The Role of Organizational Culture in IT Outsourcing Relationships: A Buyer Company Approach

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Abstract

Globalization has affected the organizations in different aspects such as structure, architecture, internal/external strategies and sourcing management. Outsourcing is one of the recent business strategies used to provide IT needs via external agents. The relationship between the service buyer and provider companies is a constituent playing a significant role in IT outsourcing success or failure. The questions in this research is” what is the role of organizational culture in ITO (IT Outsourcing) relationships?” This research has a focus on the influence of organizational culture of buyer companies on the specific factors of trust, cooperation, communication and commitment in their relationship with the IT service provider. A qualitative approach has been used and six global companies using ITO are selected to have interviews with their relevant managers which revealed the presence of organizational culture effect. Particularly, being innovative, having open discussion as an organizational culture, looking for extending contracts with providers as a strategy in organizational structure and responsibility and roles clarifying after outsourcing, appeared as the major differences between the six companies organizational cultures which influence the focusing aspects of ITO relationships in this research. Additionally there were some external factors found after the analysis phase which were out of the scope of the research theoretical framework such as previous experience of buyer company in outsourcing, IT governance and the value of IT in the buyer company. These extra issues can be linked to the organizational culture of the buyer company and affect their IT outsourcing relationships.

Keywords: IT outsourcing, Organizational culture, Relationships, Communication, Cooperation, Commitment
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Chapter 1: Introduction

1.1 Background

Business management, job relationships and companies’ organization have got a different form today. Companies are expanding in the whole world and people from different countries know them, use their products and services and work for them. This is a change in both users and providers’ approach to business. One of the most important operands for this changing path is the use IT which is playing an important and expanding role in business and made IT as a tool of globalization (O’Brien & Marakas, 2008).

Globalization has affected the firms’ structures, job definitions, inner and outer relationships and correlation strategies which are business strategy, IT strategy and organizational strategy (Pearlson & Saunders, 2010). One of the new business strategies and subsequences of globalization is outsourcing which refers to the use of external agents to perform one or more organizational activities (Dibbern et al., 2004). Outsourcing is generously used by companies aiming to cost saving and quality improvement, it has also been reported to have both success and failure results for them (Ranganathan & Balaji, 2007). The choice between make -or- buy is a crucial decision that needs the transaction cost analysis in which the functional managers should estimate the costs of contractions and transactions proliferated to the previous costs (Besanko, 2007).

Studies have been conducted using national cultures dimensions based on the findings by Hofstede (see Hofstede, 2001). However, one of the critics against Hofstede’s studies was that the author collected data only among employees of a single large multinational enterprise company with a strong corporate culture. This way, his studies probably would reveal more about IBM’s organizational culture than national cultures (see McSweeney, 2002 and Jones, 2007b).
Like any other strategic decision, IT outsourcing (ITO) has its own risks which would be fatal if the consequences regarding outsourcing relationship are not considered very well. The risks may be: the underestimation of hidden costs; losing control of the buyer company on its information systems functions; opportunistic behavior and losing trust; the firms’ dependency on the vendor because of lack of expertise on negotiating a well-defined contract which can result in high costs (Solli-Sæther & Gottschalk, 2010).

According to Ang (1993), the market mechanism and other forms of inter-organizational relationships should be studied in the organizational hierarchy in order to insure the evaluation of outsourcing decisions. In addition, outsourcing can be done in strategic business level, operational level or tactical level in the companies. Outsourcing can influence many components of the company or be influenced itself by many factors existing there.

A driving factor in the firms which has affects in many parts is the organizational culture (OC). Organizational culture can be defined as “the set of shared values and norms that control organizational member’s’ interactions with each other and with suppliers, customers, and other people outside the organization” (Jones, 2007a, p. 177).

To keep in touch with the state of the art in related fields, we can consider that cultural issues have been studied in the context of ITO researches for many authors according to Tsotra et al. (2011). The authors say that most of the researchers have used the Hofstede’s taxonomy (Hofstede, 2001) when the topic is understood as national culture. However, Hofstede’s theory has been criticized and new perspectives are necessary. Organizational culture and IT have been studied recently by authors like Kanungo et al. (2001) and Silvius et al. (2010). The first suggests that the culture existing in a company can affect the efficiency of the organization and even its IT strategy; and the former see a relationship between organizational culture and the adoption, management and use of IT. Tsotra et al. (2011) claims that while some cultural issues regarding ITO projects are not yet completely understood, issues regarding culture in buyer-supplier relationships has been largely ignored. Our study will contribute to this field. Among the recent studies done in this field we can mention the following: Luftman et al (2011) introduced a new model for ITO relationship expresses the measuring factors for a successful IT outsourcing relationship between customer-provider; while Swar et al. (2010) attempt to describe the role of
culture compatibility on the success of failure of the outsourcing arrangements. More related works done in this area and occasionally used by us are mentioned in the background.

There have been prior studies and practices on IT sourcing, outsourcing, IT outsourcing and management which are respectively representing the strategy the companies use to arrange and prepare the internal and external resources to fulfill their technological needs, the logic underlying a firm’s outsourcing decisions and to use a supplier to prepare the IT products or services for them. This logic is visible in a firm’s portfolio of IT outsourcing decisions, for instance, sourcing theories, outsourcing and different types of IT outsourcing are very well described by Gottschalk (2006). Levina & Ross (2003) also discuss in an article the vendor value position and many more and Domberger et al. (2000) have been studied the IT outsourcing field with both qualitative and quantitative approaches.

Additionally, models and theories for outsourcing management have been presented by different researchers, in this section we can name: Resource-based view (RBV) (Cheon et al., 1995); and the framework by Feeny & Willcocks (1998) on clients internal IS core capabilities.

More focused Balaji (2008) reports about the relationship diversities and its effect on IT outsourcing. The author claims that the service buyer and provider compatibility is a significant predictor of outsourcing effectiveness. An assessment model to measure the degree of service buyer and provider relationship improvement is described in Luftman et al. (2011) which is based on their experience in companies and in a previous model for business-IT alignment maturity (Luftman, 2000).

Regarding organizational factors on the other hand, recent research suggest that there is a relationship between organizational culture and the adoption, management and use of IT. In their study of IT strategy and public organizations in India, Kanungo et al. (2001) suggest that the culture existing in a company can affect the efficiency of the organization. Generally the organizational culture can be considered as a common restraint on the changes and especially in technology changes (Laudon & Laudon, 2007). Most of the times the organizations try to avoid structural changes, but in the competitive today world some of the changes are inevitable. In explaining the change process the authors argue that technology, task, structure and people are linked with each other and therefore changes in one of them influence the other three.
Furthermore, the behavior and beliefs of the employees in an organization can change the performance of the companies and their adaptation to external issues such as using new technologies (Schein, 2009).

Many failures in the IT outsourcing area have been reported over the past decade (see Luftman et al., 2011) and one conclusion that can be extracted from such statistics is that there still exist some elements playing roles in achieving a successful outsourcing strategy which are remained unknown.

1.2 Problem field

Globalization and new sort of strategies used by organizations today have faced them with some issues that need to be handled to make them capable of being competitive in such fast growing business market. One of the most commonly outsourced activities are IT-enabled business processes which is done in different levels (Rajan & Srivastava, 2007). Each organization on the other hand requires its own best practices for achieving the best performance of outsourcing, specifically ITO.

Critical issues and success factors in ITO relationships have already gained some attention in the literature (see Kern & Willcocks, 2002; Barthelemy, 2003; and Overby, 2006), but what differentiates this research from the previous ones is its specific focus on the enabling or disabling role that the organizational culture can play in IT outsourcing relationships.

According to Palvia & Pinjani (2007) on the other hand, organizational culture subjects are key IT/IS global management issues currently because they can influence IT practices in elusive ways. Therefore, their impact in the area of IT needs to be studied by using a variation of different models and culture dimensions.

Many authors have found out that the culture inside an organization and the way people have relationships with each other, may have a significant influence on the success of this organization (Abrahamsson & Andersen, 2005). Regarding IT outsourcing relationships, some authors mention ‘cultural fit’ as an attribute that influence the quality of the relationships between a customer and a provider (Alborz et al., 2005).
1.3 Research question

Since the failure and success of IT outsourcing relationships have both been reported and gained attention and on the other hand organizational culture role as a firm’s important fact in such relationship has not been studied in deep, we chose the flowing question as the research question of this project:

*What is the role of organizational culture in IT outsourcing relationships?*

To respond to this research question we will look to find out the relationship between the different organizational cultures of different buyer companies and their IT outsourcing relationships with their providers.

In order to answer the research question we will use the research theoretical framework defined in chapter 2. This theoretical framework is a step in this research which guides us in the analysis and is based on the literature reviewed describing the potential effect that the organizational culture of the buyer company can have on four determining IT outsourcing relationship factors. These factors are also defined according to the literature review of this research and are introduced in chapter 2.4.

1.4 Research method

Here we describe a short summary of the research method, detailed explanation of the research method and as well a discussion about the chosen methodology for this research will be presented in chapter 3.

In this work we will use the deductive method. Our start point is based in the knowledge that already exists. It is not the case here the use of the inductive method because we will not conduct an empirical study to create new theories, rather we will use the theories which already exist to design our theoretical framework and its construction will be based on a literature study. This theoretical framework guides us to the steps we need to take along the way to answer the research question and also make a set of questions for our interviews which are used for data collection and analysis. Also this study will only consider the buyer’s point-of-view in the ITO relationship and will study the organizational culture of the company regardless of the national culture of
different countries that the company is working in (more details in chapter 3.3 research scope). As a data collection method for the empirical study which will be later used to validate the theoretical framework, we will use semi-structured interviews with managers involved in ITO projects in multinational companies with offices in Sweden. In order to proceed with the analysis of the empirical material, we will prepare summaries for the interviews. These summaries will help us to identify key themes and patterns which later can be categorized according to our theoretical framework. In this work we will use qualitative methods, we will not carry out any quantitative research and we will not measure any variable. At the end by using the data from interviews, we will analyze all parts of our theoretical framework and formulate our conclusion based on it.

1.5 Results

If buyer companies with different organizational cultures continue outsourcing to different providers, the question of how service buyer-provider relationship should be managed must be answered. The empirical investigation will review aspects of ITO relationship which can contribute to the formulation of best practices for the industries. By locating the OC (Organizational Culture) elements based on the theoretical and empirical findings, it will be possible to enrich the knowledge of the influence of these elements in ITO relationships. This knowledge later can be used to mitigate the impact of problems originated by such elements in an ITO relationship. Furthermore, such knowledge could be valuable for managers and project leaders involved in ITO projects.

Likewise, finding out the role of the organizational culture in ITO relationships which is the goal of this research could be a complement to the studies focused in the influence of national culture in such relationships which were mentioned in chapter 1.2 that has been done by some authors. If we can identify the role of OC components in the ITO relationships and answer our research question by this result, then one can have also a wider understanding of the impact of national culture in this specific relationship. Such knowledge could be useful for academic research in the area of IT sourcing management, organizational theory and business administration.
1.6 Disposition

The rest of this thesis is structured as following:

Chapter 2 - Literature review and theoretical framework: in this chapter we present a review of the literature related with IT outsourcing and organizational culture. Furthermore we explain the relation between these two subjects.

Theoretical framework: in this chapter the aim is to describe how the reviewed literature has been used and theories have been extracted from it to create our theoretical framework. This theoretical framework directs us to how to use the literature and data gathered from interviews to answer the research question. We found out the common points of the two main subjects of our research the IT outsourcing relationship and organizational culture from diverse authors’ points of view and models.

Chapter 3 – Method: in this chapter we describe the methodology which is used in this research. It also provides information about the theoretical approach and choice of method. Later we introduce our research process and account for all its components (research strategy, data collection method and data analysis).

Chapter 4 – Empirical data presentation: in this chapter we present the summary of data collected through interviews with six companies working in different branches without any impact of our opinion on them.

Chapter 5 – Analysis and discussion: in this chapter an analysis of the four parts of the theoretical framework of this research is presented which is based on our opinion about data from interviews and literature study. Later we present eight external factors which also have a role in the IT outsourcing relationships and which were found during the empirical study.

Chapter 6 – Conclusion and further research: in this chapter we formulate our final conclusions and discuss issues related with reliability and validity. Furthermore, we provide suggestions for further research.
Chapter 2: Literature review and theoretical framework

In this chapter we will present a review of the literature related with IT outsourcing and organizational culture. Furthermore we will explain the relation between these two subjects. The method used for literature review is explained in the next chapter Method and in section 3.2.1.

2.1 IT outsourcing

As one side of the relation between IT outsourcing and organizational culture, IT outsourcing and service buyer-service provider relationship should be defined. Outsourcing has variant types and aspects such as outsourcing decision making, effectiveness, influencing factors, governance and control. Here in this part, the definition, theories, background and relationships are described briefly.

2.1.1 Sourcing

Strategic management of companies traditionally can be based on two approaches, the product/market based and resource based approach. The further defines the firm in terms of its products and targeting market and the latter defines the firm in terms of their unique, valuable and crucial resources and capabilities that they use to produce their products or prepare their services (Gottschalk, 2006). Resource based theory is defined by Barney (2001) as the simple view of the relation of the firm’s strategies and resources. It consists of the firm’s understanding of its valuable, imitate and no substitutable resources they use and the management activities they perform to use these recourses.

In the strategic management and organizational theory, the ambiguity reductions and independency from key resources that the firm cannot control completely is very significant and they sometimes need to prioritize the linking between the individually controlled resources and the firm. On the other hand, according to Gottschalk (2006) regardless of corporate resource providence and independency, the firms need to compete on other resources that they may need
to produce new products and deliver new services in their business and this can cause the firms to need other firms to provide their additional needed resources.

