

Determinants of Outsourcing Trajectory: A Literature Review

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ABSTRACT

Outsourcing refers to transferring clients' value chain activities to independent providers and procuring the necessary goods and services from them. Outsourcing has been used over the years both as a concept and a strategy, due to its ability to realize numerous benefits to business organisations. While outsourcing is considered as a fashionable management technique and a strategy to achieve competitive advantages of business organisations, the existing literature on the concept reports not only success stories, but also failure stories of outsourcing arrangements. Outsourcing trajectory to be considered as such succeeded or failed, it is because of how those success and failure factors exist or how those factors have been addressed within an outsourcing arrangement. While the existing literature comprises of research which has addressed the success and failure factors of outsourcing separately, the studies which discuss these factors together are no or less found. Having an overall picture of the determinants that will decide the success or failure of an outsourcing effort is important for the practitioner to plan and implement an outsourcing effort effectively without leaving any room for a failure. Accordingly, this research was carried out to find the answer to the research question 'What are the determinants of outsourcing trajectory that can be derived from success and failure factors of outsourcing?'. This research question was addressed through a comprehensive literature review which identified twenty-nine (29) success factors and thirty-two (32) failure factors and, a manual content analysis which resulted in twenty-three (23) factors as the determinants of outsourcing trajectory. The consideration of these determinants of outsourcing trajectory can enhance the chances of successes and minimize the failures of outsourcing arrangements, and also minimize the associated risks with such outsourcing failures. Further, the identified factors can be employed for future research to evaluate the significance of each of them to determine the success or the failure of an outsourcing arrangement.

Keywords: Outsourcing, Success factors, Failure factors, Determinants of outsourcing trajectory, Literature review

INTRODUCTION

Outsourcing can be defined as transferring of any defined business responsibility or an operation to another organisation (Smithson and Dickey, 2020). In outsourcing, an outside service provider is contracted by an organisation to procure necessary goods, services or processes that can otherwise be procured by itself through the in-house method (Olanrele et al.,

2013; Yin and Wang, 2008). The outsourcing strategy over in-house method has become popular with clients as it has the potential to generate numerous benefits to client organisations (Lahiri et al., 2022). Although such benefits can be gained by outsourcing, once it is implemented and managed properly, a number of studies report on issues of outsourcing and outsourcing failures (Molléri et al, 2023; Sreedevi and Tanwar, 2018; Zelga, 2018). According to Delen et al. (2016), there are number of factors which influence the success or failure i.e. trajectory of an outsourcing effort and having an understanding on those factors will result in minimal outsourcing failures. While most of the existing literature discusses the success and failure factors separately, this paper tries to identify the factors determining the trajectory of outsourcing based on both success and failure factors of outsourcing.

While this section introduced the study presented in this paper, the method used in this study is described in Section 2. In Section 3, a review of literature is presented followed by a discussion of findings in Section 4. Finally, conclusions derived through the study is presented in Section 5.

RESEARCH METHOD

In view of the existing literature on outsourcing, it was noticed that they have identified success and failure factors of outsourcing separately. While considering this as a gap of the existing literature on outsourcing pertains, a systematic literature review was conducted to fill the gap identified. According to Denyer and Tranfield (2009), systematic literature review is a specific methodology that locates existing studies, selects and evaluates contributions, analyses and synthesises data, and reports the evidence in a way that allows reasonably clear conclusions to be reached about what is and is not known. The research question that guided the literature review process of this study was ‘What are the determinants of outsourcing trajectory that can be derived from success and failure factors of outsourcing?’ and searching the articles for the review was conducted using the terms ‘Determinants of outsourcing trajectory’, ‘Outsourcing’, ‘Success factors’, and ‘Failure factors’. Among the available search engines, ‘Google Scholar’, ‘Scopus’, ‘Emerald’, ‘ScienceDirect’ and ‘Web of Science’ were selected for this study and the search was conducted without limiting to a specific period of time. After that, the texts were read in full, and the articles those did not present relevant contributions to the area under consideration were excluded from the study. As the determinants of outsourcing trajectory could not be found directly from the available literature, the identified success and failure factors (presented in Table 1 and Table 2 respectively) were analysed adopting manual content

analysis to derive at the determinants of outsourcing trajectory (refer Table 3). The analysis of these factors revealed that the terminologies used by the authors were diverse and often similar in their sense. Therefore, it was necessary to categorise the elements with similar meanings. Hence, in deriving the final list, the similar factors were grouped together and given a common term to avoid repetitions. Finally, the findings were reported with the highest level of detail possible in completing the systematic literature review process.

REVIEW OF LITERATURE

Overview of Outsourcing

Outsourcing is an arrangement in which, one organisation (the client) hires another organisation (the service provider) to perform a particular function/service on its behalf (Mohr et al., 2011). Here, based on a contractual agreement, client agrees to procure the functions/services from the supplier for the term of the contract. Outsourcing is not a novel concept to the modern business environment (Vaxevanou and Konstantopoulos, 2015). The origins of outsourcing can be traced back to the eighteenth-century England and it has been continuously in practice in a variety of forms. Outsourcing has received a special impetus in the 1970s, when corporations were considered to be under-performing and it was considered as a serious issue at that time (Rumelt, 1974 as cited in Kakabadse and Kakabadse, 2003). Hence, in the 1970s, organisations changed their vertical integration strategy to “outsourcing” with the primary aims of reducing costs and gaining control over diverse businesses (Harland et al., 2005).

