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How to Manage Control and Relationships
A case study within IT outsourcing

Bachelor Thesis

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Abstract

Many authors argue that an increasing number of companies choose to outsource their IT operations. It is an approach to obtain efficiency and access external resources. Further, outsourcing creates relationships, and since the outsourced operations not are internal is the question to what extent control is needed. The purpose of this thesis is to explore how IT outsourcing can be managed in order to enhance an understanding of how a company manages control and relationships with companies providing operations. We question how a company manage its IT outsourcing in terms of control and relationships, and how control and relationship cohere depending on the company's management of IT outsourcing.

In order to answer the purpose, we have studied how IT outsourcing is managed in AB SKF. How IT outsourcing is managed has further been studied from a supplier perspective, thus two supplier companies has been studied. This case study was accomplished by a qualitative method, in which interviews were used. The results were discussed in relation to the theoretical framework, and the relationships, between SKF and the two suppliers, were compared and discussed in the context of relationships and control. Our result and conclusion indicates what companies in similar situations should consider in order to manage IT outsourcing in terms of relationships and control.

This thesis concludes that a relationship is essential in IT outsourcing, and there is to some extent a constant need to control the outsourced operations in order to manage IT outsourcing. Further, there is proven cohesion between management of control, and management of relationships. The need to control and to have a relationship within management of IT outsourcing also has shown cohesion with trust. The thesis further concludes that it is recommended to manage IT outsourcing with a combination of relationship and control, since these two factors compensate each other. Finally, the most important within management of IT outsourcing is concluded to be a balance between relationship and control.

Keywords

Outsourcing, Information Technology, Outsourcing Agreement, Management, Relationship, Control

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1. Introduction

This section presents a general introduction to the subject of outsourcing in the form of a background. In the end the area of this study is briefly discussed.

Throughout the world companies has realised that delegating responsibility for services and manufacturing to external suppliers usually leads to increased efficiency and improvements (Bragg, 2006). As a result, outsourcing of services and manufacturing has become an increasingly common option for companies, where the goal usually is to make cost savings (Rognes, 2008) and to manage competition (Langfield-Smith & Smith, 2003). Nevertheless, other factors such as quality, access to knowledge (Power, Desouza & Bonifazi, 2006; O'Brien & Marakas, 2007) and the ability to release internal resources also exist (Rognes, 2008).

Power, Desouza and Bonifazi (2006) argue that the reasons for outsourcing have changed, from short-term strategies with emphasis on cost savings to strategic business strategies. In the financially motivated initiatives, the goal was to manage the lowest cost of production. The relationship between the organisation who wanted to outsource and the supplier that provided the outsourced operation has been mostly in one direction towards the supplier. The reason for this was the assumption that the supplier had less knowledge. Power, Desouza and Bonifazi (2006) states that within the current reasons for strategically motivated outsourcing is the focus to gain specialised expertise, knowledge, process and capabilities from an external party. By using these inputs, the organisation can improve operation effectiveness. Strategic outsourcing often involves a partnership between the organisation that outsources and the supplier, which can contribute to competitive advantages. (Power, Desouza & Bonifazi, 2006)

It is today very common for companies to outsource any portion of Information Technology (IT), as a result of a growing range of suppliers providing external services, technology developments and an increasing pressure on companies to achieve a higher effectiveness. Another driving force of IT outsourcing is that companies have an increasingly complex IT infrastructure. IT outsourcing includes several different areas but can be divided into outsourcing concerning maintenance of systems and outsourcing regarding developing. (Rognes, 2008)

Outsourcing requires a transfer of resources and decision rights to the supplier (Power, Desouza & Bonifazi, 2006). However, the transfer is not without a transfer of knowledge. In order for companies to get access to knowledge is thus a relationship between the two parties required, which is the kind of relationship that further will be studied in the following thesis. With the increasing strategic approach to outsource IT, which is a kind of service outsourcing, it is interesting to study relationships and control within an IT outsourcing agreement. Outsourcing literature will be explored to further inspire, and to identify absence of literature regarding IT outsourcing relationships and control, before developing a more specified focus area for the thesis.

2. Theoretical Framework

This section outlines the theoretical framework consisting of four parts. The first two describe the motives, problems and risks associated with outsourcing, in a certain extent directed towards IT outsourcing. The other two parts, managing IT outsourcing relationships and managing control in IT outsourcing, focus entirely on IT outsourcing. Managing IT outsourcing relationships is based on two scientific articles, one that develops a conceptual framework, and one that creates a maturity model. While the last part, managing control in IT outsourcing is based on one scientific article that develops a previous model.

2.1 Motives for Outsourcing

An increasing number of companies choose to outsource parts of their business. Although the introduction states that today's focus is on strategically motivated outsourcing, O'Brien and Marakas (2007) see cost savings as the primary motive. Further reasons for outsourcing are to improve efficiency, which can be done through external expertise that may have better resources and knowledge of how to get the work done better, cheaper and faster. The operations that do not belong to the core competencies should be outsourced according to Power, Desouza and Bonifazi (2006), in order release internal resources. This gives companies the opportunity to prioritise the core areas that are most beneficial for the company in the long run. (Power, Desouza & Bonifazi, 2006; O'Brien & Marakas, 2007)

Some knowledge and quality provided by external parties cannot be accessed within the company, which indicates the importance of access to external resources. Both Power, Desouza and Bonifazi (2006), and O'Brien and Marakas (2007) argue that this access to expertise is important, because a company who spend all their resources on developing expertise, skills, and technology does not use its resources properly. (Power, Desouza & Bonifazi, 2006; O'Brien & Marakas, 2007)

Concerning outsourcing of IT functions to skilled service suppliers is today, as previous mentioned, often a strategic approach. Lower unit price and avoiding investments are further arguments for IT outsourcing in addition to the general motives (Rognes, 2008). Besides aiming for better quality of services, O'Brien and Marakas (2007) as well as Rognes (2008) argue that a significant motive is to get access to modern technology, trends and flexibility.

2.2 Problems and Risks with Outsourcing

The potential risks and disadvantages of outsourcing are not as highlighted as the advantages, nevertheless does outsourcing also have downsides. Piachaud (2005) believes that outsourcing is time consuming and requires devoted expertise to succeed in managing the desired outcome. Furthermore, the selection of supplier for the outsourced operation is certainly costly on the basis of effort, time and resources. In addition, it is also an ongoing challenge in selecting the right supplier on the most suitable terms (Kern, Willcocks & van Heck, 2002). New opportunities and unfulfilled expectations can also generate reconsideration of supplier (Freytag, Clarke & Evald, 2012).

Despite appealing reasons for outsourcing services or manufacturing, Power, Desouza and Bonifazi (2006) argue that some companies are too eager in the outsourcing process, which can for example result in contracts that are more disastrous than profitable. Furthermore, Rognes (2008) mentions a risk that the degree of innovativeness and development can decrease with outsourcing. It can also turn out that the efficiency will not be as high as expected. Furthermore, additional activities and vague management commitment can result in expensive contracts (Rognes, 2008). Outsourcing can further result in loosed internal knowledge, and the contact with suppliers can take much time and resources (Rognes, 2008).

Piachaud (2005) and Rognes (2008) consider the primary mistake, made by companies in the outsourcing decision, to be the handing over of all the responsibilities regarding the management of the operation to the supplier. They argue that the control over the outsourced operation can be lost, which creates a situation where the supplier manages the outsourcing relationship. Furthermore may companies lose prospect of the operation and partnership principles, because of poorly defined performance expectations and measurement criteria. (Piachaud, 2005; Rognes, 2008)

Another problem can be the absence of a communication plan in which the purpose of the outsourcing initiative and milestones for the process is described as well as guidelines for communications. Not having a strategy plan for outsourcing agreement failures, which outline how to deal with the consequences and describes alternative options, can be a huge risk. Problems and risks easily arise as remarked when companies do not know how to manage the ongoing relationship. (Power, Desouza & Bonifazi, 2006)

Rognes (2008) moreover states that outsourced services should be integrated into the company's internal organisation and operations, which means that the management of organisational relationships becomes very important.

2.3 Managing IT Outsourcing Relationships

Conceptual Framework

By integrating IT outsourcing research with theoretical concepts from organisational theory, social exchange theory and relational contract theory, Kern and Willcocks (2000) has developed a conceptual framework for the understanding of the relationship in IT outsourcing. The framework defines some of the key characteristics in a relationship between the company that outsources and the supplier. Kern and Willcocks (2000) claim that social exchange theory, and relational contract theory illustrates the need for a contract to manage long-term interactions to maintain an ongoing relationship. Social exchange theory focuses on the interactions between the company that outsources and the supplier, as well as the associated behaviour. Kern and Willcocks (2000) argue that in an outsourcing agreement based on a contract, the social exchange will lead to a continuous relationship of mutual interactions. In their opinion regarding relational contract theory does the "integration of the legal, economic, and social dimensions in contracting presents unique insights into the contract likely to influence inter-organisational relations" (Kern & Willcocks, 2000, p.328). (Kern & Willcocks, 2000)

The framework consists of three dimensions that characterise the outsourcing relationship:

Context, contract, and structure

The context consists of specific targets and expectations, concerning for example technical, financial and political issues, which are formulated in the contract. These objectives affect the success and quality of the relationship to a high degree. (Kern & Willcocks, 2000)

Interactions

Good contact is crucial for fulfilling the targets and expectations in the contract. The contact can further be divided into formal and informal. Hard facts like technical, legal or commercial data are formal, whereas personal, supportive or soft data are informal. With an ongoing exchange of information, the relationship will change from contractual to a collaboration in which both parties can fulfil their obligations and achieve increased flexibility, reduced uncertainty, and obtain satisfaction. Regular meaningful communication of knowledge

sharing will likely also lead to better trust, which in turn may result in improved communication of knowledge sharing. (Kern & Willcocks, 2000)

Another element to a successful outsourcing relationship is cultural adaptation, a process in which both parties should adapt their attitudes, rules, norms, knowledge and corporate strategies. The outsourcing vision also needs to be shared between the parties to ensure that the provided IT operations correspond to the ones being requested. Based on these arguments, a successful outsourcing relationship requires investments such as time, knowledge and resources from both parties. (Kern & Willcocks, 2000)

Behavioural dimensions

The context around the agreement will affect the behavioural dimensions, consisting of “commitment and trust, satisfaction and expectations, co-operation and conflict, and power and dependency” (Kern & Willcocks, 2000, p.331).

Commitment and trust are mutually dependent and matures together. Furthermore is commitment an indication of seriousness regarding the effort and willingness to succeed with the agreement. Trust can be evaluated by looking at if mutual goals and objectives have been defined, the time frame for these and intervals for evaluation. On the other hand, the parties will also have particular goals specific to their interest, the outsourcing relationship as an outcome will be less intensive compared to trust within a company. When the experience of each other develops will also trust develop. (Kern & Willcocks, 2000)

Fulfilment of expectations will lead to satisfaction, and to avoid misunderstandings concerning the expectations, a continuous communication of knowledge sharing is again the key factor. The trustworthiness of the supplier can further increase if the provided operation creates satisfaction. With satisfaction, the success of the relationship will also follow. (Kern & Willcocks, 2000)

Cooperation is vital to the relationship. When both parties cooperate, unnecessary and provocative conflicts can be avoided and forgiven. Cooperation will also cause recognition of the other part's behaviour so the response can be adapted. The cooperation depends of course on the context, however it is essential to avoid punishing non-cooperatives, as doing so will create hostility, affect social solidarity, satisfaction and trust. (Kern & Willcocks, 2000)

Power is mostly a consequence of dependency in the relationship and can be seen in the influence one party have over the other. For instance in a total outsourcing agreement, the

supplier will possess the dominating power because of the dependency. Nevertheless, power does depend upon interests the parties have in the agreement. (Kern & Willcocks, 2000)

A Three-stage Maturity Model

Gottschalk and Solli-Sæther (2006) evolve a model for IT outsourcing relationships consisting of three maturity stages, see Figure 1, “Maturity model for IT outsourcing” and Figure 2, “Characteristics of each stage of maturity of IT outsourcing relationships” in Appendix A. The model based on outsourcing practices and organisational theories claims that the focus of a long-term IT outsourcing agreement will change as the relationship matures. Gottschalk and Solli-Sæther (2006) argue that companies that have an understanding of the stages will succeed with the agreement. (Gottschalk & Solli-Sæther, 2006)

The three stages

The cost stage is the first stage, and within this stage is the outsourcing driven by cost savings. When planned cost savings are obtained and transaction costs are acceptable, unwanted behaviour prevented by contract, and employed in both company’s works reasonably, the relationship are mature for the next stage. The second stage, the resource stage, is the focus on competitive advantages. The maturity in this stage is achieved when the company that outsources attain value through profitable utilisation of the suppliers’ resources and when the internal focus is on core competencies. The last stage is the partnership stage built on norms, alliance and mutual goals. Gottschalk and Solli-Sæther (2006) state that companies should aim at becoming partners in order to fully succeed with the outsourcing agreement. (Gottschalk & Solli-Sæther, 2006)

2.4 Managing Control in IT Outsourcing

Relationships built on IT outsourcing have shown increasing opportunities and risks concerning the operation. The high level of risk associated with an outsourcing relationship may be reduced by a management control system, and a developed trust within the relationship. Mainly built on a model by van der Meer-Kooistra and Vosselman, Langfield-Smith and Smith (2003) develop an understanding of management control systems and trust in outsourcing relationships. As mentioned in part 2.2 Problems and Risks with Outsourcing, outsourcing relationships may be risky, and can be an uncertain situation for both parties. The risks or uncertainty creates a complexity in an outsourcing agreement, which can make it difficult to create detailed contracts. In these complex outsourcing agreements, different control systems are used to reduce risks. (Langfield-Smith & Smith, 2003)

