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Final Report

Good times and bad: client and vendor insights on ITO relationship quality

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Abstract

The success of Information Technology Outsourcing (ITO) today is intrinsically linked to the quality of the relationship formed between client and vendor. The academic literature has already defined the key characteristics of a quality relationship - one which will weather the test of time. Researchers have also portrayed how an ITO relationship should mature and that the focus should move over time from cost and transactional drivers to an outcomes-based alliance. While these studies answer the questions of *why* relationships are central to ITO success, *what* form they take, and *when* they evolve, they do not answer the question of *how to create a quality relationship*. This research complements this existing body of research by tapping in to the best practices client and vendor practitioners use every day to make their ITO relationships successful. For those seeking to establish a new relationship, invigorate an existing one or mitigate the risk of failure this report provides a valuable resource of validated and prioritised best practices along with descriptions and recommendations on how and when to apply them.

Contents

1. Introduction

Over the past fifty years Information Technology (IT) has evolved rapidly to the point where it is now embedded in all corporate departments: fused to the way business is conducted every day (Bharadwaj, El Sawy, Pavlou, & Venkatraman, 2013; Dibbern, Goles, Hirschheim, & Jayatila, 2004; Goo, Kishore, Nam, Rao, & Song, 2007; Oshri, Willcocks, & Kotlarsky, 2011). Globally, IT Outsourcing is still on the rise since its inception in the 1960's; whether it is task and project based or strategic and long term (Oshri, Willcocks, & Kotlarsky, 2011). A popular method of managing a businesses' IT is to outsource selected functions under a long term contract with a specialist IT vendor: Strategic IT Outsourcing (Lacity & Hirschheim, 1993).

The goal of strategic IT Outsourcing contracts is to create a balance between the gains made by both client and vendor (Barthelemy, 2003; Ertel, 2004). Achieving this balance will lead to a successful operational engagement. This is not an easy task however, and the short history of ITO is marked by examples of significant cost overruns, erosion of trust and the loss of control (Hunter & Hall, 2011). These have led to instances of degraded service quality, increased risk of financial loss and early contract termination (Hunter & Hall, 2011). In theory these risks can be mitigated by the moderating influence of a good relationship (Goo, Huang, & Hart, 2008; Kern & Willcocks, 2001).

This research project set out to enhance existing knowledge by understanding how to create and strengthen client-vendor relationships during both good times and bad.
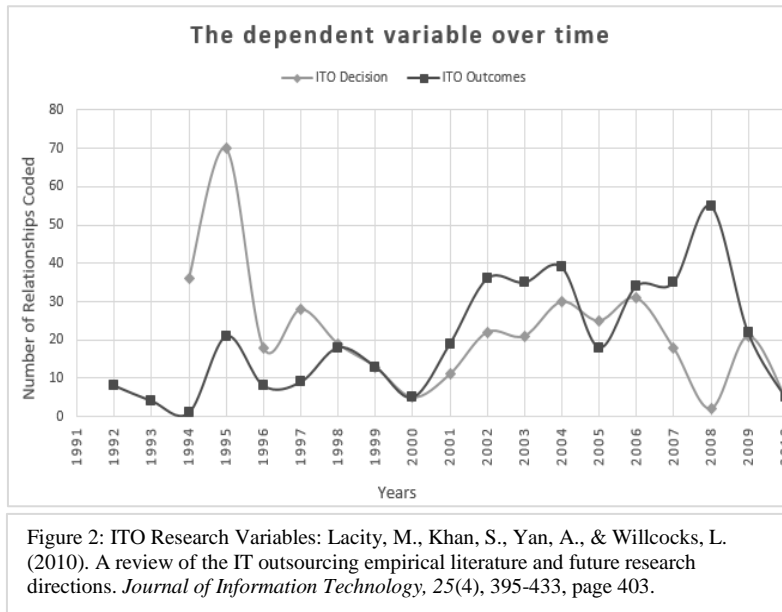

Figure 1: ITO Relationships in good times and bad grid.

2. Literature Review

To lay the groundwork for understanding how to create a robust outsource relationship a Literature Review was conducted in order to answer the questions: why are relationships central to ITO success, what form do they take, and when will they evolve in to best practice. Academic articles were selected from works published between 1999 and 2014 with two earlier articles from 1993 and 1996 included for context. The review excluded literature which discussed the specific impacts of offshore relationships or resource take-overs; focusing instead on gaining a deeper understanding of the relationship itself.

Mary Lacity and Leslie Willcocks are the top researchers in the field of IT Outsourcing literature, having authored no less than forty three books between them along with the top four most cited articles published prior to 2008 (Alsudairi & Dwivedi, 2010; Lacity, Khan, Yan, & Willcocks, 2010). So, their thorough examination in 2010 of 164 empirical articles published between 1992 and 2010 is a worthy place to start when understanding the level of importance placed on this topic (Lacity, Khan, Yan, & Willcocks, 2010).

Their review coded 741 variables and concluded that 'relationships' was the third most researched ITO subject after 'motivations to outsource' and 'transaction attributes' (Lacity, Khan, Yan, & Willcocks, 2010). This was mirrored in other reviews conducted since 2006 where relational governance appeared in the top four subjects each time (Alsudairi & Dwivedi, 2010; Gonzalez, Gasco, & Llopis, 2006; Gonzalez, Llopis, & Gasco, 2013).

Figure 2: ITO Research Variables: Lacity, M., Khan, S., Yan, A., & Willcocks, L. (2010). A review of the IT outsourcing empirical literature and future research directions. *Journal of Information Technology, 25*(4), 395-433, page 403.

Twenty-odd years ago, in the early 1990's, IT Outsourcing was growing in popularity. Much of the academic research in this early phase (depicted here as the 'ITO Decision' line in in Figure 2) was directed towards assisting would-be clients with core decisions such as what to outsource and who to partner with (Lacity, Khan, Yan, & Willcocks, 2010, p. 403). At the time little attention was paid to outcomes until after 2000, (shown in Figure 2 as the 'ITO Outcomes' line) when such matters as the relationship grew in importance (Lacity, Khan, Yan, & Willcocks, 2010). In fact, initially there was skepticism that any form of mutually rewarding customer-supplier relationship was possible; the profit motivation on either side was just too divided (Lacity & Hirschheim, 1993). So, why are relationships in this industry, particularly good ones, so important today, what do they look like and when do they develop? Most of important of all: how do the partners go about creating a sustainable relationship which will stand the test of time?

2.1 *Why* are quality relationships in ITO important?

The link between Quality Relationships, contracts and *success*

Academic literature in early 1990's proposed that it might be possible for ITO relationships to be more strategic than the traditional mode of customer and supplier (Grover, Cheon, & Teng, 1996). However, it was not until Lee and Kim's seminal work in 1999 that

the link was drawn between a quality client-vendor relationship and increased service quality (Lee & Kim, 1999). These days there is a significant body of evidence which proves that a good relationship is a form of binding psychological contract which acts as a critical driver of success (Cui, Yue, & Wang, 2014; Chakrabarty, Whitten, & Green, 2008; Hunter & Hall, 2011; Koh, Ang, & Straub, 2004; Lee & Kim, 1999; Sargent, 2006).
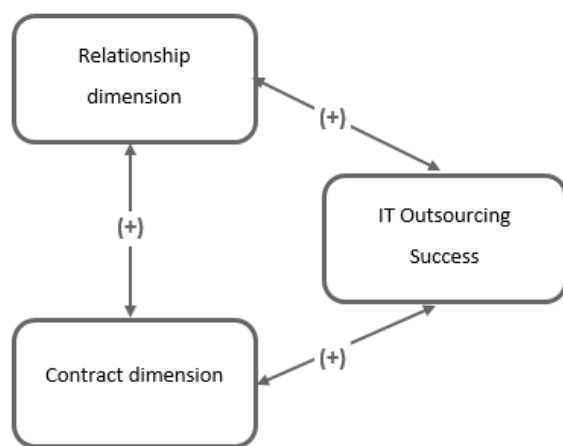

Figure 3 Link between Relationships and ITO success. Adapted from ((Chakrabarty, Whitten, & Green, 2008; Qi & Chau, 2012)

In fact, as Figure 3 shows, there is more than just a strong correlation between relationship and the likelihood of success. There is an intrinsic bi-lateral dependency between the two (Lee & Choi, 2011; Lee, Huynh, & Hirschheim, 2008; Koh, Ang, & Straub, 2004; Qi & Chau, 2013). Forming part of an ITO triangle good relationships increase outsourcing success by elevating user satisfaction and delivering strategic, economic and technological benefits to the client (Lee, Huynh, & Hirschheim, 2008; Lee & Kim, 1999). Good contracts in turn create a solid foundation for the relationship and lastly successful outputs in turn energise the relationship and help ensure the contract remains relevant (Barthelemy, 2003; Gonzalez, Gasco, & Llopis, 2006).

Relational governance

The literature also reminds us that while finding the best-suited vendor and crafting a well-defined contract is a crucial step on the path to success, it is not enough (Barthelemy, 2003; Koh, Ang, & Straub, 2004; Lee, Huynh, & Kwok, 2003). There is an ongoing reliance on relational governance which continuously refreshes shared knowledge, works on common goals and is flexible enough to meet shocks head on (Kern & Willcocks, 2002). Investing in

this form of relational governance is key, especially as it is estimated that the client IT will spend 70% of their time managing the relationship after the contract is signed (Kern & Willcocks, 2002, p. 16).

Mimetic Influence

There is also reliable evidence to suggest that ITO practitioners have an interest in mirroring their peers' success and there are plenty of case studies to learn from (Lacity & Hirschheim, 1993; Robinson, Iannone, & Terra, 2007; Schwatz, 2008; Lacity, Khan, Yan, & Willcocks, 2010).

However, despite the importance of a quality relationship there is still a level of bias in much of the current research. Very few studies include either the vendor's perspective or the views of outsourcing professionals below executive level (Lacity, Khan, Yan, & Willcocks, 2010). This research sought to redress some of the imbalance by canvassing IT professionals from both client and vendor organisations. Leveraging this 'mimetic influence' will work well with this research as it has been conducted with current practitioners for the express benefit of the wider ITO practitioner community.

The relationship risk

Twenty five years on from the landmark outsourcing deal between Eastman-Kodak and an IBM consortium IT Outsourcing contracts are still subject to a high failure rate (Huang & Goo, 2009; Qi & Chau, 2012). Often the risk of failure is attributed to one of the most complex factors in outsourcing: the inter-organisational relationship (Quelin & Duhamel, 2003; Willcocks, 2010). An ITO relationship, by its very nature, is a multifaceted interaction often difficult to manage and sometimes impossible to get right (Barthelemy, 2003;

Barthelemy, 2003; Huang & Goo, 2009; Whitfield, 2014). As a result of this research, a new resource is made available for both client and vendor to help decipher those complexities.

2.2 *What* form does a quality relationship take?

Quality Relationships as a series of inputs, processes and outputs

The nature and form of an ITO *quality relationship* has been analysed and defined numerous times over the past fifteen years. In most cases either the partnering theories of Social, Interaction and Relational Exchange were used or the economic viewpoint of Transaction or Agent Cost theory was applied (Blumenberg, Beimborn, & Koenig, 2008; Kern & Willcocks, 2000; Kern & Willcocks, 2002; Lee & Choi, 2011; Lee & Kim, 1999; Qi & Chau, 2013).

To simplify then, an 'Inputs-Process-Outputs' model has been provided in Figure 4 which aims describe the principal components common to most of these theoretical models. The inputs (*determinants*) are factors which increase the likelihood of a quality relationship occurring, and the outputs (*characteristics*) are the behaviours which demonstrate a quality relationship-in-action.

Evidence suggests that there are common *determinants* such as top management support, interdependency and cultural compatibility
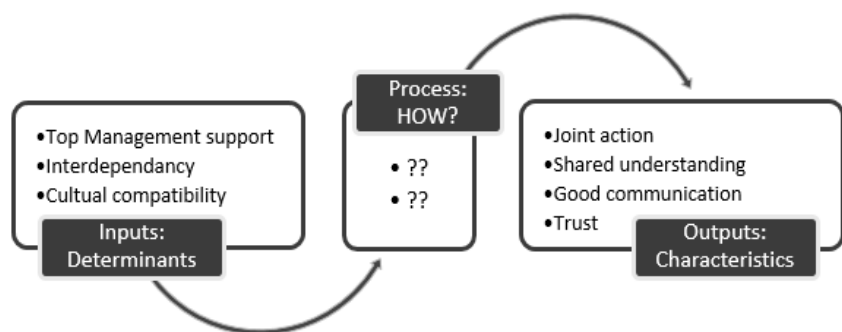

Figure 4: based on analysis of relationship models: Sargent Jr, A. (2006). Outsourcing relationship literature: an examination and implications for future research. *Proceedings of the 2006 ACM SIGMIS CPR conference* (pp. 280-287)

(Blumenberg, Beimborn, & Koenig, 2008; Ishizaka & Blakiston, 2012; Lee & Kim, 1999; Swar, Moon, Oh, & Rhee, 2012).

