How Management Actions Affect Social Exchanges in Outsourcing Relationships

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Abstract
This paper explores the effect of management actions on social exchanges in outsourcing relationships. Social exchanges between individuals constitute relationship quality between client and vendor, which is an important factor of outsourcing success. Based on the interaction approach, we develop a framework for management actions entailing three dimensions: the exchange targeted, the organization targeted and the effect on social exchanges. We apply the framework to studying a comprehensive case of an outsourcing relationship full of conflict. This proof-of-concept shows that it is vital to consider side effects of management actions on social exchanges as they indirectly influence outsourcing success.

Keywords: Outsourcing, Case study, Social exchanges, Management actions, Relationship management, Interaction approach

1. Introduction
Outsourcing research has shown that relationship management is vital for outsourcing success [5, 6, 11]. In this context, outsourcing governance mechanisms and their contribution to success have been examined by various researchers (e.g. [2, 9, 13, 14, 17]). In course of this research, relational governance has become a widely accepted driver for outsourcing success (recent examples include [6, 16]). However, while Rai et al. [16] have identified three core relational mechanisms that drive project success, none of the studies dig to a deeper level in order to understand how concrete management actions take effect on the outsourcing relationship through the individuals involved. The need for this becomes obvious when considering that the individuals interact at different levels from management down to the operational level at the interface between client and vendor organizations [10, 15]. These interactions form different structures and shape the outsourcing relationship. Accordingly, Dibbern et al. [3] and Schroiff et al. [18] find that the individual level within outsourcing relationships should be further examined. The individuals’ relationships, i.e. their social exchanges, in outsourcing arrangements constitute the overall relationship quality between client and vendor, and thus affect outsourcing success. However, we know little about how different management actions affect the social exchanges between client and vendor employees. We therefore pursue the research question: How do management actions affect social exchanges and thus relationship quality in outsourcing relationships?

We contribute to answering this question by developing a framework of management actions with regards to their intention and their effect on social exchanges and by examining how different management actions affect social exchanges. As a proof-of-concept, this framework is applied to studying a case of an outsourcing relationship between a large European financial services company and an international outsourcing provider. The framework helps practitioners to gain a structured view on management actions and can also be used as basis for future research. Our framework and case analysis are based on the interaction approach as suggested by Kern and Willcocks [10], which distinguishes between different types (or: layers) of exchanges in the outsourcing relationship to understand its operational characteristics.

2. Framework development
Our research focuses on the management of ongoing IT outsourcing (ITO) relationships, which is a long term relationship between an IT services vendor and client based on a contractual agreement “to provide one or more comprehensive IT activities, processes, or services with the understanding that the benefits attained by each firm are at least in part dependent on the other” [5 p. 49]. Within the outsourcing relationship, we focus on the interaction and social linkages between client and vendor employees. For this, it is useful to draw on the interaction approach, originated in Håkansson [7] within (B2B) marketing research. We adopt Kern and Wilcocks’ [10] perspective, who have applied the approach to examine how companies manage outsourcing relationships. The interaction approach is based on the notion that individuals in a dyadic ven-
dor-client relationship are part of complex interaction structures between and within organizations, which get institutionalized over time into certain roles [10]. Håkansson [7] differentiates four types of short-term exchange between vendor and client: While the arrangement is basically determined by the type of service exchange (ITO services to be delivered) and the corresponding financial exchange (payments for the service etc.), the two other types of exchange are necessary for making the relationship effective:

- **Information exchanges**: Information can have various contents such as technical, commercial or organizational topics. Information can be exchanged between client and vendor by “any personal or impersonal means” [7, p. 16] and enables the provider to provide effective services adapted to the client’s needs.

- **Social exchanges** are based on personal relations between individuals as opposed to the service or information exchanges taking place as part of the contract. This includes informal meetings and conversations, company visits and any non-work related interaction. Social exchanges reduce uncertainties and “interlock” the two companies with each other over time [7]. In outsourcing relationships they are important for anything that is not formalized in the contract, as they instill mutual trust. Thus, they are also an important foundation for (personal) information exchange.

