MODESTUM

The Impact of Trust and Reciprocity on Knowledge Exchange: A Case Study in IT Outsourcing

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ABSTRACT

Purpose – The aim of the study is to analyse the mechanisms of trust and reciprocity that impact knowledge exchange in IT outsourcing projects. The research participants develop a framework that shows the impact of the trust and reciprocity components on knowledge exchange in IT outsourcing projects.

Design/methodology/approach – The study is a single-case study adopting a qualitative approach combined with a core action research methodology covering three action research cycles. Data was collected using two types of interviews: semi-structured and focus group interviews. The total number of conducted interviews was 45, covering managers, team leaders, and IT technical staff. An action research co-generative knowledge creation module was applied to provide a workable solution for the identified study question.

Findings – The research participants identified four factors that make a significant contribution to reciprocity: a well-designed contract, client capability, operational readiness, and the client-vendor relationship. Four elements were found to have a significant impact on building mutual trust between the client and the vendor: a well-designed contract, vendor capability, transparency, and communication. The research participants found that two factors can assist in increasing the level of trust and the vendor's strengths during the IT outsourcing process. Those two assisting factors are external consultant support and top management support.

Practical implications – The study provided an action research co-generative knowledge creation module that was applied to provide a workable solution for the identified study question. This module can enhance organisation learning through efficient knowledge exchange.

Keywords: IT outsourcing, knowledge exchange, trust, reciprocity, action research

INTRODUCTION

Purpose of the Study

IT Outsourcing is the endeavour of a company to expedite achievement of its goals by handing over of all or a part of its IT services to a vendor. The technology sector is characterised by complexity and uncertainty. To maintain their position in highly competitive markets, many operators and companies began to use managed services or outsourcing as a way to focus on their core business and reduce the cost of acquiring new technologies and software. Outsourcing can help companies to eradicate the headaches and high costs of daily operations and shift the risk of changes in technologies and software to other companies (vendors).

The study intends to address the following question:

"What is the impact of trust and reciprocity on knowledge exchange in IT outsourcing projects?"

Trust is the expectation that the other party can be relied upon to fulfil their obligations and to behave in a predictable manner, negotiate and act justly (Park et al., 2011).

Reciprocity is the mutually contingent exchange of benefits between two or more units, as people expect to be paid back (Cohen and Bradford, 1989; Gouldner, 1960).

Knowledge exchange (sharing) is the transfer of expertise, technologies, and processes between the vendor and the client company through individuals (Lee and Kim, 1999).

The identified workplace problem (WPP) is related to knowledge exchange during IT outsourcing. Knowledge Exchange covers implicit and explicit knowledge exchange, communication quality, and collaborative participation (Lee, 2001). The aim of this study is to contribute to existing knowledge by practically investigating how trust and reciprocity can be used to improve knowledge exchange and achieve successful outsourcing.

Introduction to the Organisation under Study

The organisation is planned to be one of the largest medical and research health care centres in the Region. It will provide the highest standards of patient care, biomedical research, and medical education in the region. To achieve this aim, the organisation is building a state-of-the-art IT infrastructure that includes two modern data centres. It uses the best Enterprise Resource Planning (ERP) and clinical systems to help achieve its targets. It has outsourced the operations of the new IT equipment and software applications to IT vendors.

RELEVANT LITERATURE

Previous Literature on Outsourcing

The literature of outsourcing has evolved from a focus on reducing the cost of running operations to a more contemporary view of outsourcing knowledge exchange and partnership with vendors to achieve the strategic objectives.

Lacity et al. (2009), Gonzalez et al. (2006) and Patil and Patil (2014) collected and analysed most of the studies related to IT outsourcing. Gonzalez et al. (2006) found that IT outsourcing studies have been increasing since the 1960s and new areas are covered every year. They also found that existing studies treat outsourcing either from the client perspective, vendor perspective, relationship perspective or economic perspective. In a comprehensive study, Lacity et al. (2009) found that the initial focus of IT outsourcing studies was on the IT outsourcing strategy, determinants of IT outsourcing, and mitigating IT outsourcing risks. Lacity et al. found that recent studies started to focus on new areas such as focusing on best practices, client and vendor capabilities, relationship management, and offshore outsourcing. The most recent literature review analysis is Patil and Patil's (2014) study. The authors classified the existing outsourcing studies into thirteen concepts such as saving in operational expenditure (Opex), core competence, innovations, management control, the impact of Service Level Agreements (SLAs) and Quality of Service (QoS), hidden cost, agent change, return and risk sharing, and strategic partnership.

The found articles were classified into the following main categories (concepts):
1- IT Client-Vendor Relationship Management and Trust
2- IT Outsourcing Knowledge Exchange and Reciprocity

Client-vendor relationship management and trust

Many researchers have studied the impact of the client-vendor relationship on knowledge exchange and outsourcing success. Barthelemy (2001) concluded that outsourcing success depends on two pillars – the contract (hard side) and mutual trust (soft side). Paravastu (2007) found that trust can be used as a moderator to improve the quality of the vendor-client relationship. Han et al. (2008, p.40) found that having a good relationship on a managerial level can help to achieve outsourcing success. The authors claim that the impact of an informal relationship may exceed the impact of an official contract. Qi and Chau (2012, p.865) considered trust, knowledge sharing and commitment to be components of the outsourcing relationship.

Initial trust between clients and vendors is essential to attain good results from outsourcing, but ongoing trust is a major factor for successful knowledge exchange and consequently successful outsourcing (Lee and Choi, 2011). Ndubisi (2011) emphasised the importance of trust and commitment during the outsourcing period. Park et al.'s (2011) study revealed the importance of the client's and the vendor's human character factor in building trust. Swar et al. (2012) found that the relationship quality between clients and vendors determines the success of IT outsourcing projects. The relationship quality has three components: trust, cooperation, and mutual understanding.

IT outsourcing knowledge exchange and reciprocity

Tiwari (2009) studied the transition phase in which knowledge is transferred from the vendor to the client. This phase has three main activities: transfer, adapt and routinise.

Han et al. (2008) found that the firm's and the interaction processes of both the vendor and client can positively impact mutual trust and commitment, and consequently lead to successful outsourcing. Lee (2001) proposed a model that has three pillars for outsourcing success: knowledge sharing; organisational capability; and partnership quality. Lee (2001, p.332) concluded that the ability of the client to absorb the knowledge shared by the vendor is a critical success factor for outsourcing.

Park et al. (2011) found that mutual trust during outsourcing has an impact on cooperative learning, which will have an impact on knowledge exchange. The seamless flow of technical communication between the client and the vendor in an outsourcing project can help to achieve the goals of outsourcing, such as business competitiveness enhancement, market branding, and quality (Sharma et al., 2008). Ross (2009) talked about active reciprocity that can be triggered by sharing information or Championing a colleague's idea. Ross found that this is an ideal way of starting new relationships.

Gap in Literature and Contribution of the Current Research to Theory

Most studies have focused on the short-term benefits and financial impacts of outsourcing. Companies' success not only depends on financial performance (bottom line profit) but also depends on other competencies and innovations.

Many researchers have studied the impact of the client-vendor relationship on knowledge exchange and outsourcing success, e.g. Lee (2001), Han et al. (2008), Swar et al. (2012), Park et al. (2011), Qi and Chau (2012), and Teo and Bhattacherjee (2014). The researcher common remarks and critiques on these studies are:

- All of these studies have been conducted by scholar-researchers. These studies were purely theoretical and used existing literature and theories to reach the final findings.
- In these studies, the authors tried to prove a certain hypothesis with no intention of solving practical problems. The authors focused on answering "what?" questions and failed to answer "how?" questions that were relevant to the practical implementations of the study findings.
- The data was collected using questionnaires with specific questions about each hypothesis. The design of the questionnaire would force the participants to choose the best answer as top managers in the studied companies; those managers were involved in running the IT outsourcing projects. Furthermore, in general, the studies either focused on trust and commitment or on a formal contract to achieve IT outsourcing success. In reality, formal contract, trust, and commitment work together towards achieving outsourcing success.