### 2.1.2 IT sourcing

In the current business environment of today, companies are using IT widely in different cases and more or less they have IT needs, IT services, IT products, IT resources and IT strategies. This highlights the significance of IT sourcing, strategy and IT outsourcing more and more each day to enable the companies to compete with each other. (O'Brien & Marakas, 2008)

There are six fundamental principles for the organizations to consider in order to achieve a strategic approach in their business. These six areas are defined by Porter (2001) as right goal, value proposition, value configuration, trade-off, fit and continuity (See figure 1). IT sourcing is one of the strategic choices in which the sourcing decisions are influenced by trade-off, fit and continuity factors of Porter.

![Figure 1-Principles for a strategic approach (adapted from Porter, 2001, p. 71)](image)

The resource-based theory which was mentioned previously can affect the IT sourcing which determines the availability of IT resources in the internal or external sources. E-business organizations on the other hand, need their specific requirements of IT infrastructure, models and services which are deeply under effect of the IT sourcing management. If we suppose the strategy planning in three general stages concerning analysis, choice (selection and decision making) and implementation that each of them may have some detailed levels as well, the IT sourcing decisions are belonged to the middle stages including analyzing the needs, seeking for
alternatives, selection and making an action plan. These are the strategy planning phases mapping to the IS/IT strategic planning. On the other hand in regarding of e-business issues, where e-business is looking forward to find out “what” is going to be delivered by the organization, the IT sourcing is attempting to clarify “how” this can be done by the firm (Gottschalk, 2006).

According to Gottschalk (2006), IT sourcing includes issues related to “defining, planning and managing how an enterprise deploys internal and external IT resources and services to ensure the continuous fulfillment of its business objectives.” In general, there are three basic alternatives for IT sourcing that the companies can choose one or combine them together to use and acquire technological know-how:

1- Development the needed technology internally and produce it without external help,
2- Use the help of a second organization that has such technology in advance to provide it or,
3- Make a technology-sourcing procedure to gain the technology

All the various sources can be defined as internal and external sources and can be managed through organizational hierarchy or market mechanisms. Figure 2 illustrates the resource categories and options.

![Figure 2-Resource categories](adapted from Gottschalk, 2006, p. 141)
If a company lacks the technology needed to provide its services, then there are external sourcing methods to receive these technologies from the organizations that have them. The firm which has the technology can be called the source firm, vendor, provider, partner or server company and the firm that desires to get the technology can be called the outsourcing firm, buyer, client, customer or receiver company. The external sourcing methods can be ranged from arms-length licensing contracts, through more tightly coupled co-development partnerships and joint ventures, to the outright acquisition of the source firm (Gottschalk, 2006, p.141).

2.1.3 Outsourcing and IT outsourcing

The term "outsourcing", generally talking reflects “the use of external agents to perform one or more organizational activities” (Dibbern et al., 2004).

IT outsourcing strategy can be defined as “the logic underlying a firm’s outsourcing decisions. This logic is visible in a firm’s portfolio of IT outsourcing decisions. The logic either may have served to guide decisions regarding outsourcing of specific functions or may be revealed in the cumulative pattern visible in individual outsourcing decisions. Thus, strategy need not be a single decision that is consciously made, but rather the manifestation of multiple decisions” (Gottschalk, 2006, p.144).

Hirschheim & Lacity (2000) also stated that IT outsourcing is using an external firm as a third-party to provide the main company the IT units, assets, human resources or even managerial decisions and duties instead of performing them internally. Chaudhury et al. (1995) also defines IS/IT outsourcing as the contracting of various information systems’ sub-functions by user firms to outside information systems vendors. Another similar explanation for IT outsourcing can be “the commissioning of a third party (or a number of third parties) to manage a client organization's IT assets, people and/or activities (or part thereof) to required results” (Dibbern et al., 2004). As a final definition presenting here which also covers more aspects of IT outsourcing we can refer to Loh and Venkatraman’s (1992) as follows: The service providence by the external vendors in the physical and or human resources which can be in entire or partial components of IT infrastructure in the user organization” (Dibbern et al., 2004, p. 9).
2.1.5 IT outsourcing assortment

According to Hirschheim & Lacity (1995) the outsourcing decisions can be sorted pending on the percentage of the IT/IS budget of the organization allocated to internal or external units of IT providers. Total outsourcing, total insourcing and selective sourcing are three assortments based on this element. According to this categorization, the first strategy (total outsourcing) is when eighty percent of the financial plan for IT is used to gain the needed services and products from an external provider as a third party. The second strategy (selective sourcing) only some of the IT activities are planned to be provided buy another company and the client itself is still developing other parts of its needs which can vary in a range of twenty percent to even eighty percent of the activities. The third strategy (total insourcing) is when most (more than eighty percent) of the activities, services and products regarding IT are produced inside the company.

Another approach for categorizing IT outsourcing can be based on what is shared between the client and the vendor companies. Millar (1994) presents four types of IT outsourcing arrangements based on this approach:

1) General outsourcing which includes: a) selective outsourcing, where only some particular components of IT is outsourced; b) value added outsourcing, in which some service is provided by the vendor which adds value to the action done internally in the client company but can be cost affectively done without the collaboration of vendor company and c) cooperative outsourcing, in which one or some of the IT tasks are done jointly by the vendor and client company (ies).

2) Transitional outsourcing in which the company need to change its technological infrastructure, this migration between two technologies usually has the phases of “management of legacy systems”, “transition to the new technology/systems” and “stabilization and management of new technology” and all or parts of these phases can be done by a third party through an outsourcing plan.

3) Business process outsourcing in which the vendor company provided the client an entire business function. It is a new approach and is used today mostly in financial, governmental, health care, transportation and logistics industries.
4) Business benefit contracting which is also a recent approach and defines the agreement between service buyer and service provider companies to share the benefits, costs and risks in order to provide a specific business benefit for the client.

2.1.6 Transaction cost theory
According to different approaches and definitions of outsourcing, people have different derivation of it and have made various taxonomies and schools of IT outsourcing. Based on Gottschalk & Solli-Saether (2006) the firms’ managers may choose one or more of these frameworks as a guide while making outsourcing decisions based on their goals, organizational character and technological, behavioral and economic biases. Some of these schools are versus each other and some are in a way similar, but anyway they are not mutually exclusive. Gottschalk & Solli-Saether (2006) count 11 of IT outsourcing schools and explain and compare them in their book.

Transaction cost theory is a very important issue in making outsourcing decisions. Though our focus in this research is not directly on the theories for outsourcing decision making, but since cost is still a driving factor in managing the IT outsourcing relationships, we needed to briefly point to this theory.

The term “Transaction cost” conceptually was first introduced to economic lexicon by Coase (1937) which is cited by Gottschalk and Solli-Saether (2006) and he defined it simply as “the cost of using the price mechanism”. This cost can be altered from the cost of setting down the contract to the costs that may occur because of opportunistic holdups. They can be tangible or intangible costs that the firm is more successful in its outsourcing if they can estimate them more accurately (Gottschalk & Solli-Saether, 2006). The economical aim of all organizations is to decrease costs of both the production and transaction and earn more benefit and they may choose different types of organizational boundaries in order to reach this aim.

2.1.7 Models for IT outsourcing relationship
There have been various models and framework in different aspect of IT outsourcing but understanding the arising relationship between the company using outsourcing as its IT service providence strategy and the company that has the commitment to give this service to it is very crucial. According to Kern and Willcocks (2000) not only this relationship has effect on the
operationalization of outsourcing contract, but also it is the natural consequence of the dependency between these two firms. Therefore, as one of the most important component of IT outsourcing which can be affected by organizational culture as well is the relationship between client and vendor. That is the reason that we are more focused on the theories and models of outsourcing relationships. One of the models presented by Kern and Willcocks (2000) is the outsourcing relationship model as shown in the figure 3.

![Outsourcing relationship model](image)

Figure 3-Outsourcing relationship model (Kern & Willcocks, 2000, p. 329)

The other model introduced by Luftman et al. (2011) is also a model for IT outsourcing relationship (CPSAM) and was established for IBM first (see figure 4). Luftman expresses the measuring factors for a successful relationship between client and vendor (he calls them customer-provider) companies in an IT outsourcing relevancy. This model is based on his previous model for business-IT alignment measurement in an organization (SAM) in which he explores the factors involving in reaching a mature correlation between business units and IT
groups inside a firm. Luftman’s customer-provider relationships model has 6 core components and 26 sub elements, the 6 main areas of his model are as follows:

1) Value Measurement
2) Governance
3) Partnership
4) Communication
5) Human resources and skills
6) Scope and architecture

Figure 4-Customer-Provider Alignment Maturity Model (Luftman et al., 2011, p. 149)
2.2 Organizational culture

In this introduction regarding organizational culture we present definitions and models. Furthermore, we describe briefly the importance of organizational culture in different aspects of organization.

2.2.1 Definitions

According to Robbins & Judge (2011) organizational culture is related with the value system shared by members of an organization. This value system contains the main characteristics in which a group of people understand each other and behave, i.e. it presents the features which differentiate one organization from other organization. The authors say that because the members of an organization can have different backgrounds it is possible that they describe an organization in different ways. However, the organizational culture represents a common perception by its members.

In many large organizations we can find also subcultures. While the main culture represents the more important and well known values that most of the staff in the company are aware of them and have them in their minds, the subcultures represent the common understanding found in specific departments or local offices. Robbins & Judge (2011) claim that organizational culture will have a weak influence on organizations with many subcultures. An organization has a strong culture when its mission and core values are broadly shared among its members. This is because commitment among the members of an organization increases if they accept the organization’s core values. Organizations with strong culture have also an internal climate of high behavioral control. Beside that managers in organizations with a strong culture do not present a high concerning regarding formalizing rules and regulations to lead employee behavior. The culture in those organizations is internalized by its employees.

Organization culture develops from four elements according to Jones (2007):

1. **Characteristic of people within the organization**: organizations attracted people with share similar values. Even people with different values, personalities, and ethics can accept the values of an organization. The author claims that organization culture can be reinforced and change over time for those who control it.
2. **Organizational ethics**: they are moral values, beliefs, and rules inside an organization to point out to its members how to interact with each other and also with the organization’s stakeholders

3. **Property rights system**: the rights and responsibilities offers to each member of an organization to receive and use organization resources

4. **Organization structure**: the formal system of tasks and authority relations inside an organization in order to control its activities

It can be difficult to change an organizational culture, according to Jones (2007). The reason is that the above elements interact with each other. This way to change an organizational culture means that one needs to reformulate the property right system, its structure and eventually changes will affect the members of the organization.

Nevertheless, there is not a consensus regarding organizational culture. Hofstede et al. (1990) conducted in-depth case studies in ten organizations in Denmark and in the Netherlands and concluded that organizational culture is to a certain point determined only by national culture. Other authors claim that no organization could have its own culture (Erez & Early, 1993).

**2.2.3 The Importance of organizational culture**

According to Robbins & Judge (2011) high profitability, effectiveness and performance in organizations are related with organizational culture. Other authors have found out that the culture inside an organization and the way people have relationships with each other, may have a significant influence on the success of this organization in a general way (Abrahamsson & Andersen, 2005). The organizational culture can even affect the speed of accepting new entering technologies which happens very common due to fast growing of IT (Laudon & Laudon, 2007). In a study using regression analysis in a single company with twenty divisions, Flamholtz (2001) found out that there is a statistically significant relationship between corporate culture and financial performance (measured by ‘EBIT,’ or earnings before interest and taxes).

However, there are also the dysfunctional aspects of culture inside an organization. Culture can be a barrier for quick change in an organization and issues related with culture compatibility can influence new acquisitions and merges inside an organization (Robbins & Judge, 2011). According to Luthans & Doh (2011), organization culture occasionally can create coordination
problems for multinational corporations. The reason for this is that organizational culture can differs strongly among subsidiaries located in different countries in relation with the organization culture found in the company’s headquarters.

2.2.4 Models of organizational culture

One of the most influent researches in the field of organization culture is Edgar Schein (see Schein, 2009 and 2010). His model of the three levels of culture developed in 1988 is an important tool for managers (see figure 5).

![Three levels of culture](image)

**Figure 5- Three levels of culture (adapted from Schein, 2010)**

The model is divided as following:

1. **Artifacts**: visible organizational structure and process”
2. **Espoused values**: strategies, goals, philosophies”
3. **Basic underlying assumptions**: unconscious, taken-for-granted beliefs, perceptions, thoughts, and feelings” (Schein, 2009, p.26)

The author says that culture can be analyzed and studied from different levels. Everything is depending on the visibility of the cultural phenomenon for the researcher. The three levels contain very tangible and visible elements but also elements one only can fell due the fact that
they are unconscious or embedded. The author uses the term ‘basic assumptions’ where other authors used the term ‘values’ (e.g. Robbins & Judge, 2011).

In a recent study, Schein (2009) also believes that organizational culture is embedded in the national culture where an organization runs. The reason is that the background of the organization founders, leaders and members replicates in the organization culture.

One of the most recent models regarding organizational culture is the “X Model of Organization Culture” developed by Smit et al. (2008). The model represents a synthesis of many models collected in the authors’ research. They grouped similar elements present in ten different models and found out common patterns, which later were organized in five categories: leadership, strategy, adaptability, coordination and, relationship (see figure 6).

![The X Model of Organizational Culture (Smit et al., 2008, page 75)](image)

The five core elements of the X model are:

1. **Leadership:** The managers and leaders grade of impact on the organizational culture of the company aiming to improve the sufficiency of the work delivered as much as possible.
2. **Strategy:** The organization grade of certainty and clearness on planning for strategic decisions and path aiming to gain improvements in providing high quality services.
3. **Adaptability:** The company’s grade of communication and interaction with its environment and getting notified and response to changes aiming to improve providing services.

4. **Coordination:** The grade of the internal system alignment horizontally and vertically for best possible service provision.

5. **Relationships:** The organization staff grade of working with each other and their effort for making a useful and robust relationship aiming to higher up the service provision.

