Changing IT Providers in Public Sector Outsourcing: Managing the Loss of Experiential Knowledge

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Abstract

Although outsourcing of IT services has become a standard business practice in both the private and public sector, little is known how clients manage the change over from an incumbent, or prior vendor, to a new vendor. The current literature touts how the risks of knowledge loss and disruption in operations prevent many client firms from switching to a new vendor even in the case of less than satisfactory performance. We report on a longitudinal, descriptive case with a public organization in Finland that involves the process of switching a long-term IT vendor to a new IT vendor. The switching was motivated not by unsatisfactory performance but by the public procurement process that requires public tendering of outsourced services every four to six years.

The case is significant as it allows us to advance insight how in fact the client and the new vendor manage the loss of learning by doing-knowledge (experiential knowledge) that the client no longer has. The case suggests that several elements were especially critical in facilitating the transfer or learning including the lost experiential knowledge: modularization of work, use of external sources, joint client-vendor collaboration, and personal identities at work. These elements allowed the inter-organizational project teams to minimize the disruptions in IT services to the client’s user communities. The case findings provide insight to managing transfer of learning in inter-organizational groups in ad hoc dynamic relationships.

Keywords: IT outsourcing, knowledge transfer, IT outsourcing, switching costs

1. Introduction

In many public and private sector organizations, information technology (IT) outsourcing has become critical for achieving lower operating costs and high quality IT services as well as greater strategic flexibility in dynamic environments [1]. Similar to [2, p.289], we define IT services outsourcing as “turning over to a vendor some or all of the IS [information systems] functions.” These functions may include network management, help desk, software development and maintenance. Although outsourcing has enabled client organizations to reap many benefits, an ever growing question is the loss of critical internal capabilities and skills at the client organizations and the ramifications of such loss [3]. This question is pertinent to relationships of all degrees of outsourcing from total outsourcing to selective sourcing [3-4].

The extant literature argues that one key ramification is the increased dependence on the provider [5]. The dependence reduces the power of the client and can negatively impact on the overall goals of outsourcing including jeopardizing the client’s strategic flexibility, increasing fees and costs, and declining service quality [6]. A second ramification of loss of knowledge is that the transition to a new vendor is highly risky. The challenges and costs of switching vendors [7-8] and a phenomenon related to it, namely backsourcing, have gained more attention in the information systems (IS) literature. However, we know virtually nothing about what type of mechanisms best facilitate the switching of vendors. Critical to the success is the transfer of the knowledge of the client’s environment and processes. Poor knowledge transfer may result in disruptions of operations, lowered service levels, and frustrations and dissatisfaction among the client’s and the new vendor’s employees. Generally speaking, knowledge transfer refers to the “recipient” group to identify and reuse relevant knowledge residing in a “source” group either in the same or different organization [9].

This paper explores the question of how knowledge transfer takes place when the client is changing a vendor in an outsourcing relationship. The context of our study is a switch of a vendor providing IT infrastructure services to a large public
sector organization in Finland. Such change is a reoccurring situation because of EU public procurement processes that demand equal treatment, non-discrimination, mutual recognition, proportionality and transparency [10].

In the next section, we briefly review literatures on knowledge transfer and outsourcing on the challenges and processes of knowledge transfer. We then present a longitudinal case study of an IT partner change in a large public client organization. Our findings highlight that knowledge transfer processes were fundamentally shaped by the loss of experiential knowledge at the client site and the success was dependent on several facilitators. Our results are significant in contributing to theories of knowledge transfer and management of outsourcing relationships.

2. Theoretical Background

It is well accepted that the outsourcing success is significantly related to effective knowledge transfer between the client and the vendor [e.g., 11]. IT infrastructures and processes are often tightly linked with the business operations and hence difficult to “hand-over” to an independent supplier without an intense and iterative process of knowledge transfer [6]. Knowledge needs to be transferred about client environment, requirements, and quality expectations, vendor skills and capabilities, the relationship and operative processes, among others [12]. In terms of operative processes, knowledge needs to be transferred about activities, roles, and responsibilities of the order-delivery process as well as the processes of handling special cases and errors. Depending on the particular situation, a complex array of knowledge might have to be transferred (for IT related knowledge classifications see [13] and [14]).

