

IT Service Outsourcing and Innovation, a rare by-catch?

Managing innovation and technological renewal in IT Service Outsourcing.

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Preface

Two and a half year ago I started my Master of Informatics, hoping to add theoretical knowledge to my practical experience. There had to be a world outside my practical experience. To my surprise, the world outside had many of the same problems, challenges and sometimes even the same solutions. Disappointing? Not at all. Normally, I would approach the daily challenges in my work from an operational perspective. Now, during the course of this Master, I learned to look at problems from a strategic perspective. This allowed me to employ a different approach to the same challenges, often revealing a whole array of new, or at least different solutions and options. And working with and listening to lecturers and fellow students was inspiring and instructive.

My gratitude goes out to my employer, the Dutch Immigration Services, for allowing me this opportunity. To the HU, for their balanced program and inspiring lecturers. And to my fellow student, for the inspiration, feedback, and all the fun times. I hope to see many of you again in my professional life. Last, but certainly not least, my gratitude goes out to the organizations used in my case study, for their openness and cooperation during the research.

Now it's payback time. My goal from the outset was to tackle a practical problem and to ensure that the solution was both viable and usable. After all, that is what Applied Sciences are all about. I hope the findings of my research will be used in daily practice. The 'lessons learned' and 'best practices' can be found in chapter 6, and are gathered in appendix D.

I would like to thank some people explicitly. Pim Schouten from Verdonck, Klooster & Associates for his help, guidance and critical comments. He guided me when needed, and kept his distance when possible. Dr. Guus Delen for his lessons and inspiration. Jorg Verbaas for being a constant inspiration. Audrey Theunisz for your last minute help. And Aliska, my wife, for encouraging me when needed and her confidence in my abilities. From now on, I will study less and join her more often.

I hope you will enjoy reading this, and find much of practical use.

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Abstract

There are quite some studies on overall outsourcing success, but research for specific goal outcome is limited. This research studied the innovation outcome on outsourced services and the factors and activities which influence this outcome. In literature, factors that seem to influence innovation in an outsourcing relation can be categorized into the following three categories: First, there are the factors of collaboration that enhance teamwork and forecasting. The second category factors focuses on service providers' capabilities, the expertise to fulfill the bridge function between outsourcers long term needs and the potential of new technology and the way it can be used. The last category is that of the contractual factors, that are used to agree on innovation activities, their expected quality, pricing models for change, and incentives.

This research is based on five case studies of public outsourcers that outsourced different services. All cases started more than three years ago. The service scope differs, ranging from Wide area network connections to desktop services and application hosting and maintenance. Four of these cases started with tenders following the guidelines of European legislation. The fifth case is a shared service center case. Four of the cases, including the shared service case, have been viewed from a outsourcers perspective. The last case is viewed from service provider perspective. Every case consist of a document scan in which case formal contracts and SLA's and, if possible vendor selection documents like RFP documents are analyzed. Next, in all the cases a semi-structured interview was conducted, consisting of a common baseline along the three types of factors. To ensure a complete overview (or at least as much as possible) respondents with different roles were interviewed.

These are the main findings of this research.

Outsourcers in service outsourcing contracts are generally not satisfied with the innovation activities and results delivered by the service provider. However, little has been done by outsourcers to increase innovation outcome. There are only some forecasting and teaming efforts including an incidental innovation workshop. During and after service provider selection, innovation power and knowledge of latest technology is a secondary criteria with a minor role. Only innovation intentions were agreed in the formal contract documents.

To increase outcome, outsourcers think that collaboration is essential and contractual stimulus, both forcing and seducing using incentives, is critical. However, both factors might be of little use if the service provider personnel has no innovational focus or capabilities. The impact of domain knowledge on innovation is differently scored between different cases. It seems to be more critical for application management then for infrastructure maintenance. A comparable organizational structure and culture is not considered very important, however having formal contacts at the domain content and the architect layer seems essential. The overall belief is that the service provider itself has the expertise and knowledge to help the outsourcer using new opportunities, but that this part of the service provider seldom joins the table during the contract.

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1 Introduction

1.1 Motive

The IT outsourcing market is still growing. Predictions of 10% growth a year of Gartner (Gartner, 2007) in 2007 and the 12% expectations of IDC in 2008 (Hackett, 2008) have declined to a 4,1 % annual growth rate expectation for IT Outsourcing till 2013 (Gartner, December 2009). In 2009, Gartner computed a trend braking but small decline of 1 % in IT Outsourcing, small despite the crisis. Early results of the Dutch Symbiosis research of outsourcing shows us that public organizations are the last group of large Dutch organizations that are now rapidly outsourcing their IT (Delen, 2009).

There are multiple reasons for outsourcing, of which reducing or controlling operational costs is the leading business driver for outsourcing (Klepper and Wendell, 1999; Lacity et al, 2009). Access to skills and technology of the service provider and thereby access to innovation is an interesting intended benefit of outsourcing (Lacity et al, 2009).

In literature you can find much research on outsourcing outcomes and success. Lacity and Willcocks (1998) found out more than ten years ago that only 54 percent of outsourcing projects actually realized the expected benefits of IT outsourcing. Findings of Rouse & Corbitt (2003), who looked at the success rate and risk rate of the different IT Outsourcing goals, showed that especially the intangible, non-financial benefits tend to fail, with a 75% chance for strategic benefits failure. Lin and Pervan (2001) showed that public organizations lack understanding of benefits measurement, realization and evaluation processes. A more recent Deloitte survey (2008) under 300 business executives showed only one third was satisfied with the innovation outcome of the outsourcing deal (Robinson et al, 2008). Despite the widespread use of outsourcing fulfillment of the anticipated benefits are often lower than expected (Han et al, 2008).

In my professional life, I see and hear desired innovation in outsourcing deals that fails to occur, especially when innovation is a secondary goal. Despite all visions, white papers and enthusiastic commitments of service providers during the selection phase, there seems to be an invisible barrier between intention and realization. My personal experiences corroborate with the findings of Forrester Research in 2005 (Krishnamurthy, 2009) where Innovation is ranked last in a survey. This survey focused on the question 'on which criteria is your outsourcing provider meeting your expectation?'

What has been done during selection and contracting to ensure future innovation and technological refresh? Which actions pay off and which don't? Questions I would like to answer in this research.

1.2 Problem statement

The problem is that organizations have difficulties in selecting, contracting and managing an outsourcing's service provider in ensuring realization of innovation and technological renewal expectations during the contract period.

1.3 Goals and objectives

The intention of this research is to find out what selection, contracting and management initiatives from the outsourcer during the outsourcing life cycle contribute to achieving innovation and technological renewal. The objectives are

- a list of factors from literature that can influence benefits outcome,
- a set of possible actions and measures during the outsourcing life cycle to increase innovation,
- insight to the effectiveness of the possible actions and measures
- a list of lessons learned to improve the effectiveness in following outsourcing projects.

1.4 Research questions

The question is what actions during the life cycle of an IT service outsourcing program on realizing innovation and technological renewal were considered to be successful in the perception of the outsourcer?

This main question can be divided into the following questions:

- What information can be found in literature on factors concerning innovation and technical renewal goals?
- What actions are proposed to influence these factors and support these goals?
- What is the effectiveness of these actions in the perception of the outsourcer during the managed supply phase?
- What is the effect of the absence of these actions in the perception of the outsourcer during the managed supply phase?
- What lessons can be learned to support future innovation?

1.5 Relevance and contribution

This research aims at a broader insight into the factors that influence outsourcing innovation and technical renewal goals. The first contribution is the addition of actionable knowledge by focusing on practical actions related to success factors. The second contribution is the focus on a special set of goals that makes the findings more adequate for specific questions than the research on overall outsourcing success. The research can contribute indirectly to the service providers, who could be faced with fewer measures in the selection phase than is the practice today. The measures used today seem to have little benefits for the outsourcer but only seem to increase proposition work and disrupt the process of selection for the outsourcer.

1.6 Focus on public outsourcing deals

This thesis focuses for the most on the actions taken during the selection and contracting phase of outsourcing. For this reason cases from European public organizations are particularly usable to collect the data for this research. European public organizations are bound by legislations concerning investments using contractors. These legislations, known as the European Guideline of Public Procurement 2004/18/EG, implemented in the Netherlands in the 'Besluit Aanbestedingsregels voor Overheidsopdrachten' of 16 July 2005, Stb. 2005, 408, state that the process of selecting a service provider must be transparent, demands must be proportional and selection based on equal chances for all competitors. First, this means that the outsourcer must publish the method of measuring the

bids with the request for proposal and this method cannot be adjusted afterwards, even if bids show that questions were not stated correctly. This also means that there can be no negotiation of the contract in terms of scope, price or quality after the selection phase, because negotiation means changing the Request for Proposal specifications which in turn means that the other competitors should also be asked to propose on the new terms. Therefore it is of the utmost importance to be complete and accurate in the selection phase. This makes public outsourcing deals a suitable choice for this research since all measures and actions must have been written out in advance of the deal. In the concluding paragraphs, I will look into the question whether the findings of this research are usable outside public outsourcing programs.

1.7 Structure of the document

Chapter 2 focusses on the definitions used in this thesis. Secondly, this chapter includes an overview of reasons and goals for outsourcing as well as the different approaches to measure outsourcing success.

Chapter 3 gives an overview of the literature on innovation and outsourcing success and concludes with a summary of found factors and their corresponding actions.

Chapter 4 describes the used conceptual model.

Chapter 5 explains how the data was collected including the used case criteria and contains a short back ground of the cases used.

Chapter 6 gives an overview of the quantitative and qualitative findings based on the collected data and also includes direct lessons learned.

Chapter 7 states conclusions from this research, discussion and limitations as well as suggestions for further research.

2 Definitions and scoping

2.1 Outsourcing definition

Different definitions of IT outsourcing can be found in literature as described in the outsourcing literature overview from Dibbern et al. (2004). Elements that can be found in most definitions are 'turning over IT functions and activities to third parties' and 'getting back the results'. The definition used in this research is that of Willcocks & Kern: "...the handing over to a third party management of IT/IS assets, resources, and/or activities for required results" (1998, p. 2). However, no influence on this research is to be expected using one of the other leading definitions. The 'service' extension used in this research narrows the research to particular IT Outsourcing activity types. This will be further explained in paragraph 2.2.

2.2 Outsourcing characteristics and their relevance

Outsourcing deals can have many different characteristics. The main characteristics relevant for this research are mentioned in this paragraph.

