Trust-Contract dynamics in IT outsourcing: a case study

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Summary

The dynamic relation between trust and control in managing alliances is getting a lot of attention in the scientific literature the last couple of decades and although a lot of research has been done in this area, the results are not yet conclusive. In order to contribute to the development of a theory on this dynamic relation I performed a longitudinal case study in which I analyzed how the evolution of (dis)trust between the alliance partners influenced the contents of the renewed contract, when they agreed to continue their relationship. Before performing this explorative, empirical research, I first developed a theoretical perspective in order to put the case study into a proper context for analysis.

Considering the objective of my research, especially the theories regarding the design of (alliance) contracts, the development of trust and the relation between contracts and trust are relevant in order to develop a theoretical perspective. Transaction Cost Economics theory and derivatives mainly focus on finding an optimal organizational arrangement to govern a specific type of transaction. Although these theories play a paramount in the scientific literature about the management of alliances, they don’t pay much attention to nature, form and contents of contracts. Anderson and Dekker (2005) however demonstrated that transaction characteristics, like size and asset specificity, and transaction partner characteristics, like competition and power, influence the extensive-ness of contracts. In order to assess the development of trust I studied several researches in this area. Based on the results of these researches I decided to distinguish between interpersonal and interorganizational trust on the one hand and between intentional (affection, goodwill) and competence (cognition) trust on the other hand. About the relation between trust and contract there is a lot of debate between scholars, especially with regard to the questions whether trust and contract are complements or substitutes and whether trust precedes contract or vice versa. I studied two recent researches in this area. Coletti, Sedatole and Towry (2005) concluded there is a positive relation between control systems and trust, provided the results of the cooperation are visible for the alliance partners (feedback). Klein Woolthuis, Hillebrand and Nooteboom (2005) however concluded that contracts must be interpreted within their dynamic social context. It’s not only about the mere presence and completeness of contracts, but also about the intentions with which the contract is drawn up and the actual use of the contract.

To perform a longitudinal case study I selected an IT outsourcing contract that was signed in 2001 for seven years and that was renewed and extended in 2005 for again seven years. I was given access to a set of Lotus Notes databases that contained all documentation regarding the outsourcing contracts collected by the IT service provider. The total size of these databases was more than 3 gigabytes and they contained about 5,000 Lotus Notes documents. In order to investigate these documents in a scientifically justified way I decided to use content analysis (Krippendorff, 2004) as my main research technique. The objective of content analysis is to make replicable and valid inferences from texts (or other meaningful matter) to the contexts of their use. The context for this research has been provided by the theoretical perspective as described in the previous section.

Before inferences can be drawn from the available texts within the defined context, the data must be prepared in a specific way. This data making process consists of four steps: unitizing, sampling, coding and reducing. I decided to use Lotus Notes documents as sampling unit and text fragments as coding unit. Because not all available documents have an equal relevance for answering my research questions, I specifically sampled the documents that seem to contain information about the relationship between the outsourcing organization and the IT service provider (purposive sampling). This sampling effort resulted in the selection of 294 documents, which I added to a spreadsheet (rows) in chronological order. In order to code these documents I defined 13 variables (a.k.a. codes or concepts) based on the theoretical perspective and the knowledge I acquired about the contracts and the relationship during the document selection. After adding these variables to the spreadsheet (columns), I searched the sampled documents for relevant text fragments and added these to the appropriate cells in the spreadsheet. This effort resulted in 208 selected text fragments from 41 different Lotus Notes documents. Because the number of selected text fragments is too low to apply statistical reduction techniques, I decided to omit this step from the data making process.
The outsourcing organization and the IT service provider in this case study started negotiating about an outsourcing contract in 2001 based on a proposal from the IT service provider. After a joint verification project both organizations decided to sign the contract at the end of 2001. The seven-year contract had a total contract value of about 73M€. As could be expected from the contract design theories I have studied, the contract was very extensive. Because the IT service provider had much more experience in this area, the provider led the negotiations and the signed contract was much more targeted to the competencies of the provider than to the needs of the outsourcing organization. After the contract was signed, the transition phase started. During this phase the execution of the IT operations of the outsourcing organization was done under the responsibility of the IT service provider. After half a year the service provider started working according to the agreed service levels. Besides this business-as-usual, several projects were executed by the IT service provider and several contract amendments were agreed. The execution of the contract is however troublesome and the outsourcing organization is dissatisfied about the performance of the IT service provider, especially with regard to the procedural side. After signing the contract, the outsourcing organization trusted the competence of the IT service provider and had a few doubts about the intentions of the provider. During the execution of the contract however, the trust of the outsourcing organization in the competence of the IT service provider is decreasing and this exacerbated the doubts about the provider’s trustworthiness. The provider does several attempts to turn the tide by planning and executing improvement programs, but despite these efforts, the provider wasn’t able to regain trust. Eventually the outsourcing organization and the IT service provider decided early 2005 to start negotiating about a renewed contract to break out of this downward spiral of trust. These negotiations were successful and in May 2005 a new outsourcing contract for seven years was signed with a total contract value of about 56,5M€. This new contract was as extensive as the first one and in the structure of the contract there weren’t many differences. From a customer satisfaction review held in December 2005 it appeared however that the outsourcing organization was satisfied about the performance of the IT service provider and expected further improvements in the years to come.

Looking at the development of trust of the outsourcing organization in the IT service provider from the theoretical perspective, it can be concluded that both organizations have different views regarding the use of the contract. The IT service provider mainly considers the outsourcing contract as a technical aid to manage the relationship. The outsourcing organization however is threatened by the extensiveness of the contract and considers this as a sign of distrust. Although I agree with Klein Woolthuis et al. that the intentions with which the contract is drawn up and the actual use of the contract are relevant, I would like to add an extra dimension to this. Not the actual intentions and use of the contract of an alliance partner are decisive for the development of trust, but how the other alliance partner perceives these intentions and use of the contract. In this case study the IT service provider even used the contract itself in trying to change the perception of the outsourcing organization about his intentions. Apparently, the IT service provider was successful in this attempt, because a new outsourcing contract was signed and the trust of the outsourcing organization in the competence and intentions of the IT service provider seemed to have restored. Although in this case the development of trust during the execution of the first outsourcing contract didn’t have much impact on the ‘letter’ of the new contract, it did impact the ‘spirit’ of the contract. This conclusion points to some interesting options for further research. First, it might be investigated which factors influence the subjective belief regarding the intentions of the alliance partner. Once these factors are identified, I would suggest investigating how an alliance partner can appropriately influence the subjective belief of the alliance partner in its intentions with the usage of the contract.
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1. Introduction

1.1 Innovation, trust and control

For IT organizations providing outsourcing services it’s very important for the long-term profitability of the outsourcing contracts, regarded as a specific form of an alliance between two organizations, to develop new business with the outsourcing organization besides just executing the contract. An approach to accomplish this is to adopt an attitude to the outsourcing organization as a partner in (information) technology instead of a mere supplier by learning the business of the outsourcing organization and then come up with innovative ideas on how to improve the efficiency and/or effectiveness of this business by using IT. This learning and innovation process requires that the partners trust each other so that they are willing to share their knowledge and ideas with each other (Nooteboom, 2004). Trust development is therefore a major task for the IT organization during the execution of the outsourcing contract and it’s important to know which factors influence this trust development. One of the factors that plays a paramount role in the trust development is the management control system used to manage the execution of the contract. Although the dynamic relation between trust and control in managing alliances is getting a lot of attention in the scientific literature lately and already a lot of research has been done in this area, the results are not yet conclusive. The research project described in this document aims at offering a small contribution to the development of a theory on the dynamic relation between control and trust in the management of alliances.

1.2 Thesis contents

The next two chapters contain the logical and the technical design of the research project. Chapter 2 starts with describing the background of the problem and then presents the objective of this research and the research questions that need to be answered in order to accomplish this objective. After presenting ‘what’ has been researched, chapter 3 describes ‘how’ the research has been done. It describes the research strategy, the data collection and analysis method and some reflections on the methodological quality of the method.

Starting from chapter 4 the results of the research project will be presented. First, the theoretical perspective that has been used to perform the empirical part of the research is described. The next chapter (5) then contains the results of the empirical part of the research. This includes a detailed description of the process of collecting and analyzing the data and the actual results of this process in the context of the theoretical perspective. The thesis wraps up, in chapter 6, with the conclusions that can be drawn from the analysis and some suggestions for further research.
2. Research plan

This chapter describes the logical design of the research project. After defining the problem, the objective of the research project is presented. The chapter concludes with a section containing the research questions that need to be answered in order to accomplish the research objective.

2.1 Background

The management of alliances has been given a lot of attention in the accounting literature the last couple of decades. First, the discussion was focused on the reasons why alliances exist. In this discussion the Transaction Cost Economics (TCE) theory plays a paramount role. The foundation of this theory has been laid by Coase (1937), while this theory has been elaborated by Williamson in an extensive trilogy (1975, 1985, 1996). The main purpose of TCE is to explain why some activities are more likely to be performed within firms (hierarchies), whereas other activities tend to be executed within other forms of (economic) organization, such as markets or hybrids (e.g. a joint venture). This explanation is based on the premise that transaction characteristics determine its control needs and that an organization form is chosen, because its set of control devices offers the most efficient match to these needs. Speklé (2001) even takes this view a step beyond by defining nine control archetypes that differ in their problem-solving ability and in respect of cost, and are therefore appropriate for the governance of a specific kind of organizational activities, but not for others.

Although TCE sounds very reasonable and has offered many useful insights in why different forms of economic organization exist, TCE and its derivatives also received a lot of criticism recently. Dekker (2004), for example, observed that TCE, due to its static nature, has taken little account of the social mechanisms of governance, while alliances are often embedded in a rich and influential social context. Nooteboom (2004) also mentions two well-known shortcomings in TCE, especially related to learning and innovation. First, Williamson (1999) admits that TCE makes only limited contact with the subject of learning as opposed to the ‘resource-based’ view (Barney, 1991; Das & Bing-Sheng Teng, 2000), another prevalent theory that tries to explain the reasons why alliances exist. According to Nooteboom, TCE is therefore more a theory of comparative statics than of the dynamics of alliances, in collaboration for innovation. Second, TCE claims that trust doesn’t yield a reliable safeguard against opportunism and is therefore not viable in markets. This ‘neglect’ of possibilities for trust however may yield excessive costs of contracting, while a detailed contract and close monitoring might seriously constrain the freedom and open-endedness of action that is crucial especially when collaboration is aimed at innovation. This last objection to TCE gets a lot of support from other scholars that discuss the role of trust in (inter-)organizational relationships (e.g. Busco, Riccaboni & Scapens, 2006; Kramer & Tyler, 1996; Möllering, Bachmann & Hee Lee, 2004; Nooteboom, 2002; Zaheer, McEvily & Perrone, 1998) and/or the dyadic and dynamic relation between trust and control (e.g. Bijlsma-Frankema & Costa, 2005; Das & Bing-Sheng Teng, 2001; Dekker, 2003/2004; Klein Woolthuis, Hillebrand & Nooteboom, 2005; Möllering, 2005; Poppo & Zenger, 2002; Tomkins, 2001). Although much research already has been performed by these scholars (and many, many others), the results are not yet conclusive. A lot of additional research is necessary for the development of a theory on the relation between trust and control in the management of (strategic) alliances.

2.2 Problem definition

Because the relation between trust and control in the management of alliances is too wide as a subject for a graduation research project, I had to narrow down this subject to come to a researchable problem definition. I started to do this by taking up a suggestion for further research mentioned by Dekker (2004): how, over time, does the evolution of trust influence the governance structure and in particular the use of formal control mechanisms? The need for such longitudinal research into trust-control dynamics is not only mentioned by Dekker, but also by Bijlsma-Frankema and Costa (2005) and Salonen (2004). Because Dekker’s question was still too wide to answer within a graduation research project, I decided to take only the contract between the alliance partners, as a means of formal control, into account. I specifically focused on how the evolution of trust influences the contents of a renewed contract, when alliance partners agree to continue their relationship.
2.3 Research objective

The objective of this research is to contribute to the development of a theory on the dynamic relation between trust and control in the management of alliances by analyzing how the evolution of (dis)trust between partners in an alliance influences the contents of a renewed contract, when alliance partners agree to continue their relationship.

2.4 Research questions

By studying the economic theory on designing contracts for alliances, the assessment of trust between persons and organizations and the relation between trust and contract, I developed a theoretical perspective for analyzing the dynamics between trust and contract in alliances aimed at the research objective mentioned in the previous section (a). Using this theoretical perspective the evolution of (dis)trust between partners in an alliance and the contents of the contracts of this alliance have been investigated (b). The findings of this investigation are my contribution to the development of a theory on the dynamic relation between trust and control in the management of alliances (c).

By splitting this approach, the following main questions can be derived:

1. What are, according to the current economic theory on designing contracts for alliances, the assessment of trust between persons and organizations and the relation between trust and contract, the relevant theoretical concepts to investigate alliances?

2. What can be said about the evolution of (dis)trust between partners in an alliance and the contents of the contracts of this alliance with regard to the theoretical concepts found in the previous question?

In the next sections these main questions will be split into several sub questions.

2.4.1 Theoretical perspective

The theoretical perspective for analyzing the dynamics between trust and contract in an alliance will consist of a list of relevant (theoretical) concepts. To find these concepts the following sub questions can be asked:

1a. What does the theory on management control in general and Transaction Cost Economics (and derivatives) in particular learn on the design of contracts for alliances and what are the relevant criteria that ‘drive’ this design?

1b. Which factors, according to the theory on trust between persons and organizations, are relevant in the assessment of the evolution of (dis)trust between partners in an alliance?

1c. Which aspects should be studied in particular when investigating the influence of contracts on trust and vice versa in alliances?
2.4.2 Investigate alliance

The investigation of the alliance will be largely driven by the relevant theoretical concepts found in answering the previous main question. Basically, every concept (or set of related concepts) will lead to a question on what can be said about the alliance under investigation related to that concept. This implies that this part of the research contains the following parts:

2a. What can be said about the alliance under investigation with regard to the theoretical concepts found in answering the previous main question?
2b. Which conclusions can be drawn from the answers of the previous sub question about the dynamic relation between contract and trust in the investigated alliance?
3. Methodological justification

Where the previous chapter focuses on ‘what’ has been investigated in this research project, this chapter will describe what choices have been made in ‘how’ to perform this research. After describing the selection of the research strategy and the alliance to investigate, the choice for the data collection and analysis method is documented. The final section in this chapter contains some reflections on the methodological quality of this research.

3.1 Research strategy

Analyzing how the evolution of (dis)trust between partners in an alliance influences the contents of the contracts and vice versa, requires an in-depth study with a focus on relationships and processes in their natural setting (Denscombe, 2003). Therefore, I think a case study is the most appropriate strategy for performing this research, which will also contain elements of desk research, historic research and grounded theory. I don’t think an experiment is possible in this situation, because there are no opportunities to control behavioral events. A survey would be less appropriate in this situation, because in a survey it’s not possible to pay attention to the complexity (context) of the situation, which is required to satisfy the research objective.

A primary distinction in designing case studies is between single- and multiple-case studies (Yin, 2003). Although the evidence from multiple cases would improve the external validity of this research, I intend to perform a single-case study. The investigation of the dynamic relation between trust and contract by its nature requires a longitudinal case study and according to Yin (2003) this is a rationale for doing a single-case study. Besides that, within the time constraints for this research project it’s not feasible to perform an in-depth, longitudinal study on multiple cases.

3.2 Case selection

Searching for a suitable case to investigate, according to the principle of theoretical sampling, I started within the company I work for. I’m working in an IT company that is a big player in the Dutch IT outsourcing business, which I joined about 10 years ago as part of an IT outsourcing contract. This implies I have a lot of affinity with alliances where an organization outsources (part of) its IT activities to a professional IT service provider and for me the choice to focus my research on this type of alliances is quite obvious. Despite the fact that I have been part of an outsourcing contract, I was never involved in the management of this or any other contract, so I don’t have any bias towards the relation between trust and control in managing IT outsourcing contracts and this is no impediment for an open-minded and critical attitude to this subject as required for scientific research.