Based on empirical studies, Janssens et al. (1995) found out the three most important aspects which should be considered in order to determine multinational corporations’ organizational culture. They are:

1. The overall relationship among the personnel and their firm;
2. The hierarchical classification of authority describing the roles of managers and juniors;
3. The overall opinions that staff have regarding the Multi National Companies’ plan, destiny, aims, and their place in them.

### 2.3 Organizational Culture and customer-provider relationships in IT Outsourcing

In this part we define the relationship between customer/provider and ITO. Furthermore, we present arguments from the literature regarding to a connection between OC and ITO.

#### 2.3.1 Definitions

According to Swar et al. (2010) the relationship between the service buyer and the provider is an extreme important factor which influences the success of failure of the outsourcing arrangement. The authors even say that the understanding this relationship is not only related with the nature of the contract between the two parts but also with the results of the dependency created between the two parts. The practice of IT outsourcing is moving from the focus solely in the contract to the focus on relationships. Contracts are necessary but they are insufficient and incomplete according to Goles & Chin (2005). By analyzing 100 IT outsourcing contracts, Sursala et al. (2010) concluded that it is difficult to formulate extensive contracts due to the complexity in
including a wide scope of the outsourced activities. Furthermore, extensive contracts are likely to be incomplete in issues related with its implementation.

2.3.2 Related work on Business, IT and Organizational Culture

According to Lane & Lum (2010) business issues necessary include each other’s vision, values, goals, culture and ethical principles. It is possible that problems arise when two organizations do not have understanding for each other cultures. The authors also claim that success in partnerships is related with the compatibility of the organizations’ culture and working styles.

In their study about the quality of the relationship in IT outsourcing Swar et al. (2010) claim that “cultural compatibility” is one of the factors that can influence issues related with cooperation, trust and mutual understanding in an IT outsourcing relationship. According to Goles & Chin (2005) cultural compatibility can be defined as the degree to which customer and provider can be related with each other’s beliefs, values, behaviors, goals and policies. The authors further argue that parties with discordant organizational culture create difficulties or barriers in the relationship. Swar et al. (2010) point out that the organizations with compatible culture will have more chances to have a successful relationship and even improve the quality of the relationship. The authors mention many studies where cultural compatibility is an important factor in relationship success. In an empirical study the authors found supports for their hypothesis linked cultural compatibility capacity and aspects related with cooperation, trust and mutual understanding in IT outsourcing relationships.

2.3.3 Organizational Culture and Outsourcing: gaps and connection points

Research related with the role of the relationship between client and provider is still in its initial stage, according to Goles & Chin (2005). The authors used Relational Exchange Theory in order to study these relationships buy designing a framework. In this framework “cultural compatibility” is one of the factors that influence the relationships. Their assumptions are that both client and vendor have compatible corporate cultures and that they accept each other’s culture. Dibbern et al. (2004) also pointed out the importance of cultural compatibility in the relationships saying and add that some issues in this matter are more intangible. However any author presented a study focused solely in the organization culture issues in IT relationships outsourcing.
2.4 Theoretical framework

In this chapter the aim is to describe how the studied literature has been used and theories have been extracted from them to create our theoretical framework. This theoretical framework is a step in this research which guides us in the analysis, describing the potential effect that the organizational culture of the buyer company can have on four determining IT outsourcing relationship factors. We found out the common points of the two main subjects of our research the IT outsourcing relationship and organizational culture from diverse authors’ points of view and models.

2.4.1 Key factors in IT outsourcing relationships

In order to build the theoretical framework we require the narrowed down area which represents the most looking determinants, metrics or indicators of an IT outsourcing relationship from the buyer company’s point of view. Since the approach of this research is to find the critical factors that the companies are seeking while having an IT outsourcing relationship, we went through various sources. For instance, in their study about ITO relationships study Alborz et al. (2005) found out 50 different management controllable factors which can affect the success of an ITO relationship. In another study by Goles & Chin (2005), the authors mentioned 24 different factors all involving in IT outsourcing relationships.

There were also some attributes that were vocally different but similar in concept and function. Furthermore, there were also some attributes that could be subordinating to one of the other factors. For example, many authors use the word cooperation (cf. Kern & Willcoks, 2000 and Goles & Chines, 2005). However, in Gottschalk & Solli-Sæther (2006) the authors use the word collaboration, but after reviewing their description you can find out that the definitions are similar. In the process of finding the critical attributes, we produced a compilation of the relevant factors associated with the IT outsourcing relationships management as shown in the table 1.
<table>
<thead>
<tr>
<th>IT Outsourcing Relationship Factors</th>
<th>References</th>
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<tr>
<td>Agency theory</td>
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<td>Attitudes/Assumptions</td>
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<td>Benefits and risk sharing</td>
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<td>Bonds/Networks</td>
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<td>Commitment (behavioral &amp; temporal)</td>
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<td>Communication</td>
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<td>Confidentiality capability</td>
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<td>Conflict handling capability</td>
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<td>Consensus/Join expectations</td>
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<td>Contract</td>
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<td>Cooperation/Collaboration/Coordination</td>
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<td>Cultural compatibility/Similarity/Adaptation</td>
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<td>Dependency determination on the exchange relationship</td>
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<td>Efficient management of personnel issues (personal bonds)</td>
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<td>Exit strategy</td>
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<td>Fair bargain</td>
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<td>Flexibility capability/Adaptation</td>
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<td>Good act of client’s transferred staff</td>
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<td>Information sharing capability</td>
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<td>Interdependence</td>
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<td>Integration/Institutionalization</td>
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### 2.4.2 Selection of the IT Outsourcing relationships factors

There are four factors, trust, communication, commitment and cooperation (see table 2), chosen among the number of factors listed previously. After a review of the preliminary found factors, we found that these four factors are the most cited ones in the materials reviewed.

**Table 2-Four main cited ITOR (ITO Relationship) factors**

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<td>Main Factors</td>
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2.4.2.1 Trust

Trust is counted as a factor of behavioral dimensions beneath the conceptual framework that Kern and Willcocks (2000) produced for IT outsourcing relationship. Trust is defined by the two mentioned authors as the belief that each party has on the word of the other party that they will fulfill their promises and obligation as they have agreed and stipulated on the contract and in the right time. In fact, trust is indicated in variant direct and indirect ways by authors in context of IT outsourcing relationships. This clarifies that it is crucial for the companies to reach it in high degree as a relationship quality measurement and use many strategies, advices and behavioral patterns for this aim. This significant insistence of companies on this factor caused us to choose it as an IT outsourcing attribute to work on.

2.4.2.2 Cooperation

In a study by Artz & Brusch (2000) on measurement of relational norms in service buyer and provider relationships, the authors mentioned collaboration as a measurement (alongside with continuity expectations and communication strategies). According to them collaboration denotes to the willingness of the client and vendor for working with each other in order to make a helpful relationship between them and advance the association they need for work.

The role of the collaborative actions is to enhance the relationship of service buyer and provider companies and to lower down the probability of opportunistic behavior. Both of these impressions that collaboration can cause, are very important aims in an IT outsourcing relationship which were discussed in transaction cost theory as well. Swar et al. (2010) also count cooperation as one of the three determinants of relationship quality between service buyer and provider companies which can be similar in the meaning with the collaboration term that we chose as the word to use for this concept in our research.

In their research on exploring IT outsourcing relationships, Kern and Willcocks (2002) point to cooperation as one of the most common issues forming the characteristics of relationship atmosphere. According their findings from companies, it was evident how they explain about the way the two companies deal with each other and handle different issues to work together. Again here the word the authors used is cooperation which is the same in context with the word collaboration.
2.4.2.3 Communication

Just a brief observation and talk with people working in any company and even experiencing the synergy in a working environment flourishes the role that communication can play to improve or demolish the performance. It is the same when it comes to the relationship between two companies with diverse management and staff. Regarding IT outsourcing relationship, Hamid and Suberamany (2009) induce communication as one of the first determinants of it and Kern and Willcocks (2002) also mention the communication and information exchange as an interaction between the service buyer and provider companies that influences the working climate and behavior of individuals in an outsourcing relationship.

2.4.2.4 Commitment

From an interactive approach to the relationships of service buyer and provider of IT services, trust and commitment are interdependent; the greater commitment leads to greater trust and vice versa (Kern & Willcocks, 2000). In another research on IT outsourcing relationships in higher education institution there are 5 determinants counted by Hamid and Suberamany (2009) and they are commitment, communication, trust, cooperation and flexibility. Commitment is the willingness of the parties to exert effort and devote resources in order to sustain an ongoing relationship (Goles & Chin, 2005). This repeating of the factor commitment in different places by different authors and its interconnection with the factor “trust” highlights it among other determinants.

2.4.3 Four parts of theoretical framework

In order to develop the theoretical framework, we found out the possible correlations among the organization culture and the four most cited factors related with ITO relationship found in the literature. Later on we made a theoretical framework which shows the potential area that the relationship between the OC core elements and ITOR factors may show up. This is the map that we will use to find the collation between interview data and what we are going to extract as the influence of OC on ITOR (see figure 7).
Figure 7- Criteria for studying the influence of OC on ITO relationship

Based in the four main factors of ITO relationships that we chose, we divided our theoretical framework into four parts which were analyzed to find out the role of organizational culture of the buyer companies on each of the four factors and answer the research question. While analyzing the results gained from interviews, we went through the three most important aspects which should be considered in order to determine multinational corporations’ organizational culture, according to Janssens et al. (1995), to inspect the specific areas and their influence on ITO relationship. As it is shown in figure 7, four parts that create our theoretical framework are:

1- The role of organizational culture on the degree of **trust** in the ITO relationship between the service buyer and provider companies.

2- The role of organizational culture on the level of **cooperation** in the ITO relationship between the service buyer and provider companies.

3- The role of organizational culture on the grade of **communication** in the ITO relationship between the service buyer and provider companies.

4- The role of organizational culture on the degree of **commitment** in the ITO relationship between the service buyer and provider companies.
Chapter 3: Method

In this chapter we describe the methodology which was used in this research. We begin describing the research process and its phases. It also provides information about the theoretical approach and the choice of research method. Later on we introduce our research process and account for all its components (research strategy, data collection method and data analysis).

3.1 Theoretical approach

Here first we explain some methods described by authors and then mention how we selected our method among them.

According to Kvale (1997), science is the methodic production of new and systematic knowledge. Oates (2006) defines research as the creation of new knowledge with the aid of specific process, while Holme & Solvang (1997) explain that the purpose of the research is to increase confidence of certain statements or beliefs.

Holme & Solvang (1997) say that there are two reasoning methods: deductive and inductive. In the deductive method one derives (deduces) new theories from a coherent system of statements. While in inductive the star point is the data collected which later will be the ground to the development of general and theoretical conclusions. However, Wallen (1996) mentions abduction as another way to draw conclusions about the phenomena observed. In this approach we have a result and we search for causal factors without directly manipulating them.

The choice of the method is important in order to perform a serious research work. The authors say that a method to be used basically requires the followings:

- It should be corresponded with the reality being
- It should have a systematic selection of information and a good exploit use of it
- The outcomes should be presented in a way that other researcher can check and review its soundness
- The outcomes should permit to create new knowledge
In this research we used the **deductive method**. It is explained below why this method was found suitable for this research.

In previous research in OC, the OC can be always identified with national culture and not with a specific or well-defined culture developed and is used inside an organization (see Hofstede et al, 1990). The work conducted by Hofstede still has an impact in all the research in ITO. This way the research related with OC and customer-provider relationships in ITO reflects the view of studies based in national culture and not in organizational culture according to the definition adopted for this work (see Robbins & Judge, 2011). As mentioned before, there is not a consensus regarding organizational culture. Some authors (e.g. Hofstede et al, 1990) state that organizational culture is to a certain point determined only by national culture while other authors (e.g. Erez & Early, 1993) claim that no organization could have its own culture. For this work we developed a clear theoretical framework prior to the collection of data. This can be identified with the deductive method and it was necessary because the focus here is the study of OC inside an organization and not the national culture of an organization. If we use the inductive method, we would develop a theory after the data have been collected. However, it is not the aim of this work to create new theories, but to explain the phenomena with the theories that already existed. There is an extensive research in ITO relationships (see Gottschalk & Solli-Sæther, 2006 and Kern & Willcocks, 2002) and these studies can give us a solid theoretical ground for using the deductive method. A work following the inductive method could not produce a solid and well-grounded theory because of the limitations of the work and the scope of the research. It is not the case here either to use abduction method because we are not looking for causal factors affecting the phenomena under study. With the theoretical framework developed based in existed theories for this work, we already know these factors. These factors are found from theories divided the theoretical framework to four parts and we analyzed the four parts of the theoretical framework. These are the reasons why we used in this work the deductive method.

### 3.2 Research Process and the Application of Research Method

In figure 8 we present an overview of the research process to show the application of the research method and its components used in this thesis.
We used the qualitative method in this thesis because most of the studies concerning our research topic have used a qualitative analysis (see table 3). The qualitative method is used in this research in which one of the advantages is that it permits to the researcher to understand the social and cultural contexts from the point of view of the people involved in the phenomenon under study (Myers, 2009). The author also claims that such understanding is lost when the data is quantified. However, one of the limitations of the qualitative method is related with its representativeness. According to Holme & Solvang (1997) the qualitative method has a specific way to process information, i.e. the processed information is a simplification of the reality. This way the results shows just aspects of the phenomena under studied. The consequence is that the work can lose its representativeness (the reason to choose qualitative and not quantitative method for our analyses is described in the chapter 3.2.4, the analyses of empirical collected data.).

In the following chapters (3.2.1 to 3.2.5) it is describe how the chosen method is applied during the phases of this research, how they were done and how they were used to reach the result.