Apart from cost savings and transferring responsibility, outsourcing has been recognised as a technique which is capable of providing numerous other organisational benefits as well. These include enabling the client organisation to focus purely on core business, allowing the client organisation to get the benefit of using vendor’s competencies and facilities, increased flexibility in operations, improved quality, productivity and operational efficiencies, improved customer orientation and services, increased innovation as well as acting as a solution for lack of initial and major capital investments for service provision (Amos and Gadzekpo, 2016; Pratap, 2014; Bolumole et al., 2007; Liou and Chuang, 2010; Kremic et al., 2006; Sandhu et al., 2018; Sreedevi and Tanwar, 2018; Vaxevanou and Konstantopoulos, 2015). Due to these benefits, over the last 50 years, outsourcing has evolved from a method used to implement simple business tasks to a concept treated as a mechanism usable in response to competitive business environment (Sandhu et al., 2018; Zelga, 2018). Today, organisations outsource every

function that can be performed by external parties, from catering to cleaning services to business process and human resources management (Perunovic et al., 2012; Tjader et al., 2014 as cited in Sandhu et al., 2018).

Trajectory of Outsourcing with Success and Failure Factors

The success of outsourcing as perceived by (Mumford, 1994 as cited in Warne, 2003) is the capacity to produce the expected outcomes of outsourcing. Depending on the organisation's requirements, it can be stated as the achievement of goals such as cost saving, product/service delivery and compliance with legal requirements, etc. As Pratap (2014) mentioned, though outsourcing is expected to benefit the clients, in practice, numerous studies have shown a high proportion of outsourcing arrangements delivered results unacceptable to the client. Such inabilities cause dissatisfactions among the parties, and they lead towards outsourcing failures. Further, outsourcing decisions may not be sustainable because they could result in unintended consequences or outcomes (Entwistle 2005 as cited in Damanpour et al., 2019).

Table 1: Success Factors of Outsourcing

Success factors	Reference source
Effective strategic analysis and planning	Brown and Wilson, 2005; Bull, 1996; Delen et al., 2016; Elmuti, 2003; Embleton and Wright, 1998; KPMG, 2018
Accurate definition of the scope of outsourcing project	Bull, 1996; Gonzalez et al., 2010; Ruzzier et al., 2008
Planned approach of the sourcing process	Delen et al., 2016; Elmuti, 2003
Selecting the right service provider	Brown and Wilson, 2005; Elmuti, 2003; Embleton and Wright, 1998; Gonzalez et al., 2010; KPMG, 2018; Ruzzier et al., 2008
Conducting a thorough and a complete due diligence	Power et al., 2006
Properly structured contract, solid and flexible contract	Bhattacharya et al., 2013; Brown and Wilson, 2005; Burdon and Bhalla, 2005; Cullen et al., 2005; Elmuti, 2003; Gonzalez et al., 2010; Khan and Khan, 2013; Usher, 2003; Ruzzier et al., 2008
Effective contract management	Alborz et al., 2003; Elmuti, 2003
Proper clarification of roles/responsibilities of each party	Brown and Wilson, 2005; Bull, 1996; Elmuti, 2003; Gonzalez et al., 2010; KPMG, 2018
Deeper understanding on each other's working culture and cultural alignment/compatibility with service provide, cross cultural understanding & sensitivity	Bhattacharya et al., 2013; Brown and Wilson, 2005; Smuts et al., 2015; Tucker and Ogungbemi, 2012
Effective management of client-provider relationship, a good-value-for-money relationship, trustworthy relationship management	Ali et al., 2022; Ngah et al., 2023; Alborz et al., 2003; Bhattacharya et al., 2013; Brown and Wilson, 2005; Burdon and Bhalla, 2005; Cullen et al., 2005; Elmuti, 2003; Embleton and

	Wright, 1998; Gonzalez et al., 2010; Khan and Khan, 2013; KPMG, 2018; ISG, 2012; Usher, 2003; Ruzzier et al., 2008
Establishing effective lines of communication between the client and provider organisations, effective and timely communication	Ali et al., 2022; Bairi and Manohar, 2011; Brown and Wilson, 2005; Elmuti, 2003; Gonzalez et al., 2010; KPMG, 2018
High and effective support and involvement by top management	Brown and Wilson, 2005; Burdon and Bhalla, 2005; Gonzalez et al., 2010
High morale and performance of the remaining employees	Embleton, and Wright, 1998; Elmuti, 2003
Getting the right people involved in managing outsourcing efforts	Brown and Wilson, 2005; Elmuti, 2003
Effective team work	Bairi and Manohar, 2011; KPMG, 2018
Careful attention to the issues faced by each party	Brown and Wilson, 2005
Adequate training provided to the people involved in outsourcing	Bairi and Manohar, 2011; Elmuti, 2003
Building organisational support for the initiative through provision of adequate infrastructure and facilities essential	Elmuti, 2003; ISG, 2012
Defining meaningful incentives, monitoring and reporting service levels, adequate and objective performance criteria and feedback, effective performance management, effective use of performance incentives and penalties, flexible SLAs	Ali et al., 2022; Alborz et al., 2003; Bairi and Manohar, 2011; Elmuti, 2003; ISG, 2012; Reid-Thomas and Phillips, 2005
Better governance structures, using proper feedback and control mechanisms	Ali et al., 2022; Alborz et al., 2003; KPMG, 2018; Mohamed, et al., 2015; Yan, 2018
Effective knowledge management, effective and smooth knowledge transferring/sharing, Bidirectional transfer of knowledge	Ali et al., 2022; Alborz et al., 2003; Bairi and Manohar, 2011; Kess et al., 2007, Zelga, 2018
Client and provider capabilities, organisational capabilities	Wang et al., 2020; Goles, 2003; Lee, 2001; Miozzo and Grimshaw, 2011
Mutual co-dependency among client and provider; Mutual interdependence and shared values	Ali et al., 2022; Rogers, 2005
Financial capacity of the client organisation; Financial stability	Ali et al., 2020; Hou et al., 2016
Better baseline costs	KPMG, 2018
Effective user change support	Delen et al., 2016
Ensuring the flexibility of anticipating change	Pratap, 2014
User satisfaction	Bairi and Manohar, 2011; Fraihat, 2006
Managing across the lifecycle	Cullen et al., 2005