Kern and Willcocks [10] found that social and information exchanges are often neglected by the managers in charge of outsourcing relationships but that especially social exchanges drive the development of the quality of the inter-organizational relationship between client and vendor firm, which in turn translates into high quality information exchange and strategic outsourcing success [8]. We hence focus on the effect of management actions on social exchange, which occurs between individuals on the client and vendor side. Main objective of our framework is to structure the impact of management actions on social exchanges into (1) actions explicitly targeting social exchanges and (2) those explicitly targeting other forms of exchanges (i.e. service, information and financial), but implicitly and indirectly affecting social exchange, as well. These two “impact paths” are illustrated in the highlighted part of Figure 1 and represent the first dimension of our framework of management actions: the exchange targeted. We argue that it is important to focus on social exchanges (as argued by many outsourcing researchers before) but also to understand how different mechanisms and paths affect it.

In the interaction approach, exchanges are embedded in, but also form the “atmosphere” of the relationship, which consists of aspects like “co-operation, dependence, degree of conflict” [7]. It maps to the concept of outsourcing relationship quality described in other works: Lee and Kim [12] develop a framework for partnership quality comprising components, antecedents, and impact on outsourcing success. Participation, communication quality, information sharing, and top management support proved to be significant determinants of partnership quality [12]. In an integrated model of this and other works relationship quality refers to the quality of the inter-organizational outsourcing relationship, including attributes (e.g., consensus, trust) and processes needed to cultivate these attributes (e.g., communication, conflict resolution, joint problem solving) [5]. In our model, “atmosphere” as used in the interaction approach, reflects the main endogenous variable and corresponds to “relationship quality”, which is the term we use in the following. As outlined above, the inter-organizational relationship quality...
between vendor and client, manifested by those dimensions, is the aggregate of the quality and types of social exchanges between all individuals on vendor and client side being involved in the particular outsourcing relationship. Therefore, management actions that affect social exchanges directly or indirectly also affect overall relationship quality and thus outsourcing success. As an outsourcing relationship entails two separate organizations, another dimension to distinguish management actions is whether they target the internal or external organization. Internal actions aim at changes within the vendor or client organization (e.g., related to staffing, directives, or processes). External actions, in contrast, specifically concern the interface between vendor and client (e.g., payments, services, or communication structures). Both management actions targeting social exchanges and other exchanges can target the internal or external organization, e.g., socializing activities (social exchange) for client only (internal) or client and vendor (external). Hence, the two dimensions are orthogonal and result in four categories (Figure 2).

Finally, as our research focuses on the effect of management actions on social exchanges, which might be either favorable or (unintended) negative, we need to differentiate between desirable and undesirable effects of management actions on social exchanges as a third dimension (reflected by the corresponding symbols in Figure 2). Desirable effects refer to a positive influence of a management action on the social exchanges between two individuals while undesirable effects represent the opposite.

3. Methodology

We used a case study approach to apply the framework introduced and thus to understand how management actions affect social exchanges in a real-life context [20] and as preliminary test of the proposed framework. The case study focuses on social exchanges and relationship quality in outsourcing relationships. Following Yin [20], we use a single case design because we want to reveal new ideas and can include a longitudinal perspective from the retrospectives of the interviewees. In preparation of the case study, we defined our research questions and data collection methods in a research design as suggested by Yin [20]. The unit of analysis in our case study is the interface between client and vendor employees in an IT outsourcing arrangement. Table 1 gives an overview of the case study instruments used for data collection. We started with a pre-case discussion with two responsible managers on client side. Then, we collected most of the data in interviews with people involved in the investigated outsourcing relationship because interviews allow eliciting and truly understanding the participant’s experiences, views and their context [19]. In the interview series, we gained a dual perspective on the outsourcing relationship and the client-vendor interface by including interviewees from both the vendor and client organization. In total, we conducted 12 interviews in February 2011 on the client and vendor sites with 6 interviewees on each side. The first two of these were the ground setting interviews with the managers in charge of the outsourcing arrangement on vendor and client side. We consider all interviewees to be located in the middle management given their responsibilities in the outsourcing arrangement. On average, the interviews lasted 66 minutes, providing us with 230 pages of interview transcripts, in total.