### 3.2.1 Initial phase & literature review

In order to formulate the research question we were using the previous knowledge in the field of IT outsourcing and organizational culture. Nevertheless, it was the literature review which gave us the ground for the theoretical framework. The novelty of the research lies mainly in the integration of two concepts of organizational culture and IT outsourcing relationships. This way the purposes of the literature review are: to show the current state of knowledge for the subjects named and their research contexts; to deep our knowledge in the topics mentioned and to serve as a foundation for the knowledge to be created with this research. We should also mention that the literature review helps us to formulate the set of questions used in the interviews. These were the direct implications of this part of the research process. Later, the literature review helped us in the
analysis of the collected data, the elaboration of the conclusions and the proposals for further research.

The needed steps for the literature review are the following:

 **a) Define parameters**

Based in our research questions we focused in materials published in English in the area of ITO, ITO relationships and organizational culture; primarily related with multinational companies which have been published in the last 10 years in books and articles. However, the materials age was not a strict rule because we expected to find materials with great relevance published earlier than this period of time.

 **b) Generate keywords and conducting search**

The following keywords were generated: “Organizational Culture”, “Corporate Culture”, “IT Outsourcing” and “IT Outsourcing Relationship”. We used those keywords first in online catalogue LIBRIS and also in the databases DiVA and EBSCO.

 **c) Evaluate and write the literature review**

We expected to find many materials, this way our criteria was to consider only those materials directly related with ITO and OC and recently published ones, i.e. no older than 15 years. The works by Gottschalk & Solli-Sæther (2006) and Schein (2010) were our start-point regarding IT outsourcing respectively organizational culture. This way, our literature review first summarizes the topics about IT outsourcing and organizational culture. Later we describe issues related with the relationship of organizational culture and customer-provider relationships in IT outsourcing. Furthermore, we present the context of OC and ITO in recent researches.

**3.2.2 Theoretical framework**

In using the deductive method we made a theoretical framework which was later analyzed. This theoretical framework is a step in this research which guides us in the analysis and is based on the literature reviewed describing the potential effect that the organizational culture of the buyer company can have on four determining IT outsourcing relationship factors. A detailed description
about the design process of the theoretical framework and ITO relationship factors can be found in chapter 2.4 (Theoretical framework).

3.2.3 Empirical study

The data generation method used in this thesis was interviews and not surveys because most of the studies in similar field that have been noticed in this research are also using interviews for collecting the data (see table 3 for an overview of such studies and their methods). Moreover thorough interviews can acquire reach data. According to Holme & Solvang (1997) information that is central to an investigation is highly dependent on its sources. Furthermore Kvale (1997) claims that there are no common procedures for interviews, according to the author an interview is a craft that could even be an art. This way the results of an interview depend directly on the interviewer skill, sensitivity and empathy. In this thesis we used semi-structured interviews. According to Oates (2006) in this kind of interviews there is a list of themes and issues to be addressed (we performed a set of questions based on our theoretical framework). The researcher is willing to change the order of the questions depending on the flow of conversation and additional questions could be formulated.

Table 3- Prior studies methods

<table>
<thead>
<tr>
<th>Prior studies</th>
<th>Methods</th>
<th>Data collection method</th>
<th>Number of interviews or studied cases</th>
<th>Qualitative or quantitative analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goles &amp; Chin (2005)</td>
<td>Survey</td>
<td>10</td>
<td>quantitative</td>
<td></td>
</tr>
<tr>
<td>Alborz et al. (2005)</td>
<td>Interviews</td>
<td>29</td>
<td>qualitative</td>
<td></td>
</tr>
<tr>
<td>Swar et al. (2010)</td>
<td>Surveys</td>
<td>93</td>
<td>quantitative</td>
<td></td>
</tr>
<tr>
<td>Kern &amp; Wilcocks (2002)</td>
<td>Interviews</td>
<td>12</td>
<td>qualitative</td>
<td></td>
</tr>
<tr>
<td>Solli-Sæther &amp; Gottschalk (2010)</td>
<td>Interviews</td>
<td>3 Case studies</td>
<td>qualitative</td>
<td></td>
</tr>
<tr>
<td>Hamid &amp; Suberamany (2009)</td>
<td>Survey and interviews</td>
<td>1 case study</td>
<td>qualitative</td>
<td></td>
</tr>
<tr>
<td>Luftman et al. (2011)</td>
<td>Interviews &amp; surveys</td>
<td>1000</td>
<td>Qualitative and quantitative</td>
<td></td>
</tr>
<tr>
<td>Artz &amp; Brush (2000)</td>
<td>survey</td>
<td>393</td>
<td>qualitative</td>
<td></td>
</tr>
<tr>
<td>Kern &amp; Wilcocks</td>
<td>Semi-structured interviews</td>
<td>14</td>
<td>qualitative</td>
<td></td>
</tr>
</tbody>
</table>
We used semi-structured interviews since we had some issues based on our theoretical framework that we were aiming to find answers for them, but we were also aware that in such interviews with top managers of different companies there might be some more information with are specific for that case and also very helpful and important for our research. For instance, one of the interviewees stated that they have done outsourcing before but they decided to take back all IT again. This case was very interesting since we could ask for information about the reasons they had for bringing back IT and this was only possible because of the flexibility of the semi-structured interviews. There are similar studies done by some other authors in the same area that they also used interviewees for collecting data, in supporting of this we can name Kern and Willcocks (2002).

We designed two sets of questions (appendix A) for the interviews. One with questions related with IT outsourcing correlation with organizational culture and one with questions related with organization culture only. They were used as a guide for us in the interviews, but we did not follow them strictly since the situations and the statements of the interviewees were different. In the first set of questions the questions were formulated based in the definitions of the four IT outsourcing relationship factors being focused in this thesis. Here we want to collect data regarding the finding of the relationships between ITO and organizational culture in order to get a rich picture of the phenomena studied. The interviewees did not have access to the questions in advance. The set of questions was checked by our supervisor before we performed the interviews. The set of questions can be found in the Appendices (appendix A).

This study used a non-probabilistic sampling described by Sapsford & Jupp (2006) for the interviews. This kind of sampling is also called “convenience sample” and has the disadvantage that it could not be a sample which is representative to the population (Bryman, 2008). Due to the constraint of scope for this study we conducted one semi-structured interview with each company relevant contact person.
The interviewees were contacted as following: we collected the companies contact information from the companies that we found relevant to our topic and had the situation which were suitable for our study (were outsourcing IT or had done it in the past). A standard e-mail was written in Swedish describing the research and was sent to thirty-two companies. We performed six interviews with managers from multinational companies with offices in Sweden which have been involved in ITO projects. A copy of the e-mail can be found in the Appendices (appendix C).

The interviews were in English and they were recorded. They last for about one hour and summaries can be found in chapter 4 “Empirical data presentation”. We did not make a transcription of the interviews because: we needed to focus on the subjects of this thesis and by making a summary we could re-organize the data collected in a way that we could effectively analyze it later, but in chapter 4 that we presented the empirical data we just sorted and summarized the original data and nothing has been changed based on our opinion and they are exactly what was presented to us by the interviewees. By making a transcription word-by-word it could be possible to disclose the companies which took part in this study. Our agreement with the companies was to conduct the work anonymously and disclosing their name in this report we would violate the ethical rules adopted for this work in chapter 3 (3.4 Ethical issues).

The collected data was organized as following: first a short introduction about the company; later we presented the data related with one of the four ITO relationship factors; and in the end we presented the organizational culture findings systematized according to Janssens et al. (1995). A detailed description about this structure can be found in chapter 2 (2.2.4 Models of organizational culture).

3.2.4 Analysis of empirical collected data

We used the qualitative method in this thesis. In this method one of the advantages is that it permits to the researcher to understand the social and cultural contexts from the point of view of the people involved in the phenomenon under study (Myers, 2009) and our topic is also involved with social and cultural contexts.

Additionally, according to Neill (2007) qualitative research has the aim to describe complete and in details the study object. The author prescribes such approach when the researcher does not know clearly in advance what he/she is looking for. Quantitative research has the aim to explain
the study object by counting, measuring or by using statistical models. In this kind of research the researcher knows in advance what he/she is looking for and data collected is in form of numbers and statistics. In this work we choose to perform a qualitative research because we want to explain the focused goal of the research in detail having the point-of view of the buyers in an ITO relationship. This means that the individual interpretations of managers who are involved in ITO projects are more important to us than precise measurements. It is not the aim of this work to measure any variable, nevertheless to understand the context of ITO relationships and analyze the buyers’ perspective in such relationships.

We analyzed the data collected from the interviews by looking for patterns, themes and categories and their inter-connections in order to interpret the data in relation to our four parts of theoretical framework (shown in figure 9). While analyzing the results gained from interviews, we went through the three most important aspects which should be considered in order to determine multinational corporations’ organizational culture, according to Janssens et al. (1995) described in chapter 2.2.4, to inspect the specific areas and their influence on ITO relationship. Categorizing the collected data based on the above mentioned issues for relationship factors and organizational culture areas and comparing them with the authors’ previous knowledge and reviewed literature through internal discussions and noting the initial results in discussions and completing them afterward, made our analysis and final conclusions. Furthermore, the data collected presented external factors which were important in the context of this research and they could also influence the ITO relationships but unfortunately out of the limits for this work and a deep analysis could not be performed. However, we made a description of each of them because they can be for sure start-point for further research. From this point we designed a figure (figure 11) as a synthesis for the whole work, which was the result of an inductive method as well.

However according to Oates (2006) qualitative data analysis does not have any fast rules or procedures and it is dependent on the skills of the researcher. The author says that the analysis and its results can be reached and detailed and there are opportunities for multiple interpretations which are equally valid conclusions. A disadvantage with this approach is that the interpretation of the information is highly dependent on the researcher’s background and beliefs.
3.2.5 Conclusion

In the last step of this research we feature a summary of our findings and suggestion of further research. Furthermore, we present a discussion about reliability and validity for this study.

3.3 Research scope

The scope of this research is on the companies doing outsourcing, in other words the focus is on the buyer sides of this relationship. The reasons for such a perspective to apply the theories was driven from the managers of companies speech and university researcher advisors and are as follows:

- Since the concept that we seek to find its influence on IT outsourcing relationship is the organizational culture and organizational culture can be assigned only to one company at a time and it is the buyer side whose culture is the dominant culture, we chose the buyer side. It is the buyer company that has the power of buyer identified in Porters five forces theory (Porter, 2001) and it is the buyer company which is usually bigger and has the money and the suppliers match and make the things in the way desired by the buyer company.

- The power of supplier is very low in the case of IT outsourcing because there are many suppliers available for the same IT service and the buyer can easily switch to another provider. The standards existing for IT services also make it possible to find the same quality services through different providers (like Microsoft licensed ones). On the other hand, failure in an ITO relationship would be more critical for the buyer company, since it may affect the whole companies job and cause them costs, but for the provider company it is just losing one customer and they would still have other customers.

3.4 Ethical issues

According to Holme & Solvang (1997) in social research where people are involved also implicates ethical problems. Oates (2006) explains the rights of participants and the liability of an ethical researcher. Respect for fellow human beings is a fundamental starting point for all forms of social research. Mental and physical integrity of the individual who contributes with information should be protected and that confidentiality must be strictly followed. Kvale (1997) says that in an interview, the researcher must tell the interviewees about the project and the
benefits and risks that can come of the interview for the interviewee and the institution. One must also receive approval to use and cite the material that emerged from the interview. These were the norms used in this research. The names, exact statements of the interviewees and the name of their companies are not revealed in this research and the confidentiality of their information is followed by giving general information about their companies like the general field of their work but not the exact job they do. The interviewees were aware of the purpose of this research and had the information about the authors and the supervisor, this information were sent to them through the interview request letter (appendix C) in which it was mentioned that everything will be anonymously and the data is going to be used for a master thesis. They were also aware that they will receive a copy of the final report from the authors.

3.5 Validity, reliability and reproducibility

External validity is related with generalizability, i.e. if the researcher was able to generalize his/her results. While internal validity is related with the accuracy of the results. Regarding external validity it is possible that this study could not be generalized in the first place because of the limitations of the method used. It is also possible that by using the same sets of questions and conducting interviews with a probabilistic sample, one can reach a different result, i.e. the results, if we replicated the study, could not be the same. However, following the claims of Oates (2006) it is possible to generate some conclusions which could be not unique and in this case, can be found again in other context. Even if the organization culture and the level of IT outsourcing relationships are not the same for two companies, some assumptions like the correlation of free communication and the structure of the company (hierarchical/flat) can be used as a ground for a theoretical framework. The same is possible in relation of the external factors founded in the analysis and discussion, for instance contract, type of IT outsourcing and branch of the company.

Regarding internal validity it is possible that the non-probabilistic sample influenced the quality of the data collected. It is possible that some interviewees did not describe all the aspects of their reality for one of another reason. We can speculate that a view of a single person cannot be generalized as the entire reality of a multinational company with thousands of employees around the world. It is also possible that the interviewees, whom we contacted, were not the most
appropriate persons to answer our questions; or even that the questions were not formulated in a way to permit the interviewee to provide us with the correct information.

Reliability is related with the quality of the conclusions based in the quality of the data collected. As mentioned before the data is consistent, but still the chances to repeat the study and get different conclusions are very high.

Regarding the reproducibility of the results of this research, it is well-intentioned to note that the method used for analysis was a qualitative method and in the qualitative method the results are very much dependent on the knowledge and experience of the researchers and how they analyze their empirical data. By repeating the same method and using the same theoretical framework designed in this research and also choosing the same interviewees in the same companies by other researchers, it is possible to find the trueness of the results of this research and in most of them find that the organizational culture have an effect on the ITO relationship factors. The accordance of the new results (which is the degree in which the repeated research can be similar to the previous one) is depending on the time that has passed and the different opinions the interviewees may provide since they have obtained new experiences and also the new researchers may have some different backgrounds that may affect their final analysis.
Chapter 4: Collected data

In this chapter we present the data collected through interviews with relevant managers of six companies working in different branches (see appendix A for the set of questions used in the interviews). Initially, the information about the companies is demonstrated briefly in table 3. After that we organized the data gathered based on the four ITO relationship elements that we are focusing and the organizational culture aspects, according to Janssens et al. (1995), to each company. The questions are also designed based on the factors explained in chapter 2.4.1. These sets of questions were a guide for us to ask questions in interview and since it was a semi-structured interview, we did not follow all the questions in that document and even new questions came out depending on the answers of the interviewee.

