al. (2014) proposed an integrative framework, primarily derived from the TCE theory, including micro and macroeconomic considerations that influence the decision to reintegrate operations that were performed by third-party service providers. Specifically, the framework includes the following factors: internal and external political pressures, strategic intent, contracting issues and capabilities, and bandwagon effects (i.e., duplicating the actions of others to conform to a standard.

Williamson (1979, 1985) argued that the TCE theory underscored certain operational activities that were more cost-effective when performed internally based on core competencies, whereas others were advantageous for outsourcing or offshoring to maintain a competitive advantage. The essential aim embedded within the TCE theory is

to increase a firm's value by outsourcing inefficient processes to third-party vendors (MacKenzie & DeCusatis, 2013). Many scholars have used the TCE theory to evaluate transaction attributes and cost inferences, both of which influence outsourcing decisions, along with business outcomes (Cabral et al., 2014; MacKenzie & DeCusatis, 2013; Williamson, 1979, 1985). Understanding the drivers of a transaction and the total cost implications may assist management in making outsourcing business decisions, as well as identifying strategies to manage the outsourcing process.

Nordigården, Rehme, Brege, Chicksand, and Walker (2014) stated that transaction cost represented the allocation of resources to manage activities between parties, such as in an outsourcing engagement. Vining and Globerman (1999), who are proponents of the TCE theory, designed a conceptual framework to assess the characteristics of outsourcing transactions and the total costs or transaction costs of the outsourcing venture. The authors explained that the total cost of a transaction included production, bargaining, and opportunism costs, whereas *incremental costs* (i.e., increase in total cost driven by an increase in production or another activity) were the most relevant in determining the make-or-buy outsourcing decision. *Production costs* consist of internal manufacturing costs or the direct purchase price for a product or service. *Bargaining costs* refer to expenses associated with the negotiation process, such as monitoring and enforcing costs and the cost of disputing contract terms. *Opportunism costs* are those aligned with unethical motives of any party involved in the transaction. The main objective of the TCE theory is to minimize the total cost associated with outsourcing or offshoring by implementing effective strategies to mitigate outsourcing

cost drivers (Vilko, 2013). Thus, transaction cost represents any cost affiliated with the outsourcing transaction, including negotiation, production, and opportunism costs. Business leaders should understand the total cost and the characteristics of a transaction before making their outsourcing decisions or formulating strategies to manage outsourcing.

Two behavioral assumptions (bounded rationality and opportunism) influence outsourcing transaction costs (Brewer et al., 2013a). Williamson (1985) stated that *bounded rationality* is based on the assumption that there are cognitive limits to the human mind's ability to process multidimensional information to make timely and critical business decisions that present a level of uncertainty and complexity to the outsourcing decision. Second, *opportunism* represents an individual's experience of self-seeking motives fueled by intentional and deliberate actions (Handley & Benton, 2013). The combination of the two behavioral assumptions results in information asymmetry, which influences the outsourcing business outcome (Tseng & Chen, 2013). Lioliou and Zimmermann (2015) stated that opportunistic behaviors varied, including failing to fulfill promises and obligations, not disclosing relevant information regarding ventures, and reducing the quality of service. Sherwat and Hanafi (2013) added that clients and vendors have an inherent conflict of interest in outsourcing engagements, where the client is motivated to demand services at the lowest cost, and the vendor desires the highest profit margin. These business partnerships could result in opportunistic behaviors among the parties involved in the outsourcing transaction. Additionally, the human element compounds the complexity of transactions with certain limitations, such as bounded

rationality and inherent conflicts of interest. In addition to the behavioral assumptions that influence transaction costs, other determinants, such as complexity, contestability, and asset specificity, also affects outsourcing transaction costs.

Vining and Globerman (1999) reported that three major determinants were inherent in all outsourcing initiatives that affected transaction costs: (a) *product/activity complexity*, which showed a direct relationship between complexity and transaction costs; (b) *contestability*, which referred to the ability of a supplier or vendor to enter or exit a particular market, and thus had supply and demand implications; and (c) *asset specificity* (i.e., *physical assets*, *location specificity*, *technical specificity*, and *human assets*), which signified the customization of an asset with limited alternative uses, thereby increasing costs. Vining and Globerman developed a conceptual framework that leveraged the TCE theory to assist leaders in identifying appropriate transaction strategies and decisions, given the three determinants. For example, if the outsourcing transaction complexity and asset specificity are low, management can rely on a highly contestable market through the contract termination process. Similarly, if the outsourcing transaction complexity and asset specificity are high, management should expect opportunistic vendor behaviors, and a collaborative long-term strategic approach will be more suitable for the transaction.

Alderete (2013) supported the TCE theory when classifying individual hardware IT components for small and medium-sized enterprises (SMEs) as complex and asset specific. He concluded that the components were likely candidates to maintain in-house, rather than be outsourced. Otherwise, a long-term collaborative and strategic partnership was a suitable strategy for managing outsourcing.

Brewer et al. (2014) added that the *frequency* (i.e., number of times a particular transaction is executed) of outsourcing transactions within a particular governance structure and the *uncertainty* (i.e., technological, behavioral, and environmental) surrounding the transaction were additional influences on total cost. Moreover, Schneider and Sunyaev (2016) stated that uncertainty referred to the unpredictability and complexity inherent in outsourcing transactions. Business leaders who assessed the specific characteristics of these transactions were better equipped to develop effective outsourcing strategies.

Related theories. Challengers of TCE have perceived the theory as providing a limited or insufficient perspective on complicated outsourcing decisions. The TCE theory assist scholars in understanding governance and transaction cost dynamics, while outsourcing decisions, include other intricacies related to resource, contract, and relationship management. Consequently, researchers have either combined other theories with TCE or utilized entirely different theories to explore the multidimensional aspects of outsourcing. The *resource-based view (RBV)* is one of these theories (Pratap, 2014).

Resource management theories. Barney (1991) introduced the RBV to offer an internal perspective on the outsourcing decision-making process. Barney suggested leaders could gain a competitive advantage when internal resources (e.g., physical assets, intellectual property, and technological and human capital assets) were valuable, scarce, unique, and/or difficult to replicate in the marketplace. Researchers can use the RBV to evaluate resource allocation to yield favorable results (Slepniov, Brazinskas, & Brian, 2013). Similarly, Nordigården et al. (2014), advocates of the RBV, reported that the

theory consisted of maintaining in-house the core competencies of an organization that were difficult to imitate in the market.

Alderete (2013) confirmed the RBV when stating that SMEs leveraged external resources to drive innovation because of the specialized knowledge and capabilities offered by their third-party vendors. Tseng and Chen (2013) argued that management could use the theory to focus on superior internal resources with operational experience in outsourcing decisions, which better positioned leaders to execute various outsourcing strategies for the overall outsourcing process. The theory was insightful when assessing resource capabilities, but it did not address transaction cost inferences, the primary scope of this research study. The RBV focuses on a single dimension of the outsourcing decision, whereas other researchers (McIvor, 2009; Skiffington et al., 2013) have combined related theories to gain an in-depth comprehension of the phenomenon.

Although scholars have considered TCE and RBV independent theories with contrasting points, Slepniov et al. (2013) argued that the theories were complementary and provided a holistic perspective of the outsourcing decision. Similarly, Brewer et al. (2014) perceived that the TCE theory and the RBV harmonized to give one a clearer understanding of outsourcing decisions. Brewer et al. (2014) added that researchers could use the TCE theory to identify opportunistic behaviors, whereas the RBV was a better predictor of outsourcing performance.

Skiffington et al. (2013) noted that both theories addressed a balanced perspective between transaction cost and resource management related to outsourcing decisions. Skiffington et al., leveraging the TCE theory and the RBV, developed an outsourcing

framework based on the success factors that they identified in their qualitative empirical study. This framework was to guide SMEs in the New Zealand printing, publishing, and packaging industries to identify the strategies used to manage their offshore production operations.

Kivijärvi and Toikkanen (2015) developed a systemic framework for measuring the business value of ITO that incorporated *certain benefits* (i.e., hard and soft savings and cost avoidance) and costs (i.e., hidden costs, outsourcing costs, and monitoring costs), along with *uncertain opportunities* (i.e., improved processes, better quality, and focus on core competencies) and risks (i.e., loss of control, loss of current knowledge, and information privacy). Kivijärvi and Toikkanen applied the TCE and RBV theories to test the multidimensional characteristics of the framework with a multinational corporation in the electronics industry. Their findings indicated inconsistent results on various levels due to subjectivity and judgment-based inputs. However, the findings provided a structured approach for evaluating business value. Skiffington et al. (2013) argued that the strategies that SMEs used to manage their offshore activities successfully included the following: (a) short-term contracts, which allowed flexibility to switch vendors; (b) online reviews, which increased the likelihood of selecting an appropriate supplier; (c) adequate vendor management oversight; and (d) long-term relationship building with reliable suppliers.

McIvor (2009) combined the theories into a single outsourcing framework, suggesting that the TCE theory provided awareness of opportunism, and the RBV focused on resource optimization by internal or external sources. McIvor found that

outsourcing was beneficial when internal resources were inadequate, and asset specificity was low. Maintaining resources in-house provided a greater benefit to organizations. The theories provided different views on the outsourcing decision, but my research exploration focused on a single view (i.e., transaction cost implications). Additionally, combining the theories into a single framework enabled a holistic evaluation of the phenomenon that was similar to enhancing or revising an existing theory.

While both the TCE and RBV theories focus on economic and internal resources, the *extended resource-based view (ERBV)* offers a look into resources outside the boundaries of an organization, such as supply chain linkages and inter-firm relationships (Nordigården et al., 2014). Liu, Huo, Liu, and Zhao (2015) noted that the ERBV and the organizational information processing theories featured resource and information management implications. Liu et al. claimed that management could outsource logistical services to third parties effectively if leaders used sound governance and control mechanisms regarding information sharing and process coordination. Leaders use information sharing and process coordination for different strategies of basic versus customized outsourcing transactions. Toward this end, information sharing is beneficial for complex and technical outsourcing, whereas process coordination is suitable for routine, basic outsourcing. Therefore, examining a phenomenon through a dual-theory lens should offer leaders a comprehensive view into a complex issue. Scholars have also evaluated the dependency and resource capability implications of outsourcing decisions (F. Su, Mao, & Jarvenpaa, 2014; Unal & Donthu, 2014).

F. Su et al. (2014) employed the *resource dependency theory* (RDT) to assess client-demand shocks driven by environmental factors. The authors performed a multiple case study to assess five pairs of relationships between Chinese vendors and their Japanese clients to determine the strategies used to address client-demand shocks. The researchers determined that success of the outsourcing transaction was contingent on complexity, the position of power, and the reliance on limited resources.

Mwai, Kiplang'at, and Gichoya (2014) applied TCE and RDT in a multiple case study strategy with four selected public university libraries in Kenya to assess resource and risk implications associated with ITO. The authors discovered that the key drivers for leaders of libraries to outsource their IT processes were to acquire new capabilities, access innovative ideas, and acquire resources to perform tasks in an effective and efficient manner, thereby lowering costs. Moreover, Unal and Donthu (2014) used the *resource advantage theory* (RAT) to gain deeper insights into resource and *absorptive capabilities* (i.e., the ability to transform external data or new knowledge into meaningful information for making sound business decisions). These authors conducted a quantitative empirical study on the relationship between absorptive capabilities and outsourcing engagements with sales and marketing agencies and consumer packaged goods companies. Their findings indicated that the complementary skills between the client and vendor, as well as the willingness to learn from one another, increased productivity and yielded higher performance.

Researchers have used the RDT to examine internal and external factors that affect outsourcing decisions, whereas researchers use the RAT to assess resource

implications. Dependencies and resource capabilities are relevant considerations in outsourcing transactions. Other scholars such as Wiengarten et al. (2013) and Jin Kim, Shin, and Lee (2013) have applied contractual theories to analyze the governance surrounding the outsourcing process in addition to incorporating relationship management theories to assess key behavioral traits and soft skills needed to successfully manage outsourcing.

Contract and relationship management theories. The contract theory enables researchers to examine the legal and governance infrastructure of outsourcing partnerships, which may provide insights into strategies for managing IT outsourcing (Wiengarten et al., 2013). Wiengarten et al. (2013) performed a regression analysis, using the TCE and contract theories. Wiengarten et al. concluded that one needed a holistic approach to managing three determinants (risk, contract management, and governance) to yield positive results.

Alternatively, researchers have used the *psychological* contract theory to focus on the importance an individual's *perception* plays with determining the outsourcing outcome (Jin Kim et al., 2013). Jin Kim et al. (2013) argued that the effects of an explicit legal contract and the quality of the client-vendor partnership on outsourcing results were regulated by the client's perception of whether a vendor breached a contract. Researchers have used the contract theory to analyze governance and regulatory implications, whereas they have used the psychological contract theory to add the human element of perception, which might create a biased view of outsourcing results. Hence, business leaders should

not only consider the legal infrastructure of an outsourcing arrangement, but also the relationship and psychological attributes that could influence the outsourcing results.

St. John, Vedder, and Guynes (2013) reported that the *social exchange theory* (SET) was a relationship management theory primarily focused on relationship equilibrium, with both parties encouraged to trade equal benefits (e.g., monetary reward for quality service), assuming that trust and integrity existed between the parties. St. John et al. (2013) performed an empirical study using the SET and the TCE theory to examine correlations between client and vendor partnerships in IT offshoring. The results indicated that trust was a key driver of equilibrium in these partnerships and had a significant correlation to offshoring success.

St. John, Guynes, and Cline (2015) also supported combining both the SET and the TCE theory to gain an in-depth understanding of outsourcing decisions. They stated that the SET required mutual reciprocation between members of a partnership to maintain a healthy balance in the relationship. The SET showed that business leaders must build appropriate incentives in outsourcing contracts to yield a mutual exchange of quality services and monetary reward. Thus, one identifying outsourcing strategies that promote strong, positive client-vendor relationships centered on trust and integrity may contribute to favorable outsourcing outcomes.

Qi and Chau (2015) developed a conceptual framework, leveraging the SET, *relational exchange theory*, *relational governance theory*, and the TCE theory. More specifically, the framework included the following relational and contractual dimensions: trust, commitment, knowledge sharing, communication quality, contractual complexity,

and contract management. Qi and Chau (2015) tested the framework empirically and confirmed that both effective contract and relationship management strategies were significant to ITO success. Qi and Chau (2013) applied the SET and the TCE theory in an empirical quantitative study of 143 firms located in Hong Kong to evaluate ways in which trust influenced knowledge sharing, as well as client-vendor relationships. Specifically, the authors evaluated interpersonal and inter-organizational trust to determine the success factors for outsourcing IT services or processes. They asserted that interpersonal trust had a direct correlation with knowledge sharing and improved the duration of client-vendor relationships, hence leading to ITO success. In contrast, inter-organizational trust did not have the same effect regarding knowledge sharing.

Additionally, Qi and Chau (2015) advanced that trust and the quality of communication were significant factors in driving the success of ITO in China. However, knowledge sharing and cost reduction did not have a significant influence on the success of the outsourcing results. Strategies for improving the quality of outsourcing relationships, including trust and effective communication, were key to driving a successful ITO initiative. Therefore, scholars have extensively evaluated the client and vendor dynamics related to outsourcing transactions (Gorla & Somers, 2014; Nuwangi, Sedera, Srivastava, & Murphy, 2014).

Roses (2013) reported that the *agency theory* (AT) is a prominent relationship management theory used in analyzing the principal (i.e., the outsourcing client) and the agent (i.e., the third-party vendor) in outsourcing transactions. Gorla and Somers (2014) used the *expectancy–disconfirmation theory*, the AT, and the TCE theory to evaluate their

quantitative research results. Their results showed support for the existence of an inverse relationship between the scope of outsourcing IT processes and service quality to the client. In other words, the larger the scope of the outsourcing IT project, the lower the quality of service due to a lack of adequate vendor oversight and governance. In contrast, their results showed a direct correlation between service quality and user satisfaction.

Nuwangi et al. (2014) applied the AT to determine appropriate strategies for minimizing information asymmetry between a principal and an agent when outsourcing information system development projects. The authors maintained that a statistical significance existed between information asymmetry and opportunistic behaviors, which increased transaction costs. In an outsourcing partnership, the vendor is to act in the best interest of the client even though information asymmetry might incite opportunistic behaviors. Business leaders must build the right levers (i.e., service level agreements [SLAs] and incentives) in outsourcing contracts to manage the outsourcing process properly. Management should also consider the levels of commitment and trust in business relationships, as well as gain alignment with key business objectives, to deliver favorable outsourcing results.

A critical success factor in outsourcing refers to the ability to conduct sufficient due diligence in selecting a suitable business partner, who is committed and trustworthy in delivering quality services (Watjatrakul, 2014). Roses (2013) established a multidimensional vendor selection model that leveraged the TCE, AT, and the *commitment trust theory*. The commitment trust theory shows commitment and trust as a direct correlation to cooperative behaviors. The model includes regulatory (e.g., contract

terms, pricing, and SLAs), normative (e.g., contract laws, information exchange, and flexibility), and cognitive (e.g., common language, metrics, and business requirements) elements one can use to decipher vendor and client commitment and trust levels to select suitable ITO partners. By testing the model using a case study on a Brazilian transnational bank, Roses confirmed that the multidimensional model enhanced the vendor vetting and due diligence in identifying a suitable ITO business partner.

Lempinen and Rajala (2014) employed the service-dominant logic principle, which showed that key stakeholders co-created business value when their needs, goals, and deliverables were sufficiently addressed throughout the entire process. The authors determined that creating business value (e.g., innovation, cost reduction, process improvement, and/or increased productivity) in IT services depended on effective client-vendor relationships. Clear alignment of needs, goals, and interests should prevent conflicts of unrealistic expectations, miscommunication, and asymmetric information risk. Business leaders who are able to identify solutions that meet the needs of all involved parties along with developing trust with their business partners will effectively manage the various risks and likely achieve favorable business outcomes. Given the importance of vendor selection, several scholars have established appropriate relationship management frameworks (George, Hirschheim, & von Stetten, 2014; Lyons & Brennan, 2014).

Lyons and Brennan (2014) assessed outsourcing frameworks and recommended that researchers should leverage or extend existing frameworks by adjusting various aspects to address their respective research topics specifically. These authors asserted that

the majority of the existing outsourcing frameworks addressed the scope and governance of outsourcing transactions. However, researchers have given limited attention to the operational performance and relationship management aspects of the phenomenon.

George et al. (2014) proposed an enhanced social-capital framework derived from a capital model developed by Nahapiet and Ghoshal (1998) to evaluate client-vendor relationships in ITO. The framework comprised structural, cognitive, and relational constructs to assess the interaction and exchange elements of business partnerships. George et al. asserted that the new model would assist in closing the gap in understanding ITO success throughout the various outsourcing stages. Business leaders who are able to execute strategies that benchmark and examine multiple dimensions of the outsourcing process are better positioned to lead successful ITO engagements. Therefore, management must continuously monitor outsourcing processes to make the necessary adjustments to yield positive business outcomes.

Researchers have expressed the importance of identifying the root causes of breakdowns in outsourcing and building effective client-vendor relationships to developing successful ITO projects (Yu & Shiu, 2014). Mirani (2013), using the *adaptation of morphogenesis theory* and the *Archer morphogenetic framework*, performed a longitudinal, exploratory case study over a 6-year period with a U.S.-based global financial information products and services company. Mirani evaluated and assessed the morphogenetic changes (evolving from failure to success over a three-phase maturity cycle) of offshore outsourcing IT application vendors. Mirani found that management experienced project failure due to a poor vendor selection process, which

they eventually corrected during their three-phase cycle, resulting in a successful outcome.

Moe, Šmite, Hanssen, and Barney (2014) applied the theory of learning when performing a multiple longitudinal case study involving Scandinavian software companies. These companies transitioned from offshoring their software development processes with Asian service providers to either insourcing or switching partnerships to other strategic vendors. Their findings showed that reshoring or developing new business partnerships were viable solutions to addressing failed offshore relationships if implemented appropriately. More specifically, by reshoring or developing new business partnerships, leaders could gain greater influence over human and social capital to result in higher quality and improved performance. By implementing strategies to build effective client-vendor relationships, business leaders can minimize risk exposure and deliver business value. Numerous researchers have also used rival theories linked to the TCE theory to assess outsourcing decisions (Slepniov et al., 2013; St. John et al., 2013).

Rival theories. Researchers have contended that the TCE theory alone is inadequate for evaluating complex outsourcing decisions (Slepniov et al., 2013; St. John et al., 2013). Thus, some researchers have used a combination of theories, develop their own constructs or enhance existing theories to gain thorough perspectives on this complex phenomenon. Scholars have further asserted that ITO is complex to understand through a single theoretical lens, thereby suggesting that the phenomenon should dictate an endogenous ITO construct (Patil & Wongsurawat, 2015; Schneider & Sunyaev, 2016).

Understanding a vendor's capabilities would better equip leaders in determining the appropriate strategy for managing outsourcing (Watjatrakul, 2014). M. Zhang, Pawar, Shah, and Mehta (2013) applied the theory of dynamic capability to evaluate a multiple case study with a European pharmaceutical company and four contract research and manufacturing organizations over a 12-month period. M. Zhang et al. discovered that the outsourcing client built fully integrated strategic partnerships with vendors who had high dynamic capabilities, including superior project management skills, exceptional intellectual property, and proven track records. On the contrary, the outsourcing client executed short-term straightforward outsourcing relationships with suppliers who had good operational capabilities, including execution of key functional tasks such as R&D, manufacturing, marketing, and distribution. Overall, the vendors played different roles in the outsourcing relationship, depending on their dynamic and operational capabilities. Therefore, one determining vendor capabilities was critical in identifying appropriate strategies to manage outsourcing. Hence, using robust vendor selection tools would place certain business leaders in a competitive advantage.

Several researchers have applied *fuzzy methodology* (i.e., quantitative, statistical models to evaluate many-valued logic to prioritize selections) to select suitable vendors for the outsourcing engagement (D. F. Li & Wan, 2014; Rouyendegh & Saputro, 2014). Rouyendegh and Saputro (2014) combined two integrated theories, *fuzzy technique for order preference by similarity to ideal situation* and *multichoice goal programming*, into one common framework. The framework included qualitative and quantitative multivendor selection criteria to evaluate, select, and prioritize appropriate vendors.

Rouyendegh and Saputro argued that by employing an efficient, multicriteria vendor selection tool, management could gain a competitive advantage by identifying suitable, long-lasting business partnerships with vendors who delivered goods in a timely fashion, while adhering to high-quality standards.

D. F. Li and Wan (2014) leveraged the *fuzzy heterogeneous multiattribute decision-making linear programming method* to draft a new fuzzy heterogeneous, linear programming model to correct the deficiencies in existing fuzzy models to rank vendors better by order of importance. This method allowed one to select the most appropriate third-party vendors to engage in outsourcing initiatives. Business leaders who implement effective strategies for vetting and selecting vendors are likely to achieve long-term strategic partnerships in which the vendors are reliable and committed to delivering timely, high-quality service. One of the key outcomes in effectively managed outsourcing is improved organizational performance. Thus, scholars have studied the performance of outsourcing clients compared with that of their peers who choose not to outsource (Agrawal & Haleem, 2013).

