

# MASTER'S THESIS

## Dissolution signals of a strategic outsourcing partnership

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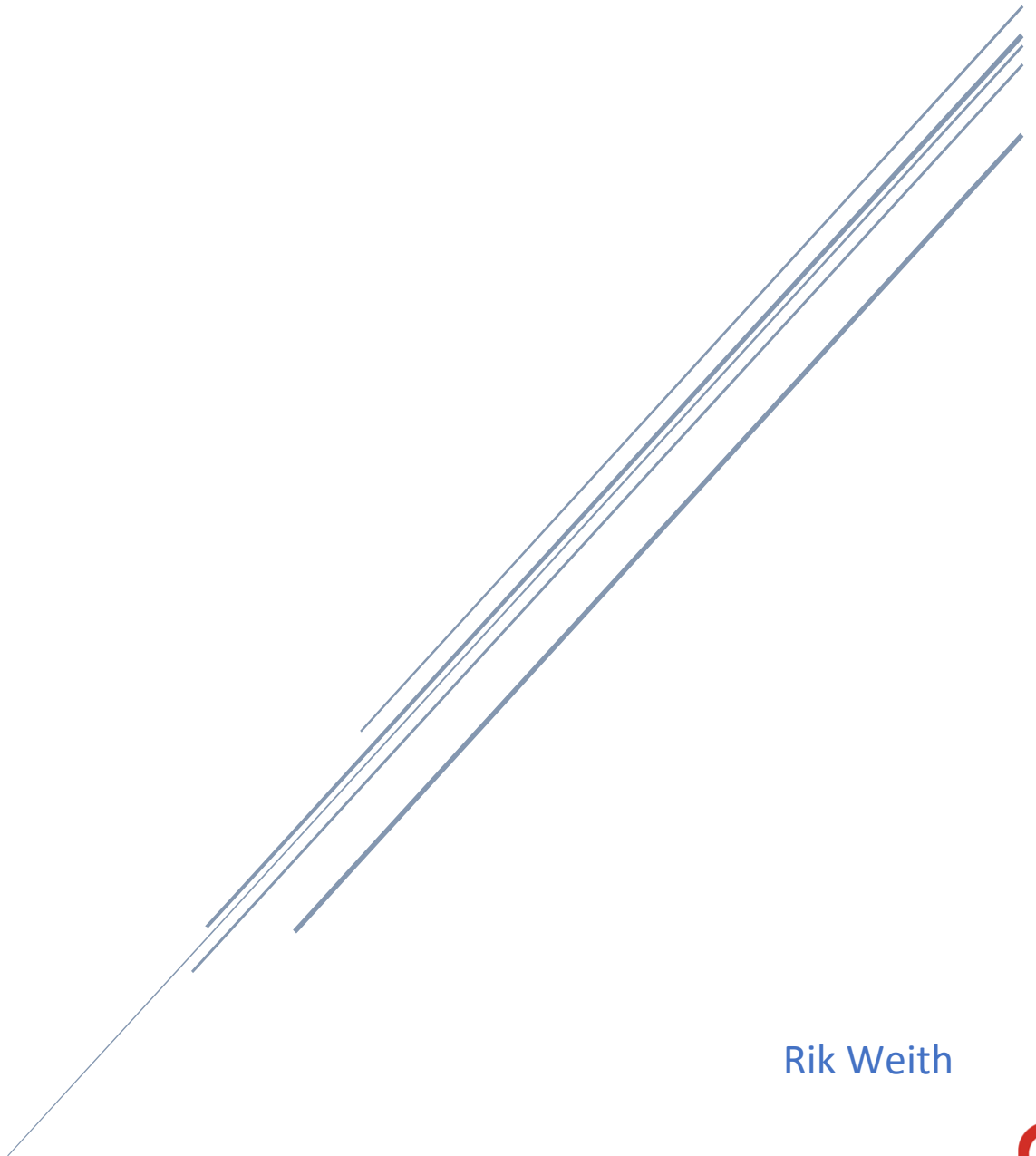
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# DISSOLUTION SIGNALS OF A STRATEGIC OUTSOURCING PARTNERSHIP



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# Dissolution signals of a strategic outsourcing partnership

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## Abstract

The research aims to identify and comprehend the various types of signals transmitted between the user and IT outsourcing supplier that may indicate a potential dissolution of the IT-outsourcing partnership. This will be accomplished through a comprehensive literature review and empirical research in order to answer the following research question: *“What types of signals sent between the user and IT outsourcing supplier, may indicate a potential dissolution of an IT-outsourcing partnership, and do certain indicators point to a specific type of dissolution?”*. Knowledge gaps have been identified in the literature on this subject. Answers to these knowledge gaps have been sought through inductive explorative case study research. Through this research, patterns have been found that result in the following theoretical contributions. First, indirect responses lead to a decrease in trust. Secondly, the means of communication used to send and respond to signals can be deliberately used to avoid accountability. In addition, the research shows that when sending direct signals does not yield a response or improvement, a switch is made to an indirect signal that is noticeable to force a response. Furthermore it can be concluded that, when a partnership is not going well, the communication and signals become unfriendly and less pragmatic. At last, product quality, service quality, relationship quality and high switching costs are important indicators of a collaboration. Where switching costs in particular contribute to the decision to switch vendor or backsource.

## Key terms

IT-outsourcing partnership, Signals, Triggers, Service provider, Dissolution, Backsourcing.

## Summary

Outsourcing is the procurement of products or services from external sources to allow companies to focus on their core business. This often results in cost reduction and enhancement of service and quality. IT outsourcing (ITO) has gained significant popularity since the 1990s and can furnish companies with access to advanced technologies and specialized IT knowledge. However, outsourcing can also come with risks such as loss of autonomy and control, vendor inability to deliver, and hidden costs. Research has revealed that a third of the companies studied had terminated their outsourcing contracts. Despite an extensive decision process, the intended results may not always be achieved. Factors such as changes in the external environment and the customer's internal requirements can cause the partnership to evolve and change, leading to a successful or unsuccessful outcome. The research aims to identify and understand the types of signals sent between user and IT outsourcing supplier that may indicate a potential dissolution of the IT-outsourcing partnership. This will be done through a literature review and empirical research to answer the following research question: *“What types of signals sent between the user and IT outsourcing supplier, may indicate a potential dissolution of an IT-outsourcing partnership, and do certain indicators point to a specific type of dissolution?”*.

ITO is defined as the procurement of IT products or services from external sources. Triggers are anything that prompts a reconsideration of the ITO partnership and signals are the communicative behaviors to which the other party assigns a relationship-specific meaning, caused by a trigger. According to the existing literature there are several theories on strategic (ITO) partnerships, but it is unlikely that any single theory can fully explain the complexities of cooperation. Therefore, to fully analyze an ITO partnership, all aspects must be taken into account. Including both economic and relational aspects. The literature has also highlighted triggers that could undermine the success of a partnership. And that as a result of the occurrence of a trigger, direct and indirect signals are sent. The way in which and whether a signal is responded to indicates whether a signal has been received properly. It can therefore be concluded that signals are an important indicator of how well an ITO partnership is going. Currently, there is limited research on the topic of signals within strategic partnerships. There is no information on whether it is possible to predict the end of a partnership using signals or what signal types would be required.

A longitudinal method can be used to examine how the ending process of a business relationship happens. In order to do this, a literature review has been combined with an inductive exploratory case study research. This research method is comparable to grounded theory, as it involves constructing a theory through a process of inductive reasoning.

The case is the relationship between a commodity trader (user) and a service provider that does their production and storage. Approximately a decade ago, the strategic objectives of the partnership underwent a change. This alteration led to dissatisfaction among the parties involved, in particular the user, eventually culminating in the decision to gradually disengage and ultimately terminate the partnership. The case study focused on understanding the critical points in the collaboration that led to the decision to end the partnership and what signals sent between both parties can be recognized. Data was collected by interviewing five participants and analyzing internal documentation. The research led to the following theoretical contributions:

An indirect response leads to a decrease in trust. The service provider's failure to respond to direct signals with direct signals, and their lack of transparency in addressing issues, resulted in the user having a loss in trust and dissatisfaction.