<table>
<thead>
<tr>
<th>Step of data collection</th>
<th>Participants/Explanation</th>
<th>Goal</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-case discussion</td>
<td>Vendor and client manager</td>
<td>Understand background; obtain access to additional data sources</td>
<td>1</td>
</tr>
<tr>
<td>Ground setting interview</td>
<td>Vendor and client manager</td>
<td>Understand context and history of outsourcing arrangement; define scope of case study; collect case data from interviewee</td>
<td>2 (vendor and client)</td>
</tr>
<tr>
<td>Case interviews</td>
<td>Vendor and client team members having direct contact to the other party</td>
<td>Build hypotheses on specific network structures, understand role and influences on social exchanges</td>
<td>10</td>
</tr>
<tr>
<td>Questionnaire</td>
<td>All interviewees (filled before interview)</td>
<td>Obtain structured information on social exchanges and prepare interview</td>
<td>10</td>
</tr>
<tr>
<td>Additional data</td>
<td>Client’s satisfaction survey; organizational charts</td>
<td>Prepare interviews; validate information</td>
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*Table 1: Case study instruments*
Each interview was accompanied by a short survey, which most interviewees sent back before the interview, allowing us to prepare for each interview individually. In questionnaires and interviews, we focused on exchanges on the individual level and aspects of relationship quality. We conducted semi-structured interviews, using the questionnaires and additional interview guidelines as rough structure, but were open for new relevant topics and posed open-ended questions to elicit broad insights into the situation. Additionally, we used the critical incidents technique in the interviews to elicit richer data based on specific situations the interviewees reconstructed during the interviews [4]. We recorded and verbatim transcribed the interviews, followed by an open coding procedure using MaxQDA [1] to explore the role of and influences on social exchanges. During the analysis, management actions occurred as important influencing factor for social exchanges and were thus analyzed in more depth. We identified management actions and their influence from the detailed reports given by the interviewees. Opposing views are included in the results and discussion.

### 3.1. Case study context

The research object of our case study is an outsourcing arrangement between FSIclient, a large Western European company in the financial services industry (FSI) with >100,000 employees, and ThisVendor, an international IT services provider, which operates globally and is among the 10 largest IT providers worldwide with over 100,000 employees. FSIclient has outsourced its IT infrastructure and operations to a European subsidiary of ThisVendor in a 5-year contract in 2007. This included the transfer of around 500 IT staff from FSIclient to ThisVendor’s organization. FSIclient’s outsourcing goals have been focusing on own core competencies, reducing cost, and being more flexible in their use of IT services. Within FSIclient, an internal service provider organization is responsible for managing IT and other services, and thus is the primary contact for ThisVendor. The outsourcing relationship was characterized by a high level of conflict throughout 2010. All interviewees who had experiences from other outsourcing arrangements agreed that it was a higher level of conflict than what they had experienced in previous outsourcing relationships. This situation promoted dissatisfaction on both sides, even though FSIclient had realized substantial cost savings with the outsourcing arrangement.

On client side, our interviewees belong to the vendor management (VM) department at FSIclient, responsible for managing vendor relationships in general, but largely focused on ThisVendor. On vendor side, interviewees are part of the team responsible for serving FSIclient. We refer to this as the account management (AM) department in the following, as the interviewees on both sides are counterparts on the same level. On both sides, we focus on the people managing the relationship rather than on the operational level. It was important to guarantee anonymity of the interviewees to allow for outright and honest answers. For this reason, we will not label single actors when quoting them in the results section, but only distinguish “Client” and “Vendor”.

### 4. Results

In the following, we elaborate on different management actions in the investigated outsourcing arrangement in a rough chronologic order, and on their effects on social exchanges between client and vendor employees. Each group of actions is categorized within the framework suggested above.

