

Managing an IT-Outsourcing Partnership in Asia Case study: the Relationship between a Global Outsourcing Company and its Global IT Services Supplier

Dr. Erik Beulen - Atos Origin/Tilburg University
Prof. dr. Pieter Ribbers - Tilburg University
Tilburg University
PO Box 90153 5000 LE Tilburg the Netherlands
P.M.A.Ribbers@kub.nl

Abstract

This article describes a case study of an Asian Information Technology (IT) outsourcing partnership in the discrete manufacturing industry. Interviews with business and IT executives of both the outsourcing company and the IT supplier provided the necessary insights. Nowadays many organizations in discrete manufacturing move their plants to Asian countries or other lower wages countries. Most IT suppliers in Asia are relatively inexperienced with the management of IT-outsourcing relationships. But not only the IT suppliers are inexperienced, also the outsourcing companies do not have a track record in the management of IT-outsourcing relationships. Moreover, besides the level of experience also cultural issues play an important role in this matter. Contrary to the level of experience the cultural factor will not change over the next years. This article aims to provide a better understanding of managing IT-outsourcing partnerships in developing Asian countries on the basis of an IT-outsourcing partnership model.

1. Problem Specification

Asia is a growth market for IT services; however, the level of experience with the management of IT outsourcing is low compared to the rest of the world. Gartner presents for 2001 a general higher average growth for the Asian IT market than the 10% yearly growth for

the rest of the world [8]. Looking at today's IT-outsourcing market the maturest IT-outsourcing partnerships are found in the US. The UK and Australia are closely following. The rest of Western Europe is behind the UK and Australia. The rest of the world, including Asia is far behind. As a consequence the level of experience in managing IT-outsourcing partnerships is very low in these countries [14] [16].

Furthermore the Asian culture has a large impact on business relations [4]. Hofstede provides a framework to analyze culture [10]. In this paper we focus in particular on the effects of power distance and individualism. Compared to other aspects of culture distinguished by Hofstede, like masculinity and uncertainty avoidance these aspects turn out to be the most dominant ones in the Asian culture, compared with US, UK and Australia and Western Europe. The Asian culture is in particular characterized by a large power distance and collectivism [11].

The question addressed in this paper is how IT-outsourcing partnerships can be managed properly in these inexperienced, high power distance, and collectivist countries. We discuss an in-depth case study of an Asian IT-outsourcing partnership in the discrete manufacturing industry, with which we aim:

- to describe an IT-outsourcing partnership in Asia
- to derive lessons learned for managing Asian IT-outsourcing partnerships

The structure of this paper is as follows. Section 2 discusses the theoretical foundations. It includes

definitions of culture, IT-outsourcing partnerships, experience, power distance and individualism. The IT-outsourcing partnership model is the conceptual framework for this article. This model will be used to describe the Asian IT-outsourcing partnership case in section 3. Section 4 provides analyses and observations.

	PDI	IDV	MAS	UAI
Australia	36	90	61	51
Austria	11	55	79	70
Belgium	65	75	54	94
Denmark	18	74	16	23
France	68	71	43	86
Germany	35	67	66	65
The Netherlands	38	80	14	53
Switzerland	34	68	70	58
UK	35	89	66	35
US	40	91	62	46
Average	38	76	53	58
	PDI	IDV	MAS	UAI
China	80	15	55	40
Hong Kong	68	25	57	29
India	77	48	56	40
Indonesia	78	14	46	48
Malaysia	104	26	50	36
Philippines	94	32	64	44
Singapore	74	20	48	8
Thailand	64	20	34	64
Average	80	25	51	39
PDI = Power Distance	CDI = Confucian Dynamism			
IDV = Individualism	MAS = Masculinity			

Figure 1: Factors in determining the culture of the US, UK and Australia and Western Europe versus the Asian countries [11].

2. IT-outsourcing partnership model

2.1 Cultural impact on managing

When discussing culture Hofstede writes: “ The collective programming of the mind distinguishes the members of one group or society from those of another.Management within a society is very much constrained by its cultural context, because it is impossible to coordinate the actions of people without a deep understanding of their values, beliefs and expressions.” [10]. Difference in culture makes it still very hard for Western companies to prosper business relationships in

Asia [12]. Steinbart and Nath confirm the impact of culture for Information Technology [21]. Culture has also an impact on managing IT-outsourcing partnerships [5]. As can be derived from Figure 1 the most significant differences between the Western and Asian cultures are related to power distance and individualism.