The means of communication used to send and respond to signals can be deliberately used to avoid accountability. The research showed that using email and telephone as the method of transmitting signals can be used to avoid accountability.

If sending direct signals does not yield a response or improvement, a switch is made to an indirect signal that is noticeable in order to force a response. In the case the user switched from direct to indirect signals to force the service provider to take action and respond.

When a partnership is not going well, the communication and signals become unfriendly and less pragmatic. This was reflected in the interviews and the email contact in which the tone became more negative and unfriendly.

Product quality, service quality, relationship quality and high switching costs are important indicators of a collaboration. Where switching costs in particular contribute to the decision to switch vendor or backsource. In the case studied, switching costs was the reason why the user could not stop the partnership sooner and had to wait until there were other options.

## Table of contents

Abstract .....	2
Key terms.....	2
Summary.....	3
1. Introduction .....	6
2. Theoretical framework .....	9
3. Methodology .....	14
Conceptual design .....	14
Technical design .....	14
Validity and reliability .....	17
4. Results of the case study .....	18
Background of the case .....	18
Case study results .....	18
5. Discussion, conclusions and recommendations .....	24
Discussion .....	24
Conclusions.....	25
Limitations .....	26
Recommendations for further research .....	26
Recommendations for practice .....	27
Bibliography.....	28
Attachments .....	30
Attachment 1. Interview schedule.....	30
Attachment 2. Event registration .....	31
Attachment 3. Internal documents .....	31

## 1. Introduction

Outsourcing, as defined by Lankford & Parsa (1999) is the procurement of products or services from sources that are external to the organization. The primary reasons for outsourcing include allowing for more focus on core business activities and utilizing external partners to produce non-core business products or services more effectively and/or efficiently. Starting an outsourcing partnership is often viewed as an accomplishment and the beginning of a lasting relationship, however, this relation is often accompanied by uncertainty about the future. While some partnerships may become successful, others may not last. Outsourcing has been used since the 1990s to manage IT and systems (Kishore et al., 2003), this practice is called IT outsourcing (ITO).

Companies can have various reasons for outsourcing. According to literature, some of the main reasons for outsourcing include cost savings through economies of scale, cash infusion, faster application development, improved service and quality, access to IT expertise and competence, access to new technologies, flexibility in managing IT resources, and elimination of a troublesome function (Jurison, 1995). The initial reason for outsourcing may often be cost savings, yet the specialized knowledge provided by a contractor can be a more valuable benefit (Lankford & Parsa, 1999). According to Lankford & Parsa, (1999), companies tend to report that the opportunity to focus on their core business, predictability of services, and ability to manage costs are the primary benefits of outsourcing after two or three years into a contract.

The Benefits companies can derive from outsourcing IT have been a significant focus in recent years, but little attention is given to the potential failure of partnerships. Research has found that a third of the companies studied had canceled outsourcing contracts (Lacity & Willcocks, 2000). Despite an extensive outsource decision process, it is possible that the intended results may not be achieved. The literature describes several risks associated with outsourcing, including: Irreversibility of the outsourcing decision, Breach of contract by the supplier, Loss of autonomy and control of IT decision, Vendors inability to deliver, Loss of control over the supplier, Uncontrollable contract growth, Loss of critical skills, Biased portrayal by suppliers, Supplier lock-in, Loss of control over data, Lack of trust and Hidden costs (Jurison, 1995). One notable example of a failed outsourcing partnership was in 2004, when JP Morgan Chase announced the discontinuation of their \$5 billion Information systems (IS) outsourcing contract with IBM. This came only 21 months after they had signed the deal. Their reasons for discontinuing the deal were similar to the reasons for initiating the partnership the partnership: to accelerate innovation and increase efficiency (Cowley, 2004; Forelle, 2004). IT had transitioned from being a support process to a competitive asset. In this example, it was the users change in strategic motives that caused the partnership to fail. A survey of 76 organizations, with a total of 223 outsourcing contracts identified hidden costs as the biggest outsourcing problem (Lacity et al., 1995). These costs are caused by unexpected changes that require a company to adjust quickly. Every additional task assigned to an outside consultant results in additional expenses. Due to the rapid and complex nature of IT, changes may be necessary frequently, leading to high hidden costs (Rubin, 2013).

An ITO partnership is not static, it is likely that changes in the external environment and the customer's internal requirements will cause the partnership to evolve and change (Kishore et al., 2003). When a partnership is unsuccessful, companies can decide to either outsource it to another partner (switch vendor), or to backsource what was initially outsourced, see figure 1 below. Switching to a different vendor means that the current outsourcing contract is canceled and that the activity gets outsourced to a new supplier. Backsourcing is the business process of bringing previously outsourced assets, activities and skills back under the roof of the company and performing them internally. According to Lacity and Willcocks (2000) 34% of all discontinued contracts are backsource. Gartner reports that 56% of small-business and 42% of mid-sized-business contracts are backsource after the outsourcing partnership has been discontinued (Brown,



2004). A common reason for back sourcing is that an increasing number of companies view IT as a business enabler rather than a supporting process (Forelle, 2004). According to (Bary & Westner, 2018) IT outsourcing has been researched extensively, yet IT back sourcing has not been researched much. They state: “Compared to the large amount of existing literature on ITO, the field of information systems back sourcing is less researched. Future research in this field could further analyze back sourcing triggers by looking at potentially hidden reasons. Those hidden triggers are not publicly stated by companies, and therefore not mentioned in news articles, however they could represent additional reasons to back source” (Bary & Westner 2018). Triggers are events that cause reconsideration of the outsourcing partnership. Companies do not publicly announce their reasons to reconsider an outsourcing partnership, for example internal organizational changes or changes in their strategic motives.

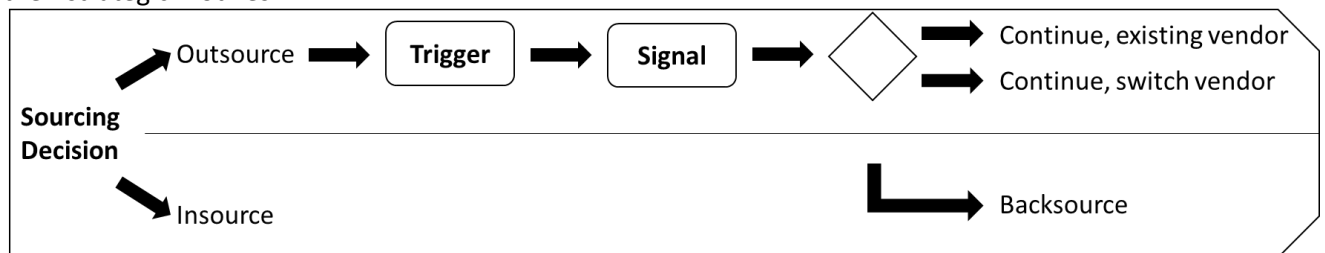


Figure 1: Outsourcing process (adaptation of Bary & Westner, 2018; Veltri et al., 2008)

The literature indicates that a strategic collaboration changes due to internal and external factors and that this can lead to the dissolution of a partnership. Two types of dissolution are defined in the literature: Backsourcing and switching vendor. However, the literature also indicates that prior to dissolution it may also be possible to salvage the relationship and continue working with the existing service provider. To maintain or restore an important partnership, companies can recognize early signs of potential dissolution and take action to prevent it (Alajoutsijärvi et al., 2000). Research on the specific signals that indicate a potential dissolution has been limited. Therefore it is interesting to investigate the effect of a possible dissolution on the communication between the partners and whether there are signals that indicate a failing partnership at an early stage. Signals are defined as “the totality of communicative behaviors, to spoken and written communication, and to such acts (e.g. a sudden increase in price, remaining silent for an unexpected period, etc.) to which the other party assigns a relationship-specific meaning” Alajoutsijärvi et al., (2000). In addition, it is also interesting to look at how companies split up and which indicators are important in the choice they make to switch vendor or backsource.

