

Journal of Information Technology Management

ISSN #1042-1319

A Publication of the Association of Management

INFORMATION SYSTEMS OUTSOURCING SUCCESS: A CLIENT-SERVICE PROVIDER GAP ANALYSIS IN PAKISTAN

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ABSTRACT

Business value from outsourcing is increasingly dependent on how well the relationship between the client and its service provider(s) is managed. This paper analyses the factors that affect outsourcing success in terms of project success, knowledge transfer and sustainability. Data were collected from six businesses in Pakistan representing three outsourcing relationship cases. The findings indicate that the degree of congruency between a client's and its service provider's objectives and values, coordination and control systems, processes, capabilities and information and technology are likely to affect outsourcing outcomes. Theoretical and managerial implications of the study are identified and analyzed.

Keywords: IS Outsourcing, Outsourcing Success, Outsourcing Relations, COCPIT, Developing Countries, Pakistan

INTRODUCTION

Information Systems (IS), Information Technology (IT) outsourcing covers several domains from the development of simple application programs, information processing (data entry, transaction processing, back-office support), and facility management (managing hardware, software, personnel and networks) to the leasing of all functions incorporating IS and IT [1, 2, 4]. Several drivers of outsourcing could be identified. These include financial drivers (cost curtailment); business drivers (reducing uncertainty, and focus on core competencies); resource drivers (knowledge sharing, bridging the IS skills gap and accessing new technology) and political drivers (outsourcing driven by management fads to enhance credibility by sub-contracting to specialists) [17, 19, 21].

Even if outsourcing theory as such has evolved from a project specific concern to a strategic partnership paradigm, in most, if not all, of the developing countries, strategic exploitation of IT and IS has yet to materialize. As a result, outsourcing in developing countries is often seen as an alternative for accessing the resource (skill and competency) needed to implement IS successfully [12]. Existing literature on IS outsourcing success in developing countries focuses mostly on global offshore outsourcing [12, 24]. However, what drives the success of intra-country outsourcing arrangements in developing countries has not received equal attention.

The purpose of this paper is therefore to address this gap. Using Heeks's [9] notion of design-reality gaps, we investigated three outsourcing relationships involving six businesses. Our aim was to identify the factors that contribute to successful outsourcing outcomes for Paki-

stani clients by Pakistani service providers. Thus, the study provides a country specific analysis of outsourcing. We believe that the findings of the study can give important lessons to managers in terms of managing outsourcing contracts and relationships.

LITERATURE REVIEW

The Value of Outsourcing

The literature on outsourcing value is unequivocal. Some of the major benefits include, curtailing costs owing to competitive scale economies with external vendors [27, 29]; enabling focus on core competencies and freeing up resources [30]; bridging of the skills gap of clients [9], and adding strategic value [28].

However, others have challenged the above benefits of outsourcing. For instance, Lacity [16] asserts that there is no empirical evidence to suggest that outsourcing service providers would be more efficient than internal IS departments. Others share this and argue that in the long term, internally developed applications are cheaper than outsourced applications [12]. This is because internal departments usually have some business specific knowledge. Additionally, internally developed applications tend to be user-friendlier and better maintained with more systems support than is the case otherwise. Furthermore, some service providers might not have internal efficiencies. If a service provider doesn't have efficiency, then it is unlikely to expect efficiency transfer to clients [15, 18]. Lacity et al [19] further argue that one-time results from outsourcing are unsustainable and costs are likely to escalate because of the power asymmetries that enable the service provider to charge high premium for add-on services.

Outsourcing could also result in lowering of employee morale and the building of systems whose design is incompatible with organizational realities [10, 25]. Other common pitfalls that are experienced in systems development such as lack of user involvement in design; over-engineered applications without regard to precise requirements may be magnified as a result of outsourcing. This is because development of outsourced applications would presumably take place in an environment where business know-how for the application could be considerably lower than that with the client's organization. Hence, there is high likelihood for a design-reality gap owing to outsourcing [9].