The data presented here is a summary of the most relevant findings from the interviews. Here we just sorted and summarized the original data and they are exactly what were presented to us by the interviewees (also mentioned in chapter 3.2.3). The interviews were in English, they last for about one hour and they were recorded (the interviews information can be found in appendix B). We did not make a transcription of the interviews because: we needed to focus on the subjects of this thesis and by making a summary we could re-organize the data collected in a way that we could effectively analyze it later. By making a transcription word-by-word it could be possible to disclose the companies which took part in this study. Our agreement with the companies was to conduct the work anonymously and disclosing their name in this report we would violate the ethical rules adopted for this work in chapter 3 (3.4 Ethical issues). The analysis of this data and four parts of theoretical framework and discussion based on literature review will be presented in the next chapter.

Following the confidentiality of the companies information they are referred as Company A, B, C, D, E and F. For the simplicity sake we will use the abbreviations OC for organization culture and ITO for IT outsourcing.
In the following sections we are presenting the data from each interview sorted upon the companies that the interviews were done in.

### 4.1 An overview of Company A IT Outsourcing situation

Company A has been outsourcing for many years and now has 12 strategic partners (i.e. IT service providers) around the world. Concentrating on IT services, there is an IT department inside the company which is assigned to the critical IT functions. Non critical IT functions such as service desk and part of data centers on the other hand are outsourced to various providers. The most significant reasons for motivation of the company to outsource such IT functions are:
firstly the limited capacity of the resources inside the company, the second reason is the cost efficiency of outsourcing. As a large multinational company the factor “cost” for the outsourcing is not the only issue, but their strategy is to outsource whatever can be provided to them by other companies and then save both human and financial resources for the company’s core business.

The decision about what to outsource is taking by different groups and not only by a single person or department. These groups are linked with different parts of the company and based on their objectives decide on what is critical and what is not critical. The critical parts are left internal because there is no competitive advantage anticipated to be gained by outsourcing such parts. There is also the risk to lose the crucial data and dependency on the partners. This way the company’s resources can be focused in the most strategic and analytical parts.

Company A has different contracts with different providers. The contracts’ period can be from two to five years and the company has several IT service providers. Company A avoids having a big contract with a single provider; in addition, they do not have too many providers for a single outsourced IT service at the same time. With the long contracts the advantage is cost saving while with the short contracts the advantage is flexibility. Over all, this company considers itself satisfied with its outsourcing and providers, at least during the last 5 years, and is willing to continue outsourcing, although there would be some changes in the way to choose the providers in soon future.

4.1.1 Element 1 - Trust

Company A believes that trust is the most important factor for a good IT outsourcing relationship. However, the interviewee person places innovation in the second position. According to her, trust in an IT outsourcing relationship that they have with their providers can be distinguishable by the degree that people may hide problems from each other and not reflecting them to the upper levels. In their circumstances, the strong communication inside the company and between the company and its provider is an effective factor to report the problems on time, not being afraid of giving bad news and making aware or asking from any other involving person. Pointing to each other when faults happen is also a problem that she mentions happens because of the lack of trust between the service buyer and provider companies.
4.1.2 Element 2 – Cooperation

Regarding the factor cooperation between the service buyer and provider company, the interviewee person points to rapidly invitations from the provider companies. They invite different people from different departments of the buyer company for meetings. Normally the buyer company and the providers have booked meetings each other month. During these meetings the providers’ purpose is improvements and not only reporting the quo status. Besides that, the buyer company encourages informal meetings.

Another aspect regarding cooperation is the fact that the company desires to have its providers acting as they were an internal part of its structure and to be an innovative organization all the departments of the company have to take initiatives. There are many training programs for employees inside the company A and they have some staff whose job is to go to the providers regularly to communicate, find problems and ease the cooperation between the two companies.

4.1.3 Element 3 – Communication

In company A, there are different levels or layers for communication inside the company and between the buyer and provider companies. There exist open discussions which take place from the start of partnership; there are many people from different departments involved. If the subjects discussed become more commercial (which gets more crucial as well), then only a small number of the specific people are invited to take part. Furthermore, the communication is constant among the company’s employees and its IT providers, any employee involving in an outsourced service can communicate with the provider company people directly or indirectly and vice versa.

4.1.4 Element 4 – Commitment

Regarding commitment, the interviewee mentions to history of their relationship with their providers. There are some providers who have been working with them for more than 10 years. This together with the strategy of signing short term ITO contracts makes the providers willing to fulfill the requests of the company and also follow its ways to do it. Company A is also willing to expand contracts with those providers which offer them with new solutions and ideas which is very attractive for them and helps them to gain competitive advantage.
4.1.5 Organizational culture findings
To describe the points regarding the organizational culture of the company “A” we consider the following three aspects of organizational culture in Multinational Companies to present it more comprehensible as it was elucidated in the methodology of this research.

- **The overall relationship among the personnel and their firm:**
  The company has a culture of open discussion which they try to apply the same with their providers too. Employees are encouraged to take the initiative to contact with the providers all the time to discuss any issue which can be improved:

- **The hierarchical classification of authority describing the roles of managers and juniors:**
  The company has the flat structure similar to many Scandinavian companies, especially regarding people contacts and duty clearness. There are some hierarchies in the cases such as solving problems and decision makings.

- **The overall opinions that staffs have regarding the Multinational Companies’ plan, destiny, aims, and their place in them:**
  Company A introduces itself as an energy company which has an innovative organizational culture and it is natural for them to demand such quality from the providers as well. The cross cultural courses are even performed by the company to improve the communication quality when it comes to different countries and nations of outsourcing providers.

4.2 An overview of Company B IT Outsourcing situation
In company B they are outsourcing main parts of the needed services regarding IT. There is only one section in which they make the specialized software and this is done internally, but the rest of IT services for instance relating networks, databases, computer systems, and hardware are widely outsourced. The most effective driver for this company to outsource its IT is to reduce the costs, their other argument is to have less concern and responsibility for internally regarding IT and concentrate more on their core business, they were also affected by the financial crisis while deciding to outsource and this decision helped them to decrease the number of employees by
transferring some of them to the provider company. This company has limited number of providers whom they call partners and they have various reasons for such diagnostic decision:

- The company has the strategy of not having long time contracts with the providers because this gives them the possibility to change their providers in the case of dissatisfaction or finding a better choice.
- Having fewer partners makes it easier for the company to make changes and cancelations of their contracts and preventing extra costs which is a part of their vision.
- It will also be more expensive for them to have more partners and brings them more responsibilities and tasks regarding managing and communicating with the partners.

Currently they are satisfied with their outsourcing in general and they have been continuing with the same provider at least for 3 years. However, the employees of the company B occasionally indicate the long waiting time of receiving services or low communication and lack of feedback taking as the shortcomings of their relationship with the provider company.

4.2.1 Element 1 – Trust

In order to create trust among the company and its providers there is a contact team responsible for all the contacts between the buyer and provider companies and single individuals are not allowed to contact the providers directly. There is also a hierarchy that should be respected as long as many internal proceedings to different kind of projects inside the company. The company tries also to scan the previous buyers of a specific provider for their evaluation and emphasizes that the providers should hold the quality level for all the delivered services and the providers have knowledge of that.

4.2.2 Element 2 – Cooperation

There are processes and procedures for everything in company B: the cooperation should be in the level of two partners. Conflicts should be avoided in order to not delay the work provided by the IT supplier. Employees and other project members should not contact the members of the provider’s company. The project managers are responsible to solve problems related with services which are not delivered properly.
4.2.3 Element 3 – Communication

Any kind of problem that could affect any kind of project should be handled through the project manager and not in the basis of person to person, i.e. project members should not take the initiative to solve project problems. The communication has to be done internally to the management team; this team has the responsibility to connect the company with the IT service provider. The reason for this is to avoid conflicts between two companies, for instance personal conflicts. All the communications proceedings are described in documents to be followed for all the employees inside the company.

4.2.4 Element 4 – Commitment

It is the project leader who is responsible for human resource. Therefore, the contact should be through the project leaders. When it turns to outsourcing, the company tries to minimize its responsibility because of time and costs. The company has a kind of general contracts for outsourcing. If additional items come, and if they were not written in the contract, then a mutual discussion will take place between two parts and decisions will be added to the contract.

4.2.5 Organizational culture findings

- The overall relationship among the personnel and their firm:
  According to our interviewee the organizational culture is stronger than any national culture. The company tries to solve all the issues related with cultural behavior before signing the contract. However, when the projects are running, the providers should learn as well about the ways that the company expects the services being delivered.

- The hierarchical classification of authority describing the roles of managers and juniors:
  There are some levels of communication in company B and employees do not exceed a certain level of communication when a problem occurs or when they are not satisfied; this is part of the company culture.

- The overall opinions that staffs have regarding the Multinational Companies’ plan, destiny, aims, and their place in them:
  As mentioned before there are processes defined for every interaction, besides that the processes have different levels, from the very general to the extremely detailed ones depending on the project type and the departments of the company; and the main reason for this process is to minimize cultural connections and avoid misunderstandings.
4.3 An overview of Company C IT Outsourcing situation

Company C is outsourcing IT from 2003 which the interviewee person mentions as the solution for surviving from bankruptcy of the company. They began with outsourcing the IT applications to one supplier which is a huge multinational IT provider and then in 2008 they decided to choose multivendor strategy and added a new supplier for their applications. Now in 2012 after nine years of outsourcing in total they have two providers for their IT applications (including the one that they began with in 2003) and one provider for their IT infrastructure. In addition to these 3 main providers, company C has more than hundred consultants that provide them various services regarding specific units of company C. Most of the IT development is done by the provider companies, but the business test unit is based in company C and the testing is not outsourced.

The main reason for this company to choose outsourcing as an strategy was to reduce costs and remain in the market. In 2008 by adding another provider for developing the applications, they continued outsourcing with a multivendor approach and a change in the scope of work with the providers. The motivator for company C to change outsourcing strategy was the immaturity of the supplier and the lack of control by company C. At this stage in addition to reduce the costs by outsourcing, company C was seeking for:

- Getting control on environment,
- To give more responsibility to the provider and have control on the same time,
- Give access to the employees and
- Have more concentration on customer services they provide

Currently they have 5 years long contracts with their main providers. Generally they indicate that they receive the desired service from providers although there always exist some challenges in their relationships which the communicator managers are continuously occupied to deal with. They are making a big branch in India which does a lot of IT and they believe they can manage a lot of IT in the future in-house.

4.3.1 Element 1 – Trust

As the background idea of the buyer company they don’t trust the suppliers and their argument for this is that the providers can change their systems in many ways and can even use them for
other purposes. They even have some bad experience with their providers concerning trust, but they are still keeping contracts with them. The reason for this act is that for instance to transformation of the infrastructure provider it may cost them five billion SEK. Company C has a lot of discussion and renegotiating on how to behave with the providers and everything should be written in the contract. As some of the problems regarding trust, the following points are noticed:

- Who are the end users of the outsourced systems, the helpdesks and employees; therefore they have to be prepared. In company C they have huge difficulties with people and the provider staffs want to charge them for every task and problem they want to solve. The interviewee mentions that it is hard to manage for employees to work with people who are sitting next to them in the office and working for you but they charge for everything extra that happens.
- It is difficult for the managers to find a worthy agreement with the providers since in the first generation of outsourcing in 2003 the first half year, no one complained because they had bad situation before but then the problems showed up. They wanted to reduce costs even more.

4.3.2 Element 2 – Cooperation
The method for cooperation for company C with the providers is that they both send some employees to the other firm to be able to transfer the needs and changes. The degree of this transfer is of course dependent on the provider company as well, for instance the IT infrastructure provider staffs are always present in company C and the number of the people can be 10-20 or even more. During this cooperation it is usually the providers responsible for delivering the service and the buyer company is monitoring their job, therefore if an incident happens, it is the provider’s job to make up. Again the buyer company needs to control whether such incident and the responsible unit for that have been foreseen in the contract.

4.3.3 Element 3 – Communication
Regarding the internal communication in company C, there is a hierarchy but it is at the same time a very open company in which the employees can contact everyone and they can send e-mails. They used to have a tool for communication but it is not being used anymore since it was a
lot a mails and conferences and previously news which were difficult to filter. Now they use another tool which acts as a messenger in which they can share screen and other stuff.

Between them and the providers, they are some channels for transferring formal communication; other employees involved with outsourcing relationship need to send messages to these channels. They cannot give the accessibility to the provider to all the employees and make them capable to contact them directly, unless they will be totally under the control of supplier.

Company C does not catch all the feedback from employees about outsourcing. In order to find feedback as much as possible they have the following routines:

1) Employees have meetings among their teams

2) If there is something wrong they refer to service manager or application manager which is expert in that service and also controls budget.

3) Once a month the application provider manager and IT manager of company C meet, if they need more discussion to agree on an issue, then the executive managers have to discuss like there CEO and Company C CIO meet.

4.3.4 Element 4 – Commitment

According to the interviewee, even if everything is written, they still need to find the roles. The first half of the year everything goes fine in their relationship with provider, then the provider company needs to make more money, so the problems will grow up and then in the end of contract cycle because they are willing to continue and extend the contract and also may realize that the buyer is working on a new contract and may find new suppliers, everything becomes recovering again and they will be delivering. So although everything is written but the degree of commitment changes based on the circumstances of the supplier and buyer and also time passing.

Again they are using contract as a tool for improving commitment; one of the difficulties when a defect occurs is collecting the data. The damage might be direct or indirect, so in order to make everything clear they have indicated in the contract that the indirect damage is the same as direct damages and when both provider and buyer agree on the responsibility for that, then the commitment between them improves.
4.3.5 Organizational culture findings

- The overall relationship among the personnel and their firm:
  They exchange people between their providers and it helps them to improve the relationship.
  They have training programs about the ground rules for employees when they outsource.