Besides early identification of signals that can be used to foresee termination of a partnership. A certain signal or set of signals may also indicate a specific type of termination. Different triggers can positively or negatively influence the decision to either backsource, continue or switch vendor (Bary & Westner, 2018). Looking at which signals arise from these triggers could make it possible to identify what type of dissolution is foreseen. This leads to the following question:

***“What types of signals sent between the user and IT outsourcing supplier, may indicate a potential dissolution of an IT-outsourcing partnership, and do certain indicators point to a specific type of dissolution?”***

The main research question will be answered by looking at the following sub-questions:

1. What does the sender trigger to send a signal?
2. Who are the sender and receiver of the signals?
3. What types of signals can be distinguished?
4. How can these signals be recognized? And what means of communication are used to send a signal

5. How does the receiver interpret a signal and what effect does the signal have on the receiver?
6. Do certain indicators point to a specific type of dissolution?

The research question will be addressed through a combination of literature review and empirical research. The literature review serves as explorative research into what is already known about signals within a strategic partnership. This will provide initial answers to the research questions and shows whether there are knowledge gaps. As we will see, there is little knowledge in the current literature about signals in a strategic partnership. Therefore, empirical research is done through a case study to find answers to these knowledge gaps and use this to develop new theories by inductive reasoning.

Doing this research is also relevant in practice because companies that outsource activities can utilize this information on signals to recognize a possible failure early. Therefore they can initiate the termination process at an appropriate time by evaluating alternative service providers or bringing necessary skills in-house. Service providers can also use this information to detect a failing partnership early and take action to avoid termination by the user.

The first chapter highlights a problem statement that is based on a knowledge gap found in the literature on strategic outsourcing partnerships. The second chapter further explores this problem by reviewing the existing literature, provide initial answers to the research questions and look for knowledge gaps. This knowledge also serves as a link between the problem statement and the empirical research. The methodology for conducting the empirical research is outlined in chapter three, including a detailed explanation of the research method and the rationale behind the decisions made. The results of this research are presented in chapter four. In chapter five, the findings are discussed in relation to existing literature and recommendations are provided. Additionally, the research is critically evaluated and reflections on the limitations and future research opportunities are given.

## 2. Theoretical framework

In this chapter, the research question about signals within an ITO partnership that may indicate a dissolution, is addressed by analyzing the existing literature on ITO partnerships, triggers of reconsidering the partnership, and related signals that are sent. This analysis makes it possible to gain insight into what knowledge is already available on these subjects. This is done by examining key concepts and theories from the literature in order to provide initial answers to the research question and identify any gaps in the existing knowledge. First, we look at why a sender is triggered to send signals that indicate a dissolution. This is done by looking at the indicators of a partnership and what needs to happen so that a partnership is no longer successful. After that, we look at what types of signals are distinguished in the literature, by looking at existing theories on signals. Subsequently, it is examined whether the literature describes how a signal is interpreted by the receiver. Next, we look at who is described in the literature as the sender and receiver of a signal by looking at some case examples. This can be used to identify stakeholders in the empirical research. After this, we will examine which methods are used to send signals and how they can be recognized to investigate whether this has an effect on the sending and receiving of signals. Finally, it is examined whether the literature identifies indicators that point to a specific type of dissolution.

ITO is the procurement of IT-products or services from sources (a partner) that are external to the organization (Lankford & Parsa, 1999). A trigger is anything that prompts a reconsideration of the ITO partnership. A signal is the totality of communicative behaviors to which the other party assigns a relationship-specific meaning (Alajoutsijärvi et al., 2000), caused by a trigger.

Throughout the duration of an ITO partnership, it is essential for the organization to continually manage and monitor the processes that are being outsourced to ensure that its requirements are being met. Both the organization and the supplier must continuously strive for the maintenance and success of the partnership. Organizations should develop and implement a mature supplier management program (Mosher & Mainquist, 2011). "Effective relationship management is about managing both "growing" and "declining" relationships (Alajoutsijärvi, 2002)". To determine when an ITO partnership is failing or in decline, it is essential to understand the key elements that contribute to a successful partnership. If any of these elements are lacking, it can be an indication of a failing partnership. A strategic outsourcing partnership is a type of strategic alliance (SA), and the factors that contribute to a successful SA have been extensively studied in literature. There are several theories that are commonly applied in the literature to analyze the success of an SA, each with their own key area of focus and perspective. These theories often overlap in their approach and perspective. Most theories have their roots in either economics or a more social, relational perspective. Previous studies that addressed the economic views mainly focused on efficacy and often leave out the social aspects of a partnership (Hill, 1990; Muthusamy and White, 2005). Meanwhile, studies that promote a social and relational perspective have been criticized for their over socialized perceivance of the human response on inter-organizational relationships (Faems et al., 2008). According to Smith et al., (1995) "It is unlikely that any single theory can fully explain the complexities of cooperation". In order to fully analyze an ITO partnership, all aspects of the partnership must be considered, including both the economic and relational aspects. Commonly applied theories in the literature are (Gottschalk & Solli-sæther, 2005):

<b>Theory</b>	<b>Point of view</b>	<b>What should be outsourced?</b>	<b>When is a successful ITO partnership achieved?</b>
Theory of core competencies	Economic	All IT functions, which are peripheral to the company's production of goods and services for the market.	All non-core activities are successfully outsourced to an external partner. All internal resources are focused on things that help distinguish the company from the competition.
Resource-based theory	Economic	Combining external knowledge with internal knowledge to gain a strategic advantage.	Having an ITO supplier that contributes to best position a firm for competitive advantage with their IT.
Transaction cost theory	Economic	All IT functions for which the production and control costs are higher if performed by the own organization, compared to an outsourcing supplier.	Having the optimum organizational structure that achieves economic efficiency by minimizing the costs of exchange while avoiding opportunism
Contractual theory	Economic	Only IT functions where the company can expect and secure that supplier and customer will have the same contractual behavior. Common contract behavioral patterns include role integrity, reciprocity, implementation of planning, effectuation of consent, flexibility, contractual solidarity, reliance, restraint of power, proprietary of means and harmonization with the social environment	Contracts help to avoid opportunistic behavior between the supplier and customer
Agency theory	Economic	Only IT functions where the agent (supplier) and the principal (client) have common goals and the same degree of risk willingness and aversion	When a good alignment of goals is achieved between customer and supplier.
Partnership and alliance theory	Relational	Only IT functions where the company can expect and secure a partnership and alliance with the supplier that imply interdependence between the partners based on trust, comfort, understanding, flexibility, co-operation, shared values, goals and problem solving, interpersonal relations and regular communication	Trustful relationship and communication. Everything is done in mutual consultation.
Relational exchange theory	Relational	Only IT functions where the company can easily develop and secure common norms with the supplier. Norms determine behavior in three main dimensions: flexibility, information exchange, and solidarity	There is an interactive process, where mutual understandings were developed, commitments were made which ultimately achieved the desired outcomes.

The theories mentioned above can be grouped more generally into three main categories:

Theories	Goal	How is this achieved?
Theory of core competencies & Resource-based theory	Creating economic value in order to have a competitive advantage.	Utilizing the capabilities of an external partner.
Transaction cost theory, Contractual theory & Agency theory	Stopping opportunistic behavior and prevent deceit between parties.	Having the correct organizational structure, contracts or alignment of goals.
Partnership and alliance theory & Relational exchange theory	A partnership where everything happens in mutual consultation to maximize benefits and minimize costs	An interactive process to achieve mutual understandings

When the goal of the partnership is not achieved and the partnership is deemed unsuccessful, this can lead to reevaluation. In response, signals are exchanged between the service provider and user, expressing dissatisfaction. A signal is defined as “the totality of communicative behaviors, to spoken and written communication, and to such acts (e.g. a sudden increase in price, remaining silent for an unexpected period, etc.) to which the other party assigns a relationship-specific meaning” (Alajoutsijärvi et al., 2000). In the literature some of these signals have been identified. A distinction is made between direct and indirect signals. Indirect signals do not explicitly express the desire to exit, but aim to transmit this message through different actions (Alajoutsijärvi et al., 2000). Examples of this include communication that is vague or ambiguous, or actions that hint at the desire to exit without explicitly mentioning it. Another example is increasing the relational costs to a point where the other partner begins to reconsider and dissolve the partnership, as the benefits no longer outweigh the costs. An example of this is demanding strict delivery schedules or additional services as a customer (Alajoutsijärvi et al., 2000).