Overall, it appears that there are no universal advantages from outsourcing. The success of outsourcing (either in the form of successful project completion or in terms of lower costs, better quality of IS, knowledge transfer and other strategic benefits) does appear to de-

pend on the quality of the relationship between the service provider and the client [6, 8].

Outsourcing Success: The Relationship Paradigm

Chi-wai et al [6] trace two phases— clients' economic rationale (win-lose strategy) and social (relationship) paradigm (win-win strategy)-- in the development of IS/IT outsourcing research. The focus of our study is based on the relationship paradigm. The paradigm emphasizes more on the need to establish equal partnerships between outsourcers and service providers with the objective of attaining strategic management outcomes for both parties, that is, win-win strategy. Several models and frameworks have been used in the previous literature to explicate the determinants of successful outsourcing relationships.

Kim and Lee [14] defined relationship quality as predefined outcomes based on partners' expectations. According to these authors, the antecedents of a good relationship are three fold: (1) Dynamic factors that include participation and joint action, communication quality, coordination and information sharing. (2) Static factors that comprise age of relationship and mutual dependency and (3) Contextual factors that entail cultural similarity and top management support. Lee [21] investigated the extent to which tacit (knowledge that lies in the practices and learned abilities of individuals) and explicit (expressible and communicable knowledge) knowledge are transferred between the parties as a main determinants of outsourcing success (business value generated for both parties). Lee [21] hypothesized that this basic relationship is mediated and moderated by partnership quality (trust, conflict, commitment, benefit and risk sharing) and organizational capability (capability to learn and acquire knowledge) respectively.

Several other studies have identified trust, flexibility, shared values, goals and problem solving, cultural similarity and good interpersonal relationship as determinants of outsourcing success [1, 8, 32]. One exception from the above trend is Lacity et al's [19] work. These authors, based on a case study of British Aerospace's (BAE) experience in transforming its human resources function, recommend choosing a supplier, which is "culturally incompatible" and which has "generic business competencies rather than domain specific knowledge". Lacity et al's [9] findings appear to challenge the established wisdom of outsourcing including their own previous assertions made in the backdrop of over a 100 case studies. However at this moment in time, this finding can only be considered as 'preliminary' [19, pp. 97-98] as it is restricted to a single case and a specific industry. In addi-

tion, the outsourcing phenomenon studied by these authors – enterprise partnership- is relatively new and sufficiently different (such as the client, in addition to expecting cost savings and better services, shares revenue its service provider generates) from conventional outsourcing [19, pp. 88-91]. Such differences in the nature of the phenomenon under investigation might also explain the apparent contradiction of BAE's findings with previous studies.

Overall though, previous literature appears to suggest that the degree of harmonization between clients' and service providers' goals, culture, business practices, expectations and styles are likely to affect outsourcing success. In terms of outsourcing success, both process (such as the completion of projects and knowledge transfer) and outcome (businesses value) measures have been found to be useful. The next section presents our research framework.

Research Framework

On the basis of the literature review, we found Heeks et al's [10] *COCPIT*¹ model parsimonious enough to capture the key antecedents of outsourcing success identified in previous studies and have adopted it for the purposes of our study. The *COCPIT* model enables to analyse the degree of congruence between clients and service providers along six dimensions. The dimensions include:

1. *coordination and control systems*, i.e., the extent to which a client and its provider use similar systems such as staff monitoring and appraisal,
2. *objectives and values*, i.e., degree of organizational cultural similarity between the two parties,
3. *capabilities*, i.e., how far the providers capabilities match the needs of the client, if the client needs specialists in Oracle, the provider must satisfy that need,
4. *processes*, i.e., both parties must use similar processes, e.g. if the client concentrates on soft issues, the provider may employ soft systems methodology;
5. *information*, i.e., the extent of information sharing on outsourced work between the parties and
6. *technology*, i.e., the degree of similarity in technology between the development and use environment; both need to employ similar technology for the purpose of development work as a lack of congruency will develop a system that is incompatible to a client's technology base.