There is also consensus on characteristics exhibited in a healthy relationship (*outputs*); shared understanding, joint action, good communication and trust (Alexandrova, 2012; Chakrabarty, Whitten, & Green, 2008; Ishizaka & Blakiston, 2012; Kishore, Rao, Nam, Rajagopalan, & Chaudury, 2003; Lee & Kim, 1999; Soderstrom & Lennerholt, 2007; Swar, Moon, Oh, & Rhee, 2012).

Complexity and variability of models

Blumenberg *et al* extrapolated these attributes out further, going as far as describing four sub-categories of determinants covering eleven elements which included such drivers as contract completeness, relationship demographics and organisational structure (Blumenberg, Beimborn, & Koenig, 2008). Although, widening the scope in this way represents the true complexity of ITO relationships a clear limitation emerges (Blumenberg, Beimborn, & Koenig, 2008). It is one which Blumenberg *et al* highlight themselves: multiple constructs and complicated modelling can be confusing and ambiguous (Blumenberg, Beimborn, & Koenig, 2008). The purpose of this research, therefore, is to find an easier way of understanding what a quality relationship looks like, by describing ITO relationship best practices which contribute to it.

Current theory limitations and exceptions

It is equally important to balance these models with the known exceptions. In the public sector, for instance, certain aspects of a quality relationship may be less important or more challenging to cultivate (Vilvovsky, 2008, May; Swar, Moon, Oh, & Rhee, 2012; Lee & Kim, 1999). For instance, vendors need to apply additional effort to understand the regulatory, political and institutional arrangements which are part of most Public Sector cultures as these impact the ability to establish shared norms (particularly regarding decision

making and knowledge sharing) (Duhamel, Gutierrez-Martinez, Picazo-Vela, & Luna-Reyes, 2014; Vilvovsky, 2008, May).   In addition, other characteristics like the ability to communicate well have only a weak correlation to increased trust and mutual understanding (Duhamel, Gutierrez-Martinez, Picazo-Vela, & Luna-Reyes, 2014; Vilvovsky, 2008, May).

Little work has been done to analyse and prescribe a method of achieving a lasting quality relationship in the ITO industry.   The current research does not directly address practical issues around the beliefs and actions that make ITO relationships work in good times and bad.   For instance, current literature does not suggest how and when a vendor can expect to establish trust with a cautious client who has just exited a bitter relationship. Neither does the literature propose how a client can create a strategic partnership if they believe that vendors are motivated only by maximising profits? (Lacity & Hirschheim, 1993).

2.3 *When* ITO relationships mature do best practices emerge?

The final theme gathered from the review looks at whether these relationships follow a predictable lifecycle path to maturity, including when stages of maturity occur, and the degree to which maturity equates to enhanced performance.

Client-Vendor Relationship Maturity theory

In its simplest form relationships are a series of single interactions between client and vendor (Kern & Willcocks, 2002). The key to maturing the relationship is that the outcomes of these social exchanges should become predictable over time as both parties become more comfortable with each other as they repeat and embed their responses (Cui, Yue, & Wang, 2014; Gottschalk & Solli-Saether, 2006; Mehta & Mehta, A., 2010; Willcocks, 2011).

This investment in getting to know each other not only safeguards against opportunistic behaviour it also speeds up interactions through leveraging relational norms (Cui, Yue, & Wang, 2014; Mehta & Mehta, A., 2010; Willcocks, 2011). For example, a client may come to trust that their vendor will rise to a challenge in a crisis or perhaps a vendor will understand how to manage the communication of project risk as they have already had this experience many times before. These intangibles are not present day one as they take time, therefore the purpose of this research is to provide practitioners with ways of getting to this level of *knowing* earlier (Gottschalk & Solli-Saether, 2006; Solli-Sæther & Gottschalk, 2008).

Some theorists propose that relationships will over time naturally move up the scale of maturity (see Figure 5) from being focused on costs and service through to being focused on the formation of a partnership alliance, where value is created together (Cui, Yue, & Wang, 2014; Gottschalk & Solli-Saether, 2006; Mehta & Mehta, A., 2010; Willcocks, 2011)

Conversely, there is opposing evidence to suggest that they do not, in fact, always reach that level of partnership alliance (Gottschalk & Solli-Saether, 2006; Willcocks, 2011). Clients may opt out of ITO after being scarred by initial experience or may choose to remain at the cost and resource stages
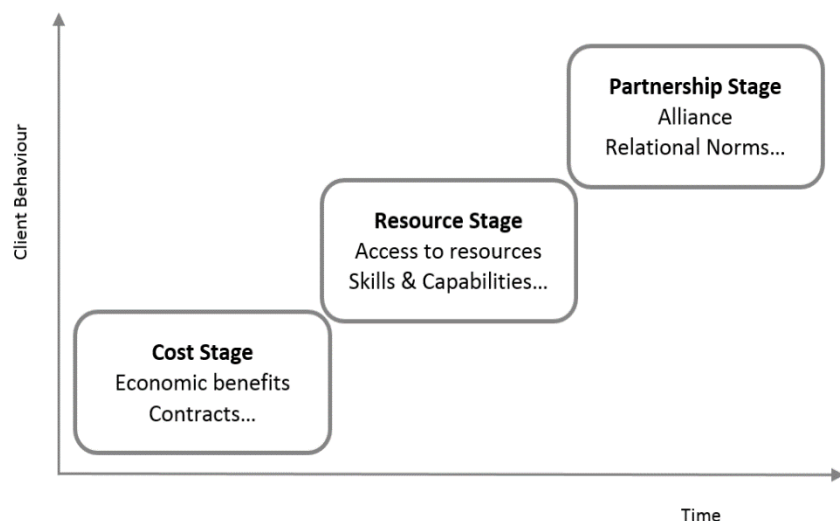

Figure 5 ITO Relationship maturity, adapted from: Gottschalk, P., & Solli-Saether, H. (2006). Maturity model for IT outsourcing relationships. *Industrial Management & Data Systems, 106*(2), 200-212.

in order to retain control and reduce risk (Gottschalk & Solli-Saether, 2006; Kim, Song, Baker, & Kim, 2013; Willcocks, 2011).

Barriers to Maturity

When clients jumped on board the IT Outsource hype-curve in the early 1990's they believed they could mirror the Eastman-Kodak-IBM success by relying on a strong collective drive and only the loosest of contracts (IBM are reputed to have had only a "six or seven page contract" with Eastman-Kodak) (Lacity & Hirschheim, 1993, p. 76). While this model worked for Eastman-Kodak and their vendors there were many hard lessons learnt by other early adopters (Lacity & Willcocks, 2012). These days too there are still a considerable number of known barriers to this natural path of relationship maturation. For instance, sense of openness and shared knowledge may take longer for those clients whose ability to choose their vendor is limited, e.g. if the client has only a panel to select from or the vendor is a subordinate company to the client (Willcocks, 2011).

There are also few longitudinal studies centered on the maturation of existing ITO relationships. At an organisational level too there are many potential factors which may hinder a quality relationship's path to 'alliance' (Willcocks, 2011). These include the risk that changes at the executive level may alter not only the 'tone from the top' but also the level of support for the partnership (Willcocks, 2011). Lastly, organisational practices surrounding to the relationship are often not well institutionalised (Willcocks, 2011).

In summation, the length of time a client and vendor work together does not automatically equate to a quality relationship or embedded best relationship practices at work (Gottschalk & Solli-Saether, 2006; Willcocks, 2011). Even when a relationship starts on a good footing, if the documented learnings are not institutionalised then the ability to retain, nurture or transfer those lessons is hindered, particularly during tough times or in times of significant change (Willcocks, 2011).

3. Research Methods

As the research sought to understand the behaviors and experiences of ITO practitioners, an interpretive qualitative research model was put forward (Hennink, Hutter, & Bailey, 2011; Patton, 2002). This interpretive paradigm did not set out to prove a hypothesis, but rather explore practitioners lived experience in order to guide future actions through their use of best practices (Hennink, Hutter, & Bailey, 2011; Patton, 2002). It was anticipated that by exploring best practices used by practitioners (the research subjects) the gap of how to create positive ITO relationships would be filled.

In line with the current direction of ITO research this study was designed to tune in to the voice of the vendor in balance with that of the client (Lacity, Khan, Yan, & Willcocks, 2010). The analysis was also driven from the IT practitioner viewpoint, rather than the executive (Lacity, Khan, Yan, & Willcocks, 2010).

An online anonymous survey was the primary research method, prefixed by two preparatory strategies (Figure 6). This three-phase approach aimed to create a useful resource of prioritised and validated relationship best practices which can be employed in everyday situations during the life of the ITO relationship.
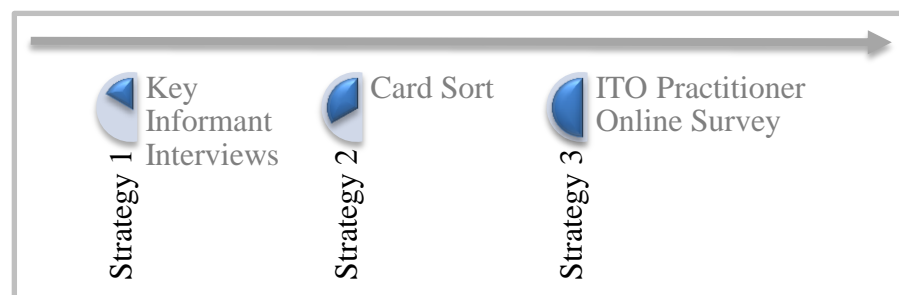

Figure 6: Diagram of the strategies applied for the research phase.

3.1 Strategy 1 – Key Informant Interviews

The key objective of the interviews was to add to existing knowledge from the Literature Review as to which relationship strategies practitioners have applied successfully in the past to nurture ITO partnerships. To this end, Strategy 1 and 2 used the 'key informant' interview method. Interviews are a popular strategy for gathering qualitative data, working on the basis that participants will share their privileged knowledge (DiCicco-Bloom & Crabtree, 2006; Hennink, Hutter, & Bailey, 2011).

Each semi-structured interview was conducted in two parts with the chief role of the first part (Strategy 1) to engage the thought processes of participants on the topic of ITO relationships as a direct lead in to second component; the card sort (Strategy 2), where data gathering task was focused.

Demographic	Summary
Average years in the industry	19
Global region the interviewee has worked in over this time	9 - NZ 4 - UK 2 - U.S.A 1 - Europe 1 - Australia 1 - Asia Pacific
Whether the interviewee had worked in the Client, the Vendor or in both	7 - both 1 - vendor only
Current functional area	2 in Client Service Delivery roles 2 in Sales and Consulting roles 1 Operations Manager 1 Transition Manager 1 Business Unit Manager, and 1 Incident Manager

Table 1: summary demographics of interviewees

Eight candidates, all of whom subsequently participated in the study, were selected from the researcher's network based on three simple criteria (see Table 1 for a summary of candidate demographics). The first is the researcher's belief, based on experience, that the participant has a reputation as a positive influencer of ITO relationships. The second is that participants are willing and able to serve as a spokesperson for other ITO practitioners.

Lastly, participants were sampled from the New Zealand ITO industry, choosing those with tenure in local and offshore key 'relationship interface' roles.

3.2   Strategy 2 - Card Sort

Card sorting has its origins in social sciences as it harnesses the fundamental human need for sense-making: to create order from disparate pieces of information using one's own mental models (Blanford, et al., 2011; Santos, 2006). It is also an easy and qualitative method for creating a single collaborative, validated design for the online survey in Strategy 3. This was achieved in the card sort by extracting expert knowledge from multiple sources in a structured and coherent way while limiting researcher 'observer bias' (Blanford, et al., 2011; Faiks & Hyland, 2000; Santos, 2006).

The purpose of the card sort was firstly to prioritise the overall practices to establish which are seen to be the most valuable. Secondly, to elicit the 'is-part-of' connection between best practices and four common phases of an IT Outsource lifecycle (Faiks & Hyland, 2000). In this instance the form of card sort implemented was one where participants were constrained within two basic predefined sort categories (Blanford, et al., 2011; Faiks & Hyland, 2000). This is preferred over open sorts as it allows results to be more easily compared (Blanford, et al., 2011; Faiks & Hyland, 2000).

