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Maturity in IT outsourcing relationships: an exploratory study of client companies

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Abstract

Purpose – This research is concerned with the validation of a maturity model for information technology outsourcing relationships. The paper aims to focus on this research.

Design/methodology/approach – This research is validating the cost, resource and partnership stages, respectively, as maturity stages in outsourcing relationships developed and proposed by Gottschalk and Solli-Sæther.

Findings – First, stages of growth and benchmark variables were validated. Then, the evolving path of growth was examined. Limited support for the stage of growth model was found.

Practical implications – This paper suggests a broad range of organizational activities and structures to guide development from one stage of maturity to the next. To stimulate growth developments, individuals and organizations have to understand and experience transitional events in relationship maturity.

Originality/value – Validation procedure linking stages to benchmark variables is presented. Future empirical research should rephrase some of the authors benchmark variables as well as measurement issues concerned with stages of growth.

Keywords Outsourcing, Communication technologies, Modelling

Paper type Research paper

Introduction

Stages of growth models have been use widely in information systems research (Nolan, 1979; King and Teo, 1997; Rao and Metts, 2003; Gottschalk, 2005). These models have been used to describe a wide variety of phenomena, such as stages of growth in information systems, growth model for integration between business planning and information systems planning, electronic commerce evolution, and stages of knowledge management technology. Such models assume predictable patterns of growth with stages that are sequential in nature and occur as a hierarchical progression that is not easily reversed. Stages involve a broad range of organizational activities and structures.

In information technology (IT) outsourcing relationships it is often a requirement in the contracts that a relatively intimate relationship should be established between the outsourcing company and the outsourcing vendor (Kern and Blois, 2002). The existence of such a relationship may reduce the need for detailed monitoring of the performance of the outsourcing vendor by the outsourcing company. Ongoing relationships may lead to the establishment of trust and perceptions of common interest. The more the outsourcing vendor interacts with the outsourcing company the more comfortable they are likely to feel with each other (Elitzur and Wensley, 1998). As most outsourcing relationships last for several years, it is not unlikely that they develop or transform from one stage to another as time passes by.

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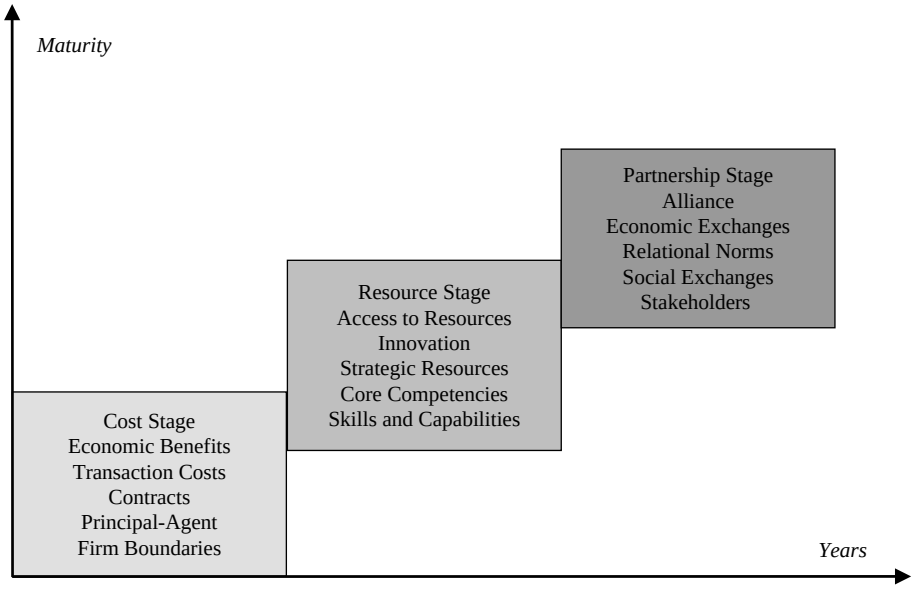
In this paper, results for an empirical test of the three stage maturity model for IT outsourcing relationships suggested by Gottschalk and Solli-Sæther (2006) is presented. Although past research has identified key elements in customer-supplier outsourcing relationships (Lacity and Willcocks, 2000), and considered the role of norms in outsourcing relationships (Kern and Blois, 2002), empirical research focusing specifically on the level of maturity is relatively sparse. This study extends existing research by validating the maturity model for IT outsourcing relationships. The underlying logic of most stages of growth models is that organizations undergo transformations in their characteristics when moving from one stage to the next, enabling them to face new tasks or problems that growth elicits (Kazanjian and Drazin, 1989).