Langfield-Smith and Smith (2003) claim that control systems can consist of either formal control, or informal and social control, or even both. When control systems are categorised as formal, outcome control encompasses measurements, and monitoring of operations is used. Another formal control is behaviour controls, which include monitoring and indicating individuals' behaviours through rules and standard operating procedures. In contrast, informal control systems cannot be directly designed and the control consists of more social aspects. These different control systems have been categorised as "formal versus informal controls, behaviour versus outcome controls" (Langfield-Smith & Smith, 2003, p. 283). An outsourcing relationship with the need for flexibility and adaptability is characterised by control that is of less formal. On the other hand, outsourcing relationships consisting of formal control systems allows for greater control and transparency. (Langfield-Smith & Smith, 2003)

Langfield-Smith and Smith (2003) argue that trust in varying degrees is involved in almost every control system, and building trust may be a possible approach in order to strengthen a relationship. Trust is essential in the sense that it enables to reduce the possibility of any opportunistic behaviour. This reduction may be advantageous to provide a predictability of behaviour between the parties. Creating and developing trust in a relationship can be an ongoing process over time, since the parties have to learn and adapt to each other. This allows a relationship to be more sustainable, and to manage potential conflicts and interactions with regard to the parties' interests. There are according to Langfield-Smith and Smith (2003) three definitions of trust in order to manage outsourcing, which are contractual trust, competence trust and goodwill trust. The contractual trust implies morality, and that the other party will fulfil the agreement. The higher degree of contractual trust, the less is the need of required information to reduce any opportunistic behaviour. Competence and ability is the basis of competence trust, where there is an expectation of performance by technical competence. Competence trust is further based on a partner's ability to perform as agreed in the contract. Goodwill trust is in contrast related to integrity, responsibility, and the partner's intention to perform as agreed. (Langfield-Smith & Smith, 2003)

In the choice of governance structures within inter-firm relationships, transaction cost economics is used, according to Langfield-Smith and Smith (2003). This means that organisational forms or governance structures are efficiently chosen when the decision is due to transactional issues. Transaction cost economics imply that the most appropriate form of governance depends on aspects of transactions, for instance "the frequency of the transaction"

(Langfield-Smith & Smith, 2003, p. 285), and “the uncertainty encompassed in those transactions” (Langfield-Smith & Smith, 2003, p. 285). Within Langfield-Smith and Smith’s (2003) developed model of control, transaction cost economies concepts and trust are integrated and three management control patterns are identified, the market based, the bureaucracy based, and the trust based pattern. These are of significance in outsourcing relationships. Langfield-Smith and Smith (2003) mean that the model allows an analysis of possible characteristics and environment of transactions, and also characteristic of the parties within a transaction, and finally what role trust has in order to achieve control. (Langfield-Smith & Smith, 2003)

The market based pattern is mainly based on market mechanisms, which dominates the relationship. Transactions that are characterised by a high level of both task programmability and measurability of output, and a high level of task repetition are related to the market based pattern. The quality of a supplier’s operations is directly related to market prices, and there is a high competition among suppliers for the contract. Detailed contracts are not required, since it is easy to select another supplier, due to the competition. Characteristics of the transaction environment within the market based pattern are low uncertainty with many available alternative suppliers. (Langfield-Smith & Smith, 2003)

The bureaucracy based pattern is in contrast, related to transactions consisting of a high level of task programmability and output measurability, and the repetitiveness is low to medium. There is a relatively low uncertainty of the transaction environment within the bureaucracy based pattern, and the future is seen as quite predictable. Detailed contracts consisting of detailed rules of behaviour and rigid performance targets are characteristics of the control within the pattern, and used in order to monitor performance. In line with the pattern’s control system, high task programmability and high output measurability, behavioural and outcome controls are used in combination. In an early stage of a relationship is trust of importance, but generally is the bureaucracy based pattern associated with a limited role of trust. However, the quality of work is influenced by human knowledge and skills, which means that high levels of competence trust and contractual trust is of relevance. (Langfield-Smith & Smith, 2003)

Contrary, the trust based pattern is different from the other two patterns in the sense of characteristics such as a low task programmability and low output measurability. The transactions have a low level of repetitiveness within the trust based pattern. The major mechanism in order to achieve control within this pattern is trust, since the environment

involves a high uncertainty and risk. The development over time through exchange of information and expectations is important within the trust based pattern, since the low task programmability. There is a lower emphasis of results, compared to the other two patterns. As operational activities cannot be measured with any certainty, Langfield-Smith and Smith (2003) argue that trust is necessary to achieve control. (Langfield-Smith & Smith, 2003)

3. Focus Area for the Thesis

In the following section the problem analysis is first presented, which introduces the purpose of the thesis. This in turn results in primarily two research questions. Further, the scope of thesis and conceptual definitions are clarified.

3.1 Problem Analysis

Based in the introduction, outsourcing is an increasingly phenomenon in today's business operations. There are many proven advantages of outsourcing, which is viewed as a reason to why an increasing numbers of companies choose to outsource any part of their IT operation. Moreover, as pointed out in the theoretical framework, it exists outsourcing literature that describes problems and risks that may arise in the outsourcing and its relationships. A high risk of losing control and responsibility in an outsourcing relationship is considered to be an interesting area where empirical studies are unknown to us.

The outsourcing literature to a large extent discusses advantages and disadvantages, as well as how the outsourcing works in terms of preparations and effects. This raises the question of how companies actually proceed during the outsourcing within the agreement. Concerning the expectations of cost reduction, improved quality and an enhanced focus on core competencies due to the outsourcing, it is interesting to investigate whether companies can manage these expectations. Furthermore, as an outsourcing agreement consists of two parties, it appears to be interesting to examine the importance of trust in an outsourcing relationship. This thesis questions how an outsourcing relationship works both in terms of relationship and control.

With the increasing interest of companies to outsource IT it is furthermore interesting to study whether the relationships evolve into partnerships, and what the need of a relationship and control within it can be. Absence of empirical studies of outsourcing based on the perspective from companies that provides the outsourced services enables us to further ask ourselves whether partners in an outsourcing relationship have similar views on the relationship between them.

3.2 Purpose

The purpose is to explore how IT outsourcing can be managed in order to enhance an understanding of how a company manages control and relationships with companies providing operations.

3.3 Research Questions

Two research questions will be used in order to answer the purpose of this thesis. Due to the extent of the first question, this question also consists of sub questions.

1. How does a company manage its IT outsourcing in terms of control and relationships in an outsourcing agreement?

- To enhance an optimal IT outsourcing, what is the need in terms of control versus relationship?
- What are the risks of having an excessive level of control versus having an inadequate level of control?
- If existent, what are the risks of having a very close relationship versus having a loose relationship?

2. How do control and relationship cohere depending on the company's management of IT outsourcing?

3.4 Scope of Thesis

It is important to acknowledge that the scope of this thesis has limitations. The focus in this thesis is limited to explore three international companies, all three are operating in Gothenburg, Sweden. There is a greater focus on one of the companies, since the other two companies are providing the outsourced services to this company. Within this thesis there are further limitations to explore the service outsourcing, more precisely IT outsourcing in the sense of management of relationships and control. The scope of thesis is determined by the theoretical framework. Due to limitations of the scope of thesis, its results cannot be generalized to other companies.

3.5 Conceptual Definitions

Control, clarifying the term

The term control will be used, within the meaning of being able to influence and review the outsourced operation.

Information Technology (IT)

Information Technology, IT, "refers to the various hardware, software, networking, and data management components necessary for the system to operate" (O'Brien & Marakas, 2007, p.7), system in the meaning of information system (O'Brien & Marakas, 2007).

Distinction between IT and IS

Information Technology, IT, and Information System, IS, are two distinct concepts, that are occasionally used interchangeably. While IT is defined above, IS are combinations of components and resources that “stores, retrieves, transforms, and disseminates information in an organization” (O’Brien & Marakas, 2007, p.4). An IS consequently uses a variety of IT. (O’Brien & Marakas, 2007)

Management

“The process of planning, organising and controlling resources and people in order to produce goods or provide services” (Burnes, 2004, p.601).

Outsourcing

Outsourcing “is the practice of seeking outside organisations to take over activities and services previously carried out within an organisation” (Burnes, 2004, p.602).

Partnership

Partnerships “are defined as purposive strategic relationships between independent firms who share compatible goals, strive for mutual benefit, and acknowledge a high level of mutual interdependence” (Mohr & Spekman, 1994, p.135).

Relationship

A relationship, defined by the authors, consists of two parties having a continuous exchange of business transactions with each other. The transactions include, besides requests and deliveries, communication of knowledge sharing, and an overall ongoing contact.

4. Methodology

This section discusses the research method, the companies selected for the case study, settings of companies and the data collection. Finally, the credibility is presented, based on validity and reliability.

4.1 Research Method

Due to the complexity of control and relationships in IT outsourcing, the deductive case study is a decent approach. The fact that management also is closely related to business specific circumstances supports the chosen approach. On the basis that a deductive method is characterised by conclusions about a particular phenomenon, which is drawn from general principles and existing theories (Patel & Davidson, 2003), the case study will mainly focus on one company. In this way will the specific context, in terms of managing control and relationship, be the particular phenomenon in focus. The interest is in analysing one company and its relation with two suppliers, as management depends on the context and the context affects the control and relationship. On the basis of this relation, the research questions will therefore be answered by using a case study.

The empirical data, collected by the case study, will be analysed with the theoretical framework as basis. The theoretical framework mostly consists of recent findings from previous research due to a modern and timely subject. The parts 2.3 Managing Outsourcing Relationships, and 2.4 Managing Control in Outsourcing in section 2. Theoretical Framework is based on three scientific articles. Since these articles are repeatedly referred to in the outsourcing literature, these articles are perceived as credible. Further, these articles are relevant to the study area, and provide a good basis for this thesis.

4.2 Companies Selected for Case Study

The purpose is to enhance an understanding in the field of research rather than define any general conclusions, thereof mainly one chosen company. However, more general conclusions can be drawn within the selected company and its outsourcing agreements with the studied suppliers. This thesis will further provide an understanding of IT outsourcing instead of a comparison.

AB SKF (Svenska Kullagerfabriken AB) is the company of choice, and will henceforth be referred to as SKF. With approximately 46,000 employees around the world and a turnover of 66,216 million (SEK) in 2011 (SKF webpage, 2012), it is a company of interest. SKF is

chosen because of the company's magnitude and its long establishment. Above all, SKF is chosen because of the fact that 90-95 percent of the IT service is outsourced (CIO webpage, 2012). SKF has outsourced IT since 2001 and the strategy has changed over the years (Tömmervik, 2012). As pointed out, SKF is a global company with a high proportion of IT outsourcing and should therefore have a well-established approach on the subject of control and relationship in this area. Since SKF outsources such a large part of its IT operation, it is especially interesting to study how SKF in particular manage control and relationships in IT outsourcing. Further, SKF is chosen as case company since it is considered to provide practical examples within this area.

This thesis will also seek the supplier perspective to get a broader view and to avoid getting only a one-sided perspective. Moreover, it is desirable to study the research questions from multiple attitudes. Two companies are chosen to represent the supplier perspective, as two companies were simply preferred to get a profound focus. These companies are selected due to their outsourcing history with SKF and their associated extensive commitments, and not least because SKF see these companies as more than suppliers, they are seen as partners. It is essential to get inputs from both sides in an outsourcing agreement because relationship is something that is created collectively. Furthermore it is also worthwhile to study how the control is perceived on both sides. Since motives for outsourcing, and associated benefits and risks affect the outsourcing agreement, it is naturally also interesting to study these areas. The two perspectives, SKF, and the suppliers, will then be compared and analysed with the theoretical framework.

4.3 Settings

SKF

SKF is a ball bearing company, founded 1907 in Sweden and is today a world leading supplier of products and services within bearings, seals, mechatronics and lubrication systems. The global company is represented in more than 130 countries and has above 100 manufacturing sites and operational sites. The SKF business is mainly divided into three divisions, Industrial, Service, and Automotive, each focusing on specific customer groups worldwide. The divisions are further in need of each other's products, services and knowledge. SKF has the principles to give comparable suppliers equal opportunity and the company believes in mutual benefit based on mutual trust. Furthermore, the suppliers have the possibility to be integrated in the demand driven supply network and be a part of SKF's growth. SKF points out that their suppliers are essential for the company, in order to create

development and success in customer value. Further information about SKF can be found in Appendix B. (SKF webpage, 2012)

The two selected outsourcing suppliers to SKF are anonymised in the thesis by reason of the requirement from SKF. These suppliers will be referred to as company X, and company Y, as substitutes for their real company names.

Company X

According to company X's webpage, the company was founded in the late 1930s. Company X has over 10 000 outsourcing customers in various sizes within IT and is one of the biggest companies within the industry (Svensson, 2012; Johansson, 2012). Company X has since the twenty-first century outsourced to SKF, however the outsourcing proportion to SKF is not that big compared to their entire IT business (Svensson, 2012; Johansson, 2012). Company X was originally selected by SKF as an outsourcing partner mainly for two reasons, the company had global spread and had thus a local presence and was offering the best price (Knobbout, 2012). The outsourcing to company X consists of everything that has to do with IT operation, and involves both maintenance and development (Svensson, 2012; Johansson, 2012). It is perhaps 500 people at company X working towards SKF (Nordensson, 2012).

