

PACIS Proceedings

PACIS 2000 Proceedings

Association for Information Systems

Year 2000

Relationship Management of Small and
Medium Business IT Outsourcing
Projects in Taiwan

Eugenia Huang
National Chengchi University

Phoebe Tsai
National Chengchi University

Relationship Management of Small and Medium Business IT Outsourcing Projects in Taiwan

Eugenia Y. K Huang, Phoebe H. Y. Tsai
Department of MIS
National Chengchi University, Taiwan, R. O. C.

Abstract

Information system outsourcing has been practiced for years before the famous outsourcing decision of Eastman Kodak made public in 1989. The scale of the Kodak outsourcing project attracted the attention of both business managers and academic researchers. Outsourcing may bring many advantages to businesses, yet, without proper management it is equally likely to do harms. Up until now the focus of most research work has been on the so-called IT outsourcing “strategies” - whether to outsource and what to outsource, while the focus of this paper is on the relationship management. In Taiwan, most businesses are small and medium; large enterprises are few. Thus, for a long time, the academic sector in Taiwan has been wondering whether the outsourcing experience and the principles of large enterprises appeared in the literature do apply to the small and medium businesses. By conducting interviews with eight small and medium businesses based on the conceptual model derived from literature review, an analysis of in-depth case studies is reported to convey the practice of relationship management in small and medium businesses in Taiwan. In many areas of Asia, like in Taiwan, small and medium businesses constitute the economic foundation. Thus the research findings in this paper are of particular importance in Asia.

Keyword: IT outsourcing, relationship management.

1. Introduction

Outsourcing is not a new concept; it has been adopted in many fields. Take Nike for instance: Nike outsources 100% of its shoe production, and manufactures only key technical components of its “Nike Air” system, so that it can devote most of its resource to core functions, namely, product design (Quinn and Hilmer, 1994). Since outsourcing is often justified by inadequacy of internal resources or efficiency of labor division, it is applicable in many settings; for example, business may outsource its security control to professional security companies and avoid the cost of training and managing security personnel. More than half of the large international enterprises have outsourced their IT-related activities since 1950’s. However, the outsourcing contract signed by Eastman Kodak in 1989 dazed the public due to the great amount of money at stake, the scale of the project, and the size of Kodak. From then on, US firms were enlightened to take a serious look at IT outsourcing and ponder on its feasibility in their organizations.

Firms can benefit from IT outsourcing strategically, financially, and technologically. For example, the fixed cost can be changed into variable cost, the firm can devote itself to core functions, and it can have better access to the latest IT technology. Nevertheless, these firms also run the risk of losing control over the systems and facing increased expenditure charged by the outsourcers. However, IT outsourcing is a process instead of an event; it spans the entire process from decision-making until the delivery of the services. Each phase of the spectrum in this process requires full attention and keen discretion. It is unwise to work only on a specific phase and leave the rest virtually unmanaged.

The business practices in Taiwan are dramatically different from that in the U.S. The sheer size difference of small and medium versus large is the main factor that contributes to the departure of practices. Even the definition of “large” in Taiwan is by no means the same. Thus, the concepts derived from the literature based on U. S. studies must be modified and adapted in order to be applicable in Taiwan. The management model for small and medium enterprises in Taiwan should be based on the actual outsourcing experience of local companies. The aim of this paper is to establish such a model.

2. Literature review

2.1 Make or buy: It is said that the decision of IT outsourcing should take into account the extent the firm relies on information systems and the strategic importance of R&D (research and development) in the firm (McFarlan et al., 1995). A strategic grid is then built to help managers in the whether-or-not decision making. As for which part of the infrastructure should be outsourced, every firm will have a unique case to analyze. However, researchers have observed that total outsourcing rarely turned out to be a good choice. Recent literature reported that the companies which chose total outsourcing are mostly in trouble with their outsourcing projects now (Lacity et al., 1998). Various problems surface: there are conflicts between business strategy and IT strategy due to poor communication, costs of systems are higher than market price, and the outsourcer does not bring forth the latest technology as promised in the contract, etc. What is worse is that the cost of switching to another outsourcer is usually quite high. Therefore, it is suggested that a firm adopt selective outsourcing rather than total outsourcing, according to each IT activity’s strategic value and whether the activity is operationally critical (Lacity et al., 1996).

