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Trust and IT security in IT outsourcing

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THESIS DESCRIPTION

The master thesis aims at investigating the how practitioners from the Norwegian IT outsourcing market experience and explain the effects of trust building mechanisms implemented between client and vendor. Moreover, it aims to examine a potential connection between IT security and trust.

FOREWORD

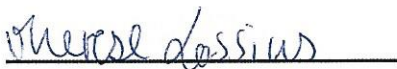
This master's thesis represents the final work by the authors as a part of their Master of Science degree in Industrial Economics and Management of Technology at the Norwegian University of Science and Technology (NTNU).

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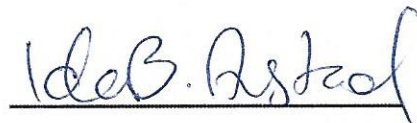
Moreover, gratitude is directed towards the firms, kept anonymous throughout this paper, who participated in this study. The great enthusiasm and cooperation exhibited to contribute to this research project has been invaluable for its quality.

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ABSTRACT

Trust between the vendor and client has been identified as a critical success factor in IT outsourcing, and thus, building a trusting relationship is often strived for. However, academics request more research on the effect of different trust building mechanisms. Moreover, IT security has received increasing attention in IT outsourcing, and practitioners question how IT security can affect the level of trust between the parties. Still, empirical research on the connection between IT security and trust has not been conducted before. Hence, this study aims to contribute to the research by addressing two questions. First, *how do practitioners from the Norwegian IT outsourcing market experience and explain the effect of trust building mechanisms implemented between client and vendor*. Second, *how do practitioners argue that IT security can affect trust between vendor and client*.

This paper is a continuation of the author's pre-diploma thesis which, based on a literature review, put forward *the model of trust building in IT outsourcing* (Austad and Lossius, 2014). The first research question of this paper aims to support and/or revise this model. Moreover, the pre-diploma thesis further proposed that IT security could be argued to affect trust. The second research question aims to empirically evaluate this proposition.

A multiple case study investigation of ten Norwegian IT outsourcing relationships through 18 semi-structured interviews forms the basis for analysis and discussion. The findings from each case was analyzed separately to look for arguments supporting or contradicting the model of trust building in IT outsourcing, and the proposed link between IT security and trust. Then, the arguments and explanations were combined in a cross case analysis, which represents the primary focus of the paper. The cross case analysis entailed looking for patterns in supporting or contradictory arguments, which were further linked and compared with the theory in the conceptual background.

Overall, this study reveals multiple contributions to theory and practitioners. Firstly, it provides academics and practitioners with a *revised model of trust building in IT outsourcing*. A majority of the mechanisms and dynamics in the original model were supported by the findings, thus strengthening the trust building effects suggested by extant literature upon which the model was built. Furthermore, this study resulted in certain revisions to the model. These comprise of adding *investments* as a trust building mechanism, and adding *delivery* and removing *control* as trust building dynamics. All the types of trust in the model were found to be supported. Also, the findings suggest that *how* the mechanisms are implemented is of great importance for its resulting effect on trust. As such, the dynamics provides explanations of how the mechanisms should be implemented to build trust. Overall, the revised model represents an empirically supported and improved explanation of trust building in IT outsourcing. Secondly, an emergent finding of the study was *the model of the dynamics' role in trust building in IT outsourcing*. The model illustrates how *delivery* builds a foundation of trust, based on receiving expected gains and meeting expectations of abilities. However, to build higher levels of trust, other dynamics must be facilitated. Lastly, this study is the first, to the authors' knowledge, to establish a connection between IT security and trust based on an empirical investigation. Specifically, it suggest that the extent to which IT security can affect trust, depends upon the perceived importance of this component, relative to other parts of the delivery.

SAMMENDRAG

Tillit mellom leverandør og kunde har blitt identifisert som en kritisk suksessfaktor i IT outsourcing-forhold og mange søker derav å bygge tillit hos sine samarbeidspartnere. Dog etterspør akademikere mer forskning på effekten av ulike tillitsbyggende mekanismer. Videre har IT sikkerhet fått økt fokus i IT outsourcing, og praktikere stiller spørsmål ved hvorvidt IT sikkerhet kan påvirke tillit. Denne koblingen mellom IT sikkerhet og tillit har ikke blitt analysert i empirisk forskning tidligere. Basert på dette tar denne studien sikte på å adressere følgende forskningsspørsmål; *Hvordan opplever og forklarer praktikere fra det norske IT outsourcing markedet effekten av tillitsbyggende mekanismer implementert mellom leverandør og kunde.* Og videre, *hvordan mener praktikere at IT sikkerhet kan påvirke tilliten mellom leverandør og kunde i IT outsourcing-forhold.*

Denne studien er en fortsettelse av forfatterens prosjektoppgave, som, basert på en litteraturstudie, presenterte *modellen for tillitsbygging i IT outsourcing* (Austad and Lossius, 2014). Det første forskningsspørsmålet tar sikte på å styrke og/eller revidere denne modellen. Videre foreslo prosjektoppgaven at IT sikkerhet kan hevdes, basert på tidligere forskning, å påvirke tillit mellom partene i et IT outsourcing forhold. Det andre forskningsspørsmålet tar sikte på å undersøke denne koblingen.

En multippel casestudie som undersøker ti norske IT outsourcing forhold, basert på 18 semi-strukturerte intervjuer, utgjør grunnlaget for analyse og diskusjon. Funn fra hvert case ble analysert hver for seg for å registrere argumenter og forklaringer som enten kunne støtte eller motsi modellen for tillitsbygging i IT outsourcing og den foreslåtte linken mellom IT sikkerhet og tillit. Deretter ble argumentene og forklaringene kombinert i en cross case analyse som utgjør hovedfokuset i denne studien. Cross case analysen innebar å lete etter mønstre for støttende eller motstridende argumenter. Disse ble videre linket og sammenliknet med teori fra den konseptuelle bakgrunnen.

Denne studien har flere bidrag til forskning og praktikere. For det første presenterer den en revidert modell for tillitsbygging i IT outsourcing. Majoriteten av mekanismene og dynamikkene i den opprinnelige modellen ble støttet, noe som videre styrker deres tillitsbyggende effekt som hevdet av forskningen som modellen ble utviklet på grunnlag av. Videre resulterte studien i visse endringer av modellen. For det første ble *investeringer* lagt til som en mekanisme. I tillegg ble *leveranse* lagt til og *kontroll* fjernet som dynamikker. Alle typene av tillit i modellen ble støttet av studien. I tillegg understreker studien viktigheten av at *hvordan* mekanismene implementeres kan ha store utslag på i hvilken grad man oppnår den ønskede tillitsbyggende effekten. Dynamikkene tilbyr forklaringer på hvordan mekanismene burde implementeres for å bygge tillit. Totalt representerer den reviderte modellen en empirisk støttet og forbedret forklaring på hvordan man kan bygge tillit i IT outsourcing forhold. Videre presenterer studien en ny modell; *modellen for dynamikkens rolle i tillitsbygging i IT outsourcing*. Modellen illustrerer hvordan *leveranse* bygger et fundament av tillit, basert på å oppfylle forventninger til gevinst og kompetanse. Likevel, for å bygge høyere nivåer av tillit må øvrige dynamikker fasiliteres. Det siste bidraget fra denne studien er hvordan den, for første gang, etablerer en kobling mellom IT sikkerhet og tillit basert på empirisk forskning. Studien viser at i den grad IT sikkerhet kan påvirke tillit, avhenger dette av hvor viktig denne komponenten oppfattes relativt til andre deler av leveransen.

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1. INTRODUCTION

IT outsourcing involve the contracting out of all or parts of a firm's IT related services. Norwegian firms have steadily increased their IT outsourcing over the last decades, and IT outsourcing is becoming indispensable to many firms. Moreover, the services that Norwegian firms outsource are increasingly more complex and the motivations for outsourcing are changing. Although cost reduction is still the primary driver of outsourcing decisions, research shows that access to expertise, quality improvement, time to market and innovation is considered increasingly more important (KPMG, 2013; Oshri, Kotlarsky, & Willcocks, 2011).

Despite its popularity, practitioners struggle to make IT outsourcing a successful endeavor, and researchers report that a significant percentage of IT outsourcing projects are considered a failure (Qi & Chau, 2012). In an attempt to address this problem, various success factors for IT outsourcing have been identified, of which *trust* between the parties is frequently cited. Hence, the advice to build trust has been given (Kern & Willcocks, 2001; Niazi, Ikram, Bano, Imtiaz, & Khan, 2013). However, trust is an ambiguous concept which can be difficult to decompose and turn into concrete practices, and academics underline that the research on experiences from using different *trust building mechanisms* and their effectiveness is slim (Niazi et al., 2013). Therefore, better insight into how different mechanisms facilitate the creation of trust is highly relevant to both academics and practitioners.

The need for better insight into how trust can be built in IT outsourcing relationships is supported by the external project supervisor; Knut Håkon Mørch at Mnemonic AS. Based on his experience from working as an IT security consultant with major Norwegian companies and governmental organizations, he posits that it will become increasingly important to build trust in IT outsourcing relationships, especially due to the shift towards more complex and strategically important services being outsourced. In addition, the importance of trust and the need for a more thorough understanding of the concept in IT outsourcing relationships was supported by two major international consultancy firms that the authors conferred with.

In light of these observations from previous research, and Mørch's observations and theories, the first aim of this paper is to investigate practitioners' experience with using a set of *trust building mechanisms*, which were revealed by Austad and Lossius (2014), the authors' pre-diploma work. More specifically, the goal is to empirically underpin and test *the model of trust building in IT outsourcing* first proposed by Austad and Lossius (2014), and thus contribute to a better understanding of how trust can be built in IT outsourcing relationships.

Furthermore, Mørch believes it is valuable to investigate *IT security* and its influence on trust. Mnemonic AS' main area of expertise is IT security, and Mørch hypothesizes that IT security is becoming critical for trust in IT outsourcing relationships, as increasingly more confidential information and intellectual property is handled by vendors. This was also supported by the representatives from the two consultancy firms, who further suggested that *good* IT security management could increase trust and create stronger ties, resulting in increased willingness to outsource.

Management of *security risks* is critical in IT outsourcing relationships, as it can cause severe and long lasting negative consequences for a firm (Nassimbeni, Sartor, & Dus, 2012). However, researchers have indicated that IT security has generally not received adequate attention and it has been named the neglected dimension of IT outsourcing (Doomun, 2008; Fink, 1994). Still,

Mørch believes that this is changing, and reports that the issue of security and privacy in IT outsourcing gradually receives more attention. This can be due to increased attention in media and industries, increasing numbers of security incidents, the increased mission criticality of the services outsourced and/or due to a changing threat landscape. Hence, clients put more focus on security requirements, and Mørch believes that it is a critical factor in trust building.

The author's pre-diploma work also investigated whether extant literature could support the proposition that IT security can affect trust (Austad and Lossius, 2014). Consequently, the second focus of this paper is to investigate practitioners' considerations of the connection between IT security and trust.

1.1 KEY TERMINOLOGY

This paper relies heavily on the use of several concepts of which two are valuable to clarify from the outset, as the phraseology connected to them is not well established.

Trust building mechanisms: activities and underlying structures implemented and/or practiced by organization which, intendedly or not, can facilitate creating and maintaining trust between vendor and client in an IT outsourcing arrangement.

Trust building dynamics: proposed explanations of the causal relationships between a (trust building) mechanism and the consequent level of trust observed in the outsourcing relationship.

2. PROBLEM DEFINITION

The introduction presented trust as a frequently cited success factor in IT outsourcing projects. It was argued that knowing how to promote a trusting relationship with one's vendor or client is of great interest. This was the motivation for the development of *the model of trust building in IT outsourcing* (Austad and Lossius, 2014), the author's pre-diploma work, which presents theoretical explanations of how trust can be built by implementing different *trust building mechanisms*. An important continuation of this work is to perform an empirical test of the model. Research question one (RQ1) was thus motivated by the need to review and revise the model to increase its explanatory power, based on practitioners' experiences.

Moreover, *IT security* was presented as an increasingly important concern amongst organizations who wish to outsource, or already do so. Security was suggested to have a potentially limiting or reducing effect on trust levels, if it proves unsatisfactory, or to induce trust and increase the willingness to outsource if managed adequately. Austad and Lossius' (2014) literature review resulted in the proposition that IT security can affect trust in IT outsourcing relationships. This motivates research question two (RQ2).

RQ1: How do practitioners from the Norwegian IT outsourcing market experience and explain the effect of trust building mechanisms implemented between client and vendor?

- a. *Do practitioners' experiences and explanations support the model of trust building in IT outsourcing?*
- b. *Do practitioners emphasize factors not included by in the model?*

RQ2: How can IT security affect trust between vendor and client in IT outsourcing relationships according to practitioners?

The research questions will be answered based on evidence collected through qualitative case study research. RQ1 will be answered using both a deductive and an inductive approach. Deductive to the extent that the study finds support for the existing factors in *the model of trust building in IT outsourcing* (RQ1a), and inductive to the extent that factors not included in the model are emphasized by informants and argued to be appropriately included in the model (RQ1b). RQ2 will be answered using an inductive approach. The research questions are complementary, both aiming at improved insight into the nature and evolution of trust in IT outsourcing. Still, they focus on different factors which can affect trust, mechanisms and IT security, and will thus be treated separately to ensure an orderly presentation of the results.

3. CONCEPTUAL BACKGROUND

This chapter will present the theory which forms the background for this paper's data collection, case analysis and discussion. The reason for elaborating on the selected topics is that they are considered relevant either as background knowledge or the theory is applied directly in the analysis and discussion to answer the research questions. First, general IT outsourcing and trust theory is presented. Second, Austad and Lossius' (2014) model for trust building in IT outsourcing will be described. Lastly, how IT security connects to trust is presented.

3.1 IT OUTSOURCING

This section will present relevant theory on IT outsourcing, primarily aimed at giving an overview of topics central to answering the research questions. First, definitions and terms are presented. Second, common motivations to outsource are described. Third, two relevant successfactors; trust and quality of service are elaborated on. Finally, IT security, as an element of an IT service, is presented.

3.1.1 DEFINITION

Dahlberg and Nyrihinen (2007, as cited in Majdán, 2012, p. 8) define *IT outsourcing* as “a conscious decision to contract out IT activities, processes and/or related services, which are necessary to the operation of the organization to an external service provider in order to better achieve the defined objectives of business through IT outsourcing.” This definition reflects the idea that the choice to outsource can be a business driver, not just the traditional cost cutting motivation which will be elaborated in in section 3.1.2.

3.1.2 MOTIVATION TO OUTSOURCE IT ACTIVITIES

Franceschini et al. (2003, as cited in Haanappel, 2012) characterises outsourcing as either *traditional* or *strategic*. The strategic category is characterized by having a greater range and depth in services, both people and equipment is transferred to supplier, suppliers more often accept profit and loss responsibilities, and the nature of the relationship more often resembles a partnership (Barthelemy and Geyer, 2001, as cited in Haanappel, 2012).

This division between traditional and strategic outsourcing is reflected in research on the motivational drivers of outsourcing. For a long time the most common and strongly supported reason to outsource IT activities, was to reduce the cost on, especially non-core IT activities, which can be provided by external providers at a lower cost, thus constituting the *traditional* outsourcing. However, a study done by Oshri and Kotlarsky (2009, as cited in Oshri et al., 2011) found that CIOs and CFOs mentioned access to skills and expertise considerably more often than alternative drivers of outsourcing. That is, there is an observed change in the drivers of outsourcing, creating the separation between traditional and strategic outsourcing. Other motivations are the wish to focus on core capabilities, improving client's business or processes, access to leading edge technology and flexibility (Lacity, Khan, Yan, & Willcocks, 2010; Oshri et al., 2011).

3.1.3 SUCCESS FACTORS

A range of success factors have been identified through extensive research on IT outsourcing relationships, but it remains ever relevant as a significant percentage of outsourcing deals are considered either a failure or suffered from serious problems (Han, Lee, & Seo, 2008). For the purpose of this paper, *trust* and *service quality* as success factors will be examined further.

3.1.3.1 TRUST AS A SUCCESS FACTOR

Trust was according to the literature review by Lacity et al. (2009), always associated with more successful IT outsourcing. Within the context of IT outsourcing success, the definition of trust that has predominantly been employed is, according to Lacity et al. (2010, p. 409), “*the confidence that the behavior of another will conform to one's expectations and in the goodwill of another*”. Trust is a widely supported success factor which enables more and improved cooperation, information exchange, reduce conflicts, and improve the ability to adapt to complexity and change (Ali Babar, Verner, & Nguyen, 2007; Lander, Purvis, McCray, & Leigh, 2004).

3.1.3.2 QUALITY OF SERVICE AS A SUCCESS FACTOR

Service quality is also reported as an important success factor. Asubonteng et al. (1996, as cited in Aarnouts, 2012, p. 201) define *service quality* as “*the difference between the customer's expectations for service performance prior to the service encounter and their perception of the service received.*”

Agarwal and Rathod (2006, as cited in Fabriek, van den Brand, Brinkkemper, Harmsen, & Helms, 2012) list *delivering at least the expected quality* as an important determinant of success in offshore custom software development projects. And Oshri et al. (2011) list losing control of quality as a common challenge in IT outsourcing projects. As noted in section 3.1.2, one of the common reasons for choosing to outsource IT activities is to obtain better quality than can be accomplished in-house. But living up to the outsourcing clients' quality expectations can be challenging as clients often have high expectations which change over time, making them difficult to anticipate. Due to IT service intangibility, heterogeneity and inseparability, quality is difficult to determine before sale and must rather be experienced after the contract is signed (Aarnouts, 2012). Overall, delivering quality of service can be challenging, but important for success.

3.1.4 IT SECURITY

IT security is considered one of several quality metrics of an IT outsourcing service (Nassimbeni et al., 2012), and is often considered a challenging risk to manage when deciding to outsource IT (Iancu, 2012).

Information security (IT security) refers to preserving information *integrity, availability* and *confidentiality*. That is, making sure that data is accurate and complete, available whenever or wherever required and accessible only to authorized people (Khalfan, 2004). When an organization decides to outsource parts of its IT, extensive data exchange takes place. Still, it remains the responsibility of the outsourcing client towards the end customer to sustain security, while at the same time the client no longer has full control of how the data is handled when an IT function or process is outsourced to an external provider (Iancu, 2012).