The first relevant characteristic is the IT **function** scope of outsourcing. Basic sourcing models for outsourcing are total outsourcing, when all assets and activities are transferred to one service provider, total insourcing when all assets and activities are in house and selective sourcing, when assets and activities are divided to different internal and external suppliers. (Ciappini et al., 2008). Using a total sourcing variant exposes the research to the risk of missing specific goals, difficulties and focus such as the collaboration of different internal and external organization units. Therefore **only selective sourcing** cases will be used.

The second characteristic is the IT **asset type**. Selective sourcing can focus on different types of assets and activities. The main two asset types are applications and infrastructure. Within the types, subtypes can be found such as servers, networks and desktops under the infrastructure type. Nowadays, even the basic infrastructure assets, like networks, tend to become value-adding assets. They bring new possibilities for remote working, any time, any place etc. Therefore, there is no reason to exclude or focus on specific asset types in this research. **Both application and infrastructural type** cases can be used.

Third characteristic is the **activity type**. The main activity types are build and service (maintenance). These two are often combined, in those cases where the new to build application will also be maintained by the same service provider. Various types of maintenance are identified. Correctional maintenance focuses on regaining functionality after a crash or other problems. Adaptive maintenance is the alteration of the system because of a change in the environment, for instance the rebuild of the software necessary to keep the system functional after a new OS release. The third kind of maintenance is functional maintenance. In this case, the system is updated to bring the user new functionality. This research **focuses on service contracts** with at least adaptive and functional maintenance in the contract scope. The reason for this focus is that the service provider selection and contracting in case of a particular system development often has a primary focus on skills and knowledge and the expected innovation and technology is clear and described in the contract. This research focuses on cases with future innovation that have not yet been specified at the selection and

contracting phase. Contracts with only correctional maintenance in scope do not aim at renewal or innovation at all.

The last characteristic relevant for this research is the **relation type** between the customer and supplier. This relation type is determined by the risk and relevance factors. When the relevance and risk for the customer are low, integration and co-work will be low. Contracts will focus on cost reduction and governance will mostly be on arms' length. When relevance and risk are high, contracts and relational governance will focus on partnerships, with shared risks and rewards and cooperation (Ciappini et al., 2008). In the first case, innovation and renewal could be expected to be irrelevant. In the last case, innovation is a key focus. therefore, this research **focuses on the mid levels** where innovation is a secondary target.

2.3 Innovation definitions

In the **dictionaries**, innovation is mentioned as

"The act of introducing something new" (The American heritage dictionary)

"A new idea, method or device" (Webster online)

"The act of innovating; introduction of something new, in customs, rites, etc." (Dictionary.co.uk)

"(the use of) a new idea or method" (Cambridge dictionary online)

These definitions share the concept 'new' and in some cases also 'the act of using/introducing new' is mentioned.

Used definitions in **organizational or business literature** mostly define innovation as invention plus exploitation (Roberts, 1988). Rubenstein uses a broader definition: "*the process whereby new and improved products, processes, materials, and services are developed and transferred to a plant and/or market where they are appropriate*" (1989).

In **outsourcing literature**, innovation is not often defined. Mostly, when innovation is mentioned in outsourcing literature, it focuses on supporting business innovation by gaining access to (new) skills, knowledge and technology. '...to gain access to knowledge and expertise that they cannot develop on their own' (Hoecht & Trott, 2006); '...having access to the industry-leading external competencies and expertise' (Kakabadse and Kakabadse, 2002). 'increase organizational innovation capabilities' (Venkatraman, 1997). In this approach, the outsourcer is responsible for innovation and gaining competitive advantage is the main goal.

Another focus that can be found in outsourcing literature is that of technological renewal. That reflects the pure technological renewal, for instance for decreasing costs like server consolidation, or increased reliability or reduced maintenance costs. This innovation is the service providers responsibility. (Turner et al., 2002). However, indirectly this can also lead to competitive advantage.

Grover et al (1996) state a difference between access to technology and knowledge as being technical reasons for outsourcing, and innovation as a strategic reason. Dahlberg and Nyrhinen (2006) discuss that some knowledge can be strategic. Since technological renewal can indirectly lead to competitive advantage and new technology nowadays often combines internal benefits like cost reduction or increased reliability with functional and external benefits, both types of innovation will be used in this research and therefore fit into the used definition. A good example of innovation combining an internal (IT) advantage with a business advantage is using new broadband technology

that increases capacity and reliability between the firms locations, but at the same time enables a firm to grant access to the internal network over the internet in order to expand business. Since the research aims at the technological support of innovation, the definition of Rubenstein contains too much detail. So, the used definition in this research for innovation in the outsourcing context is 'the process of using service providers latest technology and knowledge for outsourcers benefits'. This leaves room for functional, financial, qualitative or other goals for the outsourcer.

Using this definition, the following types of innovation are within scope for this research:

- Technical renewal without contract renewal for qualitative or financial benefits for the outsourcer.
- Technical renewal with moderations of contract scope for qualitative, functional or financial benefits of the outsourcer.
- Functional driven innovation with contract moderation

Pure functional driven innovation using already contracted technical solutions (only extra technology capacity) is out of scope, since this uses no innovational capability of the service provider, only a scalability capability. Technical renewal without outsourcer benefits, for instance new technology to decrease maintenance for service providers benefit is also out of scope, since outsourcers often do not participate in this type of renewal.

2.4 Outsourcing success measurement

Cram (2009) has done a meta analysis of outsourcing success measurement literature. The first widely adopted definition of outsourcing success is from Grover et al (1996). They suggest that success is "the satisfaction with benefits from outsourcing gained by an organization as a result of deploying an outsourcing strategy" . Kim and Chung (2003) adds 'perceived benefits' as another dimension. This is an element of the satisfaction, but satisfaction itself is more than just receiving the benefits and is also influenced by relational aspects and incidents.

Since this research focuses on more or less intangible benefits, it will focus on the satisfaction and not the benefits measurement. However, since receiving benefits is an aspect of satisfaction, I will address the received benefits in the data collection using qualitative interviews.

Most literature, including Crams' meta-analysis, focuses on high level factors and overall success. In this research and particularly the literature study, focus will be on specific actions and success factors that are related to the knowledge, technology and innovation goals.

2.5 Outsourcing life cycle

The research focuses on multiple phases of the outsourcing life cycle. The life cycle model of the Platform Outsourcing Netherlands is used (Delen et al, 2008) which is based on different phasing models in literature with similar, sometimes more detailed phases (Beulen, 2002; Cullen et al, 2005). The used model doesn't split the Service provider selection and Contracting phase. In public organization outsourcing, both phases have to be merged as dictated by the legislation as mentioned before. In figure 1 the different parts of the research are plotted to the life cycle.

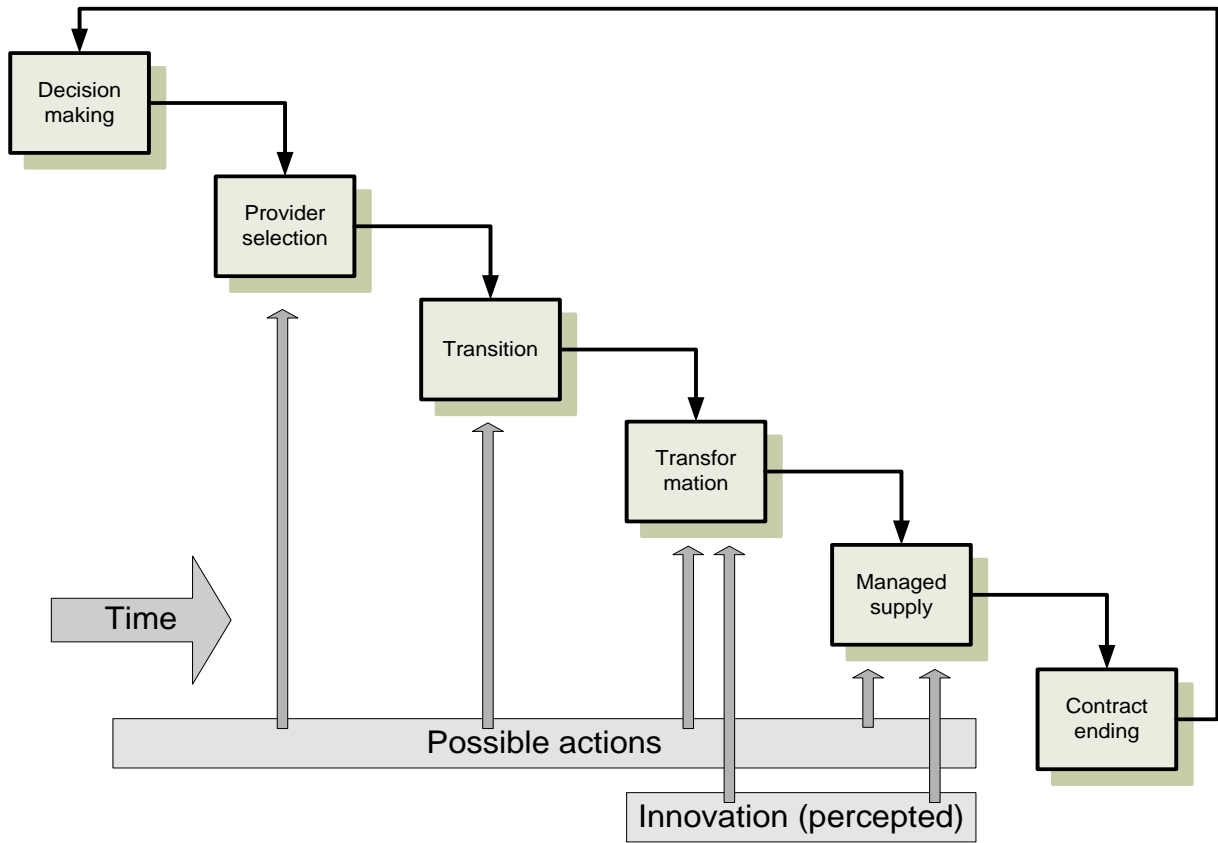


Figure 1 Research plotted on the sourcing life cycle

3 Literature study

3.1 Introduction

The literature studies focuses on research about outsourcing and innovation in order to answer the first two research sub-questions: "What information can be found in literature on factors concerning innovational and technical renewal goals?" and "What actions are proposed to influence these factors and support these goals?"

A good starting point is the recent overview of outsourcing literature from Lacity et al. (2009). This overview presents a table of Outsourcing motivations and found articles. Of the 143 articles Lacity used, only one is directly on innovation, 18 are about access to skills/expertise and 17 are about access to new technology. Since these goals are strongly related, as stated in chapter 2, articles with similar keywords are also added to the search criteria. After gathering multiple factors, these factor can be grouped in three dominant factor types, collaboration, service provider specific and contractual factors. In the following paragraphs, we will take a closer look at these different factor types.