According to the above framework, outsourced relationships are likely to succeed if the *COCPIT* dimensions depict close match between the client and the service provider. Such relationships are likely to be in *synch*; other relationships with a significant gap on the dimensions are liable to *sink* [10].

In terms of outsourcing success we followed Kim and Lee's [14] and Lee's [21] suggestions that outsourcing success should be seen from the successful completion of outsourced applications; their value within organizations and continuity of the deal. Consequently, we have used three measures of success: project success, knowledge transfer and sustainability.

Project success focuses on short-term transactions emphasizing the completion of outsourced work. It is seen through the achievement of objectives sought prior to project initiation [14]. If the initial project outsourced is a success then that is likely to contribute to the continuation of the relationship, which in turn increases the likelihood of achieving other benefits [8]. Evaluated this way, a project could succeed totally or partially or fail completely [9]. Total success refers to the achievement of all the intended objectives of a project. Partial success on the other hand is characterized by project completion with certain objectives being unachieved. If a project fails to meet all or the majority of its intended purposes, then it can be considered as total failure.

Knowledge transfer, both explicit and tacit, on the other hand, helps to assess the business value added through outsourcing arrangements [21]. Explicit knowledge transfer could be gauged by looking at the nature of the information exchanged (general business know-how, source codes and user guides). Implicit knowledge sharing on the other hand could be assessed by the extent of training [21] and direct contact amongst workers. The overall prognosis of relationship success hinges on its sustainability in the longer-term. Sustainability for this analysis measures the mutual desire of the client and service provider to keep the relationship going. Figure one captures the research framework.

¹ Coordination and control systems; objectives and values; capabilities; processes; information and technology.

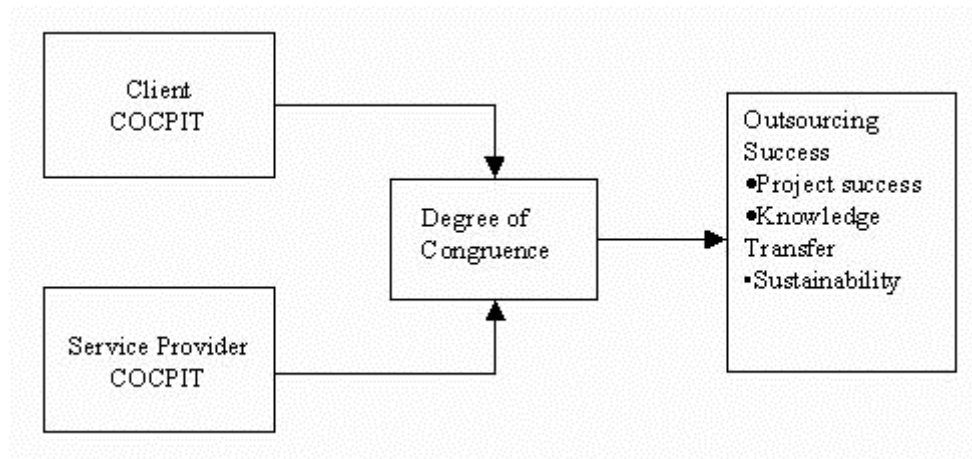


Figure 1: Research Framework

RESEARCH METHOD

This study follows a case study approach. The primary focus of the research was to explore outsourcing relationships and through that to enrich our understanding of the factors that affect outsourcing success in Pakistan. Case study approach is therefore appropriate and consistent with the nature of the investigation. Case study allows covering the content, process and context of outsourcing without compartmentalizing them [5, 33]. In fact, Montealegre [22] advocates case study approach for IT implementation in developing countries research where the objective of the inquiry is often the study of the interplay between IT and the social/organization setting rather than technical setting.