#### 4.1. Change in management positions

The (middle and top) management both on client and vendor side was replaced several times even before 2010. Personnel replacement, in general, is an action causing a change within the internal organization, which is usually not explicitly targeted at social exchanges. In particular, the change in management positions on both sides was motivated by the financial and service exchanges: The client put in place the new management to achieve better service quality while the vendor replaced managers due to financial deficits of the contract. These changes combined with a lack of documentation of decisions frequently caused problems in the collaboration between FSIclient and ThisVendor. A client member explains:

“It gets difficult when [...] the cost depend on whether you interpret [the contract] one way or the other. You become a pedant sticking to every line of the contract and search for management decisions taken in the past. The vendor sees it this way, we see it that way. That has occupied our minds and time in the past months and blocked us in many operational topics.” (Client)

FSIclient’s head of VM explained that these recurring discussions led to frequent escalations instead of finding solutions to problems together right away because no one currently in charge was part of earlier discussions and decisions. Missing documentation of agreements fueled uncertainties and conflict in the relationship, putting tension on the social exchanges between the individuals.
In a significant change in early 2010, FSIClient’s top management newly staffed the current head of VM. As the decision makers were well aware, this new person in charge already knew the head of AM at ThisVendor from a personal context. This gave them a faster ramp-up and the opportunity for more open communication, as the head of VM explains:

“ […] I think that [the personal relationship] helps to be more creative and to discuss things with a greenfield approach. That’s more difficult when you have a purely formal relationship.” (Client)

However, some members of the FSIClient VM team rather saw a negative impact of the personal relationship. One reason is that the department heads did not sufficiently communicate bilateral agreements into their teams. Also, some interviewees perceived that the client department head’s statements towards vendor and team were not always consistent. This internal miscommunication intensified existing conflicts between client and vendor department members when they were not well informed while communicating with their counterparts. Also, the personal relationship led to avoidable escalations of problems when the two could not resolve the conflict:

“Certainly, sometimes you have to say ‘No, this doesn’t work’. We had situations with completely oppositional opinions. Then we said ‘this is a serious conflict that we cannot solve at our management level’, otherwise someone might have smelled nepotism or a [secret] deal.” (Client)

Besides the personal relationship between the department heads, the new department head at FSIClient also brought a new leadership style to the project. A client department member explains that this “changed [the] culture of treating each other”, as the new department head “tried to […] jointly find solutions instead of insisting on the contract”. This also included measures to give ThisVendor more possibilities to act (like waiving service credits), but the interviewee continued that those had not shown the desired effects.

As we can see, the clients’ disappointment with the vendor’s services is tied to distrust in how they manage the account. This distrust is a recurring reaction that affects the individual relationships, as we will see in the following. Overall, the effects of personnel changes can be both positive and negative and depend on contingency factors such as previous relationship, status of documentation etc.

### 4.2. Joint or internal team events to improve the collaboration

Joint team events aim at improving the social exchanges and target the external organization as they unite client and vendor employees. In our case we saw a generally positive effect, but they could not eliminate the existing deep conflicts and personal tensions, as the head of AM describes:

“We had team events: we did a high ropes course, went to a local fair, and had Christmas dinners. My perception is that it helps and you see there is sympathy between the colleagues. However, when you’re back to work, conflicts and emotions emerge again and people say things like ‘I need to get out of here or I will explode!’” (Vendor)

The socializing part of a kick-off meeting (section 4.7.) was another example of an event which had been more successful and provided an opportunity for personal exchanges. In contrast to the head of AM’s perspective, several interviewees on both sides mention that they would appreciate more socializing activities between vendor and client because “they would help to build more trust” (Vendor).

Internal team events clearly target the internal organization and social exchanges, as categorized by our framework. As expected, they showed a significant positive effect on the collaboration within the AM and VM departments and thus on the social exchanges between the team members. The department members both on FSIClient’s and ThisVendor’s side explain how they appreciate their internal team events (e.g., Kart racing, high ropes course, or team lead dinners), which are more frequent than the joint ones with vendor and client employees. An interviewee from FSIClient explains that it affects the collaboration with his colleagues because “you do things that you don’t have to do” (Client).

### 4.3. Site visits at call center in Eastern Europe

Site visits of client employees at vendor sites are clearly cross-organizational. While this action could be targeted at social exchanges, in our specific case context it was primarily targeted at information exchanges concerning the services in the call center: When ThisVendor enforced standardization of call center services for FSIClient by consolidating them to an Eastern European call center, the vendor’s AM offered site visits in Eastern Europe for client employees to increase transparency on the quality of services. As expected, this action had positive effects because the site visits increased understanding of the vendor’s measures. However, in contrast to the expectations, also a negative effect occurred: a VM department member from FSIClient by chance met ThisVendor’s executive responsible for call centers and discussed some ideas with him over dinner. These discussions took place without involving the ThisVendor account manager responsible for the call center services and thus by-
passed the official communication structures. ThisVendor’s department member later on tried to continue the discussion with the bypassed manager, who apparently was not interested in exchanging ideas on that topic with the client:

“He just does not want to talk about his call center management. [...] Several times, I offered him to discuss these ideas, how we can move more business there. But, he is not interested.” (Client)

The call center visit thus led to a new communication link, which disturbed the relationships between the original counterparts in the outsourcing arrangement.