Company Y

Company Y was established as a result of a merging between two companies, which was founded in the 1960s and the 1970s. Company Y has, with a global delivery capability, around one hundred outsourcing customers within IT. By considering the entire IT business, SKF is one of the top 50 customers to company Y. From the twenty-first century, company Y and SKF have an outsourcing relationship. The provided operation, which involves maintenance and development to SKF, consists of for instance consulting, undertaking projects and other types of commitments. (Company Y webpage, 2012; Nilsson, 2012; Eriksson, 2012)

Company Y was in the first place selected as an outsourcing supplier by SKF because they provided a system and solution that SKF saw a need for, it has then continued with several projects due to competence. SKF has also had a long relation to companies that are now acquired by company Y. At company Y, it is around 5 people working towards SKF. (Nordensson, 2012)

4.4 Data Collection

Empirical material has to be collected, in order to perform a case study of how SKF managing control and relationships of IT outsourcing. Empirical material is collected from primary data, which either can be qualitative or quantitative. The primary data depends on which type of method that is the most appropriate for the research, in order to enhance an understanding of the purpose. (Backman, 1998)

The primary data for this thesis is collected through a qualitative method. The feature of qualitative methods is verbal analysis, naturally through interviews (Backman, 1998). Since quantitative methods, on the other hand, consist of different kinds of numerical and statistical observations through surveys (Backman, 1998), it is not an appropriate method. Qualitative interviews aims to find and identify characteristics to generate an understanding (Patel & Davidson, 2003), which is an appropriate approach in order to perform the purpose of this thesis. Furthermore, qualitative interviews are an applicable approach in the research method of a deductive case study, where the interest is in one company's managing of the outsourced operations.

The interview material is going to be based on eight interviewed persons, four at SKF, and two at company X and company Y, respectively. By using this amount of interviewees, the thesis will have both a well-founded and profound focus. The interviewees will be able to access the questions at least two days before the interview, to get an idea of the content, and a chance to prepare. The interviews consist of 28 questions to SKF, and 25 questions to each supplier, see interview guide in Appendix C. It is essentially the same questions for everyone at SKF, while another set of questions are used for interviewing the suppliers. This is due to the purpose of generalizability within SKF, company X, and company Y. In addition, sub questions will also be asked. In order to achieve the purpose, the content in the interview guide is based on the research questions and the theoretical framework, and is about control and relationships within an IT outsourcing agreement. The interviews are estimated to maximum 60 minutes and will be recorded if allowed, for own usage only in order to reflect the interviews in the best way. The findings from the interviews will be presented in the result section, each company separately, and the structure will in a large extent follow the order of the interview guide. This structure in the result section is chosen in order to, as a reader, be able to get an overall view, clarity, and the opportunity to compare the responses from each company.

The respondents at SKF consist of Johan Tömmervik, Theo Knobbout, Gunnar Nordensson and Ann-Chatrine Karaveli, whom all work within Group IT, the internal IT division at SKF, and are selected due to their titles and responsibilities. Moreover, the respondents at SKF are selected since they possess expertise within the study area of this thesis. Johan Tömmervik is a chief information officer, CIO, at SKF. Theo Knobbout is Senior Sourcing Manager, as member of the Group IT sourcing unit, and has many tasks and roles within the IT outsourcing area and responsibility concerning IT outsourcing contracts. Gunnar Nordensson is an Area Manager for the application management and operations department, and has a responsibility within information management. Ann-Chatrine Karaveli is Finance Manager Controller at Group IT and has responsibilities, for instance, such as business plans, support and follow-up regarding projects and suppliers. The interviews with Tömmervik, Knobbout, and Karaveli were particularly discussed from a SKF perspective of company X, while the interview with Nordensson was particularly discussed from a SKF perspective of company Y.

The names of the respondents from company X and company Y are, as the companies' names, anonymised due to requirement from SKF, and will hence be referred to as Svensson, Johansson, Nilsson, and Eriksson. The two respondents Svensson and Johansson from company X have positions as Client Sale Executive and Sales Support Executive. This means that Svensson has the responsibility regarding sales towards SKF and Johansson's focus is on business development as well as sales. At company Y, Nilsson is the Business Area Manager and has the responsibility for service management, and is also responsible for the business relation with SKF. Eriksson is a team leader at Company Y for the employees that work with SKF, project manager, and has a form of delivery responsibility. The respondents at company X, and company Y are, likewise the respondents at SKF, selected due to their titles, responsibilities, and expertise within the study area.

4.5 Credibility

As authors of the thesis, we consider a critical approach of the study to be of importance, in terms of validity and reliability, and due to the difficulties and problems that might arise during an empirical data collection. The critical approach should be consistent with awareness throughout the entire thesis, in order to reflect, interpret and evaluate the credibility, where there is a need of a good validity and reliability.

Validity means that the authors examine what has been expressed to examine, both in the theoretical framework, the collection of empirical data, the discussion, and within the

conclusion (Patel & Davidson, 2003). Further, a good validity can be achieved if necessary concepts for the study area are described in the theoretical framework (Patel & Davidson, 2003). This has been pursued by consciously creating cohesion in the thesis, in which the theoretical framework has been the basis for interview questions. The thesis has also examined the expressed purpose. Validity in the collection of data is linked to whether the researcher has succeeded in establishing a basis for a credible interpretation (Patel & Davidson, 2003). As the selected interviewees possess the needed information and have a good understanding of the research area, interviewing these people fulfils the criterion of credibility. Furthermore, there is awareness that this study consists of interviews based on people's preferences, experiences and knowledge.

Reliability implies the extent to which random influences of various kinds can be resisted, since the observed value contains both the true values and error values (Patel & Davidson, 2003). There might be a risk that the interviewees may not provide an accurate picture of the reality, but rather distorted. It has however been experienced that the interviewees gave an accurate picture, and it has been attempted to avoid distorting by being open-minded during the interviews with supplementary questions and asking for examples. By thoughtful interview questions, the problem of respondents becoming directing is to a large extent avoided. To achieve a good reliability in the study, interviews have been held at a level so that both the interviewed person and the interviewers are able to understand the content and each other. In order to create a reliability in the authors' assessment of the interview responses have the interviews, with permission, been recorded to create as correct interpretations as possible, while notes were taken by the interviewer who were not asking questions. Since seven out of eight interviews were conducted in Swedish, errors can occur when translating their response into English. The interview with Knobbout was the one in English. Due to this, there has been a high level of accuracy in order to create credibility.

5. Result

In this section, the empirical material is presented, which has been collected by interviews from SKF, company X, and company Y. The interview responses largely follow the order of the interview guide. The emphasis is on relationships and control in outsourcing agreements.

5.1 SKF

Motives for IT Outsourcing and Perceived Advantages

In 2001 SKF had a total IT outsourcing, however Tömmervik does not know the reasons, since he simply has been the CIO for just over two years. Though, he imagines that one of the original motives was to refine the business. Another motive was probably to increase the transparency, in order to make it easier to define the costs and to see what people actually does. Knobbout on the other hand knows, as he was working at SKF during the time, that the biggest motivation in 2001 was flexibility, to be able to really adapt to developments in the market, industry and business. Financial drive was a side effect. Today, the motive is still a financial and flexible drive, even a bit more so, but he thinks that it is today much more about strategies and really being able to adapt, steer, and direct, which you cannot do with all the IT internally. In many areas can the services, which SKF is in need of, be provided from various different companies and hence can the suppliers be exposed for competition, says Tömmervik. Nordensson believes that as Tömmervik consider the justification for the outsourcing to be both motivated by cost savings and as a strategic approach.

Nordensson considers that an advantage of outsourcing is to be able to focus on the core competence. Around 95 percent of the IT operation is outsourced, but IT is alone not a core competence for SKF. However, both Tömmervik and Knobbout think that the competence regarding ordering the operation that replaces internal IT operation is a core competence, in the sense of knowing that the ordered services are right, cost effective and fit the business. The internal division, which is responsible for setting the directions, strategies, requirements, making the evaluation, and steering of the suppliers, is a clear core competence. Tömmervik and Karaveli perceive the future market for IT outsourcing as generally predictable and stable, possibly the market will increase to some extent.

Tömmervik claims that a consistent advantage when outsourcing is that SKF can make demands in another way. All the competence cannot be kept within a company, since it requires too large investments. When using outsourcing, SKF can also take advantage of the suppliers' scale of economy. Tömmervik remark, "If you have a standard system that many

companies use then there are many suppliers who know that kind of solution, if unsatisfied you can choose to turn to another supplier relatively simple” (Translated by the authors).

Perceived Problems and Risks

Tömmervik and Nordensson point out that if a company outsources maintenance of systems and administration, which are uniquely designed for the company it is very difficult to move the operation somewhere else, as the competence is tied to individuals. It is also a risk that sensitive information can be revealed in is such a customised outsourcing. Another risk with outsourcing can be that a company sells or hands over business critical knowledge, which is needed to keep the company on track. Karaveli points out the risk of losing control over the operation and dependence towards the counterparty.

Partners in General

Tömmervik sees the difference between partner and supplier in following way, “being a partner means that you sometimes can help each other without it being regulated in the contract, because you are so connected. If you on the other hand only see the other company as a supplier then you usually do not do anything else except what is stated in the contract” (Translated by the authors). Tömmervik describes that SKF has gone from total outsourcing to one supplier, to successively selecting various partners so that offerings, competence, and costs, can be compared. SKF has several levels of suppliers, the first level of suppliers consists of 7 to 8 companies, which according to Tömmervik are seen as partners. Both company X and company Y are included in this first level.

The outsourcing business is a complex interaction and SKF has in total several hundred suppliers, says Tömmervik. As soon as a contract expires, SKF will make an estimation of the market to see if the operation can be put under competition. The contract will be extended if there is no reason for adjusting the outsourcing operation. Tömmervik declares that the outsourcing contracts that SKF sign are between 3 to 5 years, the time depends on which investment is made. It costs a lot of money to change supplier, so depending on the cost for the operation and competence, the contract will either be on a short or long term. It is costly to transfer competence from one company to another, this is because the competence is tied to individuals. The transferring and build-up process of the competence in the new company often takes years, so once you enter a larger agreement you will likely continue with it.

Relationships and Control

Formal versus Informal Contact

Tömmervik and Nordensson think that the contact between SKF and company X, as well as the contact between SKF and company Y, is both formal and informal and it is a constant contact. It exist agreements, formal purchase orders and meetings etcetera, which means that a lot of what is done is formally. Nothing happens without any formal papers because it is a business relation. Nevertheless, the informal contact is also important, as it is a cooperation between humans. “Outsourcing is extremely much about building good relations among the people who are involved in the agreement on both sides” (Tömmervik, translated by the authors). Knobbout states that ”of course the contact will be more formal if there are problems, but the balance between formal and informal contact is almost correct because if over-formalising, you will not make any progress”.

Contractual versus Collaboration

Nordensson view the relation with company Y mostly as a collaboration. The relationship with company X is by Tömmervik seen as both contractual and as a collaboration. It is basically a contract, but to make it work everyday collaboration is a must. The better the collaboration is, the less necessary it is to refer to the contract. Karaveli views the relationship with company X as mainly contractual. She states, “It is about balancing the relationship at a moderate level, so you do not get too close and drift away from the contract, because the contract describes the privileges and obligations” (Translated by the authors). Knobbout, on the other hand, thinks it is more of a collaboration where you are trying to work together as a team, but when you are setting up a new environment, such as a new agreement, it naturally becomes more contractual as people need to gain insight in to it.

Communication of Knowledge Sharing

Knobbout, Karaveli, and Tömmervik consider that there is a regularity of the communication of knowledge sharing on all levels between SKF and company X. Meetings regarding service level agreements and contracts are all running according to a fix schedule, which is important to keep the communication of knowledge sharing running. The communication of knowledge sharing is mostly based on cooperation, meetings and agreements, but also through documents, emails and offers. Eye to eye contact also exists to some degree. Between SKF and company Y, it is also a regularity of the communication of knowledge sharing according to Nordensson. He believes that the responsibility regarding the delivery that company Y has becomes a formal communication of knowledge sharing, since it is based on a budget

framework. Tömmervik believes that language and culture are the main elements of uncertainty in communication of knowledge sharing. There is always an uncertainty in what you really mean when you have language and cultural differences, which are why these differences usually give rise to conflicts. Knobbout means that the uncertainty is mainly in the area of a supplier's change. Company X is continuously changing and adapting to the environments, which sometimes makes it unclear what is happening, and to what extent it can influence SKF.

Towards company Y, the communication of knowledge sharing is seen as good by Nordensson. Knobbout thinks that towards company X, it is also overall good because there are no real surprises. SKF and company X know from each other what the other part is doing and which directions they are attempting to go, but the communication of knowledge sharing is something you always have to work on. Tömmervik argues that if SKF all the time would have very sharp, formal, and business minded attitudes towards company X, this company would instead be viewed as a supplier rather than a partner. If SKF are not happy with a supplier, they change supplier, but a partnership is very integrated so the parties have to learn to collaborate. The core of a successful outsourcing is to establish a good relationship and collaboration. "Of course it happens that we disagree but we try to solve this without hitting each other in the head with the contract" (Tömmervik, translated by the authors).

Contract Design and Associated Obligations

Nordensson claims that it is SKF that has the overall responsibility and control in the relationship with company Y. SKF must have the ultimate responsibility so that everything works, but in the same time the outsourcing partner has a responsibility to accomplish what is agreed upon. In relationship with company X, Tömmervik, Karaveli, and Knobbout think that SKF has the most responsibility and control. Knobbout for that reason states that SKF are always chairman and secretary of all working commitments, and that is written in the contract, therefore SKF can stay in control and be assured that things are progressing. SKF has a responsibility to make sure that the orders are being delivered, to control the costs and quality and also make sure that regulation and policies are followed.