The cases were purposefully sampled to cover the manufacturing and service industry. Pakistan was selected for the study because it is emerging as one of the providers of offshore outsourcing. Understanding intra-Pakistan outsourcing success has important implications for managers who are seeking to offshore to Pakistani service providers. The study was limited to manufacturing and services sectors, because these are the two industries that have relatively long experience in outsourcing. Overall, three separate outsourcing relationships involving three service providers and three clients (two in the manufacturing and one in the service industry sector) were selected. In selecting respondents, we first identified the three service providers and then snowballed to their clients.

Data were collected through semi-structured interviews. Two rounds of meetings per organization, each

lasting 90 minutes were conducted. Notes were taken during the interview. On the clients' side, the managers responsible for outsourced applications or work were consulted. These included the relationship manager in A; operations manager in B and creative team leader in C. The interviewees of the services providers hold relationship manager, senior software engineer and team leader positions. There was a one-to-one correspondence between clients and service providers and together these parties represent one IS/IT outsourcing arrangement. To triangulate the data, business reports and other documentations relevant for the purpose of the study were also collected.

Data analysis proceeded with identifying patterns on particular measures and interpreting their meaning [33]. The analysis used the framework and focused first on evaluating outsourcing success. Next, interviewees' responses were deciphered to identify the antecedents to achieving success. Attempt was made to go beyond the narratives of case study analysis and to understand the relationship phenomenon through values and perceptions that people assign to them [5].

FINDINGS AND ANALYSIS

Background

Pakistan's IS/IT industry emerged in 1977 when a software development firm called Systems Limited was formed in Lahore by a private entrepreneur [12]. Following the software export boom in neighboring India and the unprecedented returns and investment Indian IT entrepreneurs enjoyed, offshore outsourcing was the main driver for Pakistani service providers [23]. However, with the slowing of the IT market in general and the United States in particular, many of these companies were closed down

or spun-off [12]. Thus, with the offshore market being less lucrative, the domestic market has now become of greater focus for the service providers [12]. As of 2002, an estimated 30 % of the software companies were operating specifically to meet the domestic market needs and this is growing by the year [12].

Cases Description

The clients and service providers were the source of information. For the sake of anonymity, the names of

all the organizations and personnel cannot be identified. Hence, the interviewees are quoted in the analysis as CA, which denotes client in relationship A and SPA, service provider in the same relationship. Similarly, Client B is referred to as CB; Provider B as SPB; Client C as CC and provider C as SPC. Tables 1 and 2 present background information on clients and service providers studied respectively.

Table 1: Clients' Particulars

Factor	Client A	Client B	Client C
Area of Business	Car manufacturing and sale	Textiles	Advertising Agency
No. of Years in business	12	20	9
Structure	Functional / Cross-functional Teams for development.	Hierarchical	Flat / Team based advertising account management.
Key Competitive Strength	Differentiation	Cost	Differentiation / creativity.
Management	Professional / foreign qualified	Family / some local professionals	Professional / Creative artists / some qualified abroad.
In-house IS ability	No, but some cross-trained staff with IS management expertise.	No	No
Outsourcing experience (number of years)	8	5	7
Number of IS Providers	1	1	1
Problem-solving Approach	Participatory	Ad hoc / top-down.	Participatory
IS Work Outsourced	Leasing software Accounting software Website Maintenance & Training.	Payment Processing IS Website Pay-roll Consultancy	Expert systems Website IS maintenance and Training
Nature of Outsourcing (Complete vs. Partial; One-off vs. continuous)	Complete and Continuous	Complete and continuous	Complete and continuous
IS liaison With Provider	Cross-trained individuals	Operations Manager	Direct advertising team and provider development team interaction.
Personnel Interviewed	Relationship Manager (CA)	Operations Manager (CB)	Creative Team Leader (CC)