Based on conversations with colleagues working in this field, I understand that during the engagement phase of the IT outsourcing contract life cycle the IT service provider is nearly always able to build a high level of trust in its competence and goodwill with the outsourcing organization and the outsourcing deal is positioned as a partnership. After the contract has been signed, however, it’s frequently observed that the trust level collapses and that the outsourcing organization sees the IT service provider as a mere supplier instead of a partner. Sometimes this state of distrust is final and it’s very likely in these situations that the contract is not renewed when the first contract period ends. In other situations the IT service provider is able to rebuild the trust level during the execution of the contract, often resulting in a continuation of the contract. During these discussions a specific IT outsourcing contract was mentioned that was signed in 2001 for seven years and which execution was very troublesome. To solve this situation the parties agreed to renegotiate the contract and in 2005 a new seven-year contract was signed with a revised scope. After this new contract had been signed, the execution of the contract was much less troubled and it seems the mutual level of trust has improved a lot since then. Because this alliance is very suitable in the context of my research objective, I decided to select this case for further research.
3.3 Data collection and analysis

3.3.1 Sources of evidence

Yin (2003) distinguishes six sources of evidence for conducting case studies: documents, archival records, interviews, direct observation, participant-observation and physical artifacts. Because the selected case concerns a period in the past, it's not possible to use direct observation and/or participant-observation as a source of evidence. The other sources all have their relative strengths and weaknesses and should therefore be used in conjunction to develop converging lines of inquiry (source triangulation) and thus improving the validity of the research.

For most case studies (open-ended) interviews are the most important source of evidence, while documents, archival records and physical artifacts are used to support and corroborate the evidence found by interviewing persons. However, because this case study concerns a period of several years in the past, this approach is less appropriate. First, it's likely that some key informants are not available anymore for interview. The remaining informants might have problems recalling what exactly happened during the period being investigated and/or are probably biased in their explanations of causes and effects. On the other hand a lot of written information is collected in databases of the IT organization during the execution of the contract and the contract management processes, e.g.:

- The outsourcing contracts (the original and renewed ones)
- Correspondence (letters and e-mail) regarding these contracts
- Minutes of meetings
- Results of customer satisfaction surveys
- Submitted complaints and correspondence about the settlement of these

Considering this, I decided to use this written information (documents, archival records and physical artifacts) as the source of evidence for this research.

3.3.2 Method selection

Looking for an appropriate way to analyze the written information collected about the outsourcing contract, I found two widely used research methods for analyzing this kind of evidence, ‘grounded theory’ and ‘content analysis’.

The foundation of grounded theory was laid by Glaser and Strauss (1967). A grounded theory is a theory that was derived from data, systematically gathered and analyzed through the research process (Strauss & Corbin, 1998). Using this method the researcher begins with an area of study and allows the theory to emerge from the data. By asking effective questions, directed at advancing the understanding of the theoretical issues, and making theoretical comparisons, the data is ordered conceptually to a selective and specified set of properties and their dimensions. This conceptual ordering is then used to construct an explanatory scheme that systematically integrates various concepts through statements of relationships. The grounded theory method seems especially suited when one wants to develop a theory in a new area or in an area in which not much research has been performed. Theories derived from data will likely be very close to the empiricism, which is also one of the major drawbacks of this method. It seems to be very hard to build an explanatory theory, which one can use to derive answers on why and how questions, by making continuously theoretical comparisons.

One of the main proponents of performing content analysis as a method of qualitative research is Krippendorff (2004). Like grounded theory, content analysis is an explorative process that is grounded in the empiricism and is aimed at making abductive inferences from texts to phenomena outside those texts. Krippendorff distinguishes three starting points from which researchers may enter a content analysis: text-driven, problem-driven and method-driven. A text-driven analysis shows a lot of resemblance with the grounded theory approach in that it is aimed at developing a theory by analyzing a set of texts in an unprecedented way (asking different questions and making other theoretical comparisons). In a method-driven analysis the use of the content analysis method
is a goal in itself. When, however, content analysis is used for a purposive examination of texts in trying to answer a set of research questions derived from epistemic problems, the approach is problem-driven.

Because the objective of my research is to contribute to an explanatory theory on the dynamic relation between trust and control in the management of alliances related to an epistemic problem, a problem-driven content analysis seems the most appropriate way to analyze the available (written) material related to the selected outsourcing contract.

3.3.3 Content analysis

Krippendorff (2004) defines content analysis as a research technique for making replicable and valid inferences from texts (or other meaningful matter) to the contexts of their use (p. 18). In this definition, texts (and also images, sounds, signs, symbols, etc.) are denoted as meaningful matter, that is data whose physical manifestation are secondary to what they mean to particular populations of people. This implies that contents analysts must look outside the physicality of texts to the meaning these texts have relative to particular contexts, discourses or purposes. Contents analysts must therefore explicitly choose the context in which they intend to make sense of a given text, because it is only within this clearly defined and understood context an analyst can draw inferences from available data to unobserved phenomena in order to answer the research questions. The context of this research project is described in the next chapter of this thesis.

Before inferences can be drawn from the available texts within the defined context, the data must be prepared in a specific way. Krippendorff (2004) calls this preparation the data making process (p. 83) and it consists of the following four steps:

1. The available texts must be unitized by systematically distinguishing the segments of texts that are of interest to an analysis.
2. The set of all possible units must then be sampled to a manageable subset of units that is conceptually representative in order to economize on the research efforts.
3. Consecutively the selected units must be coded into analyzable representations.
4. Finally, the coded units need to be reduced to efficient representations that matter to the analysis.

The results of the data making process for this research project are described in section 5.2 of this document.

When the available texts have been processed into an analyzable form, the analyst can proceed to answer the research questions by making abductive inferences about phenomena that are not directly observable. Some authors (e.g. Maso & Smaling, 1998) call this analytical induction. In section 5.3 the inferences drawn from the available texts are presented. These inferences are used in chapter 6 to define an answer to my last research question (see section 2.4.2, question 2b).

3.4 Methodological quality

Besides following the procedural steps described in the previous section to find appropriate answers to the research questions, measures need to be planned to optimize the methodological quality of the research project. Methodological quality is, in short, the argumentative persuasiveness of the research conclusions (Maso & Smaling, 1998, p. 64). An essential condition to achieve sufficient methodological quality is to pursue methodological objectivity, which implies that the research conclusions must do justice to the object of study in relation with the research questions. Generally accepted standards in pursuit of methodological objectivity are reliability and validity.

3.4.1 Reliability

Reliability is the absence of random or unsystematic distortions of the object of study (Maso & Smaling, 1998, p. 68). In qualitative research reliability implies reproducibility of the interim and final results of a research project. In many qualitative research projects only virtual reproducibility can be accomplished, because the object of study is changing over time. As the main source of evidence for this research project is a set of documents collected during the execution of the
outsourcing contract, actual reproducibility of a large part of this research is possible and a high level of reliability is achievable.

It is common to distinguish between internal and external reliability. Internal reliability is the reliability within a research project and implies intersubjective consensus between the members of the research team and a certain extent of consistency of the researcher. Because I intend to do this research on my own, I only need to take care of my own consistency concerning the internal reliability of this research. To achieve an appropriate level of consistency I will carefully separate descriptions and interpretations and use common office applications (e.g. spreadsheets) for collecting and analyzing data. The internal reliability could be further improved by using sophisticated data analysis software and applying method triangulation, but these improvements are not feasible within the time and budget constraints of this research.

External reliability is the reproducibility of the whole research, including interim and final results, by other, independent researchers in the same situation, using the same research design, methods and techniques. This can be achieved by conducting the research in such a way that other researchers can verify the course of the research and will be able to form their own opinion about the research (intersubjective traceability). To achieve an appropriate level of external reliability I will carefully describe in this report the social context of this research project and the chosen methods, techniques and concepts. I will also be explicit about the theoretical assumptions (see also chapter 4) and keep an ‘audit trail’ during the research that can be critically examined by independent researchers.

### 3.4.2 Validity

Validity is the absence of systematic distortions of the object of study. This is not only a characteristic of the interim and final results of a research, but also of the design, methods and techniques of the research that led to those results. Like reliability, it’s common to distinguish between internal and external validity of a research project.

Internal validity is validity within a research project and is especially concerning the soundness of the arguments (collected data) and the rationale (research design and analysis) that have led to the results of the research project. To achieve an appropriate level of internal validity I will carefully apply the research design and theoretical perspective presented in this report. I will also frequently have my supervisor critically examine the (interim) results to improve the internal validity (consensual validation).

External validity is usually regarded as the generalizability of the research conclusions to other persons, phenomena and situations than those of the research. Because I will only investigate one very specific case, it will be hard to make any generalizations based upon my research conclusions. Therefore, I will avoid making any assertions about phenomena that haven’t been investigated, so I don’t have to do justice to these phenomena. This implies that my research is an explorative one.

### 3.4.3 Subjectivity

Although reliability and validity are common standards for methodological quality, they only cover the pursuit for methodological objectivity partly as they are only related to research conclusions and procedures. The aim to not distort the object of study (systematically or unsystematically) doesn’t necessarily imply that sufficient justice will be done to this object of study. To have the object of study speak for itself the (qualitative) researcher should be personally involved and concerned with the reality under investigation. As such, the subjective effort of the researcher can contribute significantly in the pursuit of methodological objectivity. This contribution, however, will only be positive when the researcher can find a right balance between involvement and distance, has an open mind and heart, has self-insight and is able to ‘role taking’ (Maso & Smaling, 1998, p. 80). Although I am a novice to scientific research, I am conscious of these qualifications and will take these to heart. I think the fact that I was once subject of an IT outsourcing contract, but was never involved in executing or managing such contracts (see section 3.2) at least puts me in a good position.
4. **Theoretical perspective**

In order to define the context for performing the content analysis (see chapter 5) I have studied some literature about contracts, trust and their relation. I used the three sub questions of my first main question (see section 2.4.1) to guide this effort:

a. What does the theory on management control in general and Transaction Cost Economics (and derivatives) in particular learn on the design of contracts for alliances and what are the relevant criteria that ‘drive’ this design?

b. Which factors, according to the theory on trust between persons and organizations, are relevant in the assessment of the evolution of (dis)trust between partners in an alliance?

c. Which aspects should be studied in particular when investigating the influence of contracts on trust and vice versa in alliances?

The three main sections of this chapter each address one of these sub questions. Section 5.2.3.1 describes how the theoretical perspective documented in this chapter has been used to support the content analysis.

### 4.1 Designing contracts for alliances

Because the Transaction Cost Economics (TCE) theory plays a paramount role in the literature about the management of alliances, this theory will be discussed first. TCE doesn’t pay much attention to nature, form, contents and implications of contracts though, so subsequently I will discuss some recent literature in this area.

#### 4.1.1 Transaction Cost Economics

According to Transaction Cost Economics (Williamson, 1975/1985/1996) a specific organizational arrangement is chosen to govern a specific transaction, because that arrangement offers some distinctive set of control devices that is uniquely tailored to the control needs of that transaction. In order to choose the proper arrangements Transaction Cost Economics scores transactions on three dimensions: (1) the degree of asset specificity of the transaction; (2) its uncertainty (including complexity); and (3) its frequency. Uncertainty and complexity inhibit the ex ante specification of outcomes of performed activities. This problem is exacerbated by the bounded rationality of human beings. Therefore, contracts are bound to be incomplete, and increasingly so when uncertainty and complexity rise. Asset specificity refers to the size of the opportunity losses that will be incurred in case of premature termination of the contract. The value of these losses is exposed to the risk of opportunistic expropriation and hence provides a measure of the potential gains from opportunism and of the intensity of the incentive to engage in such behavior. The combination of these transaction and human characteristics might lead to a situation of information impactedness, which exists when information relevant to the transaction is known to one or more parties but cannot costlessly be obtained by others. This situation can be exploited during contract execution in an attempt to increase one’s share of the gains from the transaction. The role of frequency is that it exacerbates the contracting problems associated with the other dimensions, adding to the pressure to find a solution.

Economic factors try to cope with these problems by adopting appropriate organizational arrangements to govern their transactions. At a generic level, Transaction Cost Economics (TCE) defines three distinct modes of governance: (1) markets; (2) hybrids; and (3) hierarchies or internalization. These alternative governance structures differ in the control mechanisms they employ to safeguard contract execution and to achieve successful adaptation. However, these alternatives also differ in respect of costs. TCE’s main theme is that transactions (which differ in asset specificity, uncertainty and frequency) are aligned with governance structures (which differ in their costs and competencies) in a discriminating, economizing way. Market control is to be expected for transactions that score low on asset specificity. Rising asset specificity, however, impedes the smooth functioning of the market and alternative governance devices are now needed to protect the transaction against opportunistic breach of contract and uncooperative gap-filling behavior. The hybrid mode of governance may offer these. Hybrid governance structures provide additional transaction-specific safeguards, such as hostage arrangements and specialized dispute settlement institutions. In condi-
tions of substantial uncertainty however, the minimum level of contractual detail cannot always be provided. Moreover, these safeguards are usually less than perfect, which may be problematic when asset specificity rises. In these situations governance structures that more reliably secure adaptive, cooperative attitudes and actions when it comes to filling the contractual gaps are necessary and hierarchical governance may be appropriate.

Speklé (2001) used Transaction Cost Economics to explain management control structure variety. He proposes a framework that explicates the link between various archetypical configurations of control devices and the activities they are expected to control. In this framework, the nature of the organizational activities and the required contributions from organizational participants are defined along three dimensions: (1) the extent of programmability (uncertainty); (2) the degree of asset specificity or idiosyncrasy; and (3) the intensity of ex post information impactedness. These attributes are associated with distinctive control problems that need to be dealt with. The control archetypes differ in their problem-solving ability, which makes them appropriate for the governance of some contributions, but not for others. Moreover, they differ in cost, and the framework explains the alignment of a contribution with a control archetype by delineating the efficiency properties of the match. Based on the possible combinations of values on these three dimensions, Speklé has defined the following control archetypes:

<table>
<thead>
<tr>
<th>Ex ante programmability of contributions</th>
<th>Idiosyncrasy</th>
<th>Impactedness of information for post hoc performance assessment</th>
<th>Control archetypes</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Low</td>
<td>Market Control – Control based on competition</td>
<td></td>
</tr>
<tr>
<td>Moderate</td>
<td></td>
<td>Arm's Length Control (hierarchical or hybrid) – (Quasi)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td>independent: outcome control based on market-derived standards or predefined contractual provisions</td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>Low</td>
<td>Machine Control – Administrative control based on codification of behaviour (action oriented) or predefined performance targets (result oriented)</td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>Low</td>
<td>Market Control – Control based on competition</td>
<td></td>
</tr>
<tr>
<td>Moderate</td>
<td>Low</td>
<td>Exploratory Control (hierarchical or hybrid) – Control based on converging insights that accrue and spread during the process. Convergence either administratively induced or based on market-disciplined information sharing</td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>High</td>
<td>Boundary Control (hierarchical or market-based) – Market procurement if reputation effects are reliable; otherwise proscriptive control of administrative origins</td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>Low</td>
<td>Exploratory Control (hierarchical) – Administrative control based on converging insights that accrue and spread during the process</td>
<td></td>
</tr>
<tr>
<td>High</td>
<td></td>
<td>Boundary Control (hierarchical) – Administrative control through interdictions, emphasizing behaviour to be avoided</td>
<td></td>
</tr>
</tbody>
</table>

4.1.2  Contract design

Transaction Cost Economics and derivatives like Speklé’s control archetypes emphasize the institutional factors related to contracting. These theories try to define the conditions in which contracts can best be established and executed. Less attention in these theories is paid to nature, form, contents and implications of the contracts themselves. A common theory that especially focuses on the contracts themselves is the agency theory. This theory analyses contractual relationships between a principal and an agent. In such relationships the agent makes decisions and executes tasks for or on behalf of the principal. In exchange, the agent receives a compensation that is more or less related to the extent in which the objectives of the assignment are accomplished. Unfortunately, the contribution of the agency theory in management control theory remains fragmented, because agency theorists mainly focus on a limited number of well-specified elements of management control systems, which are suitable for mathematical modeling.