In this study, the researcher is part of the employees affected by outsourcing and thus he has easy access to their narrative and stories. In this study, the researcher examined the impact on employees during the outsourcing phase and listened to their recommendations and feedback to gain new knowledge that can be added to the company's existing knowledge. This was an opportunity for employees to practice action research and learn the importance of participation and democracy in handling work problems. The available studies helped to draft the initial framework of this study.

THEORETICAL FOUNDATION AND STUDY FRAMEWORK

Social Exchange Theory (SET)

Some researchers (e.g. Qi and Chau, 2013; Wai et al., 2010) used social exchange theory (SET) to give a better understanding of inter-organisational relationships (IORs) in areas such as outsourcing. SET was developed by Homans (1958) to explain human social interaction and behaviour during exchange activities with the main focus on costs and rewards. The elements of SET are trust, equity, opportunism, and conflict (Ganesan, 1994; Mayer et al., 1995; Ring and Van de Ven, 1994; Van de Ven and Walker, 1984). Trust is essential to reduce the risk of opportunism, to increase the confidence with which the other party will fulfil his obligations, and to establish a long-term relationship. Equity implies the sharing of burdens and benefits.

The exchange is a social process of give-and-take in relations. The exchange is a reciprocal stimulus. Any violation of reciprocity can impact parties' dependence, power, and cohesion (Emerson, 1962). Hence, exchange theory is said to centre on "enduring long-term social relations", as distinguished from "one-shot transactions" in the market realm (Cook, 2000, p. 687).

Trust is considered by social exchange theorists as a key variable in relational exchange; trust can help exchange parties to achieve their objectives. Exchange parties' cooperation takes place in a reciprocal manner; this cooperation leads to further cooperation and this kind of reciprocity is a key feature of SET.

Study Variables

Outsourcing success

Outsourcing success can be measured using four operational dimensions: financial success, technological success, strategic success, and relationship satisfaction (Lee and Kim, 1999). Strategic success is the ability of the organisation to outsource its routine IT activities in order to focus on its core business. Technological success is the ability of the organisation to source expertise in using the latest technologies and the latest developments in the IT field. Relationship satisfaction is the level of the client stakeholders' satisfaction with the IT outsourcing relationship. Finally, financial satisfaction is the ability of an organisation to reduce costs and increase its profitability. Financial satisfaction is outside the scope of this study.

Knowledge exchange

Knowledge exchange is one of the determinants of outsourcing success. This is a mutual relationship, and both client and vendor need to be engaged to guarantee the success of this process. Teo and Bhattacherjee (2014) found that this transfer depends on the client's motivation to learn this new knowledge and the vendor's willingness to transfer this knowledge. Knowledge exchange can be explained using SET theory, where trust is one of the primary drivers of knowledge exchange. Knowledge exchange occurs only when learning takes place. Knowledge exchange has three phases: acquire, absorb, and utilise.

Trust

Trustworthiness reflects the level of trust that the trustor (client) places in the trustee (vendor). This can be attributed to past work experience or can be based on the following trust modes: ability (vendor's competencies and skills), benevolence (vendor's legitimate acts that will protect the interests of the client), and integrity (the vendor's adherence to the expected ethical codes, and the vendor's adherence to his commitment to be honest in his dealings) (Mayer et al., 1995).

According to Wong and Cheung (2005), there are four categories of trust:

Partners' Performance: a sense of unity, the competence of works, problem solving and respect for each other's efforts.

Partners' Permeability: frequency of communication, openness, and frequency of information flow.

Relational Bonding: the long-term relationships among partners and the compatible working styles, goals and culture shared among the partners.

System-based Trust: satisfaction with agreements and contract terms, and the reputation recognised by society.

Reciprocity

According to Cohen and Bradford (1989), the client and vendor can use exchange currencies to exchange knowledge. People will gain power if they can offer what others need using these currencies. The currencies that are relevant to outsourcing are:

Task-related Currencies: resources, excellence, cooperation, information.

Position-related Currencies: reputation, recognition, importance, network/contacts.

Relationship-related Currencies: personal support, acceptance, and understanding.

Personal-related Currencies: self-concept, challenge/learning, ownership/involvement, gratitude.

Study Framework

The initial framework of this study is based on existing literature with the addition of reciprocity as an additional factor that has an impact on knowledge exchange and outsourcing success. In **Figure 1**, the study assumed that trust and reciprocity have an impact on knowledge exchange in an IT outsourcing contract, and that the success of this contract will depend on these two factors.
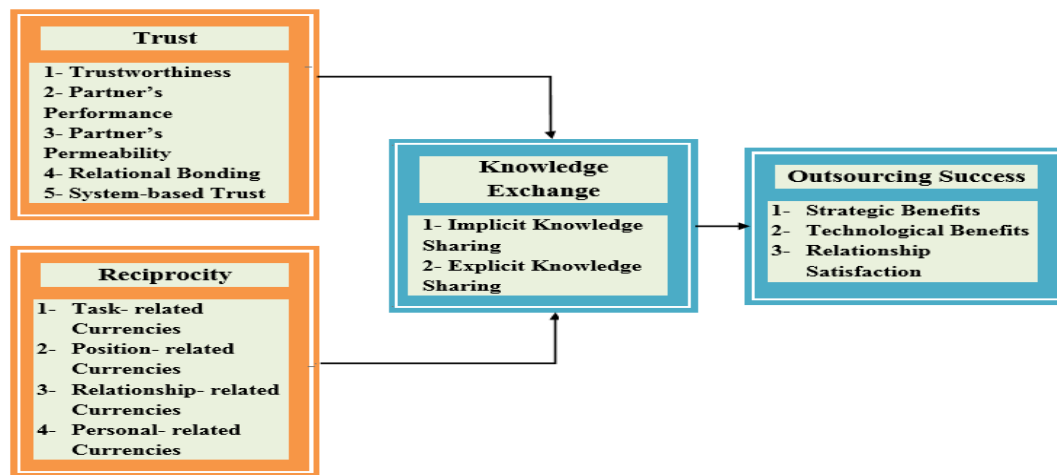
Figure 1. Study Framework

In this initial framework, the study used Wong and Cheung's (2005) identified trust categories and Cohen and Bradford's (1989) identified exchange currencies.

METHODOLOGY

Research Philosophy

This study adopted a social constructionism epistemology as a way of inquiring into the nature of the social world. In the social constructionism paradigm, the researcher is a part of what is being observed; the researcher can induce ideas from the gathered data and the theoretical abstraction. The benefit of this approach is the close collaboration between the participants and the researcher; this relationship will encourage the participants to share their stories (Cassell et al., 2009).

Developing inductive reasoning

Qualitative research is an applied research methodology that was used in this study. Complex reasoning in this methodology was done through inductive reasoning by discovering recurrent phenomena in the stream of field experiences and finding recurrent relationships among them. Meaning emerges from analysing the collected data (Miles et al., 2013).

Inductive logic is based on building patterns and themes, then organising the collected data inductively into abstract units of information. Collaborating interactively with participants was used to shape the emerged themes (Creswell, 2013). The interpretive description is used to find the relationship between the emerged patterns in order to know something new about the phenomenon (Thorne, 2016).

Interpretivism as an approach to action research

The qualitative research begins with an interpretive framework to inform the study of the research problem using an emerging qualitative approach to inquiry. Human interpretation is the starting point for any analysis in qualitative research in order to construct social reality around us. Data is collected in the field where the participants experience the researched problem. In interpretivism studies, the researcher keeps learning meaning from the participants' perspectives. Open-ended questions give the researcher a better chance to listen to what the participants say. In the interpretivism approach, the researcher should appreciate the differences between people. The social constructionism paradigm is often described as interpretivism (Creswell, 2013). In this type of research, the researcher makes an interpretation of what he observes or finds in order to make sense of others' world meaning; this interpretation may be shaped by the researcher's background and experience. Action research is one such interpretivism method that allows the creation of knowledge with practical value. The research will affect the situation under investigation by using the cyclic revision of action followed by reflection.