Although transferring this knowledge is critical, it is often challenging because of the intangible or tacit nature. Some of this knowledge might be in a codified form such as in the contract or formal documents of organizational roles and operating procedures and practices (e.g., service process charts) [15]. However, much of the knowledge is likely to be embedded in personal and informal contacts, localized processes and practices that are not easily visible to those not involved in daily operations.

Several outsourcing researchers (e.g., [16]) address the transition challenges of moving a client’s in-house operations to the vendor. However, switching from a long-lived vendor relationship to a new vendor relationship brings additional challenges. First, no operational client personnel with critical knowledge of daily operations joins the new vendor. Second, a long-term outsourcing relationship with a prior vendor means that much daily operational knowledge stays with the prior vendor. The client’s knowledge loss exacerbates the problem of knowledge transfer as the client no longer possesses the information that the new vendor critically needs to service the client.

It is this asymmetricity of knowledge between the client and prior vendor that often locks clients to long-term IT outsourcing relationships with vendors. The relationships perpetuate even when it is suboptimal to do so [3]. Switching of IT vendors is seen to impose too much short-term operational risk to justify the financial savings and quality improvements that could accrue from a relationship with a new vendor. Given that asymmetry tends to increase with time, it is hence not surprising that the partnership quality is found to be negatively associated with the age of the relationship [17].

The marketing and economic literatures have extensively considered the switching behavior of clients and the vendor considerations in maintaining or terminating relationships [18-20]. The literature on strategic alliances has examined the governance structures that promote inter-firm knowledge transfer [21] although not necessarily how the governance structures ease the transfer of operations from an incumbent partner to a new one. Even in the IT/IS literature, there is an emerging literature on the switching behavior and costs of the client [22], including the IT outsourcing context [3, 7-8, 23]. There are client costs related to searching and evaluating potential new partners, building the new vendor relationship, learning and adapting to new service processes and routines, updating the management and governance systems, lost benefits as well as sunk costs that managers may find difficult to ignore [8]. Furthermore, switching partners may take place in a complicated network of suppliers of competing and complementary products and services. Replacing one member of the network brings about the challenge of acquiring the relevant knowledge, capabilities and practices required for operating in that particular network position. Thus, switching is oftentimes a cumbersome exercise that may result in temporary disruptions of operations, lowered service levels and frustrations and dissatisfaction among the client’s employees.

However, all of this extant literature focuses on the decision to switch a vendor or include a new vendor in the supplier portfolio rather than manage the change-over. The implication is that the outsourcing literature provides little insight about managing the switching process from a long-lived
prior vendor relationship to a new vendor relationship.

Yet, even when the knowledge exists with the client and have to be transferred to the vendor, there are many factors that impact the knowledge transfer. The knowledge transfer literature has found that knowledge transfer is affected by varying factors [24-25] and the factors are dependent on the perspective of the different actors of the knowledge transfer process: sender, receiver, message, channel and context [26-27].

Much of the research concerning knowledge transfer has been done in intra-firm transfers [25]. In inter-organizational context, what becomes particularly critical is the knowledge source’s ability to articulate the context of knowledge and the knowledge recipient’s ability to absorb this knowledge [28]. When groups reside in different organizations with different operating and external environments, there are likely to be misassumptions and misinterpretations because people are unaware of others’ situation [29]. The conveyance of adequate contextual information is likely to be even more difficult when a third party, a prior provider, holds much of the critical experiential knowledge (learning-by-doing). The third party is not bounded by the same contractual relationship as the client and the new vendor. Moreover, the relationship with the client and the prior vendor may even suffer from “damaged ties.”

Next, we present a descriptive case that advances our understanding of switching IT vendors and how the knowledge transfer challenges were addressed.

3. The empirical case study

We adopted a longitudinal case method [30]. This method allowed access to multiple organizational levels and stakeholder groups. We needed information about the actions of client, the vendors, and consultants over time.