2.2 Outsourcer selection: Huang & Chou (Huang, 1998) conducted a comprehensive literature review to come up with a list of outsourcer selection criteria, and developed a mathematical model for firms to customize the list according to the characteristics of the firm, the project, and the IT function being outsourced. Though in the paper, the model was fitted using the data collected in Taiwan, the theoretical aspect of the modeling is applicable in other business environment.

2.3 Contract negotiation: Lacity and Hirschheim (1993) hold that a sound contract is the prerequisite to a successful outsourcing relationship. All outsourcing expectations are realized by signing a carefully scrutinized contract. Unlike their clients, outsourcers are typically the expert in negotiation and familiar with outsourcing terms. So, a robust contract is the key mechanism to offset the outsourcer’s advantage. It also facilitates a balanced outsourcing relationship. Beside, it is suggested that the customers hire technical and legal experts to represent their interests. The items that should be included in an ideal contract are listed in Table 1.

2.4 Project management: It is unrealistic to assume that IT problems will disappear once an outsourcing deal is closed. Some managers have a misconception that the event signifies the moment of transferring the responsibility of managing an outsourcing project to their IT personnel; in effect, they just delegate the duty, which means they still have to manage the project (Leibs, 1998). Obvious as it may sound, it is pointed out that only 44% of IT outsourcing clients hold monthly performance reviews (James, 1997). Yuval (1996) suggests that firms make good use of the deliveries of each stage in the System Development Life Cycle to monitor the progress of the project.

2.5 Relationship management: Research result indicates a strong need for firms to go much further than a transient client/vender association in order to attain strategic, economic, and technological benefits offered by IT outsourcing (Applegate et al., 1999). Scarbrough (1995) mentioned three strategies for knowledge-based transactions, namely, the blackbox, the hostage, and the prisoner strategies. In a blackbox approach, the technical knowledge is black-boxed; there are concerns of possible dependency on the supplier. In a hostage approach, something of value to the giver but not to the receiver is taken in the receiver's custody to achieve mutual dependency. The focus of the prisoner strategy is to form a long-term relationship among the employer and the employees to retain skilled IT resource within the firm. Usually this is done through a tactic of forcing a developer to learn specific skills that can not be easily transferred to other projects. Scarbrough's concept can be applied to the relationship between the firm and the outsourcer. When the project involves the outsourcer's investment on asset-specific skills, a continuous relationship is reinforced. This is because it is hard for the outsourcer to transfer these specific skills to other projects, and hence the investment would become sunk cost if the relationship ends. This exit barrier for the outsourcer helps assure a long-term relationship. Henderson developed an action plan to establish and sustain partnership among functional departments and IT department. In this paper, Henderson's action plan is adjusted, and adapted in a firm/outsourcer relationship.

3. Conceptual model and methodology

The three strategies proposed by Scarbrough in 1995 reflect an important element in a relationship, i.e., dependency. The approaches explicitly define three possible conditions of a dependency. In a black-box relationship, the firm depends on the outsourcer, but not the other way around; in a hostage relationship, they exchange something and become mutually dependent; in a prisoner relationship, the outsourcer invests specific assets or efforts to serve the firm, and therefore is locked-in and dependent on the firm. In the research process, a tentative model generated from literature review was first formed. However, after interviewing with the eight businesses, it is revealed that when the firm and the outsourcer both have plenty of alternatives and do not especially care about retaining a long-term relationship, an interesting relationship not mentioned by Scarbrough is present, namely, the absence of dependency. This form of relationship is termed "stand-by" in our paper. Based on the above reasoning, Scarbrough's proposition is modified to include the situation when a dependency is in absence. However, stand-by is a consequence of having many alternatives, and the number of alternatives can be directly translated from a relatively unspecialized project. Following this logic, when the number of qualified outsourcer is down to one, the project is considered as highly specialized; if the number of qualified outsourcer is limited but not to the extent of scarcity, the project is considered as relatively specialized; if there are many options in selecting an outsourcer, the project is relatively unspecialized. The property of the project may have the first-hand influence on the relationship between the firm and the outsourcer. However, the resultant relationship may vary according to the presence or absence of proper relationship management Figure 1 shows a conceptual model incorporating both the concepts summarized from literature reviews and the above new observations from field interviews.