The remainder of this paper comprises four parts. First, the maturity model for IT outsourcing relationships and its benchmark variables is outlined. Second, research propositions and methodology are presented. Then, results from an empirical study of client companies in Norway are reported. Finally, the paper outlines implications and limitations of the current work and suggests opportunities for future research.

Maturity model and benchmark variables

Based on organizational theories and outsourcing practices, Gottschalk and Solli-Sæther (2006) identified cost stage, resource stage and partnership stage as maturity stages in outsourcing relationships. The cost stage is concerned with high-economic benefits, low-transaction costs, effective contracts, good principal-agent cooperation, and efficient division of labor from firm boundaries. The resource stage is concerned with access to vendor resources, resources for innovation, strategic resources, and development of core competencies in the client organization in terms of skills and capabilities. Third and final partnership stage is concerned with alliance work, economic exchanges, mutual relational norms, social exchanges, and balancing stakeholder interests. A general description of the three stages are summarized below and shown in Figure 1:

(1) *The cost stage.* Initially, IT outsourcing is driven by cost concerns. According to neoclassical economic theory, firms outsource IT to attain cost advantages from assumed economies of scale and scope possessed by vendors (Ang and Straub, 1998). In the context of IT outsourcing, a company will keep its IT function internally if this has production cost advantages, and it will outsource when the marketplace can offer production cost savings. However, IT outsourcing causes additional costs to occur that are labeled transaction costs. Transaction costs occur in the exchange between client and vendor. Many of the features of transaction cost economics could be identified in outsourcing arrangements, e.g. the necessity of investments in durable, specific assets; task complexity and uncertainty; and difficulty in measuring task performance. In an IT outsourcing arrangement, vendor and client sign a contract that has the purpose of facilitating exchange and preventing opportunism. Luo (2002) examined how contract, cooperation, and performance are associated with each other. He argues that contract and cooperation are not substitutes but complements in relation to performance. A contract alone is insufficient to guide outsourcing evolution and performance. Cooperation is an important safeguard mechanism mitigating external and internal hazards and overcoming adaptive limits of contracts, as we will see at higher levels of relationship maturity. In an outsourcing relationship,



Source: Gottschalk and Solli-Sæther (2006)

Figure 1.
Outsourcing maturity model

the cooperating parties engage in an agency relationship defined as a contract under which one organization (the principal) engage another organization (the agent) to perform some service on its behalf which involves delegating some decision-making authority to the agent. In cost stage, the client organization typically wants to reduce its costs, while the vendor organization wants to maximize profits. Firms' boundaries are determined by the extent to which there are large markets for specialization. If there are large markets for IT services available from vendors, then a client company will tend to outsource more of its internal IT function.

(2) *The resource stage.* In this stage, unique organizational resources of both tangible and intangible nature are the real source of competitive advantage. Outsourcing gives a client organization access to resources in the vendor organization as the vendor handles IT functions for the client. Vendor resources can produce innovation, which is essential for long-term survival of the client. The value generation potential from vendor resources can be significant for the client. If the vendor has strategic resources, applications of these resources for the client can provide the client organization with sustained competitive advantage. Strategic resources are characterized by being valuable, rare, non-imitable, non-transferable, non-substitutable, combinable, and exploitable (Barney, 2002). The resource stage is not only characterized by access to vendor resources. Also, the client will focus on internal resources at this stage. Those resources are typically concerned with core competencies. After outsourcing, the client organization will typically focus on and strengthen its core competencies. Core competencies can be defined as the skills that are the determinant resources for a firm's competitive advantage. According to the

theory of core competencies, developing best-in-the-world capabilities is crucial in designing a core competency strategy. Long-term advantage will depend on identifying the next unique combination no one else is exploiting in the marketplace; however, sustainable competitive advantage is strongest if tied to firm-specific capabilities.