Power distance

Power distance can be defined by the extent to which the members of a society accept that power in instructions and organization is distributed unequally [11]. Power distance affects the behavior of the less powerful as well as of the more powerful members of the society. In a large power distance society the people accept a hierarchical order in which everybody has a place which needs no further justification. The Asian countries are examples of countries with a large power distance, see Figure 1.

A small power distance society strives for power equalization and demands justification for power inequalities. The US, UK and Australia and most Western European countries can be characterized as small power distance societies, see Figure 1.

Individualism

Individualism can be characterized as a preference for a loosely knit social framework in societies wherein individuals are supposed to take care of themselves and their immediate families only: the I-concept [11]. The US, UK and Australia and most Western European countries can be characterized as individualistic societies, see Figure 1. The opposite of individualism is collectivism. This can be characterized as a preference for a tightly knit social framework in which individuals can expect their relatives, clan or other in-group to look after them in exchange for unquestioning loyalty: the WE-concept [11]. The Asian countries are examples of countries with collectivism, see Figure 1.

2.2 IT-outsourcing partnership

The literature on IT-outsourcing contains several contributions to the question on how to manage IT-outsourcing partnership [3] [5] [15] [16] [18]. In this article an IT-outsourcing-partnership model provides the conceptual framework, and is composed of the following elements: the outsourcing company, the IT supplier, the relationship, experience, power distance and individualism –see *Figure 3-*.

The companies involved

The outsourcing company is the company that decides to start a long-term contractual relationship with one or more IT suppliers to provide all or part of its IT services. The IT supplier is responsible for the delivery of the IT services to the outsourcing company.

The relationship

There are two elements that characterize the relationship between the outsourcing company and the IT supplier: the type of IT sourcing decision and the type of services involved.

Based on research of Currie and Willocks we can determine four types of IT sourcing decisions [5] [22]. The most restricted type is a relationship with the internal IT-department: *insourcing*. A more comprehensive type describes a relationship with one or more IT suppliers for only parts of the IT services: *multiple selective sourcing*. The most comprehensive type describes a relationship for all IT services, with one or more IT suppliers: *total outsourcing*. The fourth type is an alliance/joint venture. The latter is not very relevant in Asia [6].

For the type of services IDC [13] provides the following definitions. The type of service that has the smallest impact on the outsourcing company is *Information Systems outsourcing*. These services are the traditional IT services such as infrastructure services, desktop services and application management services. These IT services support the business processes but are not an integral part of the business processes. The type of service that includes parts of the business processes has a larger impact: *Processing Outsourcing*. These are a coherent set of services that are part of and interact with business processes. The type of service that has the largest impact is the services that include also non-IT services as part of the total service offering of the IT supplier to the outsourcing company: *Business Processing Outsourcing*.

Experience

In this article experience is defined as the level of experience of both the outsourcing company and the IT suppliers in managing IT-outsourcing partnerships in the Asian region. Most of the outsourcing companies and the IT suppliers in the Asian countries do not have a very large track record in managing IT-outsourcing partnerships [14] [16]. As suggested by Currie and Willocks [5] [22] and IDC [13] there is relationship between the required level of experience on one hand and the types of sourcing and type of services on the other hand. In general the higher the degree of client/supplier inexpediency, and the higher the level of complexity of

the IT services involved in the relationship, the higher the required level of experience in the management of the relationship will be [22] [13] [see figure 2].

The experience of the involved companies can only be increased by hands-on experiences in addition to descriptive processes on how to manage IT-outsourcing partnerships [3].

It is clear that the level of experience can and will change; the existing culture will be very difficult to change. Moreover, there is no clear normative picture on the right or wrong of a culture in general and of different values of power distance and individualism in particular. It is however clear that these cultural issues influence doing business in the Asian countries and have to be dealt with by western organizations entering the Asian market [4].

3. An Asian IT-outsourcing partnership

The next section discusses the case of a successful Asian IT-outsourcing partnership. The IT-outsourcing partnership model will help to position the case study. The results of the interviews are projected on the descriptive model. The nature of this type of research is explorative. We used the case study method, because it enables "reality" to be captured in considerably greater detail than other methods, and it also allows the analysis of considerable greater number of variables [23].

This case description is based on interviews of 1 ½ hour each with the IT director of the business unit of the outsourcing company and the service delivery director of the IT supplier. The interviewees provided insight in the factors, which they thought to have a major impact on IT outsourcing relationships in Asia. The interviews are based on a structured questionnaire with open questions related to the elements of the IT-outsourcing partnership model. We also analyzed relevant reports and obtained archival data. The results of our research are discussed in the sections 3.3 until 3.5. Section 3.1 and 3.2 provide the context and the introduction of the investigated case.