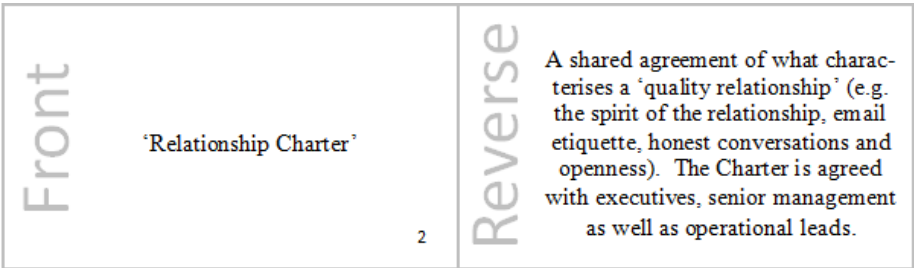During the interview each participant was given a shuffled stack of preprinted index cards, like the one shown in Figure 7. Each card had an ITO relationship practice written on

Figure 7: sample of the face and reverse of an individual 'relationship best practice' cards.

the front and a short description of the practice on the back. The cards were randomly numbered in order to speed up codification of results (Faiks & Hyland, 2000).

While sorting, the participants were able to add to the practices using blank cards provided. This facilitated for a more comprehensive evaluation of the initial set of ITO practices gathered during the Literature Review (Appendix A: Definitions Table) (Blanford, et al., 2011). It also meant that the views of participants were not restricted to only predefined values. Furthermore, it aligned to the overall research goal of eliciting knowledge from a small group of key informant's which would be confirmed through a wider survey audience.

Initially, participants were asked to choose ten best practices from a deck of twenty five and prioritise them, based on perceived value, picking their 'Top 10'. In the second sort interviewees were asked to use the whole deck again and decide which practice cards were a fit with four common ITO relationship lifecycle phases: 'Bid and Contract Negotiation', 'Transition', 'First 12-18 months' and 'Tough Times' (Figure 8). This expanded the initial goal of looking at the relationship during good times and bad by determining whether specific phases required the application of differing relationship practices.

Relationship Environment over contract phases			
Good phases?			Bad?
1. Bid & Contract Negotiation	2. Transition	3. First 12-18 Months	4. Tough Times

Figure 8: Phases of the contract (good and bad) to which Best Practices will be aligned

Full transcription of the first part of the interview was not required as it was a precursor to the card sort and survey. However, interviewees drew on personal insights and images which resonated with the researcher's own experiences. Their interviews acted as a pilot for the survey: adding richness to the relationship practice descriptions and questions, as well as validating the survey response data post-collation.

The card sort results were recorded on an interview template and then verbally read back to the participant to act as a checkpoint to ensure that data has been accurately collected. Each card was assigned a ranking based on a weighted voting procedure which meant that results could be aggregated from the individual's sort results into a single, prioritised list of practices for the group as a whole (Blanford, et al., 2011).

3.3   Strategy 3 – ITO Practitioner Online Survey

The weighted results of the key informant interview and card sorts formed the basis of the online practitioner survey. The card sort had the effect of narrowing the list of best practices from twenty eight to twenty. It removed those which were either not chosen at all or only picked once across all of the interviewee sorts. The purpose of the online survey was to widen the validation process with the final outcome being a list of ratified recommendations that ITO practitioners can utilise to strengthen their client-vendor relationships.

In a multi-phase approach like this one time, reach and cost are factors to consider when choosing which methods to employ (Mann & Stewart, 2000; Wright, 2005). A standardised web-based survey afforded the researcher the ability to reach further within a short space of time and at little or no cost (Mann & Stewart, 2000; Wright, 2005). The online survey (based on the questions listed in Appendix C) was created using the web-based tool,

Survey Monkey. The survey opened with an explanation of the research in compliance with Ethical Clearance requirements and a short set of demographic questions before repeating a version of the same card sorts applied in Strategy 2.

Participants were invited in to the survey through two channels. The first group of 106 recipients was emailed from the researcher's personal network of ITO contacts with an explanation of the survey and a survey website hyperlink. The second group was sourced from online LinkedIn industry forums (such as 'IT Service Management Forum', 'ICT Outsourcing Professionals' and 'Outsource Offshore Development'). The forums were selected through LinkedIn's because of their accessibility (the researcher is a member of each group) and because they enabled the researcher to tap in to ITO professionals who are working at practitioner rather than executive level (the LinkedIn group profiles stated than an average 74% of members held non-executive roles).

A 'hook' was used in the forum discussion to attract members to complete the survey (e.g. *"In good times and bad: what do YOU do to boost and maintain great ITO relationships?"*) (Mann & Stewart, 2000).

The survey was also set up to be anonymous, without any tracer to the participants email or Internet Protocol address. It was restricted to one response submitted per device. Demographic questions (see Appendix C) were also designed to be generic enough so that identification would be unlikely.

4. Research Analysis and Results

4.1   Survey Responses

Over three weeks ninety four participants contributed to the online survey: 68 from the email distribution and 26 from the LinkedIn forums. 81 of the responses are included in this report's data analysis with 13 were removed due to incompleteness. Complete responses were then aggregated and analysed statistically on a weighted average basis for each answer choice in order to prioritise the most important best practices and those which apply to phases in the ITO relationship lifecycle.

4.2   Respondent Demographics

In the opening questions survey participants were asked to describe how long they have been in the industry, which regions they had worked in, current roles, the industry they work in now along with whether they have had experience in working on the client or vendor side (Table 2 overleaf). 83% of respondents indicated that they had eleven years or more experience in the industry supporting the objective of the research to gather the views of experienced ITO professionals. All 81 respondents also currently hold non-executive 'practitioner-type' positions in a variety of industries (Appendix D).

Although the majority of respondents (69) have worked in New Zealand's ITO industry 45 participants also specified they had worked in the United Kingdom, Australia or North America (Table 2). The remaining respondents indicated experience in other regions such as Asia, South Africa, Europe and the Middle East.

Current Roles	Count	%	Types of Industry	Count	%
Service Delivery Manager	11	14%	Information Trechnology	58	72%
IT Project\Programme Manager	11	14%	Government	8	10%
Division\Business Unit Manager	10	12%	Telecommunications and Internet	4	5%
Client Engagement\Account Manager	10	12%	Finance and Financial Services	3	4%
Operations Manager	9	11%	Insurance	2	2%
Service Desk Manager	6	7%	Utilities, Energy and Extraction	2	2%
ITIL Practitioner\Process Consultant	6	7%	Business Support and Logistics	1	1%
Architect	5	6%	Health and Pharmaceuticals	1	1%
General Manager	5	6%	Consulting	1	1%
Other roles	8	10%	Vendor Services	1	1%
Geographic regions worked in	**Count**	**%**	**Years in the Industry**	**Count**	**%**
New Zealand	69	47%	Less than 12 months	0	0%
United Kingdom (U.K.)	24	16%	1-5 years	6	7%
Australia	12	8%	5-10 years	9	11%
North America	9	6%	11-15 years	15	19%
Asia (excluding China)	8	5%	16-20 years	18	22%
South Africa	6	4%	20 years or more	33	41%
Europe (excluding U.K.)	5	3%	**Worked in Vendor or Client side?**	**Count**	**%**
Middle East	4	3%			
South America	3	2%	Client	5	6%
India	2	1%	Vendor	24	30%
Other	5	3%	Both	52	64%

Table 2: characteristics of online survey respondents

4.3 Best Practice Response Data

Respondents were asked to complete two rating tasks relating to ITO Relationship Best Practices. In the first question 81 respondents prioritised their top ten most valued practices from a base list of 20 practices (Figure 9). When compared to those provided by key informant interviewees it was found that the top 4 best practices chosen in the survey matched 4 of the top 5 practices identified by Key Informants.

Top10	Answer Options	Average Rating
1	Communicate and understand the client's IT Strategy	17.38
2	Roles and responsibilities clearly defined	17.09
3	Escalations process defined and issues dealt with swiftly	16.29
4	Educate the vendor on the client's business & core IT	15.05
5	Relationship Charter	14.80
6	Regular meetings – the operational leads	14.79
7	Regular meetings – senior ICT management	14.37
8	Relationship 'health-checks'	13.89
9	Educate client on vendor process and tools	13.37
10	Clear direction and 'tone' from top Management	13.04

Figure 9: Top 10 most valued ITO Relationship Best Practices from online survey results.

In the second question participants were tasked to select best practices which they felt were a fit with four key phases of an ITO Relationship Lifecycle; 'Bid & Contract Negotiation', 'Transition', 'First 12-18 months' and 'Tough Times'. Participants could use a practice across multiple phases and at the same time it was not mandatory to assign all of the best practices. This would encourage participants to think carefully about whether relationships differ depending on the phase of the relationship.

Answers were more specific here, for instance during the 'Bid and Contact Negotiation' phase (Figure 10) the practices of proactively looking for cultural alignment in one's partner was ranked the highest of all twenty practices. However, this practice ranks in the lower quartile of every other phase. Indicating that this practice has one purpose during the life of the ITO and that is best served at the very outset. It also shows that the practitioners know the value of tailoring relationship interactions to suit the time and overall goal of each lifecycle phase.

Phase I - Bid & Contract Negotiation	Rating
Look for 'culture' alignment when choosing a partner	70
Communicate and understand the client's IT Strategy	62
Clear direction and 'tone' from top Management	50
Educate the vendor on the client's business & core IT	41
Know who the VIPs are	39
Roles and Responsibilities clearly defined	38
Relationship Charter	37
Visit strategic business units or sites together	28
Educate client on the vendor's process and tools	25
Know who the SME's are (Subject Matter Experts)	23
answered questions	**81**

Phase II - Transition	Rating
Roles and Responsibilities clearly defined	65
Escalations process defined. Issues are dealt with swiftly	64
Educate client on the vendor's process and tools	63
Know who the SME's are (Subject Matter Experts)	62
Educate the vendor on the client's business & core IT	60
Visit strategic business units or sites together	60
Know who the VIPs are	59
Relationship Charter	57
Clear direction and 'tone' from top Management	55
Communicate and understand the client's IT Strategy	53
answered questions	**81**

Phase III - First 12-18 months	Rating
Regular meetings – the operational leads	74
Regular meetings – senior ICT management	68
Celebrate successes	66
Regular meetings – with key vendors together	65
Relationship 'health-checks'	64
Record and refresh knowledge of client ICT	62
'Do coffee' - informal meetings	60
Reward the right behaviours	59
Clear direction and 'tone' from top Management	51
Escalations process defined. Issues are dealt with swiftly	48
answered questions	**81**

Phase IV - Tough Times	Rating
Relationship 'health-checks'	55
Reward the right behaviours	54
Celebrate successes	54
Regular meetings – senior ICT management	50
Clear direction and 'tone' from top Management	49
'Do coffee' - informal meetings	49
Regular meetings – the operational leads	49
Escalations process defined. Issues are dealt with swiftly	40
Know who the VIPs are	36
Regular meetings – with key vendors together	36
answered questions	**81**

Figure 10: ITO Relationship Best Practices aligned to phases of the ITO relationship/contract.

Answer Options	Response Percent	Response Count
No: it is up to the individual person or leader to implement themselves as they see fit	5%	4
Not really: it varies across teams still, but as an organisation there is an intention to focus more on these types of things	21%	17
Starting to: some practices are becoming the norm and others need more work	36%	29
Yes, on the whole: practices are documented, and they are being adopted by each team	31%	25
Yes, very much so: there are a set of consistent practices embedded, aligned to our values and institutionalised across the organisation	7%	6
answered question		81

Figure 11: ITO Relationship Best Practice level of maturity within organisations.

A closing survey question canvassed the participants' views on the level of institutionalisation of relationship best practices within their own organisations. 74% of respondents indicated that ITO relationship best practices were either becoming more important or were proactively applied company-wide (Figure 11).

5. Discussion and Recommendations

It should be obvious to say that an Outsourcing relationship between client and vendor takes effort to develop and sustain (Lacity & Willcocks, 2012). After all if the vendor is secretive or the client untrusting then this will overshadow any mature IT methodology and hinder acceptance of even the smartest technology (Lacity & Hirschheim, 1993). To make it easier for practitioners to draw on the success and experience of their counterparts the research findings have been discussed herein as a series of recommendations based on the empirical data collected from the survey.