Knobbout states that the contract in an agreement is very detailed, but there is still room for reasonable interpretation, not least because things keep on changing and the contract, which is written in English, will be analysed by several different nationalities. If you always can solve problems without running into court cases, which SKF never does, it is a good mix between

interpretation and details according to Knobbout. Karaveli experiences that the current contract with company X is very detailed and has more service level agreements than previously, which may not provide the cost savings that SKF strives towards, but provides far better security and stability in the relationship. She thinks it is important that the contract is a win-win-situation since it is a partnership. Tömmervik emphasise that a contract with a supplier is mostly a standard contract, while a contract with a partner is unique. SKF can say that during a number of years shall certain specific things happen but company X will decide when and how it will occur, for example a cost reduction. Nordensson believes that the contract with company Y provides a framework that he thinks is good. Tömmervik emphasise that in a partnership they attempt to solve problems with common sense. If SKF has a problem and the partner can fix it but to a higher cost than what is stated in the contract, it is reasonable to agree to the suggested solution. In the contract there is also very much related to how to end the agreement, there are guidelines for failures and for what happens if one partner fails to fulfil its obligation. Knobbout also declares that the overall purpose of the outsourcing is defined in the contract.

The Need of a Relationship in an Outsourcing Agreement

According to Knobbout is the need of a close relationship very important. He thinks the relationship is more or less team based, where parties are working toward the same targets and do not only follow their own targets. Tömmervik means that a good conscience is necessary in a relationship, and this cannot be agreed upon since it is something to be created. Nordensson believes that an active dialogue is essential in a relationship.

Tömmervik thinks that having a too strong relationship with a partner is associated with risk. He means that difficulties and confusion arise in the relationship if the parties are not able to know their roles. Due to this, Tömmervik suggests that it is important to define who does what in the relationship. Karaveli believes that a too strong relationship may cause an excessive dependency. As the relationship becomes stronger, trust might also become stronger, which can cause the risk of not make follow-ups. Further, within a strong relationship it is important to make sure that you as a client are not too dominant in relations with the outsourcing partner. A too dominant situation is further considered negative, because this client may be the one who must pay for all development within the outsourcing firm, which will be expensive for the client. Moreover, Nordensson means that having a strong relationship can cause a loss of efficiency. Though, with the assumption of properly ethical behaviour it is not considered to be a disadvantage to have a strong relationship.

According to Tömmervik, it is on the other hand also a risk of having a too weak relationship with a partner, since a weak relationship is described as a client being too small. This means that the client does not have any significant effect on the supplier. Being a minor client in a weak relationship can result in a hard attitude from the supplier, who primarily intends to refer to payment. Tömmervik describes the situation as lack in collaboration, no common sense and no value of a good relationship. If the relationship is too weak, Knobbout believes that a party might start working towards own targets or define own goals, instead of mutual goals. The described situation is considered as risky, since the parties might end up at completely different destinations. A weak relationship might also according to Nordensson entail the risk of an insufficient responsibility taking of the delivery. If the relationship is weak in the sense that there is no contact at all, Karaveli means that the parties will lose control and the closeness between each other.

Financial Gain through Outsourcing

In the question whether SKF in its relationship to company X has achieved financial gain through cost reduction, access to external resources and partnership with mutual goals, both Tömmervik, Knobbout, and Karaveli experiences that financial gain has been achieved in all parts. Knobbout even states, “I am deeply convinced that we did. It is sometime hard to measure but as said, I am deeply convinced that we did that, and calculations that we make is really showing that”. Karaveli claims that both SKF and company X are winning on having a stable environment, and will gain money in a continued partnership.

Nordensson experiences that SKF in its relationship to company Y has achieved financial gain in terms of access to external resources and a partnership with common goals. Company Y, described as an efficient company with good quality, but in comparison to suppliers in the global IT market, company Y is not relatively cheap. Nordensson therefore believes that a financial gain in terms of cost savings have not been fully achieved, instead the benefits of company Y are based on their ability to provide resources and knowledge, and a partnership built on trust.

Evaluation of Relationships

The relationship with company X is evaluated each year, which Tömmervik describes as supplier evaluations. In these evaluations, suppliers are classified, and how the relationship works and how it has been is evaluated. SKF are using service level agreements, in which the service levels and the achieved quality can be measured. Tömmervik means that it is possible

to achieve a better relationship if service levels are maintained. Since these service level agreements are used, Karaveli believes that the evaluation has a high degree of measurability. At the same time Tömmervik points out that not everything is measurable, however what is measurable partly determines if it works well. He also describes that with some partners, the delivery has been experienced as poor despite fulfilled service levels, for instance slow deliveries. In the case of not fulfilled service levels, the suppliers usually notice the situation and fix the problem quickly. Knobbout explains how the relationships are evaluated by the use of customer surveys, and internal user surveys to get inputs. The evaluation further consists of evaluate numbers of escalations, how many issues SKF needs to solve, and whether the financial targets is working well. What on the other hand is not measured is contractual changes, but Knobbout indicates that he keeps an eye on it. According to Knobbout, the number of contractual changes are relatively low, either depending on laziness, or that the contract actually is very good and do not require further adaptations. In contrast, Nordensson thinks that the evaluation of the relationship between SKF and company Y is poor. The measurability is low and no general metrics are used, the evaluation is rather made by assessments and by maintaining a good dialogue.

Formal versus Informal Control

The control of the outsourced operation to company X and its relationships, mostly is described as a formal control through auditing and budgeting for example, according to Tömmervik. However, informal control does also occur by verbal interactions. Knobbout's opinion agrees that the control is both formal and informal. Karaveli believes that in the relationship between SKF and company X, control is mostly formal and will become more formal since the contract now is more detailed than before. Nordensson in comparison describes the control of the outsourced operation to company Y mostly as an informal control. Although, formal control is to some extent made by, for instance, control of bills and review time management.

Trust in Outsourcing Relationships

In the outsourcing relationship between SKF and company X, trust is considered as extremely important according to Tömmervik, Knobbout, and Karaveli. A good collaboration is essential, because it is not possible to have contractual agreements for everything. Tömmervik means that trust is too complex to agree upon, and trust is created by a good collaboration. The need of control decreases with a good and well working collaboration, but in a poor collaboration, the need of control will increase. He highlights that trust is created between

people, and not between companies. Tömmervik further considers that trust is both contractual, and of competencies and responsibilities. Karaveli shares this opinion, she also thinks that competence trust is of a huge importance since competence is required. On the other hand, Knobbout thinks that there is a competence trust, and a goodwill trust, where goodwill trust is linked to responsibility and that people can feel responsible. Knobbout further states, “the more control, the less trust is needed, and the other party should know to what extent control exist and what is controlled”. Also in SKF’s relationship to company Y, trust is considered to be of great importance, according to Nordensson. Further he believes that 70 percent of the trust is based on what has been completed within the historical relationship, and 30 percent is of contractual trust.

Access to the other Party’s Assets

Tömmervik means that the parties in an outsourcing relationship are not allowed to take advantage of the other company’s assets or industrial secrets, within the company. He further describes existing disclosure agreements, in which it is agreed how company secrets should be regulated. On the other hand, when SKF is facing a takeover of a company, SKF can make use of expertise from the company they are outsourcing to, which to some extent give the supplier insight into SKF’s secrets.

On the other hand, Nordensson describes that in the outsourcing relationship between SKF and company Y, the partners are allowed to benefit from the other company’s assets. For instance, employees at company Y are allowed to use SKF’s equipment, and they have access to SKF’s systems, when working with the outsourced operations.

The Need of Control in an Outsourcing Agreement

Outsourcing agreements are according to Tömmervik very large and complex, which makes it very important to have a well working control and to define the control mechanisms in it. Depending on the relationship, the need of control increase or decrease but Tömmervik claims that a certain amount of control always is necessary. Karaveli states that the control is important in the sense of ensuring and measuring the systems’ stability so that expectations are met. Depending on the need of control, SKF monitor in varying degrees, and Tömmervik means that it is depending on trust to a partner. According to Knobbout, “SKF have a need to control things with a high level of visibility, and SKF makes a lot of financial controls since it has a high level of visibility and is demanded”. However, in Knobbout’s opinion, the level of financial controls is far too high. Furthermore, it is important to have control over what has

been delivered, and whether there is good quality. “To have control is essential, regardless of whether trust, a strong relationship and credibility do exist. Control should also be of the supplier’s interest, to be able to document what is well working. Within outsourcing is the need of control higher than in an internal department” (Nordensson, translated by the authors).

Tömmervik believes that having too much control of the outsourced operation and its related relationship is associated to the level of trust. He claims that the lower level of trust, the higher will the level of control be. In the case of a low level of trust, there is a risk that a partner creates control through commanding how the work should be performed. Furthermore, Tömmervik considers that it is a failure to command a partner how the work should be performed, since the client will then both do the partner’s work, create a lower trust and a detailed control of the partner. A client is supposed to command what should be performed, and not how it should be performed. Knobbout means that too strong control provides a risk to lose one of the initial purposes of outsourcing, to have flexibility and dynamics. Further, there is a risk that a partner might get a feeling of limited movements, and movements and challenges are important for both people and organisations. Nordensson thinks that a disadvantage of having much control may be the risk that too many resources are used to perform the control, which creates inefficiencies. On the other hand, having too little control creates a risk of vague orders and specifications, which in turn leads to a risk that the client does not get exactly what was expected. If the control is very low, there is according to Karaveli a risk of losing the control of the processes, and what the other party actually is doing in the systems. While Knobbout highlights, “if there is no control at all, there is a risk that you start to follow your own targets, this will not be beneficial”.

Problems and Changes over Time

Conflicts, misunderstandings and problems exist to some extent in all types of relationships, according to Tömmervik, and such situations are solved by dialogue and common sense. Further, the involved can be instructed to find an improved climate for cooperation. Knobbout describes that SKF’s relationship with company X has changed over time. An acquisition within company X has changed the relationship to be stricter and less dynamic. In the relationship between SKF and company Y, very few problems and conflicts have occurred, says Nordensson. However, it has happened that an assignment not received the right skills, which may have been due to a misunderstanding. Such situation is resolved either by closing the assignment or by adding a more appropriate competence profile.

Success and Satisfaction

Tömmervik believes that the outsourcing has had a positive effect on SKF's success, since a cost reduction is achieved and one of the initial aims, to refine the business, has also been positive for the success. Efficiency improvements in systems and solutions are built with a good outsourcing partner, and Karaveli means that SKF have created a competitive advantage against competitors. Knobbout has no doubt that the outsourcing has been beneficial for the success of SKF, believing that without an outsourced IT operation, SKF would not be able to follow trends in market, in order to expand.

Within the question of whether outsourcing has fulfilled what was expected, Tömmervik expresses that expectations is a difficult area, see figure 3 in Appendix A. According to Knobbout, SKF's outsourcing has to a large extent satisfied the expectations. At the same time, it is mentioned that it is logical that expectations and results to some extent might differ from what was initial expected. Knobbout gives an example that the flexibility and the delivery speed from company X have not fully satisfied the expectations. Nordensson believes that the expectations of company Y have been satisfied overall. Knobbout finally states, "big companies like SKF cannot survive without outsourcing their IT".

5.2 Company X

Motives for IT Outsourcing and Perceived Advantages

Svensson thinks that the main motive of outsourcing is that large IT divisions in companies often becomes very rigid and have problems with the process of change. Thus it is easier to outsource, which also makes it easier to make demands. Another advantage is that outsourcing makes it easier to conduct a cost control, and over time reduce the costs. IT is not a core competence in these companies, it is a function to support, in the SKF case manufacturing of ball bearings. SKF's IT department does not have the required resources in order to be up to date, according to Svensson. Johansson agrees upon this, suppliers like company X have IT as their core competence, and have knowledge that companies like SKF do not normally possess. If SKF would keep the entire IT operation internal, the company would be quite vulnerable if the wrong person quits, however with outsourcing it should usually not be a problem, since everything gets documented. The market for IT outsourcing is seen as a growing market, says Johansson. Svensson also mentions that the IT service becomes generally less expensive over time, and the competition increases.

Perceived Problems and Risks

The control of the operation becomes less with outsourcing, competence disappears and there is a risk that the supplier is not available in sufficient places around the world, according to Svensson. Johansson believes that many companies are using outsourcing the wrong way. He thinks that many companies have a tendency to place people, who do not fit in anywhere else, in the IT department, and this causes problem. The easiest way to solve this is to outsource everything that has to do with the problem, but this leads to a problem in the next stage. If problems arise, the company lack knowledge to know what they really have left out, and cannot handle the problems very well. He continues to argue that companies need to have strategies of where they are heading, and keep track of things before outsourcing. Companies need to make a smart outsourcing, hand over what is a typical operation, but still keep knowledge, be able to control the operation, and at the same time have the right interface towards the business. “The problem is that the knowledge of how to do a sensible outsourcing does not exist among many clients” (Johansson, translated by the authors).

Relationship and Control between Company X and SKF

Formal versus Informal Contact

Svensson and Johansson agree that the contact between company X and SKF is both formal and informal, and it is on a daily basis. The formal contact mostly consist of formal meetings, as for example contract and operation meetings, while it also exist informal meetings, in the form of meetings without agendas and records. The informal contact occurs in many contexts, as in projects. Johansson also adds that they have clear governance structure concerning who should be in contact with whom, and how often.