(3) *The partnership stage.* Partnership is broadly defined as collaborative efforts between two or more firms in which the firms cooperate in an effort to achieve mutually compatible goals that they could not achieve easily alone (Koh *et al.*, 2004). This stage is often referred to as an alliance. Norms are expectations about behavior that are at least partially shared by a group of decision makers. Norms are important in relational exchange because they provide the governance rules of the game. Relational norms are based on the expectation of mutuality of interest, essentially prescribing stewardship behavior, and are designed to enhance the wellbeing of the relationship as a whole (Lambe *et al.*, 2000). Norm development becomes more salient as the relationship matures. Social exchange theory suggests that each party in an exchange relationship compares the social and economic outcomes from these interactions to those that are available from exchange alternatives, which determines their dependence on the exchange relationship. Positive economic and social outcomes over time increase the partners' trust of each other and commitment to maintaining the exchange relationship (Lambe *et al.*, 2001). Stakeholder theory is concerned with balancing the interests of the stakeholders in an outsourcing relationship. Upholding the principles of moral management:

- honoring agreements;
- avoiding lying;
- respecting the autonomy of others; and
- avoiding harm to other, are necessary precondition for efficient working and will affect outsourcing success.

(4) And thus, stakeholder theories of the firm establish economic relationships within a general context of moral management.

The evolving maturity model of IT outsourcing relationships assumes predictable patterns of growth. When an outsourcing relationship has solved all problems at the cost stage, the parties are ready for resource stage. Solving all problems in the cost stage implies that the client achieves intended cost savings, transaction costs are at acceptable level, the contract is successful in preventing opportunistic behavior, principal and agent avoids conflicts and the division of labor between client and vendor works satisfactorily. When the vendor value proposition is working in terms of successful application of vendor resources for the client organization, and when the client organization is able to work on its core competencies, then the relationship is ready to move from the resource stage to the partnership stage.

Research hypotheses

To identify stage of growth, various benchmark variables are suggested. The benchmark variables in Table I indicate theoretical characteristics of each stage of maturity of the IT outsourcing relationship. If the 11 benchmark variables are to be

Benchmark variables	Stage 1 (cost stage)	Stage 2 (resource stage)	Stage 3 (partnership stage)
BMK1: economic benefits	Cost minimization and operational efficiency	Business productivity Technology innovation	Business benefits Mutual goals
BMK2: primary transactions	Infrastructure	Applications	Joint investments
BMK3: contractual completeness	Specified obligations Service level agreements	Key competence Critical projects Access to resources	Profit sharing Personnel exchanges
BMK4: vendor behavior control	Service level agreement Costs	Project performance Service quality	Strategy implementation
BMK5: demarcation of labor	Procurement	Innovation projects	Continuous innovation
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
BMK8: alliance exploitation	Account manager IT manager	Operations manager Division manager	Business manager
BMK9: relationship exploitation	Interfirm information sharing	Joint planning	Relational norms
BMK10: social exchange exploitation	Low	Medium	High
BMK11: stakeholder management	Economic interests has priority	Recognizing a number of stakeholder groups	Balancing interests

Table I.
Characteristics of each stage of maturity of IT outsourcing relationships

successful in classifying maturity of IT outsourcing relationship, empirical evidence should conform closely to the proposed conceptual formulations in Table I. For example, in terms of economic benefits (BMK1), parties in stage 1 should generally describe their relationship as focused on "cost minimization and operational efficiency", and parties in stage 2 should generally describe their relationship as focused on "technology innovation", and parties in stage 3 should generally describe their relationships as focused on "business benefits and mutual goals", according to the patterns for BMK1 in Table I.

Benchmark variables, presented in Table I, were developed based on organizational and management theories. They involve activities and structures that are characteristic of each stage of maturity of the IT outsourcing relationship. Since values of each benchmark variable are distinct at each maturity stage, the general hypothesis can be stated as:

H1. Values of benchmark variables for IT outsourcing relationships will significantly correspond with their conceptual stage formulations given in Table I.

In order to validate the stages of growth model, it is also necessary to demonstrate that transitions occur through the stages. Thus, we need to empirically demonstrate that most relationships will evolve in the general direction from cost stage to resource stage and into partnership stage. The second proposition can be stated:

H2. The maturity model of IT outsourcing relationships shows predictable patterns of growth from cost stage, to resource stage and into partnership stage.

