



The 18C's model for a successful long-term outsourcing arrangement[☆]

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ABSTRACT

The purpose of this paper is to identify the factors that contribute to a successful long-term outsourcing arrangement, particularly in the facilities management area. Organisations expect to achieve many benefits from outsourcing, despite the fact that there are significant risks associated with unsuccessful outsourcing. The paper analyses a successful multiple activity outsourcing case study. Six managers and team leaders, who have initiated and managed the sixteen outsourced activities during an eight year period, were interviewed. In order to complement and confirm the interviews, the observation of four monthly performance review meetings was conducted. Eighteen key success factors for a long-term outsourcing arrangement have been identified and approved by the interviewees. They have been used to construct the 18C's model.

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1. Introduction

In the search for organisational competitiveness, outsourcing has become a widespread management strategy. As a result, outsourcing has been and remains a popular subject for academic research, as can be seen in the reviews (Hätönen & Eriksson, 2009; Kremic, Tukel, & Rom, 2006), much of which have concentrated on the type of functions that should be outsourced (Hafeez, Malak, & Zhang, 2007; Wu & Park, 2009), how to select a service provider (Chen & Chen, 2006; Lasch & Janker, 2005; Rese, 2006; Tseng & Lin, 2005), where to outsource (Bunyaratavej, Hahn, & Doh, 2007, 2008; Doh, Bunyaratavej, & Hahn, 2009; Graf & Mudambi, 2005; Hätönen, 2009; Zaheer, Lamin, & Subramani, 2009), and the benefits and risks associated with outsourcing (Di Gregorio, Musteen, & Thomas, 2009; Harland, Knight, Lamming, & Walker, 2005; Hoecht & Trott, 2006a, 2006b; Jennings, 2002; Kremic et al., 2006). All these subjects are related to the initial stage of an outsourcing process.

As outsourcing has evolved in a more strategic way, cooperation, collaboration and co-development are required in order to achieve a mutual goal. Therefore, a close and long-term relationship is needed to achieve a sustainable competitive advantage (Franceschini, Galetto, Pignatelli, & Varetto, 2003; Handley & Benton, 2009; Helper & Sako, 1995; Lee & Kim, 1999; McHugh, Humphreys, & McIvor, 2003; Nistorescu & Barbu, 2009). It has been recognised that management of an outsourcing relationship is essential to ensure long-term success, but often organisations lack the skills and expertise to do this (Harland et al., 2005; Power, Bonifazi, & Desouza, 2004;

Robinson et al., 2008; Spekman & Caraway, 2006). For example, the Danish company Lego outsourced most of its manufacturing activity in 2006 to Flextronics and brought it back in house in 2008. The specificity of the machines prevented significant economies of scale from being achieved (Barthélemy, 2011). Coordination and control of the production were more complicated than in house, and was exacerbated by divergences and misalignments between the two companies (Larsen, Pedersen, & Slepniow, 2010). After the terrorist attack of the 9/11/2001, Boeing decided to outsource most of its manufacturing activities to over 50 suppliers. In 2009, the 787 Dreamliner's production was two years behind schedule and Boeing decided to bring back in house their major production lines. The main reason was that Boeing lost control over its multiple suppliers (Barthélemy, 2011). The aim of this paper is to avoid outsourcing failures by building a robust framework to ensure a successful and sustainable long-term arrangement.

Outsourcing, when performed well, can result in the client organisation receiving benefits that they would have otherwise been unable to achieve by performing the activity in house. However, these benefits are not guaranteed, and there are furthermore large risks involved if an outsourcing arrangement is not successful. Therefore, it is important to determine the factors that contribute to ensuring a positive outcome and not only in the short term.

Previous research has used large questionnaires to tackle the issues amongst others, as to what or why to outsource (Claver, Gonzalez, Gasco, & Llopis, 2002; Ellram, 1991; Elmuti, 2003; Kakabadse & Kakabadse, 2002; Khong, 2005; Whipple & Frankel, 2000). Later, a Delphi technique was used (Iacovou & Nakatsu, 2008). Results were reported mainly on a quantitative format. Despite these studies, outsourcing still counts a high failure rate of one in four (Landis, Mishra, & Porrello, 2005; Orby Consulting, Henley Management College, & Benchmark Research, 2006). Barthélemy (2003) recognised the inappropriateness of previous research methods and used face-to-face interviews to collect primary data from

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unsuccessful outsourcing arrangements. He found seven deadly sins in outsourcing. Our paper takes the same qualitative approach to elicit tacit distributed knowledge in order to investigate long-term successful outsourcing arrangements. In our study, eighteen key success factors are identified for an organisation to retain a good working relationship with its outsourcing service provider. As most of the previous researches were focussed on a single or only a few of these factors, there is the danger that the overall strategic intent of outsourcing would be lost. Our 18C's model ensures a holistic and sustainable management of the outsourcing process, which has not been previously described in the literature. After describing the research method and the company context, the newly developed model and its managerial implications will be discussed in detail.