Across studies, significant proportion of researchers have reported instances of outsourcing failures and bringing operations back in-house (Barthelemy, 2003; Lok and Baldry, 2016; Olympics and Buckles, 2013; Pratap, 2014). Further, as Hui and Tsang (2004 as cited in Ikediashi et al., 2014) highlighted, the decision to outsource is a complex one fraught with uncertainties. Further, as per Frost (2000 as cited in Al-hakim (2005), outsourcing to a certain service provider is an initiative which was not tested previously and therefore, it is difficult to

come to a prior assurance that it will surely be succeeded. However, existing literature discuss that there are certain factors that determine the trajectory of outsourcing towards a success or a failure. As large risks are involved if an outsourcing arrangement is not successful (Ishizaka and Blakiston, 2012), it is important to determine how a successful outsourcing arrangement can be achieved by identifying the underlying factors and effectively addressing them.

A thorough probing into the existing literature resulted in identifying a list of success and failure factors discussed by previous researchers. Where it could be noted that the similar factors have been mentioned by different authors in different terms, those factors were grouped and mentioned in a common term which gives the best meanings. The determined success factors and failure factors have been summarised in Tables 1 and 2 respectively and they have been discussed in Section 4.

Table 2: Failure Factors of Outsourcing

Failure factors	Reference source
Lack of strategic vision and strategic planning	Al-hakim, 2005; Barthelemy, 2003; Delen et al., 2016; Elmuti, 2003; Hou et al., 2016; Mohr et al., 2011; Olympics and Buckles, 2013
Incomplete and ambiguous definitions and inconsistent requirements	Smuts et al., 2015
Inadequate comprehensive planning, not having planned approach for outsourcing process, rushing through the initiative	Barthelemy, 2003; Delen et al., 2016; Elmuti, 2003; Mohr et al., 2011; Khan and Khan, 2017; Olympics and Buckles, 2013
Selecting the wrong service provider, poor selection process, a lack of comprehensive evaluations in selecting suitable service provider	Al-hakim, 2005; Barthelemy, 2003; Liou and Chuang, 2010; Olympics and Buckles, 2013
Not conducting proper due diligence	Alborz et al., 2004
Poor terms of contract, not having a solid contract	Al-hakim, 2005; Barthelemy, 2003; Delen et al., 2016
Poor contract Management	Delen et al., 2016; Olympics and Buckles, 2013
Lack of work understanding	Al-hakim, 2005; Barthelemy, 2003; Elmuti, 2003; Olympics and Buckles, 2013
Not appreciating cultural differences	Khan and Khan, 2017; Power et al., 2004; Barthelemy, 2003
Poor client-provider relationship	Molléri et al., 2023; Barthelemy, 2003; Power et al., 2004
Lack of proper communication mechanism	Al-hakim, 2005; Barthelemy, 2003; Elmuti, 2003; Khan and Khan, 2017; Power et al., 2004
Lack of management commitment	Ali et al., 2020; Al-hakim, 2005; Barthelemy, 2003; Elmuti, 2003; Power et al., 2004
Decline in the morale and performance of the remaining employees	Elmuti, 2003

Lack of teamwork environment	Al-hakim, 2005
Cross functional problems	Barthelemy, 2003
Lack of training	Al-hakim, 2005
Lack of resources and supporting infrastructure	Khan and Khan, 2017; Elmuti, 2003; Power et al., 2004
Poor performance management	Al-hakim, 2005
Inadequate policies, standards and control systems	Molléri et al., 2023; Al-hakim, 2005; Barthelemy, 2003'; Elmuti, 2003
Lack of knowledge, skills and capabilities of service providers	Al-hakim, 2005; Elmuti, 2003; Power et al., 2004
Incompatible/high and hidden costs	Molléri et al., 2023; Al-hakim, 2005; Elmuti, 2003
Difficulties in knowledge transferring	Sreedevi and Tanwar, 2018
Ineffective user support	Delen et al., 2016
Lack of flexibility	Al-hakim, 2005
Over dependency on provider	Al-hakim, 2005
Budget constraints of the client organisation	Hou et al., 2016
User dissatisfaction	Al-hakim, 2005
Failure to manage user expectations	Khan and Khan, 2017
Unsatisfactory performance of the outsourcing service provider, low service quality	Molléri et al., 2023; Lok and Baldry, 2015; Pratap, 2014
High complaint rate of the client	Al-hakim, 2005
Contractual inflexibility	Khan and Khan, 2017
High turn-over of vendor employees	Khan and Khan, 2017

DISCUSSION OF FINDINGS

Deriving the determinants of outsourcing trajectory with success and failure factors

As it is summarised in Table 1, a total of twenty-nine (29) factors could be identified as success factors of outsourcing whereas Table 2 summarises thirty-two (32) failure factors. After thoroughly going through the themes discussed in those factors, the review of literature resulted in twenty-three (23) factors that determine the outsourcing trajectory i.e. the factors that determine the success or failure of an outsourcing effort. Similar factors were grouped together and given a common term in deriving the final list of determinants. The identified factors are depicted in Table 3 and discussed here in after.