A recent study of Anderson and Dekker (2005) examined the association between the architecture of transaction contracts and characteristics of the transactions that they govern. Their study tests three sets of hypotheses on a comprehensive database on 858 transactions for information technology products and accompanying services. The first hypothesis is that the extensiveness of the contract is positively associated with transaction hazards. Consistent with theory, transaction haz-
ards are represented by transaction characteristics (e.g., size, specificity, uncertainty, and task complexity) and transaction partner characteristics (e.g., supplier power and competition). Anderson and Dekker also expected the structure of the contracts to differ in response to anticipated transaction hazards; specifically, different levers of control are employed to mitigate different perceived hazards. The second set of hypotheses concerns contract incompleteness. Anderson and Dekker considered whether costs of contracting increase in contract extensiveness, whether contracting costs differ for different management control dimensions, and whether transaction characteristics are positively related to ex post transaction problems even in the presence of mutually agreed-upon contracts. The final hypothesis was that the incidence and severity of ex post transaction problems will be accompanied by misalignment between transaction hazards and the management control structure. Two possible manifestations of misalignment were considered: (1) the absence of an association between transaction characteristics and the contract structure and (2) significant differences in the associations between transaction characteristics and the contract structure, compared to transactions without severe problems. The relations estimated between transaction and supplier characteristics, contract structure, and subsequent performance (expected signs of estimated relations are in parentheses) are depicted by Anderson and Dekker in the following diagram:

Because I'm mainly interested in the factors that determine the design of the contract, I will focus on the constructs Anderson and Dekker use to measure the transaction (partner) characteristics:

1. **Uncertainty** reflects the difficulty of defining ex ante and verifying ex post the products and services for which the parties are contracting.
   a. Difficulty of assessing quality of supplier’s product at delivery (1=very easy, 5=very difficult)
   b. Difficulty of comparing different suppliers’ products (1=very easy, 5=very difficult)
   c. Difficulty of comparing the price/quality ratio of different suppliers’ products (1=very easy, 5=very difficult)

2. **Transaction size** is an indicator of the exposure of both parties to opportunistic holdup.
   a. Initial contract price to supplier: less than $15,000 (1), $30,000 (2), $60,000 (3), $120,000 (4) and more than $120,000 (5).

3. **Asset specificity** refers to exposure of the transacting parties to ex post opportunistic holdup that is caused by significant investments in human or physical assets that have little or no value outside of the transaction.
   a. If the product failed and had to be replaced, what would have been the loss in terms of time and money associated with training your personnel (1=very small, 5=very large)
   b. If the product failed and had to be replaced, what would have been the loss in terms of time and money associated with data entry (1=very small, 5=very large)
   c. If the product failed and had to be replaced, what would have been the loss in terms of time and money associated with idle production (1=very small, 5=very large)

4. **Complexity** is common when both parties to a transaction contribute complex components or services that interact in unpredictable ways to produce the desired final product or service.
   a. Number of products/services bought (select from list of 18 possibilities, see next question)
   b. Product complexity: Standard software, Personal computers, Work stations, Side equipment, Cabling (1), Network configuration, Minisystem, Mainframe, Computer-controlled machines
(2), Branch-specific software, Training, Instruction, Documentation (3), Customized software, Consulting, Accompaniment (4), Design, Tailor-made software (5).

5. The intensity of competition in the supplier's product market at the time that the transaction was initiated is a force that reduces transaction hazards.
   a. Number of potential suppliers at time of purchase (1=very small, 5=very large)
   b. Number of alternative products at time of purchase (1=very small, 5=very large)

6. The ex ante bilateral power differential between the buyer and supplier is captured by a single survey item:
   a. How large did you estimate the dependence of your firm on the supplier before the purchase (1=very small, 5=very large)

4.2 Evolution of trust

Möllering, Bachmann and Hee Lee (2004) show an overview of indicative items that have been used in four target-related surveys on trust(worthiness). Of these four surveys I didn't look into the research of Larzelere and Huston (1980) as this research focuses on very close personal relationships. The three other surveys are discussed below. Following Zaheer, McEvily and Perrone (1998), who pay special attention to boundary spanners, I also discuss the research of Currall and Judge (1995), which focuses on assessing trust between these boundary role persons.

4.2.1 Interpersonal trust

A study of McAllister (1995) addressed the nature and functioning of relationships of interpersonal trust among managers and professionals in organizations, the factors influencing trust's development, and the implications of trust for behavior and performance. McAllister defines interpersonal trust as the extent to which a person is confident in, and willing to act on the basis of the words, actions and decisions of another. He recognizes that interpersonal trust has cognitive and affective foundations, both with their own antecedents. To assess affect- and cognition-based trust levels for his study, McAllister developed a new measure consisting of 11 items, 6 assessing levels of cognition-based trust, and 5 assessing affect-based trust. Respondents indicated on a scale ranging from 1 (strongly disagree) to 7 (strongly agree) their agreement with various statements about a specific peer at work.

Affect-based trust
- We have a sharing relationship. We can both freely share our ideas, feelings, and hopes.
- I can talk freely to this individual about difficulties I am having at work and know that (s)he will want to listen.
- We would both feel a sense of loss if one of us was transferred and we could no longer work together.
- If I shared my problems with this person, I know (s)he would respond constructively and caringly.
- I would have to say that we have both made considerable emotional investments in our working relationship.

Cognition-based trust
- This person approaches his/her job with professionalism and dedication.
- Given this person's track record, I see no reason to doubt his/her competence and preparation for the job.
- I can rely on this person not to make my job more difficult by careless work.
- Most people, even those who aren't close friends of this individual, trust and respect him/her as a coworker.
- Other work associates of mine who must interact with this individual consider him/her to be trustworthy.
- If people know more about this individual and his/her background, they would be more concerned and monitor his/her performance more closely.
4.2.2 Organizational trust

Cummings and Bromiley (1996) developed and validated a measure of organizational trust: the degree of trust between units of an organization or between organizations. They define trust as an individual's belief or a common belief among a group of individuals that another individual or group (a) makes good-faith efforts to behave in accordance with any commitments both explicit or implicit, (b) is honest in whatever negotiations preceded such commitments, and (c) does not take excessive advantage of another even when the opportunity is available. Besides these three dimensions of trust, Cummings and Bromiley based their theory and measurement of trust as a belief on the assumption that, as a belief, trust should be assessed across three components. These are trust as an affective state, as a cognition, and as an intended behavior.

The dimensions and components of trust yielded a three-by-three matrix as the definitional structure of trust, which was the main vehicle for developing the survey items for their Organizational Trust Inventory (OTI). Next to the full OTI, which may be overly long for many uses, Cummings and Bromiley also designed and assessed a short form of the OTI:

**Affective state**
- We feel that ......... negotiates with us honestly.
- We feel that ......... will keep its word.
- We think ......... does not mislead us.
- We feel that ......... tries to get out of its commitments.
- We feel that ......... negotiates joint expectations fairly.
- We feel that ......... takes advantage of people who are vulnerable.

**Cognition**
- We think the people in ......... tell the truth in negotiations.
- We think that ......... meets its negotiated obligations to our department.
- In our opinion, ......... is reliable.
- We think that the people in ......... succeed by stepping on other people.
- We feel that ......... tries to get the upper hand.
- We think that ......... takes advantage of our problems.

4.2.3 Interpersonal and interorganizational trust

Zaheer, McEvily and Perrone (1998) take up a fundamental challenge in conceptualizing the role of trust in economic exchange by extending an inherently individual-level phenomenon to the organizational level of analysis. They propose that institutionalized practices and routines for dealing with a partner organization create a stable context within which interorganizational and interpersonal trust develop and there is a reciprocal relation between trust at these two levels of analysis. For their research they used the term interpersonal trust to refer to the extent of a boundary-spanning agent's trust in her counterpart in the partner organization. The term interorganizational trust is defined as the extent of trust placed in the partner organization by the members of a focal organization.

Zaheer et al. argue that the connection between interpersonal and interorganizational trust is based on institutionalizing processes. These processes codify informal commitments made by individual boundary spanners, which over time become established and taken-for-granted organizational structures and routines. Norms from the interorganizational relationship are internalized and recreated in boundary spanners' interpersonal trust orientations toward each other in the process of conducting exchange. At the same time, interpersonal trust becomes reinstitutionalized and boundary spanners' trust orientation in turn influences the orientation of other organizational members toward the partner organization. To validate this hypothesis and several other hypotheses (regarding the relation between interorganizational trust, interpersonal trust, costs of negotiation, level of conflict and performance) Zaheer et al. conducted a survey among electrical equipment manufacturers and their component suppliers. To operationalize their theoretical constructs they used the following items and scales to measure interorganizational and interpersonal trust:
Interorganizational trust
- Supplier X has always been evenhanded in its negotiations with us.
- Supplier X may use opportunities that arise to profit at our expense.
- Based on past experience, we cannot with complete confidence rely on supplier X to keep promises made to us.
- We are hesitant to transact with supplier X when the specifications are vague.
- Supplier X is trustworthy.

Interpersonal trust
- My contact person has always been evenhanded in negotiations with me.
- I know how my contact person is going to act. S/he can always be counted on to act as I expect.
- My contact person is trustworthy.
- I have faith in my contact person to look out for my interests even when it is costly to do so.
- I would feel a sense of betrayal if my contact person's performance was below my expectations.

Zaheer et al. also measured asset specificity and uncertainty, because these have been theorized to influence the governance structure, which is the framework within which firms negotiate, execute and monitor exchange agreements (see also section 4.1.2):

Asset specificity
- Our production system has been tailored to meet the requirements of dealing with supplier X.
- Gearing up to deal with supplier X requires highly specialized tools and equipment.
- Our production system has been tailored to using the particular items bought from supplier X.
- We have made significant investments in tools and equipment dedicated to our relationship with supplier X.

Uncertainty
How would you describe the supply of the component purchased from supplier X compared to other similar products (not only provided by supplier X)?
- Stable availability
- Easy to monitor technological trends
- Stable industry volume
- Accurate sales forecasts

4.2.4 Boundary role person trust
Defining trust as an individual’s behavioral reliance on another person under a condition of risk, Currall and Judge (1995) developed and tested the construct validity of a questionnaire measure that assessed trust between the individuals who provide the linking mechanism across organizational boundaries, namely boundary role persons (BRPs). Based on existing literature, four dimensions of BRP trust were identified:

1. Open and honest communication with the counterpart BRP. BRPs manifest trust by disclosing important yet potentially self-damaging information, being accurate when communicating, and not filtering or distorting information.
2. Entering an informal agreement with the counterpart BRP. Entering an informal agreement manifests trust because the absence of a document creates risk stemming from possible untrustworthiness by the other BRP.
3. Maintaining surveillance over the counterpart BRP. If a BRP has little trust in the other BRP, he or she will feel the need to keep careful watch over that person.
4. Task coordination with the counterpart BRP. BRPs manifest trust in each other when they coordinate tasks they cannot carry out independently.

Within each of the communication, informal agreement and surveillance dimensions Currall and Judge developed survey items that tapped trusting behaviors common to all BRPs. Because trust-
ing behaviors within the task coordination dimension vary based on the organizational context, the
task coordination items were developed to fit the context in which their study was carried out. They
advise researchers wishing to measure BRP trust in organizational contexts other than the one
they have studied and for whom it’s not feasible to develop their own task coordination items, to
only use the items in the first three dimensions. Instructions for the items read: “Answer the
questions in terms of what you would actually do in dealing with the (counterpart BRP) . . . ”. The
response format was: 1 = extremely unlikely, 2 = quite unlikely, 3 = slightly unlikely, 4 = neither, 5 =
slightly likely, 6 = quite likely, and 7 = extremely likely.

Communication Dimension Items
• Think carefully before telling the (counterpart BRP) my opinions.
• Give the (counterpart BRP) all known and relevant information about important issues even if
there is a possibility that it might jeopardize the (respondent's organization).
• Give the (counterpart BRP) all known and relevant information about important issues even if
there is a possibility that it might jeopardize my job as the (respondent's job).
• Minimize the information I give to the (counterpart BRP).
• Deliberately withhold some information when communicating with the (counterpart BRP).

Informal Agreement Dimension Items
• Enter into an agreement with the (counterpart BRP) even if his/her future obligations concerning
the agreement are not explicitly stated.
• Enter into an agreement with the (counterpart BRP) even if I think other people might try to
persuade him/her to break it.
• Enter into an agreement with the (counterpart BRP) even if it is unclear whether he/she would
suffer any negative consequences for breaking it.
• Decline the (counterpart BRP's) offer to enter into an unwritten agreement.
• Suggest that the (counterpart BRP) and I enter into an unwritten agreement.

Surveillance Dimension Items
• Watch the (counterpart BRP) attentively in order to make sure he/she doesn't do something
detrimental to the (respondent's organization).
• Keep surveillance over the (counterpart BRP) (i.e., “look over his/her shoulder”) after asking
him/her to do something.
• Feel confident after asking the (counterpart BRP) to do something.
• Check with other people about the activities of the (counterpart BRP) to make sure he/she is not
trying to “get away” with something.
• In situations other than contract negotiations, check records to verify facts stated by the
(counterpart BRP).

4.3 Relation between contract and trust

The relation between contract and trust received a lot of attention from scholars the last decades,
but the results so far are not yet conclusive. To demonstrate a part of the status quo of this debate,
I will discuss two recent researches below as a contribution to the development of a theoretical per-
spective for this research.

4.3.1 Effects of control on trust and cooperation

Coletti, Sedatole and Towry (2005) challenged prior research, which found that the mere presence
of a control system causes decision makers to view the collaborative setting as non-cooperative
and other collaborators as untrustworthy. They conducted two experiments to explore the effects of
control on trust and cooperation. They found evidence that a control system can actually enhance
the level of trust among collaborators, provided the control system is strong enough to induce co-
operation and that this cooperation is observed by the collaborators. They also found that this in-
creased trust has a positive effect on the future level of cooperation among collaborators.

Collaborations are vulnerable to failure because they are exposed to both performance risk and re-
lational risk (Das & Teng, 2001). The latter is unique to collaborations. High levels of relational risk
arise because of the social dilemma nature of collaborations. Social dilemmas are situations where opportunistic behavior leads to suboptimal outcomes but cooperative behavior is not individually rational. Management accountants can play an important role in mitigating relational risk through the design and implementation of formal control mechanisms. Controls mitigate relational risk by changing the incentives for opportunistic behavior. Prior empirical research documents the use of formal control mechanisms to reduce relational risk in collaborations. Prior research, however, also suggests that control systems can have unintended negative effects on trust, which is conceptualized as the perceived likelihood that another person will cooperate, absent any economic incentives to do so. If this claim is correct, then this presents a conundrum to the designers of managerial control systems, who must choose the optimal level of control, considering both the benefits (through reduced incentives for opportunistic behavior) and the costs (including a degradation of trust, which is assumed to be a critical determinant of collaborative success).

Coletti et al. claim that these prior studies inhibit the positive effects of control systems, because they failed to incorporate two common features of control systems: (1) increased cooperation induced by the economic incentives control systems provide, and (2) feedback regarding that cooperation (e.g. performance reports). Contrary to these prior research findings, Coletti et al. expect the level of trust to increase in control system strength and validated their hypotheses by conducting two experiments. The first experiment was designed to explore the effect of control on trust, while the second experiment also provides evidence on the effect of trust on subsequent cooperation. The process by which Coletti et al. predict control to positively affect trust and cooperation is depicted in the diagram below:

**H1a**: Participants will judge others to be more trustworthy when there is a control system in place (that induces cooperation) than when there is no control system.