As the extent of outsourcing increases, so does the need to manage the associated risks, among which, *security risks* are prominent. In addition, as the marketplace has and still does experience increasing globalization, the complexity and impact from threats are likely to significantly increase (Colwill and Grey, 2007, as cited in Iancu, 2012).

3.1.5 SUMMARY

All in all, IT outsourcing is concerned with the contracting out of parts or all of a firm's IT related services. Various reasons for choosing to outsource has been identified, among which cost reduction has traditionally been the most prevalent. However, researchers have recently observed a change in motivations towards a greater emphasis on access to competence. Moreover, IT security is expected to become increasingly more important in IT outsourcing

arrangements. Also, trust and quality of service was presented as important success factors in IT outsourcing arrangements, of which the former will be elaborated on in the subsequent section, while the latter will be relevant for the analysis and discussion.

3.2 TRUST

This section will present theory on trust which formed a backdrop in the development of *the model of trust building in IT outsourcing*, the focus of RQ1, and to be presented in section 3.3. As trust is a multifaceted term, a thorough appraisal of the concept is needed for the analysis and discussion in this paper. First, a definition is given. Second, antecedents of trust are described. Lastly, theory on the evolution and deliberate production of trust is presented.

3.2.1 DEFINITION

Numerous definitions of *trust* can be found in the literature, as trust in business relationships has received attention in various academic disciplines, such as economics, sociology, philosophy and marketing, and is considered a critical element of economic exchange (e.g. Blomqvist, 1997; Ring, 1996). Due to disciplinary differences, trust has emerged as an ambiguous concept with a range of different definitions, assumptions and operationalization (Seppänen, Blomqvist, & Sundqvist, 2007). Still, two components of trust have been identified in the literature across various fields: *willingness to be vulnerable* and *positive expectations* (Oza et al., 2006; Rousseau, Sitkin, Burt, & Camerer, 1998). Based on these two components, Rousseau et al. (1998, p. 395) proposed a definition of trust as follows: “*Trust is a psychological state comprising the intention to accept vulnerabilities based upon positive expectations of the (intentions) or behavior of another*”.

3.2.2 ANTECEDENTS OF TRUST

The definition of trust presented in section 3.2.1 leads to the question of *why* parties to an exchange would be willing to trust when it involves exposing your own vulnerabilities. Many reasons, or *antecedents* of trust, are found in the literature, as there are multiple views on how and why trust occurs. Among these, *predictability* and *expectations* are found to be prominent (Huemer, 1998), and will thus be presented in the following section.

3.2.2.1 PREDICTABILITY

Predictability is commonly linked to trust, since predictable behavior says something about the probability of the parties' likely behavior. Thus, if someone shows *consistency* between the things said and those done, one can assess that the predictability of their behavior is high, which promotes trust. Deutsch (1960, as cited in Huemer, 1998) argues that predictability includes, in addition to consistency in behavior, *reliability* and *credibility*. The first is the belief that another will behave in a way which leads to a particular outcome, without knowing the form such behavior will take, while the latter is the belief that another will do as they say or convey information accurately. Still, it is argued that predictability is not a sufficient condition for trust. This is easily exemplified by the fact that someone might behave consistently immorally, which does not foster trust (Young 1992, Mayer, Davis and Schoorman 1995, as cited in Huemer, 1998).

3.2.2.2 EXPECTATIONS OF ABILITIES AND MOTIVATION

A second set of antecedents is linked to *expectations* based on the perceptions of the other party's *abilities* and *motivation* (Huemer, 1998). Firstly, if a party to an exchange believes that the other party has the ability to complete the assignment reliably, including positive expectations related to the other party's technical competence (Barber 1983, as cited in Huemer, 1998), trust is likely to emerge. As such, trust has been suggested to evolve when the parties bring resources, opportunities and benefits into the relationship, share information on expectations and perceived performance, and the partners manage to maintain shared values

(Morgan et al., 1994, as cited in Huemer, 1998). Secondly, if a party to the exchange believes that the other party has *positive motivation or positive intention*, trust is also likely to emerge. Illustrating this, Bonoma (1976, as cited in Huemer, 1998) argue that trust requires a belief that the other party holds a *positive concern* for both parties' satisfaction, and lacks exploitative intentions. In a similar vein, Ghoshal and Barlett (1994, as cited in Huemer, 1998) argue that the development of trust is dependent on the level of perceived *fairness* and *equity* in the company's decision processes, the levels of involvement in core activities, and the overall level of personal competence at all levels of the organization. This reflects expectations concerning both the *abilities and positive motivation* of the other party, by defining fairness, equity and capability as the factors that build trust.

These antecedents are related to different types of trust which have been conceptualized by theorists. Based on their literature review, Austad and Lossius (2014) made a selection of trust types a part of their model of trust building in IT outsourcing, which will be presented in section 3.3.4.

3.2.3 EVOLUTION AND PRODUCTION OF TRUST

Here, theories on how trust evolves and can be produced deliberately will be presented. This is especially relevant as the idea that trust can be created intentionally was a basic assumption in the development of the model of trust building in IT outsourcing (3.3).

3.2.3.1 THE DYNAMIC NATURE OF TRUST

Trust is often argued to be historically dependent. It builds and deteriorates as organizations interact and interpret each other's traits and motivations (Huemer, 1998). According to Luhmann (1979, as cited in Huemer, 1998) *familiarity* is a precondition for trust and trust has to be learned. By acquiring knowledge about the other party's traits, available options and abilities trust can emerge. This is supported by Rempel et al. (1985, as cited in Huemer, 1998), who posit that trust evolves out of past experiences and interaction, and develops as a relationship matures. The process allows for observations about the other's *reliability, dependability* and *concern* for providing expected performance.

3.2.3.2 DELIBERATE PRODUCTION OF TRUST

Several researchers argue that it is possible to create a setting where one can be perceived as trustworthy, and that *trust building mechanisms* can be deployed to allow parties to determine when trusting the other is appropriate (Lewicki et al., as cited in Lander et al., 2004; Blois, 1999). For instance, Zucker (1986, as cited in Huemer, 1998) argue that different actions can lead to distinctive types of trust, and Ring et al. (1994, as cited in Huemer, 1998) argue that it can be produced through social interactions. Additionally, Lorenz (1988, as cited in Huemer, 1998) argue that trust built on honesty can be created by sacrificing short term advantages in order to obtain long-term benefits of cooperation. Creed and Miles (1996, as cited in Huemer, 1998) argue that trust can be built through sharing knowledge of mutual interests and concern for the well-being of the other party.

3.2.4 SUMMARY

All in all, there is unity across academic disciplines that trust entails *willingness to be vulnerable* and *positive expectations*. Moreover, the antecedents *predictability* and *positive expectations of abilities* and *motivations* represents underlying reason why organizations choose to trust another, despite the associated risk. Lastly, trust has been argued to be historically dependent and thus connected to *familiarity*. Thus, by getting to know another firm, for instance through the use of trust building mechanisms, deliberate production of trust can take place. Overall, the theory presented in this section represent key concepts used in the development of the *model of trust building in IT outsourcing*, which will be presented next.

3.3 TRUST BUILDING IN IT OUTSOURCING

In this section *the model of trust building in IT outsourcing*, as developed by Austad and Lossius (2014), will be presented. As the main focus in RQ1 is this model and its concepts, a thorough understanding of it is required. First, an overall introduction to the model will be given. Second, trust building mechanisms will be presented. Third, trust building dynamics will be described. Lastly, a presentation of the types of trust included in the model is given.

3.3.1 THE MODEL OF TRUST BUILDING IN IT OUTSOURCING

The model of trust building in IT outsourcing (Figure 1) aims to explain how the implementation of different *trust building mechanisms* can contribute to increasing trust between the parties in an IT outsourcing relationship, through a set of *trust building dynamics* (Austad and Lossius, 2014). The main idea is that through the implementation of the different mechanisms, which all can have different positive effects on the relationship, one can facilitate one or several of the dynamics through which trust is argued to evolve. Thus, if a client or vendor wants to deliberately increase the level of trust between the parties, this can be realized by the implementation of these mechanisms.

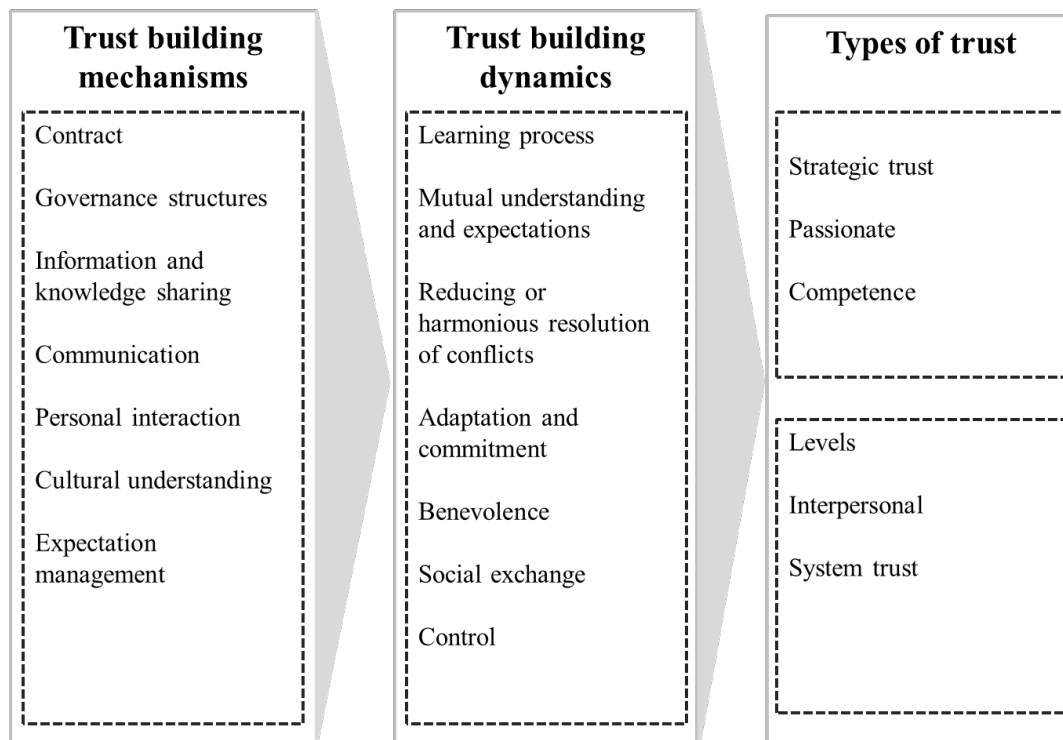


Figure 1: Model of trust building in IT outsourcing developed by Austad and Lossius (2014).

A basic assumption behind the model is that trust can be created intentionally (3.2.3.2). The focus of the model is on affecting the level of trust *after* an outsourcing relationship has started, which leaves out, for instance, mechanisms such as those that can affect reputation. Moreover, it only includes mechanisms which manifest themselves in the relationship *between a vendor and client*, leaving out internal mechanisms in either the vendor or client organization (Austad and Lossius, 2014).

The aim of the subsequent sections is not to present a clear causal link between the mechanisms, dynamics and types of trust, i.e. the different parts of the model, as these have not yet been established. As Austad and Lossius (2014) pointed out, the field of research which the model is based upon was immature. Consequently, the model for trust building in IT outsourcing both needs stronger support as is, and is also likely to be subject to modifications, which is the aim of

RQ1. Thus, the following sections will present the effects, as reported by extant research, of implementing the mechanisms which caused Austad and Lossius (2014) to propose, for the first time, the seven dynamics in the model.

3.3.2 TRUST BUILDING MECHANISMS

Austad and Lossius (2014, p.2) define trust building mechanisms as “*activities and underlying structures implemented and/or practiced by organizations which, intendedly or not, can facilitate creating and maintaining trust between vendor and client.*” Here, the mechanisms included in the model will be defined and the effects of implementing them, as reported by research, will be described. For certain mechanisms relevant challenges or considerations are included to facilitate the data analysis and discussion. Lastly, dependencies and interconnectedness between the mechanisms will be discussed, as these were argued to be considerable (Austad and Lossius, 2014), and will be relevant in the analysis and discussion of this paper.

3.3.2.1 CONTRACT

A *contract*, or a Service Level Agreement (SLA) in IT outsourcing, is a formal written contractual agreement between the service recipient and the service provider that specifies the various facets of the service to be provided at certain levels to meet business objectives (Goo et al., 2009). The contract or SLA is argued to foster trust through several possible effects, which will be presented in the following.

Firstly, the process of drafting the contract is the first time the parties have the opportunity to mutually agree upon the formal specifications and framework for the cooperation. This is argued to create *mutual understanding and expectations* (Poppo and Zenger, 2002). This is supported by Lee and Kim (1999) who found that joint participation in defining roles, responsibilities, long-term planning and design of quality control, can decrease hesitation and increase sustainability in the relationship.

Moreover, contracts can help *reduce or ease resolution of conflicts*. By providing mutually agreed upon policies and procedures for dealing with future contingencies, the contract can make it easier to recognize and avoid future conflicts, resulting in reduced conflicts and increased predictability (Goo et al., 2009; Poppo & Zenger, 2002). Further, Qi & Chau (2012) indicate that contracts are used as a *reference point* in case of instability or conflicts in the relationships. Moreover, by defining processes for solving conflicts, communication, accurate sharing information about goals and priorities, rights and obligations, one can ease coordination between the parties and *facilitate harmonious conflict resolution*. This can in turn create a feeling of procedural justice (Goo et al., 2009; Poppo & Zenger, 2002)

Furthermore, contracts can *improve communication and information sharing*. By defining communication processes and policies, responsibilities, reporting schedules in the contract more effective communication and information flow can be ensured (Goo et al., 2009). Moreover, by contractually specifying meetings one can facilitate *continuous communication flow* and encourage *social interaction* (Fischer et al., 2011). In addition, the contract contributes to *information transparency* which is crucial to understand the other parties concerns, priorities and changes in operation (Blomberg, 2008), i.e. mutual understanding of each other’s expectations.

Another way the contract can foster trust, is by increasing the *mutual dependency* between the parties by specifying goals, mutual expectations and the what, where and when of the service to be delivered. As such, the contract provides both parties with a clear understanding of how the exchange will create value (Goo et al., 2009).

The contract can furthermore *mitigate the risks* associated with an exchange (Fischer et al., 2011; Poppo & Zenger, 2002). For instance, by defining clauses for punishment the gains from behaving opportunistically are reduced, and thus the expectations of the cooperative behavior of the other party increase (Poppo & Zenger, 2002).

Although research shows that contracts are important for successful IT outsourcing relationships, Sharma et al. (2008) point out several *limitations of contracts*. Specifically these are the challenge of handling changing aspects of a relationship in a contract, difficulties in drafting good SLAs and limitations in post-contract management. This will be addressed further in the next section on governance structure.

Finally, contracts, together with governance structures, are often referred to as *control mechanisms*. According to Das and Teng (1998) control mechanisms are organizational arrangements which direct and influence the employees' actions, increasing the likelihood of attaining desired goals. That is, control mechanisms increase *predictability*. Many argue that such control mechanisms can help manage an outsourcing relationship effectively (Mao et al., 2008; Sharma et al., 2008; Winkler, Dibbern, and Heinzl, 2008). This can be especially relevant as many IT outsourcing relationships face the extra challenges which come with international and intercultural collaboration.

3.3.2.2 GOVERNANCE STRUCTURES

Governance structures are all defined plans, processes, policies, roles and responsibilities. These are often defined in the contract, but can also emerge as the relationship evolves. They direct how information exchange, communication, expectation management, general cooperation and coordination will take place (Austad and Lossius, 2014).

As governance structures are often defined in the contract (3.3.2.1), they share many of the contract's potential effects that can contribute to building trust (Austad and Lossius, 2014). Specifically these are *reducing conflicts, harmonious conflict resolution, encouraged social interaction, improved communication and information sharing, increased mutual dependence and mutual understanding of each other's expectations*. Further, governance structures are often referred to as a *control mechanism*, as pointed out in the previous section. In addition to these effects which are shared with contracts, governance structures have, according to literature, some effects which extend beyond those of a contract. These will be presented in the following.

Firstly, as pointed out in section 3.3.2.1, Sharma et al. (2008) argues that a contract cannot cover all parts of a relationship. Therefore, not all plans, processes or responsibilities are specified in contracts, but will evolve along with the relationship. Moreover, the parties' expectations and business needs may change over time, which necessitates continuous information exchange to stay updated, and consequently making potential adjustments (Blomberg, 2008). Furthermore, making a well-drafted contract has proven difficult in practice; many contracts only specify the most rudimentary service elements, while ignoring important governance issues (Goo et al., 2009; Sharma et al., 2008). This necessitates allowing *new structures to evolve* as one learns what is needed and what is effective. Also, even a well-drafted contract is no guarantee that the specified governance structures will be practiced as intended. As such, governance structures often extend beyond the contract specifications to counteract the inherent limitations of contracts.

In addition to having the effect of counteracting some of a contract's limitations, governance structures are also argued to have the potential effect of signaling *goodwill* and *commitment*, by *adapting* to the other party's constraints and governance structures (Mao et al., 2008).

3.3.2.3 INFORMATION AND KNOWLEDGE SHARING

Information sharing can be measured by the range and depth of the exchanged information, and is defined as the degree to which task information and know-how is transferred (Mao et al., 2008).

Sharing information and knowledge is argued to build trust due to several effects. Firstly, it allows the parties to learn about each other's traits and capabilities, and hence *decide the trustworthiness* of the other (Blomberg, 2008; Lee and Choi, 2011). Second, sharing information and knowledge improves the parties' understanding of each other's business and interests (Rottman, 2008; Swar et al. 2012), and hence creates *mutual understanding*. Third, by having insight into each others' businesses, the relationship can get *more effective* as one can make decisions and changes quicker and problems can be solved faster, which is believed to foster trust (Blomberg, 2008; Lee & Kim, 1999; Swar et al., 2012)

3.3.2.4 COMMUNICATION

Swar et al. (2012) define *communication* as proactive formal and informal sharing of meaningful and timely information between organizations. The *quality of communication* can be defined by its degree of timeliness, adequacy, effectiveness and quality (Lee & Kim, 1999; Mao et al., 2008).