Strategic Analysis

According to Barthélemy (2003) as cited in Lok and Bladry (2016) one of the problems that is responsible for most failed outsourcing efforts is that outsourcing activities that should not be

outsourced. Organisations may have different objectives that need to be fulfilled through outsourcing. Whatever the reasons they are, since outsourcing has a long-lasting impact on the organisation and wrong outsourcing decisions are costly, it is important for client organisation to determine what they are outsourcing, what their goals and objectives are, and why they are outsourcing (Alborz et al., 2003). Smuts, Kotzé, van der Merwe, and Looock (2015) mentioned that successful outsourcing arrangements are more likely when an organisation has strategically determined that outsourcing is an effective tool through appropriate evaluation processes. If an organisation's sourcing strategy is not clear from the start and it is with lack of strategic vision, the organisation can find itself in a failed outsourced effort (Alborz et al., 2003; Al-hakim, 2005; Barthelemy, 2003; Delen et al., 2016) and therefore how strategic analysis is carried out can be identified as an important determinant of outsourcing trajectory.

Table 3: Determinants of Outsourcing Trajectory Derived from the Review

Identified success factors	Identified failure factors	Derived determinants of outsourcing trajectory
Effective strategic analysis and planning	Lack of strategic vision and strategic planning	Strategic analysis
Accurate definition of scope of outsourcing project and specifications	Incomplete and ambiguous definitions and inconsistent requirements	Scope definition
Planned approach of the sourcing process, managing across the life cycle	Inadequate specifications and outsourcing plans, rushing through the initiative	Adequate planning of outsourcing process
Selecting the right service provider	Selecting the wrong service provider, poor selection process, a lack of comprehensive evaluations in selecting suitable service provider	Selection of the provider
Conducting a thorough and a complete due diligence	Not conducting proper due diligence	Conducting due diligence
Properly structured contract, solid and flexible contract	Poor terms of contract, not having a solid contract; contractual inflexibility	Contract development
Effective contract management	Poor contract Management	Contract management
Proper clarification of roles/ responsibilities of each party	Lack of work understanding	Clarification of roles and responsibilities/ work understanding
High and effective support and involvement by top management	Lack of management support and commitment	Senior Management commitment and involvement
Deeper understanding on each other's working culture and cultural alignment with service provider	Not appreciating cultural differences	Cultural alignment among client and provider organisations

Establishing effective lines of communication between the client and provider organisations	Lack of proper communication mechanism/ lack of client provider relationship	Level of communication and availability of communication mechanisms
Mutual co-dependency among client and provider	Over dependency on provider	Inter- dependence among client and provider organisations
Effective management of client-provider relationship, working relationship	Poor client-provider relationship	Working relationship
Effective knowledge management; effective knowledge transferring/sharing	Difficulties in knowledge transferring	Knowledge sharing and knowledge management
Defining meaningful incentives, Monitoring and reporting service levels, Adequate and objective performance criteria and feedback, Effective Performance management, Effective use of performance incentives and penalties	Poor performance management	Performance management and availability of Service Level Agreements (SLAs)
High morale and performance of the remaining employees; Getting the right people involved in managing outsourcing efforts, Effective team work; Adequate training provided to the people involved in outsourcing	Decline in the morale and performance of the remaining employees; Lack of team work environment; Lack of training, high turn-over of vendor employees	Workforce management
Better baseline costs	Incompatible and hidden costs	Cost management
Better governance structures; using proper feedback and control mechanisms	Inadequate policies, standards and control systems	Governance
Building organisational support for the initiative through provision of adequate infrastructure and facilities essential; Financial capacity of the client organisation	Lack of resources and supporting infrastructure, budget constraints of the client organisation	Building organisational support/ provision of infrastructure and other facilities
Ensuring the flexibility of anticipating change, Effective user change support	Ineffective user support, lack of flexibility	Change management and flexibility
Service level, user satisfaction	User dissatisfaction, failure to manage user expectations, unsatisfactory performance of the outsourcing service provider, low service quality, high complaint rate of the client	Achievement of performance objectives and user satisfaction
Careful attention to the issues faced by each party	Cross functional problems	Attention given to the issues faced by each party
High client and provider capabilities; organisational capabilities	Lack of knowledge, skills and capabilities of service providers	Client and provider capabilities

Scope Definition

Accurate definition of scope of an outsourcing project and specifications have been cited as a basic condition for outsourcing success in a number of studies. However, as McIvor (2008 as

cited in Gonzalez, Gasco and Llopis, 2010) highlighted, most of the organisations enter into outsourcing agreements with only a vague idea of what they want to obtain from the provider and also without fully understanding the nature of the outsourced task and its linkages with other parts of the business. According to Smuts et al. (2015), incomplete and ambiguous definitions and inconsistent requirements are a threat to proper requirements management whereas detailed process ensures the unambiguous definition of the project methodology, scope, schedule, deliverables, systematic and conclusive empirical evidence, and a clear understanding by both parties. Therefore, this determinant plays an important role in determining the outsourcing trajectory.

Adequate Planning of Outsourcing Process

Every successful relationship lies a rigorous planning and preparation process (Bull, 1996). Therefore, as mentioned by Guterl (1996 as cited in Elmuti, 2003), developing a comprehensive plan outlining detailed expectations, requirements, and expected benefits during all phases of outsourcing activities may be the key to successful sourcing efforts. Hence, employing a planned approach (Delen et al., 2016) for outsourcing has been cited as a success factor for outsourcing whereas inadequate and sketchy plans (Barthelemy, 2003; Elmuti, 2003) and rushing through the initiative without adequate planning (Mohr et al., 2011) have been cited as failure factors. This indicates that the planning of the outsourcing effort takes an important place in determining outsourcing trajectory.