**H1b**: The effect of a control system on perceived trustworthiness will be mediated by cooperation.

**H2**: The level of cooperation will be greater for collaborators with higher perceptions of each other’s trustworthiness.
Coletti et al. concluded after conducting the experiments that control systems aimed at reducing relational risk promote greater cooperation, which is observed by participating collaborators. This observed cooperative behavior allows collaborators to build trust in one another, and this trust reinforces the positive effects of the control system in eliciting future cooperation. They also note that the trust-building benefits of control exhibited in their paper may not be experienced in collaborative settings without feedback mechanisms.

4.3.2 Trust, contract and relationship development

Klein Woutthuis, Hillebrand and Nooteboom (2005) also contributed to the debate on the relation between trust and control in the management of inter-organizational relationships. They specifically focused on the dynamic interaction between trust and (formal) contract by addressing the following questions: (1) Are trust and contract complements or substitutes, or both? (2) Does contract precede trust or does it follow it? And (3) how does this affect relationship development and performance?

Klein Woutthuis et al. propose that some of the conceptual differences of opinion, and the diverging empirical results, are due to different interpretations of the notion of trust. Previous empirical research has failed to uncover how and why contracts and trust substitute for and/or complement each other. In order to go beyond conceptual discussions on the interplay between contract and trust, they defined the concepts in detail and subsequently designed a longitudinal empirical research that allowed them to look into the process of trust development and the drawing up and use of contracts. To perform the research four cases were selected that represent the extremes of low versus high trust and low versus high contract completeness. All cases entailed uncertainty and/or complexity, and specific investments, and hence risks of dependence, opportunism and ‘hold-up’.

Trust was measured by asking the consultants who guided and monitored the projects their overall assessment of the degree of trust. Furthermore, trust was discussed in the interviews with the consultant as a possible explanation of how the relationships had developed. These data were triangulated with secondary data sources leading to an in-depth and balanced insight into the social relationships between the partners involved. Dependence was measured by evaluating the size of the companies, the lock-in due to uniqueness of resources (technological knowledge, capabilities), uniqueness of partners (number of alternative partners), and the switching costs due to asset specificity. Contract completeness was measured by looking at the number of pages, number and type of clauses, the type of contract (standard versus custom-made), and the detail in which the clauses were worked out. The degree to what parties engaged in monitoring, and had actually used the contract to enforce behavior was also investigated. Finally, an assessment of the outcome of the project was needed. For this, first, the technological success of the project was measured, second, the degree to which the project remained within budget and time schedule, and third, the degree to which partners were able to solve problems within the relationship. The following table summarizes the cases on these key dimensions.

<table>
<thead>
<tr>
<th></th>
<th>Petfood</th>
<th>Biowrap</th>
<th>Wrapline</th>
<th>Pharm Venture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Degree of trust</td>
<td>Low</td>
<td>High</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Dependence</td>
<td>High, asymmetric</td>
<td>High, symmetric</td>
<td>Low/moderate, symmetric</td>
<td>High, symmetric</td>
</tr>
<tr>
<td>Contract completeness</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Outcome</td>
<td>Conflict and premature end</td>
<td>Highly successful</td>
<td>Conflict and premature end</td>
<td>Highly successful</td>
</tr>
</tbody>
</table>

The Biowrap case illustrates the relationship, much hypothesized by sociologists, that trust can successfully substitute contracts. The Petfood case shows that a contract is not always effective in
achieving good outcomes. Klein Woolthuis et al. concluded that contracts may be a poor ordering mechanism in the case of one-sided dependence, which is precisely the situation where contracts are needed most. It illustrates that a contract may not be enforceable because of other than technical legal reasons (e.g. enforceable clauses, availability of courts). Social considerations (e.g. reputation, the will to keep a friendly relationship) and the shadow of the future (one might need the partner again) may make it undesirable to enforce a contract. The Pharm Venture case illustrates how trust and contract can complement and mutually reinforce each other. The case illustrates that trust may be needed as a precondition for negotiating and drawing up a complex contract. First, to prevent distrust: prior trust may provide the basis for openness and psychological safety that is needed to negotiate these sensitive issues (e.g. relationship termination or sharing costs in case things go wrong) and prevent the triggering of a vicious circle of mutual distrust, defensive behavior and conflict. Second, prior trust may be needed for the parties to be willing to invest in the relationship. The Wrapline case, finally, illustrates that the absence of complete contracts cannot always be interpreted as a sign of trust.

The cases show that the relation between trust and contract is a complex and dynamic one, and that in a trusting atmosphere contracts can have a different function and meaning. Whereas companies that fear opportunism view their contract as a safeguard against opportunism, companies that have a trusting relationship tend to interpret contracts as a tangible expression of trust that has been built up over the years. More specifically, Klein Woolthuis et al. concluded that trust will in general precede contracts. No examples of contract providing a basis for trust were found. Although calculative trust may be based on legal regulation, this will form a poor basis for the interpersonal care, concern and benevolence that characterizes the deep trust that was investigated in this study. Also concluded from this study was that trust and contracts can be both substitutes and complements. Whether contracts and trust are substitutes or complements depends on the intentions with which contracts are drawn up and used. First, if a contract is not interpreted as a strict legal safeguard, trust and contract may go well hand in hand, in which case trust and contract will be complementary. Second, when parties trust each other, they may decide not to include safeguarding clauses in their contract, in which case trust substitutes for contract. Third, in situations of high distrust, parties may put great emphasis on contracts and detailed safeguarding clauses, in which case contract substitutes for trust. Finally, Klein Woolthuis et al. found that relationships characterized by trust were more successful. No examples of how a contract can guarantee success were found.

From the four cases Klein Woolthuis et al. concluded that, looking at the relationship’s development, the exact content of contracts and intentions with which these contracts were drawn up and used provides an increased understanding of how trust and contract are related. Key to this understanding is that the general conceptualization of contracts as uni-dimensional legal safeguarding instruments is wrong. The cases show that contracts may have different functions, which can also be social in nature. These functions may be reflected in the content of clauses included in the contract. This study has uncovered three additional functions of contracts: (1) coordination (technical aid to managing the relationship), (2) safeguard for contingencies and (3) sign of commitment. Contracts will be mixed, but at the same time, be directed towards one or the other function, which will be reflected in the clauses included. In this sense, one could claim that contracts may be envisioned as the sedimentation of the negotiation and commitment stages that partners go through. In this interpretation contracts can, like trust, be seen as both the basis and outcome of cooperation. In a trusting atmosphere, negotiating the contract can be seen as a process of getting to know and understand each other. Here, trust can serve as a basis for contract. In an opportunistic atmosphere, instead, contract negotiations can resemble the battlefield, where the most powerful partner dominates contract content and execution.

Klein Woolthuis et al. claim that future research should no longer focus solely on the mere presence, absence or completeness of contract. Rather, future researchers should look at, first, the precise content of clauses included, second, the intentions with which the contract is drawn up, and third, the actual use of the contract. In other words, the contract should be placed in its social context and within the relationship’s development. By interpreting contracts in this dynamic social as well as legal fashion, the relation between trust and contract becomes less simple, but it also brings us closer to reality.
5. Research results

In this chapter the results of the empirical part of my research are presented. Following the phasing of a content analysis effort, as described in section 3.3.1, successively the collection, the making and the analysis of the research data are described.

5.1 Data collection

A large part of the documentation regarding the IT outsourcing contract between the outsourcing organization (OOE) and the IT service provider (ISP) that has been investigated, was stored by ISP in nine Lotus Notes databases, each of which was archived on a CD. Besides these archived databases I was also granted access to three current Lotus Notes databases regarding the execution of the outsourcing contract. In one of the current databases I found yet another archived database concerning the period before the first contract was closed. An overview of the contents of these thirteen databases is provided in Appendix B.

Note: For reasons of confidentiality the names OOE and ISP are fictitious.

Unfortunately I couldn’t access two of provided archived databases at all. Of the other databases I counted the total number of accessible documents (using a view showing all documents) and compared these with the number of documents stored in the database shown in the database properties. It appeared that in some databases I couldn’t access all documents in the database, most likely because these documents are ‘private’ and only accessible to specifically authorized users. I discussed this situation with the responsible manager of ISP, but it was decided I couldn’t get access to these documents for my research. Because the accessible documents in the ‘Program Operations Support Tool (POST) for OOE’ database only seem to contain information about the internal organization of ISP, I decided not to include this database in my research. The documents in the ‘OOE Transition’ database concern the period after the second contract was closed. Because this period is not in the scope of my research, I didn’t include this database in my research as well. This implies only the following nine of the provided thirteen databases have been investigated:

<table>
<thead>
<tr>
<th>Database name</th>
<th>Size (MB)</th>
<th>Total no. of Documents</th>
<th>Accessible Documents</th>
<th>Regular Documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>OOE Workroom</td>
<td>147</td>
<td>224</td>
<td>224</td>
<td>160</td>
</tr>
<tr>
<td>OOE Transition AD/M</td>
<td>27</td>
<td>52</td>
<td>52</td>
<td>42</td>
</tr>
<tr>
<td>OOE Transition Infrastructure</td>
<td>449</td>
<td>713</td>
<td>713</td>
<td>612</td>
</tr>
<tr>
<td>OOE Engagement Teamroom</td>
<td>523</td>
<td>1,670</td>
<td>1,670</td>
<td>1,590</td>
</tr>
<tr>
<td>OOE Engagement Teamroom (2)</td>
<td>169</td>
<td>323</td>
<td>323</td>
<td>159</td>
</tr>
<tr>
<td>OOE Delivery Teamroom</td>
<td>524</td>
<td>1,159</td>
<td>1,159</td>
<td>1,099</td>
</tr>
<tr>
<td>OOE Service Management Infrastructure</td>
<td>274</td>
<td>216</td>
<td>216</td>
<td>206</td>
</tr>
<tr>
<td>OOE NL Teamroom</td>
<td>1,182</td>
<td>1,208</td>
<td>1,087</td>
<td>807</td>
</tr>
<tr>
<td>OOE RALLY Teamroom</td>
<td>185</td>
<td>172</td>
<td>171</td>
<td>114</td>
</tr>
<tr>
<td>Totals</td>
<td>3,333</td>
<td>5,737</td>
<td>5,615</td>
<td>4,789</td>
</tr>
</tbody>
</table>

As shown in the above overview, these databases contain 5,737 Notes documents of which 5,615 are accessible. Some of the accessible documents contain for example team member profiles or category definitions and these documents are not shown in the ‘All documents’ views of the databases. The total number of documents in the ‘All documents’ views of the databases sum up to 4,789 (regular) documents. The total size of these databases is approximately 3.3 gigabyte.

5.2 Data making

As already mentioned in section 3.3.3 the collected data must be prepared for analysis. This data making process consists of four steps (unitizing, sampling, coding and reducing) and these steps will be described in the following subsections.
5.2.1 Unitizing

According to Krippendorff (2004) units are wholes that content analysts distinguish and treat as independent elements. Although units are often regarded as a function of the empirical tenacity of what is observed, it's the act of unitizing that creates them and recognizes them as such. In content analysis three kinds of units deserve distinction: sampling units, coding (a.k.a. recording) units and context units.

5.2.1.1 Sampling units

Sampling units are units that are distinguished for selective inclusion in an analysis. Content analysts must define sampling units so that connections across sampling units, if they exist, do not bias the analysis and all relevant information is contained in individual sampling units or, if it is not, the omissions do not impoverish the analysis.

I used (Lotus) Notes documents as sampling units. Of the five ways Krippendorff distinguishes in defining units, this can be considered as a physical distinction, but it also has characteristics of syntactical and categorical distinctions, because Notes documents are normally created per topic. Physical distinctions are suitable for defining sampling units and have the advantage of being efficient and reliable. I copied the sampled Notes documents to a separate Notes database to have only one database with sampled documents. This made coding and analysis easier.

5.2.1.2 Coding units

Coding units are units that are distinguished for separate description, transcription, recording or coding. Coding units are typically contained in sampling units. A good reason for choosing coding units that are significantly smaller than the sampling units is that sampling units are often too rich or too complex to be described reliably. To obtain reliable accounts of larger units of text, content analysts have found it convenient to describe smaller units on which they can more easily agree and then use analytic procedures to obtain descriptions of larger units.

Text fragments in the sampled Notes documents seem the most appropriate way in defining coding units in this research. By using this approach I followed the guidance of having coding units that are contained in sampling units and syntactical distinctions tend to be efficient and reliable. Section 5.2.3.2 describes how I recorded and coded the selected text fragments.

5.2.1.3 Context units

Context units are units of textual matter that set limits on the information to be considered in the description of recording units. Unlike sampling and recording/coding units, context units are not counted, need not be independent of each other, can overlap and may be consulted in the description of several recording units. Because of the limited scope of my research, I decided not to use context units.

5.2.2 Sampling

Because the body of available texts is too large to be examined as a whole, I needed to limit it to a more manageable size. Krippendorff (2004) describes several techniques for sampling texts. Because the available texts are generated for other purposes than being analyzed for this research, the different textual units don’t have an equal relevance for my research questions. This implies that statistical sampling techniques (probability sampling) are not feasible for my research and that the sampling of texts should be a function of what is known about the distribution of information (content) within a textual universe.

The available Notes databases (see section 5.1) can be considered as a convenience sample, because they don’t contain all information that might be relevant to my research. It’s likely, for example, that OOE has documents with regard to the outsourcing contract, that haven’t been made available to ISP and are therefore not stored in the Notes databases. Despite that, it’s not feasible to examine all documents available from these Notes databases, so I needed additional sampling techniques to limit the size even further. In order to accomplish this I only took into account the documents that contain information about the relationship with OOE (e.g. contracts, contract exten-
sions, correspondence, complaints and surveys) and skip the documents related to the internal operations of ISP. This technique is known as relevance sampling or purposive sampling. In the subsections below I have described per database which documents I have sampled.

5.2.2.1 OOE WORKROOM

This database mainly concerns the period before the first contract was closed. One of the first documents in this database is the proposal for the outsourcing contract, which was released on 12-12-2000. I also found several documents concerning the preparation for this proposal (base case study and meeting minutes). After the proposal was issued it was agreed by both parties to do a ‘joint verification’ effort for which a separate contract was closed (professional services agreement). This effort was started after a letter of intent had been signed by both parties. Because of some strategic discussions between OOE (a European subsidiary of a global company) with its head-quarters, the start of the joint verification was delayed until July 2001. Most documents in the database are related to this joint verification and to several versions of the outsourcing contract and its appendices and schedules. The first contract was signed by OOE on 27-11-2001.

By having a quick glance at all 160 regular documents, I selected 54 documents that seemed to be relevant to my research. These documents include the initial proposal, the joint verification agreement (several versions), all versions of the outsourcing contract and its appendices and schedules and minutes of meetings in which people from both organizations were present. I skipped the documents related to the internal operations of ISP and the technical solution.

5.2.2.2 OOE TRANSITION AD/M

After the first outsourcing contract was signed, a transition project was started to migrate the “as-is” services of OOE to the contracted services of ISP. At ISP two different business units are involved in the delivery of the application management and infrastructure services. This database contains documents about the transition of the application management (AD/M: application development and maintenance) from OOE to ISP. The transition was planned to be completed on 01-06-2002 and consisted of two consecutive phases: the ‘best effort’ phase and the ‘service level objectives’ phase. The SLO phase for AD/M started on 01-03-2002.

This database mainly contains documents created during the best effort phase of the AD/M transition. The documents are meeting minutes, project plans, progress reports, procedures, etc. Because most of these documents are related to the internal operations of ISP, I only selected the minutes of the weekly overall transition meetings, in which also OOE was involved, to be part of the sample (11 documents).