5.1 The most valuable Relationship Practices overall – Top 10

During the interviews this question was prefixed with the statement "think about the most important practices to you as a professional. Also consider that if you did not have these in place then your ITO relationship would be in trouble". Survey participants were similarly asked to pick out and rank the practices they had found to be most valuable to them.

The top ten practices along with their weighted averages are shown in Figure 8. The full list of twenty ranked practices can be found in Appendix D. To maximise these insights a description of each of the top ten best practices has been summarised from academic literature and reputable industry sources. This is designed to provide readers with starting point strategies on how to implement the practices that their industry peers have recommended.

Practice 1: Communicate and understand the client's IT Strategy

Short Description: client proactively shares their strategic direction and how the organisations goals will be achieved through the support of ICT.

Knowledge is a very powerful lever in any relationship. It has many facets in ITO from the high level Strategic Plan to call scripts, databases and vendor education programmes. It is often difficult to describe, but most obvious when absent. For instance, a Service Desk that do not understand the client's business will be driven more by 'length of time on the phone', than in creating interactions which grow client satisfaction.

In 2007 Klepper and Jones stated that the investment in knowledge transfer and the ongoing refresh of such is the sign of a successful ITO engagement (Klepper & Jones, 2007). Conversely, without knowledge of the client's IT strategic direction a vendor's delivery will be watered down to 'keeping the lights on' only. Vendor's will find their technology and services are at odds with the client' changing priorities and goals.

Undoubtedly, a long-term engagement will struggle to survive without a vision of what that future will look like together; what the key drivers are; which strategies will be introduced and which services should be refreshed or retired (Ishizaka & Blakiston, 2012; Willcocks, 2011).

> **Tip: Share Client's IT Strategy**
>
> Making the strategy more visible will assist with dissemination. Perhaps in infographic form. Consider posting this in the vendor's technical delivery work area and/or on the shared client-vendor Intranet.

Therefore, taking the time to share IT Strategy is crucial. This can simply be in the form of delivering the strategy document or, a far better option would be to communicate the strategic direction face-to-face in a presentation forum and ensure this is repeated again in the future, at least annually.

Practice 2: Roles and responsibilities clearly defined

Short Description; a RACI / RASCI matrix is drawn up along with defined role descriptions and mapping the key counterparts are in vendor and client ICT departments.

During the recent New Zealand Ministerial Inquiry in to the 'Novapay project' (the Ministry of Education's project which commissioned Talent2 to replace existing payroll systems) one of the factors contributing to the overall project failure was a lack of clarity around Roles and Responsibilities (Ministerial Enquiry into the Novopay Project, June 2013, p. 13). This was echoed by no less than two separate independent audits earlier in the projects lifecycle (Ministerial Enquiry into the Novopay Project, June 2013, pp. 35-40). So, while engaging a vendor long term always introduces an element of *agency dilemma* this risk of losing control should be proactively mitigated. One way of doing this is by taking the time to understand who does what; who the approvers are and who needs to be kept informed along the way (Kern & Willcocks, 2000; Gottschalk & Solli-Sæther, 2005). This is why current practitioners rank this the second highest on the scale of Top 10 Best Practices.

Using a model such as the RACI or RASCI matrix ensures ITO partners take the time to think carefully about the effect the new outsourcing arrangement will have on both their decision-makers and operational staff (Brady, 2013; Jacka & Keller, 2009). The purpose of the model is to document, in an easily understood table format, the participation of various roles in certain tasks; who is responsible, who is singularly accountable, who should be consulted or kept informed (Brady, 2013; Jacka & Keller, 2009).

Tip: Key Role Distribution Lists

To make this a 'living document' create email distribution lists which reflect the key functions in the R&R Matrix e.g. if there is a role to own Service Level reporting and others to be kept informed then creating this list will ensure the right people are in the loop every time.

The very act of jointly agreeing key roles and responsibilities and then proactively disseminating the information reduces uncertainty, alleviates frustration and speeds up interactions (Solli-Sæther, 2011). If there are employees who transfer from client to vendor as part of the agreement or if the ITO results in a restructure within the client then this task becomes all the more important (Solli-Sæther, 2011).

Practice 3: Escalations process defined and issues dealt with swiftly

Short Description; there is a channel and process for escalations. More importantly, these are investigated fairly and dealt with swiftly.

Although an Escalation process is most commonly associated to Service Desk fault handling and incident escalation it has a much wider scope for application in an ITO (Blumenberg, Beimborn, & Koenig, 2008). It is closely tied, in fact, to the task of clarifying Roles and Responsibilities as it too requires effort to jointly define and agree how issues will be notified, when and to whom.

Practitioners will tell you that not knowing who is dealing with an escalation can often be just as frustrating as multiple people dealing with it at the same time (Hunter & Hall, 2011). From a vendor's point of view it is also important to ensure that an Escalations Process is not seen as a mechanism to 'jump the queue'. In its simplest form the Escalation Process is a table which defines the likely scenarios for escalation; the notification method/channel and expected response timeframe. Often there are also levels of escalation depending on the rated severity of the issue and multiple stake-holders to be kept informed (Brady, 2013).

Tip: Escalations Process

Assign an Escalations Owner in the first few months post-Transition or in tough times. This puts a human face/voice in charge and they can act as co-ordination point between parties and keeping people informed.

Most important of all, and this is the element which helps bind the relational ties between client and vendor, any escalation, complaint or concern must always be dealt with fairly and swiftly (Hunter & Hall, 2011). After all open communication is the best known deterrent to secrecy and misinterpretation (Barthelemy, 2003; Hunter & Hall, 2011).

Practice 4: Educate the vendor on the client's business and core IT

Short Description; knowledge is shared proactively with vendor. This goes beyond merely Service Levels and system meta data as it is about sharing 'what drives you' as a business and why some systems are 'business critical'.

All good ITO agreements are driven towards a point in the relationship where interactions and operations become standardised; mature even (Blumenberg, Beimborn, & Koenig, 2008; Kern & Willcocks, 2002). This level of alignment has, in the past, been focused on technology alignment rather a mutual understanding between the parties (Lee & Kim, 1999; Reich & Benbasat, 2000). This leads to the risk of a vendor delivering services without the cognition of why they are doing so which is a sure way to sever the relationship before it even has a chance to develop. The vendor cannot acquire this knowledge on their own and it not something that either partner can afford to leave to osmosis (Dawson, 2000; Hislop, 2009).

Knowledge and relationships are deeply entwined. For instance, the *Roles and Responsibilities* practice defines 'who does what' and this knowledge sharing practice supplements by answering 'what is what?' (Dawson, 2000). Blumenberg *et al* refer to this as "knowledge sharing routines" which aim to train members of the vendor teams using shared knowledge databases (Blumenberg, Beimborn, & Koenig, 2008).

> **Tip: Making sure it has sunk in**
>
> Create a quiz to measure the level of client knowledge post training – perhaps 3 or 6 months afterwards. This could include business knowledge as well as client-specific IT concepts, e.g. security protocols specific to your client. This will also show where the next round of training needs to be focused.

Ideally, the first transfer of business knowledge occurs during the bid process when information about the organisations business, values, structure and goals are communicated

to prospective vendors. Rigour should also be placed around the transfer of this knowledge during Transition, perhaps through workshops with key business units and classroom/virtual training (Blumenberg, Beimborn, & Koenig, 2008). Operational teams should also have the opportunity to refresh this knowledge when things change: after a restructure or when new customer services are introduced (Blumenberg, Beimborn, & Koenig, 2008).

Practice 5: Relationship Charter

Short Description: A shared agreement of what characterises a 'quality relationship' and acceptable behaviours is agreed with executive and operational leads in both client and vendor teams.

A Relationship Charter is a foundational document which sets out the behavioural boundaries for the parties involved along with the desired spirit of their partnership (Kern & Willcocks, 2000). It may include intentions such as 'partners promise to raise issues early without undue bias; acting as a temperature gauge for the business'. Like Roles and Responsibilities the value is in the discussion itself, rather than the document. When leaders from both sides set aside time to talk about how they should behave towards each other in the coming months and years then the seed of a quality relationship is sown (Biehl, Halder, & Hart, 2011).

Tip: Charter - more than paper

Consider presenting to the executive group first and then to operational leads and talk about the phases of relationship maturity. Help them pinpoint where they, as partners, want to aim for. Then workshop the desired behaviours and attitudes which will help them get there.

Some organisations may see this as an implicit agreement, but as the practitioners in this survey have indicated the act of discussing and documenting desired behaviours is far more powerful than any assumed covenant.   This practice is also linked to *Practice 8: Relationship 'health-checks'* as this lays the groundwork for how the partners want to work

together and the health check acts as an important review point to confirm whether the spirit of the charter is being upheld.

Practice 6: Regular meetings – the operational leads

Short Description: regular meetings which are attended by operational leads from both the client and vendor. The soft side of delivery is a deliberate agenda item in these meetings, e.g. what to do better; examples of right behaviours, messages from the top, handling of issue escalation.

Science has proven how valuable these face-to-face encounters are in building relationships and reinforcing relational norms (Rogelberg, Scott, & Kello, 2007). However, the reality is that many organisations these days can suffer from 'meeting fatigue' (Rogelberg, Scott, & Kello, 2007). In the rush to transition services to a new vendor, or when the relationship is undergoing a rough patch these operational meetings can often fall by the wayside or reduce in scope to technical delivery and Service Level performance (Rogelberg, Scott, & Kello, 2007).

So, the practitioners surveyed remind us that 'good intentions are not enough', communication must be regular, well planned, face to face and scheduled both horizontally and vertically (Biehl, Halder, & Hart, 2011, p. 4). Balance needs to be instilled from the start and injected during tough times. This is achieved by inserting the soft measures of ITO success in to the agenda. Making the time to discuss the relationship through such agenda items as 'messages from the top' or 'success stories' is an essential method of keeping a positive focus on the relationship (Barthelemy, 2003). Consideration

> **Tip: Other invitees**
>
> Consider bringing in presenters every now and then to these meetings to keep the client top of mind, e.g. invite the client Programme Director to talk about the pipeline. Those top projects are bound to have a downstream impact on the operational teams.

should also be given to the atmosphere to maintain openness when discussing these topics. This is not an agenda item to be simply dictated by the most dominant voices in the room (Rogelberg, Scott, & Kello, 2007).

Practice 7: Regular meetings – senior ICT management

Short Description: Regular meetings attended by the client and vendor senior management in which the soft side of delivery is a deliberate agenda item, e.g. customer satisfaction.

Although the justification and description of this Best Practice is similar to Practice 6 "Regular meetings – the operational leads" there are fundamental differences, not least of which is the attending audience.

Face-to-face meetings are key to engendering trust in the relationship and when there is trust at the senior management level this has both an encouraging and a moderating effect on the operational teams (Barthelemy, 2003). Without the forum of regular meetings senior management limit the chances of observing the behaviour of their counterparts. Observation helps to build expectations and trust in each other and will take longer to develop if these forums are overlooked (Cui, Yue, & Wang, 2014; Mehta & Mehta, A., 2010; Willcocks, 2011).

> **Tip: Cycle in to Ops meeting**
>
> Consider cycling one of the senior managers in to each Operations meeting. This aids in a consistent message passing down through the structure and it allows the senior managers to hear what the operational teams are saying about the relationship.

Creating the atmosphere and space for deliberate discussion of the softer side of the ITO is just as important at the senior management level (Biehl, Halder, & Hart, 2011). This can also be achieved through set agenda items, like customer satisfaction and health of the relationship which are designed to draw the attendees focus towards the relationship itself, rather than operational or technical performance measures (Biehl, Halder, & Hart, 2011).

Practice 8: Relationship 'health-checks'

Short Description: Usually take the form of regular surveys across client and vendor, but it is not about technical delivery. It's designed to gauge how the partners feel they work together and maturity level.

Senior management meetings are a natural lead in to the best practice of checking in on the health of the ITO relationship. While these meetings may discuss 'how things are going' in the relationship, practitioners signal in the survey that there is a need to do more than discuss it: a regular formal relationship health-check is needed (Biehl, Halder, & Hart, 2011, p. 7). These health-checks are a way of highlighting where there is a misalignment of behaviours in comparison to the intent set out in the Relationship Charter. And because one of key diagnostic measures of the health of any organisation is 'communication', the results of this relationship health-check must be shared and acted upon (Harshman & Harshman, 1999).

Health-checks can be performed by an external party, such as a consulting firm. Or they can be achieved through an internal, well-designed survey. The critical success factor of this practice is being able to gauge the maturity of the relationship as well as areas for improvement (Deloitte Touche Tohmatsu Limited, 2012; PricewaterhouseCoopers LLP, 2012).