Research methodology

The sample of this survey comprised the 657 largest Norwegian firms, all of them with turnover of more than 500 MNOK (about $80 million) in year 2005. The sample was selected because firms listed as medium and large in size are likely to have more experience with outsourcing relationships than smaller firms. A letter was sent to the companies' senior financial executive, asking them to participate in the survey by following a link to an electronic questionnaire prepared using the web-based tool ConfirmIt. A follow-up letter was sent about one month after the initial letter. Useable responses were returned by 116 firms (17.6 percent). A summary of the characteristics of respondents is shown in Table II. Respondents came from a wide range of industries with most coming from manufacturing firms (value creation logic as chain). The annual sales revenue was widely distributed, from anticipated $80 million to above $10 billion. The number of employees in each firm varied. There was a predominance of firms below 1,000 employees. Around 54.3 percent of the respondents were senior executives at the director level or higher.

In the data collection instrument, the three different types of maturity levels of IT outsourcing relationships (cost, resource, and partnership) that are shown in Figure 1 were described. Respondents were asked to indicate their firm's path of evolution as well as the type that best described their firm's current level of maturity. This type of self-typing paragraph approach has been used in organizational research before (King and Teo, 1997).

In addition, for each benchmark variable, three levels of maturity were described corresponding to the values for that benchmark variable for the three stages. Respondents were asked to select the characteristic that most closely described

Measure	Items	Frequencies	Percent
Value creation logic	Value chain	72	62.1
	Value shop	29	25.0
	Value network	15	12.9
Annual sales ($ million)	Below 100	19	16.4
	100-199	31	26.7
	200-299	15	12.9
	300-399	10	8.6
	400-499	8	6.9
	500-999	9	7.7
	Above 1,000	8	6.9
	Missing data	16	13.8
Number of employees	Less than 200	45	38.8
	200-499	35	30.2
	500-999	13	11.2
	1,000-1,999	10	8.6
	2,000-2,999	7	6.0
	Above 3,000	6	5.2
Respondents hierarchical level	Vice president/CFO	10	8.6
	Director (of finance)	53	45.7
	Manager (of finance)	38	32.8
	Controller/accountant	8	6.9
	Others	7	6.0

Note: $n = 116$

Table II. Characteristics of respondents

their companies' present situation. A similar methodology has been used by King and Teo (1997) in their empirical testing of benchmark variables for integration of business planning and information systems planning.

The current maturity model was measured by asking respondents to place a check mark beside one of the three descriptions of maturity level. We tried to make the descriptions and conceptual representations as clear and concise as possible. We evaluated the descriptions through discussions with outsourcing practitioners in two companies. None of our discussion partners had difficulties understanding or distinguishing between phases of maturity. Since the survey was part of a large study, only measures relevant to this paper were included in the sample instrument given in the Appendix.

Distribution of stages

Table III shows the number of responding organizations currently operating at each stage of maturity. Generally, cost stage occurs most often (52.6 percent), followed by

Maturity	Number	Percent
Cost stage (stage 1)	61	52.6
Resource stage (stage 2)	46	39.7
Partnership stage (stage 3)	9	7.8
Total	116	100

Table III. Distribution of stages of maturity

resource stage (39.7 percent) and partnership stage (7.8 percent). This was not unexpected as the model assumes predictable patterns of growth, where organizations are likely to start solving problems in the cost stage before moving on to the resource stage and the partnership stage. Very few companies indicated that they had reached full integration. Note that in stage 3 the sample size is relatively small.

Validating the benchmark variables

When testing hypotheses, values of benchmark variables are expected to correspond statistically with conceptual formulations. In this approach, the Kruskal-Wallis test for three or more independent samples (Kruskal and Wallis, 1952) was applied. As a reminder, the assumptions of the one-way ANOVA for independent samples are: that the scale on which the dependent variable is measured has the properties of an equal interval scale; that the k samples are independently and randomly drawn from the source population(s); that the source population(s) can be reasonably supposed to have a normal distribution; and that the k samples have approximately equal variances. Unlike the parametric independent group ANOVA, the Kruskal-Wallis test is non-parametric making no assumptions about the distribution of the data (e.g. normality) (Sidney and Castellan, 1988).

To assess the effects of the 11 benchmark variables, companies where subdivided into three groups based on scores from a textual description of their outsourcing relationship maturity. These three groups were presented in Table III. As we expect maturity level to grow as companies gain experience with outsourcing, it is not reasonable to assume the underlying source population to be normally distributed. In this case, an appropriate non-parametric alternative to the one-way independent-samples ANOVA can be found in the Kruskal-Wallis test. The null hypothesis for the comparison of three independent groups is that the samples come from identical populations. Notice that the hypothesis makes no assumptions about the distribution of the populations. The test statistics for the Kruskal-Wallis test is H. If H exceeds the critical value for H at some significance level it means that there is evidence to reject the null hypothesis in favor of the alternative hypothesis.