Case study

The researcher used the case study qualitative approach to handle the identified workplace problem (WPP), combined with the core action research methodology of three action research cycles. The case study is used in examining contemporary events, in which the researcher has no control over the behavioural events. Case studies
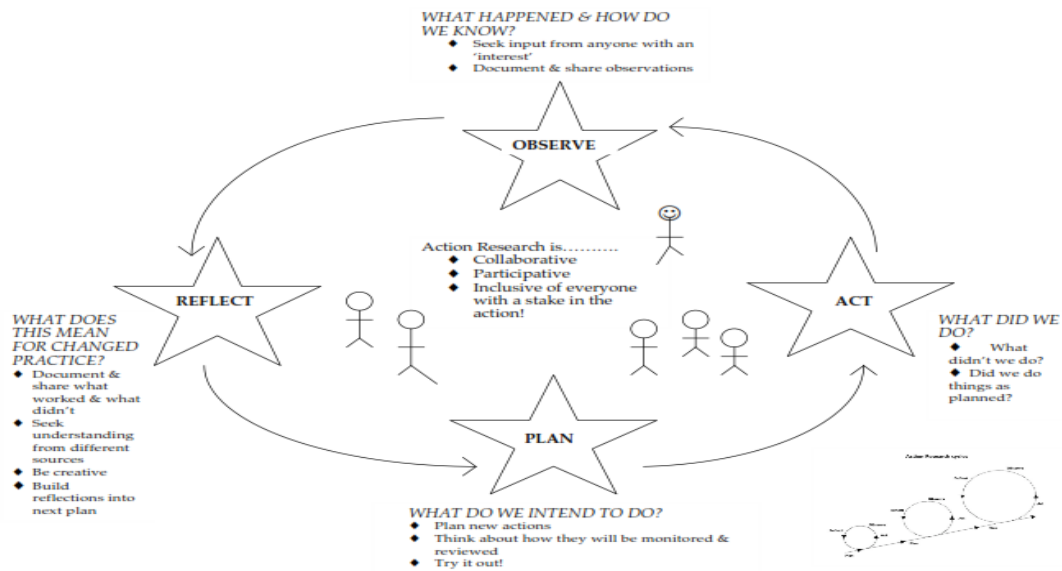
Source: Zuber-Skerritt and Perry (2002)
Figure 2. Action Research Core Cycle

can be either a single-case study or a multiple-case study depending on the studied phenomenon. In this study, the researcher used a single-case study to cover one organisation (Yin, 2003).

Conducting case study- action research

In this study, the researcher gathered multiple perspectives through a mixture of data collection methods. Reflection was used as a process of discovery and exploration to find the impact of the study on problem-solving and the possibility to use the generated knowledge in similar future situations (Cassell et al., 2009).

The first step in conceptualising the research is to define the problem that the research will solve. Complex reasoning in this methodology was done through inductive reasoning by discovering recurrent phenomena in the stream of field experiences and finding recurrent relationships among them. Meaning emerges from analysing the collected data (Miles et al., 2013).

According to Yin (2003), a case study has four stages: Designing the case study, Conducting the case study, Analysing the case study evidence, and Reporting the case.

Collaborating interactively with participants was used to shape the emerged themes (Creswell, 2013). Action research methodology was chosen because the best way to learn about the organisation is by changing it, and also because the people who are part of implementing this change are involved in the research process (Easterby-Smith et al., 2012).

Action research is done through repetitive cycles. Each cycle has four phases: planning, acting, observing and reflecting (Zuber-Skerritt and Perry, 2002). In this study, the author used Zuber-Skerritt's action research cycle (action research core cycle) **Figure 2**. The four phases of action research are: **P**lan and design, **A**ction (field work), **O**bservation, and **R**eflection. Reflection phase was repeated in cycles 2 and 3 in order to gain a better interpretation of the results, and also to give a chance to the participants to critically reflect on the results and share their opinions.

Measures

Table 1 summarises the definitions of the study variables that are used in the study framework. The identified indicators informed the questions posed by data collection via the phase 1 interview guide (**Appendix A**, **Fig A-1**).

Table 1. Study Variables Definitions

Characteristics	Sources	Indicators	
Knowledge exchange	(Lee and Kim, 1999; Lee, 2001; Park et al., 2011; Qi and Chau, 2013; Teo and Bhattacherjee, 2014)	1. 2. 3. 4.	Share business knowledge of core business process Exchange information that helps business planning Share know-how from work experience Education and training
Reciprocity	(Cohen and Bradford, 1989; Gouldner, 1960)	Which of the following exchange currencies people have to exchange? 1. 2. 3. 4.	 Task-Related Position-Related Relationship-Related Personal-Related
Trust	(Han et al., 2008; Lee and Johnsen, 2011; Mayer et al., 1995; Paravastu, 2007; Park et al., 2011; Qi and Chau, 2013; Wong and Cheung, 2005)	1. 2. 3. 4. 5.	The other team members are trustworthy The vendor has the competence to be able to produce what the contract requires The vendor makes beneficial decisions for the client The vendor is willing to provide assistance to the client The client has a friendly relationship with the vendor
Outsourcing Success	(Goo et al., 2008; Han et al., 2008; Lee, 2001; Qi and Chau, 2013)	1. 2. 3. 4. 5.	Ability to refocus on the core business IT competence enhancement Reducing the risk of technological obsolescence The client is satisfied with the overall benefits of outsourcing Sharing know-how from work experience, education, and training

Table 2. Data Collection Matrix

Information Source/ Number of Interviewees	Phase 1	Phase 2	Phase 3
Semi-structured Interview	20	14	6
Focus Group			5

Qualitative data collection-sources

There were two sources for data collection: secondary sources (existing literature – books, journals, and theses) and primary sources (interviews, observation, company documents, and reports).

Qualitative data collection- interviews

The study mainly used semi-structured interviews and focus groups interviews (Easterby-Smith et al., 2012). This study used interview protocols shown in Appendix A. Three phases of interviews were conducted using individual and focus group interviews (**Table 2**).

Participants were chosen based on purposive sampling. In this sampling method, the researchers know in advance which sample units are needed.

Introduction to Data Analysis

In the case analysis, the following four-stage plan was followed to analyse, interpret and represent the collected information (Creswell, 2013): describing the data as codes and themes; classifying the data into codes and themes; interpreting the data; and representing the data. As seen in **Figure 3**, there are interactions between case study phases and action research cycles. The case study was used as the overall guidance for planning the study, collecting the data, analysing the data, and presenting the case. Action research was used within the case phases to have more than one cycle of data collection, analysis, and final interpretation.
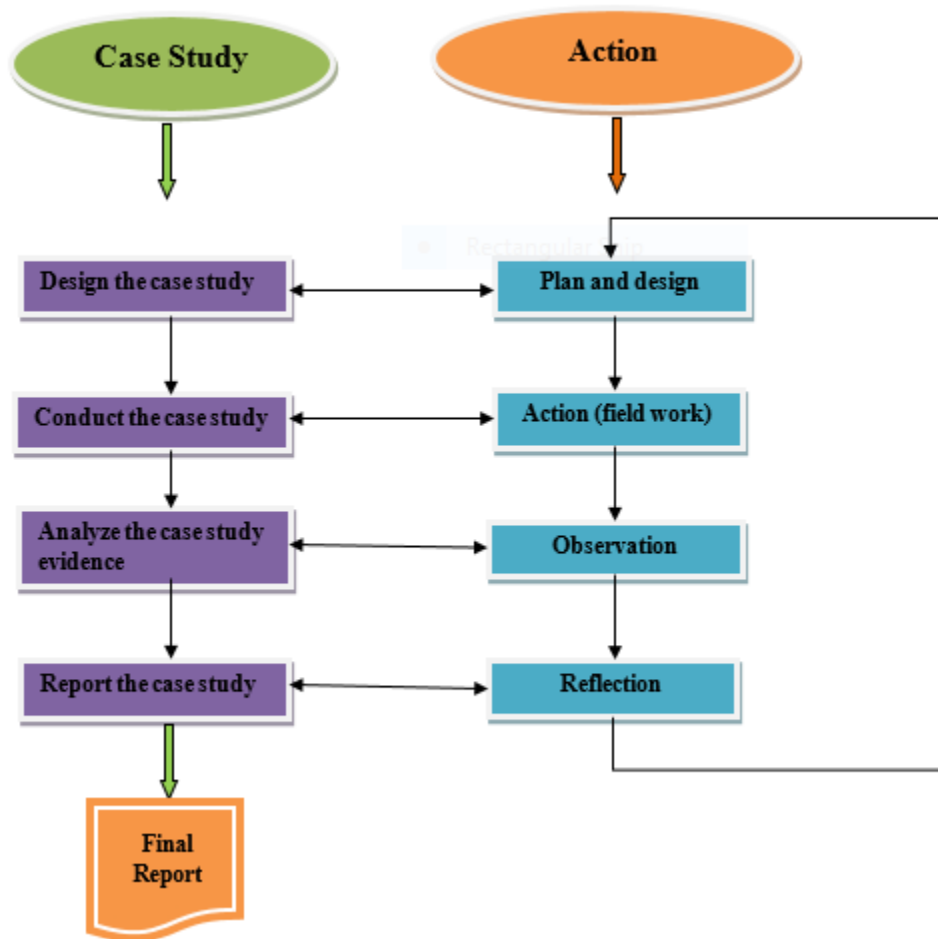
Figure 3. Study Case-Action Research Interactions