While the research of IT outsourcing in Taiwan is still in the early stage with a focus on the strategy, this research attempts to explore a new facet of outsourcing. In essence, this paper addresses two questions: What role does the dependency between the firm and the outsourcer

play in the relationship building? Are there management measures that small and medium firms can use to counterbalance the potential inequality in bargaining power? To answer these questions, an in-depth case study is conducted, in which we interviewed the project managers of eight small and medium businesses in Taiwan. Four of them are in the list of “Consulting Plan for Computerization in Small and Medium Businesses” furnished by Information Service Industry Association of R.O.C., and the other four are identified through convenience sampling. Among them, the scale of Firm B is considerably larger than the rest of the firms interviewed; therefore it serves as the controlled case to investigate if the scale of a firm can solely determine the performance. For conciseness, complete descriptions are not presented in this paper. However, all details of the eight firms interviewed are tabulated in Tables 3-1, 3-2, and 3-3. Also, important details of each case are included in the explanation following each proposition.

4. Propositions

Figure 2 is the visualization of the sorting path of the eight cases. As shown in Tables 3-2 and 3-3, the properties of the outsourced projects of Firms B, E and G are relatively specialized. It is observed that Firms B and E have conducted comprehensive relationship management (compared with the rest), while Firm G has not put in much effort on relationship management. The outsourcing relationships of Firms B, E and their outsourcers are classified as hostage, and the outcome is satisfactory. In contrast, the relationship between Firm G and its outsourcer is of a blackbox. The outsourced projects of Firms A, D, and H are relatively unspecialized; without relationship management, a stand-by relationship is formed, and the outcome is mediocre. The properties of the outsourced projects of Firms C and F are highly specialized, and the two firms did not practice relationship management. The outcomes of their projects are both unsatisfactory. Six propositions are derived from the analysis of these eight cases.

4.1 Proposition 1: *When the relationship management covers tight contract negotiation, action plans to establish and sustain partnership, and project management, a firm can receive satisfactory output of the outsourcing project.*

As shown in Table 3-2 and 3-3, it is apparent that Firm B and Firm E are the only two businesses that attend to relationship management all the way from contract negotiation to project management. They are also the only two whose output of outsourcing project is satisfactory. Compared with them, other firms have neither a tight contract nor action plans to establish and sustain partnership. With the exception of Firm B and Firm E, few of the firms spend time on project management when the project is relatively specialized.

4.2 Proposition 2: *When the project is highly specialized, because there are few qualified and willing outsourcers, it is not easy to change the relationship through management techniques. Under the circumstance, the relationship is classified as blackbox, and the output of the outsourcing project is unsatisfactory.*

According to the definition, the projects having few options in selecting an outsourcer are classified as highly specialized. Thus, there is usually only one, or at best two, qualified outsourcers in the market. Since the firm does not have much choice, it must rely on the specific outsourcer to offer the outsourcing service. Apparently, the firm is entirely dependent on the outsourcer, and there is nothing the firm can do to counterbalance the outsourcer’s

preponderance. Once the contract is terminated, the firm will face severe difficulties in maintaining the system, because all the know-how is blackboxed. Therefore, the relationship between the firm and the outsourcer is a blackbox. The cases of Firm C and Firm F support this proposition. The goods incoming, sales, and inventory systems of Firm C were developed with an old programming language. As the whole world is overwhelmed by Windows operating system, Firm C's systems are becoming obsolete. What is worse is that the original in-house designer quit, and Firm C had to look for an outsourcer to maintain the systems, or the daily operations would be interrupted. Finally, Firm C found the one and only one qualified outsourcer to maintain the systems. Since it was the only one available in Taiwan, Firm C had no choice but to work with the outsourcer. To enhance the motivation, Firm C had to offer a very handsome reward. Since Firm C has to make every effort to retain the outsourcer, apparently, Firm C is in an awkward position and can not manage the outsourcer effectively. Firm F is located in the suburbs of a small city, and there is only one qualified outsourcer in that area. Like Firm C, Firm F has little power over the outsourcer and no awareness of the danger it faces. These two cases demonstrate the blackbox relationship.