Table 2: Service Providers' Particulars

Provider Factor	Provider A	Provider B	Provider C
Years in Business	14	6	12
Specialization	Manufacturing sector, Leasing Applications	No particular specialization	Fast moving consumer goods companies, Advertising agencies
Structure	Flat and application based	Hierarchical / functional	Flat and application based
Key Competitive Strength	Premium quality	Cost	Premium quality
Personnel / Management	Western qualified management	Local management	Local professional staff / some foreign qualified management
Years in contact with corresponding client	8	5	7
Problem solving approach	Participatory	Based on senior management decision	Participatory / team based
Number of other clients (not covered in this research)	15-20	25-30	10-15
Liaison With Client	Relationship manager	Senior Software Engineer	Team leader
Personnel Interviewed	Relationship manager (SPA)	Senior Software Engineer (SPB)	Team leader (SPC)

Success Evaluation

Three measures, i.e., project success, extent of knowledge transfer and sustainability were used to measure outsourcing success. While the first measure refers

mainly to clients, the second and third measures cover service providers as well. Table 3 captures a summary of the findings.

Table 3: Evaluation of Outsourcing Success

Dimensions/ Description	Relationship A	Relationship B	Relationship C
Initial Project Brief	Leasing system for analysing details on payment. Has a database with tariffs and interest details on each leasing arrangement. Generates periodic reports for accounting department.	An order processing information system, details records of garment type, prices and current stock levels. Used by the operations and sales departments.	Expert system that gives decision support for designing advertisements based on different scenarios, output provides choice of medium, suitable models and calculates cost based on variables entered.
Project Success	SUCCESS	PARTIAL SUCCESS	PARTIAL SUCCESS
	Rationale: the system required new technology; the outsourcing arrangement helped the transfer of this. Client A did not have the requisite skill which provider A had. Objectives were achieved and both parties expressed higher degree of satisfaction.	Rationale: Provider B designed the system without a proper needs analysis and consideration of existing systems. Provider B assisted the client in procuring suitable computing technology. However, the objective of streamlining processes was not achieved and client was not clear on precise performance essentials. At times, projects were not delivered on time.	Rationale: the system was an expert system and a new technology to the client. Although some training sessions were held personnel had little computing experience and still experienced difficulty in using the system. Provider C's emphasis on performance and reliability couldn't satisfactorily met client C's values on creativity and flexibility hence some objectives were not achieved.
Knowledge Transfer	HIGH	LOW	Medium
	Personnel from provider A visited the client on site, and vice versa. This facilitated substantial business know-how exchange. Source code, user guides, debugging details and troubleshooting are given to client. There was a reasonable degree of direct interaction.	The service provider had limited business know-how. Information is shared only on a need-to-know basis. User guides were given but not source code and debugging details. There was limited team interaction	Although information sharing and interaction are high, some aspects of the advertising business are unclear to the service provider. All user guides and debugging details provided but source code was available on request.
Sustainability	Would like to continue relation (8 years)	Would like to continue relation (5 years)	Would like to continue relation (5 years)
Overall success	Highly successful	Partially successful	Successful

The above findings indicate that none of the relationships appear to have failed completely in terms of project results. In relationship B, the objective of streamlining processes was not achieved and the ex-post gap was greater. There was also a problem in meeting delivery dates. For relationship C, the objective of creating a complete and flexible initial expert system was not met. In terms of knowledge sharing relationship A and to a in B appears to be content because service provider B has managed to meet the least coast expectations of client B, even if other objectives and delivery deadlines were compromised. This indicates that most of the other projects within relationships A and C appear to be successful while disappointments continue to exist in B. The next section assesses the COCPIT dimensions to identify the degree of congruency and the factors that have contributed to the outcome documented in table 3.

COCPIT Evaluation

The degree of congruency between the clients and service providers is assessed using Heeks et al 's [10] COCPIT framework. The result is summarized in table 4.