Qualitative data interpretation

Researchers can use different techniques to make sense of natural language data such as grounded analysis and content analysis (Easterby-Smith et al., 2012). Miles et al. (1994) propose eight methods that can be used in the early analysis of qualitative data: contact summary sheet, codes and coding, pattern coding, Memoing (general themes), case analysis meeting, interim case summary, Vignettes, and pre-structured case. These methods were used as a guide to this study analysis with the help of NVivo Computer-Aided Qualitative Data Analysis Software (CAQDAS).

Qualitative research quality

Research validity can be achieved by using experiential and intuitive ways of knowing, researching with people, not on people, being participative, and using the world of practice.

DATA ANALYSIS AND RESULTS

Data Coding and Themes Generation

Codes are "labels that assign symbolic meaning to the descriptive or inferential information compiled during a study" (Miles et al., 2013, p.111). In each data collection phase, two cycles of coding were used: the first cycle is coding; the second cycle is pattern coding and general themes' derivation. The second cycle grouped the first cycle's coding into a smaller number of themes, categories, relationships or theoretical constructs (ibid., 2013).

First Phase of Interviews

In the first cycle of analysis, the study used 20 conducted interviews, daily observation notes, and available documents and reports. samples of the interviews and daily observation are shown in **Appendix B**, **Figures B-1** and **B-2**. All these data were imported into NVivo software for further analysis.

Table 3. Code References – Trust

Nodes	Number of coding references in Interviews	Cluster Number
Vendor capability\Transition plan	3	1
Vendor size	3	1
Vendor capability\Customer satisfaction	4	1
Vendor capability	5	1
Vendor capability\On time delivery	5	1
Vendor capability\Resource availability	5	1
Vendor capability\Reporting	8	1
Experience	11	1
Communication\Reports	7	2
Communication\EMAILS	10	2
Communication\Meetings	15	2
Responsibility	3	3
Job enhancement	5	3
Transparency	10	3
Good contract	11	4
Contract fulfilment	77	4

Table 4. Code References – Reciprocity

Nodes	Number of coding references in Interviews	Cluster Number
Client resources past experience	6	1
Client resources availability	6	1
Client team technical competencies	8	1
Sharing responsibility	4	2
Healthy relationship	7	2
Contract not shared	4	3
Well defined contract	11	3
Training programs	4	4
Solid documentation template	5	4
Short transition period	3	5
Offshore resources	4	5
Transition plan	5	5

Table 5. Pattern Coding –Trust & Reciprocity

Trust Clusters	Pattern coding	Reciprocity Clusters	Pattern coding
1	Vendor's Adequate Competency	1	Client's Adequate Competency
2	Proper Communication Channels	2	Mutual Strong Relationship
3	Responsible Transparency	3	Comprehensive Contract
4	Comprehensive Contract	4	Operation readiness
		5	In advance Planning

The study used the NVivo Word Frequency Query to have general ideas about the common words used by interviewees. The Word Cloud (**Appendix C**, **Figure C-1**) shows the most commonly used words, where frequently occurring words are in larger fonts. These frequently used words helped with code creation and theme building. The collected data were coded using descriptive, in vivo and process coding, as seen in **Table 3**, and **4**.

Codes were generated under two main categories: trust, and reciprocity. These are the factors that have a relationship with outsourcing success. These codes are either deductive (such as client capability, vendor capability, proper communication, comprehensive contract, mutual understanding, management support, shared responsibility) or inductive (such as auditing, long-term contract, transition plan, operation readiness, availability of good service management system, and good documentation).

The second cycle of analysis is a pattern coding that groups the codes generated in the first cycle of analysis into a small number of themes, categories or constructs. The focus was on codes that are frequently referenced in the data resources (Miles et al., 2013). The selected code types in **Tables 3**, and **4** were classified into four clusters for each category. **Tables 5** summarises the new pattern codes associated with the above clusters; these new pattern codes were used for further analysis in this study. The summary of a number of coded references in these new pattern codes is shown in **Tables 6**. Quotations from participants' interviews are shown in italic font in **Appendix D**, **Figure D-1**, and **D-2**.

Table 6. Nodes compared by the number of items coded_ Trust & Reciprocity pattern codes

Nodes: Trust	Number of coding references in Interviews	Nodes: Reciprocity	Number of coding references in Interviews
Comprehensive Contract	86	Client's Adequate Competency	16
Proper Communication Channels	23	Comprehensive Contract	15
Responsible Transparency	17	In-advance Planning	12
Vendor's Adequate Competency	19	Mutual Strong Relationship	11
		Operation readiness	9

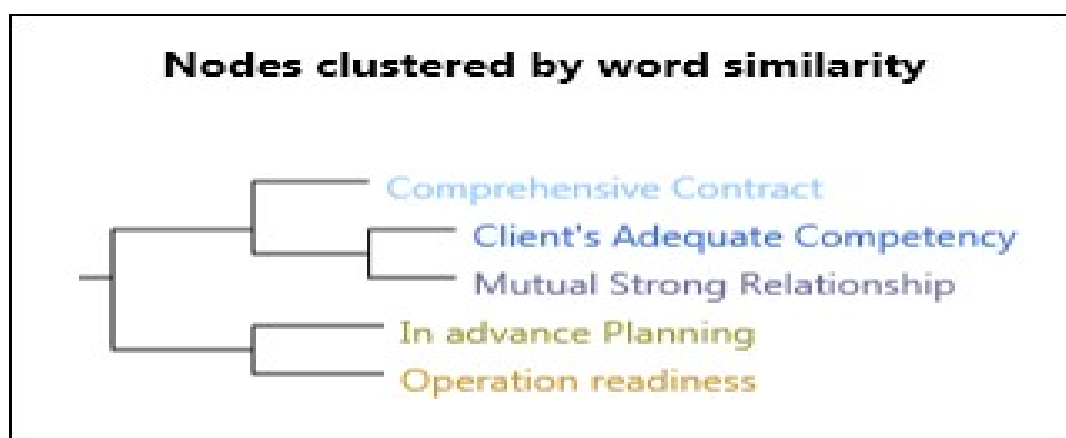**Figure 4.** Nodes clustered by word similarity_ Trust Pattern Codes

Figure 5. Nodes clustered by similarity _ Reciprocity Pattern Codes

Cluster analysis can help by showing the similarity between the identified pattern codes within the same main categories – trust and reciprocity (Pearson Correlation, 2015). From the cluster analysis, it was noticed the high word similarity between vendor competency, vendor transparency and communication channels in the trust category (**Figure 4**), and a high word similarity between client competency and strong relationship with the vendor in the reciprocity category (**Figure 5**).