2. Research method

In order to develop a model for a healthy long-term outsourcing relationship, several successful case studies of a company were used. The longitudinal multiple case study research allowed us to develop an understanding of this complex issue over several years and to expand upon or add strength to what is already known through previous research. In contrast to past research using large questionnaires (Claver et al., 2002; Ellram, 1991; Elmuti, 2003; Kakabadse & Kakabadse, 2002; Khong, 2005; Whipple & Frankel, 2000), this research will emphasise detailed contextual analysis. The information in this paper was obtained through interviews of key informants and through observations.

2.1. Motivations of the selected research method

Interviews provided the opportunity to speak directly to participants, which allowed the different views to be examined more closely and in greater depth than other methods would allow. Semi-structured interviews are often used in qualitative in-depth research. According to Saunders, Lewis, and Thornhill (2009), they are advantageous in four situations:

- The purpose of the research is an *explanatory study*. In our case, we aim to infer a causal relationship between factors leading to a long-term relationship in outsourcing.
- *Personal contact* is important. It has been observed that participants prefer to be interviewed than to fill in a questionnaire (Saunders et al., 2009). They may be reluctant to spend time providing written explanatory answers and the researchers do not have control over who answers the questions. A face to face interview is an important tool to build trust in order to find out, in this study, the secrets of a long-term relationship in outsourcing.
- The *nature of the question* is complex. The order of the questions must be flexible depending on the flow of the conversation. Additional questions were required to elicit tacit knowledge.
- *Completeness of the process* is required. During interviews, participants tend to be generous with their time and are collaborative. Indeed, they provided us with many details of their experience.

It has been observed that trust and rapport are the most important factors contributing to a successful interview (Moyser & Wagstaffe, 1985). As the second author has worked in the studied company for many years, access was facilitated to key people and relevant meetings.

2.2. Design of the interviews

The interviews were semi-structured, guided by pre-determined questions (Table 1). However, deviations from the agenda were made in order to explore new and particularly interesting points raised in the course of each interviews. The purpose of the interviews was to understand the nature of the relationship between the

Table 1
Interview structure.

Interview structure:	
a)	Interviewee
-	What is your involvement in the outsourcing of facilities management?
b)	Implementation
-	What was the motivation behind the outsourcing of facilities management?
-	What decision process did you follow to implement the outsourcing of facilities management?
-	Was the same decision and implementation process reused when outsourcing additional areas? If no, how and why did you change the process? What did you learn from the initial outsourcing process that caused you to change your approach?
c)	Benefits in outsourcing
-	What benefits have you experienced from outsourcing? Did they change over the duration of the arrangement? Did they meet your expectation?
d)	Problems in outsourcing
-	Have you experienced any problems as you progressed through the outsourcing arrangement? If yes, how did you overcome them?
-	What have you learnt from the problems that you experienced?
e)	Success factors
-	What factors do you think need to be taken into consideration to ensure a successful outsourcing arrangement?
-	How do you measure the successfulness of an outsourcing arrangement?
-	Is there anything you would change in the current arrangements to ensure a more productive and effective relationship?

company and their service provider, the type of control system used in the outsourcing relationship, the problems encountered and how a long-term relationship has been achieved. Interviews lasted one hour each. The first person interviewed was the Facility Manager, in order to get his general view. This interview was also been used to validate the pertinence of the questions. As the collected data were relevant for our research, the interview structure was maintained for the next respondents. The last interview was scheduled one week later in order to be able to analyse previous interviews and detect any unanswered questions. As the last interviewee has the longest service in the company, he is the most experienced person to clarify uncertainties (Table 2). All interviews were tape recorded and transcribed. The six key persons interviewed were (in bold in Fig. 1):

- a) Client side
- Facilities Manager (FM): He is in charge of all maintenance and repair outsourced departments in the company. He works in close relationship with the service provider in order to define the strategy.
 - Engineering Manager (EM): He was hired in 2001 to manage the outsourcing process of the engineering departments, to monitor its progress and to manage the relationship with the service provider.
 - Projects Team Leader (PTM): He is in charge of managing the outsourcing process of the project department, to monitor its progress and to manage the relationship with the service provider.
 - Facilities Team Leader (FTM): He reports back the performances of the service provider to the Facility Manager, suggests improvements and implements the new strategy given by the Facility Manager.
 - Procurement Manager (PM): He is in charge of managing the outsourcing process of the procurement department, to monitor its progress and to manage the relationship with the service provider.

Table 2
Interview schedule.

Date	Time	Interviewee
18/02/2009	13:30	Facility Manager (FM)
03/03/2009	9:00	Engineering Manager (EM)
03/03/2009	11:00	Project Team Leader (PTL)
03/03/2009	13:00	General Manager from service provider (GM)
03/03/2009	14:00	Facility Team Leader (FTL)
09/03/2009	16:00	Procurement Manager (PM)

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