Selection of the Provider

According to Barthélemy (2001 as cited in Gonzales et al., 2010), the trajectory of outsourcing can largely depend on selection of provider. Changing service provider several times incur huge cost and, as Embleton and Wright (1998) suggested, it is worthwhile therefore to spend time and money to choose the correct supplier at the first time, by effectively evaluating and determining the suppliers' profiles and conducting PFIs, RFPs and required site visits. These evaluations provide a mean to determine whether a potential supplier is able to deliver solution based on the defined requirements (Alborz et al., 2003). It is essential that the right providers are selected based on certain criteria. As Ersoya and Doganb (2020) mentioned, price, quality and delivery criteria can be identified as the main criteria in selecting providers. In addition, numerous criteria including credibility, expertise, reliability (Elmuti, 2003), stability (McFarlan and Nolan, 1995 as cited in Gonzales et al., 2010), along with reputation (Barthélemy, 2001 as cited in Gonzales et al., 2010) are also used in provider selection.

Due Diligence

According to Alborz et al. (2004), due diligence is an objective assessment and involves certain preplanning activities performed by the client and service provider at the beginning. The client's due diligence basically involves assessing the size and complexity of services, evaluating and selecting a supplier, and assessing the supplier's cultural fit whereas, the due diligence conducted by provider involves verifying the accuracy of the client's information in order to make appropriate adjustments in resource structure, initial proposed solution, and the final pricing (Alborz et al., 2004). The results of the due diligence undertaken by these two parties are ultimately fed into the final outsourcing agreement and hence, the finalised outsourcing contract is the result of detailed due diligence (Power et al., 2006; Melby and Bryan, 2019). Outsourcing is generally a long-term arrangement and the decision for outsourcing is taken with a client's certain objectives. Therefore, it is important to conduct due diligence by both client and provider before entering into the agreement so that the achievement of previously set objectives can be ensured (Melby and Bryan, 2019). Therefore, complete and thorough due diligence process tailored to the outsourced operation is a necessary step for success. On the other hand, failure to conduct due diligence activities will result in disadvantages such as hidden costs and discrepancies which will arise during operationalisation and that can jeopardise the relationship (Alborz et al., 2004). Hence, conducting due diligence is an important determinant of outsourcing trajectory.

Contract Development

Outsourcing is contract intensive in nature (Deckelman, 1998 as cited in Zhu et al., 2001). According to Solli-Saether (2006, p. 201 as cited in Bhattacharya et al., 2013), outsourcing contract is a legally bound institutional framework in which each party's rights, duties, and responsibilities are codified and the goals, policies, and strategies are specified. It is an important cooperative document which lays the basis for shaping the outsourcing relationship (Zelga, 2018). Moreover, it helps both parties to fulfil their obligations by incorporating clauses to deal with uncertainties and disputes (Osei-Bryson and Ngwenyama 2006, as cited in Bhattacharya et al., 2013). Handley and Benton (2013) as cited in Khan and Khan (2017) mentioned two ways how a complete contract ensures outsourcing success. First, complete specifications of commitments and practices reduce the risk and uncertainty. And, second, inter-organisational resource efficiency through coordination may reduce the risk of outsourcing. In addition to the above, a number of researchers (Brown and Wilson, 2005; Burdon and Bhalla, 2005; Cullen et al., 2005; Gonzalez et al., 2010; Khan and Khan, 2017;

Usher, 2003; Ruzzier et al., 2008) over the years have mentioned that a successful outsourcing process relies upon a good contract. On the other hand, poor contract structure/design as an influencing factor for outsourcing failures has also been cited largely in the extant literature (Al-hakim, 2005; Barthelemy, 2003; Delen et al., 2016) proving that the contract structure is a determinant of outsourcing trajectory.

Contract Management

As perceived by Cullen and Willcocks (2003 as cited in Alborz et al., 2003), a contract comprises of both the design and implementation activities necessary throughout the life of the outsourcing arrangement. Hence, it is through contract management that success is ultimately determined. In a similar vein, Gong et al. (2007) indicated that a properly structured/ designed contract alone cannot guarantee a successful outcome and it requires an active contract management during its operationalisation. Here, contract management refers to the management of entire outsourcing relationship in a constructive and positive manner and it includes ongoing monitoring and reporting of delivered outsourced services in terms of quality, performance, and cost against the predefined criteria in the contract. While the success of outsourcing is adversely affected by the incompleteness of contracts as mentioned above, as per Beulen and Ribbers (2003), the negative effects of the incompleteness of contracts can be offset through contract management. Due to these reasons, contract management has been cited as an important determinant of outsourcing trajectory (Olympics and Buckles, 2013).

Clarification of Roles and Responsibilities/Work Understanding

As it is reported in the literature, failed outsourcing arrangements have experienced unclear expectations/unclear objectives (Olympics and Buckles, 2013; Elmuti, 2003) and lack of work understanding (Al-hakim, 2014). Further, the provider's understanding of clients' objectives and clarification of roles/responsibilities, buyers and providers have been reported as contributing factors for outsourcing success (Gonzalez, et al., 2010, Brown and Wilson, 2005; Elmuti, 2003; Bull, 1996). As Gonzalez et al. (2010) discussed, the success of outsourcing is basically dependent on up to what extent the provider can achieve client's objectives. Therefore, providers with a good understanding and an interest in the outsourcing firm's business will be in a better position to achieve the objectives sought by client through outsourcing.