3.1 Case Context

The case organization is among the largest public organizations (PO) in the country, and thus an important client for any IT vendor. We chose this case because it involved a switch of an IT vendor for a range of services including help desk services, local area networks, server management, and platforms for software applications in a very heterogeneous client environment. We were allowed broad access to observe the change process.

A public organization’s acquisition of services from third parties differs from that in the private sector. In Europe, public procurement is regulated to ensure effective spending of taxpayers’ money, getting good deals and providing necessary and appropriate goods and services [10]. Large-scale acquisitions such as those of IT services must follow certain rules. PO is obligated to organize a public tender process after a pre-defined time of a previous contract duration, typically 3-4 years with the options to extend contract for additional 1-2 years.

A public tender process consists of three stages: (1) pre-procurement, (2) tender process and contract award, and (3) contract and supplier management [10]. The second stage, the tender process, culminates in the buyer publishing an invitation to tender that describes the products and/or services it wishes to buy. The invitation must specify the financial and qualitative selection criteria. Neither the requirements nor the selection criteria can be changed.

Oftentimes, the tender process results in a switch of a vendor even where the management is satisfied with the current service provider. Once the contract period is about to end, a new tender process must start. During the current case’s tender process, the law made this necessary even in cases the improvements gained by switching to a new vendor would not justify switching costs.

Our case organization had outsourced its IT infrastructure services five years previously. The development and maintenance of software solutions had been outsourced even earlier. In this first-time infrastructure outsourcing, PO's employees and servers were physically transferred to the prior vendor. Thus, the prior vendor’s employees possessed in-depth knowledge on PO’s organizational and technical context and processes. The prior service provider had fulfilled the contract’s demands and had adjusted the prices to market levels. However, PO’s IS department was somewhat dissatisfied with the prior vendor’s key account manager who they felt was not engaged in developing the services further.

Switching to a new vendor was not taken lightly by PO. Already at the early stages of the switch, a client manager noted this is “a pain that lasts up to one year”. The change in the IT vendor meant reinstalling the software solutions to the new vendors’ platform, which involved a complex set of interdependencies. Importantly, the switch had to happen with minimal interruption to PO’s services; many of these services are legally or otherwise constrained.
3.2 Collecting the data

The longitudinal data consisted of semi-structured interviews that were complemented with direct meeting observations and documents provided by the case organization. The first 48 people were interviewed individually or in groups after the contract negotiations and in the early phases of transfer of services. Group interviews were used when several interviewees represented similar task and the same organizational level. Second, during the transfer of key services from the old to the new vendor, altogether 12 project team meetings and steering group meetings were observed. Third, during the last three months of the implementation of new services additional 17 individual interviews were carried out. The current case analysis incorporates input from over 60 different people, who represent all relevant actors and organization levels within the client organization, the new vendor, and a consulting company that assisted the tender process [31]. The initial list of interviewees was composed in cooperation with PO and the new vendor. Each interview lasted about 1-2 hrs. The interview themes were:

- **Respondent background**: career history, current title, job description and role in the switch
- **Prior to signing the contract**: Reflections on phases of designing the invitation to tender, evaluating the offers and contract negotiations. Who did what? What went well? What problems were encountered? How were they solved? Why?
- **Implementation project**: The phases of planning the transfer and the actual transfer? Who did what? What went well? What problems were encountered? How were they solved? Why?
- **Lessons learned**: What should have been done differently? What should be done the same way?

Questions varied according to a respondent’s role and participation in the switching process. The interview data was supplemented by documents obtained from the client organization (e.g. organizational charts, process charts, instructions).

3.3 Data analysis

Data collection and analysis were intertwined as advocated by grounded theory [32]. There were at least two field researchers in each interview to take notes. After each interview, the researchers discussed what emergent themes surfaced. On the basis of the emerging themes, new interview questions were added to see if the next informant could confirm, further explain, or deny the theme. Using theoretical sampling, new informants were chosen so as to either confirm or challenge the emerging patterns in the data. Finally, the data collection stopped when it reached a state of theoretical saturation with respect to a particular theme [33]. For example, initially, our data on a particular conflict suggested that the key problem was one of a person’s skills. The subsequent interviews brought us to the interpretation that the problem was not competence but related to personality.