4.3 Proposition 3: *When the project is relatively specialized, if it is properly managed, the relationship between the firm and the outsourcer is classified as hostage, and the output of the outsourcing project is satisfactory.*

As shown in Table 3-1, the outsourcing projects of Firm B's and Firm E's are relatively specialized; this means the two projects are specialized, but not to the extent that qualified outsourcers are scarce. They have been prudent with the contract negotiation in the early phase, and they take practical actions to start and sustain partnership with their outsourcers. During the project development, they hold weekly reviews with the outsourcers to make sure every thing is on schedule or spot potential problems before they become a real disaster. The relationship between Firm B and its outsourcer may be the function of both Firm B's scale and the successful relationship management of IT outsourcing. Firm B uses its own scale to counterbalance the power of outsourcer; if the outsourcer breaks the promise or try to play on words, the outsourcer's reputation is at stake. On the other hand, Firm E is definitely a small business, yet it successfully shifts the imbalance with the outsourcer by relationship management. Because of the good relationship between the firm and the outsourcer, the representative of the firm can always find the outsourcer's key person whenever needed. The partnership is tightened as time goes by, and the outsourcer's engineers are cooperative and proactive when the firm asks them to tune the systems. Therefore, the output of the outsourcing projects of Firm B and Firm E are satisfactory.

4.4 Proposition 4: *When the project is relatively specialized, if it is not properly managed, the relationship between the firm and the contract is classified as blackbox, and the output is unsatisfactory.*

Compared with Firm B and Firm E stated in Proposition 3, the relationship management by Firm G is relatively loose and lax. The content and the targets of the project were dramatically changed without renewing the contract. There were no actions to establish partnership with the outsourcer, and there were no reviews to identify the true reason of delayed schedule: the outsourcer alone was not capable of carrying out the project. All Firm G did was waiting patiently for the outsourcer to demonstrate the systems. After the schedule was too lagged behind to conceal the problem, the outsourcer suggested that Firm G find another software company to help finishing the software coding. Firm G had no choice but to

accept this suggestion. Since Firm G has not been involved in the system development, it will have to completely rely on the outsourcer to maintain and upgrade the system in the future. Thus, the relationship between Firm G and its outsourcer is classified as blackbox. Though the project is still on-going, you can almost predict the output to be far from satisfactory as compared with Firm B and Firm E's. The schedule is already seriously delayed, the technical level of the second software company is unknown, and the coordination between the original outsourcer and the second outsourcer may not be efficient and effective, making the cost rocket.

4.5 Proposition 5: *When the project is relatively unspecialized, because both the firm and the outsourcer have many alternatives in the market, the relationship between them is classified as stand-by, and the output is mediocre.*

Because the property of the outsourcing project is relatively unspecialized, there are definitely many qualified outsourcers in the market. The services Firm A needed were hardware acquisition, software installation and maintenance, and an accounting software package; Firm D purchased a goods incoming, sales, and inventory system package; Firm H outsources its hardware and network maintenance. These products and service are quite basic; compared with other cases, it is relatively easy for Firms A, D, and H to find a suitable outsourcer. Also, if the outsourcer does not perform to the firm's satisfaction, it is relatively easy to find another outsourcer without incurring considerable switching cost. When the project is relatively unspecialized, it is likely to find another outsourcer who offers better service and charges less. However, an outsourcer may also have many potential customers in the market. Losing one ordinary customer does not create a great impact. But on the other hand, the outsourcer is definitely aware that they also have many competitors, and the cost of acquiring a new customer is certainly higher than retaining a loyal one. The relationship between the firm and the outsourcer is classified as stand-by. Although none of Firms A, D, or H practice relationship management, nothing goes wrong in these outsourcing projects. The reason could be that the outsourcers would not want to lose customers. Even though there is no evidence of relationship management, the outsourcer does not deviate from the contract terms. Nevertheless, without good relationship like in the cases of Firm B and Firm E, the outsourcers is likely to simply perform everything required in the contract, and nothing extra. The outsourcer does not have a clear motivation to perform its best. Therefore, the output is only mediocre rather than satisfactory.

4.6 Proposition 6: *The reasons of a blackbox relationship are that the project is highly specialized or that the relatively specialized project is not properly managed.*

According to Propositions 2 and 4, a blackbox relationship between the firm and the outsourcer is due to one of the following two reasons: (1) The project is so highly specialized that the firm simply can not practice relationship management adequately. (2) The project is relatively specialized and the relationship management is poor.