Senior Management Commitment and Involvement

Senior management support is considered a prerequisite for every successful outsourcing arrangement because it leads the initiative and drive for change from the top down (Lee and Kim 1999 as cited in Alborz et al., 2003). According to Iacovou and Nakatsu (2008) as cited in Khan and Khan (2017), the top management support is essential in terms of securing the needed resources and gaining cooperation across organisational groups, and for enhancing the legitimacy of an outsourcing project. For this, the client organisation should assign dedicated management with a strategic understanding of outsourcing partnership goals, as well as with the capability to conclude sophisticated negotiation (Smuts et al., 2015). However, as Smuts et al. (2015) pointed out, clear engagement of the top management of the provider organisation in the outsourcing arrangement is also required for outsourcing success. Similarly, the support received/involvement of top management has been repeatedly described as a factor that determines either good or bad performance of outsourcing as well (Gonzalez et al., 2010; Power, Bonifazi and Desouza, 2004).

Cultural Alignment Among Client and Provider Organisations

Booty (2006) as cited in Tucker and Ogungbemi (2012) mentioned that the outsourcing initiatives often result in outsourced employees from service providers who come into the client organisation with pre-ingrained culture in them from their employers (service providers). They have most likely imbibed the culture of their employer and the culture of other client organisations they have worked with over the course of their careers. As Tucker and Ogungbemi (2012, p.616) further highlighted in their research, discrepancy in the cultures of service provider and client organisation may cause the outsourced employee to deliver below target and find it difficult to integrate with the client organisation where an in-house colleague blends in with relative ease. Hence, not appreciating cultural differences between client and provider organisations has been mentioned as a factor leading to outsourcing failure (Power et al., 2004). Similarly, recognising cultural alignment with the provider (Brown and Wilson, 2005); deeper understanding of each other's working culture (Smuts et al., 2015); cultural compatibility (Bhattacharya et al., 2013); cultural fit (Tucker and Ogungbemi, 2012) have been mentioned as factors positively affect outsourcing success. Hence, based on available literature, cultural alignment among client and provider organisations can be recognised as another important determinant of outsourcing trajectory.

Level of Communication and Availability of Communication Mechanisms

According to Bairi and Manohar (2011), communication is the simplest and most powerful business rule though it falls down in most of the outsourcing arrangements. This is because

frequent client-provider contacts (Gonzalez et al., 2010) and well-coordinated effort among cross-functional areas (Elmuti, 2003) is essential for successful operation of outsourcing. A good communication is critical to the success of any outsourcing project (Brown and Wilson, 2005) whereas ineffective communication acts as a threat if there is ineffective interaction between the parties (Smuts, 2015). As Brown and Wilson (2005) discussed, how parties into the outsourcing arrangement communicate depends on the outsourcing contract and the complexity of the services being delivered. Further, simple, well-specified services require day-to-day operational contacts and formal performance reporting and invoicing whereas when the services increase in complexity, more in-depth communication is required. These may include joint planning of service delivery and problem resolution, discussion of proposed innovations or changes in approach, consultation on staffing changes, and so on. This can be supplemented by regular monthly reporting, to show performance against standards, pricing, and problems encountered.

Interdependence Among Client and Provider Organisations

As Smuts et al. (2015) mentioned, inter-dependence refers to the degree of dependency of the activities of client organisation from the operations of the vendor organisation. Further to the authors, this degree of dependency presents a clear bidirectional nature business and mutual understanding. Therefore, the service provider must understand the importance of the services provided by them to the successful operation of the client organisation. However, organisations expect too much from their service providers and this over dependency on provider is a factor that leads to outsourcing failures (Al-hakim, 2005).

Working Relationship

According to Handley and Benton (2009 as cited in Pratap, 2014), though legal contracts are an essential part of outsourcing arrangements, they cannot handle all uncertainties alone. Hence, outsourcing seemingly is only successful when relations are effective and functioning (Kern and Willcocks, 2000 as cited in Sridarran and Fernando, 2014). As per Usher (2003), the relationship is a qualitative aspect which is not mostly determined or driven by the procurement method and not always something that can be created and maintained. This is because it inherently relies on the single most unpredictable variable i.e. people. Therefore, as Alborz et al. (2003) highlighted, the working relationship as a factor that is complex and dynamic. This complexity encompasses relational, social, and human characteristics, since each individual brings different background, experience, style, and culture into the outsourcing engagement. Therefore, a good provider should stress the importance of a close working

relationship, to avoid any feelings of loss of control (Bull, 1996) and adequately invest on time for its success (Usher, 2003).

Knowledge Sharing and Knowledge Management

As mentioned by Kess et al. (2007), knowledge transfer involves conveying and diffusing knowledge throughout an organisation. Effective knowledge transfer helps to leverage the ways an organisation solves its problems and strengthen its performance. Hence, as per the researcher, effective knowledge transfer manifests itself through increasing the value of a firm's knowledge assets and better organisational performance. According to Cohen and Prusak (2001) as cited in Alborz et al. (2003), when clients share their knowledge with the provider in an outsourcing arrangement, they demonstrate trust and trust builds commitment. The more commitment expressed by an organisation, the stronger the relationship becomes. On the other hand, difficulties in transferring knowledge and lack of knowledge transfer damages the relationship among client and service provider (Sreedevi and Tanwar, 2018). Though sharing knowledge presents a difficult challenge during the outsourcing engagement (Alborz et al., 2003), having a knowledge management system is essential to facilitate effective and smooth knowledge exchange (Bairi and Manohar., 2011). Hence, knowledge sharing and knowledge management can be identified as other determinants of outsourcing trajectory.