		Needed experience in managing IT-outsourcing partnerships
Type of IT sourcing decision	Insourcing	Low
	Selective multiple sourcing	Medium
	Total sourcing	High
Type of services	Information Systems outsourcing	Low
	Processing outsourcing	Medium
	Business process outsourcing	High

Figure 2: Needed experiences in managing IT-outsourcing partnerships for the outsourcing company and IT suppliers, related to the sourcing and the type of services of the relationship [5] [13] [22].

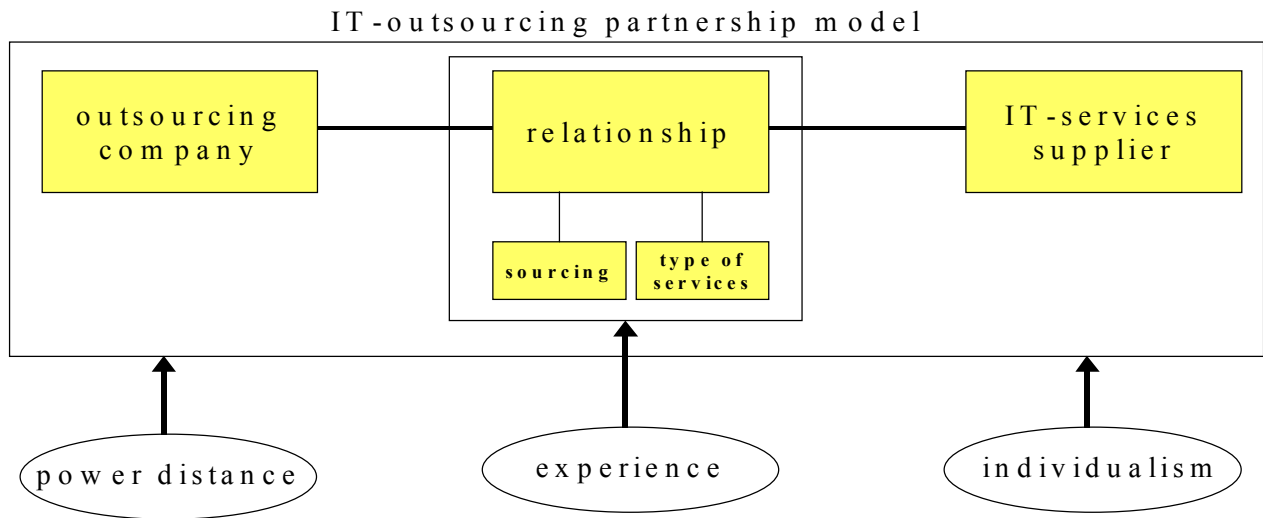


Figure 3: the IT-outsourcing partnership model and the influences of power distance, individualism and experience

The outsourcing company's IT director: She is responsible for IT at her company's Asian assembly and test business unit. She has an expatriate assignment. She heads the local information management office of about 8 employees. In addition she is a member of the business unit's management team, hierarchically at the level of plant managers. She is responsible for about 30 % of the business unit's entire IT budget – strategic applications-

The IT supplier's service delivery director: Like his client, the IT supplier's service delivery director works for his company's Asian subsidiary. The contract studied here is part of his responsibilities. He is a member of the Asian management team and operates at senior management level.

3.1 Context

The IT-outsourcing partnership of this case study is situated in Asia. Two locally managed subsidiaries of companies based in Europe began their relationship in 1998, on the basis of a five-year outsourcing contract. The IT supplier, employing more than 1200 people in Asia, is a global service provider. It offers full services and runs a regional data center connected to other regional data centers in order to guarantee world-wide services 24 hours a day. The outsourcing company has been operating in discrete manufacturing for over 25 years and employs more than 3500 employees. It is a subsidiary of a globally active company that is quoted at several stock exchanges. As a business unit it is part of the global company's division for business-to-business markets, whose products are mainly sold to third parties. The division's value chain

consists of three segments: semimanufactured products, assembly and test and technical marketing. For each part of this value chain separate business units have been set up worldwide. They operate by region. The company's technical marketing organization is spread out over a large number of countries to support its local sales. Semi-manufactured products involve high added values and knowledge-intensive processes; the business units responsible for them are therefore mainly located in the western world. Assembly and testing, on the other hand, is labour-intensive and involves high volumes and low added values. Its business units are mainly located in countries with lower wages. The Asian assembly and test business unit runs major plants in three countries as well as a large number of offices in various countries. The IT-outsourcing partnership studied, however, applies to one country only; in the other two countries there is a preference for secondment and for outsourcing entire projects; there the company consequently maintains small IT departments of its own. The relation of these two companies may be characterized as *information systems outsourcing* and *selective multiple outsourcing*.