### 4.4. Management tactics to not give in

The directive to not give in was targeted at the external organization and on service and financial exchange. During the tense period in 2010, the management on both sides decided to use rigid management tactics, which on FSIClient’s side meant to withhold payments for additional services. From ThisVendor’s perspective, flaws in the contract led to this situation because the client could issue binding orders to the vendor. In some cases, these were fulfilled by the vendor but not compensated by adequate payments to the vendor in due time. ThisVendor deliberately provoked conflicts because of this financial imbalance. They consequently insisted on financial claims and withheld services to put FSIClient under pressure and get the top management involved. The interviewees both from FSIClient and ThisVendor agreed that the rigid tactics on both sides deteriorated the overall relationship quality in general and the social exchanges between individuals in particular:

“This also causes resentments on the emotional level. If you repeatedly discuss sums of millions of Euros, and know you have better arguments but no bargaining power, then the discussions get emotional. All this poisons the atmosphere between client and vendor.” (Vendor)

Another interviewee explained that due to the contract-based discussions and conflicts “it was difficult to find a trust-based mode of collaboration” (Vendor) that could enable joint problem solving and good collaboration. Instead, the conflicts over certain topics also blocked other discussions, at least for some people. On the other hand, certain counterparts claim they nonetheless could abstract from the directive-induced conflicts and still maintain a good personal relationship:

“We can look each other in the eye and say ‘Well, unfortunately we work for companies with conflicting interests in many areas, but still we are not mad at each other on a personal level.’ It’s somehow like martial law: we shoot at each other, but there are certain rules for that.” (Vendor)

The corresponding FSIClient’s department member referred to in the above quote gives a similar example, where he and another AM member had different directives, therefore they “quickly realized the two of us cannot solve this” (Client). Instead, the issue was escalated to the next management level. However, based on the various interviews we conducted, the ability to distinguish between the content-based conflict and the personal relationship showed to be the exception. This is also reflected in the above mentioned comments that the management tactics led to an overall bad atmosphere and latent distrust. This meant that people “always suspect that there is a trap” (Vendor) in the other side’s decisions or information, which “prevents you from deciding anything ad hoc” (Vendor).

### 4.5. Exchange of personnel within departments

The replacement of personnel within departments in this case was targeted at information exchanges e.g., by a new role on vendor side or because an employee was absent for a longer period of time. This obviously targets the internal organization. In some places, this caused a mismatch of counterparts on FSIClient and ThisVendor sides. ThisVendor’s head of AM mentioned one example that entailed a very tense relationship, where they “had serious doubts if we can even leave them [the two counterparts] in a room together”. Interestingly, though, ThisVendor’s employee concerned in this situation did not mention this type of conflict with his counterpart but rather described him as a competent person, with whom he can discuss and disagree, but whom he respects after all.

“[…] we have had really tedious discussions; controversial and unpleasant regarding the contract etc. However, we are on par. In certain situations, we can quickly find solutions together.” (Vendor)

Another example illustrates a “negative” relationship. A new department member on FSIClient’s side was lacking experience and had a bad start in the first meeting with the vendor counterpart. As consequence, the vendor counterpart delegated more of the communication to other colleagues and at the same time realized that FSIClient’s business side communicated directly more often than before:

“They [i.e. the business side] contact us more frequently now. Personally, I think that’s good because it’s a more direct communication […] faster and more productive. You find short cuts for communication. If that makes sense from the [FSIClient’s VM] perspective, is a wholly different thing.” (Vendor)
Hence, the vendor’s department member accepts the changed communication structures, but also acknowledges that this might not be analogous on the client side. In general, from that person’s point of view ThisVendor “underestimates the relevance if two people fit together or not” (Vendor) and that everybody should keep in mind that clients might have less experience than the vendor representatives, but they nonetheless are the clients.