Performance Management and Availability of Service Level Agreements (SLAs)

The importance of performance management and performance monitoring have been mentioned by a large number of researchers (Alborz et al., 2003; Bhattacharya et al., 2013; Delen et al., 2016; Elmuti, 2003; KPMG, 2018) as a crucial factor for the success of any outsourcing arrangement. Similarly, situations where outsourcing engagements suffered due to poor performance management also have been reported in the literature (Alborz et al., 2003; Al-hakim, 2005). As discussed by Alborz et al (2003), as for any kind of business relationship, outsourcing also requires oversight and periodic review in order to hold the service provider organisation towards its obligation. This is important because the overall satisfaction of client towards its service provider mainly depends on up to what extent the service provider fulfils its performance requirements. As the author discussed in detail, performance monitoring informs the client organisations whether its objectives have been met, what the discrepancies are, what controls need to be in place, and, finally, confirms the success. In addition, it also helps provider organisations to assess the level of customer satisfaction and areas for continuous improvement. As Smuts et al. (2015) mentioned, for proper contract performance

management, it is required to have well-defined Service Level Agreements (SLAs), metrics and measures. Role of the service provider (or staff) need to be measured against the performance targets of meeting SLA and achieving these agreed targets demonstrates delivery of a professional service and ensures that customers enjoy the highest standards of service (Bairi and Manohar, 2011). In addition, the performance management system should be backed with effective and meaningful performance incentives and penalties (Elmuti, 2003; Information Service Group [ISG], 2012; Reid-Thomas and Phillips, 2005) as well.

Workforce Management

According to Chen and Chen (2014), most businesses focus only on customers while generally neglecting employee satisfaction. The workforce of the outsourcing arrangement is the people who actually execute the outsourcing arrangement and therefore, managing the workforce in a way that achieves objectives of outsourcing can be identified as a factor that determines outsourcing trajectory. Burdon and Bhalla (2005) mentioned that when selecting an appropriate outsourcing provider, managers need to evaluate the vendor's ability to provide excellence in workforce management firsthand. Further, Elmuti (2003) also highlighted the importance of acquiring the right people, with the right skills involved in all phases of outsourcing activities. Hence, during initial evaluations, it is required to determine who will take leadership responsibility, perform the analysis, and make the employee related decisions. Moreover, as per Brown and Wilson (2005), there should be a proper mix of retained in-house staff and outsourced operations as well. However, lack of morale and performance of the remaining employees (Elmuti, 2003); high complaint rate of the employees (Al-hakim, 2005); high employee turnover, lack of loyalty of staff (International Facility Management Association [IFMA], 2006); a lack of vendor quality employees and poor employee management (Smuts et al., 2015) have been mentioned in extant literature as factors that hinder outsourcing success. The employees engaged in outsourcing should receive specific training that includes a complete understanding of the business goals of the contract, the specific performance criteria agree to, and their individual roles (Elmuti, 2003). Hence, employee management activities have been mentioned as a factor that affects outsourcing trajectory.

Cost Management

A research conducted by (Al-hakim, 2005), identified two failure factors related to the cost management of a client organisation namely; incompatible cost/benefit trade off and high hidden cost. Conversely, the contribution of cost/ financial aspect in determining success or

failure of outsourcing has also been cited in literature indicating cost management as an important factor of outsourcing trajectory. As mentioned by Smuts et al. (2015), cost saving /optimisation is one of the key motives of outsourcing and therefore, organisations must enable detailed monitoring and management of the financials and financial assumptions made in the outsource business case. Further, matters related to cost management also need to be given special attention.

Governance

Kern and Willcocks (2001 as cited in Alborz et al., 2003) and Mohamed et al. (2015) mentioned governance of an outsourcing arrangement as a factor that is vital for service performance and thus, outsourcing success. The governance in an outsourcing arrangement (Alborz et al., 2003) comprises the senior management's role and support, management structure and teams, management style, management skills, and the establishment of appropriate processes and procedures (communication, change management, etc.). The purpose of a particular management structure here is for addressing the ongoing needs of managing the engagement (Klepper and Jones, 1998 as cited in Alborz et al., 2004) and generally this structure is a management team composed of both parties to the outsourcing engagement i.e. client and service provider. Skill refers to the ability and experience of an individual within an organisation for producing results with respect to outsourcing. According to Jones (2001 as cited in Alborz et al., 2003), in outsourcing, typically, the individual manager becomes a catalyst, a communicator, and plays a facilitator's role rather than the previous one of hands-on manager. Therefore, as the researchers highlighted, it requires managers to have strong interpersonal and communication skills, to be able to influence and, most importantly, negotiate outwards across organisational boundaries within both client and supplier organisations. Management style with regards to governance refers to the patterns of behaviour of individual managers, from senior managers to line managers responsible for day-to-day operation. The importance of a suitable management style lies in its ability to cultivate an environment for continuous improvement, which can then increase the quality of the relationship, service, and performance (Alborz et al., 2004). However, an improper governance exists including poor internal policies and standards (Al-hakim, 2005); and inadequate control systems (Olympics and Buckles, 2013; Barthelemy, 2003; Elmuti, 2003), etc. towards the poor management of outsourcing contracts and result in slow decision-making cycles, lack of proper programme management and disempowered outsource team members (Smuts et al., 2015).

Building Organisational Support/ Provision of Infrastructure and Other Facilities

In order to make sure that the outsourcing initiative is successful, building organisational support for the outsourcing initiative (ISG, 2012) and provision of adequate infrastructure and facilities (Elmuti, 2003) are essential requirements. On the other hand, lack of supporting infrastructure and resource provision are the barriers for success of outsourcing (Elmuti, 2003; Hou et al., 2016; Power et al., 2004). Based on research done by Hou et al. (2016) specially focusing on tight budget constraints of the client organisation, financial resources available in the client organisation can also be identified as a factor contributing to this.