Direct signals, on the other hand, do not leave the partner in doubt about the initiator's wishes (Alajoutsijärvi et al., 2000). In this case, the dissatisfaction is directly communicated to the other party, either giving the opportunity to resolve issues and potentially continue the partnership or presenting the other party with a fait accompli. Signaling occurs in both directions, one partner can send signals in response to a trigger, but one can also actively look for positive signals from the other party for validation. For example, companies may look for signals that the partner is investing in new resources or routines to facilitate their exchange Perks & Halliday, (2003). Organizations that do not see any rewards (benefits) due to the behavior of the partner, in response, also stop investing in maintaining and updating their own resources intended for exchange (Perks & Halliday, 2003). This may lead to a vicious circle in which both parties invest less and less in the partnership in response to the other partner also not investing. Signals of positive intentions, such as a moral responsibility towards the partner and reluctance to opportunism, form an essential basis for trust (Perks & Halliday, 2003). Conversely, the lack or absence of these signals may indicate a declining relationship.

Empirical research conducted by Alajoutsijärvi et al., (2000) into various cases has identified several examples of signals in interorganizational relationships that were sent due to dissatisfaction. One example is of a consulting firm that had a contract with a hotel chain. The partnership was satisfactory until the hotel appointed a new manager. The customer did not experience the same level of dedication from the new manager as they had previously from the old manager. Additionally, the customer was dissatisfied with some of the services. As a result, individuals from the consultancy firm began to use the services of the hotel chain less frequently until they stopped using them altogether. In this example, an indirect signal was used. The signal sent by the customer

here was: discontinuation of use of the service. There was no direct communication in which the customer expressed their dissatisfaction. Another case example is of a Chinese company that wanted to build a milk powder factory in the Netherlands to produce infant nutrition for the Chinese market (Grol, 2022). A Dutch manufacturing company was chosen to construct it. After the initial construction began, the design had to be altered due to increasing demand for the product on the Chinese market. After the design was revised twice, the payment obligation was not met. The customer believed that there were "serious flaws" in the design and subsequently halted payments. In response, the manufacturer instructed their legal department to invoke their right of retention. The ensuing legal dispute between the parties persisted for several years, with each accusing the other of not adhering to the terms of the contract. Eventually, the customer paid the outstanding amount and became the owner of the unfinished construction and land. The construction was never completed. This example illustrates the use of an indirect signal by the customer, which in this case was the deliberate failure to make payments, as a means of conveying dissatisfaction. From a theoretical perspective on strategic alliances, this case highlights the importance of proper organizational structure, contracts and alignment of goals to prevent opportunistic behavior. The lack of clear requirements and goals outlined in the contracts prior to construction was a key contributing factor to the eventual failure of the project.

The means of communication can also impact signaling (Rindfleisch et al., 2010). Many theories were developed during a time when face-to-face communication was the norm. However, with the advent of new technologies, computer-mediated technology is being utilized more frequently. These technologies do facilitate long-distance partnerships, such as in the case of offshoring. However, literature suggests that these means of communication are less effective in conveying emotions, attitudes, and intentions (Etzioni & Etzioni, 1999). As a result, signals transmitted may not be received or may be interpreted differently.

Whitten & Leidner, (2006) conducted a study to identify what contributes to the decision to end an ITO partnership. They found that there are four key indicators: product quality, service quality, relationship quality, and high switching costs. Companies that continued their outsourcing partnerships had high levels of product, service, and relationship quality and high switching costs. In these cases, the partnership could be considered satisfactory, as the user was getting benefits from the outsourcing relationship.

On the other hand, companies that decided to backsource their activities had low levels of product, service, and relationship quality. In these cases, the user was not getting any benefits from the outsourcing relationship, and back sourcing is therefore a logical choice.

Notably, companies that switched suppliers had a high level of product and service quality, but a low level of relationship quality. In this case, the user was still getting some benefits from the outsourcing relationship, but the partners may not have suited each other well. In this scenario, choosing another service provider to get a better relationship quality is a logical choice.

In conclusion, these four indicators, product quality, service quality, relationship quality, and high switching costs, play a critical role in determining the success of an ITO partnership. The presence of high levels of product, service, and relationship quality and high switching costs may indicate a satisfactory ongoing cooperation. On the other hand, low levels of product, service, and relationship quality may indicate a poor ongoing cooperation. When certain indicators are not satisfactory, this may also point to which type of dissolution the users chooses.

In conclusion, this chapter has explored the research question by examining the literature on ITO partnerships, triggers and related signals that indicate a potential dissolution. The literature review has provided a first insight for the rest of the research by positioning the research question in relation to the existing knowledge on this topic. It has shown that while there are several theories on strategic (ITO) partnerships, it is unlikely that any single theory can fully explain the complexities of

cooperation. However, to fully analyze an ITO partnership, all aspects must be taken into account. The literature has also highlighted triggers that could undermine the success of a partnership. And that as a result of the occurrence of a trigger, direct and indirect signals are sent. The way in which and whether a signal is responded to indicates if a signal has been received properly. It can therefore be concluded that signals can be an important indicator for a possible dissolution of partnership. In addition, the literature shows that product quality, service quality, relationship quality and high switching costs are related to the decision to end an ITO partnership. For the most part, there is very little information about signals within a strategic partnership. There is no information on whether it is possible to predict the end of a partnership using signals or what signal types would be required. In addition, no research has been done into possible patterns of signals. The aspects of business relationships endings have been studied very little Havila & Tähtinen, (2011). In other words, there is a knowledge gap. In order to fill this gap, the existing theories will be used to investigate a real termination in practice. According to Havila & Tähtinen, (2011) in particular, a longitudinal method can be used to examine how the ending process of a business relationship happens. In view of the limited literature, an exploratory study will be conducted in an inductive manner.

### 3. Methodology

#### Conceptual design

The literature study has shown that there is a knowledge gap regarding the use of signals within strategic collaborations and whether they can be used to predict a possible dissolution at an early stage. To investigate this, the following question will be answered using field research. *“What types of signals sent between the user and IT outsourcing supplier, may indicate a potential dissolution of an IT-outsourcing partnership, and do certain indicators point to a specific type of dissolution?”*

Field research will be carried out to investigate whether it is possible to gain a better insight into strategic partnerships using signals. And whether signals or types of signals can be identified in a real life setting that indicate a dissolution. In addition, it is also examined if there are indicators that point at specific dissolution.

This research is exploratory of nature since the research question has not been studied extensively. Therefore this research will be used to gain a better understanding of the signals that play a role in the failure of ITO partnerships. Qualitative research will be conducted to answer this question. This is done by conducting a case study using interviews and documentation. The applied research method is very similar to grounded theory: a theory is built by means of inductive reasoning. The difference between this research and grounded theory research, is that literature was examined first to gain insight and look for gaps in the literature. In the case of grounded theory, the existing literature is usually not looked at prior to data collection (Eisenhardt, 1989). According to Giles et al., (2013) a preliminary review is necessary in Grounded theory to determine whether the proposed study has been done before. Based on the literature review, it has been concluded that this is not the case.

For the literature review, we conducted an examination of existing knowledge on the subject. Several articles on partnerships, ITO, and commonly used theoretical approaches were used to gain an initial understanding of the topic. This information served as input for the case study. Given the exploratory nature of this research, a case study approach was chosen. As noted by Halkias et al., (2022) “The multiple case study design is a valuable qualitative research tool in studying the links between the personal, social, behavioral, psychological, organizational, cultural, and environmental factors that guide organizational and leadership development”. However, due to limited resources and time, it is not feasible to conduct an in-depth examination of multiple cases. Examining one case in-depth is preferable to examining several cases superficially, as it may reveal previously unexamined signals and triggers.

This inductive research approach will be used to derive new theories from the data through an iterative process of data collection and analysis in order to answer the research question and build the theory.

#### Technical design

The methodology for conducting the case study will be based on the Case Study Research Method, as outlined by (Yin, 2018). This is an iterative approach that is represented in a linear format, as shown in figure 2 below. This iterative method is well suited for grounded research. The case in this study is a strategic ITO partnership between two organizations. The partnership will be studied in its real-life setting.