Reflection on Phase 1

Study Updated Framework – Phase 1

After consolidating the number of identified codes into a smaller number of codes, the updated study framework is as shown in **Figure 6**. The two main factors affecting outsourcing success are trust and reciprocity. These factors are broken down into a few factors using pattern codes. These identified indicators informed the questions posed by data collection via the Phase 2 interview guide (**Appendix A**, **Figure A-2**).
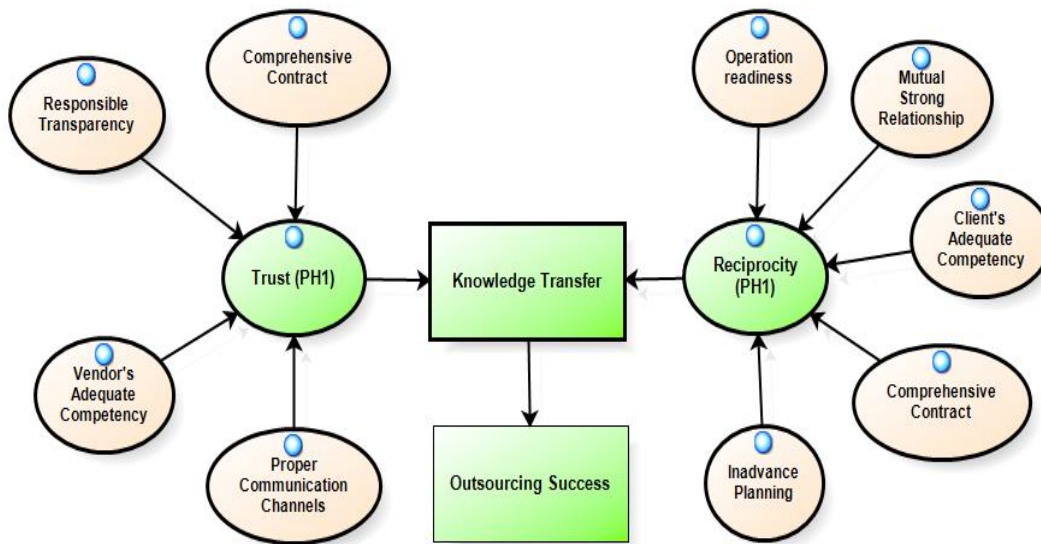
Figure 6. Phase 1 Study Framework

Table 7. Phase 2 Codebook

Name	Sources	References	Description
Reciprocity (PH2)	15	104	Refined Reciprocity coding in PH2
Client Capability	15	20	Pattern coding of the Client's Adequate Competency- capabilities (resources and technical knowledge) that are needed to have a better knowledge exchange
Healthy Relationship	12	15	Pattern coding of the Mutual healthy Relationship between vendor and client during the project lifecycle
Operation Readiness	14	31	Pattern coding of the client's Operation readiness to be able to takeover all vendor responsibilities and to get the vendor's transferred knowledge
Well-designed Contract	14	38	Pattern coding of a Comprehensive Contract, which clearly identifies the scope of work of all parties
Trust (PH2)	15	67	Refined Trust coding in PH2
Communication Quality	15	25	Pattern coding of the proper Communication Channels between vendor and client that guarantee the quality and integrity of transferred knowledge at predefined times
Responsible Transparency	14	24	Pattern coding of the Responsible Transparency of client-vendor relationship that reflects vendor willingness to share knowledge and experience with client
Vendor Capability	15	18	Pattern code describing the Vendor's Capability. The vendor has experience, knowledge, and ability to deliver what is required
Well-designed Contract	14	17	Pattern coding of a Comprehensive Contract, which clearly identifies the scope of work of all parties

Discussion of Key Findings from Phase 1

The vendor's capability is one of the main pillars in building client trust. This can be attributed to the fact that the client, in the initial stages, wants to rely on a trustable vendor, who has the competencies required to run the new project. The vendor's capability has an influence on the next two major pillars in building client trust – vendor's transparency and willingness to take responsibility, and proper communication channels. A fourth pillar is a comprehensive contract. Without this, the previous three pillars will lose some of their meaning and value.

The client's resource capability is one main strength that can help the client to monitor the vendor's compliance with the signed contract and to gain the utmost knowledge from the vendor. The strong mutual relationship is another strength that can help both the vendor and client to run the project effectively. A comprehensive, clear contract with capable resources on the client's side can help with having a good relationship with the vendor. In-advance planning can help to overcome surprises in the project.

Second Phase of Interviews

The study conducted 14 interviews in the second round of interviews, in addition to the observation. **Table 7** is a codebook summary of all the codes used in the second cycle of interviews, the resources used for each code and the number of times (frequency) the resources are used to record each code. These codes were also considered as the pattern codes of this phase.
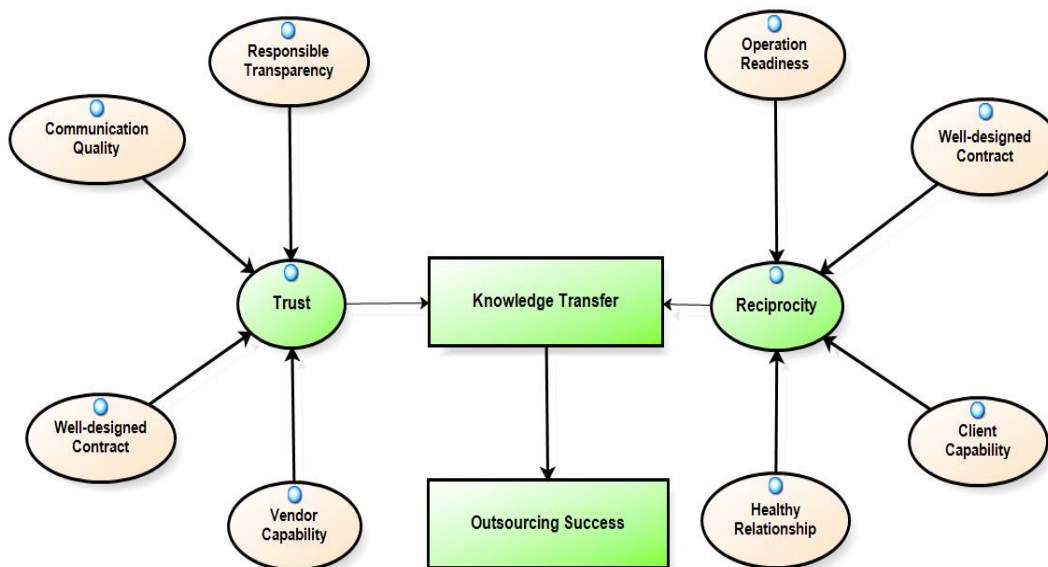
Figure 7. Phase 2 Study Framework

Figure 8. Nodes clustered by word similarity_ Reciprocity Pattern Codes

Reflection on Phase 2

Study Updated Framework – Phase 2

After analysing the Phase-2 interviews, eight pattern codes were identified, and the updated study framework is shown in **Figure 7**.

Discussion of Key Findings from Phase 2

Using word-similarity analysis (Cluster Analysis), the study noted that there is a strong relationship between reciprocity pattern codes. Client Capability has a strong relationship with Operation Readiness and Healthy Relationship, as shown in **Figure 8**. Client Capability is a prerequisite of operational readiness.

Using the same word-similarity analysis for trust pattern codes, the study noted a strong relationship between Vendor Capability and Communication Quality and Responsible Transparency, as shown in **Figure 9**. A strong vendor with a good reputation will always try to improve his image in the market to increase his market share. That is why with such vendors the client will notice high transparency and a high level of communication quality. A well-designed contract has a strong relationship with all of the trust and reciprocity pattern codes, as shown in **Figure 10**. These identified indicators informed the questions posed by data collection via the Phase 3 interview guide (**Appendix A**, **Figure A-3**).