- The hierarchical classification of authority describing the roles of managers and juniors:
  The boundaries and responsibilities are sometime very vague for the two parties and the people roles are not specified for them.
  They only want the task they need from the provider and usually they are not that open and interested to gain new and innovative solutions.

- The overall opinions that staffs have regarding the Multinational Companies’ plan, destiny, aims, and their place in them:
  In company C it was possible to define the organizational culture in the past times but now it is mixed with national culture because they have more people other countries than Scandinavia. According to the interviewee it is very important for their company on how you communicate.
  Their strategy to choose large or small providers depends on area, if it is for the whole organization; they choose larger providers and if there are specific units responsible for that, then they prefer smaller providers since they have more control.
  They accept new technology from their suppliers and do this in a number of processes, they see it as their supplier business case to bring the new technology which can be cost saving as well, but because their suppliers are very big companies and because of their OC through which they don’t trust the supplier and their employees are not the same employees, they don’t gain much from the supplier since it is not in their contract.

4.4 An overview of Company D IT Outsourcing situation

The IT group is responsible for the IT delivering IT services for the company’s subsidiaries in three different countries in Scandinavia. The group is about 200 people and nowadays is mainly responsible for the IT functionalities its maintenance (functional level). The company outsources all its IT services to a single supplier, before it was a department with more than 100 employees
and it was outsourced entirely in 2004 (hardware, software and employees). This outsourced included operations applications, applications maintenance, applications development, etc. The original contract which was signed for a period of 4 years was renewed twice.

Reasons for outsourcing: Cost reduction, global supplier for get skilled resources (application written in old languages like Assembler), to get flexibility (sometimes we need people but sometimes not)

The company wrote a “Management cookbook” together with the supplier company: the book describes how we should work together (meetings, work processes, relationship hierarchy, etc.) The relationship is divided in three levels: operational, applications group and projects. The book was written in the beginning of the first contract and has been update several times.

The critical issue in this ITO was the fact that the company outsourced the entirely IT department to a supplier. This means that the same people got a new employer (the supplier company) but the way the work was done continued to be the same. So, the supplier had to implement new processes and new ways of work, e.g. commercial agreements. According to the interviews in took 4-5 years to the changes be recognized as implemented.

The interviewee does not think that the disagreements with the supplier about the contract were a consequence of the organizational culture of the company and the provider. The reason for that is that the provider in this case where an old IT-department of the company. However some incidents happen most because disagreements among national cultures (American versus Scandinavian management cultures). In order to avoid the impact of national culture the company and the provider based their relationship solely in business processes.

An important aspect that is common for all the four factors: before the “cookbook” the company and the supplier were confronted with many disagreements in relation with the contract. Nowadays the company claims that they have a normal and healthy relationship with the supplier. Of course they are disagreements but both parts have a standard mechanism to solve them.

4.4.1 Element 1 – Trust

The “cookbook” is the “metadata” for the contract. It was used to define issues related with IT-governance, i.e. who is responsible for a certain activity, the project. This way the company and
the supplier have a specified agreement for all kind of transactions. Trust it is important but everything is based in commercial contract agreements based in legal templates. However, trust is developed during the years with concrete examples, i.e. they doing what they are saying they are doing.

4.4.2 Element 2 – Cooperation
The company outsourced its entire IT department to a supplier. This means that the supplier took over all the employees of the IT department. In order to change the work process the company and the supplier conduct a deep change project where the CEO was direct involved. The “cookbook” was the document that opens the cooperation. In order to communicate the employees external seminaries where booked.

4.4.3 Element 3 – Communication
The “cookbook” has specific descriptions about the way the company and the provider have meetings, for example. They are forced to the meetings in a monthly base. Another issue was that it was through the “cookbook” that company communicated to the supplier in details about its responsibilities stated in the contract. In a flat organization in Scandinavian, all the employees have direct contact their bosses.

4.4.4 Element 4 – Commitment
It was through the change process and also many discussions where the contract and the “cookbook” was the center of the attention that the buyer and the supplier realized that new processes were the new way to work together. Another issue was that it was through the “cookbook” that company communicated to the supplier in details about its responsibilities stated in the contract.

4.4.5 Organizational culture findings
- **The overall relationship among the personnel and their firm:**
  The company outsourced the whole IT department the provider 2004; however the former employees still pursue a high level of loyalty to the company. The employees still feel that they work for the company and continue having the same level of relationship as before the outsourcing contract was signed.

- **The hierarchical classification of authority describing the roles of managers and juniors:**
The company’s structure is similar to other Scandinavian companies. There is a hierarchical structure but at the same time we can find a flat structure where the employees have incentives to cooperate with each other’s.

- **The overall opinions that staffs have regarding the Multinational Companies’ plan, destiny, aims, and their place in them:**
  The feeling of loyalty mentioned before is a clear evidence that the employees understand and accept the visions of the company. This company is one of the leading transportation companies working mainly in the Scandinavia market, this way there is a strong influence of Scandinavian national culture; i.e. the organization culture is more homogenous than other companies with business around the globe.

### 4.5 An overview of Company E IT Outsourcing situation

The company previous outsourced many IT-services for a single provider during a period of 6 years. The contract was originally a 10-years contract. However, it was decided to bring back the entire IT-organization and insourcing them. The reasons for that were: local legislation concerning patient data and the company was not completely satisfied with the services provided by its supplier. The subsidiary in Sweden, however, was more satisfied with the provider then the headquarters. Nowadays the company runs some non-sensitive applications as cloud services (e.g. payment system and HR system).

**Reasons for outsourcing:** Reduce the cost because IT did not provide any value. The company is a global company and they choose a global IT provider. The decision was taken by the company headquarters. The company has a tradition to outsource to big suppliers with expensive services in the market. IT is not a core business for the company.

#### 4.5.1 Element 1 – Trust

According to the interviewee trust is the most important factor in a successful ITO relationship. The company outsource to suppliers which are big and global because they reputation and they do not want to take risk with small and less well-known companies. Trust is built during the years with clear (business models). The contracts can help to develop trust but if the provider did not interpret the contract in a very strict way, the company could even buy more services and trust could be developed in a higher degree.
4.5.2 Element 2 – Cooperation
The contract had a critical role in the way the two companies cooperated with each other. Each company had its own interpretation about what was written in the contract and this contributed too many difficulties in this issue. When the provider took over the IT department all the employees in that department leave the company because they did not want to work for the provider. When the company took back the IT services from the provider, 50% of the employees stayed with the company.

4.5.3 Element 3 – Communication
The communication was based in how the company and the provider interpret the contract. Many times the discussion was centered in the question: who will do what? Another problem was the lack of IT-standards among the many divisions of the company in contrast with the headquarters.

4.5.4 Element 4 – Commitment
The company was open for suggestions coming from the provider, but sometimes a subsidiary of a big multinational does not have the possibility to take such suggestions directly. Many decisions about IT services are centralized in the company headquarters.

4.5.5 Organizational culture findings

- **The overall relationship among the personnel and their firm:**
  Collaboration among the employees is not encouraged but some divisions are more willing to collaborate than the others divisions. The reason presented by the interviewee is the company’s organizational culture and the way which the divisions are organized.

- **The hierarchical classification of authority describing the roles of managers and juniors:**
  The company is very centralized and hierarchical with its headquarters in USA having the last word for any important decision.

- **The overall opinions that staffs have regarding the Multinational Companies’ plan, destiny, aims, and their place in them:**
  The employees understand the vision of the company, but they are mixed feelings about it. For example, the division where we performed out study it will be closed in some months and this issue has a strong impact in the way the employees view the company.
4.6 An overview of Company F IT Outsourcing situation

They are in a mix mode situation, according to the merger of the two Nordic branches which is from two and a half years ago, in each of the branches; some of the IT functions have been outsourced. In the Swedish branch, IT basic operations, the IT applications, software maintenance and software development. Similarly, in the Danish branch they have outsourced IT applications development and maintenance; but the IT operations are in-house operations. They are working on using common sourcing and using common data center for delivery between Denmark and Sweden.

They have 3 main providers for their IT. The outsourcing strategy for the IT functions has began from 2003 in this company and currently they are in second and for some cases third generation of outsourcing. Company F has changed its providers every four years.

The leading reason to both choosing outsourcing solution and also to change the providers for them is the cost; during the second time outsourcing they found providers that could deliver them the same service with the same quality but with a cheaper price. The other essential fundamentals to choose the service providers for them after cost are as follows:

- It is important to note that they have to choose the provider which can bring them more benefit than the previous one.
- The provider has to comply with the Personal Data Act (PUL 1998:204) and with the European Union Directive 95/46/EC;
- They need to describe very well what are the mission, process and desired service.
- They should also consider that there is a difference between the first time outsourcing and the renewal of an agreement; it is not only the cost, the factor to choose but also the quality. The quality is harder than cost to precisely describe, everybody can calculate the cost, but it is hard to measure the quality.

4.6.1 Element 1 – Trust

According to the interviewee, the trust in general is not only dependant on the provider, but instead it is more dependent on the company F as the customer. It is very important if the buyer company is a mature company in certain area which cause to improve the relationship with provider very fast and trust, but if the buyer company is not a mature company, then it takes
longer time for them to trust. It also depends on the people mindsets, if they are employees working for company F for instance for 25 years, it will be harder for them to adapt with outsourcing and trust the providers.

The interviewee mentions the communication as the swaying determinant in the trust between the two companies. It is really important to get the instructions, since the managers get involved in the topics which they are not familiar with and then if they know the instructions, they will recognize whether they are receiving the service they need and as a result whether they can trust the provider.

4.6.2 Element 2 – Cooperation

The cooperation between the buyer and provider companies is mostly based on the staff from the providers that are responsible for different function in the buyer company. It is also different for the company F in first and second generation of their outsourcing. During the re-negations for the second time agreements for the outsourcing, it is very important for them to find out new feedback from the employees and asses again. The reason for this is that the employees who were involved in the first cycle of outsourcing have now new positions, new tasks and attitudes which may influence the outsourcing relationship and outcome for sure.

4.6.3 Element 3 – Communication

They are basically using a three layer model for the communication with every vendor:

1) Strategic layer: The strategic steering group of the buyer and provider meet up four times a year. The senior management of the buyer and senior management of the provider meet, which are usually the meetings that the interviewee person is participating.

2) Tactical layer: In the tactical meetings the technical line management of the company F meet up with the responsible people of the provider, with is normally once a month. The purpose of these meetings is to get feedback on how the technical service is working and handling the escalations.

3) Operating layer: Through the operating layer communication, typically the employees of the Company F meet with the employees of the providers.
There can be other meetings between the companies as well, like the incident management meetings which depend on the demand of the providers or the buyer and the level of maturity, but usually happen every two weeks.

4.6.4 Element 4 – Commitment
Since 2003 company F has been outsourcing and each 4 years they have changed their providers, the important factors to get committed to them is the low cost and quality of service. But in general they are not committed to expand the contract with the same providers and they are always looking for better choices.

4.6.5 Organizational culture findings

- The overall relationship among the personnel and their firm:
  Regarding the communication of employees the purpose of it in the case of outsourcing relationship is gaining feedback from employees. In company “F”, they are not collecting feedback from employees directly, but it shows up in indirect way, like talking with staff or watches the way they work and get results.

- The hierarchical classification of authority describing the roles of managers and juniors:
  In company “F” it is both flat and hierarchical structure since the position of employees changes a lot especially during the first and second generation of outsourcing and they are in contact with many other roles in the organization. There is the hierarchy when it comes to the collaboration between their company and other companies.

- The overall opinions that staffs have regarding the Multinational Companies’ plan, destiny, aims, and their place in them:
  When the company outsources for the first time it is important that the future outlook for the employees is good and clear, since it is the people who are going to participate in the delivery of the service. Consequently it is also important to consider the policies of the provider company for them and they believe that they have kept their employees motivated to work with the provider company to guarantee their business future.

Here this chapter regarding presenting and sorting the empirical data from the 6 companies ends and in the next chapter (analysis and discussion) an analysis of this data based on the literature reviewed and theoretical framework of this research will be presented.
Chapter 5: Analysis and Discussion

Here we present an analysis of the four parts of the theoretical framework of this research, the analysis is based on the comparison between the results gained from company A, B, C, D, E and F to draw an overall sketch of their organizational culture in relation with the IT outsourcing relationship dimensions which is goal of this research.

We analyzed the data collected from the interviews by looking for patterns, themes and categories and their inter-connections in order to interpret the data in relation to our four parts of theoretical framework (mentioned in chapter 3.2.4, the analyses part of methodology chapter as well). While analyzing the results gained from interviews, we went through the three most important aspects which should be considered in order to determine multinational corporations’ organizational culture, according to Janssens et al. (1995) described in chapter 2.2.4, to inspect the specific areas and their influence on ITO relationship.

The six companies were all global multinational companies outsourcing their IT. They confirmed the importance of the four main factors of IT outsourcing relationships, but the degree of satisfaction in each of them was different. There are differences in the six companies which can be founded in their organizational culture. The strategy, the vision the reasons to outsource IT and maintaining in the same outsourcing relationship decisions vary in these six companies. There were also some similarities founded in the organizational culture of these companies that could be noticed by having the same impact in their IT outsourcing relationship.

5.1 Theoretical framework part 1- Organizational Culture and Trust

Trust in the IT outsourcing relationship appears in different aspects and with different degrees. According to the literature it is the belief that each party has on the word of the other party that they will fulfill their promises and obligation as they have agreed and stipulated on the contract and in the right time (see Kern & Willcocks, 2000), but its role in the company and their attempt to reach it was in various way.
For the Company A, the idea of trust is connected with the idea of having an open mind and do not hide problems. This reveals a crucial point in continuing a successful ITO relationship: the hidden problems do not get solved and their source will not be founded. As a result, after a while the outsourcing relationship will not work without knowing the exact reason. These aspects are connected with the organizational culture inside the company, because one of its core values is to be an open company both internally and externally.