Improved communication quality between the parties in an IT outsourcing relationship can have several positive effects, which in turn can help build trust (Austad and Lossius, 2014). Firstly, when the parties experience intensive communication, getting the necessary information in a timely manner, their perception of the other party's *commitment, reliability and goodwill* increases and they feel more confident and can *decide trustworthiness more accurately* (Lee & Kim, 1999; Mao et al., 2008). Second, effective communication is essential for *achieving the intended objectives* of the outsourcing contract (Mao et al., 2008; Swar et al., 2012), i.e. reaching what mutually agreed upon and thus the expected outcome (Austad and Lossius, 2014). Third, insufficient communication and documentation can contribute to the *increased risk* of information loss or misuse, knowledge diffusion, the moral hazard of hidden knowledge, loss of intellectual property etc. (Sharma et al., 2008).

According to Sharma et al. (2008) computer mediated communication, which is frequently used in outsourcing relationships, has lower media richness compared to face-to-face. Using communication media with inadequate media richness increases the *risk of misinterpretation*, and can reduce the receiver's ability to understand the context, social network and identity of the sender, all resulting in lower *ability to decide trustworthiness* (Sharma et al., 2008). Hence, choosing communication channels is a balance between trust and risk, and should be based on which information is to be conveyed (Sharma et al., 2008)

3.3.2.5 CULTURAL UNDERSTANDING

Ali Babar et al. (2007) explain *cultural understanding* as understanding the norms, beliefs, business attitude and native language of another party. Gregory, Prifling, and Beck (2009) found that by building *cultural intelligence*, employees' ability to effectively adapt to new cultural contexts, a *negotiated culture* can emerge between the vendor and client. That is, a sum of compromises and innovations that is negotiated concerning differences in behavior and expectations, and which could otherwise become problematic in a cross-cultural setting.

Differences in culture, both national and organizational, has been found to be the cause of diverging values and expectations, misunderstandings, conflict and impeded performance. This in turn, can make trust building challenging (Austad and Lossius, 2014).

To overcome the hurdles posed by cultural differences, research suggest different coping strategies, and their implementation can increase trust due to different effects. Firstly, by defining roles and communication lines, i.e. *control mechanisms*, one can *ease cooperation* and *reduce conflicts* caused by the complexities of international and cross-cultural collaboration (Sharma et al., 2008; Winkler et al., 2008). Second, it has been found effective to adapt management and communication style to *avoid misunderstandings* and *avoid diverging expectations* (Gregory et al., 2009; Winkler et al., 2008). Lastly, it is crucial to make an effort to learn and get to know the other party's culture, both for *adaptation*, but also to *signal interest* (Gregory et al., 2009; Sharma et al., 2008; Winkler et al., 2008).

3.3.2.6 PERSONAL INTERACTION

Personal interaction comprises of all interaction in which the parties are physically present at the same place (Austad and Lossius, 2014).

Personal interaction is believed to help build trust through several positive effects. Firstly, face to face meetings is the most media rich form of communication, which means that its relative ability to convey messages that communicate nuances and contexts other than what is explicit, is high. This *decreases the chance of misunderstandings* (Sharma et al., 2008). Second, personal interaction is especially efficient for enhancing of social capital as it "*allows for a level of social interaction that is impossible through teleconference or email conversations*" (Rottman, 2008, p. 39). Also, by having casual conversations about families, experiences and other informal issues, one creates informal socializing ties and thus increased *social capital* (Rottman, 2008).

3.3.2.7 EXPECTATION MANAGEMENT

Expectation management entails proactively trying to understand the other party's requirements and expectations, compare it to one's own abilities and clarify what is correct (Ali Babar et al., 2007).

Expectation management can be effective for trust building due to several effects (Austad and Lossius, 2014). Firstly, the jointly planning of how to collaborate and deciding on the goals and benefits of the outsourcing arrangements, trust can be facilitated as it *decreases the likelihood of conflicts* and *misunderstandings* by creating *mutual understanding* (Gregory et al., 2009). Moreover, the *willingness to adapt* to the other party's needs and preferences, which becomes clear when sharing expectations, *signals commitment and goodwill* (Mao et al., 2008). Lastly, mutually agreed upon ways of collaborating and common goals *improves coordination and cooperation* (Gregory et al., 2009; Lee and Kim, 1999).

Some activities which fall into the category of expectation management are sometimes called *control mechanisms*. Mao et al. (2008), for instance, argue that clear requirements for quality, established rules and regulations (i.e. expectations) induces efficient management and *control* of the relationship. Moreover, the contract specifies many aspects of what is to be expected from a relationship, but is often considered a control mechanism (Goo et al., 2009).

3.3.2.8 INTERCONNECTEDNESS AND DEPENDENCIES BETWEEN MECHANISMS

Austad and Lossius (2014) found that the mechanisms in their model were tightly connected. Although their abstract concepts are distinguishable, their physical manifestation in IT outsourcing relationships will often be overlapping and can affect each other extensively. They further argued that this was the reason for why they identified many similarities in how they help build trust, as was presented in this section. These similarities led to definition of seven dynamics, as will be presented in the next section.

As an example, *information sharing* and *communication* can be compared. *Information sharing* as an abstract concept concerns range and depth of shared information, which is distinguishable

from its timeliness and meaningfulness, i.e. how *communication quality* is measured. However, the two can be observed and evaluated within many of the same real world events, such as meetings, emails, discussion forums, performance reports etc. Furthermore, an inter-organizational relationship's philosophy towards information sharing can affect the effort made by its members to assure timeliness and meaningfulness, and opposite; if the communication is poor it may hamper information sharing, as depth is distorted. But, if managed successfully research suggest that both can promote trust by, for instance, deciding trustworthiness of the other party (Austad and Lossius, 2014).

Austad and Lossius (2014) argued that although the mechanisms share many trust building effects, they all have distinct contributions which supports their separateness in the model. As an example, one can consider *contracts* and *expectation management*. The contract is different from the other mechanisms as the act of drawing up the contract is a single event resulting in a specific document which (hopefully) specifies what the parties expect of the relationship, initially. Moreover, it can impact the implementation of all the other mechanisms. For instance, it can be decisive for the realization of explicit and continuous expectation management, through how it prescribes information sharing, communication and meetings etc. Also, contract negotiations are the first platform for aligning expectations. Still, having expectation management as an explicit mechanism in the model underlines the importance of expectations for trust in IT outsourcing relationships, more specifically, how important avoiding diverging expectations and goals are. Also, as described earlier, an issue with contracts is that they are not always able to fully specify which structures are needed in a relationship, and new structures may evolve as the relationship matures. Thus, implementing contracts with the intent to build trust, will not necessarily assure successful expectation management. Overall, Austad and Lossius (2014) argued that each mechanism has its distinct contribution, but that certain mechanisms, such as the contract, could be more decisive for the realization of the other mechanisms. This was considered interesting, as mechanisms such as contracts and governance structures are often referred to as control rather than trust building mechanisms.

3.3.3 TRUST BUILDING DYNAMICS

This section will present the seven trust building dynamics proposed by Austad and Lossius (2014) as shown in Figure 1. A *trust building dynamic* can be defined as an “*explanation of the causal relationships between a (trust building) mechanism and the consequent level of trust observed in the outsourcing relationship*” (Austad and Lossius, 2014, p.2). The seven dynamics in the model of trust building in IT outsourcing was a result of observed trends in how mechanisms (3.3.2) facilitated trust building. For each, an explanation of why trust can built through this dynamic will be given, accompanied by its support in theory on trust from section 3.2, as argued by Austad and Lossius (2014).

3.3.3.1 TRUST BUILT THROUGH A LEARNING PROCESS

Several of the mechanisms facilitate interaction and information sharing, which in turn allows for a more accurate interpretation of trustworthiness (Austad and Lossius, 2014). Thus, Austad and Lossius (2014) propose that trust partly evolves through a *learning process*. This dynamic suggests that by becoming more informed one can better perceive traits such as *capabilities*, *reliability*, *integrity* and *goodwill* etc. This is supported by trust theory which argues that trust depends upon *familiarity*. Also, Huemer (1998) suggests that the ability of the parties to *decide trustworthiness* depends on how much information they have about the each other.

3.3.3.2 MUTUAL UNDERSTANDING AND EXPECTATIONS

Many of the mechanisms' ability to build trust are connected to how they facilitate establishing *mutual understanding and expectations* for the collaboration. Sharing information about each

other's business, changing priorities and operations helps the parties understand which resources and benefits the other party can be expected to bring into the relationship (i.e. abilities), and what their motivation to cooperate is (Austad and Lossius, 2014). This is coherent with the idea that the evolution of trust depends on the *expected abilities* and *positive motivations* of the other party (Huemer, 1998).

3.3.3.3 REDUCTION OR HARMONIOUS RESOLUTION OF CONFLICTS

Several mechanisms either help *reduce or facilitate harmonious resolution of conflicts*, and can thus increase trust for several reasons (Austad and Lossius, 2014). Firstly, it creates a feeling of *procedural justice* which can improve the view of the other party's *integrity, sincerity* and *honesty* (3.2.2.2). This is supported by theory on trust which suggests that trust is based on perceived *equity* and *fairness* in decision processes (Huemer, 1998). Moreover, by avoiding conflicts one simultaneously increases the chances of realizing the expected gains of the collaboration (Austad and Lossius, 2014). This is supported by the *strategic* conception of trust saying that the decision to trust is partly based on the possible gains from cooperating (3.3.4.1). Finally, avoiding conflicts or having mutually agreed upon processes for dealing with conflicts, can increase *predictability*. Predictability in turn, is an antecedent of the strategic type of trust (3.2.2.1).

3.3.3.4 ADAPTATION AND COMMITMENT

Austad and Lossius (2014) argued that a mechanism can facilitate trust building if it allows the parties to display their *willingness to adapt*. That is, when a party exhibits willingness to adapt to the other's behavior, goals or expectations this *signals goodwill and commitment*. This is supported by theories suggesting that one party's open ended commitment to take initiatives for mutual benefit, while refraining from unfair exploitation can result in increased trust (Huemer, 1998). Moreover, the antecedent of trust *positive intentions* presented in section 3.2.2.2, supports the view that such behavior can help build trust.

3.3.3.5 BENEVOLENCE

Austad and Lossius' (2014) found that a mechanism can contribute to increased trust by allowing a party to show *concern* and *benevolence*. That is, if a mechanism can increase mutual understanding and helps the vendor express *proactivity* through active anticipation of the client's needs, this will illustrate positive concern for the client's business. This is supported by theory which suggest that *predictability* is not sufficient for trust to emerge, but that expectations of *benevolence* and *positive motivations* are also necessary (3.2.2.2).

3.3.3.6 SOCIAL EXCHANGE

Austad and Lossius (2014) found that several mechanisms were argued to contribute to trust by facilitating *social exchange*. That is, through both formal and informal interaction employees from the vendor and client were able to form *social bonds*, which enabled trust to build through *social relations*. Theories of trust based on a *passionate* conception supports this view, which stresses that people desire to maintain respectful relations, and emphasizes bonds between the parties (Huemer, 1998).

3.3.3.7 CONTROL

Several of the mechanisms identified in Austad and Lossius' (2014) literature review are traditionally known as formal *control mechanisms* (3.3.2.1). Moreover, their trust building effects were often based on how they helped structure and coordinate the collaboration; increasing *predictability, reliability* and *integrity* in collaboration processes and procedures, and in the delivered service. Thus, they posit that several of the mechanisms build trust through how they facilitate *control* (Austad and Lossius, 2014). The use of control mechanisms to promote trust is supported by theory as governance mechanisms can *reduce uncertainty, stabilize*

expectations and *signal an effort made to protect* the outsourcing parties from what would otherwise be an even more risky endeavor (Huemer, 1998).

3.3.4 TYPES OF TRUST

This section will present the types of trust which are included in the model. First, *strategic*, *passionate* and *competence* trust will be described. Second, the *levels* at which trust is argued to build in IT outsourcing relationships are presented. For each type, a definition and the reason for their inclusion in the model is given.

3.3.4.1 STRATEGIC TRUST

Strategic trust is calculative, and its main goal is to maximize utility under situations characterized by risk. As such, trust depends on the possible gains it can bring compared to the potential disadvantages, and a rational probability estimation informs the parties whether to trust or not. With regards to the antecedents of trust (3.2.2), the strategic type of trust is largely based on *predictability*, since it to a large extent is dependent on a probability assessment. *Knowledge based trust* is considered a type of strategic trust, as it is primarily calculative. It is based on the potential to predict behavior, which is made possible when enough information about another party accumulates, allowing for accurate prediction of their actions (Huemer, 1998). Lewicki and Bunker (1996, as cited in Huemer, 1998) argue that knowledge based trust evolve over time, and is mainly a function of past interactions that allows a generalized expectancy of predictable behavior to develop. More information contributes to knowledge based trust due to improved predictability.

The trust building dynamics in the model (3.3.3) suggest that trust is built through a *learning process*, relies on *mutually known expectations* of the parties' abilities and expected gains, and *harmonious conflict resolution*. Thus, it is argued that building trust in IT outsourcing relationship relies on thorough dedication to sharing information, joint participation in drafting the contract, and in defining governance structures and expectations for the project. This indicates that a trusting IT outsourcing relationship builds upon the antecedents *predictability* and *reliability*, thus proposing that strategic trust is present (Austad and Lossius, 2014).

3.3.4.2 PASSIONATE TRUST

Passionate trust is based on the belief that trust cannot be derived from calculations, but rather depends strongly on *social bonds* between people, and the willingness to maintain respectful relations (Huemer, 1998). The antecedent of this type of trust (3.2.2) is largely the expectation of the other party's *positive intentions*. Typologies of trust based on positive intentions are for instance *goodwill* trust, described by Sako and Helper (1998), and Ring's (1996) *resilient* trust, which are argued to be more durable types of trust which can form the basis of long-lasting stable business relationships.

The trust building dynamics in the model (3.3.3) suggest that trust is built, not just through calculating gain based on available information, but also through experienced *equity*, *fairness*, *positive motivations* and *benevolence*. For instance, *adaptation* to the other party through jointly defined governance structures, adjusting goals and expectations, and open-ended commitment to the other's business and concerns is emphasized. That is, trust in IT outsourcing builds upon perceived *positive motivations* and *goodwill*, and suggests that passionate trust is important (Austad and Lossius, 2014).

3.3.4.3 COMPETENCE TRUST

In addition to the strategic and passionate typologies of trust, there is a third type of trust resulting from the positive expectations to the other party's *abilities*. Trust emerges from this antecedent because of the belief that the other party is capable of doing what it says it will do, also called *competence trust* by Sako and Helper (1998).

Austad and Lossius (2014) argue that several of the trust building mechanisms suggests that the parties do not only want to evaluate whether their expectation on *positive motivations* will be met, but also *abilities*. Through the accumulated knowledge obtained through implementation of the mechanisms, the parties get insight into the other's resources, competencies and benefits. As time passes and performance is observed one can decide whether the expectations are met in terms of abilities and potentially build competence trust (Austad and Lossius, 2014).

3.3.4.4 LEVELS

Trust in IT outsourcing relationships was found to increase due to events on different levels of the relationship, thus suggesting that both *system* and *interpersonal trust* are relevant (Austad and Lossius, 2014).

System trust

Zucker (1986, as cited in Huemer, 1998) presents *system trust* as trust promoted through formal mechanisms. Luhmann (1979, as cited in Huemer, 1998) argues that complex systems cannot rely solely on interpersonal trust, but argues that system trust is necessary. This type of trust is vested in formal mechanisms such as contracts, plans, roles and procedures. Huemer (1998) presents several reasons for why formal governance mechanisms have been argued to stimulate trust. First, it is argued that the implementation of insurance mechanisms signals an effort made to protect the parties from loss or harm. Second, Shapiro (1987, as cited in Huemer, 1998) argues that governance mechanisms can *reduce uncertainty*, for instance through familiarity, reciprocity, threats of sanctions, procedural norms and policing. Last, institutional arrangements can have a stabilizing effect on expectations, and expectations are essential for trust to occur (Hardin, 1991, as cited in Huemer, 1998).

Several of the mechanisms in the model are traditionally known as formal *control mechanisms*, especially *contracts* and *governance structures*. The structures were argued to largely be implemented in an attempt to clarify and align expectations, give insight into the other parties' business, ongoing operations and performance. That is, they had the effect of *reducing uncertainty* and *stabilizing expectations*, resulting in increased *predictability* and verifying *integrity*. Based on this Austad and Lossius (2014) argued that trust in IT outsourcing relationships partly rely on system trust.

Interpersonal trust

Granovetter (1985, as cited in Huemer, 1998) argues that relying on institutionalized mechanisms is not the preferred information to base trust upon. Rather, trust is preferably built through concrete *personal interactions*, creating *interpersonal trust*. Lorenz (1988, as cited in Huemer, 1998) underlines the importance of personal relationships, especially enabled by personal contact and proximity. Such relationships do not need to mean friendship, but are instrumental in facilitating economic exchange.

As several of the mechanisms' trust building effects are argued to be partly due to their ability to encourage both formal and informal personal interaction, this caused the conceptualization of *social exchange* as an explicit dynamic. This further suggests that trust is partly built by creating *social bonds* between individuals, and thus the manifestation of interpersonal trust in IT outsourcing relationships (Austad and Lossius, 2014).

3.3.5 SUMMARY

This section has presented the model of trust building in IT outsourcing as developed by Austad and Lossius (2014), the main topic of RQ1. More specifically, each trust building mechanism and their trust building effects were described. The dynamics, which represent trends in how the mechanisms can facilitate trust building, were explained. Lastly, the types of trust included in the model were presented.

3.4 TRUST AND IT SECURITY

This section will present the theory and arguments Austad and Lossius (2014) considered when suggesting that the state of IT security in an IT outsourcing service may affect the level of trust between client and vendor. This represents the theoretical background of RQ2, and will be relevant when answering this research question.