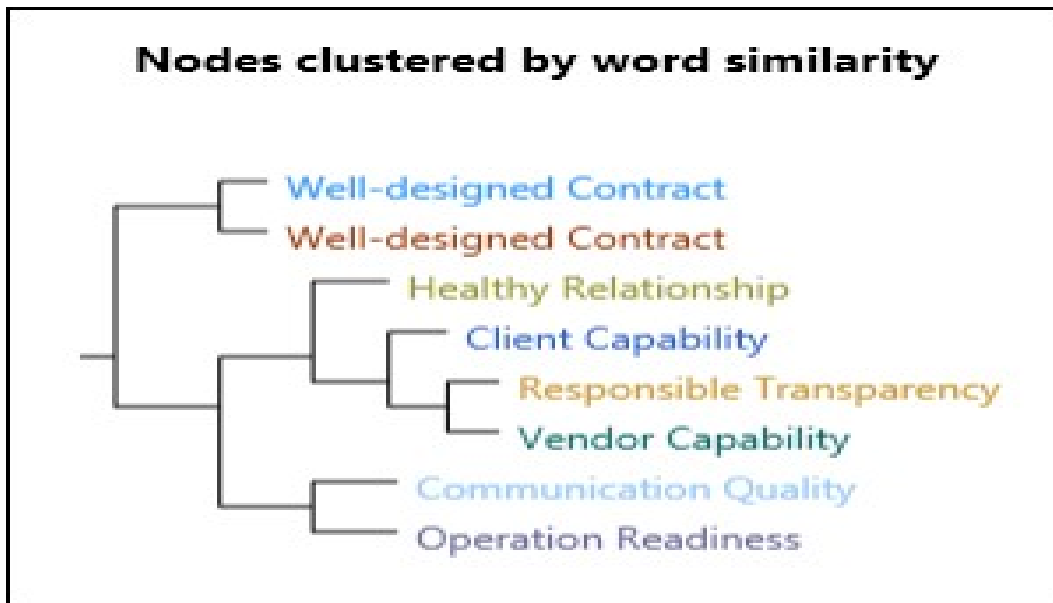**Figure 9.** Nodes clustered by word similarity_ Trust Pattern Codes

Figure 10. Nodes clustered by word similarity_ Trust – Reciprocity Pattern Codes

Third Phase of Interviews

The study conducted 11 interviews in the third cycle of analysis. Five interviewees participated in a focus group

Reflection on Phase 3

Study Updated Framework – Phase 3

The Phase 3 study framework is shown in **Figure 11**. This updated framework is the result of the findings in the three phases of interviews and focus groups, in addition to the existing literature. All of the interviewees agreed on the importance of the three pillars for outsourcing success: Well-designed Contract, Client Capability, and Vendor Capability.
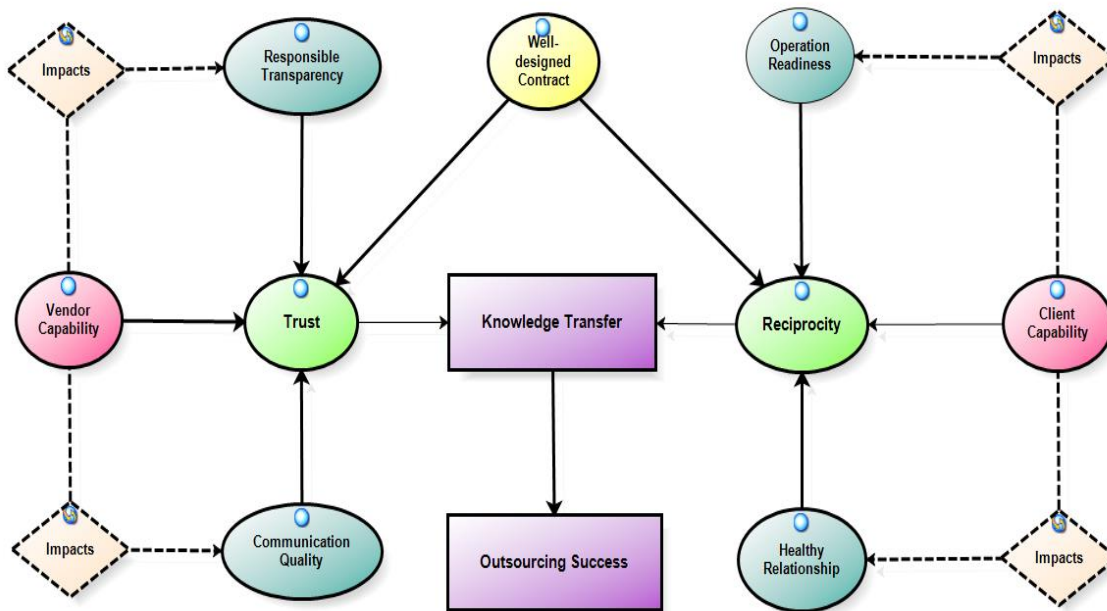
Figure 11. Phase 3 Study Framework

Discussion of Key Findings from Phase 3

The Study Framework in **Figure 11** was used as a basis for outsourcing enhancement in current and future projects. As seen in the figure, there are three main factors that affect outsourcing success within the trust and reciprocity categories. These factors are the contract, the client's capability, and the vendor's capability. On the other hand, there are four associated factors that affect outsourcing success – operation readiness, communication quality, responsible transparency, and healthy relationship. These associated factors are influenced by the previous three main factors. Management support and external consultants can be considered as influencing factors in this framework.

Trust is just one part of the success equation. Reciprocity or exchange strengths are the complementary part of the equation. Vendors will not exchange information if this is not requested by the client. The client also will not ask for the information if he does not know how to use this information.

Summary of Results

The study concludes that mutual trust is not enough to improve the knowledge exchange process. Reciprocity is must exist together with trust to have efficient knowledge exchange. The study reveals the strengths that the client must have that can be used as exchange currencies. These currencies are a well-designed contract, client capability, operation readiness, and healthy relationship. The study presented recommendations on how to improve the value of these currencies.

Trust does not occur by default after signing the contract; there is a need for factors that can help to build this trust. The study identifies four main factors: well- designed contract, vendor capability, communication quality, and responsible transparency.

IMPLICATIONS AND CONCLUSIONS

Impact of the Research Process on the Researched Organisation

The study helped to highlight the issue of talent challenges. The organisation needs to use analytics to predict and forecast future talent needs and outcomes. The intention is to become a High-Reliability Organisation (HRO). An HRO is characterised by a work environment with zero harmful incidents. Skilled resources, processes, and tools are needed to achieve this target. Vendors usually have the experience and resources to run HRO organisations.

Based on the participants' feedback in the three phases of interviews, the researcher proposed the following short-term (quick wins) improvements and long-term proposals for handling outsourcing projects using the study framework in **Figure 11**. Some of the short-term recommendations were implemented within the technical teams by internal agreements. Long-term recommendations need management support and a new budget (**Appendix E**, **Figure E-1** and **E-2**).

The main recommendations are:

Short-term recommendations:

- Reduce risk by utilising proven/repeatable processes and procedures. Continue process improvements that help to reduce costs. Workshops with different teams have been conducted. Processes were revised and customised as per different teams' requirements.
- Improve experience in responding to/resolving critical incidents; be proactive in getting in front of future issues. Conduct training on root cause analysis techniques.
- Establish a good relationship with existing vendors focusing on the 'success together' slogan during the outsourcing project.
- Allow internal resources to focus on their core competencies. Management role is vital in this area by hiring the required resources. Hire a project manager the outsourcing transition project
- Provide a clear definition of IT/vendor team roles and responsibilities. This is a client-vendor effort that will use the signed contract and scope of work as a reference when defining the roles and responsibilities for all parties.

Long-term recommendations:

Introduce expertise at the right levels at the right time to facilitate innovation and improvement. This will cover hiring the right resources, a clear training roadmap, and a clear job description.

Utilise knowledge management platforms to provide self-learning. New contracts must have a transition plan that contains the scope of work and all parties' responsibilities during the transition period.

Contributions to Knowledge

Evolution of the Study Framework

The final study framework in **Figure 11** is an evolution of 3 intermediate frameworks. In the initial framework in **Figure 1**, the researcher used a general framework that utilised the existing literature IT outsourcing determinants for trust, reciprocity, and knowledge transfer. After collecting and analysing the Phase 1, 2 and 3 interviews, new study frameworks emerged (**Figure 6**, **7** and **11**). In the final enhanced framework (**Figure 11**), the researcher identified two primary factors for trust (Vendor Capability, and Well-designed Contract), and two secondary factors (Communication Quality and Responsible Transparency). Regarding reciprocity factors, the researcher identified two primary factors (Client Capability and Well-designed Contract), and two secondary factors (Operation Readiness and Healthy Relationship).