> **Tip: don't hide the results!**
>
> Make sure that the survey does not end up being a fruitless exercise. Collate and assess results and look for areas to improve. Most of all share those results with those who created the Relationship Charter – creating a virtuous cycle!

Practice 9: Educate client on vendor process and tools

Short Description: The client is trained on using key vendor tools and methodologies. For instance if the vendor's service is based on ITIL then the client's ICT team should be aware of the core elements of ITIL.

Lack of knowledge is guaranteed to damage a new or well established ITO relationship and therefore five out of the top ten best practices are centered on facilitating the sharing of knowledge (Practices 1, 4, 6, 7 and 9). This practice compliments number four, with the key difference that this is concerned with the knowledge flow in the opposite direction: from vendor to client.

Part of the value of a mature relationship lies in the norms of common interpretation (Dawson, 2000; Gottschalk & Solli-Saether, 2006). When partners know each other well and understand the nature of the business conducted between them then there is a shared language; acronyms, terminology, expected methods and processes, all aid in the faster turnaround of decisions and speed up individual interactions (Gottschalk & Solli-Saether, 2006). For example, if a client was new to ITO they may not know the difference between an Incident and a Problem. Whereas, a second or third generation ITO client (one who has been outsourcing services for a number of years) will understand common terminology and therefore the handover of open Problems and establishment of Problem Management will be an easier transition for them.

> **Tip: Training isn't a one-off!**
>
> Offer follow-up sessions after Transition to help embed the knowledge, e.g. specific training on how to log a change or use the self-service tools. Also consider asking key clients what they think of these tools, processes and templates once they've used them for a while. It's a good opportunity to tailor and improve.

Therefore, there are elements of staff induction which should be applied to both client and vendor employees who are new to the ITO partnership. For instance, some vendor organisations offer ITIL Foundation (Information

Technology Infrastructure Library set of IT service management practices) or CMM (Capability Maturity Model methodology for software development lifecycle) training for their client counterparts. Often briefing and training sessions are also added in to the Transition Project Plan, so that, from day one the client understands the nature of the practices in place in their vendor's business.

Practice 10: Clear direction and 'tone' from top Management

Short Description: There is clear direction from senior management as well visibility amongst the operational teams and a conscious effort set the best tone and example possible.

Developing and maintaining a quality relationship is the responsibility of all ICT practitioners, not just the executive and senior management team (Willcocks & Lacity, 2006). However, the voice and personality of a prominent stakeholder (such as a Senior Operations Manager or the Chief Information Officer) can make a significant difference to the ITO relationship (Willcocks & Lacity, 2006, p. 25). There is a correlation between the behaviour of influential executives and their level of integrity as perceived by subordinates (Harshman & Harshman, 1999; Hunter & Hall, 2011). In other words, the relationship is better off across the board when the actions of executive and top management are consistent with organisational values and the spirit of the ITO Relationship Charter (Hunter & Hall, 2011; Willcocks & Lacity, 2006).

> **Tip: Invite them in**
>
> Invite members of the executive staff in to meet your technical teams over morning tea. It can be a 5 minute stand-up event. The act is very inclusive and beneficial to both the executive and the practitioner teams. On a larger scale this can be done with quarterly 'town hall' style presentations.

Conversely, low credibility or message distortion and barriers to communication have a debilitating effect on the client and vendor teams and individuals (Harshman & Harshman, 1999). If there are issues with trust between management and employee this will also breed

inter-organisational distrust (Harshman & Harshman, 1999). It stands to reason then that the way to combat this is by placing as few barriers as possible in the way of delivering key messages from top management. One way of doing this is site visits and floor-walking on a regular basis: stopping to talk to staff and scheduling open meetings with key operational leads. Another, very successful method, especially when the ITO teams are spread geographically or have quite diverse services is to use a regular video blog broadcast via the companies intranet.

5.2 Which Relationship Practices to apply to which phase

Respondents were asked to align best practices with four common ITO phases. Here the results are more targeted, supporting the theory that relationship challenges can present themselves quite differently and be reacted to differently depending on when they occur within the lifecycle of the partnership (Robinson, Iannone, & Terra, 2007; Solli-Sæther & Gottschalk, 2008)

In this section the best practices per phase have been extracted from the online survey data and rated from most valued to the least. Only the practices ranked in upper quartile have been included in the descriptions below (for further data refer to Appendix D). A brief commentary on each phase has been added to explain why some practices might be favoured by practitioners over others and how best to utilise the recommendations offered.

Phase 1: Bid and Contact Negotiation – the foundational relationship

ITO professionals do not wait until the signatures are dry on the contract to start building the foundations of their relationship (Ertel, 2004). It happens early on, during the Bid and Contract Negotiation phase and arguably even earlier (Ertel, 2004; Salacuse, 2005).

Often relationships are formed in the open marketplace well before a client will register their interest in finding an ITO partner (Salacuse, 2005).

The practitioners surveyed recognised the importance of this foundational phase. It is a time to look beyond the desire to create 'apples with apples' pricing comparisons to consider if the parties can and want to work together (Ertel, 2004). The top practice in this phase is quite rightly one of looking for cultural alignment. A misalignment now will either derail the agreement early or set up a kind of failure loop from the outset without hope of correction (Ertel, 2004; Huang & Goo, 2009; Robinson, Iannone, & Terra, 2007).

It is noticeable, too that survey participants selected less practices in this phase than others (Figure 13). Only ten practices in this phase highly rated compared to 19 similarly rated practices in the "Transition" phase and 18 in the "First 12-18 months". This may reflect the fact that often the deal-makers are not the same people as those who transition and deliver the new services (Ertel, 2004). However, there is enormous benefit in starting with the future in mind: looking for cultural alignment early on (Ertel, 2004). Although not easy to do, this may mean putting parties around the table who represent the client's business needs and are more "implementation-minded negotiators" rather than "closers". Arguably, the goal posts can be very different for these two types of people, especially if independent consultants are used during this phase (Ertel, 2004). Those in non-sales roles may have more of a vested interest in considering how the contract and relationship will play out in a year or two's time (Ertel, 2004; Huang & Goo, 2009).

Phase 1: Bid and Contact Negotiation	Average Rating
Look for 'culture' alignment when choosing a partner	70
Communicate and understand the client's IT Strategy	62
Clear direction and 'tone' from top Management	50
Educate the vendor on the client's business & core IT	41
Know who the VIPs are	39
Roles and Responsibilities clearly defined	38
Relationship Charter	37
Visit strategic business units or sites together	28
Educate client on the vendor's process and tools	25
Know who the SME's are (Subject Matter Experts)	23

KEY
Highest valued (upper quartile)
Next highest valued
Medium value (2nd quartile)

Figure 13: Phase 1 - Online Survey results: Relationship Best Practices aligned to phases in the ITO lifecycle (top 3 quartiles of rated practices only)

As discussed in the previous section *understanding the client's strategy* and *clear direction from the top* as well as *roles and responsibilities*, *charters*, *knowledge transfer* and *education programmes* are all important building blocks of the relationship. Not least of all because they are crucial signaling activities for both client and vendor: demonstrating to new counterparts that there is a commitment in the long term relational investment (Ertel, 2004; Huang & Goo, 2009; Salacuse, 2005).

Two other practices aligned to this phase demonstrate a connection to the tasks of *defining roles and responsibilities* and *looking for cultural alignment*. These are the practices of knowing who the *Subject Matter Experts (SME's)* are and identifying *Very Important People (VIPs)*. For the vendor these people will be primary influencers in the future relationship, key to knowledge sharing, innovation and acceptance of the significant change that outsourcing brings. On the flipside, some may appear initially to be resistant, particularly if their position of referential power is affected or threatened by the ITO agreement (Kotlarsky, Oshri, & Willcocks, 2012). Therefore, it is important for the vendor to make a conscious effort in this early phase to bring SMEs and VIPs along on the outsourcing journey from the very beginning.

Phase 2: Transition – the relationship becomes a real entity

Transitioning services from a current provider or from in-house teams to the new vendor is not an easy task (Robinson, Iannone, & Terra, 2007). The technical deliverables are diverse, data is often piecemeal and timeframes are usually tight (Klepper & Jones, 2007). There barely seems time to spend on non-technical deliverables such as the relationship, but as the survey practitioners show investment here is a must. The most number of highest rated practices were chosen in this phase (9) and practitioners selected more from the base list of twenty practices in Transition than in any other phase (Figure 14).

Phase 2: Transition	Average Rating
Roles and Responsibilities clearly defined	65
Escalations process defined. Issues are dealt with swiftly	64
Educate client on the vendor's process and tools	63
Know who the SME's are (Subject Matter Experts)	62
Educate the vendor on the client's business & core IT	60
Visit strategic business units or sites together	60
Know who the VIPs are	59
Relationship Charter	57
Clear direction and 'tone' from top Management	55
Communicate and understand the client's IT Strategy	53
Induction in to the client account	53
Regular meetings – the operational leads	51
Regular meetings – with key vendors together	48
Regular meetings – senior ICT management	46
Record and refresh knowledge of client ICT	46
Celebrate successes	43
'Do coffee' - informal meetings	34
Reward the right behaviours	34
Relationship 'health-checks'	31

KEY
Highest valued (upper quartile)
Next highest valued
Medium value (2nd quartile)

Figure 14: Phase 2 - Online Survey results: Relationship Best Practices aligned to phases in the ITO lifecycle (top 3 quartiles of rated practices only)

Transition is a perfect example of a 'threshold' phase: the intention is one of mobilisation mixed with the uncertainty of something new ahead (Campbell, 2008; Lacity & Willcocks, 2003).

Every Transition is different, however commonly clients will feel a sense of anticipation and worry about how the new relationship will work out (Kotlarsky, Oshri, &

Willcocks, 2012). For the vendor too it is a time of fragile *initial trust*, when relationships are new and untested (Beulen, Ribbers, & Roos, 2010). This is the juncture, then that relationship management practices get their first real tryout. And because it is the first real engagement across both client and vendor operational teams it is crucial to design social linkages through the use of underpinning practices like *roles and responsibilities* and *escalation process* (Beulen, Ribbers, & Roos, 2010). Then once designed these relational links undergo preliminary testing during Transition through *regular meetings*, *induction*, *education initiatives* and *visits to site.*

It is these practices that show a pattern of progression appearing in the ITO lifecycle phases. They are a forerunner to the next phase and differentiate 'the new relationship' as an entity in its own right. Where before the best practices were focused on exploration and boundary-setting: getting to know who the partners are, what they care about and whether the relationship might be compatible, now the practices reflect a step-change in maturity (Gottschalk & Solli-Saether, 2006). They identify the relationship is a tangible thing which needs an introduction (*inducting others* in to the team) and regular maintenance (*meetings*).

Lastly, affirmation that this stage is vital as it signals the change ahead: the departure from the old and acceptance of the new (Campbell, 2008). The practitioners surveyed indicated the need for this positive reinforcement through their choice of such practices as *celebrate successes, clear direction and tone from the top* and *reward the right behaviours* (Biehl, Halder, & Hart, 2011).

Phase 3: First 12-18 months – relationship norms

In this phase the client- vendor relationship gains momentum. And although sometimes referred to as the 'honeymoon period' most IT professionals will tell you that the relationship

requires dedication and a lot of incredibly hard work in the first 12-18 months. This is because the relationship transforms from being based on initial trust to 'founded trust' (Lee & Choi, 2011). It gains this stronger foothold through evidential performance: delivery of quality service and delivering to promise (Lee & Choi, 2011).

This is when best practices which were piloted in Transition come in to their own; moving up the scale of importance as evidenced in the survey results (Figure 15). *Regular meetings* are now in the top quartile practices as are affirmation practices; *celebrate successes* and *reward the right behaviours* marking a time when relational norms develop (Solli-Sæther & Gottschalk, 2008).

Up until now the knowledge transferred from the client was not tacit (Lacity, Willcocks, & Rottman, 2008). While knowledge may have been gathered, shared and codified earlier, it is only in the first year or more that it gains real relevance to the vendor's delivery teams (Lacity, Willcocks, & Rottman, 2008). Arguably tacit knowledge may take a

Phase 3: First 12-18 months	Average Rating
Regular meetings – the operational leads	74
Regular meetings – senior ICT management	68
Celebrate successes	66
Regular meetings – with key vendors together	65
Relationship 'health-checks'	64
Record and refresh knowledge of client ICT	62
'Do coffee' - informal meetings	60
Reward the right behaviours	59
Clear direction and 'tone' from top Management	51
Communicate and understand the client's IT Strategy	48
Escalations process defined. Issues are dealt with swiftly	48
Visit strategic business units or sites together	47
Know who the SME's are (Subject Matter Experts)	46
Induction in to the client account	45
Educate the vendor on the client's business & core IT	41
Know who the VIPs are	40
Roles and Responsibilities clearly defined	40
Educate client on the vendor's process and tools	39

KEY
Highest valued (upper quartile)
Next highest valued
Medium value (2nd quartile)

Figure 15: Phase 3 - Online Survey results: Relationship Best Practices aligned to phases in the ITO lifecycle (top 3 quartiles of rated practices only)

lot longer than a few months or a year, but with regular contact and close delivery interaction the knowledge becomes ingrained (Lacity,

Willcocks, & Rottman, 2008).