3.2 Collaboration factors

This group of factor types focuses on the importance of the joint effort of outsourcer and service provider to innovate. Goo found out that a joint demand forecasting and renewal process is essential for developing innovative ideas. (Goo et al, 2009). Turner & Smith (2002) give some practical suggestions to support this joint processes in practice in their experience driven, non-scientific article. Knowledge sharing has significant effect on the outsourcing success, especially on capability to develop and innovate IT technology in line with business renewal (Liao et al, 2009; Martin et al, 2008; Bandyopadhyay, 2007; Lee & Kim, 2003). Liao states that shared vision and trust encourages knowledge sharing. To reduce dependency on individuals, a sharing process and documented sharing is preferred above tacit knowledge. Cullen supposes the added-value based relationship (Cullen et al, 2005) where added value has more possibilities for innovation in co-work then in an arms length relationships with clear separated responsibilities.

Krishnamurthy (2009) states that innovative capabilities must be retained in-house, including personnel that can develop new services. This is in line with Powell et al. (1996:119) who argue that internal capability and external collaboration are rather complementary than substitutes. Service providers are then used to deliver and implement these innovations and new services quickly and manage the implemented services. In his article, no validation of these conclusions have been added. However, outsourcers ability to develop innovative services seems to fit to the co-work ideas of Cullen et al (2005) and the collaborative competences of service provider and customer from Lee et al (2009) and Lee & Kim (2003). Therefore I will include these factor in this research.

3.3 Service provider specific factors

This group factors focuses on service providers capabilities and characteristics to support innovation. Lee et al (2009) analyzed customer and service providers competences and their collaborative effect on outsourcing success. They found that service providers competences influenced success most. Two factors of these service providers competence can be directly related to our specified goals.

These are personnel capabilities, thus the technological knowledge and the methodology competence which means service providers' capability of delivering in a standardized and controlled manner.

Additionally Feeny (Feeny et al., 2004) describes service providers competences in twelve capabilities, of which Domain expertise capability seems a measurable capability in the selection phase and adds to the chances of true technological enabled business innovation.

Plugge and Bouwman (2008) suggest a positive influence on outsourcing outcome when there is a fit between the organizational structure and dimensions of outsourcer and service provider. For instance a comparable level of horizontal integration, nature of formalization and locus of decision making. However, the outcome of the suggested research is not yet published. It does seem logical, as the cultural and organizational fit are mentioned as success factors in literature (Rai et al., 2003; Dominguez, 2005). Therefore, organizational structure fit will be added to this research. It seems that the service provider specific factors are especially important to focus on in the selection phase (Dominguez, 2005).

3.4 Contractual factors

This last group of factors focuses on formal grounds on which innovation and renewal can be forced, motivated or, in a negative sense, can be discouraged. Formal contracts can influence relational governance and together they influence the outsourcing success. (Goo et al, 2009).

In the contracting phase, a well-designed Service Level Agreement (SLA) helps both parties in setting the boundaries and giving a baseline for both parties to ensure non-opportunistic behavior. (Goo et al, 2009). A good SLA also helps monitoring performance, as key performance indicators are defined and a reporting structure is set. Goo and Huang (2009) add that ease of monitoring performance and simplicity of coordination is critical and can be forced in the SLA. A well-defined task and responsibility list in the contract can help reduce coordination uncertainty.

Goo et al also state that in fear of service providers opportunistic behavior, often a more *hierarchical governance structure* is set. This will lead to agility loss and thus innovation capability loss. This is also stated by Fitzgerald & Willcocks (1994) who found out that in case of uncertainty, a tight contract is inappropriate, and a loose contract with shared risks and rewards is needed. Since intangible benefits such as innovation and true flexibility do not have a predictable nature, this finding could lead to the hypotheses that using strict contracts to force innovation and flexibility will not contribute to the goals (Da Rold, 2001, Hite 2003). Goo states that change characteristics of the contract helps dealing with future demands, innovation activities with incentives and a supporting contract renewal process. Furthermore, Fu-Shiang et al. (2009) and Mendez et al. (2006) suggest a contractual renewal moment of technology, for instance a two year cycle.

Diromunaldo and Gurbaxani (1998) state that innovation is a combined effort. There must be some incentive for the service provider to this effort. This can be financial incentive, like a bonus or part of the savings. But other incentives are also possible. Positive communication, like a publication is an example of a non-financial incentive. Sometimes negative incentives are used, like a penalty in case of lack of renewal initiatives (Medez, 2006; Hite, 2003).

There is a risk of *contractual discouragers* (Fu-Shiang et al. ,2009). Since the service provider is interested in innovation that sells, there is no motivation to innovate if the contract states *that*

innovations are exclusively for outsourcers benefit. The *pricing model* can also discourage a service provider to innovate. It is unpredictable whether future technological renewal leads to decrease or increase of maintenance. An increase is no stimulus in a *fixed price model*. But there is also no incentive with maintenance decrease in a cost-plus-margin or cost-plus-fixed-fee method.

3.5 Factors and actions overview

Extraction of all factors from literature, including the addition of a list of actions in order to increase the practical use of new insights, leads to the table 1 on page 16. These actions sometimes come from the used articles, but also from personal experience or were contributions made during interviews. Some actions are taken from the best practice study of Hodosi & Rusu (2008). The list of actions does not have the pretension to be complete.

Collaboration factors	From	Proposed actions
Joint demand forecasting & renewal process	Goo; Turner	Set regularly forecasting meetings Defining forecast responsibilities for service provider and outsourcer Introducing rolling forecast planning Joint annual project planning Set up a joint process for scheduling, costing, and modifying agreements. Set up a joint process for innovation, including implementation and prioritization.
Innovation as co-work	Cullen; Lee; Krishnamurthy; Powell; Mendez	Keep innovative service development capabilities in the retained organization. Use combined service provider-outsourcer teams in innovational projects.
(Documented) knowledge sharing	Liao; Martin; Bandyopadhyay	Contract sharing principles and lateral responsibilities on knowledge sharing Joint annual project planning Grand access to business documentation
Service provider specific factors	From	Proposed actions
Service providers capabilities	Lee; Dominguez	Demanding certified personnel Selection and contracting on knowledge process, for instance knowledge sheets, capability matrix. Selection and contracting on third parties partnerships. Selection and contracting on methodology use and knowledge
Domain expertise of the service provider	Feeny	Select a service provider on business knowledge Demand domain expertise in the agreement Mandatory business introduction for new service provider personnel
Comparable organizational characteristics	Plugge; Goo; Dominguez	Selection on comparable organizational structure. Demanding a mirroring of retained organization at the service provider. Selection on comparable organizational culture Selection on comparable/optimal organizational size
Contractual factors	From	Proposed actions
Incentives on innovative activities	Diromunaldo; Fu-Shiang; Mendez; Hite	Set financial incentives on innovation intentions, like bonus on accepted ideas. Use communication incentives on good ideas/innovative projects to the market. Set penalties if innovation ideas or actions fail to appear. Define in contract the pricing incentive of innovation, for instance on overall pricing or pricing model.
Well- designed SLA on innovation	Goo; Huang	Defining lateral responsibilities in the contract, f.i. in a RACI table. Use a collaboration paragraph in the SLA with principles and communications. Separate innovation from SLA basic KPI's like availability targets. Set KPI's on innovation that are SMART.
Using a loose contract	Goo; Fitzgerald; Diromunaldo; Da Rold; Mendez; Dominguez; Hite	Define in the contract the possibilities to alter the scope. Define price and scope in lower documents of the contract that can be signed at lower organizational levels. Define pricing principles for new initiatives in the contract. Define short update periods of contract Share risks and rewards.
Contractual terms on technological renewal moments	Fu-Shiang; Turner; Goo	Define an interval period for technical renewal in the contract Demand a periodical report of new technologies that (have) become available. Define in the agreement what adaptation speed is wanted, f.i. update after max 6 months of new versions

Table 1 Factors that influence innovation and proposed actions

4 Conceptual model

The conceptual model shows the (expected) relation between variables and the nature of this relation (Bosman, 1991). The used conceptual model is an enhancement of the basic model used in different 'outsourcing success' studies, that aim on factors influencing outcome/success (Delen, 2005, Beulen, 2002) The enhancement of the model consist of the addition action as the interactive variable to directly influence innovation outcome.

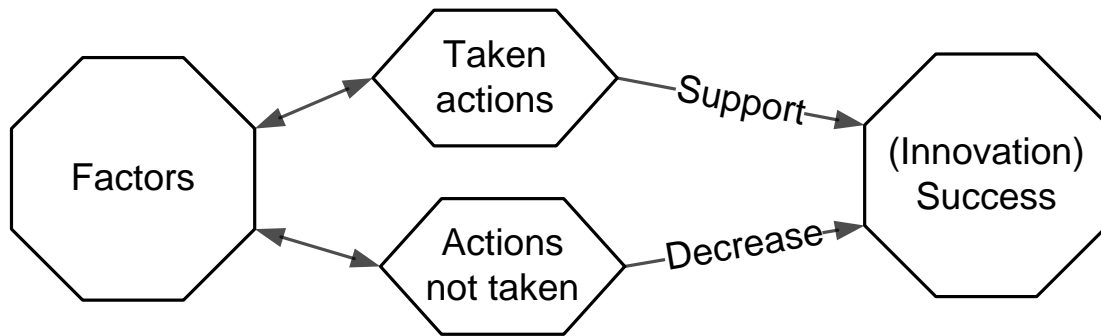


Figure 2 Conceptual model

The model is composed starting with the right side, the desired goal outcome, which is specified and defined in paragraph 2.4.

The factors on the left side are extracted from the literature study. In table 1, a list of 10 factors divided in 3 factor types can be found.

The addition of actions in the model comes from the literature study, but also from personal experience. A list of over 40 specified actions can be found in table 1, all of which are related to one or more specific factors.

The relational arrows on the right will be the focus of the data collection and will aims at answering these sub-questions from the research question as stated in paragraph 1.4:

-What is the effectiveness of these actions in the perception of the outsourcer during the managed supply phase?

-What is the effect of the absence of these actions in the perception of the outsourcer during the managed supply phase?

This model can be read as: knowing the factors, which actions increase innovation success and the absence of which actions decrease innovation success.