The primary motivations for outsourcing a process are to lower cost and improve overall firm performance (i.e., increase productivity, gain efficient operations, and deliver higher-quality service to customers; Gozman & Willcocks, 2015). Agrawal and Haleem (2013) used performance metrics, including cost efficiency, productivity, profitability, growth, cash management, and market ratio, to analyze firm performance in ITO. The researchers conducted a quantitative empirical study examining pre and post-financial data within firms (i.e., treatment group) that outsource IT processes, comparing these

with similar companies (i.e., the control group) that did not outsource operations. Their study results indicated that the treatment group typically demonstrated higher performance metrics compared to the control group for efficiency, productivity, profitability, growth, market ratio, and firm value.

Conversely, Agrawal and Hall (2014) performed a similar empirical study within two industries: manufacturing and service. The manufacturing businesses in the designated treatment group demonstrated greater efficiency in cost, productivity, and cash management compared with the treatment group for the service companies. Business leaders who employ effective outsourcing strategies are more likely to achieve better business performances compared to their competitors who choose not to engage in such activities. However, managers may achieve different outsourcing results depending on their industries, and business leaders who execute poor outsourcing strategies may probably yield unfavorable results.

Jørgensen (2014) performed a binary regression analysis on 785,325 small-scale IT software outsourcing projects. The researcher evaluated client and third-party provider attributes about collaboration, satisfaction, and skills to determine when and why projects failed, as well as the contextual aspects during the initial decision-making process that might increase the likelihood of project failure. Jørgensen argued that third-party vendor skills or capabilities, rather than low price and vendor failure rates on prior engagements, were predictors of high risk of failure. Furthermore, the study results indicated that adequate training, relevant skills, and experience were equally important for both the client and vendor to mitigate project failure risk.

Jain and Khurana (2013) evaluated existing literature related to ITO and existing outsourcing decision-making models used by Indian vendors to manage their global clients. The authors concluded that there was a need to develop a comprehensive IT software outsourcing business model. They built one that incorporated several factors: (a) a clear understanding of the client organization; (b) heightened awareness of potential hidden costs; (c) cultural and time zone differences; (d) data privacy and information security concerns; and (e) contractual, legal, and regulatory implications. Business leaders must evaluate the past performance of their potential vendors and the skills and experiences of the outsourcing team to determine the various risk implications prior to implementing outsourcing or offshoring strategies. Scholars have also assessed the sustainability of India's leadership position for offshoring, including interrelated components of strategy, risk, and cost benefits, as well as the readiness of new players entering the offshoring market (Chakraborty & Kumar, 2013; Patil & Wongsurawat, 2015).

Chakraborty and Kumar (2013) utilized the endogenous growth theory (i.e., economic growth achieved through productivity derived from innovation) and the economic theory (i.e., a forecast of the economic growth rates of countries that would produce higher return on investments) to analyze India's ability to sustain future success as the leader in offshore outsourcing. They found that for India to sustain its market leadership position in offshoring, especially in IT services, business leaders must address their depleting talent pools, technology infrastructure in second-tier cities, competition

from other developing nations that are improving English and capabilities, and improve its business environment regarding red tape and corruption.

Patil and Wongsurawat (2015) developed an ITO framework to analyze interrelated components, such as strategy, risk, and cost benefits. The researchers cautioned that a limited focus on cost reduction rather than all three components during ITO decisions was not prudent and could result in poor quality or even loss of business. In addition, Schneider and Sunyaev (2016) derived determinant factors of cloud-sourcing decisions, such as the specific asset, solution (i.e., a cloud service), technology (i.e., cloud and ITO), client (i.e., firm size and capabilities), and environment (i.e., uncertainty and opportunism).

Adelakun and Iyamu (2013) established a *readiness and attractiveness framework* for outsourcing clients to evaluate and determine appropriate offshore service providers and tested the framework by conducting a detailed interpretive analysis of more than 50 IT managers located in South Africa. Their study results indicated that South Africa was an attractive offshore location, primarily due to its cultural and political factors. However, the country was not ready to serve clients in Western countries due to the limited competent technical resources and insufficient government incentives. Business leaders must gauge the global and competitive landscape to determine potential business partners that could reduce cost and increase performance, as well as implement strategies that manage the interrelated components that link the outsourcing process.

Researchers have examined diverse aspects of outsourcing related to transaction cost, resource management, contract management, and relationship management (Brcar

& Bukovec, 2013; Pratap, 2014). Scholars have also used existing theories, enhanced, combined, or developed new theories to gain a deeper understanding of the outsourcing decision (Brcar & Bukovec, 2013; Pratap, 2014). Researchers could use the TCE to enable further insights into transaction cost implications, which was the focus of this research study.

Types of Outsourcing

Different types of outsourcing are designed to achieve various business goals and priorities. One type of outsourcing is BPO, which occurs when a third-party vendor performs all or part of a process that internal resources once performed (Brcar & Bukovec, 2013; Pratap, 2014). Another type of outsourcing is CM, which involves one manufacturer's acting on behalf of the OEM to produce a product or a component of a product (Brewer et al., 2013a). Additionally, S. Li et al. (2014) defined sustainable outsourcing as the ability of business leaders to outsource products and/or services to designated vendors to achieve social, environmental, and economic business objectives, resulting in a positive triple bottom line. Many researchers have examined different types of outsourcing that are designed to achieve diverse business objectives (Brcar & Bukovec, 2013; Brewer et al., 2013a; S. Li et al., 2014). Regardless of whether business leaders are outsourcing or offshoring certain functional activities, there are numerous reasons leaders may want to terminate a partnership or a contractual arrangement to bring certain processes back in-house.

Business leaders must be prepared to pivot if an outsourcing arrangement is not meeting expectations or if the competitive and regulatory landscapes have changed

significantly. *Backsourcing* is the opposite of outsourcing and refers to the process of reintegrating production, processes, or services in-house that an external third-party supplier once performed (Cabral et al., 2014; Nagpal, 2015). Furthermore, Skiffington et al. (2013) defined the opposite of offshoring as *reshoring*, which entailed bringing processes or services back in-house that vendors previously performed in different countries from the client's country. It is imperative that business leaders devise exit strategies when outsourcing and determine the appropriate outsourcing arrangements for achieving their business goals and objectives.

Offshoring. Gonzalez, Llopis, and Gasco (2013a), as well as Larsen (2016), stated that offshore outsourcing involved one transferring processes to a third-party service provider located abroad. Offshore outsourcing entails foreign production of goods and/or services of equal or superior quality as those produced within the client's home country but more cost-effectively (Almeida & Meneses, 2013; Chipalkatti, Buchanan, Koch, & Doh, 2014). In general, leaders use geographic boundaries to distinguish offshoring from outsourcing. Certain critical factors, such as technological advancements, have empowered business leaders to shift more of their domestic business operations abroad.

Technological advancements in computers and the Internet have enabled U.S. organization leaders to conduct business overseas much more easily compared to before (Jackson, 2013), and advances in digitalization have facilitated the transfer of large volumes of data without affecting service quality (Gorla & Somers, 2014). Business leaders have assessed enhancements to technology to determine whether offshoring is

appropriate for meeting their business goals. Schwörer (2013) and Iqbal and Dad (2013) noted a migration of U.S. business operations to other parts of the world.

Schwörer (2013) reported that production within the United States decreased to 4.5%, resulting in a rise in offshore outsourcing arrangements. Furthermore, Iqbal and Dad (2013) asserted that Western countries would continue to experience job losses due to the low-cost value propositions from offshore vendors. Leaders often have motivation to offshore certain business operations to reduce cost without sacrificing the quality of the product or service. Business leaders have viewed offshoring as a cost-effective venture to increase profitability and improve enterprise performance. Toward this end, researchers have forecasted that offshoring would increase in the future, especially within the Asia-Pacific region (Ahsan, 2013; Chipalkatti et al., 2014).

The Asia-Pacific region has benefited the most from offshoring activities. Ahsan (2013) reported that offshoring of services, such as financial data, IT, and telecommunications, grew steadily since 2000 in the region, and would continue to do so. Chipalkatti et al. (2014) found that 60% of the companies surveyed were offshoring and aggressively planning to expand operations to capitalize on offshoring's strategic and economic benefits to sustain competitive advantages. Scholars have also noted that business leaders would continue to expand their offshoring operations in the future, despite politically charged viewpoints (Grappi, Romani, & Bagozzi, 2013).

Offshoring has been a political topic for debate and politicians discussed exhaustively during the 2016 United States Presidential elections. Grappi et al. (2013) stated that consumers responded positively to business activities maintained in-house and

negatively to offshored activities. They argued that consumers felt threatened when U.S. jobs were shipped overseas, primarily for financial motives, without consideration of the potential impacts on the U.S. workforce and economy. In contrast, leaders in emerging markets, especially in the Asia-Pacific region, have experienced surges in their economies due to job growth and expansion. In particular, India is the leading recipient of offshoring jobs, particularly in IT, because of a number of government and business factors.

Chakraborty and Kumar (2013) stated that during the decade from 2000 to 2010, India emerged as the global leader in offshoring due to government incentives, technology infrastructure, and its educated English-speaking population. Temkar (2015) also identified India as a preferred destination for the offshore outsourcing of IT services due to the (a) large pool of educated and skilled workers, chiefly in the areas of technology, science, and math; (b) low cost; and (c) technological capabilities. Business leaders in multinational organizations have engaged with India to perform offshore activities at a fraction of their domestic costs. Moreover, scholars have cautioned leaders in India to address certain known deficiencies to sustain the country's leadership position in the global marketplace (Chakraborty & Kumar, 2013; Javalgi et al., 2013).

Javalgi et al. (2013) reported that the comparative advantages for conducting offshoring activities with Indian vendors included (a) superior technical knowledge in math, science, and technology; (b) world-class educated workforce; (c) entrepreneurial spirit; (d) proficiency in English; and (e) democratic government. The authors also posited that the primary concerns with offshoring with Indian vendors entailed (a)

political indifference, mainly regarding foreign policy; (b) corruption; (c) inflation; (d) bureaucracy; (e) economic disparity or the class system; and (f) global competition.

Innovation and technology growth would enable business leaders in India to sustain future offshoring success (Chakraborty & Kumar, 2013). However, Chakraborty and Kumar (2013) also argued that for India to continue its market leadership position in offshoring, the country must address (a) the depletion of the Indian talent pool, (b) the poor technology infrastructure in second-tier cities, (c) the competition from other developing nations that were improving English and technical capabilities, and (d) the corruption in the Indian business environment. Leaders of India must address identified areas for improvement to maintain a top position for offshoring activities. Other emerging market leaders are eager to gain market shares in the offshoring arena and may threaten India's leadership position over the long-term (Osadchyy & Webber, 2016).

Iqbal and Dad (2013) cautioned that new low-cost third-party providers would emerge and challenge India's leadership position in offering IT services to multinationals. Osadchyy and Webber (2016) determined that the most popular offshore destinations were currently India and China, but several new emerging markets, such as Ukraine, were now offering low-cost services with technical expertise and additional capabilities that were currently untapped and undervalued. Emerging market leaders outside the Asia-Pacific region have built capabilities to compete in the global marketplace; hence, innovative company leaders have begun to explore other emerging markets to offshore their IT processes.

As new emerging markets, such as the Baltic region, establish incentives and develop specific capabilities, the threat of diverting foreign partners to other parts of the world may occur (Almeida & Meneses, 2013; Slepniov et al., 2013). For instance, Chipalkatti et al. (2014) stated that companies, such as Google and Hewlett-Packard, were already expanding offshore IT services to Ireland due to the skilled labor force and tax incentives. One of the key offshore services is IT, which business leaders expect to drive operational efficiencies, in addition to a positive bottom line.

ITO. Shemi et al. (2015) and Agrawal and Hall (2014) defined ITO as the transfer of IT tasks, such as operations, infrastructure, application development, and maintenance, to external service providers to improve performance and/or reduce cost, and can occur either domestically or offshore (Brcar & Bukovec, 2013; Kivijärvi & Toikkanen, 2015). Kivijärvi and Toikkanen (2015) reported that business leaders tended to offshore IT processes, such as call center activities, programming, software testing, and research and development, as well as complex activities (e.g., product development and software architecture design). Prawesh, Agrawal, and Chari (2016) added that leaders entered different types of ITO contracts to meet various business objectives, such as application management, system integration, and network and desktop maintenance.

Akhisar, Tunay, and Tunay (2015) stated that bank managers outsourced IT processes to increase efficiencies, particularly during the initial stage of technological innovation, such as establishing online banking that could reduce transaction costs by 40% to 80% over using bank tellers. Information-intensive sectors, such as the financial services industry, that handle large volumes of data require innovative IT solutions to

operate efficiently (Gonzalez, Llopis, & Gasco, 2013b). Gonzalez et al. (2013b) reported that financial services operations involved numerous simple and repetitive tasks (i.e., payment processing, check processing, call centers, accounting services, and cash management) that managers could standardize through ITO solutions.

Since the 1980s, technology is constantly changing and has evolved rapidly to facilitate the outsourcing of IT processes, including shifting from mainframes and client servers to web-based and cloud-based systems (R. D. Johnson, Lukaszewski, & Stone, 2016). St. John et al. (2013) noted that business leaders have continued to increase the volume of IT business being offshored, given the technological advances that enabled ITO. L. Zhang and Gu (2013) defined the *cloud* as a metaphor for the Internet; moreover, Schneider and Sunyaev (2016) and Pattnaik, Prusty, and Dash (2016) stated that cloud service models comprised hardware, development platforms, and applications, along with private, public, and hybrid cloud services. Therefore, ITO is a widespread practice in global business (Alexandrova, 2015). Lacity and Willcocks (2014) reported that global ITO revenue exceeded $290 billion in 2013, and they forecasted continued growth through 2016.

IT includes a number of standard processes and systems. Lempinen and Rajala (2014) reported that the main IT processes, critical to any organization, included information management, project management, software and application development, system implementation, maintenance, and technical training. They asserted that information management staff was primarily responsible for company data administration and organization. The project management area managed IT projects from start to finish,

and both software and application development and system implementation pertained to the system development life cycle, including testing, production, and change management. The IT maintenance area handled routine and scheduled technology maintenance, and the training area conducted technical training with key stakeholders.

Patil and Patil (2014) added that IT management considered operations and business support systems the "collective backbone" of IT. The authors argued that IT leaders considered the majority of IT support systems operational in nature, primarily used for customer, employee, and transactional processing, as well as business support systems process transactions related to billing, customer care, and business management. Separately, Prawesh et al. (2016) determined that IT infrastructure services included networks, hardware and communication, technical and security support, managerial support, and organizational data support. The key IT competences needed to successful execution of IT development and application include business and technology knowledge, operation management, performance management, flexibility thinking, project management, and risk management (Lee & Park, 2017).

MacKerron et al. (2015) reported that many service industry leaders, including financial services (e.g., banking, asset management, and insurance), outsourced back-office operations to improve process efficiencies. Clark and Monk (2013) added that financial institutions possessed limited tangible and fixed assets, thereby managing human capital, governance procedures, and the information-processing infrastructure that supported human capital and decision-making. Wright (2015) stated that business leaders in the financial services industry were motivated to outsource middle- and back-office

operations to solve operational, regulatory, risk management, and commercial challenges in order to redeploy resources to focus on core competencies.

Robertson and Novek (2014) reported that prior to the financial crisis of 2008 and 2009, U.S. and European banks experienced high profitability and double-digit returns on equity (ROE; i.e., 19% in 2006). However, since the financial crisis, bank leaders operate under a so-called new normal of diminished profits and single-digit ROE (i.e., ~9% in 2013 and 2014), and business leaders have sought solutions, such as outsourcing and offshoring to improve profitability. The authors noted that many leaders of financial institutions successfully offshored 40% to 60% of their finance and accounting activities. These included general and fixed-asset accounting, accounts payable, travel and expenses, financial systems, and bank reconciliation. Business leaders in financial services are outsourcing and offshoring to increase profitability and improve performance.

Wright (2015) explained that financial services regulators were concerned about solvency and continuity of services, and therefore recommended or mandated vendor oversight models that included contract management and governance principles. MacKerron et al. (2015) reported that the financial services industry was highly regulated by governing bodies that payed close attention to supplier dependence and legal and IT risks. They noted that the Statement of Auditing Standards 70, an international standard for independent evaluation of third-party internal control systems, was a key report used to assess vendors' processes and controls.

Gozman and Willcocks (2015) stated that managers have increased outsourcing and offshoring activities across organizations, including the back-office (i.e., custody and unit value accounting), middle-office (i.e., trade services, data management, and record keeping), and front-office (i.e., client servicing and strategy formation) operations. The authors argued that leaders using these outsourcing arrangements have gained increased scrutiny by financial services regulators who have wanted to ensure that leaders robustly managed these arrangements. Business leaders must consider the regulatory landscape in which they do business to manage outsourcing effectively, as well as comply with the various laws and regulations. A key sector within the financial services industry is insurance.

Cummins and Weiss (2014) reported that the insurance industry comprises two sectors, life and health, and property and casualty (P&C). The core activities for insurance companies included underwriting, reserving, claims settlement, annuity distributions, and reinsurance, while some of the noncore activities included financial guarantees, asset lending, issuing credit default swaps, and investing in complex structured securities (Cummins & Weiss, 2014). Additionally, Clark and Monk (2013) noted that insurance company balance sheets consisted of general account assets (i.e., bonds, stocks, loans, cash, and reinsurance receivables), separate accounts (i.e., an account separate from the GA primarily used to account for variable annuities), and liabilities and equity (i.e., reserves, deposits, borrowed funds, notes, and equity).

In 2012, the majority of assets comprised long-term bonds (i.e., 56% of P&C assets and 71% of life and health assets) with average maturities of 6.3 and 10.2 years,

respectively (Cummins & Weiss, 2014). The primary liabilities included loss and policy reserves, which accounted for 78.9% for the P&C sector and 87.5% for life and health in 2012. For my research purposes, I explored a qualitative single-case study in the life and health sector of the insurance industry. Understanding the end-to-end outsourcing process, including the required actions within each phase of the process, was imperative for effectively managing the ITO process.

Outsourcing Process

There is no clear guidance or strategies regarding systematic management of outsourcing. Many researchers have stated that the main phases of the outsourcing process include (a) the precontract phase, (b) contract execution and management, and (c) vendor management and oversight (Al-Ahmad & Al-Oqaili, 2013; Bruna, Borchardt, Pereira, & Almeida, 2014). Business leaders must identify appropriate strategies within each phase of the process to manage the process successfully. Hence, understanding the outsourcing process was essential for identifying the different strategies needed to manage the end-to-end process effectively.

In addition to the phases discussed above, Marchewka and Oruganti (2013) stated that IT outsourcing involved two phases: configuration and operationalization. The configuration phase involves precontract activities, such as determining the outsourcing strategy, selecting the vendor, drafting the contract terms and conditions, creating SLAs, and establishing the governance infrastructure. The operationalization phase is the transition of in-house activities or knowledge to the vendor, and then performance, contract, and vendor relationship management. Scholars have drafted frameworks and

models to guide business leaders through the outsourcing process (Bayrak, 2013; Mann, Folch, Kauffman, & Anselin, 2015).

Bayrak (2013) developed an outsourcing framework to assist leaders in making more informed business decisions surrounding ITO. The step-by-step framework included (a) identifying the perceived benefits and risks, (b) evaluating the attitude toward IT outsourced activity, and (c) determining the intention of use. Gonzalez et al. (2013b) developed an ITO framework to guide leaders in making sound business decisions. The framework included four considerations: (a) ITO configuration comprised the scope of outsourcing services, number of intended service providers, financial scale, price structure, contract length, resource ownership, and client-provider relationship; (b) ITO enabled leaders to focus on strategic issues, increase flexibility, improve IT services, eliminate routine tasks, facilitate access to technology, reduce the risk of obsolescence, reduce cost, and remain competitive; (c) ITO risks related to provider staff qualifications, contract breaches, service dependence, loss of technical knowledge, provider inability to adapt to new technologies, hidden costs, unclear cost-benefit relationships, security issues, staff issues, and irreversibility of the ITO decision; and (d) the decision to outsource IT domestically or abroad.

Mann et al. (2015) stated that initiating an ITO engagement was a straightforward business choice, but implementation and management oversight were complex. The authors developed an outsourcing framework that included practical steps, such as determining what activities to outsource or maintain in-house, vetting and conducting due diligence with external contractors, and performing cost-benefit analyses. The researchers

performed a spatial, temporal, and industrial proximity analysis to explore the increasing use of ITO in the United States. Mann et al. used unique data on ITO public announcements between the period of 2000 and 2010 and space-time clustering (i.e., sets of events that occur during a particular space and time) methods to identify contagions. The study results were inconclusive because the data were diverse and subjective, and thus difficult to quantify.

MacKerron et al. (2015) developed the following 10-step framework to manage the outsourcing process, beginning with problem identification through operationalizing vendor governance. Specifically, business leaders could use the framework to (a) identify the business problem; (b) evaluate the issue to determine outsourcing or offshoring options; (c) analyze internal and external capabilities, and then decide on the cost-effective option; (d) develop the business case for the designated options (i.e., outsource, offshore, or maintain in-house); (e) obtain business case approval from senior leaders; (f) gather business requirements; (g) select appropriate vendors; (h) draft contract terms and conditions; (i) determine appropriate SLAs; and (j) perform vendor governance.

Pratap (2014) developed a conceptual framework that comprised flexibility, absorptive capacity, relationship, and monitoring to facilitate efficiently managing outsourcing. The author suggested that business leaders should (a) build organizations that were flexible and agile to changes in the marketplace, (b) establish trust and promote knowledge sharing with preferred suppliers, and (c) monitor performance via SLAs. Separately, Krstic and Kahrovic (2015) established a model for BPO that involved four steps: (a) organizing a BPO team, (b) performing a business process analysis to determine

areas to maintain in-house and areas to outsource, (c) evaluating the identified options for BPO, and (d) presenting the proposed BPO plan to senior leaders for review and approval. Bayrak (2013) and Gonzalez et al. (2013b) stated that IT outsourcing frameworks provided extensive insights into key outsourcing steps but lacked details on *how* to perform the tasks. Business leaders must keep the end in mind when benchmarking various frameworks or models to achieve successful business outcomes.

Al-Ahmad and Al-Oqaili (2013) conducted a case study with leaders of a Jordan airline who outsourced their information systems for several years to determine an appropriate conceptual framework for facilitating outsourcing and reversibility decisions. The authors reported that successful outsourcing entailed the following:

- A strategy for reversing the outsourcing partnership drafted during the early stages of the process;
- Identifying, assessing, and mitigating key risks in the pre-outsourcing stage;
- Training, empowering, and compensating the outsourcing team; and
- Maintaining open communication between client and vendor for the duration of the engagement.

Furthermore, Al-Ahmad and Al-Oqaili contended that business leaders would more likely see positive results from outsourcing if there was effective risk management, an exit strategy, training, performance management, and communication from the early stages of the process. Outsourcing IT is complex given the technical nature of the functions where the scope of outsourcing activities is likely to evolve along the maturity curve.