One of the early emerging themes was that the knowledge transfer was inhibited by the loss of experiential knowledge. This led us to focus on the knowledge gaps and how the gaps were managed. We operated on the ontological assumption that people’s behaviors of knowledge searching, seeking, and creation suggested potential knowledge gaps. Knowledge gaps were also evident from rework, delays, and unexpected outcomes. The emergent themes were written into a narrative that described each stage of the switching process. We also went through the second time the interview data and meeting notes to identify types of practices informants engaged in and believed had helped them to manage the switching process, particularly in terms of experiential knowledge. The emergent themes were constantly compared with existing literature. The results of the analysis were presented to key informants and academic colleagues. These practices served to improve the construct and internal validity of the findings [30-31].

4 Case Findings

We organize the findings before and after signing the contract with the new vendor.

4.1 Prior to signing the contract

**Preparing the invitation to tender**: PO began this phase with setting up a project team and developing a procurement strategy that provided a framework for the tender process. The project group included procurement representatives, lawyers, and IT manager and user representatives from PO’s four main organizational units. An external consultancy was hired to help with the strategy.

Via various meetings and workshops, procurement strategy was developed to be consistent with PO’s service strategy. The plan was approved by PO’s decision-makers.

With the help of a consultancy, it was decided to develop an invitation that modularized and standardized IT services across the organizational units. This was time consuming to generate and negotiate as the standardization meant some discrepancies between PO’s main organizational units’ needs and the set of requirements. The consultant explained that: "[Another consultant] taught them [how to write a modular service
A project group members noted: “Maybe there were new things. They were not able to describe our wishes and aims that well.”

The process group was concerned of attracting a strong set of vendors and hence decided to gather market data via a non-binding RFI (request for information). A consultant commented that: “I am quite satisfied with this [information search].” Over ten companies responded to the RFI. Many of them had to be excluded as they did not comply with the formal rules.

Receiving and evaluating the tenders (offers):
After publishing the invitation, the service providers had the possibility to ask for clarifications. All questions and answers were made available to all participants of the tender process to ensure equal treatment.

The vendors varied in their capability to interpret the invitation. An interviewee representing the prior service provider commented that the invitation to tender was difficult to comprehend as sometimes the same issue appeared in various parts of the invitation in different ways. One vendor representative commented “Many things were in the gray area. ... They wanted to have it tailored but they then again, they did not want to have it tailored. ... They wanted to buy standardized services but they did not want to use standard terms of contract.” PO’s IS manager remarked on the evaluation process: “What was challenging was that the service providers made very different tenders and it was difficult to know how to make them commensurate. The new service provider’s tender was the best. [One of a competitor’s] tender was produced by a nonsense generator.” The winning candidate was able to match its productized service descriptions 1:1 with the modules described in the invitation. The final vendor selection received uniform support from PO’s project team and its steering group.

Contract negotiations: The contract negotiations were hard and lasted several months. PO’s IS manager remarked: “It was good that there was no snow. I wouldn’t have had any time for skiing anyways.” The contract was built modular so that in case of major problems, some parts of it could be denounced without annulling the whole contract. In the end, both PO’s and the new service provider’s managers were pleased with the results.

However, at the time of the contract negotiations, both parties were still largely unaware of the gaps in knowledge that would trouble the change-over from the prior provider to the new provider. The new vendor’s representative commented: “We agreed on the general guidelines, but we should have agreed roughly on the tasks as well... the documentation should have been ready. ... the client was not aware of their systems’ interactions.”

Along the same lines, PO’s representative noted, “The real surprises came later. ...When they started taking over the services, they realized that this is quite big. They thought this would be smaller and clearer... There are also many actors. And the decision-making has its peculiarities. Perhaps we here in our unit gave them too light an impression of the way things work here.”

There were also problems with the terminology defined in the contract. PO’s Implementation-Project Manager describes one of these ambiguities: “A word that we did not understand was DEPLOYMENT”. For PO’s project team, a solution was “deployed” when it was actually running and ready to be used by the actual user. But, the vendor’s team thought that a solution was “deployed” when the new server environment was built and the software was successfully installed.

These issues began to surface during contract negotiations, but their real impact was only felt during implementation.