Contractual versus Collaboration

Johansson view the relationship with SKF as both contractual as well as a collaboration, but mostly as contractual and he is a little critical, “it depends on what SKF wants to achieve, they argue that there is a collaboration but illustrate well that it is after all a client-supplier situation when they think that it will benefit SKF” (Translated by the authors). According to Svensson, when everything works normally as is should, the contract is not important, and most problems are solved without having the need to look deeply into the contract. Though, it happens that there are different views, and the contract will than be used for clarification. Both the interviewed persons mostly finds that SKF sees company X as a supplier rather than a partner. Svensson’s theory is that it has to do with the maturity of the organisation that outsources, whether SKF can work with another counterpart as a partner or only as suppliers.

Maybe company X handles this the wrong way, but he thinks that SKF definitely is not mature for a real partnership, or may not want to have a partnership. Johansson also believes that the approach depends on the person in question. Some believe they can achieve everything with the contract, others think they can achieve the same with relations.

Communication of Knowledge Sharing

The communication of knowledge sharing between company X and SKF continuously takes place at all levels. Svensson argues that it though exists more formal than informal communication of knowledge sharing. Johansson thinks that the communication of knowledge sharing could be better, unfortunately it is a little too much sporadic, because SKF is such a large company and it can be difficult to know what is happening in different places. Svensson thinks the communication of knowledge sharing out to the end user is poor, which is leading to an extremely high pressure on company X's helpdesk when new services are delivered without the end user being informed. He also mentions one type of communication that is missing, which is that SKF do not know all the services that company X are offering. It partly depends on that company X is not good enough in communicating this, but it must also be an interest from SKF to absorb the information, which may not always be there. Johansson believes that the worst thing that could happen concerning the communication of knowledge sharing is that SKF would tell company X to change any type of system the day before it will occur, because SKF thinks this is easy. Since this had happened, it has been written down that this type of communication of request and demand must be improved. In doing so, the communication of knowledge sharing has become better, but SKF's internal communications from the IT division to the rest of the business may still be far better, states Johansson.

Contract Design and Associated Obligations

Svensson and Johansson pretty much agree that company X has the responsibility and control of the outsourced operations in the relationship with SKF. According to Johansson, what is written in the contract is company X's responsibility and they have the control to perform this. Attached to the contract and service level agreements there are financial penalties, which works like a framework. Without hesitation, both Svensson and Johansson answer that there is room for interpretation in the contract with SKF, at the same time as it is very detail. In the current contract is the services more described in detail than in previous contracts. Svensson clarifies that he thinks that the contract rather is clear than strict, it is clear described what should be delivered but not how. Johansson also thinks that it is for the better, because then you get more support in the contract. Regarding the services that company X delivers, the

infrastructure side is dominated by standardised services while the application side is mostly customised. Company X strives to get as many services as possible to be standardised, which will make it easier for the customer, because they can get the service faster than specific solutions and usually at a good price, says Johansson.

The Need of a Relationship in an Outsourcing Agreement

The need of a relationship is according to Svensson absolutely essential. The parties may have a very good contract, but despite that, it will not work if the relationship is poor. On the contrary, the contract can be very bad, but a very good relationship in such situation can make it work after all. The relationship is considered as everything in an outsourcing agreement, since outsourcing mainly is a business of people. Johansson argues that a relationship is very important, in order to discuss in what directions things are going. Furthermore, a relationship is of importance as an outsourcing agreement usually runs over a period of three to five years, and sometimes even longer, and within this is nothing constant.

In the question whether there is any risk of having a too strong relationship, Svensson thinks that it could only be risky in the meaning of a strong controlling relationship. It would be negative, and would not work if SKF control how deliveries are made. On the other hand, in the meaning of a strong relationship based on strong cooperation there is no risk according to Svensson, since it is essential in order to make the outsourcing work. Johansson argues that there are no direct problems of having a strong relationship. However, this depends on how people act, he means that problems can arise if people create a too strong connection to a company where they do not work. He further expresses that a weak relationship can never be seen as favourable. There is a risk that it takes too long time for a supplier to get to know what will happen and this could in turn provide the risk of not being prepared in time.

Financial Gain through Outsourcing

Both Svensson and Johansson experience that SKF has certainly achieved significant cost savings to what they had before, as demonstrated by measurements. There is a convinced gain of access to external resources, according to both Svensson and Johansson, and it has obviously benefited SKF. Svensson also points out that SKF has gained access to resources that they would not be able to access as easily themselves. The extent to which SKF and company X has reached a partnership with common goals, there is different opinions between those interviewed. Svensson thinks that there is no partnership with common goals between company X and SKF, he argues “within IT, SKF has not had the ability to create partnerships

since they have a more client to supplier relationship” (Translated by the authors). While Johansson believes that there is a partnership with common goals concerning, for example, cost savings and what should be achieved.

Evaluation of Relationships

A continuous evaluation is done, according to Johansson, partly within the formal meetings that are held. The evaluation is in terms of how it works both in activities and in the relationship. Svensson describes that an evaluation also is made from company X’s own side, within a survey are various areas of outsourcing examined. Johansson means that daily verbal conversations are also a part of the evaluation.

Trust in Outsourcing Relationships

Both Svensson and Johansson state that trust is important. According to Svensson, the current trust is consisting of SKF’s belief that company X can manage to deliver a service. Trust is viewed as something that is obtained. In a long period of trouble-free and efficient services, the trust will become stronger. On the other hand, Johansson thinks that trust will not be equally important with a clear and distinct contract, and he therefore highlights the importance of a good contract and an awareness of the content. Furthermore, Johansson thinks that the trust can be seen as a contractual trust.

Access to the other Party’s Assets

Whether the parties in an outsourcing relationship are allowed to take advantage of the other company’s assets, the interviewees share a common view that SKF have access to company X’s assets. Though, Svensson describes that SKF does not have access to company X’s intellectual property, for instance the accumulated and specific knowledge that the company has. However, both the interviewees think that company X has not as much interest in taking part of SKF’s assets.

The Need of Control in an Outsourcing Agreement

Regarding the need of control, it is according to Svensson important “to have a benchmark for what is good, and to clearly decide what is good” (Translated by the authors). Both operational and objective performance measurements are used, and Svensson thinks it is done in a reasonably way. Johansson argues that the most important concerning the need of control in an outsourcing agreement is “to have control in order to get what is contracted and the promised quality” (Johansson, translated by the authors). Further he describes that measurements are made through service level agreements.

On the other hand, Svensson thinks that there may be a risk that it is not conveyed to individuals whether the situation is good or bad when the control is too little. Too much control however entails the risk that there will be a very detailed management and control, which makes it impossible to deliver in an optimal way. Johansson considers that having much control is not that risky as long as the contract and the performance indicators are clearly defined. Johansson believes that “the risk rather occurs if the agreement is poor, if there are different opinions about what the delivery would actually contain” (Johansson, translated by the authors).

Problems and Changes over Time

The relationship between company X and SKF has, according to both Svensson and Johansson, changed over time, since it was not that good at the beginning of the outsourcing. The relationship has improved and is now better. Johansson thinks that the current relationship with SKF is very good, but both declines and upturns in the relationship are described. Declines have a negative affect on the delivery to SKF, which influences the relationship in the same way. In the current situation, it is an upward going trend in the relationship between company X and SKF.

Within a long relationship, both of those interviewed believe that it would be surprising if there had been no conflict. Svensson conveys that there have been conflicts during SKF’s outsourcing to company X, and those are mostly solved through negotiations. For instance may a conflict include that SKF would like to have more insight than is permitted, however the intellectual capital of company X is protected to some extent. Nowadays, there are contracts that defines how to handle a conflict situation, further can a discussion be an easy solution.

Success and Satisfaction

In the question whether the outsourcing to company X has provided success and competitive advantages for SKF, Svensson means that SKF has gain a major cost saving. According to Johansson, SKF has achieved control and financial advantages, which in turn have made SKF more successful, and it has gained them quality and values. Johansson believes that the outsourcing gives SKF an advantage to focus on core competencies. The respondents share the view that SKF is important for company X, since SKF is a good reference in other contexts and to create new business relations, especially since SKF as company is market-

leading and a financially strong client. Due to this, SKF has been positive for the growth of company X.

5.3 Company Y

Motives for IT Outsourcing and Perceived Advantages

Nilsson believes that the benefit of outsourcing to companies like company Y is that IT is a part of their core competence. Company Y provides operations that customers are looking for in order to get lower costs, and best practice. Eriksson means that company Y can staff based on their own situation, build projects as needed, and control the resources without the customer approving who will work with the project. Nilsson and Eriksson agree that the future IT outsourcing market is both stable and growing. Within the contracts, the main focus has changed slightly, from a distinct cost focus to placing a greater emphasis on flexibility, the end users, and the value creation. Nilsson indicates that there is a clear trend in recent years, from a competition perspective. The trend he is referring to is the need of economies of scale to be competitive, based on the market consolidates.

Perceived Problems and Risks

Nilsson believes that a risk with outsourcing can be that the expectation levels can be different, for that reason company Y and SKF are working a lot on matching the expectations. Nilsson believes that another risk is becoming to process oriented and, to some extent, segmented, “if focusing too much on the cost there is a risk of not being able to deliver the value that the end user expected” (Translated by the authors).

Relationship and Control between Company Y and SKF

Formal versus Informal Contact

The contact between company Y and SKF is both formal and informal, according to Eriksson and Nilsson. Eriksson describes that they have formal meetings, as you should from a contract perspective, but also informal contact on almost a daily basis in the form of telephone calls and mail. Nilsson highlights that the informal contact is an important part in a knowledge intensive business as it is about humans and relationships. “The informal contact is like oil that keeps the machine going” (Eriksson, translated by the authors).

Contractual versus Collaboration

According to Nilsson, the relationship to SKF is more of a collaboration than contractual, but the contract is of course important to have in place. The form of cooperation and the relation is based on collaboration rather than contract. Company Y’s organisational culture provides a

very high degree of flexibility and can, because of that, make deviations and adaptations. Company Y has furthermore a desire to have a position with SKF where they are perceived as a partner and not only as a supplier, and work as an integrated part of the SKF operation.

Communication of Knowledge Sharing

The communication of knowledge sharing between company Y and SKF depends on the various delivery models and commitment, says Nilsson. There is both a lot of knowledge exchange between individuals and in the same time much structure communication, thus it exist both formal and informal communication of knowledge sharing. The communication of knowledge sharing is perceived as good and usually as constructive and solution-oriented, it is very seldom the partners seek support in the contract. Eriksson adds that company Y does not feel that SKF either reads the contract through thoroughly so in this way is the relation perceived as very good from the communication of knowledge sharing point of view.

Contract Design and Associated Obligations

There is unambiguousness between Nilsson and Eriksson that the responsibility and control of the outsourced operations in the relationship between company Y and SKF is shared. For what Eriksson is responsible for, SKF thus receive everything from weekly reports to monthly reports, and based on these steering documents, the resource planning and the activity planning are discussed together. Company Y has several different outsourcing contracts with SKF where some parts are very detailed with clear expectations of what company Y should deliver and at which service level, while other parts are given more room for interpretation. Company Y has a very large room for interpretation regarding in how the services will be delivered as long as they meet the demands and expectations that are defined in the contract. Nilsson explains that the services they deliver are both standardised and customised. Company Y has an underlying desire to standardise and optimise methods, processes, tools and resources, but then do they also have customisation to meet the specific requirements and needs. That the benefit and value in what is delivered is high in the end is seen as more important than keeping the cost low.

The Need of a Relationship in an Outsourcing Agreement

To have a relationship in an outsourcing agreement is essential to make it work, according to Nilsson and Eriksson. Further, Nilsson thinks that the need of a relationship is linked to responsibilities and roles. He describes that there is a governance structure in which the parties can meet at different levels depending on the companies' obligations, roles and

responsibilities. Eriksson thinks that the agreement is based on a relationship, since he describes that there is always a verbal exchange. From a client perspective, Nilsson believes that “there is no advantage to have either a strong or weak relationship” (Nilsson, translated by the authors). Furthermore, he believes that it is important to find a good balance between a strong and a weak relationship.

Financial Gain through Outsourcing

Both of those interviewed experience that SKF has achieved cost savings, gained access to external resources, and a partnership with common goals by outsourcing to company Y. Nilsson points out that SKF has made significant cost savings by the outsourcing, and he ensures that the outcomes have been achieved. Other achieved outcomes can also be an increased flexibility or access to specific skills.

Evaluation of Relationships

There are continuous evaluations of the commitments that company Y has towards SKF, according to Nilsson. As for the evaluation of the relationship, there are established meetings when the parties meet and evaluate together. Thus, it is an active evaluation, but Nilsson thinks that this is something that could be improved together with SKF. Measurements within the evaluation are company Y’s possibility to compare the results against established goals. Eriksson describes how company Y make use of task forces if SKF would observe too many errors in comparison to what is expected.

Trust in Outsourcing Relationships

Nilsson states, “trust is an important and crucial factor in the outsourcing relationship between company Y and SKF” (Translated by the authors). He further indicates that company Y has an ambition to have a good partnership and to be integrated with SKF. Concerning trust in terms of manage a task, Eriksson explains that there is positive feedback from SKF towards company Y. The interviewees think that there are both formal and informal trust, which takes the form of both contractual, competence and goodwill trust.

Access to the other Party’s Assets

According to Nilsson, SKF is in the outsourcing relationship allowed to take part in company Y’s assets, SKF has full access within reasonable limits. Though, some of company Y’s assets are kept within the company, such as specified expertise. Nilsson believes that a reverse exchange also exists, that company Y can take part of SKF's assets and SKF have an openness to share information in different extents and contexts.