One must clearly define the IT outsourcing process from end-to-end to execute it carefully throughout. The process was composed of the following segments: (a) IT demand, application maturity status, and department performance evaluation; (b) IT development and programming; (c) outsourcing strategy; (d) project approval; (e) contract design and outsourcing provider selection; (f) contract negotiation; and (g) implementation and supervision (D. F. Li & Wan, 2014). Solli-Sæther and Gottschalk (2015) developed a sourcing model for IT functions that comprises five maturity stages: (a) in-house staff, (b) in-house service, (c) outsourced, (d) offshored, and (e) reshored. Additionally, the authors designed the model to identify the dominant IT challenges related to cost, resources, and partnership relationships. Managers can use the model to identify maturity, predict future challenges, and anticipate appropriate actions as the organization leaders continued to change and evolve. The focus of this research involved exploring strategies for managing offshore IT outsourcing, which had both advantages and challenges that one must address for favorable results.

Advantages and Challenges of Outsourcing

Martin and Poussing (2014) asserted that IT was not the core competency for most firms. Therefore, it is cost-effective to outsource IT processes to experts who are more equipped to drive profitability and operational efficiencies. The authors added that leaders of larger firms that were information intensive, such as financial services companies, tended to outsource at least some of their IT operations to remain competitive, acquire IT capabilities, and reduce cost. Gonzalez et al. (2013b) reported that the primary drivers of outsourcing financial services IT involved modernizing

financial systems, controlling costs, meeting regulatory requirements, focusing on core competencies, and sustaining competitive advantage. Toward this end, Bank of America outsourced its IT processes to acquire knowledge from its vendor, as well as to reduce cost, save time, and produce better-quality programming (Teo & Bhattacherjee, 2014).

Gozman and Willcocks (2015) stated that business leaders in the financial services industry have implemented outsourcing and offshoring strategies to reduce cost and increase operational efficiencies. Brandl (2017) conducted a multiple case study with one conglomerate to determine if offshore knowledge-intensive services created direct and/or indirect value to the client and service provider. The researcher discovered that clients and service providers receive direct (e.g., expected value, such as reduced cost, higher quality, and new capabilities) and indirect (e.g., client enhanced understanding of their own problems and operations; improved international team coordination and communication; service provider increased knowledge about the client; improved problem-solving strategies; better understanding of perceived quality; and enhanced team coordination and communication) value when offshoring knowledge-intensive services.

Tarn (2015) argued that business leaders did not offshore and outsource solely tangible resources, such as products and IT software, but they acquired intangible resources, such as goodwill, technical knowledge, consultancy services, and intellectual property. Kivijärvi and Toikkanen (2015) stated that the key benefits for ITO included cost savings, access to new IT solutions, and access to technical capabilities, but business leaders must mitigate exposure to contract risk, future price risk, transaction costs, and loss of knowledge in the organization. Ravishankar, Pan, and Myers (2013) and Parmer

(2015) reported that the main drivers of Western companies' offshoring IT services involved one achieving economic benefits, thereby resulting in improved profitability. Fogarty and Bell (2014) posited that business leaders who offshored or outsourced capabilities unavailable in-house, such as big data analytics, might acquire cost-effective services to sustain a competitive advantage, while other business leaders might decide the risk was too high, thereby developing the capabilities internally to safeguard intellectual property.

Schwarz (2014) conducted an empirical study on practitioners and academic experts to determine the top success criteria for ITO. Schwarz identified the success attributes as (a) increased business capabilities, (b) timely achievement of business goals and objectives, (c) improved quality, (d) flexibility and agility in the face of marketplace changes, (e) a mutually beneficial business partnerships, (f) mutual satisfaction, and (g) meeting or exceeding SLAs. In addition, Marchewka and Oruganti (2013) maintained that managers used outsourcing to decrease costs, improve productivity, and increase flexibility and innovation by capitalizing on third-party resources, including expertise and technical capabilities.

Pattnaik et al. (2016) reported that the advantages of cloud sourcing included reduced cost, usage-based billing infrastructure, business continuity, flexibility in business model, and green IT. The authors added that cloud services enabled leaders of financial services companies to focus on their core competencies, such as growing assets, serving customers, designing and launching new product offerings, and reducing capital charges. One must note that IT is typically not the core business for financial services and

insurance companies; therefore, IT might be more effectively outsourced to allow for a focus on core competencies.

Business leaders must have awareness of the pitfalls when making outsourcing decisions. Handley and Benton (2013) performed a quantitative empirical study on the influence of task and location complexity on control and coordination costs in global outsourcing relationships. The study included dyadic data on 102 U.S.-based outsourcing clients and their respective domestic or offshore outsourcing service providers related to information technology, logistics and supply chain, and other business processes. The authors' hypothesis was that the scope of work and the geographic distance between the client and vendor have direct correlations with both control and coordination costs. Handley and Benton also concluded that the following key drivers led to failed outsourcing ventures: (a) a lack of understanding of complex client needs, (b) poor communication, (c) inadequate contractual terms and conditions, and (d) insufficient vendor oversight.

Letica (2014) performed a quantitative empirical study and confirmed a statistically significant positive correlation between sound contract management or legal framework and outsourcing success. The author argued that offshoring presented a higher failure rate in countries with less developed capital markets due to the lack of experience in offshoring transactions. Moe et al. (2014) found that the primary reasons for failed offshore arrangements included low service quality and poor vendor relationships. Therefore, poor business relationships and a lack of sound governance could increase the probability of outsourcing failure.

Failed outsourcing projects are costly and can create major disruptions to businesses (Cabral et al., 2014). Jørgensen (2014) defined outsourcing failure as an incomplete project or projects that resulted in low customer satisfaction. Jørgensen (2014) created a binary-regression model that correctly predicted that 74% of project failures were attributable to the historical satisfaction rate of the vendor and the client in addition to the vendor skills assessment results. The author also found that the historical project failure rate with a third-party vendor for ITO had a direct correlation with the likelihood of project failure in the future by approximately 51%.

Horn, Schiele, and Werner (2013) determined that business leaders could measure success by both reduced overall costs and call-off ratios of 75% or greater, with the call-off ratio reflecting goods received versus budgeted volumes. Hence, a low ratio indicated challenges on the outsourced project. Horn et al. discovered that failed projects often led to *ugly twins,* a term that referred to Western countries outsourcing to low-wage countries (e.g., India, China, and Mexico) but eventually reassigning the same projects to suppliers in high-wage countries (e.g., the United States, Europe, and United Kingdom). This reassignment resulted in higher replacement or switching costs and less favorable contractual terms and conditions. Moreover, the researchers noted that the Chinese vendors who promised to deliver high-quality goods at low cost often failed to fulfill their commitments.

Horn et al. (2013) conducted an analysis of a western European equipment manufacturer that offshored 214 projects to China, between 2008 and 2010, finding that less than 25% of the projects were successful regarding operational and financial

performance. Cabral et al. (2014) conducted a case study on a Brazilian company in the industrial maintenance industry. Cabral et al. concluded that the reintegration of services was due to outsourcing failures related to asset specificity, poor contract design, insufficient monitoring and oversight of key vendor activities, failure to deliver actual cost savings, and increased labor regulation laws.

Lacity and Willcocks (2013) conducted a qualitative study on outsourcing legal services with 27 legal process outsourcing providers. Participating providers stated that having a balanced team composition, including onshore and offshore resources, enabled vendors to provide competitive pricing without jeopardizing quality of service. The key success factors that Lacity and Willcocks (2013) reported for outsourcing legal services included (a) focusing on quality of services rather than the lowest-cost provider, (b) developing a contingency plan for potentially high turnover of service provider staff, and (c) training internal staff on effective vendor oversight and governance. Business leaders should build contingency plans or exit strategies when offshoring to minimize higher switching costs if the relationship is not a good fit. Given the complex intricacies of the outsourcing transaction, business leaders often cannot estimate total costs correctly, thereby leading to flawed business decisions.

Transaction cost estimation errors. Transaction cost estimation errors derive from business leaders' inability to measure or quantify complex and dynamic outsourcing transactions (Larsen et al., 2013). Hrušecká, Macurová, Jurickova, and Kozakova (2015) stated that some business leaders could not effectively measure the strategic and economic value of outsourcing transactions or accurately calculate total costs correctly

due to the complexities surrounding outsourcing decisions. In addition, Larsen et al. (2013) argued that complexity and bounded rationality were drivers of transaction cost estimation errors during strategic decision-making. Outsourcing is complicated; thus, one can face difficulties when determining all the associated benefits, especially with outsourcing IT processes.

In ITO, business leaders must evaluate total cost savings, including the IT cost saving, in addition to the efficiency gains within other areas of the business (Han & Mithas, 2013). Han and Mithas (2013) conducted a quantitative study of 300 U.S. companies focusing on the period from 1999 to 2003. Han and Mithas determined that managers must evaluate total cost, rather than IT cost, to determine business profitability. The study results showed that managers often limited their focus to only reducing IT costs, rather than evaluating the comprehensive efficiency gains achieved through technological enhancements across their organizations. These gains included improving operational efficiencies in sales, marketing, R&D, and general administration, which could yield four to five times the cost savings compared with IT savings.

Dwivedi et al. (2015) reported that executive leaders struggled with how to measure the value of IT outsourcing business outcomes, in particular with the later generation of information systems, the Internet, and social media. Additionally, Han and Mithas (2013) stated that organizations that outsourced IT processes, while also investing in internal IT resources, especially training, experienced a greater reduction in non-IT operating costs .This reduction primarily occurred due to the efficiency and productivity gains that allowed one to focus on core and more value-added activities. Similarly, the

authors discovered that internal IT personnel were a critical component of managing vendor relationships and ensuring compliance with designated contractual terms and conditions, as well as SLAs.

Given the behavioral assumptions of the TCE theory (i.e., bounded rationality and information asymmetry) that exist within all outsourcing transactions, business leaders do not have the ability to identify all costs associated with outsourcing. Larsen et al. (2013) defined hidden costs as unanticipated implementation costs related to governance oversight, travel, and other coordination expenses not accounted for in the terms and conditions of the outsourcing contract. These hidden costs can result in a discrepancy between expected and realized total costs that affects the organization's performance and profitability. Caruth, Haden, and Caruth (2013) reinforced the importance of evaluating the pros and cons of outsourcing HR activities, including the total cost impact and potential hidden costs. Business leaders could lack the capacity to forecast the hidden costs of outsourcing. Therefore, they could use flawed information when making outsourcing decisions. Managers should expect and account for unknown costs, given the complexity and uncertainty of outsourcing.

In general, one faces difficulties when estimating total outsourcing costs, but ITO compounds the issue, given the technical and complex nature of IT (Kivijärvi & Toikkanen, 2015). Larsen et al. (2013) performed a quantitative empirical study using a diverse cross-section of client and service provider data from the Offshoring Research Network. The researchers determined that high complexity, especially in IT configuration and tasks, increased the probability of errors. Similarly, Larsen (2016) supported the

claim that business leaders could not understand the full implications of offshoring; therefore, the leaders incorrectly estimate total costs, resulting in poor financial performance. Larsen et al. (2013) also confirmed that complexity, partially derived from bounded rationality and a lack of experience in offshoring, was a contributing factor to cost estimation errors. Scholars have evaluated the determinants of estimation errors, confirming various hypotheses, as well as reporting the following contrary findings (Handley & Benton, 2013; Peeters, Dehon, & Garcia-Prieto, 2015).

Estimation errors vary based on project scope, the geographic distance between client and vendor, and leadership engagement on the project. Handley and Benton (2013) stated that outsourcing decisions were multifaceted in nature, and leaders often lacked the analytical skills to forecast and estimate the total costs correctly. Additionally, Handley and Benton argued that greater complexity required extensive coordination, which might translate into higher outsourcing costs. On the contrary, Peeters et al. (2015) conducted a quantitative empirical study using a data set of 624 global services to determine the effects of cultural differences on offshoring decision-making. The researchers found that cultural difference was an attention stimulus that business leaders could use to pay closer attention to the details (i.e., whereby reducing bounded rationality) in the cost estimation process. The process would result in more accurate cost estimates, thereby reducing hidden costs and leading to realized cost savings. The project scope and the distance between the parties significantly correlated, and intense focus on deficiencies, such as cultural differences, enabled calculating a more accurate total outsourcing costs. Leaders must consider ways in which these related determinants, such as project scope,

geographic distance, and engagement, affected costs, as well as minimized estimation errors.

Business leaders with prior experience in offshoring or outsourcing, in addition to the ability to convert complex data into meaningful information, may reduce estimation errors. Bertrand and Mol (2013) conducted a quantitative correlation analysis between the effects of innovation and domestic and offshore outsourcing by R&D organizations in France between 1995 and 2004. Their findings indicated that cognitive distance (i.e., offshore outsourcing), rather than domestic outsourcing, had a positive effect on innovative solutions when offshoring R&D activities.

Denning (2013b) conducted a case study on the Boeing 787 Dreamliner aircraft. Denning (2013b) maintained that management could have prevented associated outsourcing failure if they had executed the following actions: (a) performed sufficient planning surrounding total costs to identify potential coordination costs, (b) identified the applicable outsourcing risks and associated mitigation plans, and (c) strategized execution and implementation. Denning (2013b) declared that leaders must have a clear understanding of the product design and the specific components suitable for outsourcing or offshoring before making decisions.

Additionally, Bertrand and Mol (2013) found that internal R&D resources with a high degree of absorptive capacity could offshore efficiently. They confirmed a direct correlation with absorptive capacity and the ability to accurately estimate total offshore outsourcing costs. Bertrand and Mol demonstrated that business leaders with a high degree of absorptive capacity and prior outsourcing or offshoring experience incurred

minimal estimation errors. Business leaders must identify, assess, and mitigate all significant outsourcing related risks to achieve favorable business outcomes. Weighing the cost-benefit options before execution is crucial in effectively managing the outsourcing process.

Risks. There are risks and rewards associated with all business transactions including outsourcing. Ikediashi, Ogunlana, and Udo (2013) defined outsourcing risk as the probability of an adverse event negatively influencing the outsourcing outcome. Outsourcing risk comprises financial, contractual, technical knowledge, political, regulatory, technology, information security, and cultural and organizational risk (Shemi et al., 2015). Therefore, one integrating outsourcing into an enterprise risk management program is essential to managing outsourced processes effectively (Gewald & Schäfer, 2017). Business leaders must identify all the relevant risks associated with the outsourcing decision, then carefully plan and execute mitigation activities to reduce the risk exposure to acceptable tolerance levels.

Hepeng (2014) determined that the outsourcing client must first identify and evaluate risks and establish appropriate mitigation plans before executing an outsourcing contract. He stated that adequate planning and due diligence surrounding the outsourcing decision would add economic and strategic value to the organization. Similarly, Vining and Globerman (1999) reaffirmed the importance of identifying risks and appropriate mitigation plans during the pre-outsourcing stage. Implementing effective risk management strategies is critical in successfully managing outsourcing. Financial risk is a significant outsourcing risk for organizations.

Financial risk. Financial risk is the risk of loss due to higher than expected total costs for an outsourcing project (Ray, Tao, Olkhovets, & Subramanian, 2013). Large, sophisticated service providers manage and deliver IT services through long-term strategic outsourcing arrangements that are complex and difficult to manage, presenting various risks, such as contractual and financial risks (Ray et al., 2013). Ray et al. (2013) developed a risk and decision analysis framework to identify patterns of performance, the drivers of financial risk, the appropriate risk response (i.e., accept, mitigate, and transfer the risk), and the predictive modeling necessary to anticipate emerging trends. Their study results indicated that the complexity of outsourcing presented significant exposures to financial risk that business leaders could manage through their framework. Financial risk could lead to significant losses, in addition to contractual risk.

Contractual risk. Contractual risk refers to the risk of loss due to inadequate terms and conditions (e.g., the right to audit clause, SLAs, and recourse actions) within the outsourcing contract or breach of the contract agreement (Wiengarten et al., 2013). Wiengarten et al. (2013) argued that a comprehensive and complete contract, along with effective vendor governance, would mitigate high transaction costs relating to outsourcing, but a thorough contract was insufficient for mitigating quality concerns. Conversely, outsourcing clients implement certain risk mitigation strategies, which pose challenges for service providers, such as short-term contracts and splitting outsourcing projects among several vendors (i.e., multivendor strategy). For example, splitting a contract among several vendors can create issues related to coordination and lack of clear ownership.

Alexandrova (2015) confirmed that the most common risk for ITO was noncompliance with contractual obligations, in addition to cultural mismatches, thereby leading to ineffective communication, insufficient security warranties, and lack of knowledge transfer. Business leaders must implement effective risk management strategies to mitigate contractual risk and ensure that vendors deliver on the terms and conditions of contracts. Another key risk business leaders must manage in outsourcing is technical knowledge risk.

Technical knowledge risk. Technical knowledge risk refers to the risk in transferring key IT knowledge to the vendor, therefore resulting in inadequate IT knowledge maintained in-house (Madsen, Bødker, & Tøth, 2015). Denning (2013a) stated that the loss of intellectual property in outsourcing might increase innovation and technical knowledge risk. Knowledge sharing is challenging in IT and systems development due to the technical and complex nature of the field, which is exacerbated in offshore outsourcing given the cultural diversity aspects (Persson, 2013). Persson (2013) found that shared offices, shared responsibilities, and shared prioritization of internal and offshore system developers minimized the exposure to knowledge transfer and cultural diversity risks.

Teo and Bhattacherjee (2014) developed a nomological network that evaluated antecedents (i.e., client motivation, vendor willingness, and prior experience with the vendor) and outcomes (i.e., operational and strategic performance) of knowledge transfer and utilization in IT relationships. The authors also conducted an empirical quantitative study by surveying 146 IT outsourcing partnerships in Singapore. Teo and Bhattacherjee

found that the characteristics of outsourcing clients, vendors, and knowledge transferred played important roles in facilitating knowledge transfer. The transferred knowledge, in conjunction with the knowledge integration mechanisms, affected knowledge utilization in client firms, which generated significant operational and strategic performance gains in IT operations. Knowledge sharing is difficult in technical processes, and deliberate sharing of information can mitigate knowledge loss with the outsourcing client (Teo & Bhattacherjee, 2014). Several scholars have explored the factors affecting effective knowledge sharing (Blomqvist, Peterson, & Dhar-Bhattacharjee, 2015; Madsen et al., 2015).

Numerous factors influence effective knowledge sharing between client and vendor. Madsen et al. (2015) noted three primary factors that affected knowledge transfer: (a) the various types and uses for different knowledge, (b) cultural diversity, and (c) incentives and priorities for engaging in knowledge transfer. The researchers used a systematic approach to addressing knowledge transfer, which included (a) identifying and prioritizing knowledge gaps, (b) selecting the appropriate mode for the knowledge transfer, (c) designing a knowledge transfer plan, (d) executing the plan, and (e) evaluating the effectiveness of the transfer.

To a certain extent, the effectiveness of knowledge transfer between client and offshore vendor is determined by the success of the overall offshoring engagement (Blomqvist et al., 2015). Blomqvist et al. (2015) identified numerous barriers to facilitating IT knowledge transfer that managers could mitigate by identifying the issue, devising a plan, and executing the plan. Business leaders must effectively implement

knowledge transfer to manage ITO successfully, along with identifying external risks, such as political and regulatory risks.

Political and regulatory risks. Political and regulatory risks are the risk of loss imposed by public opinion or noncompliance with regulatory laws, thereby resulting in reputation management costs, fines, penalties, and other legal costs (Hirschheim, Heinzl, & Dibbern, 2013; Schwörer, 2013). Schwörer (2013) reported that offshore outsourcing was a political issue. The public perceives that the American workforce suffers from layoffs, wage reductions, and fewer domestic opportunities due to offshore activities.

Hirschheim et al. (2013) argued that outsourcing arrangements presented organizational, regulatory, and legal ramifications that leaders must tightly control and monitor to yield desired outcomes. Effective strategies for mitigating political and regulatory risks are important for achieving desired outsourcing outcomes. External factors impose challenges to managing outsourcing, and technology solutions pose unique risks to organizations.

Technology and information security risks. Technology and information security risks refer to the risk of loss due to system failures or loss of data derived from malicious internal or external attacks (Koku, 2015). Information security and quality concerns are major factors for business leaders to consider when rejecting the notion of offshoring IT services (Jain & Khurana, 2013). Contrary to reports by mainstream U.S. press, Koku (2015) found that consumers did not have a negative perception of the offshore outsourcing of medical and legal services but were concerned about data privacy and information security issues related to accounting, tax, and financial services conducted

overseas. In addition, Ojha (2014) reported that Canadian firms would not increase offshoring operations in India in the near future due to challenges, such as the risk-averse nature of the Canadian population, data protection concerns, and Canadians' poor perception of India.

Trang (2017) reported that 86% of data breaches that occurred in 2015 improperly exposed customers' personal information (i.e., credit card accounts, bank accounts, social security numbers, and health information). Additionally, cyber breaches might account for over $400 billion in losses annually. Trang added that managers in the financial sector have increased cybersecurity but still increased their vulnerabilities when they conducted business with third-party vendors that had ineffective cybersecurity infrastructures.

Gonzalez et al. (2013b) stated that the main risks that leaders in the financial services industry faced included breach of client personal and confidential data and the high degree of regulations in the industry. Data privacy breaches and the lack of trust in certain third-party vendors were concerns to business leaders. However, technological advances that enabled cloud computing have heightened awareness of information security risk.

Cloud computing offers many benefits but requires sufficient risk management strategies. L. Zhang and Gu (2013) argued that the primary risk with cloud computing was the lack of governance surrounding securing data, which placed organizations at significant risk. Weng and Hung (2014) found that some business leaders engaged in cloud technology and had not implemented the appropriate risk mitigation strategies to secure and protect operations, intellectual property, customer information, and other

confidential data. Lack of security around sensitive data could expose these leaders to significant losses and reputational harm, especially in highly regulated business environments, such as the insurance industry. Cloud computing presents various risks that management should effectively mitigate. Offshore vendors have typically administered cloud computing services by compounding the risk exposure with cultural and organizational elements.

Cultural and organizational risks. Cultural and organizational risks are risks of loss due to mismatches between clients' and vendors' organizational values and principles, as well as overall corporate and local cultures (Sartor & Beamish, 2014). Persson and Schlichter (2015) asserted that offshoring posed unique risks that, if not mitigated appropriately, increased the likelihood of offshoring failure. Sartor and Beamish (2014) suggested that leaders who offshored faced increased challenges, considering the influence of informal institutions (e.g., human behavior, norms, and culture) on offshoring. The authors affirmed that offshoring added unique risk considerations, such as cultural differences that management should tightly control and govern. Researchers have evaluated the implications of cultural differences when outsourcing or offshoring (Denning, 2013b; Parmer, 2015).

Business leaders who engage in offshoring must conduct cost-benefit analyses before entering such transactions. Denning (2013b) posited that the primary risks encountered by Boeing when offshoring certain components were related to cultural, language, and distance barriers. Cultural differences and language barriers complicate offshore outsourcing transactions; if leaders do not mitigate these appropriately, these can

lead to financial losses (Parmer, 2015). The reward must outweigh the additional risks for participating in offshore outsourcing activities, such as one accessing new international markets, acquiring new capabilities and innovation, and significantly reducing costs. Offshoring increases the likelihood of failure, and thus requires sound risk management strategies to manage the process successfully. In addition to executing effective risk management strategies, business leaders must also identify different strategies throughout the end-to-end outsourcing process to achieve favorable results.