Kruskal-Wallis test starts by assembling the measures from all three samples into a single set of size 116. These assembled measures are rank-ordered from lowest (rank no. 1) to highest (rank no. 116), with tied ranks included where appropriate; and the resulting ranks are then returned to the sample group, stage 1, 2, or 3, to which they belong and substituted for the raw measures that gave rise to them. Thus, the raw measures that appear are replaced by their respective ranks. Mean of ranks for each benchmark variable at stage of maturity is shown in Table IV. If there is a perfect match between the values of benchmark variables and the stages of maturity, the mean rank values of cost stage would have been lower than the mean rank values for resource stage, and the mean rank values of resource stage would have been lower than the mean rank values for partnership stage.

The measure of aggregate group differences starts by finding the between-groups sum of squared deviates (based on ranks rather than on the raw measures with ANOVA). The test statistics, H, is given by a rather formidable formula that basically represents the variance of ranks, with an adjustment for the number of ties. H is approximately χ^2 distributed, meaning that the probability of getting a particular value of H by chance, if the null hypothesis is true, is P value corresponding to a χ^2

Maturity	*N*	Mean rank
bmk1		
1	61	49, 80
2	46	65, 74
3	9	80, 50
Total	116	
bmk2		
1	61	50, 73
2	46	68, 78
3	9	58, 61
Total	116	
bmk3		
1	61	55, 43
2	46	63, 98
3	9	51, 33
Total	116	
bmk4		
1	61	53, 83
2	46	59, 53
3	9	84, 89
Total	116	
bmk5		
1	61	56, 57
2	46	62, 02
3	9	53, 56
Total	116	
bmk6		
1	61	54, 42
2	46	65, 74
3	9	49, 17
Total	116	
bmk7		
1	61	51, 71
2	46	64, 34
3	9	74, 67
Total	116	
bmk8		
1	61	57, 31
2	46	58, 79
3	9	65, 06
Total	116	
bmk9		
1	61	58, 12
2	46	58, 20
3	9	62, 61
Total	116	
bmk10		
1	61	60, 51
2	46	56, 90
3	9	53, 06
Total	116	
bmk11		
1	61	55, 51
2	46	62, 51
3	9	58, 28
Total	116	

Table IV.
Mean ranks of benchmark variables at each stage of maturity

equal to H; the degrees of freedom is the number of groups − 1. Although there is no firm rule about how non-normal data can be before an ANOVA becomes inappropriate, we have chosen the Kruskal-Wallis test. The Mann-Whitney U-test and the Wilcoxon two-sample test are mathematically equivalent to the Kriskal-Wallis test, but they are limited to two groups.

Table V shows test statistics for each benchmark variable at stage of maturity. For benchmark variables 1, 2, 4, 6 and 7, we found significant differences between group means (Kruskal-Wallis test, P is less than 0.05). The samples of benchmark variable economic benefit (BMK1) come from different population ($H = 15.178$, 2 df, $P = 0.001$), and it has increasing group mean for the three samples. This fits well with our hypothesis of increasing maturity from cost minimization and operational efficiency (stage 1), through business productivity and technology innovation (stage 2), and finally business benefits and mutual goals (stage 3).

The samples of benchmark variable vendor behavior control (BMK4) comes from different samples ($H = 10.169$, 2 df, $P = 0.006$), and we see an increasing group mean from service level agreement (stage 1), through project performance (stage 2), and finally strategy implementation (stage 3).

Likewise, the samples of benchmark variable vendor resource exploitation (BMK7) comes from different samples ($H = 9.067$, 2 df, $P = 0.011$), with increasing group mean from excellent operations (stage 1), through technology initiatives (stage 2), and finally complementarities (stage 3).

For benchmark variable primary transactions (BMK2) we find three samples ($H = 10.762$, 2 df, $P = 0.005$). Looking at group means, we can see the path of growth is not according to our hypothesis. Group mean of application (stage 2) has higher value than joint investments (stage 3).

For benchmark variable core competence management (BMK6) we also find three different samples ($H = 6.330$, 2 df, $P = 0.042$). We found co-developing business processes (stage 3) as the group mean with lowest value.