At first the contract involved about 20 Full Time Equivalents (FTEs), all deployed in the client's largest factory. In time the contract was expanded to 35 FTEs and involved several plants. The IT-outsourcing partnership is about a transformation of a mainframe platform into a client server architecture. This transformation project is not yet finished and still requires

the IT supplier's attention. The IT supplier is also responsible for the maintenance and operation of this infrastructure and its corresponding applications, on a 7 x 24 hours' basis. The supplier's activities focus on applications (ERP and Shop Floor Control systems). This includes new release creation, changes, bug solving, and support.

Start contract	1998
Duration of the contact	5 year
Size of the contract today	35 FTE's
Transferred people	17
IT supplier	Global service provider
Outsourcing company	<ul style="list-style-type: none"> • B-to-B market • Labour intensive • High volume • Low added value
Relationship	<ul style="list-style-type: none"> • Information systems outsourcing • Selective multiple outsourcing

Figure 4: key characteristics of the investigated case

The local market in which these two companies operate is similar to the European market of 10 years ago. There are many small players, mainly focused on the development of tailor-made applications. Then there is a limited number of large local companies that offer ERP package implementation. A few very large Asian conglomerates offer limited IT services to Asian markets through their internal IT departments. Some global service providers, like the IT supplier in this case study, have subsidiaries in this local market. Such a scattered and immature market presents difficulties to those who are active in it. The lack of IT professionals who have experience with business process-oriented work limits the professional services these players can offer.

3.2 Introduction

For the outsourcing company the main argument to contract the IT supplier was the low maturity level of its own IT department. It needed the support in order to realize the transition from a mainframe platform to a client server platform. Therefore, the outsourcing relation began with this application and infrastructure transformation. Since this involved much business re-engineering it influenced the entire business unit. The IT director of the outsourcing company considers IT to be of strategic importance. Her company's business and the changing environment in which it operates simply made performance and quality improvements necessary and thus called for the transformation. The present owner bought these plants only a few years ago, and is now in the process of integrating them into its organization. This integration makes the innovation in business processes necessary and requires a new IT platform.

3.3 Relationship

The interviews indicate that the three most important elements related to the relationship are *business improvement*, *contract structure* and *contractual obligations*. The factor *Business improvement* represents the goals, which the outsourcing company is pursuing with the outsourcing relationship [5]. The IT-outsourcing partnership is framed into the *contract structure* and *contractual obligations* [15].

Business improvement

The region in which this business unit operates is normally chosen for its inexpensive workforce. The average educational level in these parts of the world is not very high and most employees are monolingual. This limits the potential for ambitious investments within the context of a multinational company. On the other hand, there is usually little need for ambitious projects, precisely because of these low wages. These two conditions enforce the backward position of the business unit in our study. The management has recognized this backward position and has initiated a remarkable ambitious business program, which necessitates a change of the IT-environment. The IT supplier has introduced state-of-the-art applications that have a major impact on the plant's operation. According to the service delivery director: 'For the plant's employees these new IT services constitute a move from the Stone Age to the year 2000. They really mean a big change for everyone involved'. In this specific situation such major investments are justified because the consequent business re-engineering turns the old-fashioned factory into an up-to-date plant as well. As a result of the new IT-investments instead of lagging the plant now takes a leading position, with short lead times and low stock levels. In this company's business that is a serious advantage, and it dramatically improves its competitive position. Ultimately, the plan is to use the experience gained here to achieve the same improvements in the business unit's other two plants. This requires a large effort from both the outsourcing company and the IT suppliers. The outsourcing company has to adapt their business processes to bring their organization to a higher maturity level.

Contractual obligations

The outsourcing contract revolves around the supplier's input obligations. The IT supplier is not rewarded for extra output or for improving the level of its services, and thus there is no long-term stimulus to make any extra effort. The IT director of the outsourcing company is fully aware of this problem: 'Our IT supplier really wants to deliver good services. The value for money they offer is the result of their staff working very hard, often during extremely long working hours. One explanation for this

dedication is that their staff has a great sense of responsibility. The problem, however, is that they cannot be expected to go on making such long days indefinitely.’ When the contract was drawn up, neither party had any outsourcing experience. Therefore, they agreed that rewards for extra effort or improvements were unnecessary. The IT director believes this may change. ‘We have gained a clear insight into our supplier’s efforts, output and deliverables; our partnership has become maturer. When we signed the present contract we agreed to revise it when needed. Now might be time to do so.’ She explains why output definitions were left out of the original contracts. ‘Before we signed the contract I showed the draft to a couple of people. They all recommended adding extra output-related clauses. But I argued this is impossible if you start from scratch. I stuck to my point and I don’t regret it. Of course I expect output, but how could I know how much it was reasonable to expect? And how should such output be measured?’ Ultimately, of course, measuring output is the only way to go. ‘For this contract countless hours were spent on defining the input for each function point - quite irrelevant, really. It’s just that measuring output is so difficult!’