Business Strategies for Managing the Outsourcing Process

Business leaders use different outsourcing strategies to gain strategic, operational, and economic benefits. Patil and Patil (2014) reported that one must align outsourcing decisions to a business strategy because of outsourcing's impact on business objectives and priorities, roles and responsibilities, and employee morale. Similarly, Brewer, Ashenbaum, and Ogden (2013b) argued that intense focus on a particular outsourcing strategy had a positive relationship with achieving the associated business objective. In particular, the authors stated that intense focus on a specific strategy, such as reducing costs, would achieve greater cost reductions compared to less intense strategies. Concentrating on specific strategies and aligning outsourcing goals with business objectives are important elements for effective outsourcing management to deliver desired business results. Although focusing on a particular outsourcing strategy may achieve positive results, Nordigården et al. (2014) discovered that combining outsourcing strategies might deliver better results.

Brewer et al. (2013a) maintained that a single-strategic approach achieved lower performance compared to balanced approaches, and Nordigården et al. (2014) posited that business leaders must incorporate combined strategies to govern the make-or-buy decision appropriately. Specifically, the dominant in-house strategy enables capacity optimization during production. Business leaders can outsource less cost-effective activities, while they use the dominant outsourcing strategy to mitigate lock-in risk (e.g., using a single vendor, leading to high switching cost). Consequently, combining dominant in-house and outsourcing strategies better mitigates the various risks, such as loss of technical knowledge and underutilization of resources. Leaders can use suitable outsourcing strategies to mitigate associated risks, thereby assisting leaders in managing the outsourcing process to improve the performance of the organization.

MacKerron et al. (2015) completed a case study on a United Kingdom financial services institution to evaluate if effective performance management strategies contributed to the success of managing an IT outsourcing project. Some key performance indicators (KPIs) included number of customer complaints, total cost incurred, and total revenue generated, along with SLAs and analysis of vendor performance. MacKerron et al. concluded that effective performance management strategies would generate favorable outsourcing results, assuming leaders had effective risk management strategies in place for the various outsourcing risks.

Sohel and Quader (2017) conducted a qualitative case study on the IT operations of the British Standards Institute. The research study results indicated that effective outsourcing strategies were highly crucial to the success of the organization operating in

a highly volatile and competitive business environment. Additionally, the researchers argued that outsourcing provided management the opportunity to leverage their IT resources to focus on core competencies. Isaksson and Lantz (2015) confirmed no significant relationship between various outsourcing strategies and financial performance.

Di Tullio and Bahli (2013) stated that many business leaders have adopted the capability maturity model originally developed by the Software Engineering Institute. The authors also asserted that the construct assisted management with incremental improvements in software performance over time. Their findings showed a direct correlation between software performance and software process maturity.

Prawesh et al. (2016) performed a quantitative empirical study using a large dataset of 112 IT system integration outsourcing projects of publicly traded companies during 1995 to 2010 to determine if the position title of project owner (i.e., the leader of IT information security projects) influenced firm performance (i.e., cost savings, revenue, and profitability). The authors found that when IT executives led the IT projects, they could reduce the overall organizational costs, but when non-IT executives led similar IT projects, the profits significantly increased. The results of the study indicated that differences in leadership styles could have a significant influence on leaders' business metrics. Effective performance management strategies, as well as different leadership styles and maturity life cycles, could influence outsourcing outcomes. Researchers not only explored variables influencing performance but also reviewed similarities between outsourcing and lean management principles.

The core objective of lean management and outsourcing is to eliminate inefficiencies and create value. Guimarães and de Carvalho (2013) analyzed existing literature on outsourcing strategies in health care supply chain management to determine the alignment with lean management philosophy, such as continuous improvement, value creation, elimination of waste, and a focus on quality. Guimarães and de Carvalho confirmed that outsourcing strategies aligned closely to lean management techniques because the primary drivers for outsourcing decisions involved creating value and improving performance.

Similarly, Osadchyy and Webber (2016) added that as managers overcame obstacles and realized the traditional benefits of various outsourcing strategies, continuous improvement materialized in the form of quality, efficiency, and value. The authors concluded a clear correlation existed between the objectives of lean management and outsourcing. Researchers have affirmed that outsourcing noncore activities creates value, as well as empowers leaders to redeploy resources to perform core competencies.

Staggered strategic approach to outsourcing. Business leaders outsource noncore business activities to focus on more strategic and profitable activities that will grow and expand their businesses. A common outsourcing strategy is to maintain core competencies in-house, while outsourcing noncore business activities, such as customer service, IT, food service, and janitorial service to third-party providers (Wu, Cegielski, Hazen, & Hall, 2013). Letica (2014) noted that outsourcing noncore activities enabled managers to focus on core capabilities to deliver higher value for enterprises. Many

researchers have performed similar studies on outsourcing noncore business activities to determine the value implications (Caruth et al., 2013; Sani, Dezdar, & Ainin, 2013).

Sani et al. (2013) conducted an empirical quantitative study with hotel decision-makers in Malaysia and discovered that hotel managers tended to outsource noncore functions, such as laundry and housekeeping services, to third-party vendors. The primary drivers involved gaining additional capabilities through supplier expertise and leveraging well-known brand names, as well as increasing internal efficiency. Additionally, Sani et al. posited that hotel decision-makers chose reliable and reputable vendors to outsource their noncore functions, thereby minimizing cost and risks.

Caruth et al. (2013) developed a useful hierarchy of HR activities that were potentially conducive to outsourcing in ascending order of critical nature and likely potential for outsourcing. The authors concluded that noncore activities, such as food and janitorial services, were more likely to benefit from being outsourced than were core business activities, such as succession planning and performance management. Many scholars have observed that as leaders gain experience with outsourcing activities, a cascading effect occurs with outsourcing other activities (Fogarty & Bell, 2014; Ruth, Brush, & Ryu, 2015).

Leaders tend to expand their outsourcing operations after they acquire knowledge of how to manage the process successfully. Fogarty and Bell (2014) observed that outsourcing had a cascading effect, whereby organization leaders began with outsourcing noncore activities, such as customer service and telesales. Leaders eventually outsourced

sophisticated services, including computer programming and legal research to improve overall firm performance and sustain competitiveness.

Ruth et al. (2015) conducted a quantitative empirical study of 243 *Fortune 1000* companies that outsourced a minimum of one benefit and compensation activity to determine the influence of technology solutions on outsourcing other HR services. Their findings showed a direct correlation between HR technology enhancements through outsourcing and the outsourcing of additional HR services. Ruth et al. argued that technology solutions enhanced process standardization, thereby influencing the centralization of economies of scale and enabling additional outsourcing activities. Therefore, as business leaders gain experience with outsourcing noncore activities and determine key lessons learned, they generally expand their outsourcing to include core or strategic activities. Many researchers have also explored the competing priorities of various stakeholders to balance financial performance, in addition to executing operations in a socially responsible manner (S. Li et al., 2014).

Business leaders must operate their enterprises sustainably to meet the expectations of their demanding shareholders, as well as other key stakeholders, such as nongovernmental organizations, regulators, financial analysts, customers, and other interest groups to maintain companies' reputations (S. Li et al., 2014). S. Li et al. (2014) identified the key drivers for sustainability efforts as (a) regulatory demands, (b) supply chain pressures, (c) company reputation, and (d) marketplace requirements. S. Li et al. also recommended the following outsourcing strategies designed to progress toward a more sustainable business model: (a) evaluating internal and external practices such as

redesigning products to incorporate sustainable practices, (b) implementing effective risk management strategies to address sustainability concerns, and (c) establishing external vendor cooperation.

Hamed MoosaviRad et al. (2014) added that the government played a vital role in enforcing sustainable business practices. Operating a sustainable organization is a good business model to increase brand equity, as well as a triple bottom line over the long term. Business leaders who embrace and execute sustainable outsourcing strategies, such as selecting a suitable third-party outsourcing vendor, may achieve favorable outcomes.

Vendor management strategies. One of the crucial steps in outsourcing involves one selecting an appropriate vendor. Nduwimfura and Zheng (2015) argued that supplier selection was one of the most critical decisions in outsourcing and could lead to the success or failure of an outsourcing initiative. Kim, Lee, Koo, and Nam (2013) stated that effective contract and vendor management significantly influenced organizational performance, including cost efficiency, performance improvement, and overall satisfaction. Caruth et al. (2013) created a framework for outsourcing HR activities that comprised the following three steps: (a) determine which activities to outsource; (b) weigh the pros and cons of outsourcing such activities (e.g., cost, quality, economies of scale, loss of in-house knowledge, and expertise); and (c) build a sound vendor relationship grounded in trust, commitment, shared values, and high integrity. Selecting an appropriate vendor with a good cultural fit and shared values is essential to building a healthy, collaborative, and long-term successful vendor relationship. Nduwimfura and

Zheng (2015) and Watjatrakul (2014) explored different vendor selection tools to understand effective methods for selecting vendors.

Business leaders must consider multiple variables when selecting vendors for outsourcing; thus, establishing an appropriate vetting process for selecting a vendor is imperative. Nduwimfura and Zheng (2015) proposed a model based on a methodology, known as preference ranking organization method for enrichment evaluation, to identify appropriate offshore service providers at the country level. The authors contended that the model would assist business leaders in assessing various preference functions and weights to select appropriate vendors. Watjatrakul (2014) performed quantitative research conducting 1,000 experimental tests to evaluate two weighted vendor selection techniques and analyze the selection results. By adjusting the weights for qualification or the vendor evaluation criteria and price, the author indicated that the proportions of qualification influenced the results of vendor selection under the two methods. Watjatrakul observed that the method, as well as the criteria and weights used in identifying the right vendors, might influence the results. Hence, sufficient due diligence in methodology and assessment are critical in selecting the right vendor. Many researchers have observed that business leaders also implement multivendor strategy primarily to mitigate various outsourcing risks (Mackenzie & DeCusatis, 2013; F. Su et al., 2014).

Business leaders who employ the multivendor strategy are minimizing risk exposure associated with single-source dependence that results in high transaction and switching costs (F. Su et al., 2014). F. Su et al. (2014) recommended that outsourcing

clients mitigated their dependence on a particular strategic business partner with a multivendor strategy, in addition to maintaining some operations in-house. Business leaders are trending toward outsourcing smaller projects using multiple vendors has increased the level of complexity in outsourcing arrangements resulting in a major challenge in devising an effective and efficient governance infrastructure to facilitate the process (Gewald & Schäfer, 2017). Mackenzie and DeCusatis (2013) performed longitudinal case studies on sustaining innovation when outsourcing multiple technical system components and found that multivendor outsourcing promoted innovation. Specifically, the authors demonstrated that one achieved innovation through competitive variety, mitigating the risk of components becoming obsolete, and reducing costs through bargaining power related to supply fragmentation. Similarly, Patil and Wongsurawat (2015) asserted that implementing appropriate outsourcing strategies, such as using multiple vendors and short-term contracts, might increase transaction costs but would also empower outsourcing clients to (a) effectively mitigate vendor opportunism, (b) promote competition among third-party providers, and (c) lower switching costs. Thus, leaders need to achieve the correct balance between cost, risk, and strategy to manage outsourcing successfully. A multivendor strategy mitigates various outsourcing risks for the client, but the quality of the relationship plays a key role in effective outsourcing.

The quality of the business partnership and service level contributes to the success of outsourcing. Seshadri (2013) claimed that establishing positive client-vendor relationships during the early stages of outsourcing was key to a successful outcome. Plugge, Bouwman, and Molina-Castillo (2013) discovered that service providers, who

ensured a good cultural fit between their business capabilities and customer needs, typically had a lower risk of failure with outsourcing. Sukru Cetinkaya, Ergul, and Uysal (2014) posited that the client-vendor relationship and the service quality of the outsourcing initiative determine the degree of outsourcing success. Sukru Cetinkaya et al. added that attributes, such as trust, commitment, culture, interdependence, and communication, revealed the quality of the client-vendor relationship. Moreover, elements, such as hardware and software maintenance, reliability, responsiveness, and quality assurance, measured service quality. Marchewka and Oruganti (2013) maintained that the quality of the outsourcing business relationship, as well as of the process and cultural implications, significantly influenced outsourcing success. The authors further concluded that having a strong rapport with vendors was a contributor to successful outsourcing results.

The effectiveness of the business partnership and leaders' levels of engagement in the outsourcing decision are crucial to outsourcing success. Denning (2013b) stated that the success factors for an outsourcing strategy implemented within a major car manufacturer included (a) maintaining in-house ownership of the product design and engineering; (b) selecting quality suppliers with proven track records of timely delivery, quality service, low cost, and innovative performance; and (c) sustaining long-term strategic relationships built on trust and integrity. Patil and Patil (2014) noted that depending on the degree of management engagement at all levels, outsourcing could either positively or negatively influence profitability. Specifically, high management engagement in developing sound contract terms and conditions, including SLAs and

KPIs, as well as strong strategic partnerships with a good cultural fit, has positive impacts on firm leaders' bottom lines. Alternatively, the lack of due diligence in the precontract phase of outsourcing and poor vendor oversight would have negative consequences. These researchers reiterated a common thread throughout the literature regarding successful outsourcing strategies, and scholars who evaluated legal and IT processes affirmed similar success qualities (Yu & Shiu, 2014).

The quality of the business relationship, in addition to information asymmetry between the parties, influences overall performance. Yu and Shiu (2014) performed a mixed-method study with partnerships between life insurers and their intermediaries located in Taiwan. They observed that partnership attributes (e.g., commitment, coordination, and trust), communication variables (e.g., quality, information exchange, and participation), conflict resolution approaches (e.g., problem solving and persuasion), and market orientation (e.g., products, premium, and distribution) directly influenced partnership performance (e.g., satisfaction and first-year premium income). Bruna et al. (2014) asserted that the outsourcing partnership involved power dynamics. These were closely tied to trust and control, given the degree of information asymmetry between parties. Business leaders must build a strong rapport with their vendors to generate favorable results. However, they should also consider different outsourcing strategies, depending on the geographic distance between themselves and their vendors.

Business leaders may require different strategies, depending on the distance between the client and vendor operations. Leaders focus on different business objectives when outsourcing to domestic versus offshore partners (Größler, Laugen, Arkader, &

Fleury, 2013). Specifically, managers typically focus on flexibility when collaborating with local partners but on lowering total cost when offshoring. Scandinavian companies are inclined to outsource with *nearshore* vendors (i.e., outside the boundaries of the home country, but typically within the same region). The leaders will outsource when the project requires complex and flexible deliverables with service, as opposed to production activities, in order to meet compliance and regulatory standards (Slepniov et al., 2013). Thus, business leaders execute different strategies, depending on vendors' capabilities and locations. When leaders use ITO strategies, it may add another layer of complexity given the technical nature of the function.

ITO strategies. Business leaders outsource noncore activities, such as IT processes and intangible resources. Information software development remains the most common form of ITO, followed by website management, e-commerce, disaster recovery services, and software as a service (Nuwangi et al., 2014). Tarn (2015) stated that executive leaders did not offshore and outsource solely tangible resources, such as products and IT software, but they acquired intangible resources, such as goodwill, technical knowledge, and consultancy services. Business leaders tend to outsource or offshore their IT processes because these are generally not core competencies. As business leaders gain offshoring experience, they transfer activities that are more sophisticated to third-party service providers.

Business leaders tend to first outsource basic IT processes, and then they eventually outsource strategic and sophisticated processes. Brcar and Bukovec (2013) conducted a quantitative study and concluded that business leaders have shifted their

offshore outsourcing strategy from simple IT tasks (i.e., help desks and software maintenance) to more sophisticated tasks (i.e., IT software development) to devote greater attention to strategic versus economic benefits. Temkar (2015) argued that the competitive business environment and technological advances, such as mobile data, cloud computing, social media, robotic automation, the Internet, and email, have all contributed to the rise in ITO in the clinical trial industry. Temkar also noted that by collaborating with the right vendors, business leaders in this industry could streamline their processes and improve the speed of drug delivery to the marketplace at lower costs without compromising product quality and safety.

Business leaders who outsource IT processes are often motivated to produce innovative services to yield positive outsourcing outcomes. N. Su, Levina, and Ross (2016) posited that business leaders have incorporated the *long-tail strategy* (i.e., outsourcing to a few smaller, highly innovative companies with short-term contracts) when outsourcing IT processes to drive innovation that would improve cost and performance. Business leaders expect innovative solutions (e.g., innovation in products, process and business models) from their strategic business partners to gain a competitive advantage in the marketplace (Das, 2017; Reeshma & Rajkumar, 2017). Additionally, a strategic partner's knowledge of their clients' business model and operations significantly influences their abilities to identify and implement innovative solutions to drive favorable results (Bryan Jean, Sinkovics, & Kim, 2017).

Lacity and Willcocks (2014) performed an empirical mixed-method study on driving dynamic innovation when outsourcing IT processes. They discovered that setting

mandatory productivity targets, allocating time for identifying innovative ideas, and sharing the financial gains at the project level were effective incentives for creating innovative cultures. Lacity and Willcocks (2014) argued that innovation seldom manifested with a dramatic, one-time significant change, but rather emerged incrementally over long periods. Leaders have also determined innovation based on staff experiences and skills.

Certain business environments are conducive to innovation. Alderete (2013) asserted a direct relationship existed between SMEs' outsourcing activities and the level of innovation, as well as access to information and communication technologies. Presbitero, Roxas, and Chadee (2017) conducted an empirical quantitative study with results that indicated knowledge sharing capability positively correlated to innovation. Moreover, the researchers discovered that organizational collectivism (e.g., groupthink; individuals aligning to norms, traditions, or behaviors) was significantly and positively moderating for the effects of knowledge sharing on both organizational learning and innovation. Additionally, Wickramasinghe (2015) reported that knowledge sharing and availability were significant predictors of innovativeness when offshore outsourcing of IT software development occurred; internal and external factors affected the levels of innovation in outsourcing, and cloud computing was an innovative ITO solution.

Business leaders have employed cloud computing with third-party vendors to reduce cost when outsourcing IT processes. L. Zhang and Gu (2013) stated that business leaders should engage in cloud computing to reduce costs and capital expenditures, improve quality and performance, better adapt to changes in the business environment,

transfer data quickly, and strengthen the control environment. There was no clear definition of cloud computing. However, Wu et al. (2013) defined it as virtualized IT resources that were available in various forms, such as software, infrastructure, and dynamically scalable and configurable platforms. In general, cloud computing refers to applications and servers stored and accessed through the Internet (Wu et al., 2013). Organization leaders can use cloud computing to encourage innovation through creativity, flexibility, and efficiency at reduced costs because no hardware or software is needed. Moreover, a hosting company or vendor manages the entire infrastructure (Wu et al., 2013). In addition to using innovative solutions to meet outsourcing objectives, Wu et al. (2013) found that sound vetting, including of people and processes, might produce positive results.

Business leaders with sound outsourcing controls, as well as effective sourcing departments, tend to add value in outsourcing. Huber et al. (2014) reported that leaders identifying and formalizing key controls in the outsourcing end-to-end process were instrumental in leading successful outsourcing projects. However, these authors also maintained that the sufficiency and adequacy of such controls were challenging due to the complexity and uncertainty of outsourcing. Eltantawy, Giunipero, and Handfield (2014) asserted that the effectiveness of the sourcing or procurement department had direct positive correlations with reputation, vendor management, and overall outsourcing performance. Sound governance infrastructure was instrumental in facilitating outsourcing. Many scholars have researched backsourcing, which is the opposite of outsourcing, to determine drivers and results.

Business leaders must devise exit strategies when outsourcing services to minimize financial loss. Backsourcing or reshoring may have positive results when business leaders outsource or offshore IT architecture and infrastructure within well-developed vendor markets when substitutions are readily available (Nagpal, 2015). Denning (2013a) recommended that business leaders should continuously monitor the outsourcing process to determine whether backsourcing specific products, components, or services would be prudent and conducive to greater profitability. Calculating the right timing for backsourcing might reduce financial loss or even increase profitability.

Business leaders use different strategies to manage the outsourcing process; therefore, identifying the appropriate strategies is critical to leading a successful outsourcing process, as well as for improving overall performance. Otherwise, scholars have concluded that a lack of sound governance and poor vendor relationships could result in negative outsourcing outcomes. Given the complexity and uncertainty of outsourcing, many researchers have suggested that comprehensive and holistic strategic approaches to managing outsourcing would achieve the best results (Brewer et al., 2013a; Nordigården et al., 2014).

Transition and Summary

Section 1 was an introduction to the study, the problem statement, and the lack of knowledge of managing outsourced IT processes. The section covered some key elements of the study, including the problem statement, purpose statement, nature of the study, research question, conceptual framework, significance of the study, and literature review. The findings from this study revealed the strategies business leaders implemented to

manage outsourced IT processes effectively. The study also offered insights into best practices to leverage for future outsourcing. The literature review provided an understanding of the TCE theory, as well as supporting and rival theories.

In Section 2, I describe my qualitative research approach. The approach includes the populations and sampling, data collection, data analysis, and reliability and validity. In Section 3, I present the doctoral study findings. The findings include applications to professional practice, implications for social change, and recommendations for future studies.

Section 2: The Project

In this section, I provide pertinent information about my role as the researcher, the purpose of the study, and my criteria for selecting prospective business professional participants. Section 2 also includes an overview of, and rationale for, my research method and design approach, along with a discussion of the key methodological and design considerations for my research. I address my reasons for choosing a qualitative method and a case study design to explore the strategies that business leaders use to manage IT outsourcing. Moreover, I discuss my population and sampling approach, my approach to ensuring ethical research, and the tools that I used during the data organization, collection, and analysis. Additionally, I discuss my plan for ensuring the reliability and validity of the study findings.

Purpose Statement

The purpose of this qualitative single-case study was to explore strategies that business leaders use to manage ITO. The population included five business professionals in a financial services organization located in the Midwestern region of the United States who used strategies to manage ITO. Implications for positive social change include the potential to (a) improve outsourcing infrastructure, which might support job creation; (b) increase standards of living, especially within emerging markets; and (c) heighten awareness of different cultures, norms, and languages among people living in different regions around the world to establish commonalities and gain alignment with business practices.

Role of the Researcher

Researchers play a vital role in the data collection for qualitative research because they are the primary instrument for gathering the data during fieldwork activities (Merriam & Tisdell, 2015). Yin (2013) noted that a researcher must have good communication skills, including active listening and oral and written skills, as well as be flexible and adaptable to various scenarios; remain objective from start to finish; and have the capacity to comprehend the topic studied. In this study, I strove to plan and organize essential fieldwork activities, effectively communicated with all participants, remained flexible, discerned the key themes, maintained an objective perspective, and respected all participants during any form of interactions.

I brought approximately 20 years of practitioner experience to this research, with a background in various analyst and leadership roles within the auditing, risk management, and finance areas of public and private organizations. For more than 18 years, I cultivated consistent and effective communication, interviewing, and analytical skills within the realm of business that were invaluable to my role as a researcher. When I performed the study, I worked as a director of operational risk management for a financial services company in the Midwestern region of the United States. My primary role was to ensure that senior leaders were proactively managing significant operational risks (e.g., adverse events resulting from failed people, processes, or systems including fraud and external events, such as acts of God) to minimize financial losses for the company. I worked with senior leaders on a regular basis to ensure that sufficient risk mitigation or control activities were in place for significant operational risks (e.g., IT

project failures, total cost estimation errors, poor vendor service quality, and business interruptions) related to key outsourcing and offshoring activities. I had no direct-line reporting relationship with study participants. However, I had some level of professional association, given that I conducted the study at my place of employment.