5 Data collection

5.1 How is the data collected

The data collection focuses on research sub questions 3 and 4: “What is the effectiveness of the actions in the perception of the outsourcer during the managed supply phase?” and “What is the effect of the absence of these actions in the perception of the outsourcer during the managed supply phase?”.

The data collection method is based on first hand data which is gathered using case studies. Case study is a preferred data collection strategy if one wishes to gain understanding of the process involved (Morris & Wood, 1991). Case study also exceeds survey when the ability exists to explore the context of the data in real life (Saunders, 2003). Furthermore, for validation, triangulation is needed, which can be built in the case study. This will be further explained in paragraph 5.2 and 5.3.

Using a single case study there is a risk of non-representational data. To increase the validation of the findings 5 cases are used. Three of these cases are viewed from a outsourcers 'perspective, since the main question focuses on this perspective. However, adding a case from a service providers perspective can add interesting nuances. Therefore a service provider's case study is also used. The fifth case study is a case study of a shared service center: an internal IT organization that is formed from different internal IT departments which formerly acted independently serving different internal clients. Since the shared service center usually has a thin contractual basis and there is no real service provider selection process, it is interesting to see how innovation is stimulated in that case.

Every case study consist of 3 parts. The first part is a small interview with a short background study that specifies the case characteristic, outsourcing scope and firm characteristics. The second part consist of the analysis of contract documents and, if possible, the selection information like concept contracts and other Request for Proposal documents. This information was used for preparing the structured interview. The third part is the main data collection part. Semi-structured interviews, based on a baseline and matched to first findings in the document analysis, were held with different respondents involved with the specific service provider.

5.2 Challenges

This research faces different challenges:

- a) Many factors with corresponding actions can be found in literature. How can we interpret these factors and actions without correlation?
- b) There are more definitions of outsourcing success as mentioned in paragraph 2.4. Some of which focus on overall satisfaction rather than on the specific subject. How can success be measured on the particular subjects especially with innovation not being a sharp tangible goal. The nature of this benefit measurement is perception.
- c) Of the total list of factors and actions of table 1, it is to be expected some actions are only taken by a small number of cases. How does this influence the validity and reliability?
- d) Personnel changes can lead to unfamiliarity with the actions taken in earlier phases.
- e) Innovation is a multiple interpretive word.

f) Actions do not pay off if they are wrongly applied. This does not necessarily mean the action itself has no value.

g) The list of actions is not probably not complete

h) Perception of the outsourcer can be different from the service provider.

To handle this challenges, the following measures are taken:

- Data will be gathered using semi open interviews using table 1 as a the basic structure. This ensures that all relevant subjects are discussed, leaving enough freedom to focus on important experiences and anecdotes. (challenge a and f)
- The interviews start with an explanation of the used definition of innovation (challenge e)
- Semi open interviews also open the possibility to add new actions or measures that outsourcer used to influence innovative goal outcome. (challenge g)
- For triangulation, in the interviews, examples are asked on success perception to validate this perception with practical data. (challenges a, b and f)
- In the interviews, subject will also be the actions 'not' taken and whether perception is that these actions not taken did influence innovation outcome. (challenge c)
- Since service provider management is done by multiple persons on multiple levels, interviewing only one person will probably decrease outcome quality. Therefore, case interviews are held with different people concerning the more strategic, tactical and operational level. For the interviews it is also taken into account that the knowledge and experience field should be on the contractual, innovational and managerial parts. By default the supposed roles and functions to be interviewed will be a contract owner (at the board level), a service level or contract manager and an architect. These measures help handling challenges a, b and d.
- Before the interviews take place, contracts and, if possible, documentation of the selection phase is analyzed to find taken or intended actions. The interview baseline is then altered to make sure that these found actions are dealt with properly. (challenge d)

The challenge of different perceptions of outsourcer and service provider (challenge h) is not totally handled in this research, however a single case from service providers' perspective is used for this challenge. A more exhaustive validation of the findings against service provider perspective is suggested as follow up research in Chapter 7.

5.3 Interview baseline

The interview baseline consist of the following parts:

The first part focuses on case characteristics and the role and focus of the interviewee. This part is also used as opening to get to know each other.

The second part is the main data collection part and consists of a few overall questions and a block per factor. The factor blocks first explains a factor and gives examples of practical actions. The interviewee is then asked if some or more of the actions are taken. Then a mark is asked for the way this factor and these actions influenced innovational outcome. The block ends with questions to explain the mark, for instance examples or verification questions.

The interview baseline can be found in Dutch and English in appendix B.

5.4 Case characteristics filters

The cases used in the data collection are chosen on the following criteria:

- The outsourcing life cycle has to be in the '**Managed supply**' phase, at least one year, as mentioned in paragraph 2.5.
- The **object of the outsourcing** has to be a form of **service (maintenance) contract**. Adaptive and or functional changes based on changing environment or functional changes have to be part of the contract. Dying systems with only corrective changes in scope are not usable for this research. Cases that focus on new build are not suitable for this research. Paragraph 2.2 explains these characteristics and focus.
- Innovation** was initially a **secondary goal** for the outsourcing as described in paragraph 2.3
- The **selection** of the service provider has been a transparent process, **with concept contract documents and objective selection criteria** which were part of the request for proposal. Selections that were done under the *European guideline of public procurement 2004/18/EG* fit to this criteria. More explanation can be found in paragraph 1.6.

5.5 Used cases

As outsourcer cases I used three public cases. These cases started with a service provider selection based on the European guidelines. This is also the case with the service providers' perspective case.

The first case consists of application management and hosting of a large ERP/CRM/Financial solution. Different modules are used and implemented the last years. It is a contract that is renewed more than three years ago. One department acts as lead outsourcer managing the service provider, different departments with variable cohesion are using the systems different modules.

The second case is a public organization that has outsourced its Wide Area Network data services. This outsourcing contract is a combined contract with related public organizations with a shared overall contract and individual subcontracts for the different organizations. This case also started more than three years ago.

The third outsourcer case is an educational organization that has outsourced managed operations including pc's and application maintenance. Contract start date is more than 3 years in the past.

The case from service providers perspective is a case of a public outsourcer that has outsourced its infrastructure maintenance, desktop, hosting and application services. The contract started before 2008.

Last case is a shared service case. The service consist of connectivity, client devices (pc, laptop etc.) and application hosting. For this case a specific organizational unit is interviewed. I also did an intake of a second 'customer' from the same shared service center. This outsourcer was a public organization of less than 1000 employees. The outsourcer itself was a shared service organization with as main tasks defining policies. The service provider in this case serviced the organizations desktops including standard office software. At the first interview, I found out that this outsourcer had little innovational ambition, nor any roles in place to manage the service provider. The service provider itself already had a renewal and innovation program that was beyond this customers need.

All cases are rather comparable by size, between 1000 and 5000 users.

6 Findings

The collected data has been subjected to both a quantitative and qualitative analyses. First we will look briefly at the quantitative data. This data provides initial insight into the effort outsourcers take to manage innovation in the outsourcing relation and the overall innovation success rate. Second, we will take a closer look at what is really going on behind the statistics. It is through this qualitative analysis, that we try to find the underpinning reasons for failure or success and the lessons learned.

6.1 Quantitative analysis

First, we will see to what extent outsourcers actively tried to influence the factors by taking practical measures. Secondly, we will look at the overall satisfaction on innovation experienced during the outsourcing relation. Thirdly, on the basis of the scoring questions we aim to discover what the role, if any, specific factors and or measures play in the experience of satisfaction with innovation.

	<i>Few practical measures</i>	<i>Some practical measures</i>	<i>Several practical measures</i>
Collaboration factors (all cases)			
Joint demand forecasting & renewal process	1	3	1
Innovation as co-work	1	2	2
(Documented) knowledge sharing	4	1	0
Service provider specific factors (outsourcer & service provider cases)			
Service providers capabilities	0	4	0
Domain expertise of the service provider	3	1	0
Comparable organizational characteristics	3	1	0
Contractual factors (outsourcer & service provider cases)			
Incentives on innovative activities	3	1	0
Well designed SLA on innovation	4	0	0
Using a loose contract	0	4	0
Contractual terms on technological renewal (all cases)	4	1	0

Table 2: Degree of practical measures taken per factor by number of cases

Table 2 shows us that the outsourcers put the most effort in the collaboration factors. On service provider specific factors, only those actions which focus on service provider capabilities have been taken by outsourcers. Measures related to contractual factors in forcing or seducing service providers to renew or innovate, are missing. In none of the cases did the interviewees claim to experience difficulties with contracts tightness negatively influencing renewal and innovation. As table 2 shows, little to no effort was made in the domain knowledge.

So, the effort in ensuring innovation seems limited. The next thing to look at is how satisfied the respondents were with the innovation which had taken place.

Legenda: 1 (not at all), 2 (limited), 3 (to some degree), 4 (considerably), 5 (highly)	<i>Average</i>	<i>WAN case</i>	<i>ERP case</i>	<i>Appl./ hosting case</i>	<i>Service provider case</i>	<i>Shared service case</i>
Overall score on innovation	2,4	2	1,5->2,5	2	4	2

Table 3: Overall satisfaction of innovation during the outsourcing relation

Table 3 shows us that the overall satisfaction with innovation turns out to be low. Little variance between the outsourcers cases can be observed. The highest outsourcer score was a score that was lower than a 2, but based on the experiences of the last few months was raised to a overall 2,5. The

service provider based case scored high. In this specific case, the transition/transformation phase was a renewal point of technology. After the regular contract period, there had also been a renewal moment of technology which was forced by the outsourcer as an extension condition. First comparison of table 2 and 3 tells us that few measures and a low score seems statistically related.

Since effort is limited, and so is the satisfaction, what do the interviewees think of the influence of the different factors and corresponding measures? In the second part of the interviews, the scoring can be on a used or unused factor. Since it is the effect of the factor that is measured, both can be counted equally. For instance, if the perception of the negative effect of not doing anything on knowledge sharing is scored with a 4 (considerably) the score is equal as the perception of the positive effect of knowledge sharing with the mark 4. Any differentiation between the technological scope which may influences these scores, are discussed in paragraph 6.2 of the qualitative analysis. The results of the scorings are presented in table 4.