The group of practices in this phase supports the theory which says that closer relationships, proven over time will move towards partnership status (Gottschalk & Solli-Saether, 2006; Solli-Sæther & Gottschalk, 2008). Although not discernibly obvious when working within the relationship it is during this period that the partners should start to show a reliance on each other, norms are established and interdependence grows. For instance, behaviours should demonstrate that Service Level attainment is not achieved alone by the vendor; because it is the client IT team who help the rest of the organisation adopt and accept changes in process and tools and who lead by their own example (Lacity & Willcocks, 2003). During this phase too, if the relationship is doing well, then feedback from members of the client end user community should include comments like 'they really understood my issue' and the investment in relationship best practices will start to pay off.

Phase 4: In Tough Times – relationship paradox

A quality relationship will be most obvious when, or perhaps after, it is tested (Kern & Willcocks, 2000). Even though tough times are described as those situations where the relationship is shocked either by internal change or external factors, the cause and timing can be quite varied (Hunter & Hall, 2011). For instance, the arrival of a strong competitor in the marketplace or the Global Financial Crisis, a major IT outage just after Transition or even a change in the executive will impact the relationship (Hunter & Hall, 2011). Each usually brings with it new challenges to the way IT services are delivered and funded, and yet they can be an opportunity for the client and vendor to prove their willingness to co-operate openly (Kern & Willcocks, 2000).

Essentially this phase can be described as one of paradox. While hopefully the foundations of a quality relationship have been laid in previous phases it is important to note that tough times can occur anywhere along the ITO lifecycle. Wherever they occur it is always an unsettling time (Kern & Willcocks, 2000).

The best practices chosen here show an appreciation of these conflicting times (Figure 16). They infer that while it is important to keep an eye on the long view one should also keep the conversation close. For instance checking on the health of the relationship while reviewing the roles and responsibilities shows a recognition that perhaps the key players may have changed and there is a need to refocus for the future of the relationship (Kern & Willcocks, 2000). However, there is an equal emphasis on practices which encourage 'getting closer'. *Meetings*, *celebrating success* and *rewarding the right behaviours* is more about remaining close and keeping the message consistent. That is why too, *clear tone from the top management* is important as are informal interactions such as *doing coffee*. Good conversations are necessary - after all nothing is ever resolved through avoidance (Kern & Willcocks, 2000; Salacuse, 2005).

Phase 4: In Tough Times	Average Rating
Relationship 'health-checks'	55
Celebrate successes	54
Reward the right behaviours	54
Regular meetings – senior ICT management	50
Clear direction and 'tone' from top Management	49
Regular meetings – the operational leads	49
'Do coffee' - informal meetings	49
Escalations process defined. Issues are dealt with swiftly	40
Know who the VIPs are	36
Regular meetings – with key vendors together	36
Know who the SME's are (Subject Matter Experts)	30
Roles and Responsibilities clearly defined	29
Record and refresh knowledge of client ICT	29
Communicate and understand the client's IT Strategy	24

KEY	
	Highest valued (upper quartile)
	Next highest valued
	Medium value (2nd quartile)

Figure 16: Phase 4 - Online Survey results: Relationship Best Practices aligned to phases in the ITO lifecycle (top 3 quartiles of rated practices only)

Willcocks and Lacity wisely state in their book *Global Sourcing of Business and IT Services* that quality relationships are not defined by their longevity (Willcocks & Lacity, 2006). After all, switching costs are so high in outsourcing contracts that a client-vendor relationship may remain in place long past its use-by date (Willcocks & Lacity, 2006). Instead, the true mark of success is in the 'sustained relationship': the one which faces its moment of truth together and comes through the other side the stronger for it (Willcocks & Lacity, 2006).

5.3   Limitations and Future Research

When considering the complex and dynamic nature of ITO relationships it is not suitable to talk of absolutes as there is no guaranteed method of assuring a sustained positive relationship (Lacity & Willcocks, 2012). However, the recommendations gathered through this research are put forward as a set of 'robust practices', endorsed by a wide variety of ITO practitioners from both client and vendor backgrounds that have used these methods before and would apply them again in the future (Lacity & Willcocks, 2012).

There is recognition, however, that the results discussed here are weighted towards practitioners working primarily in New Zealand, United Kingdom and Australia. Although the key informants and survey participants were all chosen purposefully for their diverse backgrounds, there is little representative balance from other cultures such as Asia, Middle East, Europe and Africa and therefore 71% of respondents are likely to have a similar cultural approach to ITO relationships.

When it comes to ITO relationships, no two are alike and therefore best practices cannot be implemented as 'one size suits all'. In high-context cultures quite different interactions may be needed. For instance, it may not be realistic to aim to cultural alignment when an IT vendor sets out to partner with armed forces or a deep-sea drilling company.

There is also recognition that there are other ITO lifecycle phases besides the four common ones assessed here. Contract Termination and Renewal phases could well benefit from further research in to best practice alignment.

5.4   Discussion Summary

The components of a quality relationship are often intangible and difficult to control. Trust, for instance, is a somewhat ethereal element, subject to very personal as well as organisational interpretation (Blumenberg, Beimborn, & Koenig, 2008; Chakrabarty, Whitten, & Green, 2008).   For suppliers trust has been described as implied confidence, whereas for clients it has meant openness and honesty (Kern & Willcocks, 2000, p. 338). Commitment, interdependence and mutual respect are also problematic to pin down as characteristics which can be easily defined and implemented.

The inputs-process-outputs model is used once again (Figure 12) – this time to clarify where this research fits in the context of the quality relationship definition.   It is easy to see that these Relationship Best Practices are the central *Process* glue, as they answer the original question posed of "How do we create a quality outsourcing relationship?"   The practices
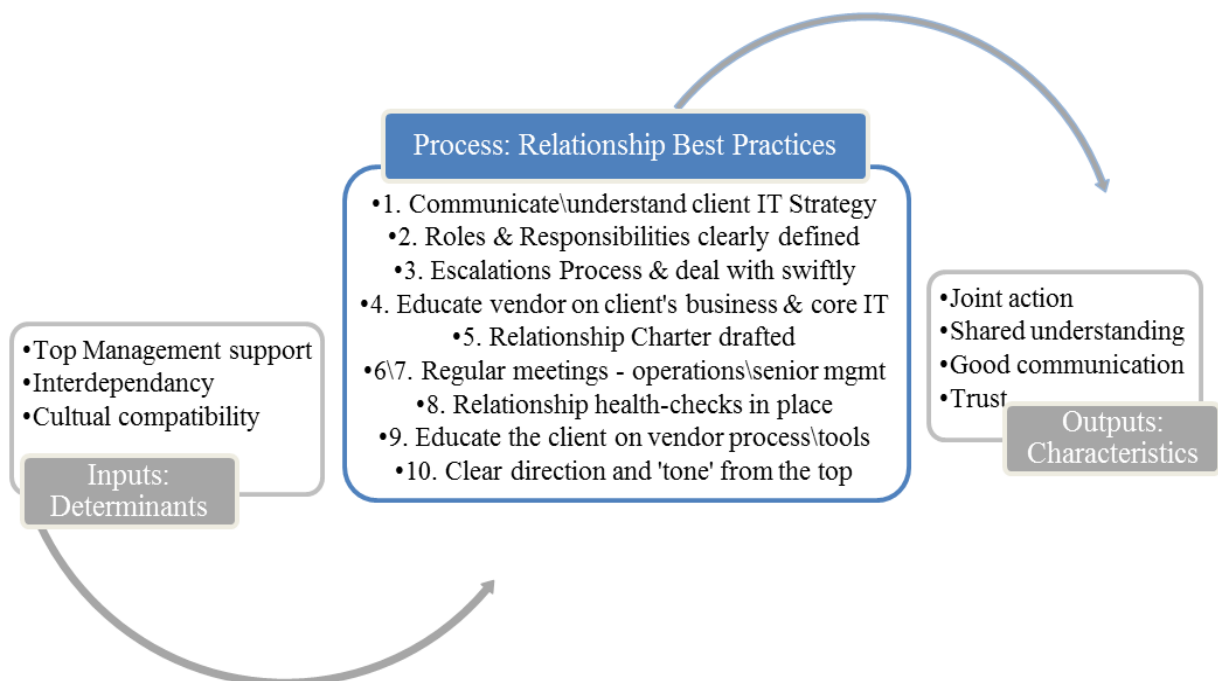
Figure 12: Inputs-Process-Outputs model based on analysis of relationship models: Sargent Jr, A. (2006). Outsourcing relationship literature: an examination and implications for future research. *Proceedings of the 2006 ACM SIGMIS CPR conference* (pp. 280-287)

should mature the relationship from its early state (with its determined inputs) to the point where it becomes characterised and visible to others as a quality relationship-in-action.

For the academic community the codification of relationship best practice by experienced industry experts not only complements the existing body of research, it also takes the *quality relationship* from definition to practice. And as stated already, for outsourcing professionals this research provides a blueprint of how and when to develop a quality relationship.

6. Conclusion

In 1999, Lee and Kim proposed that there are four key strategies to cultivate a quality ITO relationship; active participation, increased communication, sharing information and building trust (Lee & Kim, 1999). However, there is little evidence to date as to *how* these strategies can be implemented. The 89 research participants have helped fill this gap through their validation of relationship best practice. The best practices they recommended represent the tactical implementation of Lee and Kim's strategies as they are designed to strengthen a positive relationship during good times and bad.

The critical take away message is that quality relationships do not develop on their own: they must be proactively developed through the application of proven practice.

Lastly, it is important to remember that IT Outsourcing is not easy: the technologies and services outsourced vary every time; the organisations and their people are never static and the very nature of a long-term, multi-layered client-vendor relationship is most certainly not simple (Barthelemy, 2003; Huang & Goo, 2009; Whitfield, 2014). However, as Lacity *et al* suggest ITO leaders must "…accept that outsourcing is not about giving up management but managing in a different way" (Lacity & Willcocks, 2012, p. 6). It is in support of that 'different way' that this research was conducted as it is undoubtedly this change in mindset which will lead clients to develop synergistic relationships with vendors and vendors to continue to win and deliver great outsourcing services.

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Appendix A: Definitions Table

Term	Definition
Agency Dilemma (or 'principal-agent problem')	The theory that when a principal (such as an owner or client) engages another party to manage or deliver on their behalf then some control will be lost. 'In effect the boundaries of the parties [client and vendor] became blurred" (Kern & Willcocks, 2000).
Commitment	An informal pledge to work together building the relationship (Lee & Kim, 1999).
Communication	When parties willingly open up and share with each other, discussing their expectations of each other and their future together (Lee & Kim, 1999).
Cultural Alignment	Refers to the closeness of behaviour patterns, values and norms within partner organisations (Blumenberg, Beimborn, & Koenig, 2008).
Cooperation	The degree to which partners demonstrate willingness to work together to a common goal (Lee & Kim, 1999).
Due Diligence	Preliminary information gathering and analysis designed to identify and understand the elements of something, whether it is a service, a relationship or an environment (Halvey & Melby, 2005).
Escalations process (formal)	The model defines the key people, activities, communication methods, and timescales associated with elevating an issue at the right time, through the correct channels (Brady, 2013; Brewster, Griffiths, Lawes, & Sansbury, 2009).
Hard side or hard elements	Refers to the underlying well-defined contract and enforcement of such service commitment measures such as Service Level Agreements, service credits and debits etc (Barthelemy, The hard and soft sides of IT outsourcing management., 2003).
In-house IT / Insourcing	Where a client chooses not to outsource their IT, but instead builds the IT capability and resource team within their own business (Lacity, Khan, Yan, & Willcocks, 2010).
KnowledgeBase or Knowledge Library	A repository of codified knowledge associated to the ICT Outsourcing contract, client systems and business knowledge, third party contacts and call handling procedures. The library must have a mechanism to query and refresh the knowledge and have management controls over it (Hislop, 2009).
Knowledge Sharing	The degree to which clients and vendors open up and proactively share information about each other and their businesses and strategic direction, transferring knowledge from one to the other (Gonzalez, Llopis, & Gasco, 2013; Lee & Kim, 1999) .
Mimetic Influence	The desire to model themselves on other successful peer organisations in the belief that success will be attainable (Lacity, Khan, Yan, & Willcocks, 2010).
Mutual Understanding	Degree to which partners understand each other's behaviours, goals, motives and policies (Lee & Kim, 1999).