Researchers must lead and conduct their studies ethically (Yin, 2013). Yin (2013) contended that social scientists should operate at the highest level of scholarship, such as (a) demonstrating good character, (b) taking ownership of one's work, and (c) maintaining professionalism throughout the research process. Professionalism includes staying updated on the research topic, delivering reliable and valid study results, and disclosing study assumptions and limitations (Monahan & Fisher, 2015). I conducted the study by using sound professional judgment, keeping up-to-date with the research topic (i.e., outsourcing IT processes), and maintaining high integrity throughout the research process.

The Belmont report protocol consists of three general principles designed to protect participants from any harm or undue stress while involved in a research study (Adams & Miles, 2013). The first principle, respect for persons, encompasses maintaining the confidentiality of research participants during and after the study. The second, beneficence, entails minimizing any harm to the study participants. The third, justice, consists of the benefits received by participating in the study. Adams and Miles (2013) also added that researchers who adhered to these principles established sound platforms for the legal and ethical protection of human participants.

Similarly, B. Johnson (2014) stated that a primary responsibility of all investigators involves protecting human participants from any harm through a loss of privacy or breach of confidentiality. Moreover, Yin (2013) reported that institutional review boards (IRBs) protected vulnerable populations from exploitation. Before collecting data, I obtained approval from Walden University's IRB. I also acquired Certificate #1143560 after completing the Protecting Human Research Participants training course.

Qualitative scholars must be aware of how their associations (or affiliations) with a particular case study, such as the research topic, participants, and research site, might introduce personal bias that could skew study results (Merriam & Tisdell, 2015). Zulfikar (2014) stated that researchers conducting studies with colleagues should be cognizant of ways in which these personal relationships and experiences might influence their views and opinions when interpreting and analyzing the data during fieldwork activities. Yin (2013) asserted that case-study investigators could test their potential bias by assessing their willingness to accept contrary information during data collection and analysis. To mitigate potential bias, I used an interview protocol with all participants to ensure that I consistently gathered the data, and then had the synthesized interpretations of the interviews verified through member checking. Additionally, I triangulated the interview data by conducting a document review of pertinent company records, including the IT outsourcing contract, SLAs, governance meeting presentations, and outsourcing policies.

Case-study interview protocols provide guidance and structure for researchers during data collection, thereby enabling more reliable and accurate results (Yin, 2013), as

well as consistency (Wilson & Post, 2013). Brown et al. (2013) added that interview protocols promoted researchers' eliciting information through open-ended questions and giving participants control in the information-sharing process, which is imperative in building rapport. The researcher uses an interview protocol as a guide, while maintaining focus on the specific topic of a case study for the collection of in-depth data (Ikediashi & Ogunlana, 2015). I designed an interview guide and protocol specifically for this study that allowed me to (a) promote a consistent approach and strategy, (b) quickly build rapport and trust with the research participants, and (c) be flexible and adaptable to various situations.

Participants

Elo et al. (2014) stated that researchers should fully disclose the participant criteria and primary characteristics used in the study so that other researchers could assess and evaluate transferability of study results and other contextual information. The participants in this study included business professionals of a financial services firm located in the Midwestern United States from various functional areas, including IT, vendor management, and finance. Study research participants must provide rich, dense, and pertinent data that specifically address the research question in congruence with the conceptual framework (Cleary, Horsfall, & Hayter, 2014).

All participants in this study played an integral role (e.g., business owner, vendor manager, and finance professionals) in the selected ITO project to give in-depth understanding of the research question. Having a thorough understanding of the outsourcing strategies and risk management techniques used to implement and manage IT

outsourcing was an essential participant requirement for addressing my research question. All human beings are vulnerable at some point in their lives, but healthy, mentally, and physically able adults are at lower risk for exploitation and undue harm (Gennet, Andorno, & Elger, 2015). Hence, all participants were experienced business professionals who voluntarily participated in the study. I conducted interviews with five business professionals in the selected ITO project.

Researchers must devise a clear and detailed plan for gaining access to prospective participants, which may include starting with personal relevant contacts (Bergman Blix & Wettergren, 2015). Additionally, establishing a genuine and authentic business rapport with gatekeepers of case study data, as well as developing common goals for study results, are critical in gaining access to rich and dense study data (Le Dantec & Fox, 2015). Furthermore, gaining access to research data requires a combination of strategic planning and demonstration of professionalism, in addition to high ethical standards (Monahan & Fisher, 2015).

During the study, I worked for one of the world's largest *Fortune 100* companies, where I had access to a plethora of case study data providing rich and extensive insights into outsourcing and offshoring decisions under various scenarios. Consequently, the case study occurred at my place of employment. First, I arranged a face-to-face meeting with the head of the sourcing and vendor management department to discuss my goals and objectives for the case study. Next, I identified relevant outsourcing and/or offshoring IT projects that met the criteria of the research. After selecting a suitable ITO project, I met

with key stakeholders (e.g., senior leaders and the senior counsel) to obtain proper authorization to conduct the research.

Following the receipt of written approval, I had the head of sourcing and vendor management distribute an e-mail to all relevant project team members, extending an invitation to participate in the study (see Appendix A). The invitation clearly stated that I was conducting the research study. If they were interested in participating, they had to contact me directly. All interested participants received an informed consent form.

Researchers must build good working relationships with study participants to collect quality data (Singh, 2014). Singh (2014) identified some ways of building rapport with participants: (a) clarify the purpose of the interviews, (b) mention that top management provided consent to conduct the study, and (c) explain how the empirical data will be used in the study. Moreover, building rapport increases data accuracy because participants are at ease and willing to offer honest, candid feedback (Kieckhaefer, Vallano, Schreiber, & Compo, 2013).

Abbe and Brandon (2013) noted that a good rapport supports the goals of study interviews by allowing participants to share their comprehensive and extensive experiences. Therefore, establishing good working relationships and building rapport with all participants was a top priority to ensure a comfort level that was conducive to open and honest communication. During each face-to-face interview, I used an interview guide (see Appendix B) in which I introduced myself and the project. I briefly discussed the research topic, purpose, and objective. I encouraged open, honest, and candid discussions throughout the interviewing process, as well as put the participants at ease

when I sensed any anxiety, stress, or hesitancy. The five participants had the option to opt out at any time during the fieldwork study activities and/or not answer any questions that they were uncomfortable addressing.

Research Method and Design

The research method and design section comprises an evaluation of the various methods and designs researchers use. The methods subsection includes an examination of qualitative, quantitative, and mixed methods, in addition to a discussion of the most suitable method for this study. The design subsection includes an assessment of the case study, phenomenology, ethnography, and narrative inquiry designs, as well as an analysis of the most appropriate design.

Research Method

The three research methods include qualitative, quantitative, and mixed methods (Bernard, 2013; Merriam & Tisdell, 2015). Qualitative researchers explore ideas, opinions, themes, and complex phenomena through multiple data collection approaches (Merriam & Tisdell, 2015). Starr (2014) reported that a qualitative method was suitable when the research topic was inherently complex, and the researcher sought to gain a deeper understanding of the phenomenon through open-ended and flexible inquiry and evaluation. Qualitative research involves gathering data through various techniques that are subsequently coded, categorized, and themed to deduct meaningful conclusions and clarity regarding the phenomenon under study (Elo et al., 2014). Given the research problem and purpose of this study, a qualitative research method was suitable.

Quantitative researchers objectively analyze a determined set of data (Simpson & Lord, 2015; Starr, 2014) that are also generalizable (Bernard, 2013; Tsang, 2014). Merriam and Tisdell (2015) observed that quantitative research facilitated one evaluating the components of parts or variables of an issue, whereas a qualitative study assessed rich, versatile data for understanding the comprehensive drivers of a phenomenon. My research did not involve statistical data analysis, measuring variables to test hypotheses, or evaluating relationships; instead, I explored ideas, complex experiences, opinions, and themes, which aligned better with a qualitative research method.

Mixed-method researchers seek to combine qualitative and quantitative elements to gain a comprehensive understanding of a research question (Hesse-Biber, 2015; Starr, 2014). Mixed-method research entails triangulating quantitative and qualitative data to validate and corroborate findings (Venkatesh, Brown, & Bala, 2013). Frels and Onwuegbuzie (2013) maintained that mixed-method research assisted in producing defensible results through the assessment of realities, resources, and data. Hence, I deemed the method not appropriate due to the lack of statistical data analysis needed for this study.

Research Design

Qualitative research design includes case study, phenomenology, ethnography, and narrative inquiry (Merriam & Tisdell, 2015). A case study research design consists of an empirical inquiry applied to bring clarity to complex issues, ideas, and objects through a minimum of two qualitative data-gathering techniques, such as observation, interviews, and document review (Yin, 2013). A single case or multiple cases provide a holistic and

comprehensive understanding of a complex real-world business phenomenon (Bernard, 2013).

Roses (2013) confirmed that a case study was suitable when the researcher sought to explore several factors or points of interest, rather than analyzing variables. Such research is a *bounded system* or a particular project conducted over a set time frame by employing data collection, sampling, and analysis strategies (Boblin, Ireland, Kirkpatrick, & Robertson, 2013; Harland, 2014). Murakami (2013) stated that an exploratory qualitative case study was suitable when the researcher desired to gain a thorough understanding of a complex phenomenon, as well as to answer open-ended *how* and *why* questions. Murakami added that these studies typically involved small sample sizes, as opposed to generalizing through statistical analysis. I selected the case study research design to explore the strategies that business leaders use to manage ITO using open-ended interview questions and document review.

Researchers can conduct a phenomenological study to gain a clearer understanding of individual lived experiences, primarily through in-depth interviews (Kelly et al., 2016; Tomkins & Eatough, 2013). The aim of a phenomenological study is to depict a basic structure of experience through the views of the participants (Merriam & Tisdell, 2015). Gentles, Charles, Ploeg, and McKibbon (2015) reported that a phenomenology study was a first-person account of a particular situation, primarily captured through interviews. I did not select this methodology because the purpose of the study was not to gain a deeper understanding of the lived experiences of the participants.

Ethnography refers to the methodology that researchers can apply to analyze societal and cultural phenomena (Goldstein et al., 2014). Merriam and Tisdell (2015) found that ethnography research supported evaluating cultural norms, values, beliefs, and behaviors within groups with ongoing data collection over extended periods. Ethnography assists in evaluating characteristics or traits of an entity or group to gain a deeper understanding through respective contexts (Fletcher, 2014; Priestley & McPherson, 2016). I did not select an ethnographic methodology because this study did not entail analyzing a phenomenon related to a cultural or societal group.

Narrative researchers tell stories via textual presentation (Stephens & Breheny, 2013). Tobin and Tisdell (2015) stated that researchers have used a narrative design to collect data through interviews with the aim of increasing awareness of a phenomenon. The researcher elicits narratives through broad, open-ended questions (Witty et al., 2014). I did not use a narrative design because the purpose of this study was not to focus on storytelling.

Marshall, Cardon, Poddar, and Fontenot (2013) recommended that researchers continued to collect data through interviews to the point of diminishing returns (e.g., until no new information or concepts were disclosed). Data saturation ensures the ability to replicate a study because exhausting these data demonstrates validity, completeness, comprehension, and accuracy (Elo et al., 2014). Gentles et al. (2015) stated that investigators have reached data saturation when data collection was redundant and interviews began to add limited to no value. I ensured data saturation in the study by

continuing to interview participants until there were no new identifiable themes or categories.

Population and Sampling

The population consisted of business professionals in a financial services organization located in the Midwestern region of the United States who executed a successful outsourcing IT project. Gentles et al. (2015) stated that purposeful sampling was the most commonly used method of qualitative research, entailing selecting relevant cases that offered rich, in-depth information on the research topic. For purposeful sampling, investigators apply professional judgment in selecting participants and data sources that are most suitable for addressing the research question (Elo et al., 2014; Yin, 2013). Robinson (2014) argued that purposeful sampling was optimal when conducting a single-case study to acquire relevant and substantive data. Poulis, Poulis, and Plakoyiannaki (2013) explained that purposeful sampling, also known as purposive sampling, represented participants and data that focused on the theoretical purpose of the study and the associated research question. For this research study, I used purposeful sampling to identify a pertinent, single-case study that contained rich and thick data that addressed the research question, as well as aligned to the TCE theory.

Gentles et al. (2015) asserted that qualitative research typically had smaller sample sizes compared to quantitative research because the primary objective involved gaining a comprehensive understanding of a complex and dynamic phenomenon rather than to achieve generalizability. Robinson (2014) argued that data saturation should assist one in deciding the appropriate sample size. However, he added that establishing a

minimum and maximum range might aid in planning and designing fieldwork activities while enabling flexibility. Marshall et al. (2013) suggested that investigators should interview 15 to 30 participants for qualitative information systems research, but they also noted that the case richness and relevance of the participants influenced the appropriate sample size. For this research, the sample size was flexible and depended on the richness and thickness of the data for the selected case study to achieve data saturation. However, for planning purposes, I anticipated that the sample size ranged from 3 to 10 participants, given that I conducted a single-case study; the final number of participants was five.

Researchers meet data saturation when they discover no new themes, ideas, or categories during the interviews with participants (Kelly et al., 2016). Fusch and Ness (2015) noted that assessing data saturation was unique to each specific case study, as were the quality (i.e., rich) and quantity (i.e., thick) of the data collected. Elo et al. (2014) asserted that qualitative researchers should begin to identify preliminary themes and categories after conducting a few interviews to evaluate data saturation on an ongoing basis as the remaining interviews progress. To ensure data saturation, I continued to conduct interviews until participants communicated no new information, including categories and themes.

Merriam and Tisdell (2015) stated that researchers should gather accurate data when participants were in their natural environments with minimal disruptions. Qualitative researchers should conduct case study research within the natural setting of the case (Yin, 2013). Yilmaz (2013) contended that qualitative research, conducted within the participants' natural settings, enabled researchers to gain an in-depth

understanding of research topics by capturing quality data through the participants' contextual lenses. This research study involved various data collection methods, including face-to-face interviews with participants in their natural environments (e.g., office or conference room) with limited disruptions to gather accurate and complete data.

Ethical Research

Rowbotham, Astin, Greene, and Cummings (2013) reported that the informed consent process allowed researchers to educate potential participants by providing information on the research topic, purpose, and the associated risks and benefits of participation. Researchers who encourage participants to ask questions and gain clarity before signing the informed consent document support the ethical standards of protecting study participants from any undue harm (Stein & Wagner, 2014).

Before they signed the consent form, I encouraged potential participants to discuss matters with me either face-to-face or via telephone. I used this process to give participants a thorough understanding of the study and the implications of agreeing to participate in the study. Moreover, I obtained signed, informed consent forms before I began any study fieldwork activities.

Researchers minimize the fear of retribution by emphasizing that participation is voluntary and that there is no consequence for withdrawing at any time during the research process (Drake, 2013). Participants were free to withdraw from the study at any time without penalty by providing written notification of their intentions to discontinue. Researchers who provide monetary incentives to participants may inadvertently coerce participation, rather than promote voluntary involvement, thereby jeopardizing the

research results (Barton, Tam, Abbott & Liaw, 2016; Thornton et al., 2016); thus, I did not offer incentives for participation.

Morse and Coulehan (2015), as well as Drake (2013), found that researchers protected participant privacy and confidentiality through the anonymity provided with indirect identifiers. To protect the names of the participants and the organization involved in the case study, I used unique identifier codes, rather than actual names. For example, I assigned a letter code for each participant (P), followed by a number (Participant 1 = P1). I also securely maintained all data files, including interview notes, company documents, and other pertinent data, in a locked file cabinet located in my home office. For electronic files, I password protected and will maintain the data for 5 years. Following the 5-year retention period, I will properly shred and delete all physical and electronic copies, respectively. Walden University's IRB approval number is 01-17-18-0393741, with an expiration date of January 16, 2019.

Data Collection Instruments

Merriam and Tisdell (2015) stated that the qualitative researcher is the main instrument employed to gather, analyze, and interpret study data. Moreover, Yin (2013) noted that a case study required a minimum of two data sources, including review of company and archival documents, interviews, observations, and focus groups. Flick (2015) argued that obtaining data from multiple sources, such as interviews, surveys, questionnaires, and company documents, substantiated the research findings. My role as the researcher in the study was to ensure that I maintained a neutral, objective, and professional perspective while gathering, analyzing, and interpreting the data. I addressed

the research question by evaluating data drawn from two sources: interviews and document review.

Semistructured interviews entail predefined questions often listed in an interview guide or protocol that concentrates on various facets of the research problem and question (Peters & Halcomb, 2015). I conducted face-to-face, semistructured interviews using open-ended questions (see Appendix C) and followed an interview guide and protocol (see Appendix B). Merriam and Tisdell (2015) defined documentation in the broad sense, as any form of written communication (i.e., company documents, newspapers, diaries, and financial statistics) that was relevant to providing further insight into the research question. Yin (2013) reported that researchers could use multiple sources of data, such as interview transcripts and company documentation, to corroborate and augment evidence identified from other sources. Fusch and Ness (2015) suggested that methodological triangulation or exploring the same phenomenon with multiple data sources added reliability and validity to studies by demonstrating exhaustive exploration. This study also included a review of company documentation related to the selected IT project, such as the service provider outsourcing contract agreement, SLAs, governance meeting presentations, and other pertinent documents.

Williams and Murray (2013) explained that researchers conducting semistructured, open-ended, face-to-face interviews must follow up summarized discussions with member checking to validate the accuracy of the interpretations and key findings, which would demonstrate the credibility of the study results. Boblin et al. (2013) added that member checking increased the robust nature of study results.

Investigators achieve the trustworthiness of qualitative content through validity checks, such as member checking, to verify the accuracy of the content and of the data synthesis and interpretation (Elo et al., 2014; Harding & Fox, 2014).

During the interviews, I verbally paraphrased and summarized the information discussed to verify if my interpretations and conclusions were accurate. After the interviews, I analyzed and synthesized my interpretations of the discussion, and then validated the interpretations with the participants to ensure completeness and accuracy. Finally, I made corresponding changes to the interpreted results based on their feedback.

Data Collection Technique

A case study research design requires multiple forms of data collection (Houghton, Casey, Shaw, & Murphy, 2013). A researcher using multiple sources of data enhances the credibility of the study (De Massis & Kotlar, 2014). According to Yin (2013), interviews are the primary source of case study data, and researchers use secondary data sources, such as archival documentation and observation, to substantiate and triangulate study results. For the study, I used two data collection techniques. The primary data source was face-to-face, semistructured interviews, and the secondary source was document review.

In preparing for the face-to-face, semistructured interviews, I reviewed the details of the interview guide and protocol (see Appendix B), including the interview procedures and the open-ended questions (see Appendix C). Before commencing interviews with the participants, I conducted brief introductions, including my background and the purpose of the research study, to build rapport and alleviate any anxiety. Next, I requested

permission to tape record the interviews, in addition to taking notes in a journal of critical information and nonverbal cues. Consequently, I began to ask the semistructured, open-ended interview questions.

Semistructured, face-to-face interviews pose several advantages and disadvantages. According to Peters and Halcomb (2015), interviews are the most commonly used data collection strategy for qualitative research. The authors added that semistructured interviews gave the researcher some flexibility to ask probing and follow-up questions that might produce rich, comprehensive, and quality data aligned to the research topic. Additionally, semistructured interviews enable collecting relevant data with a greater likelihood of reaching data saturation by asking the same predefined questions repeatedly in sequential order (Fusch & Ness, 2015; McIntosh & Morse, 2015). Moreover, face-to-face interviews empower researchers to gather both verbal responses and nonverbal cues to adjust and adapt during the data collection process (McIntosh & Morse, 2015). In contrast, simultaneously asking questions, taking notes, and listening to participants' accounts might impair the quality of the research findings (Moustakas, 1994; Yin, 2013).

By tape recording all interviews, in addition to taking detailed written notes, I ensured that I captured a true and complete account of the information shared during the interviews. Furthermore, I paraphrased key information during the interviews to verify interpretations. Finally, after the interviews, I interpreted, analyzed, and summarized the discussions and followed up with member checking, thereby increasing the reliability and validity of the study.

Several researchers noted that interviews are time-consuming and costly to administer, considering travel time to and from the field site, actual interview time, and then transcribing the recorded interviews or summarizing the information discussed during the meetings (Moustakas, 1994; Yin, 2013). A well-structured interview guide streamlined the process and enabled efficiency gains over time. For this study, the research site was also my place of employment; therefore, I did not incur additional travel time to conduct the research study. The degree of research quality (i.e., rigor, validity, and comprehensiveness) depends largely on the professional judgment of the researcher during data collection, interpretation, and summarization (Sandelowski, 2015). Thus, paying close attention to detail, remaining neutral and objective, and making prudent decisions were imperative in performing a high-quality research study.

Secondary data, such as company documents, pose several advantages and disadvantages. The primary advantage of using secondary data for a case study is the triangulation aspect to the primary data that delivers reliable study results (Houghton et al., 2013; Yin, 2013). Another advantage is that researchers can gain holistic and comprehensive perspectives of the phenomena when they evaluate multiple sources of data (De Massis & Kotlar, 2014). Conversely, the disadvantages of using secondary data are that the information might be incomplete, outdated, and/or inaccurate (Doody & Noonan, 2013). For this study, I performed an extensive review of related company documents, including the Master Professional Services Agreement (MPSA) and collateral (DOC1), statement of works (SOWs; DOC2), governance meeting presentations (DOC3), vendor performance review collateral (DOC4), request for proposal (RFP; DOC5), the

outsourcing policies and standards (DOC6), and onshore vs. offshore analysis (DOC7) from November 2014 to March 2018. Additionally, I evaluated and followed up with the participants to validate and verify interpretations of the data.

Data Organization Techniques

Computer assisted qualitative data analysis software (CAQDAS), called NVivo, assists researchers in data organization and storage from various source formats, such as Microsoft Word and Excel (Amerson & Livingston, 2014; Gale, Heath, Cameron, Rashid, & Redwood, 2013). During the fieldwork data gathering stage, I stayed structured and organized by maintaining (a) a journal to take notes, (b) a three-ring binder with tabs to store physical company documents, and (c) NVivo software to store pertinent information, such as the interview responses and company documents. I assigned all participants under study unique identifier codes and tracked all data using these designated codes. Incorporating an organization system supported a smooth data analysis process.

I kept all hard copy data files, including journal notes, binder, and other relevant documents, in a locked file cabinet for confidential purposes and password protected all electronic files. I will securely store the hard copies and electronic files for five years following Walden University IRB requirements. I will delete all electronic files and shred all physical files after that time.

Data Analysis

Data analysis involved transforming data, including interview responses, company documentation, and other pertinent data, into (a) standard broad codes, (b)

converting the codes into categories or keywords, and (c) translating the categories into key themes (Pierre & Jackson, 2014; Tseng, Wang, & Weng, 2013). Yin (2013) suggested that qualitative researchers performed a five-step data analysis process of (a) compiling the data, (b) disassembling the data into meaningful categories or classifications, (c) reassembling the data by codes or themes, (d) interpreting the implications, and (e) concluding on the study findings. Gale, et al. (2013) noted that the framework method of analyzing interview data was an effective systematic approach to evaluating voluminous data. The analytical framework included setting codes, developing categories and themes, and interpreting findings. McIntosh and Morse (2015) found that data analysis revealed comprehensive, in-depth accounts of participants' experiences. I used Yin's (2013) five-step data analysis process to ensure a thorough and comprehensive evaluation to produce credible study results.