Research has found that *security risks* has overtaken other risk factors relevant when choosing to outsource, such as loss of control and hidden costs, as organizations face increasing issues connected to information security (Khalfan, 2004). For instance, empirical research by Khalfan (2004) showed that *IT security* was ranked as number one in terms of risk factors in IT outsourcing. Thus, as the perceived importance of security is growing, it is increasingly important for vendors to provide evidence that security requirements are met (Kwon and Johnson, 2011 as cited in Bachlechner et al., 2014). This in turn can provide them with a competitive advantage in the industry (Doomun, 2008), as security breaches can be severe, can create long lasting negative consequences altering the business relationship (Bojanc and Jerman-Blazic, 2008 as cited in Nassimbeni et al., 2012), and thus have a strong impact on the outcome of IT outsourcing projects (Doomun, 2008; Nassimbeni et al., 2012). Still, it has been observed that organizations struggle to manage their information security, and some even argue that it has been a neglected area in outsourcing arrangements (Doomun, 2008; Fink, 1994).

Based on these findings Austad and Lossius (2014) argued that vendors should provide evidence that they have the *ability* to meet the security requirements of the client, and could thus enable building trust based on living up to the client's *positive expectations* of their abilities. This was connected to Sako and Helper's (1998) *competence based trust* (3.3.4.3). Furthermore, Austad and Lossius (2014) proposed that vendors could build *goodwill trust* (3.3.4.2) if they demonstrate *proactive* handling of security issues, analogous to the increased expectations of vendors acting as proactive partners providing competences not residing within the client firm (3.1.2). Thus, RQ2 seeks to investigate the issue further, as theory on the topic is slim and reveal discrepancies (Austad and Lossius, 2014).

4. METHODOLOGY

Business research methods concern the academic research on topics related to questions that are relevant to the field of business and management, and have a social science orientation (Bryman and Bell, 2011). As the research questions of this study, as seen in chapter 2, aim at creating an understanding of trust in IT outsourcing relationships, these questions should be answered by conducting business research. Still, as Bryman and Bell (2011) points out, there are a multitude of ways to carry out such research, depending on, among other things, the *epistemological* and *ontological* orientation of the researchers, and the research questions to be answered. As such, this chapter will present the methodology used to arrive at the results of this paper.

The chapter is structured as follows. First, the overall research strategy will be presented, followed by the chosen research design and data collection method. Further, the way the collected data was analyzed will be presented, followed by an explanation of the analysis and the reporting on the findings. Finally, an evaluation of the research method with regards to quality criteria will be conducted.

4.1 RESEARCH STRATEGY

Bryman and Bell (2011) defines a *research strategy* as a general orientation to the conduct of business research, including the *ontological* and *epistemological* orientation of researchers, the nature of the relationship between theory and research, as well as the choice between a *qualitative* and *quantitative* strategy. In this section the adopted relationship between theory and research will first be presented, followed by the epistemological and ontological assumptions. Finally, the choice between qualitative and quantitative approach is addressed.

4.1.1 APPROACH TO THEORY

Traditionally, there are two prevalent ways in which theory relates to research; *induction* and *deduction*. The former concerns processes where theory is the outcome of research, while the latter is where theory guides research. Even though these two are used to classify the relation between theory and research, they should not be considered as clear-cut and rather be considered tendencies, as research often entails elements from both (Bryman and Bell 2014).

When considering the research questions to be answered in this paper, it becomes evident that this *paper includes elements of both induction and deduction*. RQ1a has a deductive tendency, that is, the question stems from the literature review by Austad and Lossius (2014), with the aim of testing the theory by conducting empirical research. RQ1b is mostly inductive, by way of seeking to find factors not previously identified in theory that can help explain the emergence trust in IT outsourcing relationships. Finally, RQ2 is mainly inductive as Austad and Lossius (2014) found little previous research relating trust to IT security, thus RQ2's purpose is to build theory on the subject without previous robust theory guiding what to be tested.

4.1.2 EPISTEMOLOGY AND ONTOLOGY

Epistemology concerns the question of what is, or should be regarded, as acceptable knowledge in a discipline (Bryman and Bell, 2011). The epistemological orientation of this study is largely *positivism*, which means that it is believed that the methods of natural sciences could be applied to the social reality. Specifically, the authors adopt the belief that data collected through research can form theory which is generalizable across settings, as described by Eisenhardt (1989). This will be seen to affect the research design in section 4.2.

Ontology concerns the question of the nature of social entities; this study assumes an *objectivist* orientation. By this it is meant that social phenomena and their meanings have an existence that

is independent of social actors, that is they can be assumed to be external facts that are beyond our reach and influence, as described by Bryman and Bell (2011). Assuming an objectivist approach, this study discusses organizations as tangible objects for instance by describing how vendor firms and client firms interact with each other, implying the assumption that the firms have a reality that is external to the people who inhabit it. Furthermore, as with epistemology, ontology will also be seen to affect the research design in section 4.2.

4.1.3 QUALITATIVE AND QUANTITATIVE RESEARCH STRATEGIES

Bryman and Bell (2011) makes a distinction between *qualitative* and *quantitative* research strategies, which broadly is a distinction between research emphasizing words and research emphasizing numbers, respectively. The research in this paper is qualitative, that is, the collected data and analysis is concerned with words, to be seen in section 4.3 and 4.4. In this section, the choice of doing a qualitative study will be elaborated on.

First of all, qualitative research has traditionally been concerned with the generation of theories (Bryman and Bell, 2011), as its data richness allows for interpretation and understanding of underlying concepts and relationships (Hyde, 2000). As such, qualitative data appear relevant to answer the *inductive* nature of the research questions. Secondly, even though RQ1a was seen to have a *deductive* nature, it was still considered relevant to use qualitative data to answer this question as well. This is because the richness of qualitative data is believed to help when developing theory in an immature field of research, as Austad and Lossius (2014) identified limited number of articles and scant explanations on the topic. Furthermore, Yin (2014) advocates the use of a deductive approach for case study research (Hyde, 2000), which relies heavily on qualitative data, and will be seen to be the chosen research design for this study (4.2.2). Finally, Hyde (2000) argues that both quantitative and qualitative strategies employ both deductive and inductive practices, thus there is no real clear-cut between the two.

A final note on the choice of qualitative research strategy is the seeming collision with the epistemological position of this study, as Bryman and Bell (2011) report that qualitative research generally has rejected the epistemological orientation of positivism. Still, it is acknowledged to not always be the case, and that one should be sensitive to the different orientations of qualitative studies. For instance Yin (2014) and Eisenhardt (1989) are considered to be influenced by the positivist epistemology, while at the same time conducting qualitative research (Bryman and Bell, 2011).

4.2 RESEARCH DESIGN

Bryman (2014) defines the *research design* as a framework for collection and analysis of data. Specifically it is a framework for the generation of evidence that is suited both for a set of evaluation criteria, and for the research questions to be answered. In this section the choice of a *multiple case study* as research design will be discussed with respect to the research questions that are to be answered. However, as the choices with regards to research design is dictated by the criteria for evaluating the quality, a brief introduction to the criteria are considered rewarding at this point, while the thorough evaluation will be given in section 4.6. Thus, the structure of this section is as follows. First, the quality criteria are briefly introduced. Secondly, the choice of research strategy is presented.

4.2.1 QUALITY CRITERIA

Yin (2014) presents four concepts which are used to evaluate the quality of case study research. These are:

- *Construct validity*: concerns the identification of correct operational measures for the concepts being studied
- *Internal validity*: concerns the establishment of causal relationships, ensuring that such relationships are not spurious
- *External validity*: concerns the domain in which a study's findings can be generalized
- *Reliability*: concerns the demonstration of the operations of a study, such as the data collection, can be repeated with the same results

These four concepts will be used throughout the chapter, although the full evaluation of the quality of the research will be presented in section 4.6.

4.2.2 MULTIPLE CASE STUDY

Multiple case study is a particular type of research design, and was chosen to answer the questions of this paper. Still, the nature of case studies is not generally agreed upon, and will to a large extent depend on the research strategy. As such, the case study design of this paper reflects the positivist and objectivist assumptions presented in the preceding section, of which the associated implications on the case study design will be elaborated on in section 4.2.2.1.

4.2.2.1 POSITIVISTIC APPROACH TO A MULTIPLE CASE STUDY DESIGN

A *positivistic* approach to a multiple case study research includes, as described by Bryman and Bell (2011), the extraction of variables from their context in order to generate generalizable propositions and build theory. As such, it will be seen in chapter 6 that the research analysis predominantly addresses cross-case issues. This approach is at the expense of a more interpretative one, where emphasis of the analysis would have been put on rich, holistic and particularized explanations of the single-cases located in their distinct context (Bryman and Bell, 2011).

According to Bryman and Bell (2011), the positivistic approach has emerged as the dominating way to conduct case study research in business research. Furthermore, Bryman and Bell (2011) report that both Yin (1984) and Eisenhardt (1989) represent the positivist approach, and represent works that have been relied upon extensively in creating the research design for this master thesis. As such, the rest of this chapter will reflect the particular assumptions underlying this approach.

4.2.2.2 WHY A MULTIPLE CASE STUDY WAS CHOSEN

Yin (2014) presents three conditions for when a case study is a pertinent research design; when "how" or "why" research questions are posed, when behavioral events do not need to be controlled and when focus is put on contemporary events. All three conditions are applicable to this master thesis, thus justifying the choice of research design. Furthermore, the choice of doing a *multiple* case study (as opposed to single) is based on the proposed superiority of having multiple cases. For instance, Yin (2014) argues that whenever possible, multiple cases is preferred to single especially due to its substantial analytic benefits, as single case studies are particularly vulnerable to only reveal its own uniqueness and not necessarily provide any further insights beyond the particular case. Specifically, the replication logic used when conducting multiple case studies (Yin, 2014; Eisenhardt, 1989) is argued to enable more powerful analytic conclusions. Still, the authors want to emphasize that having multiple cases should *not* be confused with statistical sampling, where the sample is representable for a larger population and statistical generalizations can be made (Yin, 2014).

4.2.2.3 CHOICE OF CASE FIRMS

When selecting cases for the study, a replication logic was followed, as described by Yin (2014). This logic implies that each case should be treated as a separate experiment, providing confirmatory or contradictory evidence, allowing for theory to be strengthened and/or refined and/or extended (Eisenhardt, 1989).

There were two main categories of case firms; vendor and client firms. As the authors wanted to include both vendor and client perspectives, it was initially attempted to include the vendor and client of a *specific outsourcing relationship*. However, this proved challenging in practice. Therefore, it was decided to aim for an equal number of client and vendor firms, though not from the same outsourcing relationship. Including both vendor and client firms would suggest a theoretical replication logic, that is, including cases that predicts contrasting evidence, as described by Yin (2014). Still, both vendor and client firms were selected according to some inclusion criteria, ensuring that apart from representing different sides of the outsourcing relationship, they had similar traits. As such, within the category of vendor and client firms, a literal replication logic (Yin, 2014) was followed. The inclusion criteria for choosing case firms were as follows:

- Client or vendor firm taking part of an outsourcing relationship in Norway
- The outsourced service has to be complex, i.e. strategic outsourcing
- Security should be an important concern in deciding the quality of the service

The first inclusion criterion has a practical motivation, making it possible to meet and interview the case firms in person. The second inclusion criterion is closely linked to the purpose of the paper, if trust in IT outsourcing is to be studied, then it would have to be in IT outsourcing relationships where trust in fact is a central factor. As such, complex services or strategic outsourcing (3.1.2) were considered relevant, as trust has been found to be crucial in this type of outsourcing. Conversely, commodity services were excluded as they concern services where the choice of vendor is first and foremost based on price, and the need for tailoring the service and client specific knowledge is less relevant, as such trust is less likely to be an important factor. Finally, the third inclusion criterion was added in order to answer RQ2.

The inclusion criteria left a range of possible case firms to be studied, and the resulting nine firms and ten cases was a result of some practical considerations, as well as reviewing relevant data from new articles and reports. First, Mørch at Mnemonic AS provided the authors with contact information to several firms he considered to be inside the inclusion criteria, of which four client firms were finally chosen based on their availability. Furthermore, the authors obtained information on possible vendor firms through the Nordic Service Provider Performance and Satisfaction, 2013 (KPMG, 2013). Finally, 5 vendors were included in the study, and in total 9 firms. The authors stopped seeking new firms at this point for two main reasons. First, the number of cases adheres to the advice given by Eisenhardt (1989) and Yin (2014). Second, it was considered satisfactory with respect to the resource constraint and the research questions. The cases and a description of the firm, the outsourced service and the interviewees is given in Table 1 in chapter 5.

Remark on the sample of cases

Even though the inclusion criteria were followed as far as practically possible, there was one case that in fact did not concern complex services. In case nine, Transport Corp outsources a basic HR application, and as such is not considered complex. Still, it was kept in the study as it was deemed to provide valuable insights. Also, the authors were attentive to the possibility of diverging evidence from this case due to the nature of the outsourced service, though these proved to be few. Furthermore, even though both vendor and client firms were included based

on theoretical replication logic, as seen above, it proved to be few real differences between the vendor and client firms. Therefore, there will not be presented any further analysis of the differences between client and vendors, even though it is kept as a distinction in Table 1 to keep readers informed.

4.3 DATA COLLECTION - THE RESEARCH METHOD

Bryman and Bell (2014) defines a *research method* as a technique for collecting data, which, in turn, is associated with different kinds of research design. Yin (2014) presents *interviews* as one of the most important sources of case study evidence, and it was the main chosen data collection method of this paper. Furthermore, *documentation* was a second source of information used in this study, though to a much smaller extent.

4.3.1 INTERVIEWS

Interviews represent qualitative data, and as such reflect the qualitative approach discussed in section 4.1.3. The interviews of this study were of a semi-structured type (Bryman and Bell 2011), and a list of questions or topics to be covered, i.e. an interview guide (Appendix C), was made prior to conducting the interviews. As such, it was ensured that all necessary questions to answer RQ1a and RQ2 were covered, while at the same time flexibility in how the various interviewees perceive a question allowed for differing emphasis and elaboration on various topics, which again is considered valuable to answer RQ1b. Furthermore, an open-ended question on trust in IT outsourcing was posed, allowing the interviewees to speak freely on the topic of trust, unveiling whether the existing model adequately covers crucial parts of trust in IT outsourcing, or if it in fact is insufficient. As such, the interviews allow for the exploration needed to answer RQ1b.

A total of 18 people were interviewed, which comprise a rich material of gathered data. By having several interviews, Johnson's (1997) principle of data triangulation is adhered to, as the various interviews represent multiple data sources within the chosen data collection method. Data triangulation is argued to increase the *internal validity* of the research, and further lead to a better understanding of various causal relationships (Johnson, 1997).

The interviews were recorded, and subsequently transcribed. Transcribing the interviews allowed the authors to revise and examine the data whenever necessary, and as such facilitate a more thorough analysis. Additionally, the transcriptions and interview notes were orderly compiled and saved in an online database (google drive), accessible to both authors at all times. By transcribing the interviews and having this database, the *reliability* of the research is believed to be enhanced, as it opens up the data to public scrutiny (Bryman and Bell, 2011, Yin, 2014).

Finally, the interviews were largely held by two interviewers, as such allowing for one interviewer to lead the interview and ensuring that all topics were covered, while the second interviewer could observe and ask follow-up questions. As such, Patton's (2002, as cited in Yin, 2014) principle of investigator triangulation is followed. Moreover, Eisenhardt (1989) argues that using multiple interviewers strengthens the confidence in the study, as different perspectives are accounted for.

4.3.2 DOCUMENTATION

Documentation was a second source of evidence used in this study, though it was used to a significantly smaller extent. Documentation such as internal PowerPoint presentations as well as contracts and governance structures, were used as support during the interviews to demonstrate how things were used in practice. Thus, when the things said and the documentation exhibited,

corroborated to the same findings, this enabled the principle of data triangulation to be followed, which is argued to increase the *construct validity* of research (Yin, 2014). Furthermore, documentation such as news articles, firms' web pages and reports were reviewed before conducting the various interviews, for preparation purposes.

4.4 DATA ANALYSIS

“Data analysis consist of examining, categorizing, tabulating, testing, or otherwise recombining evidence to produce empirically based findings” (Yin, 2014, p. 132). Analysis of qualitative data is argued to be challenging, as few rules of how to conduct such analysis exist, and due to the large amount of unstructured textual data resulting from such research (Bryman and Bell, 2011). This was the case for the analyses for this paper as well, as the interviews resulted in transcripts comprising as much as 155 604 words. Moreover, the semi-structured nature of the interviews resulted in fairly unstructured data, as well as varying amounts of data on each topic across the interviews as a result of the emphasis made by the various interviewees. As such, the authors had to make a structured approach to analyzing the data, which led to an analysis strategy comprising four steps, to be presented in section 4.4.2. But first the analytic techniques used throughout the steps of the analysis, will be presented.

4.4.1 ANALYTIC TECHNIQUES

Pattern matching was employed as an analytic technique for this research, and throughout all four steps of the analysis. It entails the comparison of an empirically based pattern obtained through the research, with a predicted one made in advance of the data collection, and if the two unveil similar patterns, the internal validity is strengthened (Yin, 2014). This technique is especially relevant for answering RQ1a, as this question aims at investigating and validating empirically the theoretical patterns proposed in the model of trust building in IT outsourcing by Austad and Lossius (2014). If the empirical results coincide with the predicted pattern, this would thus strengthen the model. Contrary, when results fail to show the *entire* pattern as predicted, then the proposed pattern would have to be questioned, according to Yin (2014). Moreover, a special type of pattern matching was employed, which Yin (2014) calls *explanation building*. This type of pattern matching is particularly concerned with explaining the revealed causal links, and as such appear as a relevant technique as the research questions aim at giving explanations.

The analysis based on pattern matching and explanation building was considered relevant for RQ1b and RQ2 as well, even though they have a more inductive nature. First, even though RQ1b has no predefined pattern to match, it rather represents new and emerging patterns that can be fed into the model of trust in IT outsourcing, and as such revise and refine it. Therefore, during the analysis, the pattern matching technique was also used to uncover new patterns, and thus it contributed to answering RQ1b. Furthermore, Yin (2014) describes explanation building as an iterative process, and as such the explanations or patterns found in this study pertinent to RQ1b should ideally be subject to further empirical investigation. Still, this was not within the scope of this thesis, and could make for a potential area of future research (0). In a like manner, to answer RQ2, pattern matching was considered relevant. Specifically, with few existing proposition on the relationship between trust and IT security, the authors were attentive to emerging patterns throughout the process of data collection and analysis.