Managerial Implications and Limitations

The importance of this study to managers and practitioners is that it is one of the rare studies that heavily involved technical teams and encouraged them to openly express their feelings and give feedback about IT outsourcing. The study advises managers to look at outsourcing projects with a holistic view. Any missing part will have a later effect on the other parts.

There were some limitations to this study. First, related to generalising the findings; still, the results are impacted by the overall researched company's culture. Second, using interviews to collect data about the participants' behaviour and sensitive issues, questioning process, and interview recording may cause particular issues.

Conclusions

The study showed that learning enhancement can be achieved through interaction and this is supported by SET theory. Outsourcing is a way for companies to improve their learning capabilities. There is a need for experience, a capable vendor, and capable client resources to complete this learning equation.

Reflexivity is defined as "a critical approach to professional practice that questions how knowledge is generated and, further, how relations of power influence the processes of knowledge generation" (cited from D'Cruz et al., 2007, p.77). By adopting this concept, the participants started scrutinising the generated knowledge and not simply using it as a source for deployment, or simply questioning how knowledge is generated.

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Appendix A. Interview guide

Interview Protocol Project: IT outsourcing: The Impact of trust and reciprocity on knowledge exchange - Case study.

Time of Interview:
Date:
Place:
Interviewer:
Interviewee (by Number):
Position of Interviewee:

Project Summary: The aim of this research is to contribute to existing knowledge by focusing on employees — vendors relationship during outsourcing and the factors shaping this relationship. We will focus on trust and reciprocity impacts on mutual knwoledge transfer between vendor and client. Reciprocity is defined as mutually contingent exchange of benefits between two or more units as people expect to be paid back. Trust is defined as "The expectation that the other can be relied upon to behave in a predictable manner, to fulfill obligations, and negotiate and act justly". This will be a case study addressing the following study question: What is the role of trust and reciprocity in knwledge exchange in IT outsourcing projects?

Questions:

1- Tell me about your work background
2- How you evaluate the trustworthy of the vendor from your experience?
3- What approaches worked best for you in the past in communicating with the vendor?
4- How do you evaluate vendor performance and permeability and its impact on knowledge transfer?
5- Tell me about strengths you have which can enhance knowledge transfer from the vendor and enable you to get what you want.
6- Tell me about the impact of contract and relationship with vendor on knowledge transfer.
7- Tell me about things you feel you were missing when dealing with vendor and which can enhance knowledge transfer if you have them
8- What is your advice in future to have better knowledge transfer from vendor to client in outsourcing projects

Figure A-1. Phase 1 Interview Guide

Interview Protocol Project: IT outsourcing: The Impact of trust and reciprocity on knowledge exchange - Case study.

Time of Interview:

Date
Place:
Interviewer:
Interviewee (by Number):
Position of Interviewee:

Project Summary: The aim of this research is to contribute to existing knowledge by focusing on employees – vendors relationship during outsourcing and the factors shaping this relationship. We will focus on trust and reciprocity impacts on mutual knwoledge transfer between vendor and client. Reciprocity is defined as mutually contingent exchange of benefits between two or more units as people expect to be paid back. Trust is defined as "The expectation that the other can be relied upon to behave in a predictable manner, to fulfill obligations, and negotiate and act justly". This will be a case study addressing the following study question: What is the role of trust and reciprocity in knwledge exchange in IT outsourcing projects?

Questions:

1- Tell me why the contract is important determinant of outsourcing success
2- Tell me why vendor capabilities affects client trust with vendor
3- How can client capability be a strength for client to get knowledge from vendor
4- What type of relationship with vendor can help in transferring knowledge
5- How can in-advance planning affects transition and knowledge transfer
6- What is needed for client to be ready for transition (operation readiness)
7- Tell me how you can judge if vendor is transparent or not
8- What is your thoughts about communication channels and communication quality

Figure A-2. Phase 2 Interview Guide

Interview Protocol Project: IT outsourcing: The Impact of trust and reciprocity on knowledge exchange - Case study.

Time of Interview:

Date:

Place:

Interviewer:

Interviewee (by Number):

Position of Interviewee:

Project Summary: The aim of this research is to contribute to existing knowledge by focusing on employees – vendor's relationship during outsourcing and the factors shaping this relationship. We will focus on trust and reciprocity impacts on mutual knowledge transfer between vendor and client. Reciprocity is defined as mutually contingent exchange of benefits between two or more units as people expect to be paid back. Trust is defined as "The expectation that the other can be relied upon to behave in a predictable manner, to fulfill obligations, and negotiate and act justly". This is the final phase of interviews, in which we will discuss the outcome of previous two phases on interviews, and come up with practical proposal that can be applied to improve the outsourcing success.

The final proposed frame work of the study is shown below. In this frame work all identified factors that contributes to trust and reciprocity are shown base on previous interviews. The proposal under discussion will be based on this framework.
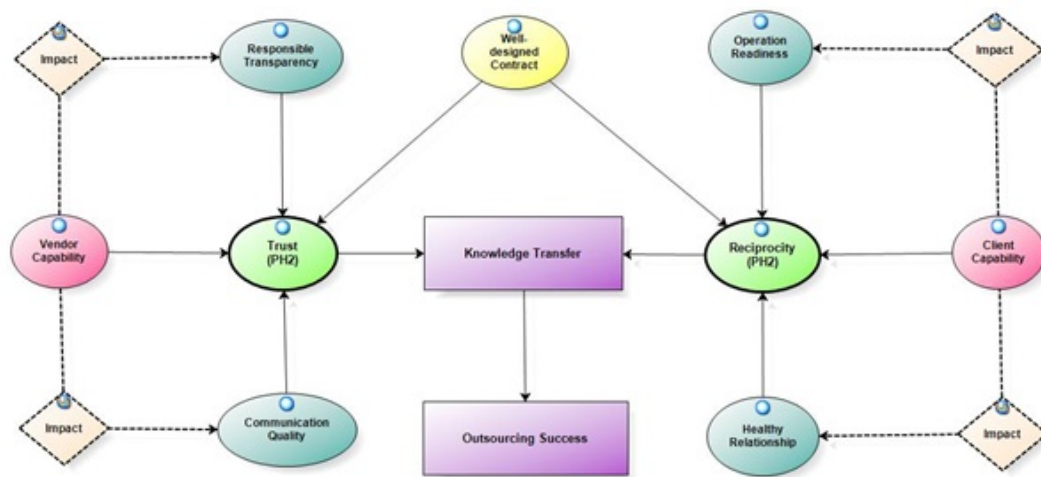
Study Framework

The results of these questions will help in drafting a practical proposal for the company on the suggested actions that can improve knowledge transfer from vendor to customer. The proposed actions will mainly focus on improving the client and vendor's resources capability, client's readiness, communication quality, relationship with vendor, and creating open transparent communication channels with vendor.

Q1: As contract already signed, how can you advice the company in future contracts.

Q2: Vendor capability is a major contributor in building trust, how can you benefit from this in achieving company targets.

Q3: Client capability is another major contributor in outsourcing success, how can you improve the strength of this factor:

Q4: Operation readiness is the client guarantee of effective project handover, how can we improve company readiness

Q5: Knowledge transfer depends mainly on communication quality, how can this be improved

Q6: Vendor transparency is a measure of effective knowledge transfer, how can this be improved

Q7: How can we use all above factors in building healthy relationship with vendor

Q8: Any further comments not covered that can help in future

Figure A-3. Phase 3 Interview Guide

Appendix B. Samples of Interview Transcripts and Daily Observation

[00:00:14.07] Interviewer: Tell about your background

Interviewee#4: 17 years of experience in IT- Project and quality management and during this we dealt with internal staff and vendor for supplying service

[00:00:33.12] Interviewer: how can you evaluate the trustworthy of the vendor

Interviewee#4: considering trust should start with vendor selection process. We need to know what type of vendor we want to have, how much is their experience, can they meet our requirement. They need to have clear financial background. We need to have clear contract and they must meet our requirements and timelines for the project.