Term	Definition
Offshore or Offshoring	Offshore Outsourcing means outsourcing the work associated with Information Technology to a vendor based in a country or different legal jurisdiction to that of the client (Gonzalez, Llopis, & Gasco, 2013; Misra, 2004).
Opportunistic Behaviour	Self-interest, being false or making empty promises (Lacity, Khan, Yan, & Willcocks, 2010).
Partnership Myth	The Myth was that ITO vendors could become strategic partners for clients, however Lacity and Hirschheim posed that in fact vendors and clients do not share the profit motive (Lacity & Hirschheim, 1993).
Quality Relationship	The descriptor for a healthy, mutually beneficial relationship between client and vendor. One which is a critical success factor of the ITO and which has particular components including business understanding, trust and commitment (Lee & Kim, 1999).
Relationship Charter	A shared agreement, usually agreed with operational leads from vendor and key client representation. The agreement focuses on desired behaviours which epitomise a 'quality relationship' (e.g. 'we will work through issues in a positive and respectful manner', 'we will not use electronic email when issues are complex and fraught') and members sign up to it (Salacuse, 2005).
Relational Governance	Comprising the informal and formal rules that manage the relationship between client and vendor. Usually delivered in day-to-day operations through good knowledge sharing, communication, cooperation and trust (Lacity & Willcocks, 2012).
Relational Norms	Norms are unspoken shared expectations about behaviours and therefore Relational Norms are those believed and expected assumptions about the way others will behave in the relationship. They underpinning the ITO and provide informal governance and rules (Solli-Sæther & Gottschalk, 2008).
Roles and Responsibilities Matrix	A RACI or RASCI model clarifies, in a tabular form, the participation of various roles in certain tasks. It is especially useful in cross-functional teams or in client and vendor relationships where there are responsibilities shared across both organisations (Brady, 2013; Brewster, Griffiths, Lawes, & Sansbury, 2009; Jacka & Keller, 2009).
Soft side or elements	The soft control mechanisms such as relational governance, trust and commitment which keep a ITO relationship and operational delivery on the right track and stop the relationship from turning sour (Huang & Goo, 2009).
Strategic IT Outsourcing	The operation of shifting IT works to an outside vendor under a long-term contract. This may or may not involve transfer of staff, but it will include a variety of services and the expectation of value and innovation applied over a longer term (usually 5+ years) (Quelin & Duhamel, 2003).
Tone from the top: Top Management Support	The extent to which senior management and executives establish and visibly encourage the quality of the relationship through positive messages which in turn encourage staff normalize this positive stance (Lee & Kim, 1999).

Term	Definition
Transition	The activity or project to move the support of ITO services from the existing state and supplier (whether in house, offshore or with a competing vendor/s) to the new vendor (Willcocks, 2011).
Trust	The confidence in the other party's honesty, benevolence and forbearance and belief that negotiations and interactions will be conducted fairly and commitments upheld (Duhamel, Gutierrez-Martinez, Picazo-Vela, & Luna-Reyes, 2014).

Appendix B: Interview Guide

Interview Guide, Part One - Open Questions	Interview #

Introduction: overview of business research topic and structure of this interview.

Demographics, background information

a) How many years have you been in the ITO industry?
b) Have you been in the client, the vendor or worked in both areas?
c) What is your current role?

'warm up questions'

d) Do you think there are things a practitioner should do proactively do to develop and nurture the ITO relationship?
e) Are there more important stages during the life of the relationship? If so, when?
f) Have you experienced problems with an ITO relationship in the past?
g) If yes, what did you do to overcome them?
h) What have you learnt, and would apply again, from the 'bad times' in ITO relationships?

Card Sort Guide, Part Two of Interview	Interview #

Sort 1 – by ITO relationship lifecycle phase

    a) Sort best practice cards in to the Lifecycle phases you feel they align with best

       Phases include; Contract Negotiation, Transition, First Year, and Tough Times

    b) You can sort best practice cards across more than one phase
    c) Once best practice cards are aligned to each phase please prioritise them from most to least *important* in each phase

Sort 2 – by criticality of best practice

    d) Lastly, sort the best practice cards to show the top 10 most valuable practices from most to least important or valuable

Appendix C: Online Survey Questions

In good times and bad: nuturing ICT Outsourcing relationships

MBAPathway

Opening Questions

Please answer the short demographic questions below about your years in the industry, the global regions you have worked in and your current role.

＊1. How many years have you worked in the ICT Industry?

[▼]

2. What global regions have you worked in during that time?

- [ ] Asia (excluding China)
- [ ] Australia
- [ ] China
- [ ] Europe (excluding U.K.)
- [ ] Other (please specify)

- [ ] Inida
- [ ] Middle East
- [ ] New Zealand
- [ ] North Africa

- [ ] North America
- [ ] South Africa
- [ ] South America
- [ ] United Kingdom (U.K.)

[ ]

＊3. During your time in the industry have your worked in the client or the vendor side or in both?

- ( ) Both
- ( ) Client
- ( ) Vendor

4. Which of the following best describes your current role in ICT?

- ( ) Account Manager
- ( ) Architect (Enterprise, Instructure etc)
- ( ) Asset Manager
- ( ) Client Engagement\Account Manager
- ( ) Cloud Services Specialist
- ( ) Database Specialist
- ( ) Hardware Specialist
- ( ) Incident Manager
- ( ) Intel\Wintel Specialist
- ( ) IT Administrator

- ( ) IT Project\Programme Manager
- ( ) IT Sales Specialist
- ( ) IT Trainer
- ( ) ITIL Practitioner (e.g. Configuration, Change etc)
- ( ) Mobile Specialist
- ( ) Networking Specialist
- ( ) Operations Manager
- ( ) PMO (Project Management Office) Manager
- ( ) Programming Specialist
- ( ) Security Specialist

- ( ) Service Delivery Manager
- ( ) Service Desk Analyst
- ( ) Service Desk Leader\Manager
- ( ) Software Specialist
- ( ) Technical Writer
- ( ) Transition Manager
- ( ) Unified\Aggregated Services Manager
- ( ) Web Specialist

Other (please specify)

[ ]

5. Which of the following best describes the principal industry of your organization?

[▼]

✱6. Please sort the best practices shown below, choosing the top 10 most valuable practices with 1 being the most important.

- **Relationship Charter** A shared agreement of what characterises a 'quality relationship' and acceptable behaviours (e.g. being able to have honest conversations with each other). The charter is agreed with executive and operational leads (1) ☐ N/A

- **Relationship 'health-checks'** Usually take the form of regular surveys across client and vendor, but it is not about technical delivery. Its designed to gauge how the partners feel they working together and the level of relationship maturity (2) ☐ N/A

- **Escalations process defined and issues dealt with swiftly** There is a channel and process for escalations. More importantly, these are investigated fairly and dealt with swiftly (3) ☐ N/A

- **Educate client on vendor process and tools** The client is trained on using key vendor tools and methodologies. For instance if ITIL underpins the vendor's service then the client's ICT team should be aware of the core elements of ITIL (4) ☐ N/A

- **Regular meetings – senior ICT management** Regular meetings attended by the senior management from client and vendor in which the soft side of delivery is a deliberate agenda item, e.g. customer satisfaction; messages from the top (5) ☐ N/A

- **Educate the vendor on the client's business & core IT** knowledge is shared proactively with vendor (goes beyond the likes of Service Levels) as it is about sharing 'what drives you' as a business and why some systems are 'business critical' (6) ☐ N/A

- **Communicate and understand the client's IT Strategy** Client proactively shares their strategic direction and how the organisations goals will be achieved through the support of ICT (7) ☐ N/A

- **Regular meetings – the operational leads** Regular meetings which are attended by both client and vendor operational leads in which the soft side of delivery is a deliberate agenda item, e.g. what to do better; examples of right behaviours (8) ☐ N/A

- **Record and refresh knowledge of client ICT** The business knowledge related to ICT should be summarised and documented and then kept in a library which is accessible by the vendor's ICT teams, up to date, and able to be updated (9) ☐ N/A

- **Roles and responsibilities clearly defined** RACI / RASCI matrix is drawn up along with defined role descriptions and mapping who the counterparts are in vendor and client IT departments where there are primary 'touch-point' (10) ☐ N/A

- **Regular meetings – with key vendors together** If the outsourcing is a multi-source model then joint meetings with operational leads of primary vendors should be held with the client to keep messages consistent and develop relationships (11) ☐ N/A

- **Induction in to the client account** Briefings on the client's business, values, strategic direction, key applications etc should be a standard part of the induction for new starters in vendor and client (12) ☐ N/A

- **Know who the VIPs are** The vendor should know and be able to identify incidents and service requests logged by Very Important People (VIPs) within the client's business (13) ☐ N/A

- **Know who the SME's are** The vendor should know and be able to register Subject Matter Experts are within the client. These will be people who have special knowledge and experience with particular ICT systems or particular business knowledge (14) ☐ N/A

- **Celebrate successes** Take the time to celebrate milstones and successes together as a joint client and vendor ICT team (15) ☐ N/A

- **Reward the right behaviours** Create a forum to be able to gather and celebrate the right behaviours and be able to demonstrate those to the wider teams (16) ☐ N/A

- **'Do coffee' - informal meetings** meetings may have a business purpose, but the atmosphere and environment is designed to create a more conversational style of communication (17) ☐ N/A

- **Visit strategic business units or sites together** Client and vendor operational leads regularly visit strategic sites and\or business units. Visit schedule should be well defined and communicated (18) ☐ N/A

- **Clear direction and 'tone' from top Management** There is clear direction from senior management as well visibility amongst the operational teams and a consious effort set the tone and example (19) ☐ N/A

- **Look for 'culture' alignment when choosing a partner** purposefully look for alignment in cultures of both organisations (20) ☐ N/A

7. Now map the ITO relationsip best practice to the phases of the relationship that you feel they best align with. You can select a practice across multiple phases and you do not have to assign all of the practices. Any unassigned practices will be excluded.

	Bid and contract negotiation	Transition	First 12-18months	Tough Times (difficult times for the relationship and the contract, e.g. GFC)
Roles and Responsibilities clearly defined	☐	☐	☐	☐
Clear direction and 'tone' from top Management	☐	☐	☐	☐
Escalations process defined and issues are dealt with swiftly	☐	☐	☐	☐
Educate the vendor on the client's business & core IT	☐	☐	☐	☐
Communicate and understand the client's IT Strategy	☐	☐	☐	☐
Induction in to the client account	☐	☐	☐	☐
Know who the SME's are (Subject Matter Experts)	☐	☐	☐	☐
Regular meetings – senior ICT management	☐	☐	☐	☐
Look for 'culture' alignment when choosing a partner	☐	☐	☐	☐
Reward the right behaviours	☐	☐	☐	☐
Visit strategic business units or sites together	☐	☐	☐	☐
Relationship 'health-checks'	☐	☐	☐	☐
Educate client on the vendor's process and tools	☐	☐	☐	☐
Relationship Charter	☐	☐	☐	☐
'Do coffee' - informal meetings	☐	☐	☐	☐
Regular meetings – the operational leads	☐	☐	☐	☐
Know who the VIPs are	☐	☐	☐	☐
Celebrate successes	☐	☐	☐	☐
Record and refresh knowledge of client ICT	☐	☐	☐	☐
Regular meetings – with key vendors together	☐	☐	☐	☐

Appendix D: Online Survey Response Data

Question 1: How many years have you worked in the ICT Industry?

Years in the Industry	Count	%
Less than 12 months	0	0%
1-5 years	6	7%
5-10 years	9	11%
11-15 years	15	19%
16-20 years	18	22%
20 years or more	33	41%

Question 3: During your time in the industry have you work in the client or the vendor side or in both?

Worked in Vendor or Client side?	Count	%
Client	5	6%
Vendor	24	30%
Both	52	64%

Question 2: What global regions have you worked in during that time?

Geographic regions worked in	Count	%
New Zealand	69	47%
United Kingdom (U.K.)	24	16%
Australia	12	8%
North America	9	6%
Asia (excluding China)	8	5%
South Africa	6	4%
Europe (excluding U.K.)	5	3%
Middle East	4	3%
South America	3	2%
India	2	1%
Other	5	3%

Question 4: Which of the following best describes your current role?