Fusch and Ness (2015) argued that methodological triangulation delivered reliable and valid study results through the application of multiple research methods (i.e., mixed-method research) or assessing multiple data sources. Triangulation results in three possible outcomes: (a) convergence of results, which demonstrates validity; (b) different but complementary results, providing additional insight into a phenomenon; and (c) different but contradictory results, which contributes to the overall comprehensive and complete nature of the study (Heale & Forbes, 2015). Methodological triangulation also adds reliability and validity to research by confirming the results of data analysis and interpretation of the findings (Gorissen, Bruggen, & Jochems, 2013; Hussein, 2015). For this case study, I used methodological triangulation to analyze the multiple data sources

(i.e., interview responses and company documents) to deliver reliable and valid study results.

Pattern generating tools or CAQDAS enable the researcher to conduct rich and extensive analysis for clear understanding of a particular research topic (Paine, 2015; Davidson, Paulus, & Jackson, 2016). Bentz, Blumenthal, and Potter (2014) and Zamawe (2015) stated that one could use web-based and CAQDAS tools to support timely and efficient assessments, while maintaining data quality and integrity. Based on these suggestions, I uploaded the data and documents in Microsoft Word, Excel, and PDF into NVivo for assistance in organizing, coding, categorizing, and establishing key themes.

Qualitative researchers must align key themes from the various data sources with key themes in the literature, as well as with the conceptual framework (Yin, 2013). De Massis and Kotlar (2014) stated that researchers should connect the empirical evidence to the theory or conceptual framework to produce high-quality case study results. Researchers who demonstrated that multiple data sources were consistent with the existing literature or theory would increase the credibility of the theory, along with the study results (Houghton et al., 2013). I evaluated the key themes I identified from the interviews and company documents to determine the relationships with the concepts in the TCE theory (i.e., transaction cost, opportunism, bound rationality, and complexity) that affected outsourcing strategies and ultimately business outcomes. I either substantiated or argued certain assumptions presented in the literature. Additionally, I reviewed new literature and incorporated findings into the study. By applying the TCE

theory, I determined the main themes that either confirmed or rejected the effective strategies business professionals use to manage outsourcing IT processes.

Reliability and Validity

Qualitative case study research is subjective in nature, and therefore requires full transparency of the research design and approach, allowing readers to trust the reliability and validity of the study results (Cronin, 2014). The quality (i.e., the comprehensiveness, reliability, and validity) of qualitative research depends on the investigator's due diligence in collecting, interpreting, analyzing, validating, and summarizing the data (Sandelowski, 2015). Cronin (2014) noted that qualitative research must be credible, dependable, conformable, and transferable to be reliable and trustworthy, and Singh (2014) found that for qualitative research to produce reliable and valid results, it must be complete and thorough.

Reliability

Reliability refers to when other researchers replicate a study and obtain similar results (De Massis & Kotlar, 2014; Funder et al., 2014), and qualitative research is reliable when researchers demonstrate dependability of the data (Houghton et al., 2013). De Massis and Kotlar (2014) found that research was reliable and dependable when there was clear and thorough documentation of the research approach, member checking, minimal errors, and an objective perspective. Member checking validates that research findings are complete and dependable (Harding & Fox, 2014; Williams & Murray, 2013). I followed an interview guide to ensure a consistent and standard protocol for each

interview. After the data collection, I validated my summarized interpretations through member checking to verify accuracy and completeness.

Validity

Validity signifies the suitability of the tools, processes, and data used to address the research question in a study (Leung, 2015). Singh (2014) described three forms of validity: (a) construct (i.e., data collection instruments that are strengthened by data triangulation), (b) internal (i.e., strategies that eliminate the ambiguity of results through member checking), and (c) external (i.e., evaluating transferability through data saturation). Yilmaz (2013) reported that the validity of qualitative research is a culmination of the following concepts: credibility, trustworthiness, and authenticity, which researchers must achieve through rich, thick data, comprehensive presentation, member checking, and triangulation of research results.

Credibility refers to the believability of the findings and study results (Houghton et al, 2013). Williams and Murray (2013) recommended that researchers follow up interviews with member checking, which would demonstrate the credibility of the study. Credibility ensures that a researcher presents complete and accurate data interpretations and research findings (Hussein, 2015). The research involved member checking follow-up of summarized data interpretations to ensure the creditability of my research results.

Transferability refers to one being able to apply the findings of one study to another setting or group (Elo et al., 2014). Houghton et al. (2013) reported that transferability meant whether findings from one study, including conclusions and inferences, were applicable to another contextual setting. Qualitative research is

transferable when the research approach is fully transparent regarding the end-to-end process, resulting in a clear audit trail, and reflects a consistent methodology (Venkatesh et al., 2013; Yilmaz, 2013). With this study, I focused on the effective strategies that business leaders use to manage outsourcing IT project in a financial services company located in the Midwestern region of the United States. Hence, the boundaries of this study might affect the transferability of the findings to other sectors and geographic regions. To ensure transferability of the study, I documented a detailed description of the end-to-end process, including participants, research approach, and data analysis process.

Confirmability equates to study results substantiated by data validity techniques, such as probing and follow-up questions, member checking, and triangulation of multiple data sources (Singh, 2014). Qualitative researchers must demonstrate that they have corroborated study results through validity checks, such as member checking (Yilmaz, 2013). Park, Chun, and Lee (2016) noted that qualitative researchers use experts to evaluate or validate interview data to ensure the accuracy of findings, and Harland (2014) maintained that peer review reinforced that a study had undergone extensive rigor and scrutiny to deliver quality findings. Peer debriefing by a committee ensures the complete and accurate nature of the study (Yilmaz, 2013).

During the face-to-face semistructured, open-ended interviews, I asked probing, follow-up questions to gain clarity and an accurate account of the phenomenon. Additionally, I triangulated multiple sources of data (i.e., interviews and company documents), as well as verified summarized data interpretations through member checking. The research study underwent scrutiny and rigor from a committee review.

Qualitative researchers can achieve analytical generalization, which is the point when abstract concepts and ideas have reached data saturation and are transferable to other sites and similar situations (Marshall et al., 2013; Yin, 2013). Elo et al. (2014) noted that data saturation prove that the researcher has performed the necessary due diligence and rigor to present valid and transferable results. I used an interview guide to conduct all interviews to ensure that I used a consistent approach and methodology throughout the interviewing process. Additionally, I continued to interview participants until they revealed no new information regarding the research topic.

Transition and Summary

The purpose of this qualitative single-case study was to explore strategies that business leaders use to manage ITO. I engaged business leaders who participated in a successful outsourced IT project in an organization in the financial services industry in the Midwestern region of the United States. In Section 2, I provided details regarding the purpose of this study, a discussion of the role of the researcher, the study participants, the research method and design, and the population and sampling methods. In Section 2, I also described the plan for data collection, organization, and analysis, followed by a description of reliability and validity concerns as they pertain to the study. Additionally, I stated that I used open-ended, semistructured interview questions and the appropriate analysis technique.

In Section 3, I will cover seven essential areas: (a) introduction, (b) presentation of the findings, (c) the application to professional practice, (c) implications for social change, (d) recommendations for action, (e) recommendations for further study, and (f)

reflections. I will provide an overview of the study in the introduction; the majority of Section 3 is devoted to the study findings. Linking responses to an analysis of each question to the earlier literature presentation is essential for reflecting the new knowledge I have gained. Tying the findings to both the conceptual framework and existing business practice will conclude this portion. The final sections will link study findings to current professional practice, potential implications for social change, action recommendations, further study recommendations, and personal reflections. Exploring personal growth and transition marks the reflection section.

Section 3: Application of Professional Practice and Implications for Change

Introduction

The purpose of this qualitative single-case study was to explore strategies business leaders use to manage ITO. I conducted in-depth face-to-face semistructured interviews with five business professionals in the selected ITO project. Additionally, I performed an extensive review of related company documents, including the Master Professional Services Agreement (MPSA) and collateral (DOC1), statement of works (SOWs; DOC2), governance meeting presentations (DOC3), vendor performance review collateral (DOC4), request for proposal (RFP; DOC5), the outsourcing policies and standards (DOC6), and onshore versus offshore analysis (DOC7), from November 2014 to March 2018. Before engaging in the interviews, participants reviewed and signed the consent forms, which I emailed to them prior to the day of the interview to give them sufficient time to review and ask any questions before signing the hard copy.

All interviews took place at the research site in the participant's private office or a conference room located in the Midwestern region of the United States. I posed eight questions (see Appendix C) to gain a comprehensive understanding of the strategies business leaders use to manage ITO. In this section, I offer (a) an overview of the study, (b) a presentation of the findings, (c) a discussion of applications to professional practice, (d) a discussion of implications for social change, (e) recommendations for action, (f) recommendations for further study, (g) my reflections, and (h) the conclusion.

Presentation of the Findings

The overarching research question for this qualitative single-case study was the following: What strategies do business leaders use to manage outsourced IT processes? To answer the question, I conducted interviews with five business professionals (a business owner; sourcing and vendor management and finance professionals), who played an integral role in the selected ITO project. The study participants' years of experience working on the ITO engagement ranged from 2 to 10 years (or from inception) with the service provider.

The service provider is a conglomerate headquartered in India. The outsourced IT services included application development (AD); application, support, and maintenance (ASM); and quality assurance testing (QA). The IT outsourced operations included a combination of onshore and offshore resources. With the participants' permission, I audio-recorded the interviews, as well as took notes in a journal of critical information and nonverbal cues. During the interviews, I paraphrased key information to gain clarity and validated my interpretations. After completing the interviews, I interpreted, analyzed, and summarized the discussions, and then followed up with participants to perform member checking to increase the reliability and validity of the study. Subsequently, I imported the Microsoft Word, Excel, and PDF files into NVivo 11 for Windows for coding, analysis, data triangulation, and theme extraction. After completion of the data analysis, three themes emerged.

1. Vendor governance and oversight assisted effective management of ITO.
2. Collaborative strategic approach facilitated effective management of ITO.

3. Sound risk management strategies enabled effective management of ITO.

I address and discuss each of these themes individually in the sections that follow.

Theme 1: Vendor Governance and Oversight Assisted Effective Management of ITO

The first theme that emerged from the data was that vendor governance and oversight assisted effective management of ITO. All the participants in the study (P1, P2, P3, P4, and P5) asserted that management governed the end-to-end outsourcing process (e.g., the pre-contract phase, the contract execution and management phase, and the vendor management and oversight phase) to manage the ITO engagement effectively. One of the study participants (P2) reported that the organization's outsourcing model was very complex depending on the project, which might involve multiple vendors, including staff augmentation vendors that created a level of uncertainty to manage and govern effectively. The study participants reinforced the findings of Wiengarten et al. (2013), who concluded that one needed a holistic and comprehensive strategic approach to governing outsourced operations to yield favorable results. The participants posited that a robust governance infrastructure concerning the strategic business partner began at the pre-contract phase (e.g., make-or-buy decision and vendor selection) of the outsourcing process.

Governance infrastructure for pre-contract phase. Four of the five participants (P1, P2, P4, and P5) stated that the make-or-buy decision for the ITO project underwent thorough analysis and evaluation that included gathering inputs from stakeholders (e.g., the parent company requirements and senior leaders' feedback) to make a prudent

business decision. P1 was not involved in the initial outsourcing decision that occurred in 2007. Yet, based on knowledge gained after the relationship was established, P1 asserted that the outsourcing decision involved a balance between assessing resource management (internal vs. external capacity) and cost, including productivity savings. P2 recalled the following:

> Management began outsourcing in the early 2000s to achieve low unit cost targets set by the *parent company* (also known as *Group*). Management was required to determine the right cost effective mix between in-house and external resources (onshore and offshore resources) in order to meet their business objectives (e.g., acquire new capabilities, improve performance, and reduce cost). Therefore, during 2007, management took an inventory of the IT work currently performed by employees and then determined what processes they wanted to outsource vs. maintain in-house. After extensive analyses of the IT operations, management determined (right or wrong at the time) that many of the IT roles were *commoditized* (roles that did not require in-depth knowledge of the organization's business operations, including platforms, systems, and applications). Therefore, management decided to outsource all their commoditized roles to strategic business partners and maintain in-house their non-commoditized roles (e.g., business analysts, enterprise architects, and project managers) in an effort to focus on the organization's core competencies.

P4 and P5 echoed similar remarks that their roles involved assisting IT capability management in various cost and capability evaluations to help them make sound

outsourcing decisions. Management performed a detailed analysis with a cross-functional team before making its outsourcing decision. The main drivers for outsourcing the IT process involved reducing cost and acquiring the right capabilities to perform commoditized IT roles for the organization.

The participants corroborated the findings of Hepeng (2014), who asserted that adequate planning and due diligence prior to the outsourcing decision would add economic and strategic value for the organization. Additionally, P2 supported the findings of Letica (2014), who found that outsourcing noncore activities (or commoditized roles) enabled managers to focus on core capabilities to deliver higher value for their enterprises. This component of the theme also connected to new research by Hanafizadeh and Zare Ravasan (2017), whose empirical study results revealed that 9 out of 11 assumed factors involved predicting drivers for bank outsourcing, while organization size and absorptive capacity had no influence on such decisions. The nine factors were *perceived tangible/intangible benefits*, perceived risks, perceived information security/privacy, complete contract establishment capability, making strong trustworthy relationship capability, uncertainty in business requirements, external pressure and market maturity. Management also executed a staggered strategic approach (or a risk rising outsourcing strategy) when outsourcing with the strategic business partner to mitigate significant risks proactively.

P2 and P4 expressed that management used a staggered strategic approach (begin with first outsourcing low risk activities, such as commoditized IT roles, and then gradually moving up the value chain) to execute the ITO business venture. For example,

P2 mentioned that management first outsourced IT roles that they believed were commoditized at the time when they made the outsourcing decision. Additionally, P4 posited that management started by outsourcing simple tasks (or commoditized tasks), and then eventually outsourced strategic, complex tasks as they built a stronger business partnership and sound outsourced operations. The study participants used a risk rising outsourcing strategy, starting with lower risk activities, and then eventually outsourcing more complex, high risk activities after management established a solid partnership and process.

The participants affirmed the findings of Brcar and Bukovec (2013), who concluded that management would gradually shift their ITO strategies from simple tasks to sophisticated tasks to gain strategic and economic benefits. Conversely, the participants also substantiated the study results of Fogarty and Bell (2014), who discovered that outsourcing had a *cascading effect*, whereby organizations began with outsourcing noncore activities. The leaders eventually outsourced sophisticated services to improve overall firm performance and sustain competitiveness. The study participants also expressed that management had governance around the vendor selection process to deliver a successful business outcome.

P1, P2, P4, and P5 reported that management had a sound governance and vendor due diligence infrastructure in place for selecting appropriate vendors or strategic business partners for outsourced operations. P1 stressed the key attributes considered in selecting an appropriate vendor was cost, quality, and capabilities. P2 stated,

Management first conducted a request for information (RFI) from several vendors to gather general information, such as services offered, insurance industry experience, capabilities, and locations. Next, management executed the RFP process, including evaluating multiple criteria (e.g., vendor presence in the United States, insurance industry experience, insurance clients, vendor mix suggestion (onshore vs. offshore), and location of offshore facilities) from seven vendors. A key criteria management assessed was did the vendors have ITO and BPO capabilities since they were in search of a strategic partner to perform both services. The thought pattern was management could negotiate a better deal or lower the cost based on volume. Management then visited the vendors' facilities in India to conduct an in-depth evaluation. Based on the comprehensive assessment, management selected two vendors for negotiation purposes. Ultimately, management decided to execute a *multivendor strategy* whereby using the two vendors for similar IT services, but for different platforms, systems, and applications by line of businesses (LOBs). One vendor performed BPO (for all LOBs) and ITO (for only the fixed annuity and life insurance LOBs) while the other vendor performed ITO (for the variable annuity LOB), as well as for the closed business (e.g., products no long sold in the marketplace). Management used the multivendor strategy since the vendors offset each other in certain aspects enabling a healthy competitive environment in addition to reducing dependency risk.

P4 affirmed P2 by stating the key vendor criteria used to select the vendor was their ability to perform both BPO and ITO to gain the best value by maximizing negotiation power. Additionally, P4 supported P2's statement that management first conducted a RFI, and then a formal RFP process to select a suitable vendor, in which executive leaders reviewed and approved. Similarly, P5 expressed,

> A well-constructed RFP includes information about the issuing company, current situation, pain point, as well as objectives and goals. Management will ask the responding vendor to answer relevant questions relating to the specific needs of the organization, explaining how and where they have performed these services previously. Also, when appropriate, management will perform reference checks.

The study participants asserted that sound governance and a formal due diligence process, including onsite visits, should be in place when selecting a suitable strategic business partner. P2 also stated that management used a multivendor strategy to create healthy competition among the vendors, along with mitigating dependency risk.

The study participants reinforced the study results of Nduwimfura and Zheng (2015). Nduwimfura and Zheng found that supplier selection was one of the most critical decisions in outsourcing that could lead to the success or failure of an outsourcing initiative. Similarly, the participants echoed Watjatrakul (2014). Watjatrakul concluded that management should execute a sound due diligence process to select a suitable vendor, who was committed and trustworthy in delivering quality services. Lastly, F. Su et al. (2014) found that business leaders who employed the multivendor strategy were minimizing single-source dependence risk that resulted in high transaction and switching

costs. A review of the designated company documents (or the secondary data) substantiated the interview data (or the primary data).

A review of the RFP (DOC5) document supported the interview data that management evaluated multiple criteria before selecting a suitable vendor. Specifically, the RFP included the following main sections: an introduction, objective, and overview; scope of services; supplier information (e.g., company information, general performance, financial statements, organization structure, company goals, business organization, general experience and roadmap, service offerings, employee head count, capability descriptions, qualifications, metrics, performance levels, and vendor location); procedures, requirements, and conditions; code of conduct; customer references; and security requirements. Additionally, a review of the *Sourcing Policy* (DOC6) dated November 29, 2017 agreed to the interview data that management had a governance infrastructure around the vendor vetting and due diligence process.

The policy included the following statement: “Management should select vendors based on the best overall value” for the company, including considerations around demonstrated capability, financial strength, price, and risk management framework in place. According to the policy, management is required to conduct a RFI, RFP, evaluate the RFPs, and conduct vendor due diligence (e.g., financial and credit assessment, compliance/information security and privacy evaluations, operational and business competency, business continuity assessment, legal and regulatory compliance validation, and potential conflicts of interest), along with performing ongoing risk assessments.

Business leaders who utilized an efficient, multicriteria vendor selection tool (e.g., RFP process) might gain a competitive advantage by identifying suitable, long-lasting business partnerships with vendors who delivered timely and high quality service (Rouyendegh & Saputro, 2014). Watjatrakul (2014) found that the vendor selection method, as well as the criteria and weights used in identifying an appropriate vendor, might influence the results. Hence, sufficient due diligence in methodology and assessment were critical in selecting the right vendor. The study participants stated that sound governance around the contract execution and management phase (e.g., contract negotiations and execution) led to a successful business outcome for the ITO project.

Governance infrastructure for contract execution and management phase. Analysis of interview data revealed the study participants (P1, P2, P3, and P5) reported that management utilized two types of contracts (fixed bid; time and materials) for the IT services (e.g., AD, ASM, and QA), as rendered by the strategic business partner to generate favorable results. P1 noted that management used two types of contracts with the vendor, whereby management executed the time and materials model when staff augmentation was required to perform the IT service, such as working on an AD project. P2 explained the in-depth negotiation strategies used to execute each contract. P2 reported,

> IT leaders use the *fixed bid contracts* for ASM services since the expenses are predictable. However, there is a lot of work that goes into drafting a fixed bid contract, such as determining the services provided, identifying the specific apps, determining the size of the apps, and estimating the workload for each app. The

relationship with our business partner has matured over the years whereby they now tell management how many dedicated full-time resources they have for each app, which is important for negotiation purposes. IT management will amend the fixed bid contract accordingly if the application landscape changes. For example, if management retires an app, then we expect a reduction in the monthly fixed fee charges and vice versa if management adds new apps. The vendor does not like to do a fixed bid contract unless they have 100% control over the IT project. Conversely, IT Management uses *time and materials contracts* for AD or new projects since it is easier to execute for these types of activities (new IT projects are unpredictable and the scope may change or evolve, which makes it easier to pay a hourly rate for time spent on the project). AD projects along with QA testing that support AD projects use the time and materials contracts. IT management knows what kind of resources (type of role and seniority level) they need for a particular project and there are pre-negotiated global rates that the Group Outsourcing department establishes for all their operating entities (OEs), so it is easier for IT management to estimate hours and total cost for negotiation purposes. The business partner will provide their estimated hours and cost for the project and then IT management will validate the information for reasonableness and cap (or negotiate a reasonable estimate with) the vendor, so in essence it is like a fixed bid contract due to the ceiling placed on the vendor. The strategic partner can accept or reject or counteroffer until the parties reach an agreement.

P3 validated P2's interview data by stating that ASM services was typically under a fixed bid contract, and AD was generally a time and materials contract. Lastly, P5 added that for the fixed bid contracts, managers considered the following factors: (a) what were the early termination clauses; (b) was the cost aligned with the agreed upon global rate card established by Group; (c) what services were the vendor providing, (d) what were the milestones and deliverables; and (e) what was the payment structure (i.e., is the vendor invoice upfront or upon acceptance of final deliverables; as a best practice, management prefers to pay the majority of the expenses at the back end or optimally upon acceptance of final deliverable). The participants expressed that management used different types of contracts mainly to manage the total cost for the various IT services. The negotiation strategies to implement each type of contract played an integral role in deriving a successful business outcome.

The study participants reinforced the findings of Letica (2014), who discovered a statistically significant, positive correlation between robust contract management and successful outsourcing. Vining and Globerman (1999) found that effective management of total cost, including bargaining cost (or negotiation cost), would lead to successful business results. The participants also expressed that sound governance infrastructure concerning contract negotiations attributed to a successful business outcome.

The study participants (P2, P4, and P5) explained that management acquired contract negotiation power primarily through competitive bidding (e.g., have at least two vendors compete against each other) and global volume discounts (e.g., negotiations occur on a global scale by Group Sourcing). P2 stated,

> Group Sourcing establishes the global rate cards for OEs to access. Group evaluates the amount of volume OEs are using with certain vendors on a global scale and negotiates the best deal possible by establishing global rates that are available to the OEs for their local IT projects.

Additionally, P4 stated that the negotiated global rates might not be beneficial when using a highly dependent vendor that provides a specialized asset or service (e.g., a specific administrative system, application, or IT platform) because they could dictate higher rates leaving their clients with limited negotiation power; therefore, management is forced to pay the premium rates. P5 corroborated P2 interview data regarding the Group Sourcing infrastructure and added that management negotiated the global rate cards every three years. Hence, management could lock in low rates for three years (or rates remain flat during a set duration).

Lastly, P5 explained management's renegotiation strategies with the strategic vendor that occurred in 2014 along with the key business outcomes. P5 reported that the renegotiation efforts mainly centered on updating the global rates, along with SLAs, KPIs, and penalties, as well as favorable contract terms and conditions. P5 claimed that the renegotiated contract led to a cost savings of $4.1MM over the course of 5 years primarily due to a reduction in the global rates.