In Company B, the strategy of the company which leads them to minimize the costs, chose the cheapest and experienced providers and make short time contracts reflects the degree of trust in their relationship with their provider. This can be observed in a stronger manner in Company C in which they do not have any trust on their provider. The main reason for that is the bad experience of the company in past through which they have experienced some unwanted changes in their systems from the provider or even misusage of them. The organizational cultural issue here which weakens the trust is the ambiguity in employees’ behavior and role definition after they outsourced; the responsible person, the end user and the communicator for each outsourced service is not very well demarcated.

Opposite to the last point mentioned in Company C, all the roles, behaviors and responsibilities in Company D has been studied and published for the whole company through a document called “cookbook”. This “cookbook” was written together with the provider staff which helps improving trust between them.

In Company E, they are two main aspects of organizational culture that affects the trust between them and their provider. First of all it is their centralized structure in which all the decisions are made by the headquarters of the company and this caused them to have problems when it came to the subsidiaries of Company E working with the provider. The other organizational culture aspect is that Company E, as a medical device manufacturer, is not a risk taking company and they always choose the most expensive and experienced one as their provider. These together with the patients’ data legislations and low quality of service made them take back home IT.

The attitudes of individuals are also playing a role in the degree of trust between buyer and provider. In Company F, trust is also dependent on the employees mind sets and how much they are used to outsourcing.
Summing up all the arguments about trust, it can be noticed that:

1. Most of the buyer companies are looking for having control together with trust on their relationship with provider. Being a company with an already developed culture of open communication, provides the potential work environment to obtain both easily problem finding and solution developing, which also could help them to have control as well.

2. On the other hand after outsourcing, well defining and documenting people’s roles, responsibilities and behavior which are part of organizational culture (like the “cookbook” developed by Company D), in addition to the contract affects trust.

3. And finally the centralized organizational structure of some buyer companies may affect the trust between the staff working in other subsidiaries of buyer which are in contact with the provider.

The above data and arguments can prove the impact of organizational culture in trust between the buyer and provider in IT outsourcing relationship. It also enhances the idea that trust for the company is then a consequence of good communication in all levels.

5.2 Theoretical framework part 2- Organizational Culture and Cooperation

If we consider cooperation as the spirit of working together by firms on complementary activities with the objective of achieving mutual benefits (see Swar et al., 2010), it was found in some companies in a high degree and in some companies very low, but in both of them the way of employees behavior, attitudes to outsourcing and positions which are parts of organizational culture (see Jones, 2007) was an affective element in cooperation.

In different companies of this research, there were various ways of buyer and provider companies’ cooperation. In some companies it had been thought and planned and there were some activities done based on it but in some other companies it was not so visible the planning for improving cooperation. In Company A there are both formal and informal meetings between the two companies and the informal meetings are very important in order to build a personal relationship, which will be a part of the professional relationship.
There are many training programs for employees inside the company approaching to improve the ITO relationship and profitability. Innovation is vital for Company A, therefore they are open to accept new technologies, ideas and procedures presenting by the providers and adapts to changes. The forenamed activities are performed through the organizational culture aiming to improve cooperation. In Company B on the other hand, there are some learning and cooperation and this kind of learning happens in both directions when come to issues related with how to solve problems, but in general the degree that the buyer Company B makes changes or learns from provider is less. The reason for that can be founded in the organizational culture they have in which cost is the most significant factor and they do not have the sufficient learning programs and investments on new solutions. Another fact which was evident in both Company C and Company F was the time of outsourcing and whether it is the first time or the second time. Based on this factor, the organizational culture of the buyer will be changed and consequently this affects the cooperation between buyer and provider. In Company C it was mentioned that some bad experiences from the past, made them to define the roles very well while operating and this can help them to monitor and control. In Company F on the other hand it was noticed that after first time IT outsourcing, the employees’ positions and attitudes have been changed which affects their cooperation in the next outsourcing relationship. In Company D the situation was a bit different since they sold the whole IT department to the provider and there were a level of loyalty still existing from the IT provider staff. However, they also had problems for cooperation in the beginning and that made them to develop the “cookbook” after the first contract. The opposite thing happened in Company E, since the cooperation there was only defined in the contract which was written by the headquarters of the Company E and made problems for other subsidiaries involved staff in IT outsourcing relationship.

Utterly the amount of buyers’ attempt for cooperation and correspondingly their activeness to cooperation can be influenced by variant factors which lie in the organizational culture of company:

1. The factor of cost saving may play a role in cooperation and makes it limited only to the managers and in the situation of problem solving but not for gaining further solutions from the provider.
2. Having multi suppliers and whether the providers are in the same geographical locations as the buyer can affect the cooperation between buyer and provider. In some companies which had a big size and big amount of complex needed services, it is important that how many employees can be exchanged between the two companies.

3. Collecting feedback of previous experience of IT outsourcing from the buyer employees and their new positions would also change the way of cooperation.

4. At the background of many aspects mentioned here the culture of open communication is present as a convenient tool to improve cooperation.

The above arguments can be used to prove the impact of organizational culture on the cooperation between the IT service buyer and provider.

5.3 Theoretical framework part 3- Organizational Culture and Communication

Communication as the interaction between the service buyer and provider companies that influences the working climate and behavior of individuals in an outsourcing relationship (see Kern & Willcocks, 2002) is mostly done throw different layers and channels and in some rare cases directly between all the employees.

The majority of the companies in our study have a communication channel with the provider which reflects the internal hierarchical structure. In Company B believes that this internal hierarchy should be followed in order to avoid conflicts. In Company C, it should be followed because IT is a core value and the company should have control. In Company E, the communication is very centralized in the headquarters outside Sweden.

Company A and Company D are in contrast with the other companies in our study. The two companies have a mix of hierarchical and flat structure. In Company A, for instance, the organization culture of the company stresses that employees are able to take initiatives freely, this behavior reflects in the ITO relationship. The company’s organization culture is focused on close and personal relationship; this characteristic can also have influence in trust between the buyer and the provider. Only when the subject becomes very specific and critical, the communication
turns to another communication channel where few people are involved. In Company D all the communication is based on the “cookbook”, a manual where the company and the provider wrote down all the responsibilities and agreements related with the contract like an appendix of the contract. Apart from the “cookbook” the company has an organization culture, since the beginning of the contract, where any employee can directly communicate issues related with the ITO. As found in Company A, also Company D has a hierarchical channel regarding communication and it should be used to certain subjects. The two companies are very satisfied with the ITO relationships regarding communication.

Company F and Company C are firms with a mixture of flat and hierarchical structure. Internally the two companies have an organization culture which allows free communication for their employees. The same does not happen in the ITO relationship where the employees should follow a strict hierarchical structure regarding communication. In Company C for instance, the employees do not have direct contact with the provider. However, these were only companies in our study which have some mechanism for receiving feedback from the employees about ITO. Regarding Company F, in the lowest level (operation level), managers from the company and the provider can have free channel to communicate issues regarding the ITO. The same happens among technical employees from the company and the provider. Concerning Company C, there are internal routines regarding the quality of the services, and these routines also exist for the ITO relationship.

We can notice the following organizational culture issues playing a role in the communication between the buyer and provider of IT services:

1. Companies which have a mix of hierarchical and flat structure and an organization culture which incentives the free communication among the employees, can have a more successful communication with their IT provider in contrast with companies which have a strict hierarchical structure or a hierarchical/centralize organization culture regarding communication.

2. In the former mentioned companies, the ITO relationship is described as a conflicted one where discussions are more focused in the interpretation of the responsibilities in the contract. The literature says that contracts are always incomplete (see Goles & Chin 2005
and Sursala et al., 2010). Hence we can say that the companies’ OC can influence the way the discussion about responsibilities (IT governance in the companies) would handle. The companies could be satisfied with the IT services outsourced to their providers, but the communication among the companies and their providers is slow and bureaucratic and this can also have an impact in the quality of the IT services provided.

Based in the analysis above it is found that the organizational culture can affect the degree of communication in the ITO relationship between the service buyer and provider companies.

5.4 Theoretical framework part 4- Organizational Culture and Commitment

In the analyses of this factor as the willingness of the parties to exert effort and devote resources in order to sustain an ongoing relationship (Goles & Chin, 2005), we can notice that two companies are in contrast with the other companies studied. Company F is a company which signs contracts with a four-years duration and never renewed a previous contract since the company began to outsource its IT services. The company is always looking for better providers and high quality services, so it does not have the willing to work with the same provider after a contract expired. The reason behind this attitude is the fact that the IT services outsourced could be provide by many companies in the market. This way the company is using the “buyer’s power” which is one of the competitive powers described by Michael Porter (Porter, 1985). Here the “threat of substitute products or services” does not exist, because the company outsources standard IT services which can be provided by many other providers, the buyer does not lose a lot of money if it changes provides. There is also the “bargaining power of the buyers”, i.e. the company can negotiate better contracts because there is not a monopoly in this sector. Many companies provide the same standard IT services and they likely would be willing to offer the services for a lower price in order to have a contract with the buyer.

Another company which is in contrast with the others is Company E. It is the only company in our study that performed “backsourcing” (i.e the company took back the IT in-house). The main reason was constrains imposed by legislation, but the company was not satisfied with the IT services provided as well. The contract had a critical role in this case: it was signed for a ten-year
period. The provider had a long term contract with the company and there was no willing to have a straight cooperation, this way Company E did not have the willing to continue work with the provider. However, we can also notice the fact that the company has a hierarchical and centralized structure contributed to the way the contract was written, i.e. it was a top-down decision which has been taken by the company’s headquarters in USA without considering the views of the Swedish division. This can be considered a reflex of the company’s organizational culture.

For the other companies in our study we see a clear correlation between commitment and organization culture:

1. If we follow the definition of the organization culture used, we can notice that culture is made of beliefs inside the organization (see Robbins & Judge, 2011). So, past experiences regarding outsourcing can influence the beliefs of an organization to commit with IT providers. This was the situation in Company B and company C. Even in these two companies there was a willing to renew the contracts because the companies learned with previous experiences and incorporated mechanisms in the contract to avoid future problems.

2. Additionally, issues related with IT governance (responsibilities and roles) are better described in the renewed contracts and these issues can increase the level of commitment between the companies and their IT-providers. When Company D mentioned the “cookbook”, it is clear that it worked as an IT-governance document. According with our interviewee the commitment to renew contracts got to a high level because responsibilities and roles regarding the IT outsourcing were defined together by the company and its IT-provider. Again, external factors like contract have an impact in commitment. One could say that the contract is a tool to improve commitment.

3. We can also notice that the level of commitment can change regarding the contract lifecycle. The level of commitment is higher in the beginning and end of the contract; this is the reason why Company B and Company C prefer short term contracts. This way the companies would have more control power upon the IT-providers. Based in previous experiences, Company A and Company C use now two mechanisms to improve the quality of the ITO relationships, and thus the level of commitment. These mechanisms
are: a) the use of different time periods for their contracts (short/long term contracts) and b) the use of multi-vendors (i.e. the IT service outsourced is divided between more than one IT-provider).

Based in the analysis above we can see the role of organizational culture on the degree of commitment in the ITO relationship between the service buyer and provider companies.

5.5 Discussion

Here, the theoretical framework that we followed for analysis of the collected data is used to answer the research question which is “What is the role of organizational culture in IT outsourcing relationships?” In this section the most noticeable topics in which the OC can affect the ITO relationships in four areas of trust, cooperation, communication and commitment (which were the areas of ITO relationships that we are focusing on) are presented. Figure 9 shows the summary of the role of different organizational cultures on four ITO relationship factors. As it can be viewed in figure 9, there are some factors of OC written in negative mode and some in positive way. The reason is that in some companies it was found that the existence or nonexistence of an ITO factor is improving or diminishing the ITO relationship and they were mentioned by the interviewees like that as well. On the other hand the level of communication inside the companies varies and this is a significant diversity in their OC which alighted mostly and can be tracked in all the aspects of the impact of OC on the four factors of ITO relationships. As a final point, figure 9 is summarizing the result of this research using the empirical collected data, following its theoretical framework and inside its scope.
Furthermore, analyzing the data collected from the interviews done in six companies brought us some extra factors and circumstances which are playing roles in the IT outsourcing relationship between buyer and provider. Here we just briefly point out them with a signalization to some literature by which they can be analyzed in some cases. In this stage, the limitations and scope of this research does not allow us to deeply study these factors, but they are potential for further studies in this area.

- **Extra factor # 1- Buyer Control on ITO**

Control and the way the buyers are approaching to have control on the IT outsourcing relationship affects their trust, cooperation, communication and commitment.
• **Extra factor # 2- Contract period**

The contracts styles, their length and also the period of time that has passed from signing the contract is important. In company C which is one of the largest companies it was mentioned that the commitment and the quality of service from the providers changes during the beginning, middle and end stages of their contract.

• **Extra factor # 3- Buyer’s previous ITO experiences**

Having bad experience in the past is also an important factor, bad past experience factor gained from company C and getting feedbacks and changes in the attitudes and positions of buyer employees which was founded in company F brings out the fact showing the importance of having experience in IT outsourcing. We can sum up these points in the first and second generation of outsourcing in companies. The first generation of outsourcing concern was mostly on cost saving, but now after at least 8 years of outsourcing in many companies, it is becoming more a significant strategic plan and knowledge intensive tasks that is called the second generation of outsourcing (see Lewin & Couto ,2007). Therefore all the relationships and organizational cultures in companies may be changed from the first generation (in some companies when they choose outsourcing to survive from bankruptcy) and second generation of their IT outsourcing.