5.2.2.3 OOE TRANSITION INFRASTRUCTURE

Like the AD/M transition, the infrastructure transition was also planned to be completed on 01-06-2002 and consisted of a best effort and a service level objectives phase, although the SLO phase for the infrastructure started already on 21-01-2002. Of the more than 600 documents in this database, only about 100 documents were created during the transition period. Most of these documents are related to the internal operations of ISP, project plans, solution designs, procedures, progress reports, etc.). The database also contains minutes of the overall transition meetings, but these were already sampled from the OOE Transition AD/M database (see previous section). The remaining documents in this database contain information about the delivery of several infrastructure projects. These projects were not in scope of the original contract, but were requested additionally by OOE via requests for services (RFS). Documents regarding these requests will be sampled from both engagement databases (see next two sections). The only documents that might contain relevant information for my research seem to be the minutes of meetings with regard to these projects, so I added these (56) documents to my sample.

5.2.2.4 OOE ENGAGEMENT TEAMROOM

To increase revenue and profit ISP tries to sell services to OOE beyond the scope of the original outsourcing contract. The results of these efforts during the period June 2002 until January 2004 are documented in this database. Besides some documents regarding the preparation of these efforts (e.g. minutes of internal meetings and account plans) most documents in this database are
related to requests for services (147) from OOE, that resulted from these efforts. Although all of these documents might contain information relevant to my research, it would not be feasible to examine all these documents. Therefore I decided to select two requests from the beginning of the contract (mid 2002), two requests from the period when the execution of the contract was ‘business as usual’ (early 2003) and two request from the period just before the OOE satisfaction crisis documented in the OOE NL Teamroom (end 2003/early 2004). For each period one of the selected contracts led to an amendment of the original contract, while the other selected request was cancelled by OOE. In order to be able to compare the requests, I only took into account requests for which the original request form was stored in the database and, in case of the cancelled requests, for which the reason of cancellation was explicitly documented in the database. Unfortunately I could not find a cancelled request meeting these requirements in the last period, so I added five requests (consisting of 49 documents) to my sample.

5.2.2.5 OOE ENGAGEMENT TEAMROOM (2)

During the execution of the (first) outsourcing contract OOE apparently changed its official name. It seems that ISP, in response to this name change, decided to setup a new database for engagement related documents. It’s not clear why this database was only used for a short period of time (about 7 months), but because I also found documents related to engagement in the OOE NL Teamroom, I suppose it was decided that it would be more convenient to have all documents related to the outsourcing contract in one database. Because most of the documents in this database are related to requests for services, which are also documented in the OOE Engagement Teamroom, I decided not to sample any document from this database.

5.2.2.6 OOE SERVICE MANAGEMENT INFRASTRUCTURE

In this database documents are stored regarding the delivery of infrastructure services to OOE. I had a quick glance at the documents in this database and it seemed most of these documents are strictly related to the internal operations of ISP. The documents that might contain information about the relationship with OOE (e.g. documents with communication type ‘D04 – Contract Documentation’) have already been sampled from other databases. I therefore decided not to add any document from this database to my sample.

5.2.2.7 OOE DELIVERY TEAMROOM

This database contains a very large number of documents related to the management of the delivery of infrastructure and application management services to OOE. In order to make it feasible to select relevant documents, I decided to focus on some specific communication types, which most likely contain information about the relationship with OOE:

- Claims and Complaints
- Contract Changes
- Correspondence to Customer
- Customer Satisfaction
- Disputes
- Issues
- Meetings with Customer

Because it wouldn’t be feasible to analyze all 179 documents with communication type ‘Correspondence to Customer’ I only added the first ten (25-10-2001 to 04-12-2001) and the last ten (10-06-2003 to 09-09-2003) documents with this communication type to my sample. From the other communication types I added all documents (60) to my sample.

5.2.2.8 OOE NL TEAMROOM

Although the first document in this database was created on 22-01-2002, it contains only 11 documents created before 27-11-2003, so it’s likely that this database is a common successor of several previously mentioned databases. Because I’m only interested in documents created up to the signing of the renewed contract on 17-05-2005, I didn’t take into account the documents created after 31-05-2005, which leaves 682 regular documents to consider for my sample. Of these docu-
ments 522 are categorized in one of the RFS (request for services) related categories ('2A. Pre-RFS Fase', '2B. Engagement Fase', '2. RFS' and 'RFS'). Browsing quickly through these documents I couldn't find a request for service for which both the original request form and the final result were stored in the database in order to compare this request to the requests selected from the OOE Engagement database. I therefore decided not to add any of these documents to my sample. Of the remaining documents it’s most likely that the documents labelled with the following categories contain information about the relationship with OOE:

- 4. Meetings/Customer
- 5. Account Management
- 6. Contract Management
- Client Satisfaction
- Contract Management
- Customer Correspondence
- Signings

I added these documents to my sample, except for the documents in the contract management and signings categories, because I already sampled the same kind of documents from other databases.

Note: In this database I also found two archives of the ‘OOE Business Office’ mail database. Unfortunately I was not able to open the archive containing the mails from 2004 (and maybe even before) due to access restrictions. The other archive contains mails from 2005. Because I couldn’t get access to one of the archives and because I think I already sampled quite a lot of information from the other databases, I decided not to incorporate these mail archives into my research.

5.2.2.9 OOE RALLY TEAMROOM

This database is dedicated to the preparation of the renewed contract in 2005 (codename RALLY). Of the documents contained in this database, I expected to find information about the relationship with OOE in the following categories:

- Contracts in progress
- Contracts old
- Meeting minutes
- Presentation extern

I decided to add all documents in these categories (26) to my sample.

5.2.3 Coding

In order to be able to analyze the sampled texts, the unstructured data must be coded into the terms of a data language. In the following subsections the data language and the approach according to which the sampled text have been coded are described.

5.2.3.1 DATA LANGUAGE

A data language mediates between the experience of reading text on the one hand and the formal demands made by available analytical procedures on the other. Common to all data languages are the variables and the possible values within these variables (dimensions). In order to avoid making the analysis of the coded texts too complex to be done manually, I used simple, binary variables derived from the theoretical perspective in the previous chapter. This implies I only coded text fragments from the sampled documents in which one or more characteristics, as defined by the variables, are present. The variables are listed below.

Contract design

Although Transaction Cost Economics and derivatives provide relevant background information to my research (see section 4.1.1), these theories mainly focus on why alliances exist. Because this doesn't contribute directly in answering my research question, I didn't use possible variables from
these theories during the coding effort and only used these theories during the analysis phase. The factors which according to Anderson and Dekker (2005) determine the contract design (see section 4.1.2) seem to be relevant in answering my research question, so I decided to define a variable for each of these factors:

1. **Uncertainty**
   Uncertainty reflects the difficulty of defining ex ante and verifying ex post the products and services for which the parties are contracting. In general, uncertainty can arise from many sources, like market dynamics, disturbances in the external environment, environmental complexity, task uncertainty and complexity, and unfamiliarity.

2. **Complexity**
   Complexity denotes situations where both parties to a transaction contribute complex components or services that interact in unpredictable ways to produce the desired final product or service.

3. **Asset specificity**
   Asset specificity refers to exposure of the transacting parties to ex post opportunistic holdup that is caused by significant investments in human or physical assets that have little or no value outside of the transaction.

4. **Information impactedness**
   A situation of information impactedness exists when information relevant to the transaction is known to one party in the transaction, but cannot costlessly be obtained by the other party, e.g. when the latter party is not able to observe and to assess perceptively the true quality of actually delivered contributions of the first party.

5. **Competition**
   The intensity of competition in the supplier's product market at the time that the transaction was initiated is a force that reduces transaction hazards.

6. **Power**
   The ex ante bilateral power differential between the buyer and supplier is denoted by the dependency of the buyer on the supplier before the transaction.

**Evolution of trust**

Looking at the four researches discussed in section 4.2 a distinction can be made between interpersonal and interorganizational trust on the one hand and between affect-based and cognition-based trust on the other hand. Based on these distinctions I defined the following four variables:

7. **Personal affection**
   A situation where managers and professionals working for the different parties in the alliance freely share their ideas, feelings, hopes and problems and are confident the other person will listen and will respond constructively and caringly.

8. **Personal competence**
   This applies to situations where a person working for one party in the alliance is confident about the competence, professionalism and dedication of a person working for the other party in the alliance.

9. **Organizational trustworthiness**
   This denotes a situation where persons working for one party in the alliance believe that the other party won’t take (excessive) advantage of them even when the opportunity is available. They won’t hesitate to transact with the other party even when the specifications are vague and they are confident the other party will keep the promises made to them.
10. Organizational competence

The persons working for one party in the alliance think the other party in the alliance is competent when they believe the other party make good-faith efforts to behave in accordance with any commitments both explicit (formal contracts) or implicit (informal contracts).

Relation between trust and contract

The researches referenced in section 4.3 that investigated the relation between trust and contract, take a quite holistic approach to the problem. Therefore I didn’t try to derive variables from these researches to be used in coding individual documents. I only used these researches when interpreting and analyzing the results from the coding phase (see section 5.3).

Additional variables

As described in the next section, I created an inventory of all the sampled documents by having a quick glance at all these documents before I started the actual coding. As a result of this effort I decided to define a few additional variables:

11. Price/Performance

This variable is closely related to the ‘organizational competence’ variable, but explicitly defines a link between the competence/performance of the IT service provider and the price the customer is paying for the services. Although the customer can trust the competence of the service provider, when the customer thinks he is paying too much for the services, he might think the service provider is abusing his position. In this sense this variable is also related to the variables ‘asset specificity’, ‘power’ and ‘organizational trustworthiness’.

12. Bureaucracy

I added this variable, because I found a document in my sample (2004) in which the bureaucracy of ISP was explicitly identified by OOE as one of the causes of their troubled relationship. Although rules and procedures can improve the professionalism of the IT service provider (organizational competence), these same rules and procedures can also be interpreted by the customer as a sign of distrust.

13. Risk mitigation

Outsourcing of IT services involves a large investment of the IT service provider in staff and infrastructure. To safeguard this investment the IT service provider will try to mitigate the risk that the customer will obtain new services from another provider. This can be considered as a symptom of asset specificity, so I mainly added this variable for my convenience.

5.2.3.2 Coding approach

The sampling effort described in section 5.2.2 initially resulted in a new Lotus Notes database containing 294 selected documents with a total size of approximately 300 MB. In order to get a general overview of the contents of the sampled documents, I opened all these documents to have a quick glance at its contents. In a spreadsheet I created a row for each document, while recording the creation date and the subject (for traceability to the original document), the topic date (derived from the contents) and a short description of the contents. I ordered the documents on topic date to have a chronological overview.

While making this inventory, it soon became clear to me that the sample I created still contained thousands of pages of text and I realized that it would take several full-time months to scrutinously code all these texts. Even global reading of these texts in order to find meaningful text fragments would probably take multiple weeks, which wouldn’t be feasible regarding the time constraints of my research project. Therefore I decided to focus at the documents that, based on the quick glance I had at their contents, have the highest potential in contributing to answer my research questions. More specifically I took the following approach:

1. Contract differences

Because I want to find an answer to the question how the evolution of (dis)trust between partners in an alliance influences the contents of a renewed contract, I started to compare the...

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contents of the old and the new contract (both the main body and the schedules and exhibits) using the ‘Compare and Merge Documents’ tool of Microsoft Word. By making this comparison I discovered that the main body of the contract and several schedules hardly hadn’t been changed at all (only ‘cosmetic’ changes and changes that can be attributed to the different status quo at the times both contracts were written), while other schedules had been completely rewritten. In order to explain these differences, I searched my sample database for documents with additional information about the solution design of the new contract. Although I found a document in my sample database, this didn’t provide me with enough information to be able to explain the differences. I therefore searched in the ‘OOE RALLY Teamroom’ to find additional documentation. I found 3 documents that seemed to contain the information I was looking for and I added these 3 documents to my sample database.

2. Pre contract phase
Of all the documents in my sample database from the period before signing the first outsourcing contract (27-11-2001), 58 in total, I skipped the ones containing versions of the (schedules of the) outsourcing contract, because I decided to focus on the differences between the 2 contracts only (see previous point). I also skipped some documents that didn’t contain much (additional) information. Of the remaining documents (28) I coded the contents. In some of these documents (8) however, I didn’t find any text fragments about the relationship between ISP and OOE.

3. Contract amendments
In section 5.2.2.4 I described how I sampled 49 documents related to requests for services (RFS). Reading the contents of these documents I found that these documents only contain technical and operational information. Because these requests for services played an important role during the execution of the first contract, I decided to follow a different approach. I created a new spreadsheet with an overview of all requests for services (based on an already existing, but incomplete overview). In total I found 172 of these request for services (147 from the ‘OOE Engagement Teamroom’ and 25 from the ‘OOE NL Teamroom’). Of these 172 requests, 54 led to a proposed amendment of the outsourcing contract, while the other requests resulted in proposed statements of work or were cancelled before a proposal was created. Because my main interest is in the outsourcing contracts, I focused on the 54 contract amendments. Of these amendments I recorded in the spreadsheet the total annual service charge and the one time charge. I also recorded the (estimated) date on which the RFS was submitted and the (estimated) date on which the RFS was signed (44), lost (1), rejected (6) or put on hold (3).

4. Other documents
Of the documents in my sample database not related to the contracts and request for services, I decided to skip the documents related to specific projects performed under the umbrella of the outsourcing contract, because I expected these documents to contain only technical and operational information. I also skipped some documents which seemed to be duplicates of other documents or which hardly contained any information. I coded the remaining documents (79), but in quite a lot of these documents (58) I didn’t find any information related to any of the identified variables.

The 107 documents I selected for coding still contain hundreds of pages of text. The most effective way to code these texts within a feasible amount of time seemed to globally read the texts, searching for text fragments related to any of the identified variables. In the spreadsheet containing the overview of all documents in my sample, I added a column for every variable. Whenever I found a text fragment that could be related to a variable, I added this text fragment in the cross-section (cell) of the row for the document and the column for the variable. I realize this approach is not very reliable and it’s likely that I overlooked text fragments that might have been relevant in finding answers to my research question. The approach was however effective, because I was able to find many relevant text fragments within a reasonable amount of time.
5.2.4 Reducing

As already mentioned in the previous section, I didn't find any relevant text fragments in 66 of the 107 selected documents. In the remaining 41 documents I found a total of 208 text fragments. These fragments were attributed to the variables as follows:

<table>
<thead>
<tr>
<th>Variable</th>
<th># of fragments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uncertainty</td>
<td>5</td>
</tr>
<tr>
<td>Complexity</td>
<td>2</td>
</tr>
<tr>
<td>Asset specificity</td>
<td>16</td>
</tr>
<tr>
<td>Information impactedness</td>
<td>11</td>
</tr>
<tr>
<td>Competition</td>
<td>4</td>
</tr>
<tr>
<td>Power</td>
<td>1</td>
</tr>
<tr>
<td>Personal affection</td>
<td>3</td>
</tr>
<tr>
<td>Personal competence</td>
<td>3</td>
</tr>
<tr>
<td>Organizational trustworthiness</td>
<td>33</td>
</tr>
<tr>
<td>Organizational competence</td>
<td>43</td>
</tr>
<tr>
<td>Price/Performance</td>
<td>47</td>
</tr>
<tr>
<td>Bureaucracy</td>
<td>18</td>
</tr>
<tr>
<td>Risk mitigation</td>
<td>22</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>208</strong></td>
</tr>
</tbody>
</table>

Because I think it's still comprehensible to consider all these text fragments individually, I decided not to search for (statistical) techniques to reduce this information. I also took this decision, because I expected the number of fragments is too low to yield plausible results after applying statistical reduction techniques.

5.3 Data analysis

This section starts with an overview of the historical events regarding both outsourcing contracts, based on the information I found in the documents in my sample database. Subsequently, these events are reflected upon using the theoretical perspective described in chapter 4.