Finally, the analysis is also affected by the research design being a multiple case study, hence the technique *cross-case synthesis*, described by Yin (2014) was also applied. The technique consists of, among other elements, the gathering of information on the separate cases, for instance in tables, and subsequently comparing the findings across cases. These elements of cross-case synthesis have been employed through all four steps of the analysis strategy.

4.4.2 ANALYSIS STRATEGY

Here, the four steps constituting the analysis strategy is presented. The process is described through its main steps and in a linear manner, though it should be noted that the authors made several revisions and iterations between the steps. Still, the four steps describe the main parts of the process.

The first step in analyzing the vast amount of data was a thorough examination of each individual interview transcript. The process included registration of explanations concerning each mechanism, explanations on trust resulting from the open-ended question of the interview guide (Appendix C) and explanations on the relation between trust and IT security. The relevant parts of the transcripts were copied into an excel sheet, to ensure that no relevant piece of data was lost. The process was conducted case by case. That is, the examination of interviews from the same case was registered into the same excel sheet. This allowed for a better overview of the case as a whole and facilitated the subsequent analysis. To enhance the internal validity of the research, the authors conducted the first examinations concurrently to ensure that the same process was followed and that the results were aligned. The rest of the examinations were done by splitting the interview transcripts between the authors, and thus increase the efficiency of the process. Still, a close collaboration was kept through the whole process, and the authors conferred with each other when in doubt.

The second step of the analysis entailed the structuring and distillation of the relevant data from the excel sheets from step one, and creating a comprehensible presentation of the data. This was done by identifying similarities across interviewees, a finer distillation of the various explanations from the excel sheets and the composition of individual case reports. These constitute the findings to be presented in chapter 5. Throughout the entire second step the authors strived to make the reports representative for the content of the interviews, and not to interpret it with respect to theory. At this point the aim was to present the reader with the findings from the various cases was, before secluding them with the authors' interpretations, and as such increase the reliability of the paper.

The third step of the analysis was the identification of connections between trust building mechanisms, trust building dynamics and trust. This was done by examining each case report, and registering whenever evidence for a connection was found. The registration was two-fold. First, the connections between trust building mechanisms and dynamics were registered in a table (Appendix D); an explicit connection is marked by a capital X and an implicit connection is marked by a small x. Second, whenever an explicit connection was found, the explanation for the connection made by the various case firms were registered in a document in the *case study database*, ordered according to the trust building mechanisms. Inductive new explanations of how trust is built were also registered, as well as explanations on the relationship between IT security and trust. Throughout step three the authors were careful to include all data that was deemed relevant for answering the research questions, and similar findings were saved together. At the end of the third step, the document in the case study database included explanations across all cases, facilitating the subsequent analysis in step four.

The fourth step comprised the cross-case analysis, where the examination of similarities and dissimilarities across the cases, as well as thorough comparisons with the conceptual background, chapter 3, was conducted. First, all of the tables showing the case-wise connections (Appendix D) from step three were merged, resulting in Table 2. This allowed for a clearer perception of the considerable similarities across the cases. Further, the aggregated connections were analyzed with respect to the conceptual background, where the explanations from the document from step three were compared to the explanations found in the conceptual background. Next, the same procedure of comparing the explanations given by the cases with

the explanations of the conceptual background was followed for trust building dynamics, new emerging subjects as well as IT security. All is to be presented in chapter 6.

In summary, the first three steps of the analysis strategy treat the cases separately. Even so, these three steps are also influenced by a cross-case mentality, which can be ascribed to the chosen research strategy and its cross-case focus (4.2.2.1). As such, the first three steps allowed for a preliminary comparison across the cases by focusing on the same variables for all cases, and less on the particularities of each individual case. Furthermore, the analysis from the first three steps prepared for a thorough analysis across the cases in step four, where also theory from the conceptual background was conferred to. The reporting of the results from the analysis will be presented in the subsequent section.

4.5 REPORTING

In this section the reporting on the findings from the research will be presented, preparing the reader for the subsequent chapters. It allows for an explanation of why certain aspects of the study has received much attention and others less, as well as the structure chosen for presenting the final results of the research.

In chapter 5, Findings, each case is presented separately aiming at creating a clear picture of the findings from each case. Each case report follows the same structure and the content is the distillation of the most relevant raw material from the interview transcripts. The motivation for presenting the material in this manner was firstly to increase the reliability of the study, and additionally to make the reader more intimately familiar with each case, as described by Eisenhardt (1989).

In chapter 6, Analysis, the results from the cross cases analysis, that is step four of the analysis strategy, is presented. As such, even though the analysis strategy includes steps which handle the cases separately, as seen above, chapter 6 only presents the aggregate results of this analysis. The reason for not presenting an analysis for each individual case was, firstly, that it would create too many repetitions of arguments, as there are many similar findings across cases. Second, it was considered most rewarding and meaningful to present a more extensive cross case analysis for answering the research questions. Moreover, as seen in section 4.2.2.1, it is considered possible and rewarding to extract variables from their context in order to generate generalizable propositions and build theory, which supports the decision to only present the cross case analysis. Also, Yin (2014) propose only presenting the cross-case analysis for multiple case studies.

Finally, chapter 7, discussion, presents a discussion of the findings and analyses, ultimately answering the research questions of this master thesis.

4.6 QUALITY OF RESEARCH

In this section a *quality assessment* of the research method will be presented. The quality will be evaluated with respect to the four elements presented in section 4.2.1, and for each, the different measures taken by the authors to ensure a high quality research are presented, as well as possible limitations of the research. First, the *reliability* of the research will be assessed. Second, an evaluation of the research's *validity* is given, that is the *construct*, *internal* and *external* validity.

4.6.1 RELIABILITY

The *reliability* of the research was attended to by several measures. First of all, Yin (2014) argues that a prerequisite for allowing another investigator to repeat an earlier case study is

documentation of all procedures of the case. Therefore, the authors aimed at documenting every step of the research as meticulously as possible, facilitating a replication of the study. A research database was established, as seen in section 4.3.1, where documents concerning the entire conduct of the research are to be found, as well as the parts constituting the thesis paper. According to Yin (2014), such a database is one of his four principles of data collection, and a valuable tool to increase the reliability of the research. Additionally, the interview guide (Appendix C) was developed to ensure that the interviews were conducted in the same way, adhering to the replication logic (Yin, 2014), as well as increasing the reliability. Furthermore, through the reporting on the findings and analysis, the authors seek to keep the reader as informed as possible on how, and on what basis, different conclusions are reached. As such, Yin's (2014) principle of *maintaining a chain of evidence* is adhered to, which is argued to increase the reliability of the research. That is, for instance, the reason for why the number of cases are referred to throughout the analysis in chapter 6; it enables the reader to track the information back to the findings to investigate on what basis the conclusions are made.

Even though the interview guide was developed and followed, semi-structured interviews are fairly flexible and prone to subjective influence. As such, it could prove hard to replicate the same findings even if the interview guide is followed and the same people are interviewed, presenting a challenge to the reliability of the research. Furthermore, as seen in the conceptual background, the nature of IT outsourcing is dynamic, and thus asking the same questions after some time might thus yield different findings.

4.6.2 CONSTRUCT VALIDITY

Construct validity is often criticized as being a significant limitations in case study research, as it is argued that researchers fail to develop a sufficiently operational set of measures and that subjective judgements are used to collect data (Yin, 2014). As such, being attentive to challenges of construct validity is extremely important for the validity of the research, and the author's sought to employ several measures to enhance the construct validity.

First, an information letter (Appendix B) with descriptions of the model of trust building in IT outsourcing was distributed to all interviewees prior to the interviews. This allowed for the interviewees to get familiar with the concepts, and provide feedback if something was unclear or if they had any disagreements or feedback on the concepts. This is believed to increase the construct validity as it allowed for the interviewees to validate the concepts, and the further analysis was thus not based on faulty concepts. Second, by having several sources of information, both within and across cases, is believed to effectively increase the construct validity by uncovering converging information. Third, as seen in section 4.3.1, the interviews were held by two interviewers thus adhering to the principle of data triangulation, which is believed to increase the construct validity (Yin 2014).

Still, as trust is an ambiguous concept, as seen in section 3.2, there is a risk of not capturing every relevant aspect of it. Particularly, it can be seen through the interviews that, despite the overall commonalities, the individual interviewees describe and explain trust in various nuances that are hard to cover entirely. Also, the interviews were mainly held in Norwegian and consequently translation had to be carried out by the authors, which could pose a risk to the construct validity, as it has been argued that translation is a sense-making process that involves the translator's knowledge, social background and personal experience (Bryman and Bell 2011).

4.6.3 INTERNAL VALIDITY

To establish causal relationships from the data collected, pattern matching and explanation building was used as analysis techniques (4.4.1). This is according to Yin (2014) an effective way to establish *internal validity*. By means of this technique, the theoretical pattern, i.e. the model of trust building in IT outsourcing (Figure 1), could be compared to the empirical findings. Furthermore, by having numerous interviews within and across cases, Johnson (1997) argues that a better understanding of various causal relationships can be attained.

However, it should be noted that as the research design downplays the contextual influences by extracting variables from their context in order to generate generalizable propositions and build theory (4.2.2.1), this might pose a threat to the internal validity. Specifically, the patterns and the causal relationships found might be the result of some contextual variable not accounted for, as argued by Yin (2014). Still, it is believed that having several, and corroborating sources of data, could counteract some of these threats. That is, having several cases within different contexts that in fact provide corroborating findings suggest that the contextual influences might not be too dominant. Furthermore, the research design and data collection did not focus on gathering contextual information on each case, and as such the authors found it unsuitable to conduct any analysis based on sparse information. Still, the authors were cognizant to this threat to internal validity throughout the research.

4.6.4 EXTERNAL VALIDITY

Traditionally, the *external validity* of research has been assessed by statistical generalizability, that is, making inferences about a population based on data collection from a statistical sample (Yin, 2014). However, this logic does not apply to a multiple case studies, since the chosen cases are *not considered* to be a representative sample of a population, and was chosen based on the replication logic as opposed to random sampling. However, Yin (2014) argues that for case study research, by means of analytic generalization, inferences beyond the specific cases can be made. Furthermore, to ensure external validity, theory should be used as a foundation, as the model of trust in IT outsourcing served as in this particular research. Additionally, the authors believe that the concurring findings across cases imply that there are lessons learned from this research relevant to other firms. Notwithstanding, the generalizability could be questioned by proponents of the statistical generalizability considering it to be an inherent limitation of case studies (Bryman and Bell, 2011).

4.7 SUMMARY

Overall, the research strategy of this master thesis is based on *positivist* and *objectivist* assumptions, and the research is *qualitative*. Furthermore, the research questions have both *inductive* and *deductive* tendencies. The chosen research design is *multiple case study*, with a total of ten cases being studied. The analysis predominantly addresses cross-case issues, and little emphasis has been put on the particular cases' individual contexts. Altogether, this will be seen to influence the subsequent chapters.

5. FINDINGS

In this chapter the findings from the data collection will be presented. The data will be presented without being analyzed or interpreted with respect to theory. Still, the interviewees' considerations and arguments have been compressed to limit the extensiveness of this chapter and to make the content more conceivable to the reader. The data is presented in a quite structured manner, following the order of questions from the interviews (Appendix C). The material presented in this chapter constitutes the basis for the analyses and discussions in the subsequent chapters.

A total of 10 different cases will be presented, and Table 1 gives an overview of these. Each case is interviewed from only one perspective of the outsourcing relationship, that is, representatives from either the vendor firm or client firm. As seen in section 4.2.2.3, no clear differences between vendor and client firms were unveiled through the analysis. Thus, this information is included in Table 1 to keep the reader informed, and not for further treatment. Also, case one and case two concerns the same vendor firm, though the client differs, and therefore these are treated as separate cases.

	Case	Vendor	Client	Outsourced Service	Duration	Interviewees
V E N D O R P E R S P E C T I V E	1	Mumbai Consulting Services Indian IT service provider Employees > 300 000	NorOil Corp Norwegian Oil Service Company	Outsourcing of IT department	<1 year	Key Account Manager Client Partner
	2	Mumbai Consulting Services Indian IT service provider Employees > 300 000	Life-Insure Corp Nordic Insurance company	Management of legacy IT systems	<1 year	Relationship Manager
	3	Eagle Consulting Group US IT service provider Employees > 70 000	Not specified			Security Account Manager

	Case	Vendor	Client	Outsourced Service	Duration	Interviewees
V E N D O R P E R S P E C T I V E	4	Canucks Consulting Corp Canadian IT service provider Employees> 60 000	NorPhone Corp Norwegian Mobile Telephone Retailer	All IT operations	3 years	Business Development Director CEO
	5	Yankee Consulting Services US IT service provider Employees> 300 000	Telecom Corp Norwegian multi-national telecom company	Development and Application Management	1,5 years	Security Manager
	6	Cherokee Consulting Group US IT service provider Employees> 190 000	All Food Corp Norwegian global conglomerate	Outsourcing of Data center services	3 years	Country Manager and Client Partner IT IS Director Account Manager
C L I E N T P E R S P E C T I V E	7	Arctic IT Services Norwegian IT service provide Employees< 2000	Transport Corp Norwegian transportation infrastructure corporation	HR system administration	10 years	System manager IT Delivery Director Information Security Director
	8	Chennai Consulting Indian global IT service provider	Bank Alfa Norwegian Bank Experienced outsourcer	Non-mainframe IT operations	<1year	Head of Information Security
	9	NorSecure Corp Norwegian IT Security Firm (wholly owned by Japanese telecom service provider)	Bank Beta Nordic Bank Experienced outsourcer	Security services	15 years	Threat Management Director Relationship Manager Technician

	Case	Vendor	Client	Outsourced Service	Duration	Interviewees
	10	New Dehli Consulting Indian global IT service provider	Arctic IT Services	IT operations	9 years	Relationship Coordinator

Table 1: Description of the cases

The remaining sections of this chapter will present each of the ten cases separately. The presentation of each case is structured as follows. First, overall considerations on the relationship are presented, allowing for an understanding of the state of the relationship. Second, the interviewees' description of how they have implemented the seven trust building mechanisms and the perceived effect of using these are presented, followed by an evaluation of the relationship's trust level and explanations of the most decisive factors for this perceived level. These findings are relevant for answering RQ1a and RQ1b. Third, IT security's effect on trust is assessed, relevant for answering RQ2. Finally, additional factors that were emphasized by interviewees as important to trust, but that are not part of the model, will be presented. These will be discussed in section 6.4.3.

Even though the cases are structured in the same manner, they differ in how extensively each trust building mechanism is treated and otherwise the information given about the various relationships. These differences stem from the chosen research method, and specifically the use of semi-structured interviews (4.3.1). When cases have several interviewees, the accumulated information from all interviews will be presented collectively to make the findings more comprehensible and concise, as the raw material is vast (4.4). However, whenever interviewees' opinions are contradicting, this will be made clear by referencing the interviewees' distinct opinions separately.

5.1 CASE 1: MUMBAI CONSULTING DELIVERING IT SERVICES TO NOROIL CORP

5.1.1 DESCRIPTION OF RELATIONSHIP

The outsourcing relationship concerns Mumbai Consulting taking over NorOil Corporation's old IT department, including both people and processes situated in Norway and abroad. Mumbai Consulting describes the relationship as tight. This is because the newly brought in employees from NorOil Corp and their own people are collocated, and because the nature of the service necessitates a lot of knowledge transfer. Moreover, they characterize the relationship as very formal, significantly more formal than they are used to. This last factor has caused the relationship to struggle at times, due to differences in the parties' use of formal structures such as set meetings, reports, deadlines etc.

5.1.2 CONTRACT

The contract regulating the service is extensive and complex. NorOil is very contract focused, and the contract is characterized as an active document, being followed meticulously. This differs from what Mumbai Consulting is used to. They consider themselves more pragmatic and

focused on delivering the service, although the process does not always conform to the specifications of the contract. When Mumbai Consulting has not met deadlines, delivered reports etc. according to contract, NorOil has quickly demanded that fines should be paid accordingly.

Contrary to this, the Key Account Manager, responsible for the transfer of people from NorOil to Mumbai Consulting, describes that the contract is used seldom in his area of responsibility and is described as a sleeping document. Still, during the sales phase it was used more actively to discuss and agree upon the content. The SLA on the other hand has been used more actively and helps inform the employees what is going on and what is expected of them, and the contract can be used as a reference point in case of disagreements.

NorOil's stringent way of using the contract was incongruent with Mumbai Consulting's expectations towards how the contract should direct the relationship. This has resulted in failed delivery from NorOil's point of view, conflict, reduced openness from Mumbai Consulting's side, and thus reduced trust both ways. The Client Partner explains; *"We do what we have to, to deliver the service, whether it says in the contract or not. In a way we accept that we have not delivered according to contract, but we never managed to say that we delivered the service, before we were confronted with fines. NorOil wanted compensation. That is not a good starting point for building trust."*

On the other hand, concerning the transfer of people, the contract was referred to seldom after signing which was interpreted as a good thing; it meant that they had mutual understanding and expectations concerning what was to be done and how. Still, the sales and contracting phase has been used to establish this mutual understanding, which furthermore enables Mumbai Consulting to deliver what NorOil wants.

5.1.3 GOVERNANCE STRUCTURES

As specified in the contract, the parties have agreed upon processes, meetings on different levels, for different purposes, defined responsibilities, contact points, reporting schedules, how to communicate the transfer process to the employees etc. These structures were especially pushed and enforced by NorOil. Mumbai Consulting considered the governance structures more as guidelines in the process of reaching their goal, while they perceived that NorOil were very focused on working exactly according to plan, even when Mumbai Consulting believed it did not contribute to reaching NorOil's goals. It took time for Mumbai Consulting to adapt to the client's way of working, and NorOil also became more pragmatic as time passed. For the part concerning transfer of employees, there were similar plans and procedures, but they were not experienced as equally stringent.

Having a structured way of working is experienced as an effective way to manage the relationship. For instance, it provides rules for who should meet and discuss different issues, and as such promotes social interaction and information sharing. However, due to NorOil's strict implementation, Mumbai Consulting believed that it decreased trust, for instance when not meeting deadlines. According to the Key Account Manager; *"That is the effect; yes, it is nice to have a plan, but if you do not follow it - it will have the opposite effect. We do not have control. A plan is great, and it creates trust if you follow it."* Still, as time passed and the parties learned about each other's way of working, adaptation took place and this made it easier to cooperate.