The current contract also contains a number of Key Performance Indicators (KPI’s), in addition to the gentlemen’s agreement according to which the IT supplier ensures that its clients’ plants will function properly. These KPIs focus on the availability, reliability and on-

time delivery of the modules that constitute the software development projects.

Contract structure

The outsourcing company and its IT supplier have established global outsourcing relations. These are laid down in their Corporate Framework Agreements, which provide the general terms and conditions for division-level Partnership Framework Agreements as well as Service Framework Agreements at business unit level. The individual service contracts are called Service Level Agreements and fit within the Service Framework Agreements of their business units. In them tasks and responsibilities - input obligations - are specified. These include the capability levels of the supplier’s staff and the capacity required, with a guaranteed minimum and an upper limit. The outsourcing company must, of course, inform the supplier on time if any capacity changes are needed.

In the relationship it became clear that the lack of experience in IT-outsourcing partnerships hindered the process of bringing about the final contract. This could have been compensated by the presence of a Partnership Framework Agreement at division level. However in this case the existing Partnership Framework Agreement could not be applied because of the specifics of agreement.

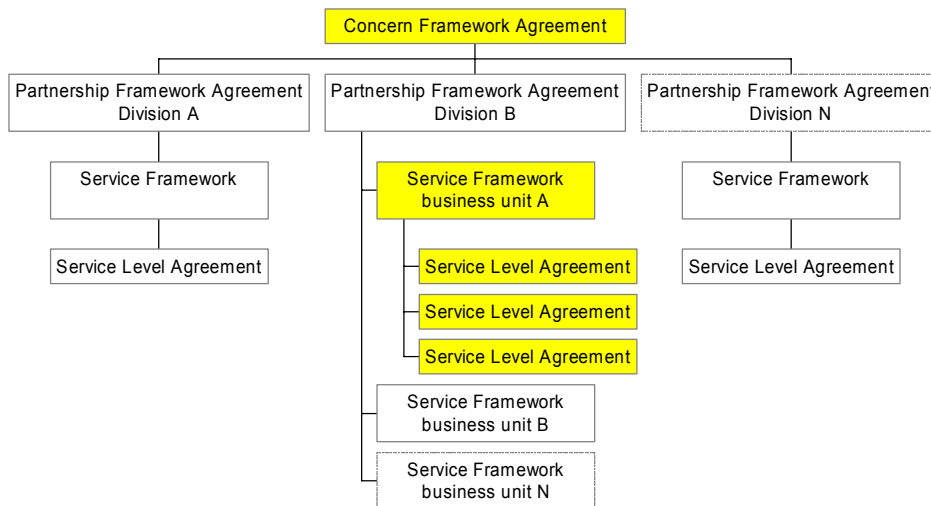


Figure 5: Contract structure of IT-outsourcing partnership (only the dark boxes are applicable to the IT-outsourcing partnership of the investigated case)

3.4 Outsourcing company

The interviewees indicated that the three most important factors related to the outsourcing company are *IT strategy*, *Information Management* and *IT-budget*. The *IT strategy* has to support the business and the changes in the business [1] [9]. *Information Management* is responsible for the implementation of the IT strategy and for managing the IT-outsourcing partnerships [19]. The *IT budget* is available to spend on IT services. The IT-budget should be part of the total budget of a profit and loss responsibility business unit [7].

IT strategy

In most of the outsourcing companies, centrally determined enterprise wide IT strategies provide guidance for the IT strategies on lower levels – e.g. SBU level – of the organization. In our case study company there is a larger degree of freedom for the business unit to determine its own IT strategy. The division and its parent company supervise the business unit, but not very closely, leaving the IT director of the business unit much freedom with respect to her IT strategy. Her freedom is increased still further by the fact that the division's IT strategy is not updated frequently.