4.2 Implementation
Several project team members from the earlier phase joined PO’s implementation team. The implementation project started with a 3 month planning period. This followed the implementation of different IT modules (help desk, networks) in parallel with the reinstalla...
complicated the transfer of knowledge. However, one of PO’s managers commented on the upside: “What we have also noticed before ... that when experts get to talk among themselves, that is, the operative side among themselves, things run smoothly.”

The help desk was one module that PO did not have anybody with relevant knowledge and skills. A decision was made to hire a former employee that had been outsourced to the prior vendor five years earlier. This solution was, on one hand, helpful as the person was familiar with both PO and the help desk functions. But, on the other hand, he implemented many of the help desk processes the way they had been carried out by the prior vendor and did not follow the guidelines stated in the new contract. Therefore, the processes needed to be partially redesigned.

Transferring the software solutions was most troublesome. The schedule called for more than half of the solutions to be transferred in the first three months, but approximately only 10% were successfully running by then on the new platform. The project had to be extended by three months. A manager responsible for transferring the solutions commented at the end of the project: “Back then, I would never have believed that we would be here [all solutions are transferred] now....Moreover, we can leave this with good conscience. We have done what we promised to do.”

When the problems snowballed, the new vendor added more resources to the project whenever there was a justified need. The new vendor also refined the transfer process and developed tools. A new vendor’s team member noted, “We have needed to develop [our transfer] process. ...We have gotten it in a lot better shape. ... One always needs to learn from these. We will productize this.”

The project started to put strain on project team members and relationships at times became arduous. A member noted, “In this project, the person chemistry just did not work out.” This escalated to situations where PO and the new vendor provided conflicting information to the project’s steering group. At one point, PO requested a vendor’s team member to be changed. This suggestion was discussed carefully in both organizations internally and also in joint meetings. In the end, it was decided that the project needed the expertise of this member. The project managers emphasized that the personality conflicts would not be allowed to rai the project. The incident resulted in recruiting an HR person to draft guidelines for the cooperation. The new vendor also made some team role changes to minimize possible reoccurrence.

A standard agenda was also developed for collecting the necessary data from main users, the prior vendor, and the software vendors for transferring a software solution. Attention was paid to communicating with the software companies to ensure that they provided knowledgeable experts instead of, for example, sales people. Collaborative tools were adopted to keep track of the tasks to be completed.

Moreover, upon PO’s recommendation, the new provider hired an employee of a prior vendor who was exceptionally familiar with PO’s environment. This person brought with his invaluable knowledge in areas where no documentation existed. Ironically, however, during one of the most intense months in the project’s life, the person that was hired had to spend his 1-month term of notice from the prior employer at home. Thus, his expertise was absent from the project for one month.

To complete the project, the key members of both PO’s and the new vendor worked overtime. The consultant that assisted PO explained: “The project got done because people felt a mandate ... In the public sector; they do not question this mandate”.

In a similar vein, PO’s IS manager noted, “The project had to succeed. One had to support the project with all possible means to make it work.... At some times, one needed to moderate them, so that they would take some rest occasionally. ... I had open doors so that they could come to talk to me if there were any problems. ... They did come. The threshold was really low to raise any issue on their minds.”

Similarly, the new vendor and its members remained committed to the project. A consultancy that had worked during the tender process explained why this project was so critical to the vendor: “It was one of the largest public-sector tenders [in Finland] that year.

5. Discussion

Our current context is public sector IT outsourcing. By some accounts, public sector IT outsourcing represents almost 40 percent of the global IT outsourcing market and is more rapidly growing outsourcing market than the private sector [34].

In the current case, technology knowledge, IS application knowledge, and organizational knowledge [see 14] had to be transferred or even at times recreated because it no longer existed in the client organization. The case also illustrates numerous barriers to knowledge transfer, some of which changed over time. The barriers were,
however, overcome and the services were transferred, albeit few months late. The managers at both organizations were satisfied with the outcome of the project.

The case suggests that there were several key facilitators in knowledge transfer: (1) modularization, (2) reuse of outside expertise, (3) joint collaboration, and (4) personal identities at work.