5. Conclusion

Among the eight cases, Firm B and Firm E took on similar tasks in the relationship management, which suggests that these tasks are feasible for small and medium businesses and are effective in relationship building (see Table 3-2 and 3-3). Though considered quite small in size, out of all eight firms, Firm E applied the most management techniques during

the outsourcing period. In comparison, Firm B, the largest in our samples, did not even work on “general and social education” (Table 3-2). Therefore, how seriously a firm took on relationship management is not tied to its size. Whatever Firm E has achieved is achievable by other small and medium businesses in Taiwan. For those small and medium businesses that would like to jump on the outsourcing bandwagon, it is crucial to assess how much they depend exclusively on the outsourcer. If there is only one qualified and willing outsourcer in Taiwan, this could be a warning sign that the IT infrastructure of the firm is obsolete and in need of an upgrade, since the required service is out of the mainstream of IT development. If the firm does not take a quick action to remedy the problem, the required service will only get even harder to come by. Although physical proximity is desirable when choosing an outsourcer, if there is only one qualified and willing outsourcer available in the local area while there exist more options in other cities, an immediate task is to find out which costs less: the cost of being locked in by one single local outsourcer, or the cost of a more challenging coordination when collaborating with a physically distant outsourcer. When the outsourcing project is relatively specialized, the relationship management may determine the performance of the project. Relationship is a subtle and dynamic matter; if the firm sustains a good relationship with its outsourcer, the outsourcer will not only abide by the contract, but also do its best in tasks that are not spelled out in the contract to achieve a higher degree of customer satisfaction. Hence, if the firm would adopt the techniques suggested in the Henderson’s paper to start building a partnership with the outsourcer, the output of the project is very likely to be, at least, satisfactory. On the contrary, without relationship management from start to finish during the entire outsourcing life cycle, the project will have a slim chance to succeed. Once a project is out of control, one should not expect to get it back in shape, because every stage is tied to the previous one. For those firms whose outsourcing project is relatively unspecialized, relationship management is not of obvious importance because the outsourcer would be somewhat self-demanding due to the fact that the project is relatively unspecialized, and the firm can easily switch to another outsourcer which offers better service and charges less. Since the bargaining powers on both sides are about equal, the outsourcer would at least carry out the terms in the contract. However, there is a considerable difference between abiding by the contract only and making efforts to do its best. No firms can be absolutely sure that the contract is not missing any details; there are always small tasks that are not explicitly described in the contract. Therefore, a project being relatively unspecialized does not give a firm justifiable reason to spare a relationship management effort. Though in this paper we have not identified cases that support a proposition that if a project is relatively unspecialized, a firm will receive satisfactory result with effective relationship management, it is expected that a proper relationship management will certainly enhance the chance of having a successful project. In addition, even a sharp market competition does not guarantee that all outsourcers will be conscientious enough to be self-managed. Consequently, when a project is relatively unspecialized, relationship management should still be emphasized.

As a final remark, we would like to point out that In this research, there are two hidden variables, i.e. culture (western versus eastern) and size (large versus small and medium), as the title implies. However, the samples can not be categorized to four separate groups which adequately represent all combinations of two variables. Therefore, a direct causes-effect relationship can not be established based on the causes of both culture and size. That is to say, when an effect is observed, one can not have a concrete conclusion that the effect is caused by culture or size. For future studies, the rich findings in this paper may support the worthiness to conduct a more extensive case study which covers cases of different cultures

and sizes. Though western cases are not represented in this research, we do observed some culture differences in relationship management. To the small and medium businesses in Taiwan, some of the management techniques generated from the outsourcing experience of the large companies in the western simply are not practical or economical. For example, none of the eight firms conducted benchmarking, nor do they feel a necessity to make incentive system part of the contract as suggested in the literature.

Reference

Applegate, L. M., McFarlan, F. W., McKenney, J. L., *Corporate Information Systems Management: Text and Cases*, Irwin McGraw-Hill, 1999.

Huang, E. Y. K. and Chou, M. C., "Constructing an IT Outsourcer Selection Model for IT Outsourcing Projects," *Second Asia Pacific Decision Science Annual Meeting*, June 1998.

Henderson, J. C., "Plugging into strategic partnerships: the critical IS connection," *Sloan Management Review*, Spring 1990, pp. 7-18.

James, G., "Tapping the scales your way," *Datamation*, Nov. 1997, pp. 48-53.