Outsourcing clients with negotiation power increased the likelihood of achieving their business objectives, such as lowering cost and gaining favorable contract terms and conditions. The study participants reinforced the findings of Patil and Patil (2014), who concluded that high management engagement in developing sound contract terms and

conditions, including SLAs and KPIs, as well as strong strategic partnerships, had positive impacts on firms' bottom lines. Additionally, the study participants validated the findings of Eltantawy et al. (2014), who concluded that the effectiveness of the sourcing or procurement department had direct positive correlations with reputation, vendor management, and overall outsourcing performance. A review of the designated company documents corroborated the interview data.

A review of a presentation on the key changes of the renegotiated MPSA (DOC1) and the SOW for the ASM services (DOC2), dated November 25, 2014, supported the interview data that management achieved the following during contract negotiations: (a) updated terms to industry standards (e.g., cap on liabilities for privacy breaches, privacy language strengthened, shared liability for India's service tax, and other pertinent updates); (b) obtained more services at the same cost for the fixed bid contract for ASM services (e.g., cost savings of $4.1MM (or a 10% run rate reduction over 5 years), no cost of living adjustment (COLA) for years 1 and 2 for onshore resources, increased support 1700 incidents vs. 1600 incidents, and quality resources to perform services); and (c) updated SLAs, KPIs, and penalties. Conversely, a review of the global rates card, included in the MPSA (DOC1), corroborated that Group Sourcing did negotiate reduced rates (ranging from 1% to 25% rate reduction) for a majority of the IT roles and skills by levels of experience for the time and materials contracts.

Lastly, a review of the *Vendor Management Policy* (DOC6), dated November 29, 2017, substantiated the interview data that the sourcing and vendor management role was responsible for developing the negotiation approaches and contract management

execution. Kim et al. (2013) found that effective contract and vendor management significantly influenced organizational performance, including cost efficiency, performance improvement, and overall satisfaction. The study participants stressed that a solid governance infrastructure for the vendor management and oversight phase (e.g., monitoring and steering; performance management) led to a positive business outcome for the ITO project.

Governance infrastructure for vendor management and oversight phase. The study participants (P2, P4, and P5) expressed that a critical success factor for the ITO project involved having regular governance meetings with the strategic business partner. P2 noted that management conducted regular governance meetings with the vendor to discuss performance, issues, and accomplishments, as well as review various metrics on a weekly and monthly basis. P4 validated P2's statement, in addition to adding meeting cadence with the vendor, included daily, weekly, monthly, and biannually. Additionally, P4 expressed that the monthly governance meetings were comprised of the following stakeholders: the capability vice presidents and directors, sourcing and vendor management representatives, and the strategic partner's management team. P4 also emphasized the importance of the capability vice presidents' presence in the monthly meetings "show hands on engagement," in addition to setting the right tone at the top from a governance perspective.

Lastly, P5 reported that the business partner onshore resources were meeting with capability managers almost on a daily basis along with an established meeting cadence (e.g., weekly, monthly, and biannually) with designated stakeholders. The governance

meetings enabled an environment conducive to constructive dialogue with stakeholders to discuss and resolve contract and performance management issues. The study participants' assertions reinforced the findings of Wiengarten et al. (2013), who found that a comprehensive and complete contract, along with effective vendor governance, would mitigate high transaction costs relating to outsourcing. During the governance meetings, management discussed the results of specific metrics (e.g., SLAs and KPIs) and action plans (if applicable).

All the study participants (P1, P2, P3, P4, and P5) expressed the importance of monitoring key metrics to manage the vendor's performance effectively. P1 stated, "Management uses cost and quality metrics" to monitor the results of the project. Specifically, P2 mentioned the metrics used to determine a favorable result was SLAs, including incidents, resolutions, and workload capacity management. Additionally, P2 asserted that the key objectives of SLAs were to ensure that (a) the business systems were up and running as intended, and (b) system breakdowns were resolved in a timely manner. Furthermore, P3 reported that the finance area submitted an annual cost report to Group for further analysis and evaluation, including assessing internal ratios and measurements across OEs. P3 also explained that finance performed ad hoc analysis, such as vendor trend analysis (e.g., comparing onshore vs. offshore cost ratio to determine the optimal mix needed to produce target cost savings) that enabled management to make sound business decisions. Moreover, P4 stated that the key metrics used to determine a favorable outcome are the SLAs and KPIs (e.g., cost, quality, and innovation (e.g., blockchain and Chatbot)), as well as acquiring the right capabilities to

meet various business objectives. Lastly, P5 posited that management also tracked favorable legal terms (i.e., non-billable hours for enhancements), SLAs (i.e., performance standards), completion of required online training, and innovation (e.g., Chatbot). Metrics assisted management in taking immediate action when results were not within expected targets.

The study participants affirmed the findings of Pratap (2014), who recommended that management should monitor SLAs to manage the outsourcing process effectively. This component of the theme also aligned to new research by Das (2017) and Reeshma and Rajkumar (2017), who discovered that business leaders expected innovative solutions (e.g., innovation in products, process and business models) from their strategic business partners to gain a competitive advantage in the marketplace. Management also conducted semiannual performance reviews of the service provider to effectively govern the ITO project.

Three out of the five participants (P2, P4, and P5) expressed that a key governance oversight activity involved conducting formal semiannual performance reviews of the vendor. P2 stated that on a biannual basis, management conducted a formal performance review of the vendor, in addition to discussing the results and actions during a performance review meeting, including all relevant stakeholders (e.g., Chief Information Officer [CIO], capability management, sourcing and vendor management, and the vendor executives). Additionally, P2 noted that the vendor received a copy of the performance review results in advance of the meeting to eliminate surprises and that the vendor executives came prepared to discuss action plans for low score items. The

capability managers and directors tracked action plans to completion or full resolution. Moreover, P4 validated P2's comments by stating one of the key governance strategies used by management was "the voice of the customer" (or the semiannual performance reviews). Lastly, P5 added that the formal performance review process took approximately eight weeks to complete because it required inputs from various stakeholders (e.g., capability management and sourcing and vendor management).

The performance review periods covered the first half of the year from January 1 to June 30 and the second half of the year from July 1 to December 31. Conducting formal performance reviews empowered management to share constructive feedback (e.g., activities the vendor was meeting or exceeding expectations, along with areas for improvement) to the vendor that would result in improved performance. The process also enabled management to set clear expectations for the vendor.

This component of the theme strengthened assertions made by MacKerron et al. (2015). MacKerron et al. found that performance management strategies would generate favorable outsourcing results, assuming that effective risk management strategies were in place to mitigate the various outsourcing risks. Finance also provided governance oversight surrounding key financial tasks, such as the budgeting and disbursement processes.

P1 and P3 discussed the various governance strategies centered on the budgeting (e.g., annual estimated expenses from external consultants/vendors) and disbursement (e.g., vendor invoice payments) processes. P1 reported that the business performance management (BPM) team provided governance over the vendor invoice payment process.

The BPM team was responsible for validating the accuracy of charges to the organization, processing invoice payments in a timely manner, as well as allocating charges to the right projects or cost centers. Specially, BPM executed the "vendor pay" process by proactively paying vendors based on approved timecards (or hours worked for the week), and then applying the negotiated global rates. Any discrepancies with payments made to the vendor were resolved in a timely manner.

P3 stated that from a budgeting perspective, finance leadership challenged IT management to reduce cost through various cost reduction strategies, such as potentially reducing or eliminating COLA for onshore resources, creating a better mix between onshore versus offshore resources, and having management negotiate long-term global rates (e.g., 3-years versus annual rates). BPM and finance executed governance strategies to reduce cost and validate financial accuracy. Patil and Wongsurawat (2015) echoed Marchewka and Oruganti's (2013) conclusions in finding that implementing effective outsourcing strategies enabled management to reduce costs. Leaders should hold management accountable as another governance strategy to ensure a successful business outcome.

Analysis of interview data indicated that all the study participants (P1, P2, P3, P4, and P5) expressed that holding management accountable for a successful outcome through their annual performance reviews was a critical element of the governance infrastructure. P1 reported that IT management was responsible and held accountable for meeting their annual budgets, including their target for external consulting fees. P2 stated,

> IT leaders are held accountable for the success of the vendor through the performance review process. The strategic partner is considered an extension of the internal team and IT leaders are incented to ensure the vendor runs a successful operation, which is accomplished through teamwork, collaboration, clear communication, and effective execution of tasks.

Additionally, P3 expressed a similar sentiment that IT management was held accountable for the performance of external resources. Furthermore, P4 stated that sourcing and vendor management was held accountable through tangible (e.g., cost savings), as well as "soft" skills (e.g., relationship management and problem solving skills). Lastly, P5 corroborated the other study participants by reporting, "If the vendor scores are low, it will directly impact my performance review." Ensuring accountability would encourage appropriate behaviors to lead to a favorable business outcome. The study participants' assertions reinforced the findings of Patil and Wongsurawat (2015), who found that business leaders who implemented appropriate outsourcing strategies improved performance. A review of the company documents about vendor governance showed substantiation for the interview data.

A review of the governance meeting presentations (DOC3) supported the interview data that management conducted the governance meetings on a monthly, as well as a biannual basis. The standing agenda topics at the monthly governance meetings included (a) delivery highlights (e.g., projects listed by capability, including comments, release date, on/offshore resources, and status of the project); (b) on/offshore demographics (e.g., outsourcing client's years of experience by capability, attrition trend,

and ratio between on vs. offshore resources); (c) key focus areas; (d) feedback, challenges/issues, action items, due dates, and status; and (e) SLAs and KPIs. Management monitored the following key metrics: SLAs (e.g., application uptime/batch cycle, response time, restoration time, and change quality) and KPIs (e.g., process/compliance, ticket/delivery management, supplier health, and knowledge/innovation), including a target and actual score. A review of the biannual governance meetings and meeting notices, including attendees (DOC3) corroborated the interview data that executive and senior leaders (e.g., CIO, vice presidents, capability directors, sourcing and vendor management leaders, and the strategic partner leaders) attended the meetings.

The key discussion topics included company updates, feedback and action plans, the strategic partner global relationship within the Group (or key relationships/activities with other OEs), performance review results and areas of focus, and innovation topics (e.g., Chatbots). This component of the theme connected to new research by Presbitero et al. (2017), whose empirical study results indicated that knowledge sharing capability positively correlated to innovation. Furthermore, a strategic partner's knowledge of their clients' business model and operations significantly influenced their ability to identify and implement innovative solutions to drive favorable results (Bryan Jean et al., 2017). Furthermore, a review of the *Vendor Management Policy* (DOC6) from November 29, 2017 validated the interview data that management established a meeting cadence for vendor governance related issues.

Additionally, a review of the onshore versus offshore analysis (DOC7) affirmed the interview data that the finance area performed ad hoc reporting for IT management to use to make sound business decisions. The analysis included resource mix by capability, in addition to a comparison to industry and vendor standards. A review of the performance evaluation process flowchart (DOC4) supported the interview data that the process took about eight weeks to gather and compile feedback from key stakeholders (e.g., strategic partner, vice presidents, sourcing and vendor management, and capability directors/managers). In addition, a review of the strategic partner performance review survey (DOC4) included questions surrounding the following areas: (a) quality of services and delivery, (b) quality of experience, (c) realization of business value, and (d) vendor management metrics, which was completed by only the sourcing and vendor management area.

Participants of the performance survey were required to provide a score of 1 to 5 (*1 = unacceptable* to *5 = meets most expectations* and *exceeds most or "NA"*) for each question, along with stating what went well and improvement opportunities. The IT vendor relationship manager compiled the survey results, calibrated the results with internal leadership, and then shared the results with the vendor to identify action plans for improvement areas of focus. Moreover, a review of the performance review presentation (DOC4) dated February 12, 2018 supported overall performance review score, accomplishments, and improvement opportunities.

The strategic partner performance review results for ASM, AD, and QA services revealed *good* to *outstanding* results for the first half (1H) and second half (2H) of 2017.

The strategic partner performance review results slightly declined by .25 pts for ASM services in the 2H of 2017 compared to 1H and had a downward trend across all categories for AD and QA services in 2H of 2017. Based on the performance review results, the primary focus areas during 1H of 2018 included (a) H1-B strategy, compliance, and monitoring, (b) phishing testing compliance, (c) providing high quality digital delivery resources, (d) system migration project, and (e) application automation (see Table 1). Vendor governance and oversight had several implications to transaction attributes and total cost within the TCE theory.

Table 1

Strategic Partner Performance Review Results for 2017

Category	ASM		AD and QA	
	1H 2017	2H 2017	1H 2017	2H 2017
Quality of Service and Delivery	3.75	3.75	3.42	3.13
Quality of Experience	4.29	4.29	3.56	3.36
Realization of Business Value	3.50	3.50	3.50	2.88
Survey Score	3.85	3.85	3.49	3.12
Vendor Management Metrics	.25		.25	
Overall Score	4.10	3.85	3.74	3.12

Note. < 2.0 = Unacceptable, 2.0–2.9 = Needs Improvement, 3.0–3.9 = Good, 4.0–5.0 = Outstanding.

Correlation to conceptual framework. Theme 1 was a reflection of Williamson's (1979, 1985) TCE theory, where study participants governed and oversaw the outsourcing transaction from start to finish by implementing effective strategies (e.g., staggered strategic approach, leverage global volume to gain negotiation power, and multivendor strategy) to manage characteristics of a transaction (e.g., complexity, asset specificity, and uncertainty) to produce positive implications to total costs. Although

Williamson (1979, 1985) developed the TCE theory almost 40 years ago, researchers have considered this theory effective for assessing governance, transaction attributes, and cost implications (Hamed MoosaviRad et al., 2014; MacKenzie & DeCusatis, 2013). Researchers have applied the TCE theory to determine a cost-effective business solution (e.g., maintain core competencies in-house and outsource noncore activities to a third-party vendor) for executing a particular task or process (Williamson 1979, 1985).

The primary goal of the TCE theory is to minimize total cost by using effective strategies to mitigate outsourcing cost drivers (Vilko, 2013). Total cost includes the allocation of resources to manage the transaction, along with production, bargaining, and opportunism costs (Nordigården et al., 2014; Vining & Globerman, 1999). There are two behavioral assumptions (bounded rationality and opportunism) inherent in a transaction, resulting in cost implications, as well as leading to information asymmetry (Brewer et al., 2013a). Additionally, Vining and Globerman (1999), proponents of the TCE theory, stated three determinants (e.g., product/activity complexity, contestability, and asset specificity) were innate in all outsourcing transactions at varying points of the spectrum (e.g., very low to very high) that influenced the transaction cost. Vining and Globerman developed a conceptual framework to assist leaders in identifying suitable strategies to yield a favorable business outcome. For example, transactions that are low in complexity and asset specificity may be good candidates for outsourcing, while the opposite may be suitable to maintain in-house.

Business professionals must implement a comprehensive governance infrastructure to facilitate the ITO process from end-to-end to create a positive business

outcome. Specifically, Williamson (1979, 1985) asserted that the outsourcing process was multifaceted and complex, as well as comprised of various uncertainties (e.g., behavioral, technological, and environmental), thereby leading to total cost implications. High complex transactions, if not properly managed and governed, directly correlate to higher transaction costs (Vining & Globerman, 1999). The study participants (P1, P2, P3, P4, and P5) asserted that management governed the process from end-to-end to ensure a successful outcome. In particular, the participants described their governance infrastructure from start to finish (e.g., outsourcing decision; vendor selection; contract negotiations, execution, and management; and vendor management and oversight) to manage total cost and improve performance effectively for the organization.

Analysis of the data showed that the study participants implemented effective strategies to reduce (or contain) cost within expectations resulting in a favorable outcome. Specifically, the study participants executed the following strategies to reduce cost: (a) executed different types of contracts (e.g., fixed bid and time and materials) depending on the services that are outsourced; (b) used a staggered strategic approach enabling management to first outsource lower risk activities, and then gradually outsourcing higher risk activities after they established a solid relationship and process; (c) implemented a multivendor strategy that created a healthy competitive environment and mitigated single source dependency risk, along with high vendor switching cost; and (d) leveraged global volume and sought a vendor with capabilities in both BPO and ITO allowing increased negotiation power to reduce global rates for all OEs. P4 supported the findings of Vining and Globerman (1999), who found that outsourced processes with

high asset specificity limited business leaders' negotiation powers, and therefore a collaborative strategic approach would produce favorable results. Wiengarten et al. (2013) advocated the TCE theory; the researchers conducted an empirical study and revealed that one needed a holistic approach to managing three determinants (risk, contract management, and governance) to yield positive results.

Theme 2: Collaborative Strategic Approach Facilitated Effective Management of ITO

The second theme that emerged from the analyzed data was collaborative strategic approach facilitated effective management of ITO. P2, P4, and P5 stated that a collaborative strategic approach, included teamwork, effective communication and transparency, and commitment enabled management to build sound interpersonal relationships grounded on trust and integrity. The study participants described how a collaborative strategic approach with the service provider was a primary driver to the successful business outcomes. The collaborative strategic approach shows support for the TCE theory by reducing opportunistic vendor behaviors resulting in positive outcomes (Patil & Wongsurawat, 2015). The study participants expressed that collaboration required teamwork among the client and vendor to meet key business objectives.

Teamwork. Analysis of interview data revealed that P2, P4, and P5 considered the vendor a strategic business partner who they worked with as a team to achieve common goals and objectives. The study participants asserted that the outsourced resources attended the capability management's staff meetings and interacted regularly with the internal stakeholders to complete designated tasks and resolve various issues, as

these arose on a daily basis. P2 reported that management could cultivate and foster a long-term strategic partnership with the service provider because they considered the outsourced relationship an extension of their own teams. The onshore resources attended their team meetings, and they were encouraged to have an open and candid relationship with management.

Another study participant, P4, stated that management treated the vendor as a strategic partner, which was a tone set by senior leaders within the organization, and therefore "embedded in the culture from top down." Additionally, P4 expressed that executive leaders (e.g., CIO and the Chief Administrative Officer) would sometimes travel to the vendor's facilities located in India to interact directly with the offshore resources. During October 2017, P4 reported that the executive leaders traveled to India to present at the service provider's town hall meeting their business strategy and long-term vision. Similarly, P5 reiterated that the vendor was a strategic partner, who they worked jointly with as a team to meet the needs of their internal customers. P5 also added that "it takes teamwork to deliver excellent service to the internal customers (e.g., IT capability management)."

By treating the vendor as a strategic partner, the client and vendor could work together as a team to deliver favorable results (e.g., improved performance at a reduced cost). The study participants reinforced the findings of Seshadri (2013), who concluded that establishing positive and collaborative client-vendor relationship, during the early stages of the outsourcing engagement, was a key driver to a successful business outcome. Additionally, the study participants substantiated Marchewka and Oruganti (2013), who

found that the quality of the outsourcing business relationship, along with the process and cultural implications, significantly influenced outsourcing success. A review of the company documents corroborated the interview data.

A review of the semiannual vendor performance review presentations (DOC4) revealed that the service provider was evaluated on several key attributes, including quality of services and delivery, quality of experience (i.e., business acumen, technical knowledge, *communication*, *collaboration*, and *accessibility of key personnel*), realization of business value, and contract compliance. The last section of the semiannual vendor performance review presentations (DOC4), management concludes with a *kudos to* section, recognizing specific external resources of their good work performed during the time period under review, including acknowledgments for teamwork, delivering quality results, and effective communication. Hence, the semiannual performance review presentations (DOC4) corroborated the interview data that management valued collaboration attributes that were measured periodically. Business leaders would most likely see positive results from outsourcing if there were effective performance management and communication in place during the early stages of the process (Al-Ahmad & Al-Oqaili, 2013). The study participants noted that collaboration also required effective communication and transparency between the client and vendor to meet key business objectives.

Effective communication and transparency. Examination of the interview data revealed that P2, P4, and P5 stated that effective communication and transparency with the service provider fostered a collaborative client-vendor relationship. The study

participants expressed that the communication with the vendor improved over time, mainly by setting clear expectations and deliverables. P2 reported that effective communication and being transparent with issues as these arose was important to leading a collaborative strategic relationship. P2 added there were challenges with communication initially, but the communication improved over the years; now, there was a clear understanding and expectations between the parties.

A notable consideration is that the vendor is an India-based organization; therefore, language barriers and cultural differences might have contributed to the communication challenges during the earlier stages of the strategic partnership. Business leaders who engage in offshore outsourcing encounter unique challenges around language barriers and cultural differences that may lead to financial losses if leaders do not address and resolve these issues in a timely manner (Osadchyy & Webber, 2016; Parmer, 2015). Another participant, P4, noted that capability management was in regular communications with the vendor to complete tasks and resolve issues. Additionally, P5 mentioned that they were in regular discussions with the vendor leads to resolve issues in a timely manner.

Effective communication and transparency of issues would facilitate a collaborative strategic partnership, thereby placing trust and commitment at the core of the relationship. Conversely, the study participants substantiated Sukru Cetinkaya et al. (2014), who found that attributes, such as trust, commitment, culture, interdependence, and communication, revealed the quality of the client-vendor relationship. The study

participants noted that collaboration also required commitment between the client and vendor to meet key business objectives.

Commitment. P2, P4, and P5 expressed that commitment was a key attribute to having a collaborative partnership. Specifically, P2, P4, and P5 stated that the strategic business partnership commenced in January 2008; therefore, both parties were committed to leading a successful, collaborative, long-term relationship. P2 explained that due to the technical expertise and experience required for the organization's complex IT systems and applications, they selected a long-term strategic partner committed to delivering quality IT services. P2 asserted that long tenured staff was a key success factor to the ITO engagement. P5 added that management incorporated SLAs to establish KPI targets around attrition, turnovers, and tenure for the vendor onshore and offshore resources. Additionally, P5 explained that the IT capability leaders incorporated the SLAs to "drive a healthy mix of senior and junior staff" on the ITO engagement. Another study participant, P4, noted that the vendor was also on the Group's preferred vendor list. OEs increased global volume by using the same strategic vendor for outsourced services (e.g., ITO and BPO). Moreover, P2 stated,

> The main benefit of outsourcing is that once the third-party has gotten up to speed with understanding your systems, then the staffing model enables management to execute IT tasks quickly and complete required IT projects. Therefore, outsourcing enables management to meet their business objectives in a timely manner.

Gaining commitment from both parties could drive synergies, thereby resulting in effective and efficient processes, which could deliver a favorable business outcome. The study participants supported the findings of Caruth et al. (2013), who concluded that a sound vendor relationship must be grounded in trust, commitment, shared values, and high integrity. The participants supported the findings of Temkar (2015), who found that when collaborating with the right vendors, business leaders could streamline their internal processes to improve the speed of completing deliverables. The findings represented in this theme echoed new research by Sohel and Quader (2017), who concluded that collaborative strategic approach could add new levels of IT competencies to meet key business objectives. A review of relevant company documents substantiated the interview data.

A review of the renegotiated MPSA (DOC1), effective January 1, 2015, affirmed the interview data that management added KPIs that focused on the *supplier health* (e.g., attrition, turnover, and tenure) to ensure a certain percentage of committed resources remained on the engagement for a designated period. Additionally, a verification of the *SOW for the IT Application Support and Maintenance (ASM) Services* (DOC2) disclosed that the business leaders included KPIs centered on *supplier health*, including attrition, turnover, tenure, and team competency index (i.e., average level of knowledge), as well as the target percentages and measurement period (i.e., the frequency of the KPIs). Lastly, an examination of the governance meeting presentations (DOC3) revealed that management monitored the supplier health KPIs at least on a monthly basis. They noted there was a healthy mix between tenure and junior resources on the engagement.