The absence of a guiding division IT strategy enables the business unit to focus their IT strategy on the ambitious business process-reengineering program. To implement this IT strategy a powerful and capable IT director is required. In this specific case the IT director is a Western European expatriate manager with a large track record in implementing business process-reengineering programs. She has been attracted because of the lack of local skills. Although, in general there is a tendency towards "virtual" assignments, she has been asked to commit herself to a long-term international assignment. "Virtual" assignment employees have combined roles in their home organization and abroad. This increases flexibility, it increases the willingness of individual employees to agree to an international assignment and saves costs [20]. However, in this specific case a "virtual" assignment would not work. The expatriate manager needs to be present on a full time basis because of the size and the impact of the long-term transformation project. The introduction of a Western European manager also has solved the problem of power distance and collectivism. This manager is expected to independently develop and drive new initiatives to achieve the goals of the ambitious program in co-operation with her local staff. Her acceptance by the local staff contributed to the realization of the program goals.

Information management

The outsourcing company has an information management staff of about 8 FTE, headed by the IT

director. This team is responsible for the business unit's IT strategy and the functional specification of the applications. Originally, the information management team consisted of its manager and the technically oriented people. But this team had little affinity with business issues, and consequently there were difficulties in their communication with the plants for which they were working. The transition project was too important to take any such risks. Therefore, a solution was found in appointing new information managers and in adding business people of just below management level to the team. Due to these start-up problems the information management team has not yet achieved much. But both the outsourcing company and its IT supplier stress the importance of having a proper information management, especially for medium-term and long-term planning. The supplier's service delivery director puts it like this: 'We are really trying to support the information management team. They can help make IT a strategic tool. But it's hard for our client to find qualified people, who have the right managerial and conceptual capabilities. This is not, by the way, an issue in this outsourcing company only.'

IT budget

In most companies the business units have a profit & loss responsibility. This results in a decentralized IT budget for the business units. The IT director of this case study is responsible for 30 % of her business unit's IT budget; the other 70 % is decentralized to the plants. Such a split is unusual; in most outsourcing companies the entire IT budget is decentralized. Leaving the full responsibility for spending the IT budget with the plants might have resulted in a lack of initiatives due to the high power distance. The IT director's position is strengthened by her 30%, and this centralized slice of the budget enables her to achieve efficiency by standardization and supports the ambitious goals of the business process-reengineering program of the business unit. The plants' budgets, on the other hand, allow customization by fitting IT services to their specific needs. It is difficult to establish whether splitting 30/70 is the right proportion, but some kind of split certainly seems to contribute to the good governance of the IT-outsourcing partnership and the alignment of business and IT.

3.5 IT supplier

Contract and account management, *service delivery* and *human resources* are the most important factors related to the IT supplier which were mentioned in the interviews. *Contract and account management* is responsible for managing the IT-outsourcing relationship with the outsourcing company [2] [18]. *Service delivery* is responsible for providing the contracted IT services to the outsourcing company [3]. *Human resources* is on of the

most important issues today in managing IT-outsourcing partnerships as worldwide there is a shortage for IT professionals [17].

Contract and account management

Sales cycles in Asia are longer than the sales cycles in the Western world [12]. According to the service delivery director: 'Once you have done a successful project you easily get another project from the same customer. We have some promising first projects with new customers but there is still a lot to do.' In the Asian culture trust is very important [18], which increases the length of the sales cycle. Also collectivism and a large power distance increases the sales cycle. All the involved people need to agree prior to signing a contract. The large power distance results in formal negotiation procedures.

In order to maintain and further develop the IT-outsourcing partnership in our case study company a symposium is organized every year. This approach matches the collectivism and the large power distance. The symposium contributes to create group support for the current and the future services of the IT supplier.

The large power distance is overcome by incorporating the responsible managers of the outsourcing company. The symposium focuses on relevant developments in business and IT, addressing real issues facing the outsourcing company's senior business and IT managers. The topics chosen reflect new and innovative opportunities, such as e-business. To show its commitment the supplier always has senior managers from outside the country attend the symposium. Says the service delivery director: 'These symposia illustrate our general pro-active mode. We actively offer value propositions that will improve their business.'

Service delivery

The IT supplier's local organization uses its parent company's global processes to increase the effectiveness and efficiency of its service delivery process. However, not all-global processes are implemented, only those that really result in benefits for the outsourcing company. Such a mix of global and local solutions is necessary because of the limited size of the contract. For example implementing tooling for monitoring IT operations is very costly and will not pay off in such a limited environment. The service delivery director explains how it works: 'In Asia we deliver services to three different plants. One is completely serviced by us, on the basis of a long-term outsourcing contract. The second is partly serviced by us, on the basis of project and secondment contracts. And the third plant is serviced entirely by the client's own IT departments. Implementing all our global processes would lead to conflicts with these departments, which is why we mix processes from both our organizations. The result is a smoother, harmonized co-operation.' He

realizes that the mix doesn't please everyone: 'Of course neither our corporate organization nor that of our client is very pleased with this solution. It isn't the standard way of doing things. But I don't care. Our customers are satisfied, it works. And that's what counts.' Asked for an example, he tells us about their corporate helpdesk. 'It really works well. But it's too heavy and too sophisticated for our local situation. So we set up a limited, local helpdesk of our own, on the basis of these corporate helpdesk processes. When I presented this solution at a meeting at which our client's corporate IT managers were present they objected that this was not the standard method. But their business people cut the discussion short. This was what they needed.' This limited solution works because of its combination of local touch and western service levels [7].