The Need of Control in an Outsourcing Agreement

Eriksson considers that having control in an outsourcing agreement is important in order to control what will be delivered and to know what to do. It is of further importance to make sure that the operation moves in the right direction. Moreover, it is also indicated that a dialogue of what is controlled is essential. Control is also from an economic point of view needed since it is another company's money that has to be managed properly. Furthermore, Nilsson highlights that it is crucial to have control in order for company Y to know the responsibility, which means that company Y needs to have its own control. Nilsson means that too little control may generate the risk of not being in the right position to deliver what is expected. Too much control can provide the risk of being too detailed or increasing the costs. Eriksson thinks that too much control carries the risk that there will be a poorer flexibility.

Problems and Changes over Time

A relationship is always changing over time, according to Nilsson, since people get to know each other better, or a change due to new people within the relationship. He states that "it is like an ongoing journey" (Translated by the authors), and as a result of this, SKF's strategies has changed. The belief within company Y is that the relationship with SKF has always been good, it has always been evolving, where Nilsson thinks company Y has managed to respond to SKF's needs in a good way. Furthermore, conflicts and problems are seen to occur in any relationship. By having a dialogue about potential conflicts and to be close to each other are two different ways to get conflicts resolved. Eriksson argues that it is important that both parties have clarity, and signalling early if something is experienced to be wrong. Such situations are according to Eriksson related to the existence of a good relationship and trust.

Success and Satisfaction

The interviewees share the opinion that the outsourcing to company Y has contributed to SKF's success and advantages. Nilsson means that different results can be achieved through outsourcing, such as cost savings, access to competencies at the right time, and in different ways increase the quality, utility and a value. "In times when things are going well for SKF, and if they believe that there is a good market and when they have ambitions to grow, this will have a positive influence in the willingness to invest" (Nilsson, translated by the authors). Nilsson thinks that SKF's long-term strategy promotes success and growth within company Y. Nilsson concludes by saying that "working with SKF is enjoyable, and through that is growth and success created in company Y" (Translated by the authors).

6. Discussion

This section presents the discussion. The result from each company, as well as the relationship between SKF and company X, and the relationship between SKF and company Y is compared and discussed, with the theoretical framework. This is done in order to analyse the purpose of the thesis.

A balanced relationship is essential

The empirical result shows that a relationship is very important and essential, in order to make the ongoing outsourcing work, which indicates that a relationship is fundamental in an outsourcing agreement. It appears that there is a need for a relationship in order for each party to know its responsibilities. As raised in the theoretical framework, Gottschalk and Solli-Sæther (2006) argue that companies should strive to become partners, due to this is the need for a relationship large in the sense of achieving a partnership. Since SKF describes its relationship as the parties are working towards same targets, it is considered, on the basis of Gottschalk and Solli-Sæther (2006), that the need for a relationship is important. Furthermore, there is a strong need to have a relationship, as there is empirical evidence from company Y that as long as the relationship is very good will the outsourcing work even if the contract is very poor. SKF indicates that outsourcing means to build good relations between the involved persons in the agreement. This considers to be related to Kern and Willcocks' (2000) opinion that cooperation is important in a relationship. Empirical evidence from SKF indicates that it may be risky to have an excessive relationship, where evaluations may not be made, freedom and room for a party's interpretations may be limited, and there may be a loss in efficiency. This contrasts that company X considers that it is not particularly risky to have a close relationship, as long as it is not a very close relationship in the sense of very controlling. This questions why SKF who outsource, and company X who performs the operations have different opinions regarding an excessive relationship. It may be because it is SKF's operations that will be affected if the outsourcing, for example, not is effective. On the other hand, all case companies claim that a loose relationship bring risks, such as loosing control and lack in collaboration. Based on the previous, as a relationship is needed, companies should find the balance between strong and weak relationships to minimize these risks.

Interaction between informal and formal exchange

Arguing that a relationship is important is one thing, however also achieving this relationship is another thing. The cooperation affects the relationship, which further depends on the

overall contact and the communication of knowledge sharing between the two parties. Continuous communication of knowledge sharing is also required to change the relationship from contractual to a collaboration (Kern & Willcocks, 2000). Both the two suppliers, and SKF describe the communication of knowledge sharing as regular, and consisting of both formal and informal communication. Furthermore, the overall contact is thus perceived as formal and informal on a regular basis. It is interpreted that the good contact between SKF and the two suppliers is built on regular, and in particular informal contact within these relationships.

It is clear that great emphasis is placed on the informal contact in order to maintain the agreement, which indicates that the communication of knowledge sharing is seen as cooperation built on common sense. All three case companies believe that just the communication of knowledge sharing and trust are among the most important parts in a successful relation. The fact that the informal communication of knowledge sharing is so important for the relationship does not appear to be well described in the outsourcing literature. Company Y argues, that they rarely seek support in the contract is a proof that the communication of knowledge sharing is good. It seems like if SKF would improve its internal communication of knowledge sharing, the relationships with the partners would also be improved. SKF argues, if the relationship with the two partners simply would be formal and business minded, the partners would instead been seen only as suppliers.

Are the relationships contractual or collaborations?

Although all the companies emphasise the importance of informal contact and informal communication of knowledge sharing, all of the interviewed do not see the relationship, between SKF and the two suppliers, as a collaboration. The relationship between SKF and company Y is mutually viewed mostly as a collaboration. SKF has mixed views of the relationship with company X, while company X view the relationship with SKF mostly as contractual. Due to the fact that all three case companies see the communication of knowledge sharing as a cooperation, and highlights the informal communication, it is quite surprising that not everyone view the relationships as collaborations. However, it feels naturally that the interviewed say that it to some extent is necessary to have a contractual relationship, since it is a business relation. Since both the client and supplier perspective mention the informal in such a large extent, it can though be believed that it would be more consistent to view the relationships as collaborations. This is based on the need for informal contact and

communication of knowledge sharing to build good relations, which appears to be vital in outsourcing.

The described view does also depend on the responding person, and can partly be linked to whether company X and company Y experience that SKF sees them as a partner or not. Company Y experiences a collaboration and partnership with SKF, while company X experiences more of a contractual approach with a client-supplier relationship. However, company Y is aiming to be a partner to SKF, and experiences in many contexts that they are also seen as one. While company X mostly finds that SKF sees them as a supplier rather than a partner. One mentioned theory for these experiences, which company X has, is that SKF is not mature for a partnership. However, the three-stage maturity model developed by Gottschalk and Solli-Sæther (2006) argues that it is not about one of the parties' maturity but rather about the maturity of the relationship between both parties, a mutual maturity. Nevertheless, SKF's original motives for outsourcing do not precisely match the first stage in the model. In this way may not SKF be mature at the basic level, SKF maybe not wants to admit the cost justification, and thus lack an understanding of the stages. Based on the empirical result, it is likewise not clear whether company X really wants to be a partner. The fact that company X sees itself as a supplier may be because company X means that SKF is not a major customer compared to their entire IT business. On the other hand, SKF is a major customer to company Y, in relation to their entire IT business. This may be another reason why company Y sees itself as a partner.

SKF means that there is a clear difference between a partner and a supplier. With a partner, the relationship be can extended beyond the contract. So, it is interpreted that a partnership has a collaboration, which SKF also claims to be important to make everything work. It is then strange that both company X and company Y is viewed as partners, since the relationship with company X mostly is contractual instead of a collaboration.

Cooperation with trust will reduce uncertainty

As previously mentioned, all case companies believe that the communication of knowledge sharing and trust is essential in a successful relation. Langfield-Smith and Smith (2003) argue that building trust is a possible approach to strengthen a relationship. That is why a partnership with collaboration, and with a perceived higher level of trust is preferred rather than a client-supplier contractual relation. This is related to SKF's opinion that a collaboration is vital, since it is not possible to have contractual agreements for everything, and that a good

collaboration creates trust. Kern and Willcocks (2000) mention the need of collaboration in a relationship in order to avoid conflicts and to get to know each other. A good collaboration with trust is considered to reduce the uncertainty in the communication of knowledge sharing. As SKF mentions the uncertainty of a supplier's change due to the environment, it is a good reason to improve the collaboration with the partners, and in this case especially with company X.

It can be seen that it is more important to have a collaboration, to be able to succeed with the agreement and relationship, than label the relationship as a partnership. It can moreover be perceived as a collaboration can be enforced, because with an integrated partnership can it be difficult to change supplier, which will result in a continued relationship. Whether a collaboration is as a side effect or a motive for outsourcing, company X argues that the easiest way for many companies to solve internal issues is to outsource the problem area. That is in consistent to Power, Desouza and Bonifazi (2006), which mean that some companies are too eager in the beginning of the outsourcing process. This may result in an internal lack of knowledge, according to company X. Company Y perceives that different expectation levels concerning the outsourced operations can be a problem, and they work together with SKF to improve these kinds of problems. Conflicts, misunderstandings and problems to some degree exist, but all the case companies mean that it is normal in all types of relationships. Kern and Willcocks (2000) point out that continuous communication of knowledge sharing is important in order to avoid conflicts and misunderstandings concerning the expectations, which the result also indicates. Kern and Willcocks (2000) further argue that cooperation in a relationship is important, which also is in line with SKF's opinion that cooperation is needed every day to make it work.

Access to each other's assets, not always of interest

Although the ongoing exchange and contact between SKF and the suppliers, different views exists regarding the access to the other party's assets. There are different opinions, within SKF, regarding whether a party in an outsourcing agreement may have access to the other party's assets. These different opinions may to some extent probably depend on that the issue could have been interpreted differently. As SKF means that the other party may not take part of SKF's assets can be discussed. Since SKF sees its outsourcing parties as partners, the question is if a partnership not should result in a major access to each other's assets. On the other hand, there is also a view within SKF that the parties may have access to SKF's assets, in the sense of equipment to perform the work. Company X means that there is no interest,

from their side, in taking part of SKF's assets, this may be due to that company X only view itself as a supplier. Another reason could be the fact that IT is company X's core competence, which means that company X has more expertise within IT than SKF. On the other hand, company Y considers that the parties within an outsourcing agreement have access to each other's assets within reasonable limits. This indicates a higher degree of cooperation and considers to be related to that company Y sees itself as a partner.

Flexibility and stage of maturity

Based on the interviews at SKF, it appears that the company's outsourcing approach has changed, from outsourcing to only one supplier to several hundred due to the flexibility, and also the dependency and possibility to expose suppliers for competition. A consequence of dependency is power (Kern & Willcocks, 2000), which SKF of course wants to manage in order to make demands. However, the ability to expose the suppliers for competition is not as highlighted as, for instance, cost savings in the outsourcing literature. Regarding the flexibility, which was the main motive for SKF to outsource, is in contrast to O'Brien and Marakas (2007) argued main motive cost savings. It can thus be said that SKF's justification for outsourcing today is motivated both by cost savings, and as a strategic approach, a strategic approach in the sense of efficiency, quality and competence as mentioned in the theoretical framework.

All the case companies conclude that the outsourcing has had a positive effect on SKF's success. As Power, Desouza and Bonifazi (2006) point out that it is a strategic approach to outsource the operations that not are parts of the core competencies, and SKF has by doing this gained flexibility. Although SKF argues that the cost reduction was a side effect in the original motives for outsourcing, it is admitted that SKF has achieved financial gain through cost reduction. The achieved cost reduction as SKF has experienced in the relationship with company X interprets furthermore that SKF has gained operational efficiency.

Hence it is considered that SKF in the relationship with company X has achieved the first stage of maturity, which Gottschalk and Solli-Sæther (2006) has labelled as the cost stage in their maturity model. In contrast, it is interesting that SKF do not experience the same cost reduction in the relationship with the company Y. This may be due to that company Y rather wants to deliver high value than low prices. However, regarding the second stage, the resource stage (Gottschalk & Solli-Sæther, 2006), SKF experience access to external resources with both company X and company Y, and the internal focus is on core

competencies. For this reason is the maturity in the second stage reached (Gottschalk & Solli-Sæther, 2006). Furthermore, SKF also experience a high level of social exchange, and a partnership with common goals with both company X and company Y. However, the benchmark variables, profit sharing and co-developing business processes, in the maturity model do not seem to be completely attained to reach the third stage. By looking at the maturity model (Gottschalk & Solli-Sæther, 2006), it can be argued that the outsourcing relationships have reached half-way into the third and final maturity stage. This without even fully experience the first stage with company Y. This questions Gottschalk and Solli-Sæther's (2006) theory of the three maturity stages, because the empirical evidence indicates that a partnership can be achieved before reaching the partnership stage and without a complete cost reduction. Although, company Y argue that SKF has achieved a cost reduction. Furthermore, by comparing the maturity model with SKF's outsourcing relation to company X and company Y, it can be argued that the relationships initially began in the second stage, the resource stage. Successively, the relations have reached maturity in both the second and first stage.