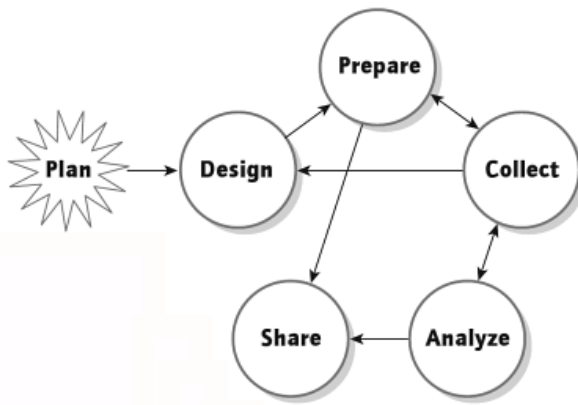


Figure 2: Case study research method by Yin

### *Plan*

The choice of a case study research approach has been previously discussed in the conceptual design. In this section, the rationale for this choice was explained and substantiated.

### *Design*

The objective of this study is to gain a deeper understanding of the signals that may indicate the impending termination of an ITO partnership. In order to achieve this objective, the selected case must involve an ITO partnership that has ended or is on the brink of ending. If the partnership has already ended, it should be a recent dissolution. The criticality of this research lies in the examination of the specific events that occurred within the partnership. If the dissolution occurred a significant time ago, it may not be possible to obtain the required details through interviews. In cases where the termination occurred more than a year ago, the condition for a suitable case is the availability of comprehensive documentation of the events that took place. Even if the case is more recent, documentation will enable the extraction of the necessary details, and the information obtained from the interviews can be validated.

The methodology chosen for this study is a single case study, as it is deemed the most appropriate for the exploratory nature of the research and the limited resources available. The case selected for study must consist of an ITO partnership that has ended or is on the verge of ending, and must provide detailed information about the events that took place within the partnership. The case will be studied holistically, in order to understand the link between signals and cooperation within the partnership and to view the relationship from multiple perspectives. The aim is to gain a comprehensive understanding of the phenomenon being studied, rather than broad information from multiple cases.

### *Prepare*

In order to select a suitable case for this study, the following selection criteria were applied: The organization must have an ITO partnership that is considered strategic. The continuation of this partnership is under discussion by at least one of the partners (either the outsourcing organization or the sourcing provider), or the partnership has already ended. At least one party is willing to participate in open discussions about the collaboration. The main events in the case occurred within the past year. If the events occurred more than a year ago, extensive documentation of the events must also be available.

Due to limited resources it was not possible to find a strategic ITO partnership. However, this research is part of a larger study, consisting of other graduates who are researching the same subject. After consultation with the research group that is conducting comparable studies, it was decided that a contrasting case, involving a non-IT outsourcing partnership, would also be of interest for the broader research. It is important that the case has a comparable context to that of an ITO

collaboration. Meaning that it is a long-term partnership where the parties are largely dependent on each other and switching to another partner cannot be done easily. In addition, the knowledge may not be available in-house, which means that outsourcing is necessary.

A suitable case was found at a medium-sized trading company that was experiencing difficulties with the relationship with their biggest outsourcing partner. As a result, the company had plans to phase out or potentially terminate the partnership, which had been in place for over 20 years. The trading company outsourced all aspects of production and storage to external partners, and the outsourcer with which they were experiencing difficulties was their largest partner.

### *Collect*

Prior to conducting the interviews, relevant internal documentation will be gathered in order to identify potential areas of inquiry and to formulate interview questions in conjunction with the literature review. Due to the exploratory nature of the research, it is not possible to exactly predict which information will be deemed relevant. As such, semi-structured interviews will be held. The interview schedule can be found in attachment 1.

Prior to conducting the interviews, a stakeholder analysis was made in collaboration with a representative from the case organization. From three departments of the user: quality, logistics and commerce, the employee who has the most contact with the service provider was chosen to interview. In addition, the CEO of the user was also interviewed. Due to the sensitivity of the partnership, it was not possible to interview anyone from the service provider.

The selected respondents will be contacted and scheduled for three interviews. The goal of the first interview is reconstructing the signals. The interview schedule in attachment 1 was used for this interview. The second interview is to ensure completeness and consistency. In order to supplement the data collected through the first interview, a request for relevant email communications and reports from the respondents was made after the first interview. These communications should pertain to the topics discussed during the interview, specifically those related to the identified triggers. The examination of these emails will be used during the second interview to fill in an event registration schedule for each event together with the respondent. For each event we look at who the sender and receiver are, what the trigger was, what the content of the signal is, what its purpose is and whether a signal was sent as a response. This creates a complete overview of all events that triggered sending signals. The third interview is a group discussion to explore potential explanations for the events that occurred. The group discussion took place because the user wanted a face to face conversation with the service provider. During this discussion it was not possible to ask questions, but it was possible to observe reactions. Observing made it possible to get in insight into how and if signals were received by the service provider and what their reaction was to receiving signals.

As mentioned previously it is not possible to conduct personal interviews with the service provider because of the sensitivity of the collaboration. In addition, at the time of the start of the case study, the service provider was not yet fully aware of the fact that the collaboration would be phased out and stopped altogether. But the documentation was used to verify whether signals have been received and whether a response has been given by the service provider. In addition, a group discussion took place between both parties. In this discussion, the service provider was asked about the problems and the lack of response to the signals sent by the user. It was not possible to ask questions here. However, it was possible to see the response of the service provider.

### *Analyze*

The data from the case study will be analyzed using content analysis. All events in the registration form are provided with meaning and classified. First of all, each signal is classified into a type of trigger: change in motives, change in processes, change in organizational structure and change in

partnership performance. The research group has compiled these type of triggers from the existing literature. After this, each signal is classified into direct or indirect signals. These results will be plotted on a timeline to show the data longitudinally. This helps in interpreting and analyzing the meaning of the data. In addition, this also allows patterns to be recognized.

### *Share*

This study, which is intended for professionals in the field of (IT) Outsourcing, joint ventures, and other forms of strategic relationships, has been reviewed by two supervisors with expertise in this field. The aim is to present as much information and evidence as possible, so that readers can form their own conclusions, while adhering to the privacy agreements established with the respondents.

### Validity and reliability

In order to ensure the validity and reliability of the case study, several measures have been taken. Firstly, the interview questions were developed based on relevant literature to ensure that they are relevant and appropriate for the research. Additionally, the results of the interviews were presented to the interviewees to validate their accuracy and correctness. Furthermore, the results were also checked with the available literature and internal documentation of the organization, if possible, to ensure triangulation of the data.

However, one limitation of the case study is that it is not possible to interview the service provider. Because of this it is not possible to verify the purpose or interpretation of signals from the service provider. It is not possible to go into depth with them about the signals they have received and sent. Nevertheless, it is still possible to infer the likely intended purpose and interpretation of signals based on written communication and the group discussion.

Based on the research question, a suitable case is sought that meets the requirements. It should be noted that the results of the case will therefore relate to that specific context and possibly not to others.

The ethical considerations of this research will be taken into account. First and foremost, explicit consent must be obtained from the case organization to participate in the study. As the topic of a failing partnership may be sensitive, the case organization has the option to remain anonymous and to review and approve any information shared about them before publication. Additionally, all documentation and interview results will be saved to ensure transparency and the ability to retrieve them if necessary. Each interviewee will be provided with an informational letter outlining the purpose of the interview and their rights. Additionally, written consent must be obtained from each interviewee, and they have the right to withdraw their participation at any time.

## 4. Results of the case study

This chapter presents the findings of the case study. First, the background of the case is presented, including what partnership was examined. Following that, the important events in the case that emerged from the qualitative research are outlined. An event is defined as any occurrence or combination of occurrences that worsened the partnership and that led to the transmission and reception of signals. These are identified to map the deteriorating partnership and what role signals played in this.