DISCUSSION

This paper argued that the success of outsourcing depends on the degree of congruence between a service provider's and its client's culture, business process and other characteristics. The COCPIT framework [10] was used to capture these dimensions. Outsourcing success was operationalized through project success, extent of knowledge transfer and sustainability of relationship. The finding indicates that relationship A is highly successful followed by C with B having a less favourable experience.

Often times, IS projects are designed as rationality imposing solutions [9]. Wider gaps between the objectives and values of solution providers and clients could therefore lead to unsuccessful outcomes. It also makes the degree of knowledge sharing problematic. For instance, the client-service provider gap seemed to have increased along the dimensions of control systems, information and processes in relationship B and technology and objectives in relationship C. Although in relationship C there was good coordination and team interaction, the nature of the advertising business required a degree of flexibility in the reality context that provider C was not able to internalise in a short time bound project. This had a knock on impact on the success of the project and the degree of knowledge sharing. The service provider in relationship C (SPC) has revealed the following:

certain extent relationship C shared knowledge on a number of counts such as business know-how, user guides and even source codes. In relationship B, knowledge sharing was limited.

All parties expressed mutual desire to keep the relationship going. In terms of overall satisfaction, while A and C expressed high degree of satisfaction, the parties

“Although we have a good rapport with the client, there are some aspects of their business that need more time to grasp and some of our techies never figure out the fine print”

Capabilities mismatches have been observed in the three relationships. Naturally, skill availability and experience greatly facilitate project implementation [14]. The client in company B, which was the least successful on project measures, however, appeared to have approached outsourcing on modernization ground- “outsourcing is the thing, our competitors use it- (CB). Its decision-making model was more of political rather than rational. Hence, cost imperatives and sound business analysis were ignored. The decision makers appeared to have acted more on individual perceptions [20] than on concrete business analyses and cases. This has created a big gap between the capabilities that client B needs and that service provider B offers. In contrast, the parties in relationship A followed a more analytical and rational approach and endeavoured to keep all lines of information exchange open. This has allowed breeding cross-trained hybrid managers and even easing up the potential technology mismatch. CA and SPA stated the following respectively:

“We conducted an analysis based on our skill expertise; we were seeking more strategic benefits such as systems that give us a cutting edge at reasonable cost” (CA)

“We have prior experience with leasing software for other companies, so we are familiar with business processes and requirements” (SPA)

Henderson [11] asserts that in the absence of shared values, outsourcing relationships are unlikely to produce successful outcome. The Pakistani and the wider Asian cultural context of courtesy-bias [13, 24] seemed to have affected the relationship in B in the sense of sharing common objectives and values. For instance, service provider B deemed it inappropriate to say “no” to any request and targets set by client B. As a result, the objective of on time delivery of outsourced work was compromised. This was evident from SPB's and CB's comments.

Table 4: Degree of Congruence²

Variable	Relationship A	Relationship B	Relationship C
Coordination and Control Systems	Fit: Good Control systems are comparable in both organizations. Performance-based pay for example is used in both organizations to motivate staff.	Fit: Poor Family members domination CB led to very few enforced control systems and with adhoc management of affairs. No mutual mechanism to monitor projects.	Fit: Good There is a great deal of coordination. Both organizations have self-managed teams and reward performance on a team basis.
	Fit: Good Both parties bring similar values to the relationship with similar organizational cultures.	Fit: Moderate Although both organizations have hierarchical structures, the structure is ill-suited to collaborative work.	Fit: Moderate Some similarity in organizational cultures. But the client values creativity and flexibility more than the provider.
Capabilities	Fit: Good Provider A's capabilities completely match Client A's needs, the provider specialises in automobile leasing.	Fit: Poor Since provider B has no particular specialisation in terms of applications, its capabilities did not match all requirements of client.	Fit: Moderate Although the requisite skill is present with the provider, it cannot fully fulfil design needs because of the idiosyncrasies of the advertising business.
	Fit: Moderate Some processes needed to be revamped initially, but now all work is managed through cross-trained managers.	Fit: Poor The provider is not familiar with the client's business processes.	Fit: Moderate Both organizations use similar evaluation processes for tracking progress; but self-managed teams sometimes follow independent processes.
Information	Fit: Good Information access is free in all facets of IS work.	Fit: Poor Free information exchange is limited.	Fit: Good Information is exchanged freely between work groups and management.
	Fit: Moderate Initial technology mismatches were eased by client procuring new hardware on the provider's recommendations. Staff have also been trained.	Fit: Moderate The provider has managed to upgrade the client's hardware needs but training is still limited and not that extensive.	Fit: Poor Computing skill in handling new software was very low. More training is required.
Congruence Measure	High congruence Both organizations in sync for outsourcing.	Low congruence Both parties incongruent.	Medium Congruence Reasonable degree of congruence.