4.6. Top-management meeting to settle claims

A top-management meeting early 2011 to finally settle a list of unsolved problems, released general tension in the outsourcing relationship on all levels. Thus, it gave a positive impulse for social exchanges between the counterparts. Besides the heads of VM and AM and some of their subordinates at FSIClient and ThisVendor, the meeting was mainly driven by the top management of both companies (i.e. ThisVendor’s CEO and the COO of FSIClient’s internal services provider). Many of the topics resolved in this meeting were under discussion even before 2010 and entailed significant financial claims (up to the range of millions of Euro). Some interviewees explained that the meeting rather meant a “cease fire” (Vendor) and not a final solution to the underlying problems in the contract because FSIClient and ThisVendor still have no “common view of the existing contract” (Client). A specific result after this meeting was that the internal communication at FSIClient and ThisVendor concerning the outsourcing arrangement are now coordinated between the department heads. For example, ThisVendor’s head of AM explains how the meeting improved his social exchanges with FSIClient’s head of VM after the conflict phase:

“Since that management meeting, this huge ‘road block’ is gone. We have taken the same direction, now. We can easily get things solved and work on the upcoming topic with mutual trust.” (Vendor)

These general tendencies towards a better relationship are also reflected in the individual social exchanges between the team members at FSIClient’s and ThisVendor’s side. The department members at FSIClient and ThisVendor mostly shared this positive view on the results of this top-management meeting, which fueled hope that “it could work differently in the future” (Vendor). However, they also say that the long-term effect is not clear, yet. Even though the meeting’s outcomes were seen mostly positive, there were also other, differentiated views, especially on the vendor side. One department member from ThisVendor’s AM clearly said that he did not see an impact on his direct collaboration with his counterpart, which had been difficult due to the personal misfit (as explained in section 4.5). Another vendor interviewee, who also participated in the management meeting, explained that while the outcome was an agreement, the meeting itself was not based on partnership. In contrast, ThisVendor sees itself as more accommodating than FSIClient.

“The meeting itself was all but based on partnership. However, it turned out to have a surprising result: they reached an agreement. That was not predicted before or even on that day. [...] However, there is a lot of goodwill [from the vendor], to make things better or different.” (Vendor)

As we can see from these different views, the meeting was not a solution to difficulties in social exchanges in general. However, it gave an impulse which improved at least some of them.

4.7. Start of negotiations to prolongate contract

After the top management meeting described above, FSIClient and ThisVendor started early negotiations to prolongate their contract. They want to finish these negotiations one year before the contract actually ends. The goal is to find a new common ground for a partnership that is stable for the future, possibly including changes in services and more freedom for the vendor. The start of negotiations to prolongate the contract involved vendor and client, i.e. the external organization, and targeted all three non-social exchanges: An improved financial agreement satisfying both sides, possible changes to the scope of service exchanges and more information exchanges on future plans and expectations are the goals of the negotiations. The expectations for the negotiations are high on both sides, especially when thinking about the difficulties that the endeavor entails. From ThisVendor’s perspective it is clear that the relationship needs to change towards a more cooperative one and that the negotiations are not easy at all.

“We need to find a new way to reach another level of cooperation. If we don’t, we won’t find a solution that allows us to prolongate the contract. There is a lot to do. It’s not easy.” (Vendor)

At FSIClient, an interviewee pragmatically explains that there will surely be a result until mid-2011, but also that there could be no common ground for an extension, meaning that FSIClient would have to find another vendor:

“At the end of the day, we expect a [good] price and ThisVendor needs to assess if they can make a profit from that or not. Therefore we started the negotiations now, so we will still have enough time for a request for proposals just in case.” (Client)

Consequently, on ThisVendor’s side there are still certain distrust and a lot of skepticism concerning the
negotiations and the intent of FSIClient, as a vendor interviewee explains:

“I distrust FSIClient’s intentions to prolongate or redesign the outsourcing contract. What they officially communicated, how they communicate it, what we agreed upon and what has been done until now makes you a bit skeptic if they really mean what they say.” (Vendor)