### Background of the case

In this case study, the relationship between a commodity trader (user) and a service provider that handles their production and storage was examined. Both organizations are family-owned businesses that have been working together for approximately 30-40 years, with the current collaboration starting 25 years ago. For a prolonged period, the user was the only customer of the service provider, who consistently met all of their needs. As a result, the user chose to direct all internal resources towards another aspect of the business. The user's entire strategy was built on the premise that one aspect of their business would be handled by the service provider, while the other would be handled internally. This strategy was executed through acquisitions, hiring, and training of personnel. In other words, the user's strategy was fully aligned with the collaboration with the service provider. Communication between the two organizations was open, and decisions were made jointly to maximize benefits and minimize costs.

About ten years ago, the service provider changed their strategical motives and competitors of the user began utilizing the services of the same service provider. As a result, the user began to experience increasing dissatisfaction with the partnership over time. Eventually, this dissatisfaction led the user to inform the service provider that they would be phasing out the collaboration over the next six months. However, as the dissatisfaction continued to escalate, the user ultimately decided to terminate the partnership at an accelerated rate.

During the course of the case study, we examined the events and signals that led to the dissolution of the collaboration, as well as the details of the ending itself. Our focus was primarily on identifying key moments in the partnership that contributed to the decision to end it, and analyzing the communication between the user and service provider during this ending process and what contributed to the dissolution. Finally, it is examined whether these indicators say anything about the type of dissolution.

### Case study results

All the results from the interviews, internal documentation, and email conversations were placed and consolidated on a timeline. An overview of all the events and related triggers and signals are presented below. Initially, we examine events that occurred more than a year ago. These can no longer be reconstructed in detail, but they are crucial to understanding the partnership. Subsequently, the events of the past year are described. An event is a situation where a trigger occurred and a signal was transmitted and received as a result.

#### **Earlier events**

About ten years ago the amount of work the service provider was carrying out grew significantly. This was because the service provider was no longer only working for the user, but took on many new customers that also outsourced their work to this service provider. These new customers are competitors of the user. In the following years both the user and the other customers of the service provider grew a lot. The service provider had to do everything possible to keep up with this growth.

The feeling now prevailing among the user is that quantity has since become more important than quality and that the service provider had to cut back on quality to keep up. Customer requirements have increased over the years. This was reflected in an increasing number of complaints from customers. In order to better meet these requirements, brown paper sessions were held in 2016 between the user and the service provider. From these sessions a list with agreements and working methods was drawn up.

Due to the growth, the location of the service provider became too small. In 2017/2018 land was purchased for a new location. At the time, the possibility of a joint-venture between the service provider and the user was discussed but not pursued. A new factory was never built due to regulatory issues, so the capacity issues remained.

At the end of 2020, the management of the service provider changed because one family member bought the other family members out of the company. Their roles within the company were not replaced. The user's CEO expressed his concerns regarding the organizational changes to the CEO of the service provider. He was reassured by the CEO of the service provider that all tasks had been properly handed over.

In the following year, several employees who had been employed at the service provider for a long time left. Employee turnover became an issue, many new employees resigned after a short time. Most respondents indicated that they feel this is the event that caused the partnership to go downhill. From this point onwards, the user's CEO could no longer reach the CEO of the service provider. There was no response on phone calls and emails sent to the CEO of the service provider by the CEO of the user.

### Current events

About 25 events can be distinguished from the past year, some of which are recurring events. All events are shown on the timeline below, figure 3. Some events recur multiple times or are have similar triggers and are therefore aggregated in the explanation below.

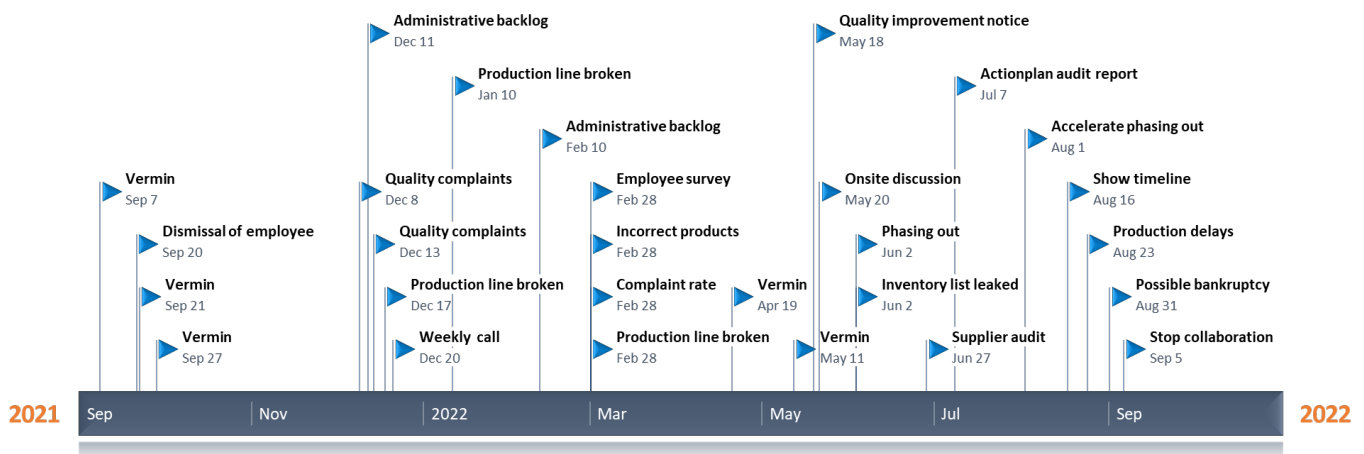


Figure 3: Events timeline

### Vermin

The first major issues was on September 7<sup>th</sup> 2021, flour beetles (pests) were found in the product by a customer of the user. The goods got rejected and had to get destroyed. This happened 2 more times in the following 3 weeks on September 21<sup>st</sup> and 27<sup>th</sup>. Since the user does not get to see the goods itself, they rely on the judgment of the service provider. According to the service provider, it was not their fault, and it must be either the carrier or the raw materials. Based on this, the raw materials got checked in the future, the carrier was replaced and the production was moved to

another production line. A few weeks later, it became clear that the service provider did have a pest outbreak but that it was treated. This was all communicated by phone. 7 months later on April 19<sup>th</sup> pests were found again in 2 different products. It became clear that the service provider was at fault. They got invited for a face to face meeting, to discuss this matter, among the others events that had happened (broken production line, administrative backlog and the quality issues, further discussed below). During the meeting the service provider informed the user that they were aware of the pest outbreak and that an external company investigated it. The external company that investigated the pest outbreak made a report. From this report it became clear that years of poor maintenance and cleaning were the cause. Based on this report, the user decided to have an entire external audit carried out at the service provider to identify all problems. The user also decided that production could only be resumed when the production line was vermin free. The pests were treated and production was resumed. But, on May 11<sup>th</sup> there was another incident of pests in a product. A complaint about this was sent by email. The June second it was decided to phase out the collaboration.

During these events, the following signals were sent and received:

- For each incident, a complaint was sent by email to the service provider.
- In many cases there was no response to the complaints. A written statement and reply to the status of this issue has been requested several times.
- Production was stopped.
- Financial compensation was requested and granted for the unusable goods.
- The relevant authorities were notified of the pests, this was also communicated to the service provider.
- By letter, the CEO of the user exhorted the service provider to solve the issue.
- After sharing the vermin report, the user informed the service provider that the products no longer meet the required quality.
- An external audit was requested to identify all issues.

#### **Production line broken**

In a period of 3 months, 3 of the 4 production lines broke down one or more times. This occurred first on December 17<sup>th</sup>, followed by 2 production lines breaking down on January 10<sup>th</sup> and one breaking down again on February 28<sup>th</sup>. This caused a lot of production delays and some customers ran out of raw materials for their production. After consultation it was concluded that lack of maintenance was the cause.

During these events the following signals were sent:

- For each incident, a complaint was sent by email to the service provider.
- In many cases there was no response to the complaints. A written statement and reply to the status of this issue has been requested several times.
- Concerns have been expressed from the user about the condition of the production lines. At the same time there was also the pest problem.