5.3.1 Historical overview

Looking backward at the development of the relationship between the IT service provider (ISP) and the outsourcing organization (OOE) with regard to both outsourcing contracts several phases can be recognized:

5.3.1.1 First contract negotiation

OOE is the European branch of a global company, which has its main office near Amsterdam and with several offices elsewhere in the Netherlands and throughout Europe. OOE is operating in a dynamic and highly competitive market in which it's increasingly difficult to align the IT services to the business requirements at acceptable costs. To cope with this situation OOE started discussions with one of its IT suppliers to explore the options to fully outsource all IT operations to this company. These discussions resulted in an outsourcing proposal for seven years from ISP, released at 12-12-2000. In this proposal ISP presents itself as a trustworthy and competent partner, that has an outstanding track record in this business, will take ultimate care of OOE's employees that will move to ISP and will always act in the best interest of customer. The main benefit for OOE seems to be the prospect of lower IT costs (especially in the application development and maintenance area). ISP will accomplish this by using their economies of scale and a more professional/mature IT organization. This latter aspect is implemented by several (bureaucratic) processes (Capability Maturity Model) and ISP requires OOE to implement such processes (demand management) as well. After the presentation of this proposal, OOE is asking many questions about the actual contents of the proposal. Quite a few of these questions show some doubt whether ISP is able to meet the agreed service levels (at lower costs) and has the intention to always act at the best interest of OOE, as shown, for example, in the following fragment:
“It seems that in your proposal you overrate the maintenance/support and clearly understaff the enhancements/projects (by factor 3!!!) Can you explain how this will work maintaining the same output as the current group?”

In response to these questions ISP reassured OOE to have confidence in its capabilities and intentions.

As a next step in the negotiation process, ISP proposed an agreement to perform a joint verification of the scope of the outsourcing contract. The verification effort will only be started however after OOE signs a letter of intent (LOI) that it will only negotiate with ISP about the outsourcing of IT services. The proposed agreement is a ‘time and material’ contract, which implies OOE has to pay for the verification effort by ISP and the risk of not meeting goals and/or budget is also at OOE. Because of discussions between OOE and its global headquarters about the strategic IT direction, the signing of the letter of intent was postponed. OOE also involved Gartner to perform a ‘sourcing readiness assessment’. Gartner found that ISP was actually leading the negotiations, because of a lack of experience within the OOE organization. ISP’s proposal is therefore more based on their capabilities to improve the current situation, than on OOE’s (business) needs and requirements. The parties already had a good relationship and OOE didn’t have much choice besides continuing with this provider, but OOE feels ISP is pushing too hard and feels uncomfortable about this. This is shown in some of the findings regarding the relationship between OOE and ISP and the governance in Gartner’s final presentation:

“Relationship
• OOE does not feel confident to sign LOI, ISP feels deal is slipping
• ISP is pushing the deal; OOE feels pressure
• Gartner found differences in expectation between ISP and OOE

Governance
• Not all the joint OOE and ISP governance principles have been sufficiently addressed”

Despite this, the letter of intent and the joint verification agreement were signed at the end of June 2001, after which the joint verification started.

The joint verification, which was done in a cooperative atmosphere, resulted in a report by ISP with several findings per competency and proposed solutions for some of the identified problems. Of the main issues mentioned in this report, most mention that previous figures in the proposal have been underestimated. Although these extra costs have been estimated by ISP at 7.9M€, the total contract value in the proposal is only raised by 4.9M€ (from 81.7M€ to 86.6M€). Because OOE didn’t want to pay this price, alternative scenarios were discussed and especially in the application development and maintenance area the ambition levels were considerably cut down. The negotiations finally resulted in a seven-year outsourcing contract with a total contract value of 72.7M€, which was signed at 27-11-2001. Although the main body of the contract covers only 39 pages, the appendices, which describe in great detail the rights and obligations of both parties, cover 323 pages. I also noticed that although the actual costs were projected to decrease during the length of the contract, the annual services charges paid by OOE are every year the same. This 'smoothing' hasn’t been done in a separate financing contract, but as integral part of the outsourcing contract.

5.3.1.2 TRANSITION

After signing the contract, a half-year transition period started during which IT staff and operations were transferred from OOE to ISP. Because within ISP’s organization separate delivery units are involved for infrastructure and application development and maintenance (AD/M) activities, this distinction was also made in the planning of the transition period as depicted in the diagram below:

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1 The real names of the organizations in this and other quotations have been replaced by their fictitious ones.
Both delivery units started with a best effort phase in which they managed the IT services to OOE with the objective to continue the current level of services, based on and subject to the availability of required resources. After the best effort phase, the service level objective (SLO) phase started during which the performance of the IT services was measured against objectives and reported to OOE. In practice, service level objectives are similar to service level agreements (SLA) with the difference that SLA’s are also committed by ISP. During the SLO phase the first requests for services were already submitted by OOE and the first contract amendment was signed.

The documents selected from my sample database for coding were all minutes of several types of periodical meetings. From these meeting minutes it seems that the transition activities were performed as planned. The move of the mainframe operations from OOE to ISP even went smoother than OOE had expected. In an April 2002 executives meeting however, an IT manager of OOE (R.) made mention of internal worries about the ability of ISP to handle the transition:

“Mr. U. expressed his dissatisfaction of ISP’s performance on the Transition’ discussed. R. confirms OOE internal discussion worrying about ISP ability to handle the transition. Although in progress reports lots of green is reported. OOE expects to see some red on actions/deliverables. On user satisfaction two or three incidents are showing ISP is handling with another culture. Maybe the difference is that OOE is focusing on user satisfaction and thus quick resolution. ISP is focusing on procedures and structural resolutions.”

5.3.1.3 BUSINESS AS USUAL (BAU)

The ‘business as usual’ phase covers the period between the end of the transition phase (01-07-2002) and the date the new contract was signed (17-05-2005). During this period ISP worked according to the service levels agreed in the outsourcing contract and reported about the performance to OOE. Besides these normal operations more than 170 requests for services from OOE were recorded, as already mentioned in section 5.2.3.2. These requests resulted in 44 signed contract amendments. Although some of these amendments limited the scope of the services, most of the amendments were extensions of the scope. The total contract value of all these signed amendments amounts approximately 7,3M€ (ignoring economic cost adjustments). Also a lot of additional work has been done by ISP on project basis. Because the information about these contracts (statements of work) didn’t seem to be complete, I decided not to calculate the total value of these contracts.

The documents selected from my sample database for coding mainly consist of meeting minutes, disputes, customer satisfaction reviews and action plans. From these documents it’s obvious that OOE was very dissatisfied with ISP’s performance. It seems this dissatisfaction is mainly related to ISP’s managerial competence and OOE is still satisfied about ISP’s technical competence (except for the helpdesk). This can be demonstrated by a quote from a customer satisfaction survey performed in July 2003:
“Performance is poor. Price/quality ratio is extremely poor. Apart from mainframe operations there is no indication that after taking over ISP hat taken any actions visible to improve services or lower the costs structure. (…) The reactive attitude is dominated by excuses to do nothing, where individual ISP employees hide behind formal procedures instead of being proactive in attitude helping to solve the OOE problems.”

During this period ISP appointed two times a new project executive for the outsourcing contract. Both started with making an inventory of the problems and made action plans to deal with these problems. The actions were mainly aimed at improving the execution of the service delivery. Although OOE appreciated the efforts of the new project executives, they were not able to turn the tide.

5.3.1.4 NEW CONTRACT NEGOTIATION

Early 2005 OOE and ISP apparently decided to break open the current outsourcing contract and started negotiations for a renewed contract. The main objective of OOE for the new contract was to reduce the total annual service charges by 2M€ - 4M€ per year. ISP’s objective was to strengthen its relationship with OOE and make OOE a reference customer. Based on OOE’s main objective ISP investigated all its service areas for possibilities to reduce the costs and then proposed these options to OOE. Most of the proposed options were related to reducing the head count (e.g. by using more sophisticated tools and decreasing baselines) and moving service delivery activities to offshore locations (e.g. transferring the helpdesk to South Africa).

Based on these alternatives ISP drafted a new version of the contract. As I already mentioned in section 5.2.3.2 only a few changes were made in the main body and several appendices, where other appendices were completely rewritten. It’s likely that the rewritten appendices were a result from consolidating the old contract and all its amendments and that these appendices include the agreed cost reductions. Remarkable about this renewed contract is that the appendix that describes the charges now contains an exhibit about gain sharing. Gain sharing is intended to propose improvements to the services and for both parties to benefit financially from the results of such improvements. It’s also noticeable that the (transition) costs to implement the proposed solutions to reduce the costs are paid by OOE. The new contract was eventually signed at 17-05-2005.

5.3.1.5 NEW CONTRACT EXECUTION

Although the period after signing the renewed contract wasn’t part of my research, I had a document in my sample database that contains the results of a customer satisfaction review of December 2005. In these results several respondents from OOE stated that ISP’s performance was more than adequate this year and they expected further improvements in the coming years, for example:

“Mr. v. D. thought that the partnership management this year was much better than before, there was more attention and more ‘drive’. He mentioned the RALLY project that OOE and ISP executed together, which contributed tremendously to the good relationship. The most important result was a new setup of the services, which resulted in a substantial cost reduction.”

5.3.2 Theoretical reflection

In this section the events described above will be reflected upon from the theoretical perspective presented in chapter 4.

5.3.2.1 CONTRACT DESIGN

Before discussing the design of the outsourcing contract, the question needs to be answered whether or not an alliance is an appropriate governance structure for managing IT operations. To answer this question from a Transaction Cost Economics point of view the following dimensions

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2 For convenience this text fragment has been translated from Dutch to English.
are relevant: (1) the degree of asset specificity of the transaction; (2) its uncertainty (including complexity); and (3) its frequency. From the results of the coding effort it can be learned that the asset specificity is considerable. The IT service provider needs to invest both in IT staff and in hardware, software and third party contracts specifically for this outsourcing contract. These investments however are not completely useless at the (premature) end of the contract: the IT staff can be assigned to other operations of the IT service provider and also the hardware, software and third party contracts might be used for other purposes. Therefore the level of asset specificity can be considered as intermediate. Although I did find some text fragments related to uncertainty and complexity during the coding process, most of these fragments are related to the uncertainty and complexity of the market in which the customer is operating. I didn’t find much information about the uncertainty and complexity of the IT operations, besides that OOE has difficulties in aligning its IT strategy and operations to the business strategy. In general, the total IT landscape of an organization, consisting of infrastructure, standard software and custom applications, can be very complex, because of all interdependencies. The results of efforts related to this IT landscape are however not completely unpredictable for people with an appropriate level of IT knowledge and skills. Also the level of uncertainty can therefore be considered as intermediate. The frequency of the transactions, the final TCE dimension, is very high, because an organization needs its IT services every day. According to TCE, the intermediate level of asset specificity makes a hybrid governance structure, like an outsourcing contract, appropriate. The intermediate level of uncertainty and high frequency of the transactions however require a very detailed contract and close monitoring of the efforts and results of the IT service provider in order to prevent opportunistic behavior. Although the outsourcing contracts in this case are very detailed, it seems the clauses in the contract are mainly in favor of the IT service provider that wants to protect its investments. During the negotiations, primarily led by ISP, the customer apparently didn’t have the experience, the culture and (bargaining) power to make sure the outsourcing contracts are protecting OOE’s interests as well. This was also noticed by Gartner in June 2001 considering the recommendation:

“ISP and OOE can go forward in signing the Letter of Intent once all prerequisites (stated in this document) have been met. Before signing LOI following risks have to be jointly mitigated (two to four weeks):

- OOE needs to take the lead in terms of its requirements to ISP
- The ISP proposal needs to reflect ISP’s commitment in terms of OOE’s requirements (details next slide)
- OOE needs to improve the project team and planning (details next slide) and bring quality assurance in place to monitor the sourcing project
- OOE and ISP should confirm the basic principles on how the services will be delivered and improved (with specific attention to Application Development and Maintenance)
- OOE and ISP should agree on the principles for a measurement system covering the performance of the relationship including current baseline and price (details next slide).”

I also tried to determine which of Speklé’s control archetypes would be most appropriate in this case. Considering ex ante programmability of contributions as a synonym for uncertainty in TCE, this wasn’t trivial however, because Speklé doesn’t take a moderate level of ex ante programmability into account. The ex ante programmability might be considered high in Speklé’s model, when the customer has knowledgeable and skilled IT staff available to assess the actions and outcomes of the IT service provider. Combining this with a moderate level of idiosyncrasy (asset specificity) the most appropriate control archetype would be arm’s length control. In the hybrid form this would imply a detailed and reasonably complete contract. As already mentioned in the previous section, in this case the contract is detailed, but mainly in favor of the IT service provider.

Of the six transaction (partner) characteristics mentioned in section 4.1.2 that, according to Anderson and Dekker (2005), influence contract design, the characteristics uncertainty, asset specificity and (task) complexity were already discussed before. Of the other characteristics, it’s safe to conclude that the transaction size is very large. Although there are many IT service providers in the Netherlands, only three of these, according to Gartner, were capable of providing the full scope of services required by OOE throughout Europe. This implies that the intensity of competition is rather low. The ex ante bilateral power differential between OOE and ISP, finally, seems to be small in the period before ISP presented the outsourcing proposal to OOE, because ISP was only one of several suppliers on which OOE didn’t have a large dependency. In the period between the presentation
of the proposal and the signing of the contract, however, the dependency of OOE on ISP was growing. During the contract negotiations ISP took the lead and OOE didn’t have other feasible alternatives, because the intensity of competition was low and OOE signed a letter of intent to negotiate only with ISP. Considering these transaction (partner) characteristics it can be concluded that all these characteristics contribute positively to the extensiveness and the structure of the contract according to the model presented by Anderson and Dekker. Although I didn’t study the contents of the contracts in detail and also didn’t assess whether and to what extent the 24 components identified by Anderson and Dekker were present in the contracts, a superficial evaluation of the contracts learned that the contracts are extensive and have quite an elaborated structure.

5.3.2.2 EVOLUTION OF TRUST

With regard to measuring the evolution of trust of (employees of) OOE in (employees of) ISP I used six variables during my coding effort. Two of these variables are related to interpersonal trust (personal affection and personal competence) and the other four variables are related to interorganizational trust (organizational trustworthiness, organizational competence, price/performance and bureaucracy). I didn’t collect much evidence regarding the development of interpersonal trust, so it can’t be concluded that the evolution of interpersonal trust played a significant role in the development of the relationship between OOE and ISP. On the other hand however, almost 70% of the text fragments I collected are related to interorganizational trust, so in the paragraphs below I will focus on the evolution of interorganizational trust.

When OOE started investigating the option to outsource its IT operations, it had to find an IT service provider, which has a pan European coverage, is familiar with the used hardware and software and in the future also can handle the maintenance of application systems, especially ERP-packages. Because OOE didn’t want to spend much money on a long selection process, it was decided to create a list of possible IT service providers and to keep on defining knockout criteria until the most suitable vendor would remain. As a result, OOE started the negotiations with ISP, because this company best applied to the criteria as mentioned previously. The choice of ISP was also supported by the good relationship OOE already had with ISP and also by the good name ISP had as an employer. Considering this selection process, I conclude that OOE at least had trust in the competence of ISP as an outsourcing partner when the discussions about an outsourcing contract started. In the original proposal for the outsourcing contract, ISP is emphasizing its capabilities in providing the required IT services to OOE and holds out the prospect to OOE of high quality, end-to-end services at predictable and reduced IT costs over time. Especially in the application development and maintenance (AD/M) area ISP thinks it can establish a vast cost reduction by improving the productivity. ISP also points OOE to its well-established processes and methodologies to manage outsourcing contracts, which resulted from extensive outsourcing experience worldwide and in the Netherlands. In its advice to OOE, Gartner also recognizes the technical and organizational capabilities of ISP. Besides emphasizing its competence, ISP also tries to convince OOE of its trustworthiness by mentioning several times in the proposal and other documents that it will work closely together with OOE towards achieving common objectives. Despite these attempts and the good cooperation during the joint verification effort, I found several text fragments indicating that OOE is not sure that ISP will always act at the best interest of OOE and won’t behave opportunistically (see also section 5.3.1.1). I couldn’t find any evidence that OOE changed its ideas about the trustworthiness of ISP before signing the contract. Therefore it seems that OOE’s decision to sign the outsourcing contract was mainly based on its trust in ISP’s competence and in its belief that it was probably cheaper to outsource the IT operations than to continue to manage these operations itself (as presented by ISP). The decision for OOE to sign the contract was probably made easier, because ISP was prepared to lower the annual service charges by reducing the scope of the services, which made the contract more attractive to OOE from a cost perspective.