Lacity, M. C., Willcocks, L. P., "An empirical investigation of information technology sourcing practices: lessons from experience," *MIS Quarterly*, Sept. 1998, pp. 363-403.

Lacity, M. C., Willcocks, L. P., and Feeny, D. F., "The value of selective IT sourcing," *Sloan Management Review*, Spring 1996, pp. 13-25.

Lacity M. C. and Hirschheim, R., "The information systems outsourcing bandwagon," *Sloan management Review*, Fall, 1993, pp. 73-86.

Leibs, S., "Outsourcing's no cure-all," *Industry Week*, April 6, 1998, pp. 20, 22, 24, 26, 28.

Quinn, J. B. and Hilmer, F. G., "Strategic outsourcing," *Sloan Management Review*, Summer 1994, pp. 43-55.

Scarbrough, H., "Blackboxes, hostages and prisoners," *Organization Studies* (16:6), pp. 991-1019.

Tyler, G., "Information technology - the take away version," *Management Services*, Jan. 1998, pp. 28-30.

Whang, S., "Contracting for software development," *Management Science* (38:3), March 1992, pp. 307-323.

Yuval, A., "The matrix approach to information system development," *Computers in Industry* (28:3), June 1996, pp. 257-263.

Table 1. Suggested Components in a Tight Contract

		Whang, 1992	Lacity et al. 1993	Tyler, 1998
Product definition	Production to be delivered	*	*	
	Services to be rendered		*	
	Performance measurement	*	*	*
	Growth rate		*	
	Delivery conditions	*	*	
Intellectual property protection	License to the software and its side-products	*		*
	Patent protection	*		
	Ownership of copyright to the source code and supporting documentation	*		
	Rights to modify and enhance the software	*		
	Protection of trade secrets and confidentiality	*		
Payment	Items covered in the contract fee	*	*	*
	Payment schedule	*		
	Penalty for nonperformance	*	*	*
Exit arrangement	Outsourcer assistance to transfer duty to a new outsourcer		*	*

Table 2. Actions to Establish and Sustain Partnership

Education	Effective Use of Teams
<ul style="list-style-type: none"> ● Skills transfer and training ● General education ● Social or cultural education 	<ul style="list-style-type: none"> ● Create social networks ● Create stability
Joint Planning	Multilevel Human Resource Strategy
<ul style="list-style-type: none"> ● Mutual benefits negotiation 	<ul style="list-style-type: none"> ● Actions address all levels ● Select and assign key personnel
Measurement and Control	Technology
<ul style="list-style-type: none"> ● Compatible incentive systems ● Effective benchmarking ● Provision of operational and performance data 	<ul style="list-style-type: none"> ● Use IT to facilitate communication ● Use IT to increase the effectiveness and efficiency of teamwork

Table 3-1. Summary of the eight businesses interviewed.

		A	B	C	D	E	F	G	H
Basic info	Field of business	Import and export agent	Hat manufacturer	Educational toys agent	Facilities engineering	Battery, parts, and semi-conductor agent	Wire processing factory	Dye manufacturer	Chemical and medicine manufacturer
	Function of the project	Accounting system	Goods incoming, inventory and sales system	Maintenance of obsolete system	Goods incoming, inventory and sales system	Goods incoming, inventory and sales system	Customs documentation processing system	Goods incoming, inventory and sales system	Hardware and network maintenance
	No. of employee	20	2,500 (office and factory)	35	30	17	office: 15 factory: 25	office: 30 factory: 110	130
	Contract fee	Not revealed	\$350,000	\$350-1,800	Not revealed	\$29,000	\$1,200	\$34,000	\$3,000
Property of outsourcing project		Relatively not specialized	Relatively specialized	Absolutely specialized	Relatively not specialized	Relatively specialized	Absolutely specialized	Relatively specialized	Relatively not specialized
Selection of outsourcer	Criteria	Recommended by friends	Specialty, financial stability, price, and word of mouth	Recommended by friends	Recommended by friends	Reputation and cooperation intent	Recommended by friends	Sincerity shown in the interview	Recommended by friends, word of mouth, human resource, and cooperation intent
Tight contract negotiation	Terms of the contract	Outsourcer's standard contract	Outsourcer's standard contract with modifications	Outsourcer's standard contract	Outsourcer's standard contract	Outsourcer's standard contract with modifications	Rough list of deliveries delivered on a certain date	Outsourcer's standard contract	Outsourcer's standard contract