#### **Administrative backlog**

Throughout the last year, administrative backlog became a returning issue. During the aforementioned brown paper sessions, it was agreed to forward documentation of incoming and outgoing goods within 24 hours after they were received by the service provider. These documents are necessary by the user to be able to sell the goods and to pay invoices from suppliers and invoice customers. In addition, samples of received goods must be sent to the laboratory for examination within 24 hours by the service provider. It sometimes took longer than a week for the service provider to carry out these activities.

During these events the following signals were sent:

- Complaints have been sent several times about the backlog, in which was mentioned that it is getting out of hand and that is not acceptable.
- It is contractually stipulated that the administration must be processed and passed on within 24 hours. It could sometimes take up to a week or longer. During a weekly meeting (more about this below at 'Weekly call') between the user's CEO and the director of the service provider, it was discussed several times that this is unacceptable.

#### **Weekly call**

In December 2021 several issues occurred in one week. The CEO of the user tried to reach the CEO of the service provider for an explanation. After getting no response he went to the office of the service provider unannounced. The CEO was not there, but the new interim director was. The CEO of the user was not aware that an interim director had been appointed. During this visit all issues of the past few months were presented to the interim director. They agreed to have a weekly call to discuss the progress.

During these events the following signals were sent:

- An email was sent to the CEO asking for an explanation for the increasing amount of complaints.
- The CEO went to the user unannounced to express his concerns multiple times.
- The CEO of the user was not aware that a new director had been appointed at the service provider.
- During the weekly meetings, the CEO continued to express his concerns about the growing number of problems.
- During the weekly meetings it was stated several times that no improvement was visible.

#### **Onsite discussion**

Because of all the issues, the user invited the service provider for a face to face meeting in May 2022. The day before this meeting took place, an employee of the service provider made a mistake and accidentally leaked an overview of the inventory of all their users. All users of the service provider received the inventory list of all the other users. Because users of the service provider are competitors of each other, this is sensitive information and considered a data breach. Using this list, it may be possible to identify competitors' customers and suppliers. During this meeting it was stated that this is unacceptable and that a plan must be drawn up to ensure that this cannot happen again in the future. In addition, all problems were discussed and it was indicated that the work will be reduced until improvement is visible. During the meeting it became apparent that the service provider was aware of the complications and that solutions were put in order. But, the solutions did not achieve the intended result. Finally, it was also agreed to carry out an external audit to gain better insight into where the bottlenecks are. The user does not have the confidence that the service provider itself has the capacity to identify bottlenecks. More details about this external audit can be found below at 'quality issues'.

After two months no improvement was visible and it was decided to phase out more work. This was not communicated to the service provider, and thus an indirect signal was sent. But eventually the service provider noticed and asked about it. It was then indicated that the partnership will indeed be further reduced. At this point the user wanted to stop the partnership entirely because there was no improvement visible. However, at that time it was not possible to switch to a new service provider because, there were none who could handle all the work. In other words there was vendor lock-in. However, they did continue to look for new a service provider.

During these events the following signals were sent:

- The data breach is unacceptable.
- An external audit is performed due to lack of trust.
- Some work will be outsourced to other companies.
- Further reducing the partnership and outsourcing to other companies without informing the service provider.

### **Possible bankruptcy**

During a telephone conversation between the logistics department of the service provider and the logistics department of the user (operational level) in August 2022, the service provider expressed concerns about a possible bankruptcy. This rumor was already circulating in the industry by other users of the service provider. This has never been confirmed at management level, But it does say something about the internal trust of employees of the service provider. In addition, this shows that things were indeed not going well at the service provider.

During this event the following signals were sent:

- The following was said: "The sooner you stop sending us production work the sooner I can get my unemployment benefits".

### **Quality issues**

The complaint rate increased from 1,91 % in 2021 to 4,2% in the first quarter of 2022. 1% has been agreed in the quality agreement between both parties. This quality agreement was drawn up 25 years ago when the partnership was started and has been fine-tuned over the years.

The user also indicates that there is often no response to officially submitted complaints, even though this was also agreed upon in the quality agreement. When employees of the service provider are called to account for problems or errors, the response is often described as negligent. The user regularly received the following responses to complaints:

- Yes sorry about that, we will pay more attention next time.
- oh well, that happens sometimes.
- That's not too bad, right?
- We can't do anything about that either.

During these events the following signals were sent:

- The CEO of the user informed the CEO of the service provider by email that "I'm honestly a little concerned." referring to the recurring problems
- The quality department has addressed the service provider several times that certain agreements were not fulfilled. In which the following was said:
  - o "Not carrying it out is not acceptable".
  - o "Please email us prove that it was conducted".
  - o "We want to see demonstrable evidence".
  - o "I would like to hear what actions you are going to take so that it becomes clear to us that it is being implemented".
  - o "I would like to receive an answer to my e-mail of July 8th (sent on July 20th)".
  - o "We would like to receive an explanation of how this is possible".
  - o "It has now been a week and still no response to the complaint below".
  - o "Can you verify how this could have happened? If we receive an invoice for this, we will charge this to you".
  - o "Despite a promise by telephone, we have not yet received an answer".



Due to all the issues, the user performed an audit at the service provider with an external auditor in June 2022. The results of this audit were very critical, meaning that in case an official audit would be conducted they might lose their certifications. That would mean that customers can no longer receive products produced by this service provider. Following the audit, the service provider promised that an improvement plan would be drawn up. A deadline for this plan was set 3 times, but a plan was never made. After the last deadline was not met, the user decided to end the collaboration and outsource the work to several other service providers. The CEO of the user notified the CEO of service provider of this decision.

After the case study was finished, it turned out that outsourcing to other service providers (switch vendor) was possible because a new production facility was built by a new service provider. The vendor lock in what used to make switching impossible was no longer there. The work that was done by the old service provider has been divided over three new service providers. At the time of writing, the old service provider still exists, but has scaled down.

## 5. Discussion, conclusions and recommendations

This chapter answers which theoretical contributions can be obtained from the empirical results. In addition, the results of the case study are also reflected upon and recommendations are given for further research and practice.

### Discussion

The chronological progression of the collaboration is outlined below in figure 4. The actions of the user are represented in the upper steps and the actions of the service provider are represented in the lower steps. This provides a clear understanding of the reasons for and types of signals sent and the responses received.

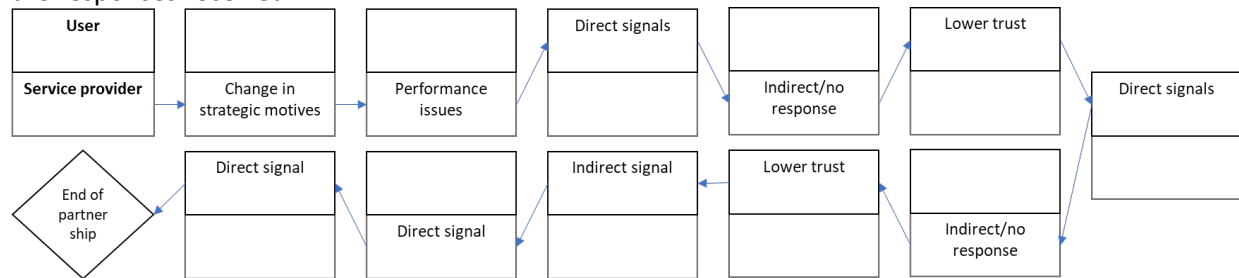


Figure 4: Chronological representation of the partnership

The context of the case is the deterioration of the partnership between a user and the service provider. This began when the service provider altered its strategy and began acquiring new customers. Due to the growth that followed, the service provider's organizational structure became inadequate. This led to multiple performance issues that the user communicated directly to the service provider through direct signals. However, these direct signals often received no response or indirect signals from the service provider. As a result, the user had a loss in trust. This was also communicated to the service provider by means of direct signals. Again, these direct signals from the user received no response or indirect signals from the service provider. At this moment we see a clear change. This time the service provider conveyed their dissatisfaction through indirect signaling, by giving the service provider less work. When the service provider received this indirect signal and noted that they were receiving less work, contrasting their earlier responses, this time they responded with a direct signal. The service provider asked if it is correct that they were receiving less work. Finally, in response to this, the user communicated their decision to terminate the collaboration through a direct signal.