Human resources

According to the contract 20 people were transferred to the IT supplier. As said these people are monolingual, have limited IT skills and hardly or no business skills. However they possess knowledge about the outsourcing company. Realizing the change by the IT services supplier in the outsourcing organization requires an influx of new people. These people need to have in particular higher IT and implementation skills. In order to keep the best-qualified staff opportunities for experience and skill improvement have to be created. It is advisable to transfer the best-qualified people to other customers. In this way a balanced combination is realized to provide services to the outsourcing company, to integrate the transferred employees and to stretch their growth potential. The current contract involves 35 FTE from the total of 1200 employees of the Asian organization of the IT supplier.

4. Analysis & observations

The above case describes a successful IT-outsourcing partnership in an environment characterized by lack of experience in managing IT-outsourcing partnerships, high power distance and collectivism. The contract included an ambitious program involving IT and business related changes. This program had to bring the client organization from a Stone Age situation to the high performing organization according to today's standards. The following factors contributed to the success of the relationship:

1. Because of the lack of experience in managing IT-outsourcing partnerships, the initial contract was based on input requirements instead of output requirements.

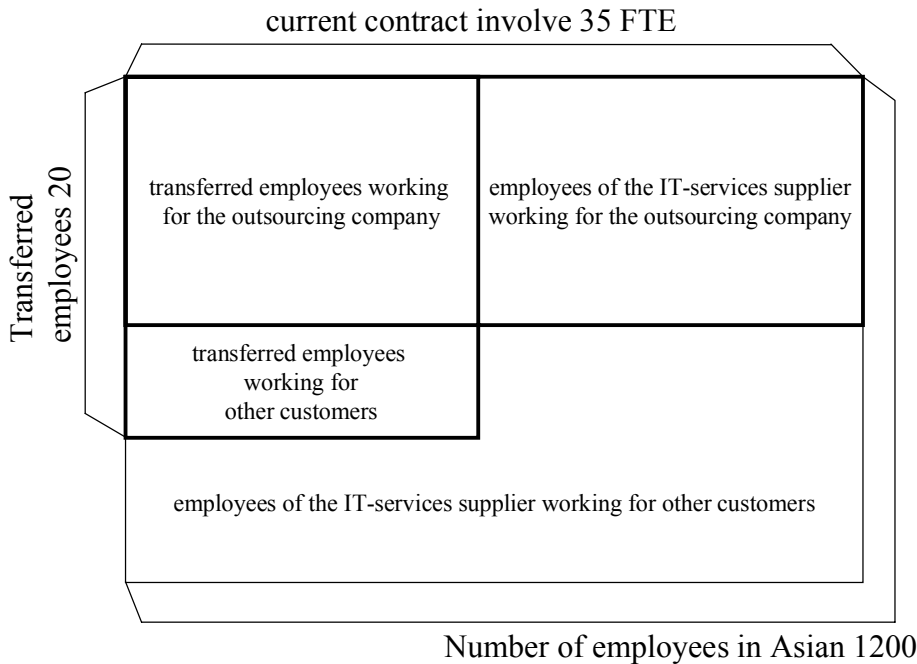


Figure 6: sourcing of the IT-outsourcing partnership for the investigated case in the perspective of the Asian organization of the IT supplier