[00:01:29.25] Interviewer: what is the impact of the contract on identifying the relationship with the vendor

Interviewee#4: from my experience it is very important to have good relationship with the vendor especially in the knowledge transfer. When the vendor is building and designing the solution based on the contract, we need to have a plan to transfer this knowledge to our internal team. Trust very important, but we need to use a word "translate trust into actions". This means we should have plan in place, we should have clear responsibilities what information need to be transferred during the plan and transfer time to be sure that we are meeting the goals of our organization by being sure that all needed knowledge has been transferred.

[00:02:50.18] Interviewer: during this how you evaluate vendor performance and permeability.

Interviewee#4: it is a good question; we don't do this in one time based on our planning. In our project plan we have quality checks and we do quality assurance checks on deliverables. Typically we do the performance on how knowledge is transferred. We have different phases of knowledge transfer, planning and shadowing. In each phase we need to do quality check and how much the impact. Usually we do a survey for our team to know how much knowledge is transferred. Also based on the documentation, procedure and processes and any code depend on project deliverables will be checked technically and quality wise based on the contract commitment.

[00:04:11.22] Interviewer: what about permeability.

Interviewee#4: this one is done through different opinions as I have seen in different organizations. As leader of quality I have the authority to get from the vendor what I need building this based on the relationship within the organization.

[00:05:03.24] Interviewer: you said your position gave you some strength. Which strengths can enhance knowledge transfer?

Interviewee#4tru there are different strengths and this depends on the roles. As quality leader my role is to be sure that the vendor is exchanging all information based on the signed contract this is one part of our relationship. Since we are doing quality checks on them this as strength from technical side and leadership side.

Figure B-1. Transcript Sample – Phase 1 Interview

The vendor is managing the daily operations. This covers incident, problem, service requests and change management. The vendor is giving a daily reports covering the open incidents and problems for previous days. This covers aged incidents, problems and work orders. This report is prepared by the vendor. Client is only sees what the vendor put in the report. System stability and controlled number of aged incidents increase the client trust with vendor. Closed incidents are not included in the report. Client needs to look in the service management tool and search by himself, which is rarely done. During crises, vendor is controlling the communication and escalation within this problem. Again, client capability can give client ability to audit vendor performance. For problems, vendor has to prepare a root cause analysis (RCA) document, which is a detailed report of the actions done during the problem and the final solution. Also future actions and lessoned learned is added to this RCA. Change failure is reported in daily meetings; but it is noticed that not all change violations are reported mainly if change window is exceeded as mentioned in the contract. In general it is noticed that many things become a routine and difficult to be changed.

Vendor is generating daily reports for open incidents and work orders. Two Weekly reports for change management; one after technical meeting and one after the CAB (change advisory board) meeting. RCA is also prepared after each major incident. Daily mails, conference meetings and ad hoc meetings are also used for communication. The main problem is things happening after working. Usually vendor does daily operation and his responsibility is to keep service running. So in normal operation no need to submit any progress reports other than the agreed ones. It is observed that there are daily operation meetings and in some cases no updates in such meetings as SLAs times are weeks and many teams update on incidents or work orders weekly not daily.

Vendor performance is measured against signed SLAs within the outsourcing contract. In this contract there are agreed SLAs for incident, problem, release and change management. Also there are other technical KPIs about hardware and application availability.

These measurements are done by vendor and sent to customer in daily reports. We can see here that vendor performance is measured by vendor. Vendor transparency is not easy to measure or judge. We noticed that mutual trust between vendor and customer in addition to possibility of contract extension in future can help to have more permeability. We observed that during daily dialogue there is criticism about vendor transparency, but nothing communicated officially to vendor. We also observed that no dedicated persons assigned to revise the reports received from vendor on routine basis. If SLAs are matching the agreed ones, reports are accepted and no further investigation is carried. The main concern of client and vendor is to achieve the agreed SLAs; this with time overcome other interests as looking to root causes of problems or knowledge transfer and each one become satisfied with the results and not willing to dig deeper to learn

We observed that only managers know about the contract; IT team only accepts what the vendor says about agreed SLAs. In the contract the vendor is relaxed as in this period no penalties can be put on the vendor if missing SLAs. Nothing in the contract about plan for knowledge transfer or period of contract. Main scope of contract is to run daily activities. The client never thought of the end of contract and knowledge transfer from vendor. For this no one can plan for transition before management decision and vendor agreement.

Figure B-2. Daily Observation – Phase 1

Appendix C. Phase 1 Coding

Figure C-1. Word Cloud

Appendix D. Samples of Interviewees' Quotations

Phase 1 Interviews- Trust	
Vendor's Adequate Competency	One IT specialist said about choosing the vendor based on competency, *Big vendors will have a predefined process and procedure that will apply to any project, in my opinion dealing with this type of vendor is the best choice. The deliverables of the vendor, the quality of the deliverables, and meeting deadlines. All will be of added value or the main factor in evaluating the vendor*
Comprehensive Contract	One manager summarised this in clear words, *It is hard to get trust if it does not exist in the contract. In general, the relationship is contract-based rather than trust-based. The vendors will try to minimise their work referring to the signed contract; the client is expecting things to be done based on trust, but the contractual issue dominates.*
Responsible Transparency	One IT manager reflects on this factor, *Trust is very important, but we need to use a word (translate trust into actions).*
Proper Communication	One IT specialist summarised the preferred communication channels, *Direct daily contact with vendor counterparts is a good way to be updated and aware of what is going on. Ad-hoc meetings on major activities after major incidents are another good way of communicating*

Figure D-1. Phase 1 Interviews – Trust

Phase 1 Interviews- Reciprocity	
Client's Adequate Competency	One IT team leader had a strong statement on the capability strength, *If the vendor feels that the client does not have the capacity to absorb knowledge transfer then we cannot take this as granted.*
Comprehensive Contract	One IT manager summarised the importance of a good contract, *The contract will identify what needs to be transferred. The vendor will not do knowledge transfer if not explicitly mentioned in the contract*
In-advance Planning	One IT specialist explained the way that transition was done in one IT outsourcing project, *During the transition, we had taken full responsibility within a short period, which was not good for our security team.*
Mutual Strong Relationship	One IT specialist linked good relationships with professional experience, *Professionals' competences gave us a good chance to build a good relationship with the vendor. This makes it easier for us to get more knowledge from the vendor, mainly about reports generation.*
Operation Readiness	One IT specialist talked about readiness from his perspective, *We should have a proper system and proper resources and documents. A system process is important during knowledge transfer. Knowledge needs to be documented in a standard operation procedure.*

Figure D-2. Phase 1 Interviews –Reciprocity

Appendix E. Samples of Study Improvement Recommendations

Trust			
Communication Quality	**Transparency**	**Vendor Capability**	**Contract**
Identify the contact points on each side	Considering the vendor's resources as part of the work team	Availability of Onsite vendor resources	Sign support contract with different vendors for third-line support
Identify the type of reports and frequency of each report	Avoiding a finger-pointing and blaming policy	Ask for vendor resources' interview reports	
Reciprocity			
Healthy Relationship	**Operation Readiness**	**Client Capability**	**Contract**
Team building meetings	Availability of skill-matrix sheet	Engage client resources with vendor activities in the early stages of the contract	involve technical teams in identifying the client requirements and in technical discussions within the contract
Avoid a finger-pointing and blaming policy	Availability of transition plan with transition manager	Use shadowing and reverse shadowing during the transition period	

Figure E-1. Short-term Improvements: Trust and Reciprocity

Trust	
Vendor Capability	**Contract**
Use two or three references for vendor selection	Define the objectives: what needs to be achieved with outsourcing
Compare vendor performance in companies of the same size: use apple-to-apple comparison	Hire an external consultant to finalise the contract
Reciprocity	
Client Capability	**Contract**
Hire multi-skilled employees (SMEs) to start the project	Clause on vendor change if not performing well
Hire the same number of resources as the vendor resources before the end of the contract.	Defined target date for the contract: the end of the contract must be defined

Figure E-2. Long-term Proposals: Trust and Reciprocity