Legenda: 1 (not at all), 2 (limited), 3 (to some degree), 4 (considerably), 5 (highly)	<i>Average</i>	<i>WAN case</i>	<i>ERP case</i>	<i>Appl./ hosting case</i>	<i>Vendor case</i>	<i>Shared service case</i>
<i>Collaboration factors</i>	2,7	2	3,7	2,8	2,7	2,3
Joint demand forecasting & renewal process	2,3	2	3	2,5	2	2
Innovation as co-work	3,1	2	4	4	3,5	2
(Documented) knowledge sharing	2,7	2	4	2	2,5	3
<i>Service provider specific factors</i>	2,3	1,8	2,3	2,8	2,2	na
Service providers capabilities	2,6	2	3	3,5	2	na
Domain expertise of the service provider	2,0	2	2	2	2	na
Comparable organizational characteristics	2,2	1,5	2	3	2,5	na
<i>Contractual factors</i>	2,8	3,2	2,2	3	2,6	na
Incentives on innovative activities	3,3	4	3	4	2	na
Well designed SLA on innovation	2,1	3	2	2	1,5	2
Using a loose contract	3,0	4	2	3	3	na
Contractual terms on technological renewal	2,8	2	2	3	4	na

Table 4: Average factor score on innovation on a scale from 1 to 5

Looking at the outsourcer averages, table 4 show that collaboration and contractual factors are considered to be of equal importance. Service provider specific factors seem to have smaller impact on innovation. Looking at the sub-factors under the main factors, co-work and incentives are scored highest. Domain expertise is considered? least important, closely followed by SLA, contractual terms and comparable organizational characteristics.

The service provider case shows a rather comparable pattern as the outsourcers cases. Innovation as co-work is very important, so is the contractual terms on technological renewal. This last score is significantly higher than the other (outsourcer) cases. This has to do with forcing the outsourcer (!) to renew versions, which will be explained further in paragraph 6.11.

The scores of the different cases vary, especially on the collaboration factors. From the scores, there seem to be most variation between the WAN case and the ERP case. The WAN case expects the most influence from contractual factors, the ERP case in the collaboration factors. An explanation could be the technological layer of the service (infrastructure versus application). In the qualitative analysis, we will look for explanations for this variation. We will also take a closer look at the relative low impact scores from the shared service case and to discover an explanation for this.

6.2 Qualitative analysis

In this paragraph we will look at the findings and reasons that explain but mostly add information to the quantitative analysis. The findings are based on suggestions, lessons learned and examples that were mentioned during the interviews. When possible, lessons learned based on the findings are added to make the new knowledge directly usable.

6.2.1 Explanation of scoring differences between cases

Looking closer at the scores, one can find quite some difference in the scores. Especially concerning the collaboration factors. The lowest scores on collaboration come from the shared service case and the outsourcer case with the wide area network scope. Both cases concern sourcing of infrastructure and generic services. These services, network, hosting and desktops, generally involve less business specific parts. Outsourcers also score the need for domain knowledge as non-critical. Another explanation could be that both cases do not have individual contracts or single services. The outsourcer case has a main contract that is agreed in conjunction with other organizations and is therefore standardized for the group. The shared service case is also agreed with other departments and the services are standard. In both cases, the outsourcer seems not to be seen as a primary partner and outsourcers involvement as a non critical development. In the WAN case, the collective sourcing is also seen as an innovation blocker, since consensus by all parties has to be reached beforehand on all new development needs.

The differences on the loose contract factor can be explained by the extent to which the contractual space has been used the past years. All interviewees state that the contractual room for change is more a precondition than a stimulus. The case with the highest score however said that they really needed the articles that made it possible to add new technological protocols and types to the contract scope without a new tender.

The differences shown on the loose contract factor can be explained by the extent to which the contractual space has been used the past years. All interviewees state that the contractual room for change is more a precondition than a stimulus. However, the case with the highest score, stated that they really needed the articles that made it possible to add new technological protocols and types to the contract scope without a new tender.

The different overall 'innovation' score for the service provider case can be explained by the renewal moments. A total renewal of the infrastructure base was part of the transition and transformation plan. Therefore, most of the renewal was actually accomplished in the first year of the contract. A second period of renewal was the contract extension, where the outsourcer demanded for instance a better network performance. This was only possible by renewing the basic infrastructure. However, this renewal focuses on technology refresh, not on outsourcer, function driven innovation..

6.2.2 Collaboration factors – Joint forecast process

The joint demand and forecasting processes often start hopeful the first year. In some cases at the start, shared annual plans are made and periodically revised. But after several months, intentions fade. Annual plans are no longer revised or become less specified. Various explanations for this were brought forward by the respondents. One stated explanation is that looking forward does not mean that the service provider makes reservations for specialists like architects or software engineers. The

service provider waits for the formal order before actually allocating the specialists. In one case, a fixed reservation of a certain number of specialist hours is agreed. To make sure the already paid capacity is fully used, a tight forecast process is in place. Despite this, they still face problems in actually getting the needed capacity in time. There is no qualitative agreement of a just in time capacity delivery.

Another reason is mentioned on other scored factors. This is the focus of the service provider personnel that joins the meetings. In all cases, service providers personnel on the case is focused on delivery of the agreed upon set, within the SLA at minimal costs. There seems to be little interest for 'new business'.

Lessons learned on the joint forecasting planning:

-Make sure you have the right service providers contacts for the forecast sessions that have a primary focus on new business and benefits, not only on delivery costs.

-Use capacity reservations and combine the forecast with SLA KPI's on delivering capacity and expertise in time.

6.2.3 Collaboration factors – Innovation as co-work

Most outsourcers are protective of their in house experts. They are in most cases the driving force for renewal and innovation. They are also the only ones that can actually challenge the service provider on their solutions and proposals. However, a few times it is mentioned that outsourcers think they really needed to switch to functional specification, leaving the technical solution to the service provider. It seems a tight line between challenging and dictating the service provider and thereby unintentionally dismissing the service provider from his responsibility for the results. This is influenced by the quality of the service providers solutions in the past.

There are also differences in teaming between the cases. In two cases, there is little teaming, and each party does their own part. In other projects most teams are formed during execution, after the specification, sometimes in great detail, has been agreed upon. It is rare that the integrated team work already starts during the specification phase. As collaboration often brings forth new ideas in the execution phase, which often result in renegotiation, collaboration and integrated teams are discouraged.

Lessons learned on innovation as co-work:

-Keep investing in in-house technical understanding personnel with a bridge function, but stay sharp on the (technical) role: challenger, not the one who specifies.

-Start teaming in or rather before the specification phase.

6.2.4 Collaboration factors – Knowledge sharing

Active knowledge sharing is not often done. And when it is done, the information is not structured nor easily located. Business information and sometimes also strategic plans are shared, but the service provider has to search them. And here also: can you find service providers personnel that is really interested in the business strategic choices? In most cases the interviewees could not answer with yes.

Interesting discrepancies were also found. The cases with a more generic technical scope often did not think that domain expertise and knowledge sharing is a very relevant factor for that type of service. However, they also mentioned the lack of understanding of business impact of certain downtimes.

In the service provider case, it was mentioned that governmental changes, focus and strategy is often freely accessible.

Lessons learned on innovation and knowledge sharing:

-Share selectively, choose what can be relevant for who and bring the information, do not wait for the service providers' personnel to find it themselves.

6.2.5 Service provider specific factors – Service providers capabilities

In all cases, service providers capabilities, knowledge and skills, have been part of the selection process. Respondents mostly said them to be important for innovation. Remarkably, none of the outsourcers ever formally checked on the knowledge and skill base of the service provider during the contract period. In one contract the service provider uses a knowledge matrix. The outsourcer however never asked to show these during the contract.

The perception of the knowledge of service providers personnel is varying. Almost all respondents mention that knowledge and capabilities are person-based. Experience that respondents have with technical personnel is that they do not favor administration over other work, making the knowledge tacit and increasing outsourcers dependence on individuals. In one case, part of the scope has been back-sourced during the contract period. The back-sourced part was never the service providers specialty and for which it seems to lack expertise. This problem had to do with different technical scopes all gathered in a single service provider strategy.

As mentioned before, in one case, there is a fixed personnel capacity for projects and changes and a forecasting process is in place. However, delivering expertise in time is problematic. Often the service provider has to use sub contractors to fill knowledge or capacity gaps.

It seems that service providers do have the knowledge and skills, but they can be found in different departments and they are not often available to the outsourcer. A good example is the ERP case in which the outsourcer had mentioned a business need to the service provider for over a year. On an innovation partner day, the outsourcer by coincidence heard that the service provider already had developed a solution that would fit the outsourcers need for quite some time.

The overall opinion is however, that selection on service provider capabilities is window dressing, since all large service providers have a sufficient expertise base. You have to force the service provider to allocate these expertise's to your contract.

Lessons learned on innovation and service provider capabilities:

-Make sure you can access the service providers knowledge, also the non-allocated, for instance by agreeing a fixed amount of consultancy per year.

-Keep the service provider sharp on its personnel knowledge and capacity. Periodically demand a report on personnel expertise that is allocated to the contract.

-Agree upon knowledge documentation like instructions, technical designs, written architecture and regularly check it on completeness and actuality.

-In a single service provider sourcing strategy, demand the use of third parties under service providers responsibility on parts of the scope where the service provider lacks expertise.

6.2.6 Service provider specific factors – Domain expertise of the service provider

In most cases, domain expertise was only mentioned as important in specific functions. Often specific software architects are mentioned. On more generic technical functions like infrastructure maintenance, domain expertise seems not that important. In one of the cases, the service provider suggested in its bid to add someone from their domain expertise group to be added in strategic meetings. A good intention, but it was never really made use of.

Lessons learned on innovation and domain expertise:

-With a working joint forecasting process and access to service providers non-allocated expertise, selecting and contracting on domain expertise is in most cases not needed.

6.2.7 Service provider specific factors – Comparable organization characteristics

A cultural fit itself does not seem to stimulate innovation. This is certainly not the case when the outsourcer itself has a limited experimental character. One suggestion in the interviews was to periodically add a third party specialist to forecast or early project planning meetings to refresh the team and step outside the regular path since some service provider personnel after a few year sometimes fit to well, the so called 'native externals'.

Mirroring the outsourcers organization is often done to both parties satisfaction. However, this mirroring is often only done on the service delivery part of the relation. For key personnel with a bridge function to the business, like functional maintenance or architects, often a direct contact is missing. Sometimes the service provider has a dedicated contact that has 'architecture or innovation' as a secondary role, next to delivery. In that case, most of the attention goes to the operational performance and that does not stimulate innovation. In two cases complementary architecture roles were linked. In these cases, the possibility for early exploration of new possibilities was appreciated.

Lessons learned on innovation and organization characteristics :

-From innovation perspective, a service provider with comparable organizational culture or structure is not needed.