Table 3-2. Summary of the eight businesses interviewed. (n: negative, p: positive)

		A	B	C	D	E	F	G	H
Tight contract negotiation	Consulted by experts	N	IT expert	N	N	legal expert	N	N	N
Actions to establish and sustain relationship	Transfer of skills and user training	N	P	N	P	P	P	P	N
	General and social education	N	N	N	N	P	N	N	N
	Benefits negotiation	P	P	P	P	P	P	P	P
	Compatible incentive systems	N	N	N	N	N	N	N	N
	Effective benchmarking	N	N	N	N	N	N	N	N
	Provision of operational and performance data	N	N	N	N	N	N	N	N
	Create social networks	N	P(having meals)	N	N	P(having meals and tea times and going to KTV)	N	N	N
	Create stability	P	P	P	P	P	P	P	P
End-users are willing to interact with the outsourcer	P	P	P	P	P	P	P	P	

Table 3-3. Summary of the eight businesses interviewed. (n: negative, p: positive)

		A	B	C	D	E	F	G	H
Actions to establish and sustain relationship (cont.)	Person responsible for the outsourcing project	Clerk experienced in computerization	Head of IT dept.	Head of management dept.	Clerk with technical background	Secretary	Clerk responsible for customs	Senior personnel	IT section
	IS people are willing to interact with the outsourcer	No IT personnel	P	No IT personnel	No IT personnel	No IT personnel	No IT personnel	No IT personnel	P
	Dept. managers are willing to interact with the outsourcer	Not necessary	Not necessary	Not necessary	Not necessary	P	Not necessary	Not necessary	Not necessary
	Means to keep in touch with the outsourcer	Telephone	Telephone	Telephone	Telephone	Telephone	Telephone	Telephone	Telephone
Project management	Review	Not necessary	Once a week	Not necessary	Not necessary	Once a week	Sometimes	N	Not necessary
	Milestone		Once a week			Once a week	Sometimes		
	Check point		Once a week			Once a week	Up to the outsourcer		
Relationship with the outsourcer		Stand-by	Hostage	Blackbox	Stand-by	Hostage	Black-box	Blackbox	Stand-by
Performance	Output meets the needs of management	P	P	P	Users adjust themselves to the software	P	Delayed delivery	Delayed delivery	P
	Quantitative survey to measure performance	N	N	N	N	N	N	N	N
	Evaluation	Mediocre	Satisfac-tory	Unsatisfac-tory	Mediocre	Satisfac-tory	Unsatisfactory	Unsatisfactory	Mediocr e