² A good fit indicates evidence of a high degree of compatibility between both parties. A moderate fit would imply compatibility in some instances albeit with reservations from one party. A poor fit implies lack of compatibility from both parties on a certain dimension.

“It’s not very polite for us to tell the operations manager at the client’s office his managing of the payment process is not on track. No one at the client’s end really understands our business language. They want a system that is cheap and does the job. They are not interested in how it does that.” (SPB)

“It is unfortunate that sometimes we are given a date for a certain deliverable and the service is not delivered.” (CB)

In contrast, in relationship A, there doesn’t appear to be a gap in terms of values and objectives. As SPA states, *“it’s great to be on the same wavelength as your client. We speak the same business lingo and the rapport is just fantastic”*. This shared domain has facilitated good communication and reduced re-work of solution and better implementation of IS [3, 7] Because of shared values, the service provider was even willing to transfer source codes, which entails technical work and is of great value to the provider. In turn, the arrangement allowed the service provider to gain firm specific knowledge and be considered as the virtual software arm for the client [26].

Although Vial and Benoit [31] argue that outsourcing can lead to loss of competency and in the long run shifts the power asymmetry in favour of service providers, the finding here doesn’t appear to support this. The parties in A and to some extent in C were not insecure of the possibility of the client terminating the relationship if complete knowledge was transferred to the client. Similarly, the clients were not worried about loss of corporate memory or knowledge because of outsourcing their IS/IT. There was in fact evidence to the contrary as both had gained knowledge through the relationship. Therefore, lower COCPIT gap means better relationship value.

Despite low congruency in relationship B and some dissatisfaction, all parties maintained that they would like to sustain the relationship. For parties in relationship B, the main driver for this appears to be client B’s emphasis on low cost and service provider B’s ability to meet this objective.

“We could have much better systems, but they have provided us with solutions at low cost, that suits us. This arrangement has held for five years but if someone else provides us with cheaper systems we will consider moving to that provider.” (CB)

“Our priorities are different from many upscale software companies, we provide economical services that are unrivalled cost wise and add to that the fact that our systems have performed reasonably well too.” (SPB)

This is consistent with Zatlin [34] who asserts that for many smaller organizations where IS/IT is not

viewed as a core competency, cost would be the sole motivator for outsourcing. For the others, sustainability is desired because of the extent of mutual dependency and cultural similarity. This can be seen from CC’s remark,

“We can’t just pack up and leave the arrangement tomorrow. You may say that we have other options, but we have worked hard to establish a rapport and we have much at stake”

Overall, we can conclude that the relatively low and medium degree of congruency in B and C respectively, that is, gap in COCPIT, appears to have some effect on the level of outsourcing success in these two relationships. High degree of congruency, that is, lower COCPIT gap between client A and service provider A appears to have contributed to better outsourcing outcome. On the other hand, Lacity et al’s [19] findings appear to question the value of the degree of congruence (in terms of cultural compatibility and service providers’ domain specific knowledge and experience) on the effectiveness of the outsourcing deal.