2. The transformation was the responsibility of a Western European IT director. This helped to overcome the problems with high power distance. The IT director was expected to develop own initiatives and drive the changes. It would have been questionable whether these skills could have been expected from a local IT director. Especially within the context of a business unit located in Asia, which is part of a multi national company, a more 'wait and see' policy due to the high power distance was to be expected.
3. The position of the IT director was enforced by allocating a substantial part of the IT budget to her. Again this helped to overcome problems related to a lack of initiative which could have been the consequences of the large power distance and the collectivism of the local staff.
4. The IT supplier invested in the relationship among others by organizing joint workshops with senior business and IT management of the client which helped to overcome the problems related to high power distance and contributed to getting collective [the collectivist aspect of the culture] support for the changes.
5. The IT supplier has defined global processes and tools to enable the service delivery. The services in this case consist of a mixture of global processes and tools and local specific solutions. This helped in particular to align to the changes required by the customer. This observation is not only true for IT-outsourcing partnership in Asia but is true for all IT-outsourcing partnerships of a limited size.
6. The IT supplier established a mix of staff in order to support the client. This mix consisted of staff which was previously on the payroll of the outsourcing company and new staff coming from the IT supplier. This mixture contributed to developing the transformation in the outsourcing company. The former outsourcing company's staff possessed specific knowledge of the company. The new staff possessed specialized IT and implementation skills. This observation is generally applicable to all IT-outsourcing partnerships however in this particular situation it is even more relevant because of the large power distance and collectivism characterizing the local staff.

5. Acknowledgments

We thank the outsourcing company and the IT-supplier for the opportunity to hold interviews within their organizations and to receive their feedback on drafts of this paper. We like to thank Lielle van Laren as well for reviewing a draft of this paper and Henk van Gestel of Atos Origin for doing the business intelligence part of this

paper. We also thank Atos Origin for offering Erik Beulen the opportunity to writing this article and the anonymous HICSS referees for their critical comments.

6. References

- [1] W. Baker and R. Faulkner, Strategies for managing suppliers of professional services, California Management Services, 1991
- [2] E. Beulen, J. Roos en P. Ribbers, Outsourcing van IT-dienstverlening, een 'make or buy' beslissing, Kluwer Bedrijfs-wetenschappen, Deventer, 1994 (in Dutch)
- [3] E. Beulen, Beheersing van IT-outsourcingrelaties, Ph.D. thesis Katholieke Universiteit Brabant, The Netherlands, 2000 (in Dutch)
- [4] R. Chen, C. Lopez-Gelormino and S. Shaw, Asia's performance challenge, McKinsey quarterly, 2001, number 3
- [5] W. Currie en L. Willcocks, new strategies in IT-outsourcing: major trends and global best practises, Business Intelligence, 1998
- [6] Dataquest, The business of Outsourcing, Market trends, PFOT-NA-MT-9801, 1999
- [7] R. Dvorak, E. Holen, D. Mark and W. Meehan III, Six principles of high-performance IT, the McKinsey quarterly, 1997, number 3
- [8] B. Hayward, The Asia/Pacific IT Scenario: Region of Many Contrasts, Gartner Symposium, Itxpo 2000, Walt Disney World, Orlando, Florida, USA, 16-20 October 2000
- [9] J. Henderson en N. Venkatraman, Strategic alignment: Leveraging information technology for transforming organisations, IBM systems journal, vol. 32, no. 1, 1993
- [10] G. Hofstede, Culture's Consequences, Sage Publications, 1980
- [11] G. Hofstede, Cultural and management development, Asian Pacific Journal of Management, January 1984
- [12] T. Hsieh, Prospering through relationships in Asia, McKinsey Quarterly, 1996, number 4
- [13] International Data Corporation, M. Lukacs, European consulting and management services: European outsourcing markets and trends 1996-2002, research report, 1998
- [14] E. Kitzis, report Gartner group/conceference presentation, Market definition and forecast, VEN1SvcsMkt498Ekitzis, 1998
- [15] M. Lacity en R. Hirschheim, Information systems outsourcing, Wiley, 1993
- [16] M. Lacity and L. Willcocks, Global Information Technology Outsourcing: In search of business advantage, John Wiley & Sons, 2001
- [17] F. Magee, report Gartner group/conference presentation, How will the IS organisation redefine itself to serve a constantly changing enterprise, VEN1IT&HR498Fmagee, 1998
- [18] J. McKeen and H. Smith, Managing external relationships in IS, Trends in Outsourcing of Information Systems, volume 34, HICSS, 2000
- [19] Nolan Norton Institute, R. Lowrey, "Owning" IT: the stewardship role, NNI: opinion, managing information technology, vol. 1 no. 5, 1996
- [20] D. Remedios, International Assignments European policy and practises, 199/2000, Price Waterhouse Coopers
- [21] P. Steinbart and R. Nath, Problems and issues in management of international data networks, MIS quarterly 16, no. 1 March 1992
- [22] L. Willcocks en C. Choi, Co-operative partnerships and "total" IT-outsourcing: from contractual obligation to strategic alliance?, European management journal, vol. 13, no.1 March, 1995 USA: assessment issues. Research and discussion paper RDP95/2, Templeton college, Oxford, 1995
- [23] R. Yin, Case study research, application social methods, volume 5, SAGA publications, 1989