**Modularization:** The modular structure of the services in the tender and in the contract helped the client to begin to identify the lost experiential knowledge and take proactive actions to redevelop the knowledge internally and or with the new vendor. During Phase 1, PO’s project team worked with an external consultancy to create a modular structure for IT services. This was a highly time and skill intensive process as it required PO to determine, evaluate, and align its current processes and performance gaps as well as requirements with PO’s procurement goals. The benefit of this year long process was that it allowed PO to describe its IT services in a modular structure. Services were packaged into internally cohesive modules that had minimal interactions with other modules, and defined standardized interfaces and performance specifications. The modular structure was initially adopted to ensure completeness in specifications. The completeness was critical to guard against the inflexibility of the public procurement process. Once the specifications were released, they could not be changed without restarting the procurement process.

Hence, a key finding of the case study is that modularity can be a critical facilitator of knowledge transfer in switching vendors. Modularity is about modular organizing principles such as close coupling, information hiding (or encapsulation), and compliance with standardized interfaces and performance specifications [35-38]. Prior studies on outsourcing have suggested that modularization expands the sourcing options for firms, particularly whether to outsource to a vendor in a domestic or offshore markets [39]. However, the focus was on transaction, coordination, and production costs during ongoing operations rather than on transition processes.

In the current case, it was the client rather than the prior vendor or the new vendor that created the modular structure initially. Others have noted that creating a modular service structure is problematic because of its time and skill intensity. The process requires much tedious custom work and is risk prone for failure [40]. Tanriverdi et al [39] report how clients find it financially infeasible to have their previously signed long-term IT outsourcing partners to carry out the modularization process and wait for the expiration of their existing contracts. However, without modularization of IT services, many large vendors may not even bid for the client’s new tender as they are not interested in servicing non-standard processes. This put the client in jeopardy as the large clients are often the ones who can best exploit economies of scale and scope by standardizing solutions across clients. Yet, they are reluctant to bid for IT services that are tightly coupled with business processes because they need to be modularized first. The complexity of the modularization work does not align well with their standardized service models [39].

In the current case the client was able to entice large vendors to respond to the tender. Moreover, the module structure helped to identify and isolate although not recover the lost knowledge in Phase 2. The overall project could continue in parallel with remedial steps such as hiring a prior vendor’s employee to document processes no longer known to the client. The modularity also increased codifiable form of the knowledge. In the future, the modular structure may even help minimize the client’s dependence on any particular vendor. IT infrastructure can be executed independently and recombined in new ways without operational disruptions on business processes.

**Reuse of “Outside” Expertise:** Although the modularity helped to encapsulate and even at times isolate the loss of experiential knowledge, the modularity did not help to recover the critical missing knowledge. The client invested in a variety of external sources and mechanisms to recapture prior knowledge about service processes but also to further develop them.

In Phase 1, the client hired a consultancy with strong IT architectural background that introduced the client to the modularization process as well as trained the key personnel in the approach. The client also used an outside consultancy in its market research of vendors and in the search of best IT procurement practices. In Phase 2, the client hired the personnel of the prior vendor to document some of the key processes. The client also encouraged the new vendor to hire one of the members of the prior vendor who was intimately knowledgeable of the client’s environment. The client appeared to be eager to learn from outside at each step of the process. As one outsider remarked, “[PO] is not afraid of hiring and paying for top talent.”

This finding contributes to the outsourcing and knowledge transfer literatures emphasizing the need for a wide network of sources to recover the loss of operational knowledge. Some of the sources can be
planned ahead of time but the need for many of them may emerge rather unpredictably during the switching process.

**Joint Collaboration:** The literature on modular systems also suggests that the modular structure is only a starting point for the creation of labor [41]. Particularly with complicated services, it is nearly impossible to specify ex ante clean interfaces. This means that specialization runs parallel with coordination to manage interdependencies [6]. Particularly in Phase 2, the switching required close collaboration and mutual adjustment among all parties. This was, however, somewhat of a surprise to the new vendor who had only bid for the implementation and delivery of standardized services. Nevertheless, it was saddled with refinement of the modular structure as it could not implement and deliver its own set of standardized services without such structure. This put pressure on the client and the new vendor’s relationship, including personality conflicts among some of the project staff.