Besides the mostly positively forward-looking attitude resulting from the negotiations, they also influence the direct contacts between individual actors and their social exchanges. First, “there is a lot more interaction now than before. It’s less formal at the moment” (Client). Second, the relationships are perceived as more trust-based given that fewer conflicts influence the overall client-vendor relationship. One vendor interviewee explains that the “atmosphere is more trust-based, like maybe a year ago. I’m pretty optimistic.” (Vendor) We can summarize that the start of the negotiations for the new contract had a positive effect on social exchanges and the overall relationship quality. However, these needed the preparation by the top-management meeting elaborated on above, which diminished the conflicts. The negotiations gave another impulse, motivating the actors involved to look forward rather than to look back on past conflicts.

5. Discussion

The case study offers insights into management actions applied in an outsourcing relationship with a high level of conflict. They show different impacts on social exchanges between the actors on client and vendor sides. We have categorized the observed management actions along the 4 categories of our framework (A-D in Figure 3). Moreover, we also analyzed whether they positively or negatively affected social exchanges. In this case, most management actions target other than social exchanges, so Figure 3 illustrates. This fits with Kern’s and Willcocks’ [10] observation that social exchanges are rarely explicitly considered and managed in outsourcing relationships. Those few actions explicitly addressing social exchanges (categories A, B) also have a desirable effect. Management actions that target other than social exchanges (categories C, D) often have side effects that might be intended, but frequently are not considered a priori. Not surprisingly, uncompromising management actions targeting financial or service exchanges negatively affect the social exchanges by reducing actor’s room for own decisions. In our case, uncompromising tactics are driven by the imbalance in financial advantages (ThisVendor runs losses with the deal) and flaws in the outsourcing contract. At the same time, management actions targeting other but social exchanges can also be indirect facilitators and thus improve social exchanges even when actually targeting financial exchanges (e.g., clearing the financial claims list that was a “road block” for constructive communication). Management facilitation can thus help to build a sustainable partnership, less driven by the formal contract.

Applying our framework to the case study shows its applicability and validates its dimensions for management actions in outsourcing relationships when focusing on social exchanges. The categorization of actions along the proposed dimensions allows for a differentiated and better structured view on the impact of management actions. This shows that managers need to consider the (side) effects of their actions on social exchanges, especially when these are not in focus of the outsourcing management in the first place (as suggested by Kern and Willcocks [10]). Executives need to be aware that they must manage outsourcing relationships differently from internal operations and often must learn how to do this [11]. Table 2 below summarizes the learnings from our case, which can serve as management recommendations on how to facilitate rather than complicate social exchanges through management actions.
6. Conclusion

We analyzed the effect of management actions on social exchanges in outsourcing relationships. We developed a framework for management actions and applied it to a case study of an outsourcing relationship. We have differentiated management actions along three dimensions:

- the exchange targeted (social vs. financial, service and information exchanges)
- the organization targeted (internal within one firm vs. external across the client-vendor interface)
- their effect on social exchanges (desirable vs. undesirable)

We found that management actions which aim at the financial, service, or information exchanges between client and vendor can also have desirable as well as undesirable impacts on the social exchanges between the individuals. Since social exchanges make up the relationship quality, which is a driver for outsourcing success, managers should be aware of their action’s side effects on outsourcing success through social exchanges. Our research has practical value by providing a basis for management actions to improve outsourcing relationships: Based on our framework, managers can systematically rethink and challenge their planned actions and consider their effects on social exchanges between the actors at the client-vendor interface. This way, they can avoid or resolve tensions, improve relationship quality, and thus ensure outsourcing success.

Our results are limited in that they are based on a single case. With our approach, we certainly did not strive for statistical generalizability of the findings but rather to explore how management actions can affect social exchanges in outsourcing relationships and to provide a framework which can guide future research. Further, we did not explicitly examine contingency factors, which could have influences on the social exchanges as well, such as the personality of actors involved and their ways to deal with conflict. Further research should broaden our insights by additional case studies from other contexts (i.e., other types of outsourcing, other industries and cultures, and more suc-
cessful outsourcing relationships less prone to conflicts). Cross-case analyses of additional case studies will help examine contingencies and thus enable us to select appropriate management actions for different outsourcing contexts.

7. References