5.1.4 INFORMATION AND KNOWLEDGE SHARING

As the outsourced service's main goal is for Mumbai Consulting to take over NorOil's IT processes, this meant that sharing a lot of knowledge and information concerning their processes and routines was necessary. Mumbai Consulting had to understand exactly how the client had been working prior to outsourcing; the Client Partner expresses *"In an outsourcing engagement*

everything is about information sharing (..) we are taking over [the processes] and then it is all about information, information, information.”

Information sharing is according to the Client Partner critical to ensure successful delivery, as it creates an understanding of how NorOil used to work and thus enables the creation of trust.

5.1.5 COMMUNICATION

The communication lines are defined, but not very formal, according to the Client Partner. The key roles have their contact points, which usually is the corresponding position in the client organization. For the transfer of people they followed a plan for giving the employees timely information about the transfer process. The Client Partner believes that some of the issues they have had so far is partly due to communication issues. There has been several incidents where Mumbai Consulting has not been sufficiently good at communicating what they have actually done, what they understand and what they are able to do, and has thus not convinced NorOil that they are able to perform.

The Client Partner believes communication is essential for trust building. Communication is thought to be this important as it enables better information transfer, better mutual understanding and thus establishes trust. Due to their occasional inability to communicate timely and accurately he believes that disagreements, reduced confidence and reduced trust has been the result, as NorOil has doubted whether they are able to deliver as promised. According to the Client Partner *“(..) between 60 and 80% of the project success could be ascribed to the people, and their ability to communicate. Communicate, not just talk. Explain what has been delivered and when, and if it is not delivered, why not.”*

5.1.6 CULTURAL UNDERSTANDING

Mumbai Consulting has experienced both organizational and national culture differences between them and NorOil. Firstly, due to the client's origin in the oil service sector they rely more on formality compared to the vendor. Second, as many of the Mumbai Consulting's employees are Indian, there have differences between the Norwegian employees from NorOil and the Indian employees. Examples are Indians' difficulties in saying no and different ways of solving problems.

The cultural differences, both industry and national, have caused misunderstanding and frustration. The former due to different expectations and understanding of how the parties were to work together, while the latter due to differences in how respond to orders from superiors. As an example, the Client Partner explains: *“Even though our Manager made it very clear that it had to be a person from this team, they [Indian employees] make a different decision, and they don't even see the problem. They don't inform anyone, they just send another person. This causes the Manager to get upset”*. Overall, the cultural differences reduced the level of trust in the relationship, especially in the beginning.

To reduce the potential issues caused by different national cultures several activities are implemented. Firstly, cultural awareness sessions, courses and tests are given to the employees as well as social get-togethers. Moreover, they structure the relationship such that normally Norwegian employees are the contact points towards customers, and Indians are more concerned with internal affairs. No explicit activities were implemented to narrow the gap in organizational culture, rather the vendor learned after some time that they had to adapt to the client. This meant being more careful in meeting deadlines and delivering the planned reports for instance. Also, the client eventually learned to be more pragmatic, making the cooperation easier and thus trust creation possible.

Although cultural differences are considered by the vendor to always exist in such relationships, the effect of the implemented activities is believed to be reduced misunderstandings, as one creates a better understanding of the other culture; *"I believe that being humble concerning the other culture and trying to understand the background for how they say things, it always helps. Otherwise there will be a lot of conflicts."* - Key Account Manager. Also, Norwegians handling the contact with customers work as a filter towards the client, meant to avoid unnecessary misunderstandings.

5.1.7 PERSONAL INTERACTION

There are both formal and informal personal meetings in the outsourcing relationship. The former is part of the governance structure, in addition to one-to-one meetings with transferred employees to get to know them better. The latter is concerned with social gatherings and dinners, which also function as an informal fora to discuss disagreements or conflicts. Furthermore, The Client Partner, emphasizes his weekly semi-formal one-to-one meetings with the client's leaders. The Client Partner believes it should be a goal to use more personal meetings, as the use of mail can become extensive.

The formal personal meetings are important to clarify what will happen in the transfer process, the when and how of things, and as such clarifies expectations. The effect of informal meetings is that they allow the client to bring up issues and thoughts which do not fit within the planned formal meetings, and has such allow them to solve disagreements before they become a conflict. Furthermore, the informal meetings are argued, by the Key Account Manager, to be an important part of creating cultural understanding and loosening up the atmosphere when there has been a conflict.

5.1.8 EXPECTATION MANAGEMENT

The issues concerning how to collaborate can according to the Client Partner partly be due to inadequate expectation management. The parties have had, as explained earlier, very different expectations towards how to use the governance structures. The Key Account Manager on the other hand, spent time with NorOil's employee representatives in the sales phase to discuss and explain the transfer process before they started, to make them agree on what was going to happen.

The result of not having adequate expectation management has according to the Client Partner been diverging expectations, conflict and reduced trust. It took time and several meetings trying to solve their conflicts for them to understand the mindset of the client. The Key Account manager on the other hand believes that their meetings prior to the transfer process made the client employee representatives supporters of the process and thus eased the transition. Thus, it created mutual understanding and aligned expectations.

5.1.9 THE LEVEL OF TRUST

The level of trust in the relationship is described as increasing, but has suffered several drops. The recurring problems of the relationship are mainly attributed to the fact that the vendor has not delivered according to what the client has expected in terms of complying to their agreed formal structures. The Key Account manager argues that when one does not deliver as promised, trust is reduced. Following up on your promises in terms of delivery is also believed to have the opposite effect, increasing trust. The Client Partner point out the trust Mumbai Consulting has in NorOil has been reduced by the way NorOil has handled their mistakes, for instance by using fines when Mumbai Consulting chose to be open about what they would be able to deliver and what they would not. Improved communication, earlier understanding of cultural differences and diverging expectation are emphasized as effective mechanisms to fix these issues.

Improved conflict resolution and clarifying expectations is brought up as reasons for why they have been able to improve the cooperation, deliver according to expectation and thus start building trust. Moreover, the Key Account Manager believes that if Mumbai Consulting can become more proactive in their resolution of conflicts, showing what the issue is and how they want to solve it, trust can be built. Still, the Client Partner underlines that there is no quick fix for trust, and that it is built over time.

The Key Account Manager points out that the social bonds between individuals within the organization have often been good, and thus their interpersonal trust was often strong. Still, this is not enough when the vendor as a whole does not deliver as expected.

5.1.10 IT SECURITY

The Client Partner argues that IT security is considered to be a basic part of the delivery which has to be in place for trust to grow. If it is not in place, the client will not trust you. The Key Account on the other hands does not believe that this client's trust is connected to IT security.

5.1.11 ADDITIONAL FACTORS

One factors was stressed during the interviews which partly fall outside model for trust building mechanisms in this paper; individuals' ability to communicate well. It was argued that communication and particularly people's ability to communicate, was highly decisive to the project success, as seen in section 5.1.5.

5.2 CASE 2: MUMBAI CONSULTING DELIVERING IT SERVICES TO LIFE-INSURE CORP

5.2.1 DESCRIPTION OF RELATIONSHIP

This case entails Mumbai Consulting delivering management of Life-Insure Corp's legacy IT systems, the systems which currently handle their core IT processes. Mumbai Consulting describes the relationship as close and formalized, and resembles that of a partnership. They follow common formal structures, but the vendor emphasized the importance of social bonds. The relationship is described as very good, as there have been few problems and Mumbai Consulting has managed to deliver.

5.2.2 CONTRACT

The contract is considered an active document which is a result of several rounds of negotiation. It represents what was agreed upon initially and forms the base of the relationship. It specifies governance structures, regulatory requirements, commercial issues etc. Moreover, it specifies SLAs, KPIs, reporting etc.

The effect of using the contract actively is perceived as positive, as it represents what was mutually agreed upon and what is expected from both of the parties. Moreover, the metrics specified allows them to measure the health of the relationship and whether they are delivering according to expectations. When Mumbai Consulting manages to deliver according to the contract, trust is built. Still, the specifications in the contract are according to Mumbai Consulting the bare minimum of what should be delivered.

5.2.3 GOVERNANCE STRUCTURES

The governance structures are described in the contract, and are divided into three layers; strategic, tactical and operational. The three layers represents different meetings points with employees at different levels, meeting frequency, reporting schedules etc.

The effects of having these structures are positive. First of all it specifies who should meet, how often and what should be discussed. This allows for solving potential problems or misunderstandings continuously, and measuring and discussing whether Mumbai Consulting are meeting the goals according to SLAs and KPIs. Moreover, especially the strategic meetings, allows the parties to discuss potential new projects. Life-Insure's attendance and the frequency of the strategic meetings gives Mumbai Consulting an indication of how strong the relationship is.

5.2.4 INFORMATION AND KNOWLEDGE SHARING

The partnership mentality reflects the information sharing mindset of Life-Insure, i.e. a lot of information is shared. The Relationship Manager himself has thorough understanding of the Life-Insure's strategic goals and business, and believes that it is important that the Life-Insure has equivalent insight into Mumbai Consulting.

The extensive sharing of information and knowledge enables Mumbai Consulting to help the client, proactively proposing solutions or projects which the client would not come up with themselves. In this way, information sharing is important for Mumbai Consulting's ability to add extra value for the client. Moreover, the continuous meetings and reports allows the parties to keep track of the relationship, and measure whether they are meeting their targets.

5.2.5 COMMUNICATION

The relationship has specified formal communication lines, and Mumbai Consulting have coordinators working both offshore and at Life-Insure's offices to assure that people get in contact with the right people and access the right information. In the beginning more coordination was needed, but as time has passed and people have built personal relationships through meeting face to face, communication has become easier and people are contacting the right person themselves. According to the Relationship Manager, such personal relationships are very important due to the distance between the parties, which results in mail and phone calls being used frequently.

The Relationship Manager focuses mainly on the effect of these personal connections which eases communication. It makes it easier for people to contact each other, because they have a better understanding of the person in the other end, both as a person and their work.

5.2.6 CULTURAL UNDERSTANDING

There are several nationalities involved in the service delivery, making several cultural differences visible. The Relationship Manager mentions examples such as language, Indians' tendency to answer yes, timeliness, different interests, philosophy concerning work and personal life.

Measures taken to improve cultural understanding and consequent adaptation are cultural learning session both for the Mumbai Consulting internally and with Life-Insure. Moreover, Mumbai Consulting have a two-in-a-box system for project management, and they arrange dinners and social activities outside work within the different project teams. Lastly, the Relationship Manager tries to focus on what they actually have in common.

The Relationship Manager believes that cultural differences can cause misunderstandings and conflict as the parties can end up feeling insulted, when that was not the intent of the other party. Thus, cultural understanding becomes very important to avoid these issues, and he believes that their mechanisms helps them build their employees' cultural understanding, and thus avoid misunderstandings and help them adapt to the other party's culture.

5.2.7 PERSONAL INTERACTION

The parties meet very often personally for formal meetings, as prescribed in the contract. They use these meetings to evaluate how the relationship is going by the use of KPIs and SLAs. Is Mumbai Consulting delivering as promised, how are problems solved, and what are the potential new projects and ideas for collaboration? Moreover, employees at both sides have visited each other's work sites, which also allowed for socializing in informal settings. Furthermore, informal personal meetings such as dinners and other social activities are arranged outside of work.

The effect of both the formal and informal meetings is the creation and strengthening of personal relationships. This, in turn, increases the employees' motivation, eases further communication using other medias, when personal meetings is not possible, and builds trust. Furthermore, during the formal meetings the vendor is able to better understand the client, where they want to go and how they perceive the service. The informal meetings are perceived as just as important according to the Relationship Manager, as they learn about each other on a personal level and it becomes easier to open up. The visits offshore helps the parties understand how things are done either offshore or on-site and how people from a different culture live and work.

5.2.8 EXPECTATION MANAGEMENT

The continuous meetings, allows them to discuss how the client perceives the service. The Relationship Manager believes managing expectations is very important and has the philosophy that "*early bad news is good news.*" That is, one should confront issues as early as possible and explain how they will be solved. Moreover, he believes that one should try to surpass the client's expectations.

The effect of managing the clients expectation is that one avoids potential misunderstandings and creates a mutual understanding of what is expected.

5.2.9 THE LEVEL OF TRUST

There is trust on all levels in the relationship, and especially on the tactical and strategical level it is growing stronger. On the operational however it has been challenges as times, as it is here that the biggest changes have happened; changes in roles and responsibilities especially. The Relationship manager points out several factors which are decisive for building trust;

The most important is Mumbai Consulting's ability to deliver at least what is expected. The Relationship manager explains: "Ultimately it is all about delivering the value that they expect you to deliver. So if you are able to quantify that value and have a common understanding of that value up front and then if you are able to deliver it - then you will build trust." As the relationship has been good so far and they have managed to live up to the expectations of the client trust has grown stronger.

Proactivity is another factor which is recognized as important for trust to increase. By proactivity the Relationship Manager means delivering more than what is expected, and adding extra value beyond what the contract specifies. Mumbai Consulting hope to accomplish this through proposing innovations and solutions using their experiences from around the world, which the client would not be able to themselves.

Moreover, the fact that the parties have so far been able to solve problems as early as possible together is believed to have contributed to the strong relationship. Meetings and discussing issues, and explaining how they will be dealt with is important.

The personal relationships that have been built through the first months of the relationship are also underlined as important for the level of trust.

5.2.10 IT SECURITY

The Relationship Manager believes security can affect trust. To assure that they are delivering the expected level of security, they comply with common security standards. Moreover, Life-Insure visited the offshore site before signing the contract, to observe the security processes themselves. As Mumbai Consulting is complying to such security standards and is able to show how they manage their security, this makes clients confident; *"If you are certified with that and if you are showing all that in physical security, logical and other security levels then they get confident."*

5.2.11 ADDITIONAL FACTORS

One subject which was mentioned several times during the interviews was investments; investing resources especially directed at a specific client relationship shows devotion and contributes to building trust.

5.3 CASE 3: EAGLE CONSULTING GROUP

5.3.1 DESCRIPTION OF RELATIONSHIP

To avoid disclosing sensitive information, a specific relationship was not the focus during the interview with Eagle Consulting Group. Instead, the Security Account Manager at Eagle Consulting shared general thoughts on relationships with clients.

5.3.2 CONTRACT

According to the Security Account Manager the contract is used as a guideline. It specifies SLA requirements, responsibilities, meetings to be held and their frequency etc. However, their goal is always to exceed the contract, and hence refer to it as a minimum standard. After the relationship is established, the structures are up and running and they have started delivering, they rarely look at the contract. If it is used, it is often in cases where there is disagreement concerning what was originally agreed upon. The importance of having a clear contract which is mutually understood is underlined.

Using the contract in this manner has a positive effect according to Security Account Manager. First, during contract negotiations you create a mutual understanding of what should be delivered. If the contract is unclear, this can easily lead to pointing fingers. Second, it describes how to cooperate, which is useful when establishing relationships. Third, by exceeding the contract and not referring to it all the time the Security Account Manager believes they can build goodwill and trust; *"That's our goal, to exceed. If you do that over an extended period of time you get goodwill, and if you make a mistake along the way the customer does not start to talk about fines etc. So it is based on trust, if you have trust then the customer... we don't refer to the contract all the time."* Referring to the contract can send negative signals to the client; *"If every single time the client say something then you have to check what the contract says, right.. the last thing we really want is to take out the contract and say; look, it does not say in the contract. (..) In Norway I would say that referring to the contract is a bad signal. It's as if you're saying that you are messing with the relationship."* Moreover, the contract is argued useful for clarifying misunderstandings.

5.3.3 GOVERNANCE STRUCTURES

The governance structures are defined in the contract, and commonly specify meetings, reporting, incident procedures, escalation procedures etc.

The Security Account Manager argues that having governance structures is positive and very important. For instance, the prescribed meetings allows the vendor to get more information from

the client; *"We have had clients who have specified that we should have meetings this often, but then they say it's going so well that we do not need them. (...) Often, we're interested in having a meeting, because it always gives us a bit of information."* Moreover, the meetings, which are often held in person, allow them to meet and interact with the client, which is positive. Lastly, without a good governance model which clarifies authorities and rights, *misunderstandings* would be much more common; *"You get more misunderstandings, because if you have an unclear governance model it is unclear who has the right to say what."*

5.3.4 INFORMATION AND KNOWLEDGE SHARING

Eagle Consulting always tries to be transparent towards the client, explaining how they work, the parts of the service to be delivered from different locations, responsibilities, etc. Also, they do their best to understand the client, their business and goals.

Information sharing is essential for understanding the client's business, culture, vision and what they want to achieve with the service they are buying, and this again helps build trust. Also, it is important that the client understand the vendor; *"It is important for us to clarify with the client who in all stages of the relationship is responsible for what. (...) So that the client feels, so that we are as transparent as possible towards the client, he sees that we are transparent and understands us, understand how we operate, and then it is easier to create trust."*

5.3.5 COMMUNICATION

Day to day communication with clients happen primarily through meetings and mail. Communication lines are defined in the governance structures. As time passes, new communication lines appear, and more informal channels can become formal ones as they prove useful. The Security Account Manager connects communication to expectation management, as the importance of both refer to the importance of the parties giving each other the right information at the right time.

According to the Security Account Manager good communication is critical and can affect trust. Without good communication, both parties would become dissatisfied and the relationship would not work. If one does not get the right information at the right time, it will create misunderstandings. The communication lines defined from the beginning and those who are established along the way ensure that the right people communicate.

5.3.6 CULTURAL UNDERSTANDING

Eagle Consulting experience Norwegian clients' culture as easy to understand. But since they are a global company, they have delivery centers in many countries and experience cultural differences between their offshore employees and Norwegian clients.

To ease cooperation across cultures the vendor will often use an employee as a filter, i.e. a Norwegian employee, between the offshore staff and the client, especially if the client has no experience working with the other culture. In addition, they give some of their offshore employees courses in European and Nordic culture.

The mentioned effect of cultural differences is more misunderstandings, which in turn can cause poor or failed deliveries. The filters and culture courses are believed to improve the situation.

5.3.7 PERSONAL INTERACTION

The meetings prescribed in the governance structure will often happen face to face, but it depends on the level in the relationship and which matter is to be discussed. For instance, in day to day operations phone can be more common, but in such cases they have met each other before and know each other's face.