Discussion

Our set of benchmark variables was not successful. They were all derived from outsourcing theories as listed by Gottschalk and Solli-Sæther (2006). Only three out of 11 benchmark variables were found to support our hypothesis. First, in terms of economic benefits (BMK1), cost minimization and operational efficiency belonged to stage 1, while business productivity and technology innovation belonged to stage 2, and business benefits and mutual goals belonged to stage 3. Second, vendor behavior control (BMK4) was statistically significant by cost stage being associated with service level agreement and cost, resource stage being associated with project performance and service quality, and partnership being associated with strategy implementation.

Table V.
Test statistics (a, b) of benchmark variables

	bmk1	bmk2	bmk3	bmk4	bmk5	bmk6	bmk7	bmk8	bmk9	bmk10	bmk11
χ^2	15, 178	10, 762	3, 135	10, 169	1, 802	6, 330	9, 067	,542	,170	,710	1, 448
df	2	2	2	2	2	2	2	2	2	2	2
Asymp. sig.	,001	,005	,209	,006	,406	,042	,011	,763	,919	,701	,485

Notes: (a) Kruskal Wallis test; (b) grouping variable: maturity

Finally, vendor resource exploitation (BMK7) was characterized by excellent operations at the cost stage, technology initiatives at the resource stage, and complementary capabilities, skills, competencies, and methods at the partnership stage.

For benchmark variable primary transactions (BMK2) and benchmark variable core competence management (BMK6) we found three different samples. Looking at group means the path of growth was not according to our hypothesis. Explanations for this counter-intuitive result can be found in construct, formulation, as well as measurement errors. Hence, our first research hypothesis found only support in three out of 11 benchmark variables, making it important in future research to identify alternative benchmark variables that might supplement the three variables confirmed in this research.

Analyzing *H2*, where the maturity model suggests predictable patterns of growth, we asked respondents to indicate (textually) the development of the relationship in terms of duration at each stage and the reason for changing from previous stage. Findings from this question were somewhat difficult to analyze, as very few respondents had a clear statement regarding duration of each stage. Companies at the cost stage reported they were still focusing on costs, and they will continue to do so for a long time. Reasons for change from previous stage were not applicable to these companies. Companies at the resource stage reported availability of resources and competence as the most important reason for change. Other reasons for change included more complex IT, exploiting vendor resources, and strategic decision to focus on internal core competencies. Although companies had changed their main focus after a few years at cost stage, costs were still important as they moved into the resource stage. Only a few companies reported they were at partnership stage (Table III). The reasons for change were reported as convenience, natural progression in a long lasting relationship, and vendor experience.

Overall, statements supplied by responding companies provided limited support for the stages of growth model. Reasons may be found in both reality and our research design. Future empirical research might rephrase some of our questions into measuring more closely intentions and perceptions.

Despite limited support for the stage model, some policy implications can be derived from our research. First, economic benefits should always be visible and achieved in outsourcing relationships. It will not be acceptable for partners to argue that a relationship is "strategic" or "long-term" to avoid the topic of how much it actually costs. Next, an outsourcing relationship should always strive to have a content of more than accounting and service level agreements. The ambition should be to explore resources available to the IT service provision, before entering the stage of "marriage" in terms of mutual long-term dependency. In this evolution, leadership will be of critical importance (Andresen *et al.*, 2007), as well as creativity (Dean *et al.*, 2008) and culture (Glomseth and Gottschalk, 2008).

Conclusions

The conceptual framework of the maturity model for IT outsourcing relationships (Gottschalk and Solli-Sæther, 2006) has been proposed for organizational evolution over time. According to Lavoie and Culbert (1978), organization development, to be effective, should link with the progressively mature reasoning processes which characterize managers working within increasingly higher stages in the evolution of

an organization. To guide developmental energies at lower levels of orientation, which provide additional understanding of the transitional events, individuals and organizations have to accumulate experience in order to move and grow from one stage of development to the next. As suggested by King and Teo (1997), the stages of growth are sequential in nature, occur as a hierarchical progression that is not easily reversed, and involve a broad range of organizational activities and structures.

When client and vendor companies enter an outsourcing relationship, client companies tend to focus on economic benefits. Economic benefits are initially measured in terms of cost minimization and operational efficiency, evolving into business productivity and technology innovation, and ending in business benefits and mutual goals. Accordingly, companies move from the cost stage, via the resource stage to the partnership stage. This result was empirically supported in the reported research.