• **Extra factor # 4- IT governance of buyer**

IT governance in the buyer company after the IT outsourcing is done is very vital and can help the two companies cooperate much better. IT governance briefly is defined by Weill & Ross (2004, p.3) as “specifying the decision rights and accountability framework to encourage desirable behavior in using IT”. In Company D we found a unique case that they had documented a “cookbook” for all the instructions, people roles, responsibilities and behaviors regarding their relationship with the provider. This document was developed in addition to the contract and presents their arrangement of IT governance.

• **Extra factor # 5- Multi-vendors**
Having one single provider for IT services or choosing multi-vendoring as a strategy for IT outsourcing is the other extra factor we founded interesting. Multi-vendoring means to use different providers for different kinds of services and sign different contracts for each of them with a different provider. This strategy allows the buyer to distribute the work to the “best in breed” (see Pearlson & Sounders, 2009, p.210) and can influence the IT outsourcing relationship of buyer company with each of its providers. (Especially evident in company C)

- **Extra factor # 6- Type of outsourcing strategy**

The type of sourcing and outsourcing strategy is another affecting factor. It is determining whether the company has done sold a part of its own IT department to another company to provide them services. It was founded in Company D that they sold their IT department to the provider company which caused a lot of loyalty from the providers’ staff. This is very close to the definition of “divest captive” which is true when a captive center has a large enough scale that can be sold for a profit by the parent company. Captive center is an overseas subsidiary that is set up to serve the company (Oshri et al., 2008). The only difference between the Company D situation and the definition of captive center is that they had not done this captive overseas and it is placed in the same country, but they sold it to their provider to reduce their costs.

- **Extra factor # 7- IT backsourcing**

Backsourcing of IT which is taking back in-house assets, activities and skills that are part of information systems operations and were previously outsourced (Hirschheim & Lacity, 2000) was performed in Company E as an affecting factor in the next outsourcing contract. The reasons to back-source IT in Company E were their data legislations and low quality of provided service.

- **Extra factor # 8- Buyer branch and the position of IT**

As the last but not the least extra factor we can point to the branch of the buyer company and whether their core business is IT. Since the six companies in this research were in different branches, there were some differences observed in their relationships based on their branch. In analyzing specifically the IT outsourcing relationship, having IT as the core business for the buyer company affects their relationship with their providers very much (for instance this is
pretty much visible in Company C). This factor also leads to another issue which is part of strategic management of IT and that issue is the position of IT in the companies and whether it is a driver, supporter or technical tool for the strategic decision makings. One of the methods to study the position of IT is introduced by Nolan & McFarlan (2005) in which they allocate four categories of support (low operational and strategic impact of IT), factory (high operational impact and low strategic impact of IT), turnaround (low operational and high strategic impact of IT) and strategic (high operational and high strategic impact of IT) mode to the IT strategic impact in an organization (see figure 10). So it would be helpful to firstly find the position that IT has in a buyer company and then find out the role of this issue in their IT outsourcing relationship.

![McFarlan's strategic grid](image)

**Figure 10-McFarlan's strategic grid (adapted from Nolan & McFarlan, 2005, p. 3)**

Adding the external factors mentioned above to the figure 9 regarding the impact of organizational culture factors on IT outsourcing relationship and summarizing all of them made figure 11. Figure 11 is just showing the extra factors mentioned above that can be added to our main result which was shown in figure 9, the information in figure 11 can be used by future researchers and we have not gone through them in deep.
Finally we would like to end this chapter by a short presentation of an explicit one by one matching of what was planned to do from the beginning of this research and what was done until the end of project.
Firstly we had the research question of “**What is the role of organizational culture in IT outsourcing relationships?**”, then we defined a goal that could help to answer this question and the goal was “**to find out the relationship between the different organizational cultures of different buyer companies and their IT outsourcing relationships with their providers.**” Based on this goal we made a theoretical framework along the way in the research which includes four parts to be analyzed. The four parts of theoretical framework were based on the four determining factors of IT outsourcing relationships found in the literature.

The goal was achieved since the four parts of the theoretical framework was analyzed using the data collected from interviews (chapters 5.1 to 5.4). In the end of the analysis of those four parts, the role of organizational culture of the buyer company on each factor of trust, cooperation, communication and commitment were found.

After that, the answer to the research question is presented in chapter 5 which describes the role of organizational culture on each specific factor of trust (chapter 5.1), cooperation (chapter 5.2), communication (chapter 5.3) and commitment (chapter 5.4). Figure 9 as mentioned in chapter 5.5 shows the summary of the answer to the research question with pointing to different aspects of organizational culture of buyer companies affecting ITO relationship factors.

Additionally, we found some important extra factors that could also affect the ITO relationship that we presented in figure 11. These extra factors have the potential to be studied later but since they were out of the scope of this research and the research question was already answered, we just introduced them in chapter 5.5. This was an extra result of this research which can be used for further researches. A limitation of the analysis is that since it is a qualitative analysis, it is more or less based on the literature reviewed by the authors and also their knowledge and experience is involved on how they analyses it. In this research the authors made the analysis through different discussions and sharing their knowledge to extract the final results. However this cannot be generalized due to the characteristics of the studied organizations and the knowledge and experience of the authors. The final analysis of this research provide the best practices that can add to the knowledge of the managers or other researchers in this area while working with or studying the organizational culture impact on ITO relationships in their own cases.
Chapter 6: Conclusions and further research

In this chapter we present our final conclusions and also suggestions of further research. Furthermore we describe the limitations of this work in the end of this chapter.

6.1 Conclusions

The primary contribution of this research is improving and composing existing knowledge on the IT outsourcing relationship considering the organizational culture aspect. First, a theoretical framework was made as a step to guide us to identify what we are looking for in this study and was based on the literature to recognize the most cited factors of IT outsourcing relationships and the organizational culture potential influence on them. The theoretical framework included four parts to be analyzed that could result in answering our research question. Second, interviews were done in six multinational companies with offices in Sweden to find out the role their organizational culture can have on the IT outsourcing relationship they have as the buyer companies with their providers. The interpretation of the results of the work would of course be under effect of the scope of the research which regards the characteristics of the chosen companies and the buyer side approach. However, it was revealed from the research, that the organizational culture has an effect on the IT outsourcing relationships. Depending on the tendency of the companies, their strategies and organizational culture, they have different identifications of four main elements of trust, coordination, communication and commitment in IT outsourcing relationships. Communication inside the company arose as the base factor lying in the organizational culture, which links all the IT outsourcing relationship dimensions together. The more the company is working on its communication the degree of their satisfaction from the quality of the IT outsourcing relationship increases. However, it was also found that external factors can also influence the ITO relationships. The results of this research will not harm any ethical issues and may not cost any social consequences since everything is done anonymously, the collection of data may not violate individuals or companies and the findings about the role of organizational culture on ITO relationships may not be potential for any illegal and hazardous misusage.
6.2 Further research

This research opens up several potential branches of further studies. The first reflects how the organizational culture can affect the IT outsourcing relationship and which attitudes of organizational culture can be used to make improvements in the relationship. On the other hand, the subject can be studied in the reverse concerning the impact that IT outsourcing can have on the culture of the company. Questions such as: how to use organizational culture to implement a successful ITO outsourcing, the effect that outsourcing can have on organizational culture and how to extract, manage and use the knowledge gaining during outsourcing; could be object for further studies. Many of the studies relating IT outsourcing and culture have the assumption that the existing culture is what one can call “national culture”. There are still few studies where the organizational culture or corporate culture is studied. Because we are coming to the second and even the third IT outsourcing generation, it is necessary to understand in deep the many issue related with organizational culture and IT outsourcing. This work uncover many external factors, for instance contracts, type of the IT outsourcing and multi-vending which can have unique influences in the ITO relationships and they should be studied more. Besides that, issues related with IT governance correlation with IT outsourcing can be also a potential research field in the future.

6.3 Limitations

Due the sensitive information of the companies involved in this study it was not possible to ask very detailed questions in the interviews and it was also limited time allocated by them for such interviews which were out of the research expectations and risky; however more detailed questions and more interviews even with provider companies could prepare more precise results. In the future works it can be done more investigations in deep and increase the number of interviews. A limitation of this reach is that is using only four ITO relationship factors. Therefore in a future study it could be used a larger number of relationship factors and consider also the location of the companies regarding the national culture issues which were both out of scope of this research.
References


http://wilderdom.com/research/QualitativeVersusQuantitativeResearch.html


http://online.wsj.com/article/SB121018777870174513.html


Appendix A: Sets of questions used in interviews

*The questions for the Business and IT manager about IT outsourcing relationship*

Name:

Company name:

Position:

Date:

- **General questions about the person that we interview with:**
  1. What other roles in the company do you have frequently contact with during your job?
- **General questions about company and its outsourcing situation:**
  2. What type of IT functions/systems have been outsourced? In which level and how many percentage? (Business processes, applications, IT assets or other)
  3. What were the main reasons for IT outsourcing in your company?
  4. What is the outsourcing cost per each contract? Can you give a range please?
  5. How long is the outsourcing time per contract?
  6. How many IT service providers do you have?
  7. Which are in your opinion the most important criteria when choosing a supplier?
  8. Did you ever take back some functions/systems which were outsourced previously?
  9. Which factors do you consider as the most important ones for a successful IT outsourcing relationship?
10. How do the leaders make employees to trust the service providers? (Trust)
11. How is the cooperation between the two companies? (How is the employees contact with each other) (Cooperation)
12. People in which positions and with what duties are involved in outsourcing? How do they communicate with people in provider side? (Communication)
13. Do you prefer large or small companies as your providers? Why? (Trust)
14. How much you and your provider are aware of each other’s objectives of this outsourcing? (Cooperation)
15- How do you identify communication in your internal strategy? How do you communicate your strategy the provider company? (Communication)

16- Do you plan to have contract with the same provider later and for long term? What are your reasons? If you are not planning to continue your cooperation, why? (Commitment)

17- Did you make changes in your company based on your outsourcing relationship? Explain please. (Trust)

18- Do you have organizational learning programs help you in working with the provider company? (Communication)

- There would be knowledge produced during this outsourcing, then how do you manage to use it and not lose it?

19- How much do the changes in provider company affect your relationship? (Cooperation)

20- What were your expectations with ITO and how were the results of your outsourcing relationship in accordance with your expectations? (Commitment and Cooperation)

21- How do you manage the relationship with the supplier? (Cooperation)

Organizational culture open questions for interview

Name:

Company name:

Position:

Date:

1- How do you define organizational culture in your company?

2- How does the IT manager/business manager and the employees share knowledge with each other?

3- How do the managers get feedback from the employees?

4- In which levels of job positions the people are aware of the company’s strategy and how?

5- Do you have organizational learning (training) programs? If yes, in which cases you realize the necessity of having one and how many are they?
6- Do you manage activities for internal innovation and employee entrepreneurship (to solve problems or creating value for the company)? How?

7- How is your organizational structure and process devising?

8- How do you define communication in your company and how it can be helpful for you?

9- What kinds of teams do you have and how do the team members cooperate with each other and other teams?

10- How do you manage the relationship between people in your different branches and different countries?
Appendix B: Interview information

There were 6 interviews done in 60-120 minutes and were recorded and transcribed.

Table 5- Interviews information

<table>
<thead>
<tr>
<th>Company name</th>
<th>Branch</th>
<th>Location of interview</th>
<th>Interviewee position</th>
<th>Total time of interview</th>
<th>Date of interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Energy</td>
<td>Stockholm</td>
<td>IT manager, global strategic &amp; business developer</td>
<td>120 minutes</td>
<td>16-12-2011</td>
</tr>
<tr>
<td>B</td>
<td>Transportation</td>
<td>Stockholm</td>
<td>Project manager</td>
<td>150 minutes</td>
<td>17-10-2011</td>
</tr>
<tr>
<td></td>
<td>manufacturing</td>
<td></td>
<td></td>
<td></td>
<td>10-01-2012</td>
</tr>
<tr>
<td>C</td>
<td>Telecommunications</td>
<td>Stockholm</td>
<td>Sourcing area manager</td>
<td>60 minutes</td>
<td>29-02-2012</td>
</tr>
<tr>
<td>D</td>
<td>Transportation</td>
<td>Stockholm</td>
<td>Director Business IT Solutions</td>
<td>90 minutes</td>
<td>05-03-2012</td>
</tr>
<tr>
<td>E</td>
<td>Medical device</td>
<td>Stockholm</td>
<td>Director Information Technology</td>
<td>90 minutes</td>
<td>21-03-2012</td>
</tr>
<tr>
<td></td>
<td>manufacturing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F</td>
<td>Mail/package delivery</td>
<td>Stockholm</td>
<td>Vice-president of service and infrastructure management</td>
<td>60 minutes</td>
<td>22-03-2012</td>
</tr>
</tbody>
</table>
Appendix C: Request letter for interviews

Here we present the e-mail send to the following companies in order to set an interview appointment with them. Since we were contacting the Swedish branches, the text in the email is in Swedish.

“Hej,
Jag är en masterstudent vid Kungliga tekniska högskolan (KTH) och just nu skriver jag mitt examensarbete som fokuserar på IT-outsourcing. Mitt arbete är en del av ett forskningsprojekt inom ramen för IT-management som även har två forskare från Stockholms universitet som ansvariga, samt en masterstudent vid KTH.
Arbetet har som syfte att undersöka påverkan av organisationskultur i förhållandet mellan ett företag som köper IT-tjänster från ett annat företag. För att fullborda mitt arbete behöver jag genomföra en intervju med en person som kan berätta om sådant förhållande, dvs. en person som har varit med i någon typ av IT-outsourcingprojekt eller någon som kan tala om sina erfarenheter om IT-outsourcingi organisationen. Intervjun skulle ta ca 45 minuter och är helt anonym, varken organisationsnamnet eller personen som intervjuas ska avslöjas. Jag undrar om du kan hjälpa mig att hitta en lämplig person i din organisation som kan ställa upp för en intervju?

Tack på förhand.

Med välårig hälsning

Ivan Nunes, Parisa Aasi”