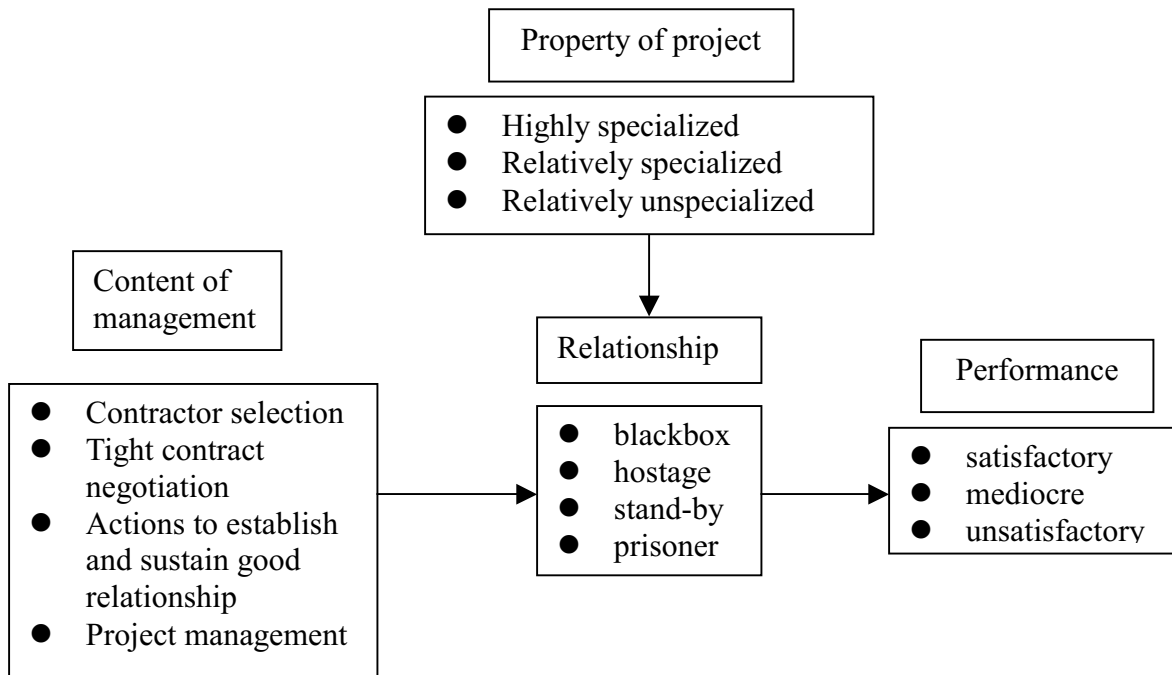


Figure 1. The conceptual model of relationship management of IT outsourcing.

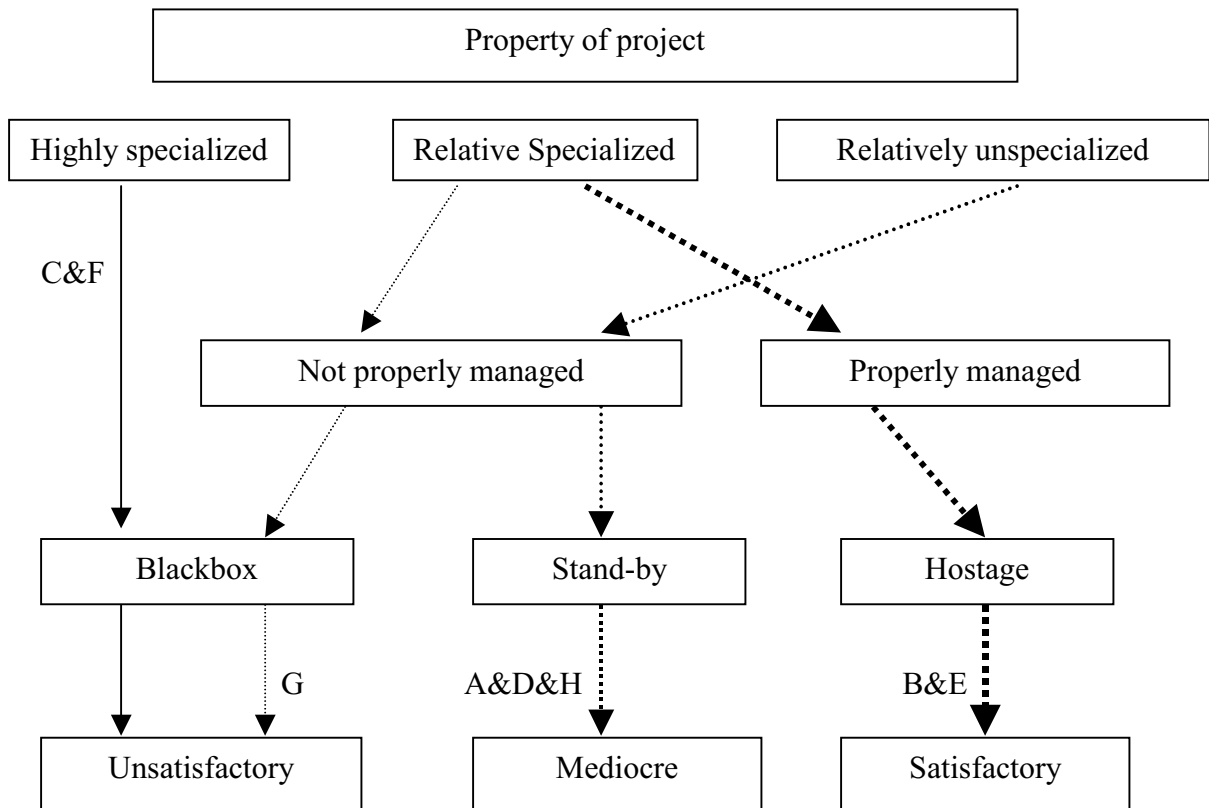


Figure 2. Sorting path of the eight cases interviewed.