Titles of Respondents	Count	%
Service Delivery Manager	11	14%
IT Project\Programme Manager	9	11%
Operations Manager	9	11%
Division\Business Unit Manager	8	10%
Client Engagement\Account Manager	9	11%
Service Desk Manager	5	6%
Architect	5	6%
ITIL Practitioner	4	5%
General Manager	4	5%
Other roles	17	21%

Question 5: Which of the following best describes the principal industry of your organisation? (Note: this question was not mandatory)

Types of Industry	Count	%
Information Trechnology	58	72%
Government	8	10%
Telecommunications and Internet	4	5%
Finance and Financial Services	3	4%
Insurance	2	2%
Utilities, Energy and Extraction	2	2%
Business Support and Logistics	1	1%
Health and Pharmaceuticals	1	1%
Consulting	1	1%
Vendor Services	1	1%

Relationship Practice Question 1: (full answer listing) Please sort the Best Practices shown below, choosing the top 10 most valuable practices with 1 being the most important.

Top10	Answer Options	Rating Average
1	**Communicate and understand the client's IT Strategy** Client proactively shares their strategic direction and how the organisations goals will be achieved through the support of ICT	17.38
2	**Roles and responsibilities clearly defined** RACI / RASCI matrix is drawn up along with defined role descriptions and mapping who the counterparts are in vendor and client IT departments where there are primary 'touch-point'	17.09
3	**Escalations process defined and issues dealt with swiftly** There is a channel and process for escalations. More importantly, these are investigated fairly and dealt with swiftly	16.29
4	**Educate the vendor on the client's business & core IT** knowledge is shared proactively with vendor (goes beyond the likes of Service Levels) as it is about sharing 'what drives you' as a business and why some systems are 'business critical'	15.05
5	**Relationship Charter** A shared agreement of what characterises a 'quality relationship' and acceptable behaviours is agreed with executive and operational leads in both client and vendor teams	14.80
6	**Regular meetings – the operational leads** Regular meetings which are attended by both client and vendor operational leads in which the soft side of delivery is a deliberate agenda item, e.g. what to do better; examples of right behaviours	14.79
7	**Regular meetings – senior ICT management** Regular meetings attended by the senior management from client and vendor in which the soft side of delivery is a deliberate agenda item, e.g. customer satisfaction; messages from the top	14.37
8	**Relationship 'health-checks'** Usually take the form of regular surveys across client and vendor, but it is not about technical delivery. Its designed to gauge how the partners feel they work together and maturity level	13.89
9	**Educate client on vendor process and tools** The client is trained on using key vendor tools and methodologies. For instance if ITIL underpins the vendor's service then the client's ICT team should be aware of the core elements of ITIL or CMM etc	13.37
10	**Clear direction and 'tone' from top Management** There is clear direction from senior management as well visibility amongst the operational teams and a consious effort set the tone and example	13.04
	Induction in to the client account Briefings on the client's business, values, strategic direction, key applications etc should be a standard part of the induction for new starters in vendor and client	12.24
	Regular meetings – with key vendors together If the outsourcing is a multi-source model then joint meetings with operational leads of primary vendors should be held with the client to keep messages consistent and develop relationships	11.53
	Record and refresh knowledge of client ICT The business knowledge related to ICT should be summarised and documented and then kept in a library which is accessible by the vendor's ICT teams, up to date, and able to be updated	10.83
	Celebrate successes Take the time to celebrate milstones and successes together as a joint client and vendor ICT team	10.75
	Reward the right behaviours Create a forum to be able to gather and celebrate the right behaviours and be able to demonstrate those to the wider teams	10.39
	Know who the Subject Matter Experts (SME's) are The vendor should know and be able to register SMEs are within the client. These will be people who have special knowledge and experience with ICT or business services	10.33
	Look for 'culture' alignment When choosing a partner purposefully look for alignment in cultures of both organisations	9.66
	Visit strategic business units or sites together Client and vendor operational leads regularly visit strategic sites and\or business units. Visit schedule should be well defined and communicated	9.38
	'Do coffee' - informal meetings Meetings may have a business purpose, but the atmosphere and environment is designed to create a more conversational style of communication	9.22
	Know who the client Very Important Persons (VIPs) are The vendor should know and be able to identify incidents and service requests logged by VIPs within the client's business	9.16
	answered questions	**81**

Relationship Practice Question2: Please map the Best Practices to the phases of the relationship that you feel they best align with.

Data view a) Top 10 applicable best practices in each phase.

Top10	Ranked Practices for Phase I	Bid and contract negotiation
1	Look for 'culture' alignment when choosing a partner	70
2	Communicate and understand the client's IT Strategy	62
3	Clear direction and 'tone' from top Management	50
4	Educate the vendor on the client's business & core IT	41
5	Know who the VIPs are	39
6	Roles and Responsibilities clearly defined	38
7	Relationship Charter	37
8	Visit strategic business units or sites together	28
9	Educate client on the vendor's process and tools	25
10	Know who the SME's are (Subject Matter Experts)	23
	Induction in to the client account	22
	Regular meetings – senior ICT management	18
	Escalations process defined. Issues are dealt with swiftly	15
	'Do coffee' - informal meetings	15
	Regular meetings – with key vendors together	14
	Celebrate successes	13
	Record and refresh knowledge of client ICT	12
	Regular meetings – the operational leads	11
	Reward the right behaviours	5
	Relationship 'health-checks'	5
	answered questions	**81**

Top10	Ranked Practices for Phase II	Transition
1	Roles and Responsibilities clearly defined	65
2	Escalations process defined. Issues are dealt with swiftly	64
3	Educate client on the vendor's process and tools	63
4	Know who the SME's are (Subject Matter Experts)	62
5	Educate the vendor on the client's business & core IT	60
6	Visit strategic business units or sites together	60
7	Know who the VIPs are	59
8	Relationship Charter	57
9	Clear direction and 'tone' from top Management	55
10	Communicate and understand the client's IT Strategy	53
	Induction in to the client account	53
	Regular meetings – the operational leads	51
	Regular meetings – with key vendors together	48
	Regular meetings – senior ICT management	46
	Record and refresh knowledge of client ICT	46
	Celebrate successes	43
	Reward the right behaviours	34
	'Do coffee' - informal meetings	34
	Relationship 'health-checks'	31
	Look for 'culture' alignment when choosing a partner	8
	answered questions	**81**

Top10	Ranked Practices for Phase III	First 12-18months
1	Regular meetings – the operational leads	74
2	Regular meetings – senior ICT management	68
3	Celebrate successes	66
4	Regular meetings – with key vendors together	65
5	Relationship 'health-checks'	64
6	Record and refresh knowledge of client ICT	62
7	'Do coffee' - informal meetings	60
8	Reward the right behaviours	59
9	Clear direction and 'tone' from top Management	51
10	Escalations process defined. Issues are dealt with swiftly	48
	Communicate and understand the client's IT Strategy	48
	Visit strategic business units or sites together	47
	Know who the SME's are (Subject Matter Experts)	46
	Induction in to the client account	45
	Educate the vendor on the client's business & core IT	41
	Roles and Responsibilities clearly defined	40
	Know who the VIPs are	40
	Educate client on the vendor's process and tools	39
	Relationship Charter	21
	Look for 'culture' alignment when choosing a partner	7
	answered questions	**81**

Top10	Ranked Practices for Phase IV	Tough Times
1	Relationship 'health-checks'	55
2	Reward the right behaviours	54
3	Celebrate successes	54
4	Regular meetings – senior ICT management	50
5	Clear direction and 'tone' from top Management	49
6	'Do coffee' - informal meetings	49
7	Regular meetings – the operational leads	49
8	Escalations process defined. Issues are dealt with swiftly	40
9	Know who the VIPs are	36
10	Regular meetings – with key vendors together	36
	Know who the SME's are (Subject Matter Experts)	30
	Roles and Responsibilities clearly defined	29
	Record and refresh knowledge of client ICT	29
	Communicate and understand the client's IT Strategy	24
	Visit strategic business units or sites together	19
	Educate the vendor on the client's business & core IT	14
	Relationship Charter	13
	Educate client on the vendor's process and tools	10
	Induction in to the client account	5
	Look for 'culture' alignment when choosing a partner	3
	answered questions	**81**

Relationship Practice Question2: Please map the Best Practices to the phases of the relationship that you feel they best align with.

Data view b) Top 10 best practices selected most often across all phases.

Top10	Best Practices which can be applied most often	Bid and contract negotiation	Transition	First 12-18months	Tough Times	Response Count	Overall Ranking
1	Clear direction and 'tone' from top Management	50	55	51	49	77	205
2	Communicate and understand the client's IT Strategy	62	53	48	24	80	187
3	Regular meetings – the operational leads	11	51	74	49	78	185
4	Regular meetings – senior ICT management	18	46	68	50	77	182
5	Celebrate successes	13	43	66	54	77	176
6	Know who the VIPs are	39	59	40	36	77	174
7	Roles and Responsibilities clearly defined	38	65	40	29	79	172
8	Escalations process defined. Issues are dealt with swiftly	15	64	48	40	79	167
9	Regular meetings – with key vendors together	14	48	65	36	73	163
10	Know who the SME's are (Subject Matter Experts)	23	62	46	30	76	161
	'Do coffee' - informal meetings	15	34	60	49	74	158
	Educate the vendor on the client's business & core IT	41	60	41	14	77	156
	Relationship 'health-checks'	5	31	64	55	77	155
	Visit strategic business units or sites together	28	60	47	19	76	154
	Reward the right behaviours	5	34	59	54	75	152
	Record and refresh knowledge of client ICT	12	46	62	29	74	149
	Educate client on the vendor's process and tools	25	63	39	10	73	137
	Relationship Charter	37	57	21	13	75	128
	Induction in to the client account	22	53	45	5	77	125
	Look for 'culture' alignment when choosing a partner	70	8	7	3	75	88
	answered questions					81	

Appendix E: Sample Consent & Request forms

TE WHARE WĀNANGA O TE ŪPOKO O TE IKA A MĀUI

VICTORIA
UNIVERSITY OF WELLINGTON

Letter Request for a Personal Interview-sample

15 August 2014

XXXXXX
Wellington

Dear XXXX

I would like the opportunity to interview you as part of my MBA Business Research Project. The research is concerned with the topic of IT Outsource (ITO) Relationships and aims to enhance existing knowledge in this area by understanding how to make the best of the softer relationship side of ITO. While current academic research answers the questions of why these relationships are central to ITO success, what form they take, and when they evolve, it does not answer the question of how to create a quality relationship.

The purpose, therefore, of this research is to gather and share the insights of practitioners such as yourself as to the best practices employed in both good times and bad, to create and maintain quality relationships. The interview is designed to take between 60-90 minutes.

The success of this research is reliant upon your honest opinion so maintaining confidentiality is of the utmost importance. **Under no circumstances will the information presented during the interview be attributed to any one individual. The organisation and your name will remain anonymous.** The interview may be taped, but recordings will be kept in a locked office, and will be destroyed at the conclusion of the research. The research findings will be published in the Victoria University library and excerpts may be included in academic publications and/or academic conferences.

Victoria University of Wellington has granted ethical approval as a teaching activity and this project has been reviewed by the Course Coordinator.

With your permission the interview will be recorded and a summary of the research findings can be provided to you, upon request. If you for any reason would like to make contact regarding this research please contact one of the following:

Claire Callaghan, cell phone: 021 246 1496, email: clairec@datacom.co.nz
Jim Sheffield (Supervisor), telephone: 04 463 5085, email: jim.sheffield@vuw.ac.nz

Yours sincerely

Claire Callaghan

VICTORIA
UNIVERSITY OF WELLINGTON

TE WHARE WĀNANGA O TE ŪPOKO O TE IKA A MĀUI

Consent Form for Personal Interview - Sample

Personal Interview
CONSENT FORM

I agree to be interviewed by Claire Callaghan for the purposes of his/her MBA Business Research Project and consent to the use of my opinions and information. I understand that none of the opinions or statements that I make during the interview will be attributed to me personally, and that I may withdraw from the research before 29th September 2014. I am also aware that the findings derived from this study will be published in the Victoria University Library and excerpts may be included in academic publications and/or academic conferences.

I have been informed of the purpose of the research and the confidentiality conditions.

I understand that raw data collected during the interview will only be available to the researcher, Claire Callaghan and her supervisor, Jim Sheffield.

I have been informed that I will receive a summary of the research findings, upon request.

Name: ………………………………   Date: …………………………………

Signed: …………………………………..