-Make sure that bridge functions like architects have an allocated contact, preferably formally agreed in the contract. This has to be another contact than the one responsible for delivery.

6.2.8 Contractual factors – Incentives

Incentives scores an average of 3.7 on driving force for innovation. But yet, in only one case the outsourcer had used a 'reward' for innovative results. Of course there is a standard benefit for service providers in generating 'new' or extra business. Other incentives like a bonus or part of the business savings were not found in these cases. This incentive lack results in minimal drive for the service provider to explore innovation. Two of the interviewees from different cases even stated that their contacts reaction on new ideas or technology was often reserved, talking about extra costs. Some of the interviewees understood the service provider in their lack of enthusiasm, since there seemed to be little to gain for their targets.

In the interviews, many pointed at the lack of entrepreneurial culture in public organizations. Using bonuses or even penalties is not incorporated in the organizational culture. Avoiding risks and the 'Rijnlandic' service provider management model (partnership, based on a fair relation, looking at long term relationships) is not yet combined with shared risk and reward.

In one case the outsourcer used non-financial incentives like recommendations and invitations to share the solution. The stimulating effect of these recommendations was not clear.

In another case, the renewal and innovation was related to the optional contract extension. The service provider said that this was a high motivation for technological renewal during the last part of the regular contracts period. This is the opposite of another heard reason that the short time left in contracts to earn investments back was an blocking issue for innovation, since public contracts are often limited to 4 years. I will look at that later in paragraph 6.2.12.

Lessons learned on incentives & innovation :

-Ask yourself and your service provider if you want to innovate: what's in it for them? Are they looking for prestige? Reusable solutions? Do they just want extra money? Do they like using new technologies? It does not always have to cost you extra. And think about the right personnel to contact. Maybe not the delivery manager but perhaps the architect or account manager.

6.2.9 Contractual factors – SLA on innovation

In none of the cases the outsourcer uses KPI's on innovation. In the selection, innovational intentions were asked. In contracts, sometimes these intentions can also be found. But at the more operational level, for instance in the service level agreements, none of the intentions are implemented. Most interviewees said it is hard to specify innovational result in advance. But the option to agree on innovational activities and processes is also not used. For instance a periodic innovation proposal, every semester a presentation of new relevant technologies, dedicated personnel on renewal ideas. Interviewee did think that a Service level on innovation activities with a sanction on level breach would help focus a service provider on renewal and innovation and not only looking at continuity based delivery. However, It was questioned whether a mandatory activity will lead to usable, qualitative proposals.

On two cases, technical renewal came from non-innovation service levels. Since quality was beneath agreed quality, the service provider could only restore service levels using improved, new infrastructure. This was not intended, but a nice by-catch.

Another specific problem was mentioned in the service provider case. In that case, a consortia of service providers proposed. During the contract, one of the service providers was given the system integrators role. This service provider tried to upgrade technology to upgrade service levels with the outsourcer, but the other service providers refused the change of service levels. This co-work of different service providers effects the relation with the outsourcer and quality of the work, also on innovation. Looking at the effect of a multi sourcing strategy on innovation could be a nice subject of follow up research.

Lessons learned on innovation & Service level agreements :

-Intentions do not lead to innovation. Skip these intentions or replace/enhance them by agreeing upon effort or better, on result where possible. This agreement should lead to incentives or negative

consequences when breached. Since effort is no guarantee for quality, use qualitative specifications to validate the effort. For instance that innovation proposals have to contain a business case and an implementation plan using a specific template.

6.2.10 Contractual factors – Using a loose contract

All respondents were clear on this factor: contracts need to have the possibility to add or change scope or technical specifications without total contract revision or overall contract renegotiation. None of the interviewees has experienced problems of a too tight contract.

Important is, that the pricing principles have to be loose to. If, for instance, the innovation leads to temporary increased maintenance cost, the service provider temporary gets a higher fee.

Lessons learned on innovation & contract tightness :

-Use a loose contract, not only on scope, but also on pricing principles to fit to a changing scope.

6.2.11 Contractual factors – Forcing technical renewal

The only forces found in contracts to renew technology are external forces like security laws or public policies and the loss of support in the 'end of life' situation. These renewals sometimes lead to long discussions about costs: regular or extra. In none of the cases the service provider needed to follow for instance major OS releases within a preset period. This is not mentioned as a problem. In most cases, upgrades are planned with the outsourcer, and the outsourcer sometimes is the bottleneck. The outsourcer has no time to test the application on the new OS, or upgrading crosses other projects. In the service provider case and shared service case, there is a one-to-many solution concept. Using the same solution, for instance a desktop image for multiple outsourcers, the service provider can become the renewal force.

Lessons learned on renewal agreements :

-Use a maximum period to implement or be ready for new software/hardware versions and set penalties on both parties for delay if it is not in both interest.

6.2.12 Other factors mentioned in the interviews

A recurring subject that was added during the interviews was the duration of the contractual relation. Under the European Guidelines for procurement, often the maximum duration of the contract is 4 to 5 year, mostly implemented as 3 year plus one or two options for an additional year. In three cases, this is mentioned as a discourage for innovation and renewal. Often the first 18 to 24 months are used to transfer systems and knowledge and getting the basics right and service levels under control. Then the contract period is already half way. The last year, there are little investments in new hard- and software because of the upcoming tender and the short time to earn the investment back. However, in two cases, the optional renewal moment and upcoming tender (with a new chance for the current service provider) could also be used to motivate the service provider for doing something extra. Very important is the option to transfer infrastructure after contract ending, for instance based on the economic value. Without this option, the acquisition costs sometimes are spread over a short time frame (until contract ending), for instance a year, making it an expensive solution for the outsourcer.

Another option is the use of the contract length as natural renewal moment. Renewing the infrastructure at transition, a technological update every 4 to 5 years is guaranteed. Other advantages

are a minimum of restitution costs and the new service provider can optimize scale advantages with low outsourcer prices using own preference technologies and brands.

A remarkable factor is the use of a benchmark. In most cases, the possibility of a benchmark is agreed upon in the contract. But this possibility is seldom used. However, on swiftly changing technologies like WAN connections, price-quality agreed upon during selection and contracting is often outdated half way the contract period. Using the force of up to date prices, service providers often have to renew their backbones, use virtualization and so on. This can be a real renewal force.

Looking at all the individual factors, some of the interviewees stated that factors cannot be seen individually. You can stimulate innovation by contract and set up combined teams, but having a service provider with a maintenance culture and lack of innovational drive, it won't work. Having the right service provider personnel is essential for succeeding at your innovational efforts.

As mentioned on specialist relations before, some interviewees said a split between innovation and continuity/standard delivery is needed. Not only in contracts, but also in contract and budget. If you treat innovation as separate process, with separate agreements, key performance indicators and budgets, you establish dedicated focus that is not directly lost during operational problems.

Lessons learned on other factors on innovation :

-At the contract start, agree upon re-transition possibilities and pricing of hardware that is not end of life on the moment of contract ending.

-Consider using outsourcing and follow up sourcing moments as infrastructure renewal moments.

-Agree on benchmark possibilities and actually do a benchmark, for instance at half time the contract duration, certainly in an infrastructure contract.

-Split "standard delivery" and innovation, not only in personnel and contract, but also in the contract, in the SLA's and the budgets.

7 Conclusions, discussion and follow up research

Outsourcers in service outsourcing contracts are generally not satisfied with the innovation activities and results delivered by the service provider. However, little has been done by outsourcers to increase innovation outcome. There are only some forecasting and teaming efforts including an incidental innovation workshop. During and after service provider selection, innovation power and knowledge of latest technology is a secondary criterion. Only innovation intentions were agreed in the formal contract documents.

To increase outcome, outsourcers think that collaboration is essential and contractual stimulus, both forcing and seducing using incentives, is critical. However, both factors might be of little use if the service provider personnel has no innovational focus or capabilities. The impact of domain knowledge on innovation is differently scored between cases. It seems to be more critical for application management than for infrastructure maintenance. A comparable organizational structure and culture is not considered to be very important, however having formal contacts at the domain content and the architect layer seems essential. The overall belief is that the service provider itself has the expertise and knowledge to help the outsourcer using new opportunities, but that this part of the service provider seldom joins the table during the contract.

New findings lead to new questions. Do outsourcers expect innovation from the service providers, or do the low scores on innovation fit the expectations and need? Are these findings useful outside public outsourcing deals, since only public cases are used? I do think so. In these cases, service providers are private organizations with similar needs. Public organizations are often risk avoiding and have little financial drive and little competition. This feeds the expectation that non-public outsourcers often have more focus on innovation to keep up with competitors and are less risk avoiding and more opportunity driven. A follow up research on non-public outsourcer cases could validate this proposition.

Other suggestions for follow up research:

This research focused on the factors influencing innovation outcome, and sometimes found some explanation in the context. However, a thorough study of situational context that influence the factors and innovation outcome is suggested.

Another follow up that can help to validate findings of this research is a case study of a successful outsourcing deal where the outsourcer is very satisfied on the innovation outcome. This can help validating which factors really added to the success.

As mentioned in paragraph 6.10, follow up research on different multi service provider models and their influence on innovation is suggested.

A last suggestion for further validation is to repeat the research using more service provider-perspective cases. Using cases that are analyzed by interviewing both the outsourcer and the service provider can give more insight in the different perceptions.

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Appendix B. Lessons learned

These lessons learned are spread over chapter 6.

-Make sure you have the right service providers contacts for the forecast sessions that have a primary focus on new business and benefits, not only on delivery costs.

-Use capacity reservations and combine the forecast with SLA KPI's on delivering capacity and expertise in time.

-Keep investing in in-house technical understanding personnel with a bridge function, but stay sharp on the (technical) role: challenger, not the one who specifies.

-Start teaming in or rather before the specification phase.

-Share selectively, choose what can be relevant for who and bring the information, do not wait for the service providers' personnel to find it themselves.

choose what can be relevant for who and push, they often will not search and find themselves.

-Make sure you can access the service providers knowledge, also the non-allocated, for instance by agreeing a fixed amount of consultancy per year.

-Keep the service provider sharp on its personnel knowledge and capacity. Periodically demand a report on personnel expertise that is allocated to the contract.

-Agree upon knowledge documentation like instructions, technical designs, written architecture and regularly check it on completeness and actuality.

-In a single service provider sourcing strategy, demand the use of third parties under service providers responsibility on parts of the scope where the service provider lacks expertise.

-With a working joint forecasting process and access to service providers non-allocated expertise, selecting and contracting on domain expertise is in most cases not needed.

-From innovation perspective, a service provider with comparable organizational culture or structure is not needed.