It can be inferred that, in this context, i.e. a deteriorated partnership between a user and a service provider due to delivery problems by the service provider, when the service provider receives a direct signal, they often choose to send back an indirect signal or not to respond at all. A possible explanation for this is that the service provider was trying to buy time to solve the problems. This context, in which a supplier cannot deliver and tries to solve this, is a context that could occur more often.

Additionally, the lack of a response to such a direct signal results in a reduced level of trust with the user. Furthermore, it is remarkable that the service provider only sent direct signals when they received an indirect signal from the user. Possibly, because the user their intentions were unclear the service provider was triggered to send a direct signal to understand the meaning of the indirect signal they received. Up to that point only direct signals were sent by the user and the service provider knew where they stood with regard to the partnership. This adds to the existing literature by highlighting that the sender of a direct signal expects a direct signal in return. In addition, a partner may be triggered to transmit a direct signal if they receive an indirect signal whose meaning they cannot determine. In addition, it can be concluded from this that as soon as a partner switches from direct signals to sending indirect signals, this can be an indicator that a partner may want to stop the partnership. The reason why the user switched from direct to indirect signals may be to

force the service provider to take action and respond. As a Dutch saying goes: if you don't want to listen, you must feel. Because the service provider felt that there was less work, they were forced to ask the user about this.

During the partnership, the user employed various means of communication to send signals, including: telephone, email, online meetings, and in-person interactions. On the other hand, the service provider primarily chose to respond to signals through telephone or email, particularly in regards to quality complaints. The choice of communication methods used by the service provider may be an attempt to avoid giving direct responses. Through email and telephone, there is always the possibility of avoiding answering or using evasive language, in other words circumlocution. This finding aligns with literature on the importance of the method of transmission in communication. The research also shows that using email or telephone as the method of transmitting signals can be used to avoid accountability.

The triggers that occurred during the partnership were primarily related to product and service issues. As the issues progressed and escalated, the signals being sent by the user became increasingly relational and less pragmatic. This is evident in the tone of communication and the recurring negative complaints. The email conversations reveal that the relationship between the user and the service provider was deteriorating, as the user became more demanding and dissatisfied. This was also confirmed during the interviews, where several participants expressed that they were frustrated with the communication between them and the service provider due to the lack of response from the service provider. Therefore it can be concluded that when trust decreases, communication becomes more negative and relational. These properties of communication are therefore also signals for a possible dissolution. Through analyzing the course of communication and changes in it, it is possible to determine whether a collaboration is deteriorating.

It is important to note that when addressing issues brought to attention by a partner through direct signals, it is crucial for the other partner to communicate the proposed solutions. Failure to do so can lead to the partner assuming that no action is being taken, and ultimately, a loss of trust in the partnership. This highlights the importance of responding to direct signals with direct signals, as it demonstrates a commitment to investing resources in the partnership and addressing any issues that may arise.

Based on these results, it can be concluded that product quality, service quality, relationship quality and high switching costs are indicators of an ITO partnership and a possible dissolution. In the case studied, it was decided to switch service provider. The partners had a long-term strategic partnership, because of this the user did not have the resources to carry out the work internally. If they had opted for back-sourcing, this would have entailed high switching costs. In addition, back-sourcing also did not fit with the company's strategy. The results are not comprehensive enough to determine whether specific indicators result in a specific dissolution, i.e. back-sourcing, switching vendor or continuing. The findings do show that the costs associated with changing the outsourcing type significantly influence the decision.

## Conclusions

The aim of this study was to answer the following research question: *“What types of signals sent between the user and IT outsourcing supplier, may indicate a potential dissolution of an IT-outsourcing partnership, and do certain indicators point to a specific type of dissolution?”*

A first answer to this question was found through a literature study. This literature study showed that little is known about this subject and that there is a knowledge gap. This knowledge gap led to an exploratory study using case study research that found patterns resulting in the following theoretical contributions:

An indirect response leads to a decrease in trust. The service provider's failure to respond to direct signals with direct signals, and their lack of transparency in addressing issues, resulted in the user having a loss in trust and dissatisfaction.

The means of communication used to send and respond to signals can be deliberately used to avoid accountability. The research showed that using email and telephone as the method of transmitting signals can be used to avoid accountability.

If sending direct signals does not yield a response or improvement, a switch is made to an indirect signal that is noticeable in order to force a response. In the case the user switched from direct to indirect signals to force the service provider to take action and respond.

When a partnership is not going well, the communication and signals become unfriendly and less pragmatic. This was reflected in the interviews and the email contact in which the tone became more negative and unfriendly.

Product quality, service quality, relationship quality and high switching costs are important indicators of a collaboration. Where switching costs in particular contribute to the decision to switch vendor or backsource. In the case studied, switching costs was the reason why the user could not stop the partnership sooner and had to wait until there were other options.

This study highlights the importance of clear and direct communication in partnerships, as well as the need for both parties to invest resources to maintain trust and satisfaction.

### Limitations

It is important to note that this case was performed in a specific context, i.e. a deteriorated partnership between a user and a service provider due to delivery problems by the service provider. The validity is limited because only one case has been investigated in a specific context. The results from the case are therefore not directly applicable to other contexts. In addition, only one party was interviewed in the case study. Because of this, the results are not entirely comprehensive. If both parties had been interviewed some results might have been different. A different context may also have led to different results.

### Recommendations for further research

Based on the results of this study, several recommendations for future research can be put forth. The biggest limitation of this research is that only one case was investigated. Therefore, it is crucial to expand the scope of this research by investigating more cases in a similar context. This will provide a clearer understanding of the signals that play a role in similar partnerships and allow for the identification of patterns.

Additionally, future studies could consider exploring partnerships in different contexts to determine if other factors have an impact on partnerships.

In both cases it would be beneficial to conduct interviews with both parties involved in the partnership to obtain a more comprehensive understanding.

Moreover, it is important to examine the effect of the type of organization on partnerships. In this study, the case was based on two family-owned businesses, and it is possible that this influenced the course of the collaboration. Thus, it would be valuable to compare different partnerships, for example between multinationals and family-owned businesses or between two multinationals.

It is also worth mentioning that this study primarily focused on negative signaling and partnership deterioration. The literature showed that partners look for positive signals that the other party is investing in the collaboration. The case study also showed that if it indeed appears that the other party is not investing the necessary resources, this also has a negative effect. Future research could explore positive signaling and its role in strengthening and maintaining partnerships. This will provide a more comprehensive understanding of the role of signaling in partnerships.

### Recommendations for practice

The findings of this study can be used for companies that have a strategic outsourcing partnership. The results can help to determine at an early stage whether a collaboration is likely to fail, to allow both parties to intervene on time. In addition, it can help companies where a partnership has failed to find out why this happened and what can be done to avoid this in the future.

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## Attachments

### Attachment 1. Interview schedule

Start with a short explanation about the case and the aim of the research (personal graduation research + a broader scientific article)

The aim of this research is to gain a more in-depth insight into the termination processes of IT sourcing partnerships. In particular, this research aims to identify the signals and patterns of signals indicating the termination or potential termination of an IT outsourcing partnership. This will be investigated in a larger group of organizations in specific cases where such a termination may be the case.

- Can you describe the collaborations with the service provider? (not yet zooming in on the issue)
- How did this collaboration come about? How did this strategic partnership come about?
- What is your role within this collaboration?
- What issues do you run into within this collaboration? (operational and strategic)
- When you look back at the collaboration, when did you come to the conclusion, this is not going well.
  - What happened then?
  - Have you also communicated this to the service provider, or discussed it internally?
- If you have to point out a point from when or where it started going downhill, when was this?
- Do you think the absolute low point in the collaboration has already been reached?
- When you think back to the collaboration, what are the most critical triggers/events that made you question the collaboration? (for this question per trigger, go into more detail)
  - Has this also been communicated to the service provider?
  - How was this communicated?
  - Is there documentation of this?
  - What was the service provider's reaction to this?



### [Attachment 2. Event registration](#)

This attachment is an external Excel document.

### [Attachment 3. Internal documents](#)

These documents are confidential but in the possession of the author. If desired, parts of this documentation can be requested for verification or if information is required.