Some success attributes for ITO include (a) mutually beneficial business partnership, (b) mutual satisfaction, and (c) meeting or exceeding SLAs or KPIs (Schwarz, 2014). The KPIs for supplier health for the ASM services as of December 31, 2017 revealed that the vendor met or exceeded their targets, especially the tenure KPIs, whereby the target for onshore was 3 years and the actual was 5 years (see Table 2). A collaborative strategic approach correlated to the vendor opportunistic behavioral assumption for the TCE theory.

Table 2

Supplier Health KPI Results as of December 31, 2017

	Measure	Target	Actual
Supplier health	Attrition	12%	5%
	Turnover	18%	13%
	Tenure	Onshore – 36 months Offshore – 24 months	Onshore – 60 months Offshore – 32 months
	Team Competency Index	>70%	71%

Correlation to conceptual framework. Theme 2 was a reflection of Williamson's (1979, 1985) TCE theory, where a collaborative strategic approach (e.g., teamwork, effective communication and transparency, and commitment) reduced vendor opportunistic behaviors (e.g., intentional deception or motives), which might cause a decrease in the likelihood of a positive business outcome. Patil and Wongsurawat (2015) posited that business leaders who implemented appropriate outsourcing strategies (e.g., collaborative strategic approach and multivendor strategy) mitigated the opportunistic behaviors of vendors, reduced cost, and improved performance. Lioliou and Zimmermann (2015) stated that opportunistic behaviors varied, including failing to fulfill

promises and obligations, not disclosing relevant information regarding ventures, and reducing the quality of service. The interview data indicated that collaborative characteristics (e.g., mutual benefits, common goals, and teamwork) fostered a cooperative relationship built on trust and integrity, which mitigated opportunistic behaviors that could lead to higher costs.

Qi and Chau (2015), proponents of the TCE theory, conducted an empirical study and validated that both effective contract and relationship management strategies, such as a collaborative strategic approach, were significant to ITO success. Additionally, Qi and Chau (2013) conducted a quantitative study and asserted that interpersonal trust had a direct correlation with knowledge sharing, which improved the duration of client-vendor relationships, thereby leading to ITO success. The interview data showed that the client could foster a successful strategic partnership for over 10 years.

Sherwat and Hanafi (2013) added that clients and vendors have an inherent conflict of interest in outsourcing engagements. In the engagements, the client is motivated to demand services at the lowest cost, and the vendor desires the highest profit margin; these business partnerships can result in opportunistic behaviors among the parties involved in the outsourcing transaction. A collaborative strategic approach will reduce opportunism cost associated with the outsourcing transaction.

Theme 3: Sound Risk Management Strategies Enabled Effective Management of ITO

The third theme that emerged from the data was that sound risk management strategies enabled effective management of ITO. Three out of the five participants (P2,

P4, and P5) expressed that the standing agenda topics (e.g., project status, metrics, and issues/actions) discussed during the governance meetings enabled management to identify significant risks or challenges, assess the risks, prioritize the risks, and identify appropriate action plans to fully remediate the issues. P2 reported,

> Incidents and risks are primarily identified through the governance meetings by reviewing key metrics and SLAs. Management will discuss the issues, identify action plans, and track the actions to completion. Additionally, as the vendor gains experience with the outsourced processes, then they will be able to manage the process more effectively, as well as mitigate significant risk exposures within the process. It is important that when issues arise, such as employee relation issues, they are addressed immediately.

Additionally, P4 asserted that the capability managers and leaders handled the day-to-day risk management activities, whereas sourcing and vendor management managed the key risks surrounding contract negotiations, execution, and management. P4 added that the risk management strategies entailed identifying issues, escalating issues to the appropriate key stakeholders, determining appropriate actions, and resolving the issues in a timely manner. Lastly, P5 succinctly stated that the goal for effective risk management was to ensure the vendor account is running smooth for both parties (client and vendor), which is achieved through identification of issues, escalation to stakeholders, and appropriate resolution. Effective risk management strategies allowed management to identify, assess, prioritize, and resolve issues in a timely manner, thereby leading to a successful business outcome.

The theme connects to new research by Gewald and Schäfer (2017), who found that integrating outsourcing into an enterprise risk management program was essential to managing outsourced processes effectively. Conversely, the key IT competences needed to execute IT development and application successfully included business and technology knowledge, operation management, performance management, flexibility thinking, project management, and risk management (Lee & Park, 2017). The theme also showed support for Vining and Globerman (1999), who reaffirmed the importance of identifying risks and appropriate mitigation plans during the outsourcing process to produce favorable results. The study participants asserted that effective risk management required a cross-functional team who assessed various risks through their expertise.

Analysis of the interview data indicated that the study participants (P1, P2, P4, and P5) expressed the importance of a cross-functional team assessing various outsourcing risks for the organization. P1 noted that invoice payment discrepancies were the primary issue that the BPM team worked with the vendor to resolve because the overall “vendor pay” process was routine in nature (as the rates were negotiated upfront and multiplied by the hours worked/approved). P1 also added that BPM monitored the total external consulting fees; to the extent there were huge discrepancies between actual and budget, further investigation was conducted to determine drivers (e.g., specific vendor and higher than expected cost). P2 asserted that the capability management team was responsible for managing the various risks associated with the technical daily tasks. P2 recalled a risk management strategy executed to address dependency risk and technical knowledge risk. P2 stated,

> When management initially outsourced certain roles as commoditized roles, they realized their assumptions were inaccurate because certain roles required extensive business knowledge, including at least several years of experience with the organization's systems, platforms, and applications. Management became highly dependent on the vendor, as well as they lost in-house technical knowledge. To address the issue, management reintegrated some of the IT services to retain in-house the specialized IT knowledge along with establishing a dedicated IT team (around 2014 timeframe) to provide additional vendor management oversight to optimize the vendor performance.

P4 reported that, "a cross-functional group of risk experts (e.g., finance, HR, compliance, and legal)" assessed various outsourcing risks prior to executing the outsourcing contract. Lastly, P5 added vendor managers are like HR generalists resolving employee relation matters. Engaging risk experts across the organization to assess and mitigate various outsourcing risks would encourage sound business solutions resulting in a positive business outcome.

The study participants reinforced the findings of Hepeng (2014), who found that adequate risk management strategies surrounding the outsourcing decision would add economic and strategic value to the organization. Additionally, P2 validated the findings of Denning (2013a), who recommended that business leaders should continuously monitor the outsourcing process to determine whether backsourcing (or reintegration of) specific products, components, or services would be prudent and conducive to greater

profitability. The study participants expressed that challenging issues were ongoing and required proactive management to mitigate the risk exposure to the organization.

P2, P3, and P4 stressed the importance of proactive management of ongoing challenges to ensure the risk exposure is within management's risk tolerance. Two ongoing issues that the study participants mentioned they were proactively managing included (a) establishing the right resource mix between on and offshore resources and (b) ensuring compliance of H1-B resources (e.g., work visa that allows U.S. employers to hire foreign workers with specialized skills). P2 reported that for the ASM services, there was about a 25/75 split between on versus offshore resources, but it should be more of a 20/80 split to maximize cost savings. P2 added the challenge with creating the right mix is that collaborative projects using the agile methodology (e.g., business requirements and solutions evolve through collaborative effort and cross-functional teams) require more face-to-face interactions with employees in the United States.

Conversely, P3 validated P2's statement by reporting that finance conducted an on versus offshore analysis to assist management in making informed business decisions. Additionally, P4 expressed that one of the challenges with establishing the right resource mix was due to management using the agile methodology. This aspect compounded the complexity because a higher percentage of onshore resources were needed given the time zone difference between the United States and India. Moreover, P2 stated, "A current challenge with the vendor is H-1B resources churning due to visa issues. Management decided not to accept H1-B resources moving forward due to the regulatory implications and potential churning of resources."

Lastly, P4 mentioned that a key risk with the vendor involved ensuring H1-B compliance, as well as assessing the regulatory implications. Striking the right balance between risk and rewards is essential to managing the outsourcing process effectively. The theme supported the work of Ray et al. (2013), whose empirical study showed that a comprehensive risk management framework could mitigate significant outsourcing risks to deliver favorable financial results. The study participants strengthened new research by Budacu (2017), who found that the agile learning framework required constant learning, communication, and interaction with stakeholders to produce quality software. The company documents validated the interview data.

A review of the governance meeting presentations (DOC3) supported the interview data that management proactively identified issues/risks, actions, due dates, and tracks issues to completion. A review of the *IT Governance Meeting* presentation deck (DOC3) dated March 15, 2018 corroborated the interview data that management was evaluating H-1B strategy and compliance. Additionally, noted that management monitors key metrics, including SLAs and KPIs during the governance meetings. Furthermore, an examination of the *Group Outsourcing Policy* (DOC6) dated January 1, 2018 revealed the roles and responsibilities of stakeholders, such as the business owner, outsourcing function, and the legal function aligned with the interview data. Lastly, a review of the onshore versus offshore analysis (DOC7) substantiated the interview data that finance performed a resource mix (on versus offshore) analysis by capability, in addition to a comparison to similar vendors to assist management in making prudent business

decisions. Risk management strategies had several implications to transaction attributes and total cost within the TCE theory.

Correlation to conceptual framework. Theme 3 correlated to Williamson's (1979, 1985) TCE theory. Williamson (1979, 1985) proposed that business leaders should devise an appropriate governance hierarchy (e.g., governance meetings to evaluate and assess risks) to manage the outsourcing process, thereby leading to reduced costs. Al-Ahmad and Al-Oqaili (2013) discovered that business leaders would more likely see positive results from outsourcing if there were effective risk management strategies in the early stages of the process. The study participants' risk management strategies aligned to the TCE theory by creating business value through proactive management of total cost. A review of the governance meeting presentations (DOC3) supported the interview data that management proactively identified issues/risks, actions, due dates, and tracks to completion. Early identification of issues/risks enabled management to address the issue adequately in a timely manner, along with reducing the impact (financial and reputational) to the organization.

Vining and Globerman (1999), proponents of the TCE theory, reported that high complex transactions might lead to higher transaction cost, such as monitoring and oversight cost. Additionally, Cabral et al. (2014) leveraged the TCE theory to develop an integrative framework to assist leaders with making decisions on reintegration of services performed by the service provider. Cabral et al. conducted a case study and revealed that the reintegration of services was due to outsourcing failures related to asset specificity,

poor contract design, insufficient monitoring and oversight of key vendor activities, failure to deliver actual cost savings, and increased labor regulation laws.

P2 expressed that management initially incorrectly classified certain roles as commoditized; therefore, reintegrated roles, as well as added an oversight function, most likely increased the transaction cost because management incurred additional unanticipated costs (e.g., coordination cost and monitoring cost) as the business partnership evolved over the years. P2 reinforced the findings of Larsen et al. (2013), who concluded that hidden costs (or unanticipated coordination and monitoring costs) led to a discrepancy between expected and realized total costs, which influenced the organization's performance and profitability. Additionally, the researchers argued that complexity and bounded rationality were drivers of transaction cost estimation errors during strategic decision-making. Effective risk management strategies, as well as anticipating hidden costs, could mitigate significant risks, thereby resulting in improved performances and a positive bottom line.

Applications to Professional Practice

From a business perspective, management should apply a holistic and comprehensive strategic approach to governing the outsourcing process from start to finish to deliver a positive business outcome (Wiengarten et al., 2013). For the financial services industry, including the insurance sector, effective outsourcing strategies will improve process efficiencies, thereby leading to favorable economic results (MacKerron et al., 2015). Business leaders play an integral role in implementing effective outsourcing strategies to yield a positive organizational performance, along with sustaining a

competitive advantage in a volatile business environment (Sohel & Quader, 2017). Having a sound governance infrastructure, collaborative strategic business partnership, and effective risk management strategies are key success factors to delivering strategic and financial benefits for the organization. In contrast, Handley and Benton (2013) asserted that ineffective communication; uncertainty; complexity; and insufficient contract, vendor management and oversight produced failed outsourcing performance.

I conducted this qualitative single-case study to explore the strategies business leaders use to manage the outsourced IT processes at a financial services organization in the Midwestern region of the United States. The interviews and company documents provided insight into the strategies used by the study participants and the outcomes of those strategies. Emerging from the primary and secondary data were that governance, collaboration, and risk management strategies were the main drivers for the successful ITO business venture. A strong collaborative partnership, as well as a robust governance infrastructure surrounding the outsourced operations, significantly influences the results of the outsourcing process (Marchewka & Oruganti, 2013).

Findings of this study provide business leaders, IT professionals, project managers, finance professionals, sourcing and vendor management professionals, and risk management professionals with insight into the complexities of ITO and the strategies used to manage the process. Building a collaborative strategic partnership during the early stages of the relationship, as well as a robust, streamlined process, are the critical success factors to delivering a favorable business outcome (Seshadri, 2013; Temkar, 2015). Business leaders must implement a comprehensive and complete

contract, in addition to a sound vendor governance infrastructure, to manage total cost and improve performance effectively (Wiengarten et al., 2013). Lastly, a comprehensive risk management framework, including identification, assessment, prioritization, and mitigation, will reduce significant outsourcing risks to a level that is within tolerance leading to profitability (Ray et al., 2013).

Although this research study focused on study participants working in the financial services industry, the outsourcing strategies (e.g., vendor governance and oversight, collaborative strategic approach, and risk management strategies), as identified in this study, might be transferable to other industries. These findings added to the breadth of literature and the current knowledge base used by study participants to address the effective strategies used to manage the ITO process. The findings could help business leaders in the financial services industry effectively govern, collaborate, and manage risks of an outsourced process that will deliver a positive business outcome.

Implications for Social Change

Business leaders who use effective strategies to manage the outsourcing process will have favorable business results, which will simulate an increase in demand for offshore resources located in emerging markets, such as India and China (Patil & Wongsurawat, 2015). Emerging markets, such as the Asia-Pacific region, have experienced a boost in economies due to job growth and expansion (Grappi et al., 2013). Offshoring services, such as IT, customer service, and financial data, have steadily grown since 2000 in the Asia-Pacific region, and Ahsan (2013) expected it to continue to grow in the future. Moreover, Chipalkatti et al. (2014) found that 60% of the companies

surveyed were offshoring and aggressively planning to expand operations to capitalize on offshoring's strategic and economic benefits to sustain competitive advantages. From a social perspective, higher demands in emerging markets for offshoring services could improve the economy, which would improve the standard of living for individuals residing in poorer, disadvantaged parts of the world.

Further implications for social change included the potential for business leaders to identify appropriate outsourcing strategies that could improve the overall success rate of sustainable outsourcing transactions, thereby leading to a positive triple bottom line (achieving social, environmental, and economic business objectives; S. Li et al., 2014). Additionally, an increase in the demand of offshore services might contribute to positive social change by (a) improving outsourcing infrastructure that might support job creation, especially in emerging markets, and (b) heightening awareness of different cultures, norms, and languages among people living in different regions around the world to establish commonalities and gain alignment with business practices. Specifically, as business leaders establish collaborative strategic partnerships with vendors in emerging markets, they will become more cognizant of their cultures, languages, customs, norms, and values. As the parties become more aware of their cultural differences, then they can bridge various gaps across societies to establish commonalities and gain alignment with business practices.

Recommendations for Action

The intent of my research was to explore the strategies that business leaders use at a financial services organization located in the Midwestern region of the United States to

manage the ITO process effectively. Findings of this study provided evidence that effective outsourcing strategies, such as vendor governance and oversight, collaborative strategic partnership, and risk management strategies, attributed to a successful business outcome. The findings detailed the strategies the study participants use to manage the ITO engagement that led to reduced cost and improved performance. Regarding the study participants in the financial services industry, effective outsourcing strategies would improve operational efficiencies and streamline the process and complexities, thereby improving organizational performance (MacKerron et al., 2015).

A robust vendor governance and oversight infrastructure concerning the outsourcing process will produce positive financial results (Wiengarten et al., 2013). The findings of this study are evidence that business leaders who effectively govern the outsourcing end-to-end process, from the precontract phase through the vendor management and oversight phase, will effectively manage the outsourcing process and deliver positive results. The study results revealed the primary outsourcing strategies that the business leaders use to generate successful results included (a) vendor due diligence to select an appropriate strategic partner; (b) staggered strategic approach (e.g., first outsource low risk activities and then high risk activities after a sound process has been established with the strategic partner), (c) multivendor strategy to generate healthy competition among vendors and reduce dependency risk, (d) effective contract negotiations and management, (e) vendor governance and oversight, (f) collaborative strategic partnership, and (g) risk management strategies. Depending on the type of outsourcing transaction needed to meet the business objective, business leaders should

identify and execute appropriate outsourcing strategies that would mitigate significant risks and ultimately deliver positive results.

My goal is to publish the findings of this study for the broader audience. There are several avenues I plan to use to distribute the findings of this study. The senior leaders responsible for the strategic partner relationship and each participant will receive a summary of the findings to share with peers and other leaders within the organization. Furthermore, I intend to submit a summary of this study and its findings to the following professional journals: *International Journal of Management, Journal of Applied Business Research, Journal of Information Systems and Technology Management: JISTEM, Business Process Management Journal,* and *Journal of Risk & Insurance.* Lastly, I will seek out opportunities to share the findings of this study with financial services forums, professional conferences, and leadership conferences.

Recommendations for Further Research

This study focused on the strategies business leaders use to manage the ITO process. The strategies identified in this study are important to business practices. The results of the study reflected the opinions of study participants from a single financial services organization located in the Midwestern region of the United States.

I recommend conducting a similar single or multiple case study method at other financial services organizations that are outsourcing different IT services located in other regions of the United States. In-depth investigations can be conducted to study what other strategies that business leaders use to manage the ITO process. Additionally, researchers may use the findings from those organizations to compare to the information provided by

the participants of this study and analyze those collective findings to determine what insights can be used throughout the financial services industry.

Because there are numerous factors that affect the management of ITO, there are opportunities for further research. Qualitative researchers can explore strategies of managing the ITO process through another conceptual framework, such as RBV, RDT, contract theory, SET, AT, or in combination with the TCE theory to gain further insights into the phenomenon. Future quantitative researchers can consider examining relationships with the various outsourcing strategies (e.g., collaboration, risk management, vendor governance and oversight, and multivendor). Future research in the aforementioned areas can add to the gap in literature that exists, as well as further business leaders' understanding of the effective strategies used to manage the ITO process.

Reflections

As I reflected on the Doctorate of Business Administration doctoral study process, I had a limited view of the importance of effective management practices. As management pertains to the ITO process, I gained an in-depth understanding of ways in which management strategies played a significant role in delivering successful results. After reviewing the literature, I learned that the ITO process was more complicated compared to what I previously imagined. This study afforded me the opportunity to learn more about the complexities of the ITO process in the financial services industry.

As the researcher of this qualitative single-case study, I strove to collect data without bias. My role as the researcher also required that I comprehended and learned the

study participants' views and experiences, as well as presented the findings and recommendations in an organized, ethical, and objective manner. Effectively managing an ITO process to deliver favorable results was not a simple undertaking. The experiences of the study participants reinforced my perceptions of the influence that effective leadership and management could have on the ITO process.

Conclusions

The findings from this qualitative single-case study revealed that vendor governance and oversight, collaboration, and risk management strategies contributed to effective management of the ITO process leading to reduced cost and improved performance for the organization. Using data collected from semistructured interviews and company document review, I found study participants executed specific strategies to manage the ITO process effectively. Business leaders, managers, and analysts must understand the roles they play regarding managing the ITO process to yield a favorable business outcome. When business leaders identify and execute appropriate outsourcing strategies to manage the ITO process, the bottom line is positively affected.

The goal of any organization is to maintain or increase profitability. Business leaders combating poor management of the ITO process incur significant financial losses. Business leaders and managers should take the necessary measures to mitigate significant outsourcing risks that could affect profitability and other strategic benefits for the company. Specific management actions detailed in this study should be considered to address the causative factors for the losses incurred by organizations. Research has proven that governance, collaboration, and risk management strategies contribute to

effective management of ITO leading to successful results. Business leaders who take actions to identify appropriate outsourcing strategies to manage the ITO process will most likely realize positive financial, strategic, and operational outcomes.

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Appendix A: Invitation Letter

Dear Potential Research Participant,

As a team member on the [project name] IT outsourcing project, thank you for your time. Marsha Hopwood, a doctoral student at Walden University, is conducting a research study regarding the strategies business leaders use to manage the outsourcing IT processes. The purpose of the study is to identify effective strategies applied by leaders to implement and manage an outsourced or offshored IT process that deliver favorable results.

If you agree to participate in this study, Marsha will conduct an interview with you that will last approximately 30 to 60 minutes. Your participation in the study is voluntary. Your information is confidential, and Marsha will not release the specifics of any interview with anyone. Marsha will use the information to determine key themes, trends, and relationships with other interview data, as well as company documents, to form conclusions on effective strategies used to manage the outsourced IT project. If you are interested in participating in the study, please contact Marsha directly via phone or email. She will then provide you detailed information regarding your participation within the case study.

While the study may be published in the ProQuest Dissertation Database, the individual interviews with each participant will be kept confidential. No individual other than Marsha's doctoral study committee at Walden University will have access to the interview responses. She will not release information that could impact your position within the organization.

If you have any questions, please contact Marsha at any time. Her phone number is (xxx) xxx-xxxx and email is marsha.hopwood@waldenu.edu. Thanks again for your time and consideration.

Sincerely,

[Head of Sourcing and Vendor Management]

Appendix B: Interview Guide

1. The interview session will commence with brief introductions, followed by an introduction of the research topic.
2. I will thank the participant for taking the time to participate in the interview.
3. I will request the participant to read the consent form and ask any related questions prior signing the form.
4. The participant will be given a copy of the consent form for his or her records.
5. The audio recorder will be turned on, and the date, time, and location will be verbally noted.
6. The coded interpretation of the name of the participant (e.g., participant # = P1) will be verbally noted and manually documented on my copy of the consent form.
7. I will remind participants of the purpose of the study.
8. The interview will span approximately 60 minutes to allow for responses to the eight interview questions and any additional follow-up questions.
9. As a form of member checking, I will periodically paraphrase and summarized key information during the interview to validate if my interpretations are accurate.
10. I will inform the participant that a synthesized interpretation of the interview session will be made available for their accuracy check as soon as it is completed.
11. At the end of the interview, I will thank the research participant for his or her time in participating in the study.

Appendix C: Interview Questions

The following open-ended, semistructured interview questions will be posed during each session:

Central Question

What strategies do business leaders use to manage outsourced IT processes?

Interview Questions

1. How did you identify which IT processes to outsource and which processes to maintain in-house?
2. What were the specific metrics (e.g., cost and quality performance metrics) used to determine a favorable result for the outsourced IT project?
3. How do you align outsourcing initiatives with the overall business strategy and priorities of the company?
4. What strategies did you use to select a suitable vendor for the outsourced IT project?
5. What vendor management strategies did you employ to manage the outsourced IT project effectively?
6. What techniques or strategies do you implement to oversee and govern the major outsourcing activities to ensure successful outcomes?
7. How do you identify and mitigate key risks and challenges throughout the outsourcing engagement?
8. How do you hold relevant employees and management accountable for the success of outsourced IT projects?