-Make sure that bridge functions like architects have an allocated contact, preferably formally agreed in the contract. This has to be another contact than the one responsible for delivery.

-Ask yourself and your service provider if you want to innovate: what's in it for them? Are they looking for prestige? Reusable solutions? Do they just want extra money? Do they like using new technologies? It does not always have to cost you extra. And think about the right personnel to contact. Maybe not the delivery manager but perhaps the architect or account manager.

-Intentions do not lead to innovation. Skip these intentions or replace/enhance them by agreeing upon effort or better, on result where possible. This agreement should lead to incentives or negative

consequences when breached. Since effort is no guarantee for quality, use qualitative specifications to validate the effort. For instance that innovation proposals have to contain a business case and an implementation plan using a specific template.

-Use a loose contract, not only on scope, but also on pricing principles to fit to a changing scope.

-Use a maximum period to implement or be ready for new software/hardware versions and set penalties on both parties for delay if it is not in both interest.

-At the contract start, agree upon re-transition possibilities and pricing of hardware that is not end of life on the moment of contract ending.

-Consider using outsourcing and follow up sourcing moments as infrastructure renewal moments.

-Agree on benchmark possibilities and actually do a benchmark, for instance at half time the contract duration, certainly in an infrastructure contract.

-Split "standard delivery" and innovation, not only in personnel and contract, but also in the contract, in the SLA's and the budgets.

Appendix C. Dutch Interview baseline

Deel 1 Case specificaties:

Wat is het bedrijfstype?	Overheid Semi overhead Nutsbedrijf Industrie Finance Retail Anders
Wat is de bedrijfsgrootte?	<1000 1000-2500 >2500
Welke dienst is uitbesteed?	Werkplekdiensten Netwerkdiensten Serverbeheer/hosting Applicatiebeheer/onderhoud Applicatie-ontwikkeling Telefonie Mobiele data diensten Contentbeheer
Wat is de gevolgde procedure?	Open, gesloten, dialoog
Wat is de contractwaarde?	
Wat voor type inbesteder?	Marktpartij Overheidspartij Shared Service Center
Wat is de Sourcing strategie?	Alles bij 1 partij Intern met 1 externe partij Meerdere interne en externe partijen Meerdere externe partijen
In welk jaar is aanbesteed?	
In welk jaar is transitie afgerond?	
Aantal maanden/jaren na transitie?	

Deel 2 Hoofd interview

Welke rol heeft u en in welke relatie heeft u tot de dienstverlener?	
Hoe lang heeft u deze rol i.r.t. deze uitbesteding?	
Bent u betrokken geweest bij de keuze tot aanbesteding, het aanbestedingstraject en de contractering?	
In welke mate vindt u dat er binnen de contractrelatie sprake is van vernieuwing?	Cijfer: 1 (geenszins), 2 (beperkt), 3 (enigszins), 4 (aanmerkelijk), 5 (in hoge mate)
Van wie komen de initiatieven met name?	Uw organisatie, leverancier of samen.
Wat heeft u gedaan aan een gezamenlijk vraag forecasting & vernieuwingsproces?	Regelmatige forecast overleggen Forecast verantwoordelijkheden van u en de leverancier vastgelegd Een forecast planning opgesteld Een gezamenlijke jaarlijkse projectplanning Een ingericht proces van regelmatige prijzen en contractherziening Een ingericht gezamenlijk innovatieproces met implementatie en prioritering. Anders.....
In welke mate draagt dit volgens u bij aan de innovatie en vernieuwing binnen het contract?	Cijfer: 1 (geenszins), 2 (beperkt), 3 (enigszins), 4 (aanmerkelijk), 5 (in hoge mate)
In welke mate draagt het al dan niet uitvoeren negatief bij aan de innovatie en vernieuwing binnen het contract?	Cijfer: 1 (geenszins), 2 (beperkt), 3 (enigszins), 4 (aanmerkelijk), 5 (in hoge mate)
Kunt u voorbeelden, anekdotes of concrete uitkomsten benoemen?	

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Wat heeft u gedaan in het kader van innovatie als samenwerkingsvorm	Eigen innovatie competenties op technisch gebied behouden binnen de organisatie Gecombineerde teams met leverancier opgezet bij innovatieve projecten. Anders.....
In welke mate draagt dit volgens u bij aan de innovatie en vernieuwing binnen het contract?	Cijfer: 1 (geenszins), 2 (beperkt), 3 (enigszins), 4 (aanmerkelijk), 5 (in hoge mate)
In welke mate draagt het al dan niet uitvoeren negatief bij aan de innovatie en vernieuwing binnen het contract?	Cijfer: 1 (geenszins), 2 (beperkt), 3 (enigszins), 4 (aanmerkelijk), 5 (in hoge mate)
Kunt u voorbeelden, anekdotes of concrete uitkomsten benoemen?	
Wat heeft u gedaan aan (Gedocumenteerde) kennis deling	Principes en wederzijdse verantwoordelijkheden voor kennisdeling vastgelegd. Betrekken leverancier bij business jaarplanning Toegang verleend aan leverancier tot business documentatie Anders.....
In welke mate draagt dit volgens u bij aan de innovatie en vernieuwing binnen het contract?	Cijfer: 1 (geenszins), 2 (beperkt), 3 (enigszins), 4 (aanmerkelijk), 5 (in hoge mate)
In welke mate draagt het al dan niet uitvoeren negatief bij aan de innovatie en vernieuwing binnen het contract?	Cijfer: 1 (geenszins), 2 (beperkt), 3 (enigszins), 4 (aanmerkelijk), 5 (in hoge mate)
Kunt u voorbeelden, anekdotes of concrete uitkomsten benoemen?	
Welke eisen heeft u aan de leverancier gesteld t.a.v. kennis en kunde?	Voorwaarde voor gecertificeerd personeel Selectie en contractering op kennisproces, b.v. kennis- en kundematrix. Selectie en contractering op partnerships met leidende technische bedrijven. Selectie en contractering op methodologie gebruik en kennis.
In welke mate draagt dit volgens u bij aan de innovatie en vernieuwing binnen het contract?	Cijfer: 1 (geenszins), 2 (beperkt), 3 (enigszins), 4 (aanmerkelijk), 5 (in hoge mate)
In welke mate draagt het al dan niet uitvoeren negatief bij aan de innovatie en vernieuwing binnen het contract?	Cijfer: 1 (geenszins), 2 (beperkt), 3 (enigszins), 4 (aanmerkelijk), 5 (in hoge mate)
Kunt u voorbeelden, anekdotes of concrete uitkomsten benoemen?	
Wat heeft u voor eisen gesteld aan de domein kennis van de leverancier?	Selectie op basis van domein kennis van de leverancier Domeinexpertise afgedwongen in het contract Verplichte bedrijfsintroductie van nieuw leverancierspersoneel. Anders....
In welke mate draagt dit volgens u bij aan de innovatie en vernieuwing binnen het contract?	Cijfer: 1 (geenszins), 2 (beperkt), 3 (enigszins), 4 (aanmerkelijk), 5 (in hoge mate)
In welke mate draagt het al dan niet uitvoeren negatief bij aan de innovatie en vernieuwing binnen het contract?	Cijfer: 1 (geenszins), 2 (beperkt), 3 (enigszins), 4 (aanmerkelijk), 5 (in hoge mate)
Kunt u voorbeelden, anekdotes of concrete uitkomsten benoemen?	
Welke eisen heeft u gesteld aan vergelijkbare/passende organisatie karakteristieken?	Selectie op basis van vergelijkbare organisatie structuur Selectie op basis van vergelijkbare organisatie cultuur Selectie op basis van verhouding van organisatie grootte. Eis tot spiegeling van de regie organisatie. Anders.....
In welke mate draagt dit volgens u bij aan de innovatie en vernieuwing binnen het contract?	Cijfer: 1 (geenszins), 2 (beperkt), 3 (enigszins), 4 (aanmerkelijk), 5 (in hoge mate)
In welke mate draagt het al dan niet uitvoeren negatief bij aan de innovatie en vernieuwing binnen het contract?	Cijfer: 1 (geenszins), 2 (beperkt), 3 (enigszins), 4 (aanmerkelijk), 5 (in hoge mate)
Kunt u voorbeelden, anekdotes of concrete uitkomsten benoemen?	

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Welke beloningsmaatregelen op innovatieve activiteiten heeft u genomen?	Financiële beloningen op innovatieve intenties en uitkomsten, zoals bonus op innovatieve ideeën. Communicatie beloning zoals publicaties. Malus regelingen op het uitblijven van innovatie/ideeën. Contractuele afspraken rondom prijsmodellen om innovatie te stimuleren. Anders.....
In welke mate draagt dit volgens u bij aan de innovatie en vernieuwing binnen het contract?	Cijfer: 1 (geenszins), 2 (beperkt), 3 (enigszins), 4 (aanmerkelijk), 5 (in hoge mate)
In welke mate draagt het al dan niet uitvoeren negatief bij aan de innovatie en vernieuwing binnen het contract?	Cijfer: 1 (geenszins), 2 (beperkt), 3 (enigszins), 4 (aanmerkelijk), 5 (in hoge mate)
Kunt u voorbeelden, anekdotes of concrete uitkomsten benoemen?	
Wat heeft u gedaan aan SLA ontwerp voor innovatie?	Gezamenlijke vernieuwingsverantwoordelijkheden vastgelegd, b.v. in een raci table. Een samenwerkingsparagraaf met principes en communicatie t.a.v. verandering. Scheiding van vernieuwing KPI's en continuïteits KPI's zodat vernieuwing niet terugslaat naar leverancier. Vastgestelde smart KPI's met rapportage over vernieuwing. Anders.....
In welke mate draagt dit volgens u bij aan de innovatie en vernieuwing binnen het contract?	Cijfer: 1 (geenszins), 2 (beperkt), 3 (enigszins), 4 (aanmerkelijk), 5 (in hoge mate)
In welke mate draagt het al dan niet uitvoeren negatief bij aan de innovatie en vernieuwing binnen het contract?	Cijfer: 1 (geenszins), 2 (beperkt), 3 (enigszins), 4 (aanmerkelijk), 5 (in hoge mate)
Kunt u voorbeelden, anekdotes of concrete uitkomsten benoemen?	
In hoeverre heeft u het contract flexibel gemaakt gehouden?	Is er contractuele ruimte voor scope-uitbreiding vastgelegd? Is scope en prijs aanpassing mogelijk gemaakt in de lagere contractdocumenten? Zijn pricing principes vastgesteld t.a.v. nieuwe initiatieven? Zijn korte vernieuwingsperioden in het contract vastgelegd? Zijn gedeelde risico en beloningsprincipes vastgelegd in het contract? Anders....
In welke mate draagt dit volgens u bij aan de innovatie en vernieuwing binnen het contract?	Cijfer: 1 (geenszins), 2 (beperkt), 3 (enigszins), 4 (aanmerkelijk), 5 (in hoge mate)
In welke mate draagt het al dan niet uitvoeren negatief bij aan de innovatie en vernieuwing binnen het contract?	Cijfer: 1 (geenszins), 2 (beperkt), 3 (enigszins), 4 (aanmerkelijk), 5 (in hoge mate)
Kunt u voorbeelden, anekdotes of concrete uitkomsten benoemen?	
Wat heeft u contractueel afgedwongen rondom technische vernieuwingsmomenten?	Er is een interval periode / datum afgesproken over technische vernieuwing Er is een periodieke rapportage afgesproken over nieuwe technieken die beschikbaar komen/gekomen zijn. De maximale periode waarop nieuwe versies worden geïmplementeerd is afgesproken, b.v. max. na 3 maanden van major updates worden deze geïmplementeerd. Anders.....
In welke mate draagt dit volgens u bij aan de innovatie en vernieuwing binnen het contract?	Cijfer: 1 (geenszins), 2 (beperkt), 3 (enigszins), 4 (aanmerkelijk), 5 (in hoge mate)
In welke mate draagt het al dan niet uitvoeren negatief bij aan de innovatie en vernieuwing binnen het contract?	Cijfer: 1 (geenszins), 2 (beperkt), 3 (enigszins), 4 (aanmerkelijk), 5 (in hoge mate)
Kunt u voorbeelden, anekdotes of concrete uitkomsten benoemen?	