Three benchmark variables found support in our empirical study. First in terms of economic benefits, cost minimization and operational efficiency belonged to stage 1, while business productivity and technology innovation belonged to stage 2, and business benefits and mutual goals belonged to stage 3. Second, vendor behavior control was statistically significant by cost stage being associated with service level agreement and cost, resource stage being associated with project performance and service quality, and partnership being associated with strategy implementation. Finally, vendor resource exploitation was characterized by excellent operations at the cost stage, technology initiatives at the resource stage, and complementary capabilities, skills, competencies, and methods at the partnership stage.

However, most of the benchmark variables in this research as well as the progression model suggested, found limited support in our empirical material. Future research will have to carefully evaluate the stage model, benchmark variables as well as measurement issues concerned with stages of growth.

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Appendix. Sample questionnaire

Maturity of outsourcing relationship

Please indicate with a check mark (✓) the description that most closely fits your current IT outsourcing relationship (check one).

☐ *Cost stage.* Outsourcing in our company is driven by cost concerns. We outsource IT to attain cost advantages from economies of scale and scope possessed by vendors. We focus on low transaction costs, effective contracts, good principal-agent cooperation, and efficient division of labor between from firm boundaries.

☐ *Resource stage.* Outsourcing gives us access to resources in the vendor organization, resources for innovation, strategic resources, and development of core competencies in our company. Application of these vendor resources can provide us with sustained competitive advantage.

☐ *Partnership stage.* Through outsourcing we have established a tight relationship with our vendor in which we cooperate in an effort to achieve mutually compatible goals that we cannot achieve alone. We share risks, have mutual relation norms, have positive economic and social outcomes over time, and we are trying to balance the interests of all stakeholders.

Benchmark variables

For each of the following statements, please place a check mark (✓) beside the description (a, b, or c) that most likely fits your organization. Please choose only one response for each numbered statement

1. Presently, we are looking for economic benefits:
(Check one)
☐ a) focusing primarily on cost minimization and operational efficiency
☐ b) focusing on business productivity and technology innovation
☐ c) focusing on business benefits and mutual goals

2. Outsourcing primary transactions are related to:
(Check one)
☐ a) vendor take care of infrastructure operations
☐ b) vendor take care of business applications
☐ c) joint investments in infrastructure and business applications

3. The focus on contractual issues are related to:
(Check one)
☐ a) obligations and service levels
☐ b) overall service quality
☐ c) profit sharing and personnel exchange

4. Vendor behavior control is characterized by:
(Check one)
☐ a) service level agreements and costs
☐ b) project performance and overall service quality
☐ c) strategy implementation

5. Demarcation of labor between parties are:
(Check one)
☐ a) specialized following the scope of the contract
☐ b) no longer a hindrance to work together in innovative projects
☐ c) parties are working close together doing continuous innovation

6. Core competence management is characterized by:
(Check one)
☐ a) we define our business needs, whereas the vendor is regarded as a contractual partner necessary to fulfil them
☐ b) vendor competence is recognized as valuable, rare, and appropriable for us
☐ c) we are co-developing business processes

7. Vendor resources is used by our organization to:
(Check one)
☐ a) secure excellent operations
☐ b) make technology initiatives
☐ c) represent a set of complementary capabilities, skills, competences, and methods

8. Managers involved in the alliance are typically:
(Check one)
☐ a) vendor account managers and client IT managers focused on service deliveries and costs
☐ b) vendor operation managers and client division mangers involved to maker sure business need are fulfilled
☐ c) business managers at both parties involved to ensure availability of resources

9. The relationship is efficiently carried out through:
(Check one)
☐ a) information sharing
☐ b) joint planning
☐ c) development and use of relational norms that simplify and smooth processes and activities

10. Social exchange between individuals of the two parties are:
(Check one)
☐ a) generally low
☐ b) recognized as valuable although it is non-economic
☐ c) high, and recognized as one important feature not to misperceive each other

11. Responsibilities to the different stakeholders in the relationship are based on:
(Check one)
☐ a) economic interests override other interests
☐ b) the interests of different groups are recognized
☐ c) balancing interests of different groups

Evolutionary paths
For each stage, please indicate the development of the relationship in terms of duration and the reason for changing from previous stage.

Maturity	Duration	Reason for changing from previous stage
Cost stage		
Resource stage		
Partnership stage		

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