How SKF creates control

Even though the maturity, between SKF and both the suppliers, in the first, second, and half of the third stage is attained, the result shows that a good relationship is not enough in order to manage the outsourced operation. Control is of great importance, in addition to the need of a relationship, in an outsourcing agreement. SKF argues that both formal and informal controls are performed of the outsourced operations, which are in accordance with Langfield-Smith and Smith's (2003) consideration that the control can be of both kinds. That SKF's outsourced operation has a high measurability, and that SKF measures the qualities correspond to the way Langfield-Smith and Smith (2003) partly describes formal control, that outcome control encompasses measurements and performance measurements are used. Furthermore, Langfield-Smith and Smith (2003) mean that informal control cannot be directly designed, but instead consists of more social aspects, which also is consistent with SKF's description of daily interaction and dialogue. It also appears that a certain type of control can be created by a relationship with good informal contact and communication of knowledge sharing, which exists in a partnership, in terms of a collaboration. As SKF believes that control is important since outsourcing agreements are considered complex, this shows that SKF is aware of the outsourcing process. Thus it is further interpreted that SKF thereby reducing the risk, which Piachaud (2005) and Rognes (2008) consider to be one of the

biggest, to lose control over the outsourced operations by handing over all responsibilities to the supplier. As SKF mostly believe that the responsibility for the outsourced operations largely is on SKF, it is seen as the risk further is minimized.

A varying degree of control will always be needed

As SKF argues that the need of control increases or decreases depending on the relationship indicates that control is always needed in an outsourcing agreement. The empirical result also indicates that controls are necessary in the sense of measuring whether expectations are met, and so that each party can know their responsibilities. All three case companies share this opinion, and it indicates that the control of the outsourced operations seems to be an aware process. This interpretation is strengthened by the fact that SKF believes that control should also be of the supplier's interest, and that the control is considered to be of higher importance in outsourcing than in an internal department. This in turn is supported by company Y's point that there must be control in order for the parties to know their responsibilities, which means that company Y is in need of having its own control. SKF argues that a high level of control of the outsourced operations and the related relationship is associated with the level of trust, the need for control will increase the lower the level of trust is. This is not explicitly mention in the outsourcing literature, and is therefore seen as interesting.

Empirical evidence indicates risks of having an excessive control, which are not addressed in the outsourcing literature. A company who outsource will make a mistake if the company commands how a supplier should do the work. Such a situation creates a risk that the original motives for outsourcing may not be fulfilled, and it will create inefficiency if too many resources are spent on performing the control. Furthermore, empirical evidence suggests that the largest risk of having an inadequate control is that expectations may not be met since orders and specifications may be weak in the absence of control. An inadequate control provides the risk of losing control over the process, which is interpreted as a major risk since outsourcing is based on a process between two parties.

Identify the management control pattern

As both SKF and the parties mean that there is a continuous evaluation support the good contact and communication of knowledge sharing as discussed. In relation to company X, the evaluation is considered to have a high degree of measurability since service levels and quality can be measured in service level agreements. On the other hand, there is a low measurability in the relationship between SKF and company Y. That SKF in its evaluation are

using service level agreements to measure service and quality interprets the evaluation to be a part of the control of the outsourced operations.

Since it has been found that there is a need of control, the characteristics of the control can be discussed, as well as what characterises transactions and the importance of trust. This in order to apply the outsourced operations pointed out, there is a high measurability in the relationship between SKF and company X, which is in accordance with the bureaucratic based pattern but also with the market based pattern. Since the bureaucratic based pattern includes detailed contracts consisting of performance targets (Langfield-Smith & Smith, 2003), further characteristics are consistent with the empirical evidence. Despite a mainly consistent with the bureaucratic based pattern, the low measurability in the relationship between SKF and company Y can be linked to the trust based pattern. The fact that it still is space for interpretation though diverges from the bureaucratic based pattern, but this may not be able to apply on the other two patterns anyhow, as these are characterised of non-detailed contracts. Furthermore, the fact that the outsourced operations consist of both standardised and customised services indicates a low to medium repetition of transactions, and can be applied on the bureaucratic based pattern. As the contact and communication of knowledge sharing is regular, it indicates a relatively high level information exchange and communication of knowledge sharing, which on the other hand is applicable to the trust based pattern. However, there are more indications of characteristics that are in line with the bureaucratic based pattern, including the empirical evidence that the future market for IT outsourcing is perceived as stable and that the parties has a high level of competence. The contractual trust and competence trust has shown to be important in the outsourced operation, which further is a link to the bureaucratic based pattern. To conclude, the control and characteristics indicates overall an applicable to the bureaucratic based pattern.

Which party has the responsibility and control?

The collaboration between SKF and company X, as well as between SKF and company Y, has created a high degree of contractual trust regarding fulfilling the agreement (Langfield-Smith & Smith, 2003). However, it exists different opinions about which of the parties that has the responsibility and control of the outsourced operations in the relationship. Regarding the shared opinion, within SKF, that SKF has the responsibility and control may be a result of fear of losing control. Piachaud (2005) and Rognes (2008) argue that it can be a risk if the outsourcing company hand over all the responsibilities to the supplier, since this supplier than will manage the outsourcing relationship. One of the arguments of SKF having the most

responsibility and control is to make sure progressing. A partnership should though be an equal shared collaboration with a mutual maturity. In the case of the conflicting opinions, between SKF and company X, regarding these issues, both parties think that they have the most responsibility and control. This may be a result of the perception of company X as a supplier. As pointed out before, company Y has the perception of being a partner and they also think that the responsibility and control of the outsourced operations is shared with SKF.

Since it is about an outsourcing agreement justified by the supplier being better able to manage the operation, the suppliers should have the overall responsibility and control regarding the implementation of the operation. Meanwhile SKF, as the motivating part to the relation, should have more responsibility and control over the contract and the overall relationship. It can also be seen that SKF tries to stay in control through the contracts. The current contract with company X is more detailed than previous and provides, according to SKF, better security and stability in the relationship.

It can be implied that contracts affect relationships

Langfield-Smith and Smith (2003) point out the difficulty in creating detailed contracts in an outsourcing relationship as associated with risks and uncertain situations. SKF's contracts with company X, and company Y, on the other hand are described as very detailed. This indicates maturity in the relationship with company X and company Y, since the outsourcing has been going on during several years. However, the contracts are perceived as good frameworks with room for reasonable interpretation. Kern and Willcocks (2000) argue furthermore that there is a need for a contract to manage interactions in an ongoing relationship. The contracts affect the relationships (Kern & Willcocks, 2000), however, the companies think they provide good support although the relationships to large extent is a collaboration. Both company X and company Y think the demands and expectations are clear described in the contract, but not how the services will be delivered. It is up to the suppliers to decide how, and it is important for the relationships that it stays like this.

It is stated that it is difficult to change partner due to the fact that the competence is tied to individuals. Nevertheless both company X and company Y say that they strive to standardise a lot of services. This raises the question whether the contracts that SKF signs in that case will be shorter, because with more standardise services it is easier to change supplier. Furthermore, the relationships will be tested with the partners, if SKF has the opportunity to have more and shorter contracts will the agreements with company X and company Y maybe

not be viewed as partnerships. In this situation will it be clear if the agreements really are built on partnerships or on client-supplier relations. This do not mean that only customised services requires a partnership, but customisation needs more collaboration than standardised, which is more associated with a partnership than a client-supplier relation.

The importance of trust in various contexts

Finally, all empirical evidence indicates that trust is very important in an outsourcing relationship, which consistently can be seen in the discussion. SKF's opinion that trust is created between people and with good cooperation can be linked to Kern and Willcocks (2000) argument that trust develops as the experience of each other develops. SKF explains trust as contractual as well as trust to competence, responsibility, and that people may feel responsible. This proves what Langfield-Smith and Smith (2003) consider being three different definitions of trust to manage outsourcing, the contractual trust, the competence trust, and the goodwill trust. It can be concluded that SKF is experiencing a trust to accomplish what is contracted, and that SKF has faith in its partners to have the knowledge and competence to fulfil what has been agreed, and that there is a trust to have responsibility, dependency and integrity. In contrast, company X feel that the existing trust in the relationship with SKF is mostly contractual, which interprets a relation to company X thoughts that they only are a supplier with a relationship being mostly contractual. On the other hand, company Y indicates like SKF that the trust is by all three definitions, probably because the company view themselves as partner in a partnership.

7. Conclusion

This section outlines conclusions of how IT outsourcing can be managed in terms of control and relationships. The conclusions are drawn upon the empirical findings, and the discussion. In the end of this section, contributions are presented, followed by recommendations for further studies within the research area are suggested.

The intended purpose with this thesis was to explore how IT outsourcing can be managed in order to enhance an understanding of how a company manages control and relationships with companies providing operations. Thus, empirical material of SKF, company X, and company Y has been collected, and discussed within the context of control and relationships.

It can be concluded that a company, such as the case company SKF, can manage its IT outsourcing in terms of control, through the contracts with its suppliers. A well-designed, and detailed contract is a support to rely on, and can be used in order to control outsourced operations. To have control by a regular contact, and by conducting evaluations, control has further appeared to be an approach in order to manage outsourcing agreements. Based on this study, within an outsourcing agreement it can be concluded that the company who outsources its IT operation controls and manages *what* is delivered and performed. While the company who provides the IT outsourcing controls and manages *how* the operations are delivered and performed. Thus, the existence of a mutual control within an outsourcing agreement can be concluded. Controls are further needed in the sense of measure whether expectations are met, and so that each party can know its responsibilities. Furthermore, it can be concluded that having an excessive level of control creates the risk of not fulfilled initial motives to outsource. Since the company who outsource risks to make a mistake, if this company commands how a supplier should perform and deliver the outsourced operation. It has also appeared to be risky if the level of control is inadequate. Within this, it can be concluded that one of the largest risks is that expectations may not be fully met, since orders and specifications are liable to be weak in the absence of control. Another risk of an inadequate level of control is further concluded, the risk of losing control over the outsourcing process and the outsourced operations.

From this case study it can be concluded that within IT outsourcing it is a large need for a relationship. To have a relationship is essential since an outsourcing agreement has two parties. It appears that there is a need for a relationship in order for each party to know their responsibilities. The IT outsourcing is also managed through informal contact, and informal

communication of knowledge sharing, thus IT outsourcing is managed through relationships. It can also be concluded that the informal contact is an approach to control the relationship. In the management of IT outsourcing, it can by this study be concluded that there are risks of having a very close relationship, viewed from the perspective of a company who outsources. The risk appears if the relationship becomes very close in the sense of not making evaluations, a limited room for interpretation, and loss in efficiency. It can from a supplier perspective be concluded that having a very close relationship only provides risks if the relationship is very close in the sense of very controlling. On the other hand, a loose relationship can result in lost control and lack in collaboration. Based on the previous, and as a relationship is needed, companies should find a balance within the relationship, in order to minimize these risks.

It can further be concluded that IT outsourcing can be managed through trust, as trust can be created by cooperation, which has appeared to be important in an outsourcing agreement. Furthermore, since trust can be of both contractual, competences, and responsibilities, trust is integrated into both an outsourcing agreement, and an outsourcing relationship.

The existence of cohesion between the management of control, and the management of relationships can be concluded, since this case study provides empirical evidence that the need of control increases or decreases depending on the relationship. Furthermore, as the contract is used as an approach to manage control of IT outsourcing, it has also appeared that this control is related with the outsourcing relationship. Because poorly defined contracts demonstrates how important the need for a relationship is. It has further by this study been seen that a high level of control of the outsourced operations and the related relationship is associated with the level of trust. It appears that the need for control will increase as lower the level of trust is. Finally, it can thus be concluded that the needed control and relationship in order to manage IT outsourcing also has cohesion with trust.

Contribution

The matrix below shows four different situations of how a company manages the IT outsourced operations, in terms of relationship and control. Since the thesis concludes cohesion between relationship and control, the IT outsourcing can be managed by having different combinations of these two factors. Even though it exists cohesion between relationship and control, in such a way that they can compensate each other, it should be kept

in mind that there is an uncertainty with IT outsourcing since the operation is not performed within the company.

Figure 4: A company's management of IT outsourcing, developed by Darrell and Hallersbo (2012).

High	II	I
Relationship	III	IV
Low	Low	Control High

I. If a company attempts to manage its IT outsourcing in this situation, a high level of relationship in combination with a high level of control, the risk is that this creates dependency in the IT outsourcing. Since this combination of relationship and control can result in that the company makes the mistake of command how the outsourced operation should be performed and delivered.

II. A company can manage its IT outsourcing by having a high level of relationship in combination with a low level of control. The thesis has concluded that a high level of relationship implies a high level of trust and cooperation, which compensate the low level of control. Thus, the IT outsourcing can be managed with this combination.

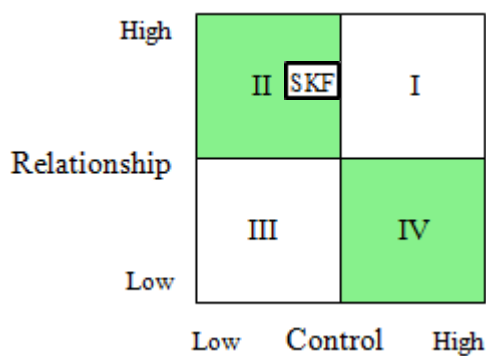
III. If a company attempts to manage its IT outsourcing in this situation, a low level of relationship in combination with a low level of control, the risk is that the company loses the management of the outsourced operation. Since neither corporation, trust nor control exists, the two factors relationship and control cannot compensate each other.

IV. A company can manage its IT outsourcing by having a low level of relationship in combination with a high level of control. If there is a low level of relationship, the cooperation is not as good as in comparison to a high level of relationship, and the level of trust is lower. The thesis has concluded that in this situation the level of control needs to be higher by performing more measurements, in order to compensate the low level of relationship. Thus, the IT outsourcing can be managed with this combination.

It can from the matrix be concluded that IT outsourcing is recommended to be managed with a high level of relationship combined with a low level of control, or with a low level of relationship combined with a high level of control. At the same time, the most important is to have a balance between relationship and control.