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In welke mate vindt u dat er binnen de contractrelatie sprake is van vernieuwing?	Cijfer: 1 (geenszins), 2 (beperkt), 3 (enigszins), 4 (aanmerkelijk), 5 (in hoge mate)
Wat zijn de belangrijkste vernieuwingen / innovaties welke zijn gerealiseerd binnen het contract?	
Welke van eerder genoemde onderwerpen hebben volgens u het meeste bijgedragen aan innovatie en vernieuwing?	
Welke van eerder genoemde onderwerpen hebben volgens u het meeste bijgedragen aan innovatie en vernieuwing?	
Wat zou u in een volgende aanbesteding anders doen om meer innovatie te bewerkstelligen?	
Heeft u nog aanvullende opmerkingen die u wilt delen rondom innovatie?	

Appendix D. English Interview baseline

Part 1: Case specifications:

What is the firm classification?	Government Semi Government (public) Utility Industry Finance Retail Other
What is the company size?	<100 100-250 250-1000 >1000 >5000
Which services are outsourced?	Desktop services Network services Server hosting and maintenance Application maintenance Application design Telcom services Mobile data services Content management
What is the overall contract revenue?	
What procedure is used?	Open, Closed or Dialogue
What is the service provider type?	Private company Government Shared Service Center
What is the Sourcing strategy?	Single service provider Internal with 1 service provider Multi service provider both internal and external Multi service provider only external
In which year started the outsourcing deal?	
In which year started the managed supply phase?	
How many month/year after transition?	

Part 2: Main interview

What is your role and what is your relation to the service provider?	
How long are you in this role in relation to this outsourcing deal?	
Did you participate in the choice for outsourcing, the service provider selection or contracting the service provider?	
How well is in your perception the innovation and technical renewal outcome in this outsourcing relation on a scale from 1 to 5?	Mark: 1 (not at all), 2 (limited), 3 (to some degree), 4 (considerably), 5 (highly)
From who do the innovation and renewal initiatives come mostly?	Your organization, the service provider or both.
What have you done to establish a joint demand forecasting & renewal process?	Set regularly forecasting meetings Defining forecast responsibilities for service provider and outsourcer Introducing rolling forecast planning Joint annual project planning Set up a joint process for scheduling, costing, and modifying agreements. Set up a joint process for innovation, including implementation and prioritization.
To what degree influences this factor positively to innovation and renewal outcome?	Mark: 1 (not at all), 2 (limited), 3 (to some degree), 4 (considerably), 5 (highly)

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To what degree influences (the absence of) this factor negatively to innovation and renewal outcome?	Mark: 1 (not at all), 2 (limited), 3 (to some degree), 4 (considerably), 5 (highly)
Can you give any examples, details or practical results in support of this perception?	
What have you done to establish Innovation as co-work?	Keep innovative service development capabilities in the retained organization. Use combined service provider-outsourcer teams in innovational projects.
To what degree influences this factor positively to innovation and renewal outcome?	Mark: 1 (not at all), 2 (limited), 3 (to some degree), 4 (considerably), 5 (highly)
To what degree influences (the absence of) this factor negatively to innovation and renewal outcome?	Mark: 1 (not at all), 2 (limited), 3 (to some degree), 4 (considerably), 5 (highly)
Can you give any examples, details or practical results in support of this perception?	
What (Documented) knowledge sharing initiatives are in place?	Contract sharing principles and lateral responsibilities on knowledge sharing Joint annual project planning Grand access to business documentation
To what degree influences this factor positively to innovation and renewal outcome?	Mark: 1 (not at all), 2 (limited), 3 (to some degree), 4 (considerably), 5 (highly)
To what degree influences (the absence of) this factor negatively to innovation and renewal outcome?	Mark: 1 (not at all), 2 (limited), 3 (to some degree), 4 (considerably), 5 (highly)
Can you give any examples, details or practical results in support of this perception?	
What have you done to ensure Service providers capabilities?	Demanding certified personnel Selection and contracting on knowledge process, f.i. knowledge sheets, capability matrix. Selection and contracting on third parties partnerships. Selection and contracting on methodology use and knowledge
To what degree influences this factor positively to innovation and renewal outcome?	Mark: 1 (not at all), 2 (limited), 3 (to some degree), 4 (considerably), 5 (highly)
To what degree influences (the absence of) this factor negatively to innovation and renewal outcome?	Mark: 1 (not at all), 2 (limited), 3 (to some degree), 4 (considerably), 5 (highly)
Can you give any examples, details or practical results in support of this perception?	
What have you done concerning the domain expertise of the service provider?	Select a service provider on business knowledge Demand domain expertise in the agreement Mandatory business introduction for new service provider personnel
To what degree influences this factor positively to innovation and renewal outcome?	Mark: 1 (not at all), 2 (limited), 3 (to some degree), 4 (considerably), 5 (highly)
To what degree influences (the absence of) this factor negatively to innovation and renewal outcome?	Mark: 1 (not at all), 2 (limited), 3 (to some degree), 4 (considerably), 5 (highly)
Can you give any examples, details or practical results in support of this perception?	
Have you paid attention to comparable organizational characteristics?	Selection on comparable organizational structure. Demanding a mirroring of retained organization at the service provider. Selection on comparable organizational culture. Selection based on comparable/optimum size.
To what degree influences this factor positively to innovation and renewal outcome?	Mark: 1 (not at all), 2 (limited), 3 (to some degree), 4 (considerably), 5 (highly)
To what degree influences (the absence of) this factor negatively to innovation and renewal outcome?	Mark: 1 (not at all), 2 (limited), 3 (to some degree), 4 (considerably), 5 (highly)
Can you give any examples, details or practical results in support of this perception?	
Have you set any incentives on innovative activities?	Set financial incentives on innovation intentions, like bonus on accepted ideas. Use communication incentives on good ideas/innovative projects to the market. Set penalties if innovation ideas or actions fail to appear. Define in contract the pricing incentive of innovation, for instance on overall pricing or pricing model.

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To what degree influences (the absence of) this factor negatively to innovation and renewal outcome?	Mark: 1 (not at all), 2 (limited), 3 (to some degree), 4 (considerably), 5 (highly)
Can you give any examples, details or practical results in support of this perception?	
	<p>Defining lateral responsibilities in the contract, f.i. in a RACI table.</p> <p>Use a collaboration paragraph in the SLA with principles and communications.</p> <p>Separate innovation from SLA basic KPI's like availability targets.</p> <p>Set KPI's on innovation that are SMART.</p>
To what degree influences this factor positively to innovation and renewal outcome?	Mark: 1 (not at all), 2 (limited), 3 (to some degree), 4 (considerably), 5 (highly)
To what degree influences (the absence of) this factor negatively to innovation and renewal outcome?	Mark: 1 (not at all), 2 (limited), 3 (to some degree), 4 (considerably), 5 (highly)
Can you give any examples, details or practical results in support of this perception?	
Did you manage to establish a loose contract?	<p>Define in the contract the possibilities to alter the scope.</p> <p>Define price and scope in lower documents of the contract that can be signed at lower organizational levels.</p> <p>Define pricing principles for new initiatives in the contract.</p> <p>Define short update periods of contract</p> <p>Share risks and rewards.</p>
To what degree influences this factor positively to innovation and renewal outcome?	Mark: 1 (not at all), 2 (limited), 3 (to some degree), 4 (considerably), 5 (highly)
To what degree influences (the absence of) this factor negatively to innovation and renewal outcome?	Mark: 1 (not at all), 2 (limited), 3 (to some degree), 4 (considerably), 5 (highly)
Can you give any examples, details or practical results in support of this perception?	
Have you set contractual terms of technological renewal moments?	<p>Define an interval period for technical renewal in the contract</p> <p>Demand a periodical report of new technologies that (have) become available.</p> <p>Define in the agreement what adaptation speed is wanted, f.i. update after max 6 months of new versions</p>
To what degree influences this factor positively to innovation and renewal outcome?	Mark: 1 (not at all), 2 (limited), 3 (to some degree), 4 (considerably), 5 (highly)
To what degree influences (the absence of) this factor negatively to innovation and renewal outcome?	Mark: 1 (not at all), 2 (limited), 3 (to some degree), 4 (considerably), 5 (highly)
Can you give any examples, details or practical results in support of this perception?	
How well is in your perception the innovation and technical renewal outcome in this outsourcing relation on a scale from 1 to 5?	Mark: 1 (not at all), 2 (limited), 3 (to some degree), 4 (considerably), 5 (highly)
What have been the most important renewals and innovations within this relation?	
Which of the formerly factors have contributed most to innovation and renewal in your perception?	
Which of the formerly factors have contributed least to innovation and renewal in your perception?	
What would you do in a new outsourcing selection to increase innovation outcome?	
Do you have any additional information, remarks or other to share with us?	