Change Management and Flexibility

Outsourcing can bring about changes in working patterns, organisational culture and management styles which can highly affect the activities of the client organisation (Sridarran and Fernando, 2014). Therefore, in order to avoid such disruptions, organisations need to adopt measured approaches towards such changes. Further, according to Sridarran and Fernando (2016), unmanaged changes occurred due to outsourcing can cause issues such as cultural clashes between client and service provider, poor mutual understanding, poor accountability, etc. In relation to the change management, controlled transfer of assets and staff and effective user change support (Delen et al., 2016) have also been cited. Apart from the changes that have taken place when moving from inhouse arrangement to outsourced operations, researches have discussed the importance of managing the changes taken place throughout outsourcing life cycle as well. According to Elmuti (2003), unsuccessful firms seem to be afraid of changes and as Pratap (2014) mentioned, many outsourcing arrangements run into conflict because they cannot handle new demands made by environmental uncertainties. Hence, management of change also can be identified as a factor that needs to be managed in order to ensure a successful trajectory.

Achievement of Performance Objectives and User Satisfaction

Greaver (1999 as cited in Warne, 2003) mentioned that successful outsourcing is superior performance and achieving customer satisfaction. Hence, successful outsourcing can be achieved by meeting the desired organisational goals expected through outsourcing without compromising the satisfaction of stakeholders. Moreover, according to Warne (2003), the desired goals can be identified in relation to cost effectiveness, schedule constraints, product delivery, compliance with legal requirement and fulfilling legislative/ executive intent, etc. As per the views of the Smuts and the researchers (Smuts et al., 2015), outsourced services must

not only be delivered to expectations, specifications and quality, but also, they should be improved continuously. Therefore, it requires detailed thorough reviews of all deliverables with industry standards in order to ensure high quality and to institutionalise best practices (Smuts et al., 2015). However, according to previous literature, most of the outsourcing arrangements have failed or are faced with issues, due to the unsatisfactory performance of their outsourcing service providers (Lok and Baldry, 2015; Pratap, 2014). User dissatisfaction due to low service quality and high complaint rate of the client (Al-hakim, 2005) have also been mentioned as factors leading to failed outsourced attempts indicating the user satisfaction as an important determinant of outsourcing trajectory.

Attention Given to the Issues faced by Each Party

As pointed out by Zelga (2018), a crucial element in the outsourcing agreement is that it never be detailed enough to regulate every single issue in outsourcing. Though the agreement is the device based on which, both parties refer in conflict situations, looking for solutions to existing problems or confronting unknown issues, there can be numerous issues that the parties to the outsourcing agreement have to undergo throughout the outsourcing process. According to Bull (1996), it is impossible to plan for every situation, but both parties can agree on how particular types of problems should be addressed and by whom when they arise. Hence, attention given to the issues occurred during outsourcing engagement is an important factor that determines outsourcing success/ failure, which requires significant attention (Brown and Wilson, 2005; Gonzalez et al., 2010).

Client Provider Capabilities

According to Yan (2018), organisational capability is an important factor that determines the effective governance of an outsourcing arrangement which finally lead towards success or failure of an outsourcing project. As mentioned by Ranganathan and Balaji (2007) cited in Yan (2018), client's capability is defined as the extent to which a client firm is able to effectively manage outsourcing relationships, and this includes a client's ability to manage the relationship with experienced staff, effective processes, tools and technologies. On the other hand, the main capabilities of a provider include human resources management capability, risk management and compliance capability, and adaptability. Since the capability of both parties play an important role in outsourcing trajectory, as Bengtsson and Dabhilkar (2009) as cited in Pratap (2014) suggested, advantages of outsourcing can be better maintained by continuing to invest

in related operational capabilities instead of depending solely on the supplier to manage the process.

Following the above discussion, it can be stated that the successful performance of an outsourcing engagement is a result of a series of factors that need to be managed on purpose. Accordingly, from the starting point of outsourcing, which is strategizing phase, till its completion, there are number of factors that should be looked into by an organisation. Further, it could be noted that the majority of the available literature sources on outsourcing have discussed the factors like strategic analysis and selection of functions to be outsourced, adequate planning, scope definition, selection of service provider, contract development, contract management, top management commitment, clarification of roles and responsibilities/work understanding, communication and knowledge management as determinants of outsourcing trajectory implying their high significance in an outsourcing arrangement. However, the empirical findings show the impact of the rest of the factors on outsourcing and therefore neglecting them would result in negative outcomes. Therefore, it is suggested to give careful attention to all the factors identified from the initiation stage of an outsourcing effort.

CONCLUSION

The successful results of outsourcing are not inherent, but it is required to make it happen through a careful attention and a substantial investment on managerial care and time. Achieving successful outsourcing or guiding outsourcing efforts towards successful trajectory is all about inculcating the success factors and eliminating the failure factors of outsourcing. Therefore, it is required to be aware of these two types of factors proactively in order to achieve objectives sought through an outsourcing effort. An extensive review of literature done in the present study by identifying twenty-eight (28) success factors and thirty-one (31) failure factors of outsourcing respectively. Finally, the review helped deriving twenty-three (23) factors as the determinants of outsourcing trajectory. This study contributed to the research community to update their knowledge on failure factors and success factors of an outsourcing arrangement and finally the determinants of an outsourcing trajectory. The determinants of outsourcing trajectory could be considered as the factors that an organisation should focus on implementing its outsourcing initiatives. Consideration of these factors prior to the implementation of outsourcing could help practitioners to proactively manage their outsourcing strategies in a way that those factors are addressed effectively. In addition, consideration of these factors as determinants of outsourcing trajectory could also guide practitioners to assess their current

outsourcing strategies and to take corrective measures appropriately. Such considerations could minimise issues that can arise during the life cycle of outsourcing and possible risks associated with outsourcing failures. The present study also marks for further research to know how those factors could behave in different outsourcing settings as well as to know the relative significance of each such factor on successful or failed outsourcing projects.

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