However, our findings do not appear to support that and instead reinforce previous studies’ recommendations in terms of seeking relationship with a service provider that has sector and domain knowledge and experience and cultural congruency between the parties in the outsourcing deal. These differences could be due to the nature of the outsourcing phenomenon we investigated, the maturity of the outsourcing industry in Pakistan and other contextual differences related to business philosophy, culture and governance. It could also be because of differences between the profile of the cases covered in our study and Lacity et al’s case study [19, pp. 97].

In view of the preliminary nature of Lacity et al’s single case findings and in the absence of further study to confirm it, we argue that a greater degree of congruency in terms of coordination and control systems, objectives and values, capabilities, processes, information and technology are relevant for attaining outsourcing success.

CONCLUSION

Contemporary IS/IT outsourcing research has witnessed a paradigm shift towards valuing the relationship between clients and service providers rather than one-off contractual arrangements. In developing countries in particular, where the social and contextual setting is often critical in determining successful implementation of IS, understanding outsourcing through a relationship paradigm offers reasonable predictors of success.

This paper provides evidence that the degree of congruency between a client’s and its service provider’s COCPIT contributes positively to the outcome and value of the relationship. In particular, congruency creates mu-

tual dependency and can even result in locking-in phenomenon making it untenable for either party to walk away. This is likely to create ample room for negotiation and maximize the value-add in relationships. Based on this study, a successful outsourcing relationship can be considered as a mutual undertaking between clients and service providers that adds business value in terms of meeting project objectives, knowledge transfer and sustainability. Such a relationship depicts a small or no gap along all the COCPIT dimensions.

There are several implications from the study. First, because our unit of analysis was the relationship between a service provider and a service seeker, the study contributes to the relationship paradigm of outsourcing. Second, the findings here provide initial ideas and thoughts to what might affect intra-country outsourcing success as opposed to offshore outsourcing. Future studies might build on this current work to compare these two modes of outsourcing.

For managers in general and Pakistan in particular, the following best practices could be recommended:

- *Relationship Investment*: relationship investment appeared to have paid well in both short-term project outcomes and long term knowledge transfer and sustainability. An important implication to draw would be to seek investment from both sides in terms of apprenticeship, training and skill enhancement, business placement and other avenues that could contribute to a relationship. Thus, given appropriate business value, clients may want to retain an existing service provider by providing business infrastructure support.
- *Cross-Training*: investment in relationship specific personnel (hybrids) positively contributes in bridging the potential COCPIT gap. Cross-trained (in terms of project management, systems development and clientele business) relationship managers act as liaisons and facilitate effective communication.
- *Team Based Project Review*: The mutual project review for each outsourced application tends to result in maximum remedial action and knowledge building in the specific IS/IT relationship. It is also an efficient way to propagate *tacit knowledge* that may not be disseminated through written materials.
- *Knowledge Imperative*: The study establishes that knowledge transfer is mutual rather than one way from service provider to client. In return for source codes to the client, the service provider gains useful specific information about the cli-

ent's business. Thus the information flow is mutual especially if a joint appraisal is also a norm. For imparting tacit knowledge, training and joint project and relationship was seen to be the best practice.

Finally, the study has some limitations. First, we have considered all the COCPIT dimensions and the success measures as equally important. However, this might not be the case as parties to a relationship might give different degree of consideration for different factors. Hence, future studies should try to assess the weights that parties to relationships attach to different COCPIT and success dimensions. Second, this study is limited in terms of its coverage of factors that might affect outsourcing relationship success. There is also the problem of co-relation of a certain event with success or failure of the project and its association with a dimension. For example, a factor may be stronger than another but the relative causation of that particular measure is difficult to observe accurately. Future studies could build on the factors identified here and strengthen their theoretical and conceptual constructs. The research is also based on qualitative analysis alone and hence lacks triangulation. Since it is primarily a case study analysis, generalization is also another issue. What holds true in the three relationships in this study may not hold for other companies. So more research is required to check the external validity of the findings.

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