As already mentioned in section 5.3.1.2, quite soon after signing the contract an IT manager of OOE gave notice of internal worries about the ability of ISP to handle the transition (April 2002). This manager suspects these worries are caused by the different culture within ISP’s organization. The former IT department of OOE was used to focus on user satisfaction and quick resolution, where ISP is focusing more on procedures and structural resolutions. Afterwards these differences in what OOE expects from ISP and how ISP is operating keep reoccurring in the text fragments I found. Although OOE seems satisfied about the technical knowledge and skills of ISP, there are many complaints from OOE about the responsiveness of ISP to especially small questions and
requests. This is shown, for example, in the handling of request for services (RFS). Because the services are meticulously described in the outsourcing contract, OOE needs to issue a RFS for every service, also small ones, that is not covered by the outsourcing contract. For application development and maintenance a yearly budget was agreed to handle small requests, but for infrastructure apparently such a budget didn’t exist. Because within ISP every RFS is handled as a new contract, ISP needs a disproportionate amount of time to respond to small requests for services. The collected text fragments also show that OOE is dissatisfied about the ‘partnering’ of ISP. In the proposal phase for the outsourcing contract ISP emphasized its capabilities in providing high quality, end-to-end services at predictable and reduced IT costs over time and held out the prospect that it would work closely together with OOE towards achieving common objectives. During the execution of the contract, OOE experiences that ISP is not really acting as a (pro-active) partner, but as a (reactive) supplier (see also section 5.3.1.3). OOE also mentions that ISP is (too) expensive for performing new projects. In response to OOE’s complaints ISP does several attempts to change the situation, e.g. by appointing new project executives, who started action programs to improve communication and execution. Although OOE recognizes these attempts and is positive about the intentions of ISP, OOE’s dissatisfaction with regard to ISP is not really resolved. This is, for example, demonstrated in the minutes of an executives meeting in March 2004:

“Early March it was agreed that during the first month after the appointment of the new project executive the following issues would have been solved:

1. Helpdesk performs according to agreed parameters.
2. Running projects will be completed, except OMS.
3. RFS arrears are made up.

The current results are:

1. Helpdesk is still underperforming. Contractually agreed service levels still aren’t met and last week the situation deteriorated.
2. Remainders of projects are settled.
3. RFS arrears are made up with regard to smaller cases (SOW). For amendments almost no progress has been accomplished.

OOE indicated to be disappointed.”

Despite the good intentions of the ISP employees involved in the outsourcing relationship, ISP as an organization seems to lack the flexibility to meet OOE’s expectations. From these observations I conclude that the level of trust OOE has in ISP’s competence (especially with regard to governance) was rather low during almost the whole execution period of the first outsourcing contract. Because of this distrust and the poor price/performance ratio OOE is experiencing, it’s likely that OOE was quite negative about ISP’s trustworthiness during this first outsourcing contract period as well.

In the documents I studied, I found the following causes that explain the downward spiral of trust of OOE in ISP:

1. First, it’s obvious that the difference in the organization culture of OOE and ISP played a paramount role. It seems OOE has an informal organization culture in which one is used to deal with problems on an ad hoc basis. ISP, on the other hand, is a bureaucratic organization that has defined procedures for almost every activity. When a problem occurs, one does not only try to solve the problem, but also procedures are created or extended to avoid that this problem reoccurs in the future. This difference in culture and its implications for the relationship were underestimated by both parties in the period before signing the first contract. Such a cultural difference isn’t necessarily an impediment for a successful cooperation, but it needs to be carefully managed and it takes time to get used to each other.

3 For convenience this text fragment has been translated from Dutch to English.
2. Managing these (cultural) differences has financial implications though and this leads to another important factor in explaining the troubled relationship between OOE and ISP, which is the price OOE was willing to pay for the services provided by ISP. OOE had been looking for a partner that could provide the required IT services with better quality and at lower costs right from the start of the contract. ISP agreed to deliver these services for a price OOE could afford, but that implied that the outsourcing contract was barely profitable for ISP. As a result of this and because there were hardly any incentives in the first contract for ISP to realize improvements, ISP didn’t have the (financial) latitude to act as a pro-active partner, but could only provide the agreed services as a (reactive) supplier. ISP also had to strictly manage the scope of the delivered services and make sure that all additional services were charged to OOE.

3. Related to the financial aspects mentioned previously, is the agreement between OOE and ISP to smoothen the annual service charges as part of the first contract. Although this was very attractive to OOE, because it could realize lower IT costs right from the start of the contract, the disadvantage of this agreement was that OOE didn’t benefit from the improvements in service delivery ISP realized. Instead, the annual IT costs of OOE increased, because of the requested additional services.

In order to break out of this downward spiral of trust, OOE and ISP starting negotiating about a renewed contract early 2005. This resulted in the signing of a revised outsourcing contract in May 2005, which actually extended the outsourcing relationship with another 3½ years. Apparently, ISP had been able to regain OOE’s trust in its competence and intentions in the period before signing the new contract, because when OOE’s trust hadn’t been regained, it would have been more likely that OOE had terminated the contract. Unfortunately I couldn’t find any clear evidence in the text fragments I collected, about what actually caused this turnaround, but the following text from a kick-off presentation for the new contract (February 2005) in my sample at least shows the objectives of both parties:

“Objective OOE: cost reduction; Request OOE to ISP:
- Current scope ± € 12 M / year
- Investigate in partnership mode:
  - Reduction of invoice ISP € 2 M – 4 € per year to take effect on 1st April 2005
  - Provide impact in scope, SLA, contract term / investment
- Introduce bonus/malus in contract change

Objective ISP: strengthen relationship, new contract period
- Relationship
  - Strengthen relationship
  - OOE as reference
- Financial
  - New charging structure to exceed the value of the current backlog of contracted service charges
  - SO target: 20% revenue reduction per tower
- Contract
  - Clarify the services descriptions and remove ambiguity
  - Consolidate and simplify the large number of amendments
  - Improve efficiency of RFS process by accommodating service changes in a flexible way
  - Contract period extended by 3 years (end 2011)"

In the engagement phase for the new contract, ISP proposed several solutions to reduce the costs, but OOE still had to pay the full price for implementing these solutions. It’s plausible that the main reason why ISP regained OOE’s trust was its willingness to reduce the annual service charges for OOE with more than 3 million euros without expecting compensating work in return. The IT department of OOE was in a very difficult position at that time, because it had to cut down the IT costs, but this wasn’t really possible because of the outsourcing contract. Terminating the contract would imply many extra costs (termination and transition), while it was very uncertain whether OOE was able to save costs by insourcing the IT operations again. The willingness of ISP to negotiate about a new outsourcing contract that implied several losses and much less assured revenues for ISP convinced OOE that ISP was a trustworthy partner after all. During the engagement for the re-
newed contract also improvements in the RFS process were agreed and it's likely this contributed to the regain of OOE’s trust in ISP as well.

5.3.2.3 RELATION BETWEEN CONTRACT AND TRUST

Based on the results of the research conducted by Coletti, Sedateau and Towry (2005) one would expect that OOE’s trust in ISP had increased during the period of the first contract, because the control system setup for this contract induced close cooperation between both partners. In the previous section however I showed how OOE’s trust in ISP declined in the period before the negotiations for the second outsourcing contract started and that this was, at least partly, caused by ISP’s (bureaucratic) control systems. Apparently the research conducted by Coletti et al. didn’t take into account one or more relevant variables that influence the trust-building process they describe. I suspect that it’s not only relevant that the control system is strong enough to induce cooperation and that this cooperation is observed by the collaborators in order to enhance the level of trust among alliance partners, but that the control system designed for the alliance also matches the own control systems of the alliance partners. In this case there was a mismatch between the informal control systems of OOE and the bureaucratic control system for the outsourcing contract, which probably caused this contrary effect.

Klein Woolthuis, Hillebrand and Nooteboom (2005) also investigated the dynamic interaction between trust and contract (see section 4.3.2). They suggest that when investigating the relation between trust and contract, the contract should be placed in its social context and within the relationship's development. Looking at the social context of both contracts it seems that OOE is more dependent on ISP than vice versa. As a result of this asymmetric dependency and the ample experience of ISP in the area of IT outsourcing, ISP has been dominating the contract negotiations and execution. Although I didn’t study the contracts in detail, they seem to be mainly meant for ISP as a technical aid to manage the relationship and to make sure the business cases behind these contracts are effectuated. This is just a consequence of the way in which ISP, as a bureaucratic organization, normally operates. I didn’t find any evidence in the documentation I studied that ISP used its position with regard to OOE and the contracts to maximize its benefits at the cost of OOE. On the other hand it seems that OOE is not considering the contracts (at least the first one) as a means for coordination. Apparently OOE, as an informal organization, is threatened by the extensiveness of the contract and thinks ISP is mainly using the contract as a safeguard against opportunistic behavior of OOE. OOE was looking for a partner to help it in performing its IT operations and probably expected that this partner would operate in the same informal way as OOE was used to operate itself. The elaborate contract that was created by ISP was interpreted by OOE as a sign of distrust and caused OOE to call ISP’s intentions into question. During the execution of the first contract, these doubts were confirmed by the laborious handling of requests for additional services.

Considering the causes of the downward spiral of OOE’s trust in ISP I identified in the previous section, I have to conclude that OOE and ISP were also aware of these problems, because they seem to have dealt with these problems in the second contract. Of course, there was the advantage when negotiating the second contract that both parties already had been cooperating closely for about three years. It seems especially OOE learned that the extensiveness of the outsourcing contract was not necessarily a sign of distrust of ISP towards OOE, but was mainly an aid to manage the cooperation. This was supported by the concessions ISP made to OOE in order to lower the annual service charges, which was the main driver for OOE to renegotiate the contract anyway. When comparing both outsourcing contracts especially the changes in the appendices with regard to the services, the charges and service level credits and bonuses are notable. Although I didn’t perform a full analysis of the differences, it’s plausible that the changes in these appendices reflect the results of the negotiations to reduce the annual service charges by reorganizing several service delivery activities. Besides these main changes, the annual service charges now show a slight decrease during the contract period, which seems to address the third problem I mentioned before. Finally, the charges appendix now also contains an exhibit about ‘gain share’, which is intended to encourage proposing improvements to the services and for both parties to benefit financially from the results of such improvements. This addition was supported by a different setup of the service level credits and bonuses appendix containing more incentives for ISP to continuously improve the execution of the service delivery activities. These incentives address the second problem.
Although OOE and ISP seem to have dealt with the identified problems in the second contract, this renewed contract is still as elaborate as the first one. This wasn’t however an impediment for OOE to sign this renewed contract. This subscribes to the point of view of Klein Woolthuis et al. that the mere completeness of a contract is not a decisive factor for the level of trust, but that one should also look at the intentions with which the contract is drawn up and the actual use of the contract. To this conclusion, I would like to add that especially the way in which one contracting party views and experiences the intentions and use of the contract by the other party is relevant. Apparently, OOE got convinced during the negotiations about the renewed contract that ISP mainly intends the contract as a means for coordination and not as a safeguard against opportunism. This was likely due to the concessions ISP made towards OOE during the negotiations, but also because OOE was more used to the way ISP operates than during the negotiations of the first contract. It’s therefore safe to conclude that this changed believe of OOE in the intentions of ISP regarding the outsourcing contract and relationship was the main cause that the trust of OOE in ISP was reestablished and as a result of this the new contract was signed. Considering this process from ISP’s point of view, I conclude that ISP actually used the contract as a means to regain OOE’s trust. Despite the substantial losses ISP had to take in order to win the new contract, the outlook for a strengthened relationship with OOE and the possibility to use OOE as a reference account in the future (see previous section) provided ISP with the legitimacy to engage into the negotiations with OOE for a renewed contract.
6. Conclusions

The objective of this research was to contribute to the development of a theory on the dynamic relation between trust and control in the management of alliances by analyzing how the evolution of (dis)trust between partners in an alliance influences the contents of a renewed contract, when alliance partners agree to continue their relationship (see section 2.3). Considering the changes in the renewed contract compared to the first contract in the case I studied for this research, I doubt whether these changes are related to the evolution of (dis)trust during the execution of the first contract. It’s normal that when parties agree to renew a contract, they evaluate the execution of the former contract and make changes in the new contract in order to prevent the kind of problems that occurred before. It seems in this case the changes in the new contract were a result of the lessons both parties learned during the first contracting period. Based on the theory on the relation between trust and contract, one might have expected, for example, the removal of safeguarding clauses from the contract in order to positively affect the level of trust. I didn’t find however any such changes at all. From this finding the conclusion seems justified that the evolution of (dis)trust in an alliance doesn’t necessarily influence the contents of the renewed contract when partners agree to continue the alliance. This conclusion is only valid however when taking only the ‘letter’ of the contract into account. In the case that was subject of my research, the decline of trust during the first contracting period did have an impact on the ‘spirit’ of the new contract. With this spirit of the contract, I want to refer to the belief or conviction an alliance partner has regarding the intentions of the other partner with the usage of the contract. In this case the design of the first outsourcing contract was led by ISP and OOE believed that ISP intended to use the contract as a safeguard against opportunism and thus interpreted the contract as a sign of distrust. This belief caused a downward spiral of trust during the first contracting period. This downward spiral was turned for the better when the negotiations for the new contract started. It’s plausible that the mere fact that ISP was willing to negotiate about a drastic cut-down of the annual service charges caused OOE to change its belief in ISP’s intentions with the usage of contract, although the design of the new contract was again led by ISP. This change was supported by the experience OOE had in cooperating with ISP in the previous years and the considerable losses ISP had to take in order to have OOE sign a new outsourcing contract for seven years.

This conclusion is in line with the conclusion of Klein Woolthuis et al. (2005) that when investigating the relation between trust and contract also the intentions with which the contract is drawn up and the actual use of the contract should be taken into account. My conclusion however adds an extra dimension to the conclusion of Klein Woolthuis et al. I agree with Klein Woolthuis et al. that the intentions with which the contract is drawn up and the actual use of the contract are relevant, but they don’t explicitly take into account that perceived intentions and use are very subjective. The (subjective) belief of an alliance partner regarding the (perceived) intentions of the other partner with the usage of the contract seems to play an important role in the evolution of (dis)trust. In the case I studied for this research one of the alliance partners even used the contract itself in trying to change the perception of the other partner about his intentions. I don’t rule out that Klein Woolthuis et al. already had this subjective aspect in mind when concluding that the contract should be placed in its social context and within the relationship’s development, but at least I want to emphasize this subjective aspect. Although my conclusion is only a small addition to the scientific body of knowledge in this area, it points to some interesting options for further research. First, it might be interesting to investigate which factors determine this subjective belief regarding the intentions of the alliance partner. From this research it seems that the culture of the organization and the perceived attitude of the alliance partner play a significant role, but it’s likely that other factors are important as well. Once (some of) these factors are identified, it might also be interesting to investigate how an alliance partner can appropriately influence the subjective belief of the intended partner in its intentions with the usage of the contract.

Besides the suggestions for further research regarding the relation between trust and contract, I also have a suggestion with regard to the methodology used in this research. While performing the content analysis on the collected documents I sometimes felt like a forensic researcher trying to reconstruct the events with the evidence found at a crime scene. This also made me wonder whether content analysis as a methodology can learn from the methods and techniques applied with forensic research (and vice versa). I didn’t investigate whether methodologists already tried to
incorporate forensic science methods and techniques into content analysis, but if this hasn’t been investigated, it might be worthwhile to do so.