Out of necessity then, the new vendor and the client worked closely hand in hand, first in modularization and later in implementation of services including software solutions. Particularly with the software solutions, the new provider and the client had to closely manage the complicated interfaces. Existing knowledge was incomplete and to be developed jointly, often involving the original solution providers. The various parties could not meet their responsibilities without this joint close collaboration. At times, the relations were tense but open and broad communication among the parties helped to keep the goal in sight. The client stayed heavily involved at every step of the way. This in turn helped it to communicate in a timely fashion to its constituencies and ramp up support where it was needed.

This finding of joint action is not itself new in inter-organizational collaborations [42-43]; however, given that it grew out of necessity and at times of legal mandate; yet produced positive effects is perhaps somewhat new. The effect was at least partially due to the open and broad communication that was cultivated by the client internally and externally.

**Personal Identities at Work:** Finally, the key client’s and new vendor’s personnel tied their personal identities to the success of the project. Personal identities are based on self-evaluation and reflect individual attributes, standards, and motives that are relevant to individuals’ work [44]. We found that these personal identities promoted collaborative behaviors particularly during the most stressful periods of the project. There were two behaviors in particular that implicated these identities. First, the members were willing to make nearly any effort to avoid failure including sacrifice of personal time. Failure was seen as both personal and organizational. Several client and vendor personnel commented that “failure was not option”, “we HAD to succeed.” The members had internalized that in the case of failure, there were no winners and they would personally lose “face.” PO would be criticized for having wasted tax payer money. The new vendor would receive bad publicity and lose an important reference for the future public procurement competitions. The old vendor would lose any future possibilities of gaining work from this large and important client. Hence, there was a strong sense of shared fate that the success was the only acceptable outcome.

The second behavior that tied personal identities to collaborative behaviors related to managing conflicts. Conflicts were seen inevitable but were not allowed to disrupt collaboration. Some of the disagreements around task responsibilities extended to emotional or personnel conflict encounters. However, the key managers at the vendor and the new client side held strong professional values of group harmony and took it upon themselves to ensure that personality conflicts did not influence the flow of meetings or the quality of the work. This behavior also reduced the rest of the team becoming intertwined in the conflict and helped the client and the vendor teams to continue to work together toward a collective goal.

Although much has been written shared super-ordinate identity and how such identify facilitates collaboration (e.g., [45]), rarely has the super-ordinate identity been tied to personal identities. Particularly, the literature on outsourcing not knowledge transfer has not examined closely the critical role of personal identities and how they affect the success.

**6. Limitations and Future Research**

The current case is only an initial step towards improving our understanding of how stakeholders cope with the loss of experiential knowledge in switching IT outsourcing vendors, and as such its scope is limited. In addition, the context impacted our findings. Inevitably, some areas are left uncovered. In order to overcome some of these shortcomings, the following suggestions for future research may prove fruitful.

First, the case study involved a client that is subject to the legislation on public procurement in
Finland, among the largest IT customers in the country, and where the individuals, especially public officers, tie their personal identities to their job success. Thus, focusing on other legislative contexts, buying organizations that are not considered strategic by the vendor and other cultural contexts offer promising avenues for future research. In addition, as firms are triggered to change their IT vendors based on business-based justification and not by legal obligations, their switching behaviors may differ from those of the public organizations. Nevertheless, also in these cases the loss of experiential knowledge is eminent and thus a relevant topic for research.

Second, the informants of the current case may have rationalized their actions and decisions during the interviews, which may have resulted as a recall bias affecting our findings. We sought to mitigate these issues by receiving accounts on the same event from several key parties. We triangulated the interviews against each other, as well as compared them for consistency with the meeting observations, and document analysis. Moreover, our period of interviews and observations only covered the last ten months of implementation (Phase 2). Therefore, in the future, studying the whole life-cycle of switching IT outsourcing partners by using observational methods might address these biases.

Third, we have no objective data to assess success in the switching project, only testimonials from the client and the new provider. We also have no access to actual costs during the three project stages. Future research should collect detailed data on costs and benefits.

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7. References