SKF's management of IT outsourcing

Based on the empirical result can it be concluded that SKF has a high level of relationship, and a medium to high level of control towards its suppliers in order to manage the IT outsourcing.



Recommendations for Further Studies

A recommendation for further study is to develop this study by additional empirical investigations, in order to increase the validity of the research area, since three case companies limit this study. Within service outsourcing is a further recommendation to study the overall informal contact in a relationship, this in a comparison of standardised and customised services, since this study indicates the importance of an informal relationship. This study further indicates that trust has cohesion with both management of control and relationships within an outsourcing agreement. According to this cohesion, another recommendation is to further study the importance of trust in management of control and relationships, within an outsourcing agreement.

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Knobbout, T., Senior Sourcing Manager, AB SKF, 2012-04-24

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Nordensson, G., Area Manager, AB SKF, 2012-05-03

Svensson, Client Sale Executive, Company X, 2012-04-25

Tömmervik, J., CIO, AB SKF, 2012-04-20

Appendices

Appendix A: Figures

Figure 1: Maturity model for IT outsourcing (Gottschalk & Solli-Sæther, 2006, p.205)

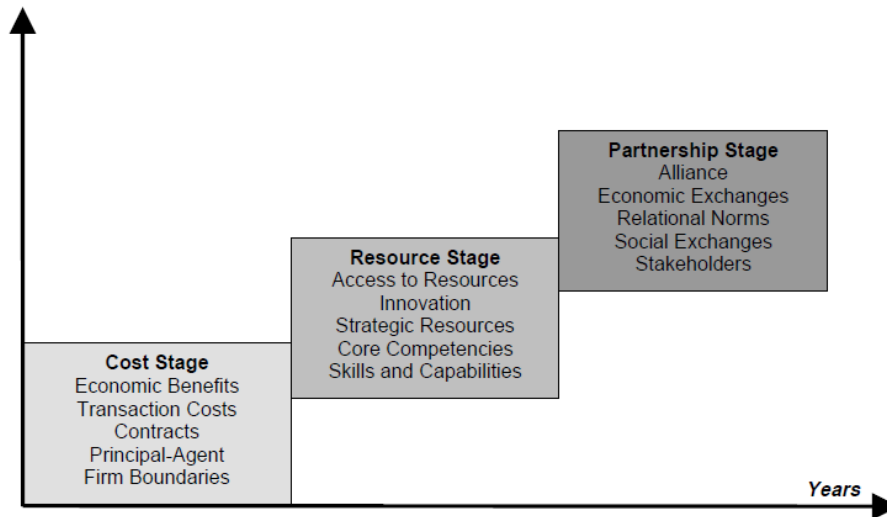
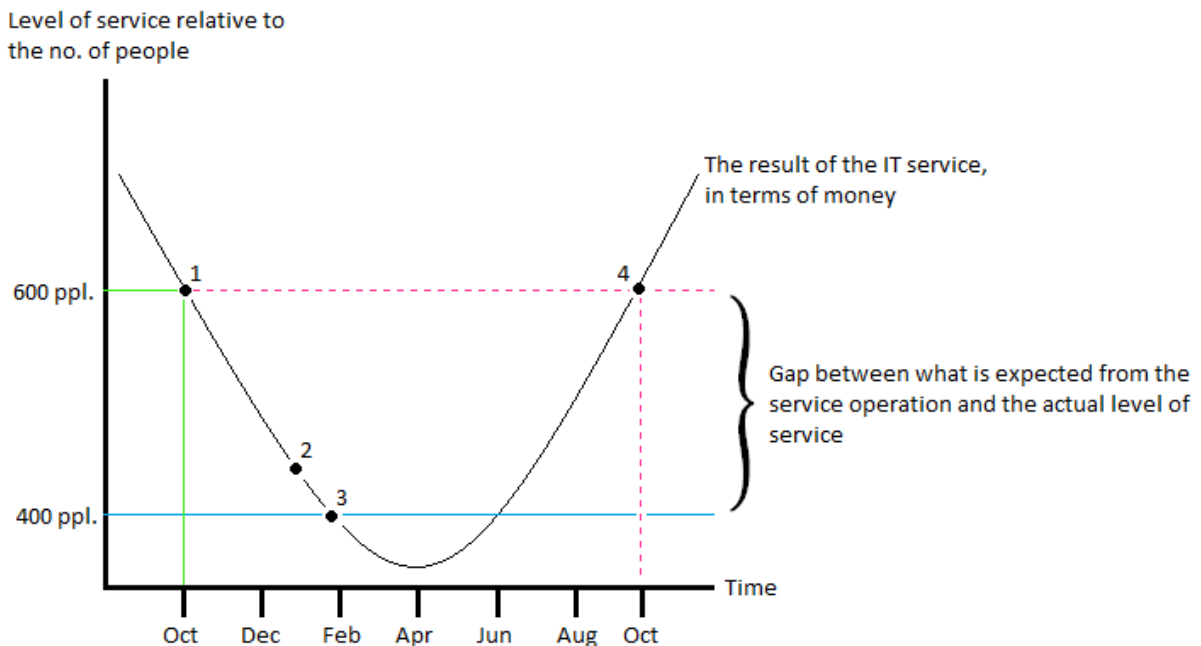


Figure 2: Characteristics of each stage of maturity of IT outsourcing relationships (After Gottschalk & Solli-Sæther, 2006, p.206)

Benchmark variables	Stage I Cost stage	Stage II Resource stage	Stage III Partnership stage
BMK1: economic benefits	Cost minimization and operational efficiency	Business productivity Technology innovation	Business benefits Mutual goals
BMK3: contractual completeness	Specified obligations Service level agreements	Key competence Critical projects Access to resources	Profit sharing Personnel exchanges
BMK6: core competence management	Client defines technology requirements and business needs	Vendor is regarded as a strategic resource	Co-developing business processes
BMK7: vendor resource exploitation	Excellent operations	Technology initiatives	Complementary capabilities, skills, competences, and methods
BMK10: social exchange exploitation	Low	Medium	High

Figure 3: Theory concerning IT outsourcing (After Tømmervik, 2012)

1. The company's internal expected level of service before outsourcing is implemented. Since one of the initial purposes of outsourcing is cost savings, the level of service depend on the number people of working within the outsourced operations, in this case 600 people
2. The company face some sort of crisis. To reduce the costs is outsourcing discussed, and it is decided that outsourcing will be implemented.
3. The outsourcing begins and takes effect. At the supplier, in this case 400 people work with the outsourced operations. The company who outsources receives a level of service as reflected by 400 people, and it will cost X.
4. The company reaches the same result level as a year earlier. Though, the company's internal expectations of service can be in conflict with the actual level of service. In order to meet the internal expected service levels should more people be included, but the board do not want this, because this would increase the costs and the initial reason for outsourcing is lost. In such situation, the outsourcing can result in a failure, since this situation creates a conflict between cost savings and service levels.

Appendix B: Information about SKF

History and Organisation

The founder of SKF, Svenska Kullagerfabriken (Swedish ball bearing factory) was a Swedish maintenance engineer named Sven Wingqvist. He worked at a textile company in Gothenburg where he frequently had to repair bearings due to the unstable foundation of the factory. He created in 1907 the world's first self-aligning ball bearing as the solution, in the same year SKF was founded. After the first year SKF had 15 employees, and had produced 2200 bearings. Despite the modest beginning the company grew quickly into a global company. Through own production units, authorised dealers or sales offices SKF is today represented in almost every country around the world. SKF Group has more than 40 000 employees, of which 3500 works in Sweden. The headquarter is located in Gothenburg, Sweden. In 2007 celebrated SKF 100th anniversary and had in 2011 a turnover of around 66,216 million (SEK). "SKF Group is a leading global supplier of bearings, seals, mechatronics, lubrication systems and services which include technical support, maintenance and reliability services, engineering consulting and training" (SKF webpage, 2012). (SKF webpage, 2012)

SKF group is divided into three divisions. Industrial Market and Strategic Industries is one division, Industrial Market, Regional Sales and Service another. Both these two business areas serve industrial original equipment manufacturers. The last division is Automotive, which serve automotive original equipment manufacturers. All three divisions also serve aftermarket customers. The business areas serve on a global market consisting of about 40 customer segments, for example cars and light trucks, wind energy, railway, machine tool and paper industries. Technical knowledge and skills is collected in five technology platforms, Bearings and units, Seals, Mechatronics, Services, and Lubrication Systems. Customised offers for each customer segment can thus be made by combining skills from all the platforms. By working in this way will the customers to SKF improve their performance, reduce energy use and lower total costs. Technical development, quality and marketing have always been important areas. Investment in development and research has led to several innovations, which have established new standards, products, and solutions in the industry. SKF describes itself as a knowledge engineering company. The vision "To equip the world with SKF knowledge" (SKF webpage, 2012) means using over one hundred years knowledge of the business to develop and deliver products, services, and solutions that contributes to customers success. (SKF webpage, 2012)

Appendix C: Interview Guides

Interview Guide – SKF

The questions refer to outsourcing merely as outsourcing of IT.

Interview Person

Position

Responsibilities

Motives for IT Outsourcing

1. What does SKF have as motives for IT outsourcing, and why has SKF chosen to outsource such a large part of its IT operations?
 - What part of the IT operation has been retained within the company?
2. According to you, what are the benefits of outsourcing?
 - Is the future market for IT outsourcing predictable or uncertain?
3. According to you, what are the risks and disadvantages of outsourcing?
4. Is the primary motivation of outsourcing cost savings or is it strategically justified?
5. Is IT a core competence for SKF?
 - What kind of value has IT for SKF?

Partners

6. How many outsourcing partners has SKF within IT?
7. How does SKF proceed in selecting an outsourcing partner?
8. Why was company X/company Y selected as an outsourcing partner?
9. What is outsourced to company X/company Y?
 - How much of the total outsourcing goes to company X/company Y?
10. How long has SKF outsourced to company X/company Y?

Relationships and Control

11. What type of contact does SKF generally have with company X/company Y?
 - Formal
 - Informal

12. Is the relationship between SKF and company X/company Y viewed as contractual or as a collaboration?
13. How does the communication of knowledge sharing work between SKF and company X/company Y?
14. In the relationship between SKF and company X/company Y, which party has the responsibility and control of the outsourced operation?
15. What is included in a contract with an outsourcing partner and how is it designed?
16. According to you, what is the need of a relationship in an outsourcing agreement?
17. According to you, what is the risk of having a too strong or too weak relationship with a partner?
18. Do you experience that SKF in its relationship with company X/company Y has achieved financial gain through cost reduction, access to external resources and partnership with mutual goals?
 - If so, how and why?
19. How are the relationships evaluated?
 - To what extent is the work in the outsourced operation measurable?
20. Is the control of the outsourced operation to company X/company Y and its relationships most of a formal or informal control?
21. To what extent is trust important in the outsourcing relationship between SKF and company X/company Y?
22. Are the parties in outsourcing relationship allowed to take advantage of the other company's assets?
23. According to you, what is the need of control in an outsourcing agreement?
24. According to you, what is the risk of having too much or too little control of the outsourced operation and its related relationship?
25. Has the relationship with company X/company Y changed over time?

26. Have there been any problems, conflicts or misunderstandings with company X/company Y?

27. Has the outsourcing affected SKF's success?

- Contributed to competitive advantage?

28. Has the outsourcing satisfied the expectations?

Interview Guide – Suppliers

The questions refer to outsourcing merely as outsourcing of IT.

Interview Person

Position

Responsibilities

IT Outsourcing in General

1. According to you, what are the benefits of outsourcing?

- Is the future market for IT outsourcing predictable or uncertain?
- How is the competition perceived?

2. According to you, what are the risks and disadvantages of outsourcing?

3. How many outsourcing customers within IT has company X/company Y?

Outsourcing Agreement between Company X/Company Y and SKF

4. Has company X/company Y offered its services or was it SKF who requested them?

5. How much of company X's/company Y's IT operation is performed to SKF?

6. What kind of operations does company X/company Y provide to SKF?

Relationships and Control

7. What type of contact does company X/company Y generally have with SKF?

- Formal
- Informal

8. Is the relationship between company X/company Y and SKF viewed as contractual or as a collaboration?

9. Do you experience that SKF only sees company X/company Y as a supplier or even as a partner?
10. How does the communication of knowledge sharing work between company X/company Y and SKF?
11. In the relationship between company X/company Y and SKF, which party has the responsibility and control of the outsourced operation?
12. What is included in the outsourcing contract with SKF and how is it designed?
13. Are the services that company X/company Y offers standardised or are they customised?
14. According to you, what is the need of a relationship in an outsourcing agreement?
15. According to you, what is the risk of having a too strong or too weak relationship with a partner?
16. Do you experience that SKF has achieved financial gain through cost reduction, access to external resources and partnership with mutual goals by outsourcing to company X/company Y?
 - If so, how and why?
17. How are the relationships evaluated?
 - To what extent is the work in the outsourced operation measurable?
18. To what extent is trust important in the outsourcing relationship between company X/company Y and SKF?
19. Are the parties in outsourcing relationship allowed to take advantage of the other company's assets?
20. According to you, what is the need of control in an outsourcing agreement?
21. According to you, what is the risk of having too much or too little control of the outsourced operation and its related relationship?
22. Has the relationship with SKF changed over time?
23. Have there been any problems, conflicts or misunderstandings with SKF?

24. Do you think that the outsourcing to company X/company Y has provided SKF success and competitive advantage?

– If so, how and why?

25. To what extent is SKF's success and growth reflected within company X/company Y?

– Can company X/company Y achieve success and growth through SKF?