Before finishing this thesis, I want to point the reader to some limitations of my research. Because this case study concerns a period of several years in the past, it was difficult to reconstruct what actually happened during this period. It wouldn’t suffice to interview key informants, because some key informants are not available anymore for interview and the remaining informants will likely have problems recalling the events. Even when the informants can accurately recall the events, their answers will probably be (politically) biased. To cope with these problems, I decided to apply content analysis on the documents regarding the outsourcing contract collected by the IT service provider. This approach proved to be satisfactory for studying the process of the development of (dis)trust during a period in the past. By using the information recorded in the documents, there is no dependency anymore on the fallible memory and personal interests of involved persons and because the information was recorded for other purposes than to assess the development of (dis)trust, it’s not likely that the information is biased with regard to this subject. The use of documents also improves the reliability of the research, because by following the research process described in chapter 5, the results of this research are reproducible. The fact however, that the studied documents were created for other purposes than to answer my research questions, is also a major drawback of this method. After all, the context used to study the documents was different from the context in which these documents were created. This implies I had to interpret the selected text fragments with regard to this different context, which introduces some subjectivity. This subjectivity also played a role in the way I selected and analyzed the documents and text fragments, because I was probably biased by the discussions I had with some people involved in this contract when I was looking for a suitable case to investigate and when I was collecting the documents. Despite that, I’m confident about my assessment of the development of (dis)trust, because I used several types of documents (triangulation) and the analysis results from these documents were converging. Another drawback of the applied research method is the information overload. Although I only studied one case and from this case only the documents stored by one outsourcing partner, the initial amount of collected information was huge. Because I decided, that is was not appropriate, regarding the time and budget constraints of this research, to use data analysis software, I could only study a very limited set of documents. Therefore, I might have overlooked probable causes that explain the downward spiral of trust during the execution of the first contract and the restore of trust during the negotiations for the second contract.

Despite these limitations, I’m still confident that my contribution to the theory on the dynamic relation between trust and control in alliances is useful due to the explorative type of my research. That my conclusion is a logical extension to the theory of respectable scholars like Klein Woolthuis et al. confirms this confidence.
Appendix A. Literature Overview

A.1 Methodology


A.2 Alliances, control & trust


Appendix B. Overview Lotus Notes databases

A large part of the documentation regarding the IT outsourcing contract between the outsourcing organization (OOE) and the IT service provider (ISP) that has been investigated, was stored by ISP in nine Lotus Notes databases, each of which was archived on a CD. Besides these archived databases I was also granted access to three current Lotus Notes databases regarding the execution of the outsourcing contract. In one of the current databases I found yet another archived database concerning the period before the first contract was closed. The following sections describe the contents of these databases in general.

### OOE Workroom

<table>
<thead>
<tr>
<th>Description</th>
<th>147 MB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Notes documents</td>
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</tr>
<tr>
<td></td>
<td>Accessible: 224</td>
</tr>
<tr>
<td></td>
<td>Regular: 160</td>
</tr>
<tr>
<td>Period</td>
<td>25/01/2001 – 07/12/2001</td>
</tr>
<tr>
<td>State</td>
<td>Archived (in OOE NL Teamroom on 12-10-2004)</td>
</tr>
<tr>
<td>Communication Types</td>
<td>Active</td>
</tr>
<tr>
<td></td>
<td>ADM</td>
</tr>
<tr>
<td></td>
<td>Development</td>
</tr>
<tr>
<td></td>
<td>Docs JV team</td>
</tr>
<tr>
<td></td>
<td>Files for inspiration</td>
</tr>
<tr>
<td></td>
<td>Final (issued)</td>
</tr>
<tr>
<td></td>
<td>Finished</td>
</tr>
<tr>
<td></td>
<td>Human Resources</td>
</tr>
<tr>
<td></td>
<td>ISP Internal</td>
</tr>
<tr>
<td></td>
<td>IGNS Schedules (contract)</td>
</tr>
<tr>
<td></td>
<td>Joint Verification</td>
</tr>
<tr>
<td></td>
<td>Midrange</td>
</tr>
<tr>
<td></td>
<td>Pricing</td>
</tr>
<tr>
<td></td>
<td>Procurement / Contracts</td>
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<tr>
<td></td>
<td>Proposal</td>
</tr>
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<td></td>
<td>SSO 390 TE</td>
</tr>
<tr>
<td></td>
<td>Working documents</td>
</tr>
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<td>01. Proposal</td>
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<tr>
<td></td>
<td>02. Joint Verification</td>
</tr>
<tr>
<td></td>
<td>03. Planning</td>
</tr>
<tr>
<td></td>
<td>04. Minutes and Actionlists</td>
</tr>
<tr>
<td></td>
<td>05. Contracts</td>
</tr>
<tr>
<td></td>
<td>06. Customer data</td>
</tr>
<tr>
<td></td>
<td>07. Presentations</td>
</tr>
<tr>
<td></td>
<td>08. Team</td>
</tr>
<tr>
<td></td>
<td>09. QA</td>
</tr>
<tr>
<td></td>
<td>10. Separate files</td>
</tr>
<tr>
<td></td>
<td>11. Thingies</td>
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### OOE Transition AD/M

<table>
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<tr>
<th>Description</th>
<th>This is where the team defines itself, and defines the scope and vocabulary of its work....</th>
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</thead>
<tbody>
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<td>Database size</td>
<td>27 MB</td>
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<tr>
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<tr>
<td>Period</td>
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<tr>
<td>State</td>
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</table>
Overview Lotus Notes databases

Communication
Types
Discussion
Meeting Minutes
Procedure
Project Plan
Reference

Categories
Cross Competency
General
Procedures Manual
Transition BE
Transition SLO

OOE Transition Infrastructure

Description
Enable communication for Infra Transition activities OOE.

Database size
449 MB

Number of Notes
documents
Total: 713
Accessible: 713
Regular: 612

Period
02/11/2001 – 13/07/2004

State
Archived

Communication
Types
Action Item
Discussion
Reference

Categories
00 Standards & Procedures
01 Organisation & People
02 Planning and Estimating
04 Progress Tracking
05 Progress Reviewing
06 Progress Reporting
07 Risk Management
08 Change Management
14 Base Information
16 Contract Management
17 Supplier Management
18 Competency Data
19 Lotus Notes Base Information
20 Lotus Notes Project Information
21 Lotus Notes Progress Report
22 Lotus Notes Meetings
23 Extranet Project Base Information
24 Extranet Project Project Information
25 Extranet Project Progress Reports
26 Extranet Project Meetings
27 Extranet Risk Management
28 Extranet Change Management
29 LN Phase 2 Base Information
30 LN Phase 2 Project Information
32 LN Phase 2 Meetings
35 Blue Martini Base Information
36 Blue Martini Project Information
37 Blue Martini Progress Reports
38 Blue Martini Meetings
41 OMS Base Information
42 OMS Project Information
43 OMS Meetings
44 OMS Change and Risk Management
45 Extranet Improvement Phase 1 - Project Base Information
48 WMQ On SAP First+ Base Information
49 WMQ On SAP First+ Project Information
Program Operations Support Tool (POST) for OOE

**Description**
The Program Management Plan - Program Operations Support Tool (POST), is a Lotus Notes application. The audience for this database is ISP's Strategic Outsourcing PEs along with their operations and management teams.

**Database size**
42 MB

**Number of Notes**
- **Total:** 3,308
- **Accessible:** ?

**Period**
?

**State**
Archived

**Categories**
?

**Notes**
No access to several documents and sections!

**OOE POST v1**

**Description**
No access to database!

**Database size**
32 MB

**Number of Notes**
?

**Period**
?

**State**
Archived

**Categories**
?

**Notes**
Same database as in previous Section?

**OOE Engagement Teamroom**

**Description**
Goal of the OOE Engagement Teamroom is to collect all information which is mandatory for a successful execution of the PMP processes managed by the SCBO. POST is the managing tool which is referring to the documents in this engagement teamroom.

Furthermore, valuable information for managing the POST Processes can be added into this database.

Goal of the OOE Engagement TR is to meet the:

- transition obligations ISP agreed to OOE and continuing meanwhile the agreed services
- ISP targets for performance, revenue, profit and business growth related to the OOE SO Contract MM1D057 and related Amendments, SOW's etc

by providing the ISP Project Executive for OOE with a PE Management System ensuring effective operations.

**Database size**
523 MB

**Number of Notes**
- **Total:** 1,670
- **Accessible:** 1,670
- **Regular:** 1,590

**Period**
24/06/2002 – 24/01/2005

**State**
Archived

**Communication Types**
- Business Development
- Customer event
- Meeting ISP internal
- Overview
- Reference
Overview Lotus Notes databases

**Categories**
- RFS
  - RFS 2002
  - RFS Closed
  - RFS Lost/Cancelled
- TR010 - Account Management
- TR020 - Customer Request Management
- TR110 - SO Contract
- TR120 - EBH Contract
- Win Amendments
- Win PWO
- Win SoW

**OOE Engagement Teamroom (2)**

**Description**
To speed up the engagement for OOE by consolidating all the proposal documentation.

ALL documentation related to proposals, RFS's, amendments and bids is supposed to be inserted in this database.

**Database size**
169 MB

**Number of Notes documents**
- Total: 323
- Accessible: 323
- Regular: 159

**Period**
22/01/2004 – 30/08/2004

**State**
Archived

**Document Types**
- Action Item
- Comment
- Meeting
- Reference

**Categories**
- Approvals
- Customer Interaction
- Requirements & Scope
- RFS
- Sent to Customer
- Status

**OOE Service Management Infrastructure**

**Description**

**Database size**
274 MB

**Number of Notes documents**
- Total: 216
- Accessible: 216
- Regular: 206

**Period**
27/11/2001 – 18/12/2003

**State**
Archived

**Communication Types**
- D01 – Organisation and Management
- D02 – Presentations
- D04 – Contract Documentation
- D05 – Solution Design
- D06 – Meeting Minutes
- D07 – Templates
- S01 – Change Management
- S02 – Cost Control
- S05 – Helpdesk
- S06 – KPI and SLR
- S07 – Performance and Capacity Management
- S09 – Incident Management
- S10 – Security Management
- S11 – Network
- S12 – Hardware and Software
S13 – Service Reviews and Benchmarking

**OOE Service Management AD/M**

**Description**

Database size: 1,485 KB

Number of Notes documents: ?

Period: ?

State: Archived

Communication Types: ?

Categories Notes: No access to database!

**OOE Delivery Teamroom**

**Description**

Goal of the OOE Delivery is to meet the:
- transition obligations ISP agreed to OOE and continuing meanwhile the agreed services
- ISP targets for performance, revenue, profit and business growth related to the OOE SO Contract MM1D057 and related Amendments, SOW’s etc

by providing the ISP Project Executive for OOE with a PE Management System ensuring effective operations.

Database size: 524 MB

Number of Notes documents:
- Total: 1,159
- Accessible: 1,159
- Regular: 1,099

Period: 21/09/2001 – 06/01/2004

State: Archived

Communication Types:
- Baselines
- Business Controls
- Business Development
- Claims and Complaints
- Contract Calendar
- Contract Changes
- Contract Management 3rd Parties
- Contract Performance
- Correspondence ISP Internal
- Correspondence to Customer
- Customer Satisfaction
- Deliverables
- Delivery Initiation
- Disputes
- Documents
- E-BH
- Finances – Change Requests
- Finances – Input Files
- Finances – Invoicing
- Finances – Justifications
- Finances – Orders
- Finances – Rules
- Finances – Set-up
- Finances – Sources
- Finances – Systems

Trust-Contract dynamics in IT outsourcing: a case study

Date: 21-06-2008

Version: 1.0 (Final)
Finances
ISP
Issues
Meetings ISP Internal
Meetings with Customer
OOE
Procedures Customer Facing
Procedures ISP Internal
Programme Governance
Programme Security
Programme Staff
Programme Technology
Project Close-outs
Project Control
Project Governance
Project Plans
Project Procedures
Project Security
Project Staff
Project Technology
Reference
RFS-SES
Risks
Suppliers
Work at Risk

**Categories**

TR010 – Engagement for MM1D057
TR011 – Engagement for Amendments ETC
TR020 – Contracts
TR030 – Programme Management
TR040 – PE Office
TR050 – Communication
TR060 – HR
TR070 – Contract Start-up
TR080 – Transition Infrastructure
TR090 – Transition AD/M
TR100 – Service Operations Infrastructure
TR110 – Service Operations AD/M
TR121 – Project Infra LN MMCC002
TR122 – Project Infra Extranet MCC016
TR900 – Standards
TR990 – Teamroom Administration
TRA020 – Contracts
TRA030 – Programme Management
TRA040 – PE Office
TRA060 – HR
TRA070 – Contract Start-up
TRA080 – Transition Infrastructure
TRA090 – Transition AD/M
TRA100 – Service Operations Infrastructure
TRA110 – Service Operations AD/M

**OOE NL Teamroom**

**Description**

Database size 1,182 MB
Number of Notes

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<td>Total:</td>
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Overview Lotus Notes databases

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<td>Discussion</td>
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<td>10. Business Office/Business Controls</td>
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<td>10. Business Office/Business Controls/SACA</td>
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<td>10. Business Office/General</td>
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<td>10. Business Office/WAR</td>
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<tr>
<td></td>
<td>1. Algemeen/About OOE</td>
</tr>
<tr>
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<td>1. Algemeen/ISP/OOE Account Team</td>
</tr>
<tr>
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<td>2A. Pre-RFS Fase</td>
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<tr>
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<td>2B. Engagement Fase</td>
</tr>
<tr>
<td></td>
<td>2D. BAU Fase</td>
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<tr>
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<td>2. RFS</td>
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<tr>
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<td>2. RFS/Amendments Signed</td>
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<tr>
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<td>2. RFS/Lost/Cancelled</td>
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<td>2. RFS/SOW Signed</td>
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<td>5. Account Management/Account Management</td>
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<td>7. Financial Management/Monthly Reports</td>
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<td>8. Procedures/Processten</td>
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<td>9. Architecture Tools and Templates</td>
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<td>9. Architecture Workproducts</td>
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</tbody>
</table>

Algemeen
Algemeen/About OOE
Algemeen/Discussions
Algemeen/ISP/OOE Account Team
Alg. info dept. SO/ISD/AMS

Architecture
Business Office/Administration
Business Office/Business Controls
Business Office/Business Controls/Compliance Tests
Business Office/Business Controls/SACA
Business Office/General

Claim
Client Satisfaction
Contract Management
Contract Management/Baselines
Customer Correspondence
Delegaties
Overview Lotus Notes databases

Financial Management
Financial Management/Claims en Disputes
Financial Management/Invoicing
Financial Management/Project Control and Coordination
Financial Management/UER
Financial Management/WAR's
Procedures/Processen
QA
RFS
Signings/Algemeen
Signings/Main Contract
Signings/Signed RFS'en

**OOE RALLY Teamroom**

*Description*

*Database size* 185 MB

*Number of Notes*

- Total: 172
- Accessible: 171
- Regular: 114

*Period* 04/02/2005 – 11/06/2005

*State* Current

*Document Types*

- Action Item
- Discussion
- Reference

*Categories*

- Baseline current
- Bidmanagement
- Contracts in progress
- Contracts old
- ISP review
- ISP sign-off
- Meeting minutes
- Presentation extern
- Presentation intern
- Project doc's
- SCase tree
- Solution design

**OOE Transition**

*Description*

*Database size* 382 MB

*Number of Notes*

- Total: 593
- Accessible: 593
- Regular: 522

*Period* 31/05/2005 – 28/03/2006

*State* Current

*Document Types*

- Action Item
- Discussion
- Meeting
- Milestone
- Reference

*Categories*

- 00 Standards and Procedures
- 01 Organization People and Resources
- 02 Milestones
- 03 Plans and actuals
- 04 Meetings
- 05 Risks
- 06 Changes
- 07 Issues