According to the Security Account Manager; *"Personal meetings exceed all others."* The reason for this is that personal meetings allow for interpreting the other's body language and see their face. This again will make later communication, which is not in person, easier. Also, when you know someone's face, not just the voice, it is easier to trust them.

5.3.8 EXPECTATION MANAGEMENT

Expectation management starts in the contract negotiations phase, as this is when you first discuss what the delivery will include. Later on, how well you communicate is thought to be important for how well you manage to manage the client's expectations; *"You have to have good communication to manage the client's expectations. You can miss a delivery and the client is still happy, if you have good communication and expectation management. That is, you inform the client properly, give them a reason why things are the way they are, and the client will be understanding. They don't like getting a message the day before that you'll miss the delivery."* Also, meeting minutes is mentioned as important to keep expectations from diverging.

According to the Security Account Manager the effect of not managing expectations well can be disappointment and conflict. The meeting minutes assures that what has been agreed upon is written down and shared.

5.3.9 THE LEVEL OF TRUST

Trust will often be established already in the bid-process. After this phase, the Security Account Manager point especially to two factors that are decisive;

Delivering according to the client's expectations and potentially exceeding them is the most effective way of building trust; *"It's back to expectations again, it's an eternal circle, iterative. If we deliver as we should, or exceed, then we build a good trust as we meet the expectations of the client. The client expects cheaper, stable IT services. You deliver that, you get trust. If you fail once it is ok, mistakes can happen (..) But if you miss rather often, then it will affect trust."*

The Security Account Manager also emphasize expectation management as the most important part of trust building; *"If you manage to manage the client's expectations you will always be able to deliver. You steer the client, the expectations of what you will deliver. (..) It does not matter if you have delivered according to contract, he had different expectations, so expectation management is the most important things you can do."*

5.3.10 IT SECURITY

Security is characterized as the bottom of Maslow's pyramid; if security is not satisfactory you will not be considered. If a security incident should occur, which Eagle Consulting should have been able to prevent, trust will be reduced as this is a part of the expected delivery. Moreover, they are experiencing that clients are generally becoming more attentive to security matters and thus more willing to spend money on security measures.

5.3.11 ADDITIONAL FACTORS

One theme was mentioned during the interview which is not fully covered by the model; personal chemistry. Personal chemistry between team members is believed to potentially affect the level of trust, the Security Account Manager explains; *"The team which negotiates with the client can affect the level of trust you get. Because if you have personal chemistry it can turn out very good. If you don't have personal chemistry it's a disadvantage, and maybe you should consider changing the team."*

5.4 CASE 4: CANUCKS CONSULTING CORP MANAGING IT OPERATIONS FOR NORPHONE CORP

5.4.1 DESCRIPTION OF RELATIONSHIP

The outsourcing service in focus is Canucks Consulting delivering implementation and operations of the ERP system of a Norwegian mobile retail company, NorPhone Corp. The relationship is described as close. They have a continuous dialogue on all levels of the organizations. The cooperation is described as both formalized and ad-hoc. Since Canucks Consulting is Canadian they have to comply with SOX-standard, which induces formality in many processes, still the style of communication and cooperation is fairly informal.

5.4.2 CONTRACT

The contract specifies, among other, the service to be delivered and the governance structure. This includes meeting plans, frequencies of meetings and reports, milestones and more. The Business Development Director comments: *“Everything is included in the contract, and it should be a valid guideline throughout the outsourcing relationship”*. The extent of the use of the contract varies across the phases of the outsourcing relationship. During the negotiation phase and the transition phase, the contract is used actively, while during the operations phase, the contract is used less and functions as a framework. Still, it is considered an active document that forms the cooperation and provides procedures to solve potential conflicts.

By using the contract actively during the negotiations and transition phase, Canucks Consulting get to know their client more; what are their expectations, how mature are they with regards to IT outsourcing? The Business Development Director comments: *“The whole process is about establishing trust and to see if the chemistry is right, you manage to match people on the different levels”*. Thus, trust is seen as a significant positive effect of the contract negotiation process. Furthermore, trust should be established on all levels of the relationship because *“you can have technicians who are very fond of each other, but if their leaders do not think that this is any good, then it won’t be a success.”* Further, by using the contract as a framework in the operations phase, you get a better customer relation than if it is referred to constantly and stringently, according to The Business Development Director.

On the other hand, the CEO disagrees with the presumption that using the contract is a sign of bad relations. Contrary, he argues that this is a bit naïve, and a typical trait of the Norwegian business culture. He thinks the contract should be used more in the sense that the customer teams, and especially the Account Managers, should know the content of the contract very well.

5.4.3 GOVERNANCE STRUCTURES

The governance structures are primarily specified in the contract, and include strategic, tactical and operative meetings. The strategic meetings are used to discuss strategic issues such as the customer’s and Canucks Consulting’s strategies and goals, and how Canucks Consulting can help the customer pursue theirs. New projects and plans are made. Next, the tactical meetings plan more in detail how the new projects should be conducted, and Canucks Consulting further explain how they can support the customer’s activities. Finally, the monthly operational are used for status updates on SLA demands, unattended cases and problems, and how these were solved. The governance structure is to a great extent followed. Still, the Business Development Director adds that they do not blindly follow it, as adjustments are made whenever they feel it is necessary. Outside these contract-specified structures, there is daily follow up on the operational level if necessary, as well as meetings in conjunction with their voluntary customer feedback program. Here, customers get an opportunity to tell how they perceive the service, and express any needs or concerns.

Canucks Consulting argue that the effect of having and following such governance structures can be a good dialogue and better cooperation. Therefore it is considered important to describe and follow the governance structures. Furthermore, the governance structure function as a guarantee that representatives from both parties actually meet regularly. This is especially important when a customer's leadership do not really care about IT, because then Canucks Consulting can use the governance structures to "force" the leadership of the customer to meet with them. This in turn creates an opportunity for the service provider to show what they can offer and how they can help the customer. Furthermore, the customer feedback program creates a better understanding of the customer as they get information on what the customer wants and expects, and level of satisfaction with the service.

5.4.4 INFORMATION AND KNOWLEDGE SHARING

Generally Canuck Consulting seeks to be as close to customers as possible, and learn about them. They seek a high degree of transparency with their customers, and share information of strategic, tactical and operational content. They have a very open dialogue with NorPhone. Additionally, they share information about trends in their customers' industries through annual industry reports. Thus the customers benefit from Canucks Consulting's knowledge from working with competitor firms around the world, and get tips about what they should be doing. These reports are appreciated by customers, while at the same time Canucks Consulting gets a chance to show customers how they can contribute outside pure technical aspects.

Sharing a large amount of information and having a high degree of transparency with their customers is argued to have several positive effects. First, it enables Canucks Consulting to deliver better services and to better support their customers' strategies. Contrary, when customers are reluctant to share information, it gets harder for Canucks to deliver good services. The CEO comments: "*the more knowledge we have about the customer, the better job we can do*". This is why they believe openness is extremely important. Second, the customer feedback program shows customers that their problems are taken seriously, which in turn induces trust. The Business Development Director comments: "*the program is part of creating the necessary trust because we take their challenges seriously*". Finally, the industry reports are argued to demonstrate proactivity.

On the other hand, the CEO point out that customers often request that Canucks Consulting be more proactive. Since one of the major criticisms of IT service providers in general is lack of proactivity, it is argued that Canucks Consulting could improve their customer relationships by pursuing a more proactive approach. The CEO comments that this is challenging, and says that despite the extensive knowledge his employees hold, this is somehow hindered from reaching the customers.

5.4.5 COMMUNICATION

The communication with NorPhone is effective, and is characterized by short lines, short distances and a high degree of openness. The formal communication lines are specified in the contract, and every meeting has specified participants from both parties. Furthermore, the personal chemistry between the people taking part of the communication is argued to be decisive to its effectiveness. Of particular importance is the personal chemistry between the Account Manager, the Engagement Manager and their counterparts at the customer organization. The relations between these people are essential to have a good communication, and the service provider will replace these if they do not have a good chemistry with their counterparts.

Effective communication is argued to affect the quality of the delivery the customer gets. Further, personal chemistry is argued to be extremely important to the communication effectiveness as there are in fact people on both sides working together, and the communication

can turn destructive due to poor personal chemistry. The CEO explains: *“Some customers behave as jackasses (...). It gets destructive and the delivery gets poorer since people are not motivated, people aren’t happy, it isn’t nice to work with that customer, and thus the delivery gets poorer”*. Thus communication, interpersonal courtesy and *“being alright with each other”* is affecting the quality of the delivery.

5.4.6 CULTURAL UNDERSTANDING

There are several cultural differences between Canucks Consulting and their various customers. First, there are industry specific differences, exemplified by public sector customers being more rigid and contract-focused than the service provider, while for instance NorPhone has more of a “cowboy style”, wanting things to move faster than what the Canucks Consulting can do due to SOX compliance and stringent corporate procedures. Second, there are national cultural differences between Canuck Consulting’s Indian workforce and their local customers.

Canucks Consulting has no active measures in place to manage the industry-specific differences, though they seek to deliver services to customers that do not have incompatible cultures with, which have ultimately led to the rejection of certain customers. To manage the national cultural differences their customer teams always consist of local representatives having the same culture and speaking the same language as the customer. The Business Development Director comments, *“you need to have the local affiliation, you need to have customer proximity.”*

Not engaging with customers that have incompatible cultures is believed to have significant effects on cooperation and trust. This is because such deep differences in culture could have led to unfriendliness, poor communication and poor understanding of each other due to the completely different basis for discussion. Furthermore, the filter employed between the Norwegian customer and the Indian delivery team prevents misunderstandings, and the customer feels that they are taken care of by someone who understands them.

5.4.7 PERSONAL INTERACTION

Canucks Consulting highly value face-to-face meetings, and every meeting in the governance structure is done face-to-face. They have occasionally used videoconferences, but try to avoid it. This is because they think it is very important to sit across the table from the customer, and to be able to talk to them, watch their reactions and to get the proximity. Face-to-face meetings are especially useful for discussions as it creates good communication and a good dialogue. Furthermore, there are many informal meetings between Canucks and their customers. The CEO tells that he attends a lot of customer dinners, which he is a big fan of.

The effects of using face-to-face meetings is that it builds trust and the relation, and also they perceive that customer appreciate meeting them face-to-face as it *“gives them an opportunity to tell us right to our faces what they mean and think, and they see that we understand and take the appropriate actions.”* The informal meetings are further believed to have effects on the relationship that extends beyond what formal meetings can achieve. That is, dinners allow for getting to know people on a personal level, by finding common interests and having a good time together. The CEO argues that you get to the point where you realize that *“its people making business with people, not organizations making business with organizations”*. Thus, informal meetings build the personal relations, which in turn strengthens the business relationship. Overall, such dinners are claimed to be invaluable as it builds the relation and trust between the parties.

5.4.8 EXPECTATION MANAGEMENT

During the negotiation phase, expectations are managed through reference visits to existing customers. These give prospective clients a preview of how Canucks Consulting operate as an IT service provider, with its challenges and benefits. Additionally, expectations are managed by

involving the delivery team in drafting the contract. This ensures that the people who are actually going to deliver the service to understand the customer's expectations as early as possible, and help avoiding the typical problem of the sales team promising too much without knowing for certain whether the delivery team will be able to meet these expectations. During the rest of the relationship, most of the expectation management is conducted through the customer feedback program (5.2.3). It is also emphasized that expectation management should go both ways, as Canucks Consulting also need to be clear and open about their expectations to the customer. For instance, they often struggle to get the clearance from the right level or person at the customer organization, which leaves them waiting and overrunning deadlines.

Expectation management is argued to be extremely important, the Business Development Director comments: "I can't say anything else than that it is extremely important. It is the precondition for a trusting relationship, and it is the precondition for making a good delivery". Since they make a conscious effort to not promising too much during the negotiations phase, they avoid that the customer gets disappointed from not getting what they expect. Also, through the feedback program they are attentive to diverging expectations as the perceptions of the meaning of the contract can diverge and also expectations can change, thus making sure the expectations are understood and mutual. This is done because it is argued that if Canucks Consulting and their customer have different expectations, then the relationship will never work.

5.4.9 THE LEVEL OF TRUST

Canucks Consulting characterize the relationship with NorPhone as having a high level of trust, and they have had a good relation from day one.

The most important thing to build trust is argued to be the delivery and the quality of the delivery. The Business Development Director comments, "*first of all you have to deliver what you promise, otherwise nothing else matters. If you say you will deliver tomorrow and continuously deliver too late, then the trust will be torn down*". Furthermore, delivery is connected to the service quality, as the CEO states; "*if the quality is not good, then it hurts the trust.*" Thus delivering or failing to deliver can help build or reduce trust, respectively. Furthermore, The Business Development Director claims that all the other meetings and mechanisms that they have in place to ensure customer satisfaction will be counterproductive if you do not deliver because: "*if you show up to every meeting with the same results, and never fix things and get better, then those meetings contribute to tearing down the trust*". Therefore, delivering is the prominent way to build trust.

Further, promising things that you cannot deliver will reduce the trust. Therefore, whenever you realize that you will not be able to deliver something you should tell the customer immediately. This way, the customer knows that Canucks Consulting will not deliver, and can take the appropriate measures. Contrary, "*if the customer thinks that everything is ok when it really is not, then it is a disaster*", the Business Development Director explains. Being honest and direct about what they are able to deliver is critical, thus avoiding that the customer gets disappointed from not getting what it expects.

Proactivity is also believed to be a potential trust-builder. This is because whenever Canucks Consulting shows proactivity by giving advice to help the customer get better, they show that they understand the customer's business, which in turn helps build trust.

Finally, personal relations are underlined as important to build trust. The CEO says: "nothing beats the trump card of trust and relations! You can have technology and security and governance... but nothing beats it. Of course the other things have to be in place, but after that it boils down to trust and relations". Correspondingly, personal meetings were emphasized as an important trust building mechanism, as it builds personal relations and trust. Still, above all, the delivery has to be in place because to the customer what really matters is that the service is

delivered. The CEO comments "... the quality has to be in order, otherwise this will hurt your trust. Then it will not help with a dinner".

5.4.10 IT SECURITY

Canucks Consulting experience that many of their customers lack awareness of IT security, and generally they take security much more seriously than the customers. For instance, NorPhone has no expressed security concerns; still they just expect the service provider to take care of it appropriately. The CEO claims that no one in Norway takes security seriously. While Americans are concerned with Cyber Security, this is far down the priority list in Norway. He says: "*Especially in the Public sector, it is crazy how poorly it is handled there. You can easily hack any Norwegian public system.*" Customers might request that Canucks Consulting be compliant to certain standards and laws, still the more important part of security concerning deeper security and risk assessments are rarely requested by customers.

5.5 CASE 5: YANKEE CONSULTING MANAGING AND DEVELOPING IT SERVICES FOR TELECOM CORP

5.5.1 DESCRIPTION OF RELATIONSHIP

The outsourcing relationship concerns Yankee Consulting delivering development and application management within one of Telecom Corp's business areas. Yankee Consulting describes the relationship as being close, since employees from both parties who are stationed in Norway, are located together. Moreover, the vendor tries to keep in daily contact with the client's management. As the relationship is still relatively young, the vendor has experienced some disagreements, but hope this will settle down as the processes matures and the parties get to know each other better.

5.5.2 CONTRACT

The contract is described as quite decisive for how the parties collaborate, for instance by specifying reporting, meeting schedules, which processes will to follow etc. Still, the Security Manager argues that one tries not to use the contract too much in the daily operations; "*The contract is a thing that one often tries not to use, but on the other hand it clearly defines the frames for all that is to be reported, when it should be reported, how it should be reported*". There will always be some changes to the contract along the way as the relationship matures.

The contract is experienced as a useful tool and source of information in the relationship. Firstly, it clearly defines the frames for how to collaborate, and if there is disagreements or misunderstandings they can check the contract to see what was originally agreed upon. How knowledgeable you are of what the contract says will depend on your position, many employees only know it through how it is implemented in their daily work through meetings, workshops etc.

5.5.3 GOVERNANCE STRUCTURES

The governance structures are described in the contract, and specify meetings on different levels, who should attend which meetings, reporting, milestones, responsibilities, audits etc. Yankee Consulting consider themselves rather process oriented, and believe it is important to document what they agree upon in meetings, and what they need from Telecom Corp to be able deliver according to plan. At times they have experienced that Telecom Corp gets frustrated and perceive them as difficult when they refer to such documentation. Moreover, as the relationship is still young, they experience some changes along the way, such as changes in responsibilities as employees' position within the projects change.

There are several effects from using these structures. First, they ensure close contact between the parties through the prescribed meetings. Second, predefined structures are needed to have a starting point for mutual understanding. Still, there will always be a need to modify how they work, and the vendor believes their willingness to adapt is perceived positive by the client. Yankee Consulting's persistence in using the structures to assure that they can document what has been agreed upon can at times be interpreted as rigid, especially if Telecom Corp is angry due to problems such as late deliveries. Still, in such cases Yankee consulting finds it especially useful to be able to refer to meeting minutes which describes what they have agreed upon and the parties defined responsibilities. Lastly, the Security Manager argues that governance structures can help build deep trust, as it can help them show what they have delivered; *"You can use it to build deep trust because you can say "ok, all this is green, except this one which is red, and there we have a plan". (...) Then you can use a smaller part of the meeting on those issues, and more of the meeting discussing other important things, and you'll have a much deeper trust between the parties."*

5.5.4 INFORMATION AND KNOWLEDGE SHARING

First and foremost information relevant to the projects is shared, from both sides. Yankee Consulting, for instance, shares their processes and methods, and try to be open about how they work. Only some of Yankee Consulting's employees get insight into strategic matters and business plans from Telecom Corp.

The effect of sharing this knowledge is that it helps the parties understand how the other works, what work has been completed and how issues are solved, and thus increases transparency.

5.5.5 COMMUNICATION

Communication lines and responsibilities are defined in the contract. Thus, for most formal issues it is easy to find the right person to contact for necessary information or clarification. Still, Yankee Consulting has at times found it challenging to obtain effective communication. This is believed to be caused by Telecom Corp's organization, where employees over the years have changed their position and place within the organization. Yankee Consulting on the other hand tries to be very clear about which of their employees should be contacted concerning different matters. Within the individual project, the Security Manager argues that continuous communication is important, which is ensured by daily meetings where people from offshore also attend via conference call. Moreover, the Security Manager underlines the usefulness of meeting minutes which are signed and available to the attendants.

The experienced communication has the following effects on the relationship. First, when whom to contact with a certain issue is unclear it can cause delays. Whereas in the cases where responsibility is well defined it makes it easier to find the information you are looking for. Moreover, the meetings minutes makes misunderstandings and disagreements easier to resolve. Lastly, the daily project meetings are considered a success criterion.

5.5.6 CULTURAL DIFFERENCES

The main cultural differences underlined by Yankee Consulting are differences in the organizational culture. While Telecom Corp is described as "half-public"; employees arrive and leave as it suits them, and are less inclined to meet deadlines, Yankee Consulting consider themselves more strict in conforming to such rules. As Yankee Consulting is often dependent upon Telecom Corp's information or deliveries, projects can be delayed when Telecom Corp has not met deadlines. Cultural differences between Telecom Corp's Norwegian employees and Yankee Consulting's offshore workforce has not caused any issues up until now, as Telecom Corp is used to work in an international environment.

To deal with cultural differences Yankee Consulting tries to be very clear concerning what they expect and need from Telecom Corp to be able to deliver according to schedule. Also, to assure better cooperation with offshore they send some employees offshore to build cultural understanding and discuss issues in person. In general, the Security Manager believes that one just has to try to understand and accept the differences and try to find a way to work together.

The result of cultural differences in terms of meeting deadlines can be conflict in cases where the Telecom Corp gets disappointed due to late deliveries, even though they might be the cause of the delay. Clearly communicating expectations helps reduce the likelihood of these conflicts.

5.5.7 PERSONAL MEETINGS

There are a lot of formal meetings which are held face to face, both defined in the governance structures but also ad hoc. Also, due to the colocation of employees there are a lot of informal personal meetings between the parties. Especially, the Security Manager believes in having an informal discussion on issues which are to be handled in the formal meetings in beforehand.

Meeting face-to-face on a regular basis makes cooperation easier as they can discuss important issues, which brings them closer together. The Security Manager argues that these meetings are the most effective in showing the client what they are delivering, and thus helps build trust. Moreover, colocation has the positive effect of making communication easier, the Security Manager explains; *"Pro is that it is very easy, if you need to change some principles to get something through. (...) Then you can do it face to face, instead of a full project change process. Which takes five work days"*. In addition, it makes it easier to get the needed information, as you know the people from the other party and their responsibilities better. Finally, the informal meetings before the formal ones makes the decision processes more effective as opinions are shared in a more relaxed setting in beforehand.

5.5.8 EXPECTATION MANAGEMENT

Expectation management is crucial according to Yankee Consulting. They perceive that Telecom Corp shares this understanding. Although documents cover some expectations, everything cannot be put in writing, thus explicitly discussing expectations is believed to be important. The Security Manager mentions especially how they are very clear on what they expect the client to contribute with for them to manage their deliveries. Moreover, they try to be open and honest about whether they themselves are meeting expectations.

The effect of having an explicit focus on expectations is that they push discussions and create a mutual understanding of different scenarios. Without such focus, one can easily create misunderstandings according to the Security Manager; *"It's an amazing way of creating arguments between the client and the vendor. Not doing it explicitly; "what are our expectations?" You often have to negotiate, because you imagine something, and that is easy. (...)"*. Moreover, it helps Yankee Consulting understand Telecom Corp better. All this contributes to trust.

5.5.9 THE LEVEL OF TRUST

The Security Manager believes that they have a certain level of trust in the relationship, but it is not complete. This is because they are still relatively early in the contract, and Yankee Consulting needs to show that they can deliver what they have promised. Moreover, processes need to mature, as this will result in less issues and thus improved trust.

The vendor believes that trust is primarily dependent upon their ability to deliver. Moreover, when problems occur, they have to show how they will be solved.

The Security Manager furthermore differentiates between two levels of trust; "There is trust on a business level: will they manage to do the job? And there is trust like: ok, they don't just do the job, but they have our best interest at heart and have the capacity to do something about it. So it's kind of good enough and really cool, and that goes for trust as well". Yankee Consulting would like to obtain the stronger form of trust, but to manage this they first have to deliver and then add more value on top of that by being proactive; "Being able to help the client, not just doing what he says, but suggesting things, helping them, that is a very important part of being a good vendor."

5.5.10 IT SECURITY

The focus on and importance of security depends on who within Telecom Corp you talk to. For leaders it is very important, while for the projects owners it is less important. The Security Manager argues that security can affect trust, as it can cause conflict if it does not work. Security is described as a pillar in the service, which needs to be in place.

5.6 CASE 6: CHEROKEE CONSULTING DELIVERING DATA CENTER SERVICES FOR ALL FOOD CORP

5.6.1 DESCRIPTION OF RELATIONSHIP

The outsourcing contract entails Cherokee Consulting taking over the data center services of All Food Corp's internal IT company. Cherokee Consulting describes the relationship as close and formalized. They try to get as close to All Food Corp as possible to understand their business and share a lot of information. All Food Corp is perceived as open and honest. Their collaboration is formalized, by following the defined structures, but still Cherokee Consulting tries to stay flexible - adapting to what they perceive All Food Corp really wants to have delivered, if that should diverge from what was originally agreed upon.

5.6.2 CONTRACT

The contract is believed to be an important starting point for the relationship, but is used to varying degree by different roles within Cherokee Consulting. For everyone it is decisive of which structures the collaboration should be based upon; communication lines, meetings, topics to be discussed during different meetings, SLA requirements, reporting etc. At times they experience that All Food Corp wants or expect something different than what the contract says, then the contract is considered to be a guiding principle, according to the IT IS Director. Cherokee Consulting use the contract as a starting point for what to deliver, but in case of problems or diverging expectations, they try to be flexible by fixing the issue whether or not it is in line with the contract.

First and foremost, the effect of using the contract in this manner is they have documented how to work together, which secures a degree of formality with clarity on what they have agreed upon, and what they have said and delivered. Also, it works as a reference point in case of disagreements. Still, there will often be cases where the parties understand the contract differently or their expectations diverge, thus the most important thing is to continuously assure that they have a mutual understanding of what the contract actually means. Lastly, Cherokee Consulting believe that they build trust by not referring too much to the contract, but instead try to act according to the perceived expectations of All Food Corp and try to be flexible, and afterwards potentially discuss contractual consequences or financials.

5.6.3 GOVERNANCE STRUCTURES

The relationship is based on a three layered governance model, as prescribed in the contract. Here, meetings on different levels, meeting frequency, who is to attend different meetings, contact points, escalation points, reporting, milestones etc. is defined. Cherokee Consulting follow these structures as they consider them necessary and rewarding.

Cherokee Consulting experience several positive effects from having such governance structures. First, they assure that the right people meet and discuss important issues and topics. The IT IS Director comments; *"If you do not have these three layers to discuss different areas, you only get stuck on the operational part. You do not have any place to talk about what you want to do in the future, should we go and do something different for your business (..)".* Second, it helps the parties track the SLA and delivery. Thus, the client can see that the vendor is delivering according to contract, and meeting minutes and contract change processes ensure traceability in mutual discussions and conclusions. Moreover, they help resolve conflicts through defined layers with corresponding escalation points. Furthermore, clearly defined responsibilities and timelines help avoid unaligned expectations and unnecessary discussions. The Country Manager comments; *"And the timeline is especially important (..) A certain way of creating troublesome projects is if this is unclear. Then you are sitting on each side with your own opinions which are most likely not aligned, and the customer is expecting something that we have not delivered."*

5.6.4 INFORMATION AND KNOWLEDGE SHARING

The contract included the transition of a large number of All Food Corp IT's employees, which brought with them knowledge about All Food Corp and the service. All Food Corp also gives Cherokee Consulting access to quarterly reports, results, problem areas etc. Cherokee Consulting, on their hand, tries to share their insight and market information. Moreover, the parties have a common SharePoint, which allows for access to meeting schedules, minutes, contract and it's changes, status of delivery, issues to be solved etc. They also try to give All Food Corp an understanding of how they work; their methods and processes, for instance by having the client visit their offshore locations. Other than this, the Country Manager adds that a lot of information is also shared through the daily communication.

Information sharing has crucial effects on the relationship according to Cherokee Consulting. Firstly, it helps them understand All Food Corp, their business, their challenges and their reactions. This is key for delivering a good service, and it can also help the vendor propose additional services to the client. Second, as All Food Corp does not have the same competence in-house anymore, it is crucial for them that the vendor shares their knowledge and experience to be able to make informed decision about their IT strategy. Third, when giving insight into delivery statuses you are able to prove what you are delivering. The IT IS Director argues that such openness and honesty can help avoid confusion, misunderstandings which would otherwise result in reduced trust.

5.6.5 COMMUNICATION

Communication lines and escalation points are defined in the governance structure. Thus, who communicates with whom is largely decided by the structures, assuring who meets and which topics are discussed. Due to the distance between offshore and on-site, a lot of communication happens via conference and phone calls. In Norway however, communication is very frequent due to the short distance between the vendor's and client's offices.

Cherokee Consulting experience that the defined communication lines and frequent communication improves the relationship. First, clearly defined contact points and responsibilities helps the parties getting in contact with the right people and the right

information in a timely manner. This again avoids confusion and misunderstandings. The Country Manager expresses; *"It is written in the contract who is the contact person on their side for this layer and who is the counterpart of me.. (..) Once you identify that, they know exactly where to go and how to reach the information."* It is also argued that it contributes to solving problems faster and thus delivering a good service. Second, the fact that they are able to communicate frequently is believed to have a positive effect. Lack of communication is according to the Country Manager the worst thing; *"It creates misunderstandings. That's how people are, if we do not hear anything we will create our own understanding of what the situation is and that is not necessarily the real picture."*

5.6.6 CULTURAL UNDERSTANDING

Common national cultural differences have been experienced in the relationship. For instance Cherokee Consulting mentions differences between their Indian workforce and the Norwegian customer; Indian's disinclination to saying no or being honest about mistakes, work hierarchies, timeliness etc. In addition, the IT IS director points out how different organizations have different structures and different ways of working, which is a result of their history and a part of their corporate culture.

Cherokee Consulting implements several activities and mechanisms to ease cooperation across the different cultures. Firstly, they use a two-in-a-box system, where an employee with cultural understanding will have the role as a filter towards All Food Corp. Second, Cherokee Consulting arrange cultural training, both internally and with All Food Corp. Third, they try to get All Food Corp to travel to India to meet the employees there and see how they work. Lastly, concerning corporate culture, they see it as necessary to adapt to the corporate culture of the client.

The effect of cultural differences, if not well understood, can be misunderstandings. Moreover, it makes it necessary to adapt how they cooperate with different clients. By pursuing cultural understanding, Cherokee Consulting believes they obtain several positive effects. First, it creates a better understanding of how and why people act the way they do, and this eases cooperation and reduces misunderstandings. Second, it clarifies the adjustments which may be necessary to make the cross cultural collaboration work. The Country Manager specifically states that all this helps create mutual trust.

5.6.7 PERSONAL INTERACTION

Cherokee Consulting is a proponent of personal meetings, and tries to do as many of their formally prescribed meetings as possible face to face. The personal meetings take place on all levels of the relationship, and there they discuss everything from operations up till strategic and commercial issues. Furthermore, informal meetings such as dinners, lunches and other social activities outside work, are considered important and are used consciously. For instance, the Country Manager meets with his contact point within the client once a week for a coffee.

Face-to-face meetings are considered advantageous for several reasons. First, the Country Manager argues that it is easier to discuss difficult issues face to face, both in formal and informal meetings. It allows you to see the other's reactions and is thus better for creating trust. Furthermore, informal personal meetings are argued to allow for discussing issues, concerns and conflicts more freely, as formal meetings often are perceived to be less appropriate for these purposes. Being able to discuss this is believed to increase the level of trust. The informal meetings also facilitate getting to know each other outside formal settings, as people talk about personal issues. The Country Manager believes the informal meeting he has once a week with his contact point is crucial for trust; *"Business is about people doing business with each other, and then you need trust. Of course you'll get that from delivering good services, but also through the informal dialogue where you open up and show who you are beyond the contract."*

Finally, the offshore visits increases the motivation for the offshore employees as they understand All Food Corp better and feel more connected to them.

5.6.8 EXPECTATION MANAGEMENT

The Country Manager emphasizes the contract as the most important mechanism in aligning expectations. Still, expectations will often be difficult to capture entirely in a contract, and thus there is a need for continuous meetings where they consciously try to understand and discuss changing expectations and interpretations with All Food Corp. The Account Manager has experienced some issues with diverging expectations, which required them to thoroughly discuss issues and disagreements as they appeared along the way.

Having a conscious focus on expectations is believed to be important for the relationship for several reasons. By discussing how the parties interpret the situation Cherokee Consulting can understand what All Food Corp really expects, as that, according to the IT IS Director, will never fully be covered by the contract. This results in fewer disputes and misunderstandings. By discussing their interpretation of the contract, they assure that there is a mutual understanding of how they will collaborate and what will be delivered. *"It is better to understand first what their expectations are and tell our expectations, so we can think about it before we actually have a conflict. (...) So you have to do an active conscious effort - meeting them, discussing and trying to figure out if there is anything that they have different expectations on than you."* - IT IS Director

5.6.9 THE LEVEL OF TRUST

The level of trust in the relationship is described as good overall, and increasing as long as the vendor manages to deliver. The Account Manager has experienced some skepticism, which is interpreted as a lack of trust, and the Country Manager believes that there are probably individuals within the parties whom do not trust each other as they have experienced conflicts.

The vendor points out several factors which affect the level of trust in the relationship.

First and foremost, you have to deliver according to the contract, otherwise trust will be reduced. They argue that the client needs to perceive the vendor as competent and experience that they add value to their business for trust to increase. Moreover, you can increase trust if you manage to deliver a bit more than what the client expects.

Openness and honesty is also underlined as important in trust building, which the Country Manager believes they accomplish well in this relationship. The Account Manager believes that by giving the client thorough insight into the status of the delivered service, they can feel more certain that they are getting what they expect. Moreover, the IT IS Director believes they also have to be open about their mistakes, proactively discussing how they will be solved. Problems will always occur, but it is how you deal with them that is important.

Lastly, the Country Manager believes personal chemistry and relations is important for trust.

5.6.10 IT SECURITY

The interviewees vary in how they interpret security's potential effect on trust. There is the common understanding that if security is not in place, then trust will be reduced. Still, the IT IS Director argues that this just like for any other part of the service, it all needs to work. There is nothing special about security. However, the Country Manager reflects that if Cherokee Consulting could be proactive in giving security advice, beyond what clients expects it could potentially build trust. Still, this has more to do with acting proactively, than the security issue itself. He adds that if clients continuously observe that they are performing well on security, a factor that is becoming increasingly difficult and important, this could build trust.

5.7 CASE 7: TRANSPORT CORP OUTSOURCING THEIR HR APPLICATION SYSTEM TO ARCTIC IT SERVICES

5.7.1 DESCRIPTION OF RELATIONSHIP

The outsourcing service in focus concerns Transport Corp outsourcing operating their HR-application to Arctic IT services, a Norwegian IT service provider. Transport Corp characterize the relationship as good, and that they have a good cooperation with the service provider, which has been built up over time. Their good cooperation is based on good meeting points where they can discuss the state of the outsourcing service and relationship. Still, they are not very close with Arctic IT, due to the basic nature of the outsourced service.

5.7.2 CONTRACT

The outsourcing relationship has a good contract as a basis. Also, as the HR application is handling sensitive information, the contract specifies which laws and regulations to be followed, and the according sanctions for breaching them. Further, the contract specifies, amongst other things, how future changes are to be handled, various SLA specifications and demands and sanctions. Only the System Manager has read the whole contract, other employees consult with her if they have questions about it. Also, the contract is seldom referred to unless there is a disagreement.

A good contract is argued to be reassuring to both the service provider and the customer, because then both parties know what their rights are, and is important to build trust. Transport Corp has experienced that when a contract has poorly defined expectations, demand specifications and division of responsibilities, trust has been reduced. Contrary, when the contract has all the appropriate specifications, then you avoid discussions and disagreements. Further, as the contracts are not referred to constantly, the relationship is considered more trust-based, where both parties want to make the most of it.

5.7.3 GOVERNANCE STRUCTURES

Transport Corp has monthly operations meetings with Arctic IT Services, and get monthly operations reports. These meetings are used to discuss the status of the operations, and also how Arctic IT Services can help Transport Corp in the future. These meetings and reports are not part of the contract, but have emerged over the years. They also have defined procedures for updating the system or changes to the system in general. Finally, they have a very clear division of responsibilities.

The emergence of the monthly meetings and reports was a result of previous challenges and disagreement, and have proven to help solve these issues. Further, having a clear division of responsibilities is argued to help prevent situations where Transport Corp and the service provider end up “pointing fingers at each other”, disagreeing on who really was responsible for something.

5.7.4 INFORMATION AND KNOWLEDGE SHARING

Transport Corp did not mention any particular information they share with Arctic IT Services regularly, apart from the status of the service during the monthly meetings and reports. The basic nature of the service does not require any exchange of technical knowledge.

5.7.5 COMMUNICATION

All communication with Arctic IT goes through the System Manager, thus if someone else need to contact the service provider, she will either pass on the message or set them in contact with the right person(s) at Arctic IT. The preferred communication channels are face to face meetings or telephone calls.

By having this single contact point, things are very easy for the other employees at the customer organization. The IT Security Manager comments: *“the communication is good, he knows the System Manager well and trust that whenever she is happy then the relationship with the service provider is good”*. Further, by predominantly using face to face meetings or telephone calls, good cooperation is built. These channels are argued to create a good communication, which in turns fosters a good relationship with Arctic IT.

5.7.6 CULTURAL UNDERSTANDING

According to the System Manager there will always be some cultural differences. The differences between Transport Corp and Arctic are minor, and also since they know Arctic IT well these do not cause any problems. Furthermore, the Security Director feels that Arctic IT takes security seriously.

Since there are few cultural differences, there are no direct activities employed to build cultural understanding. Still, the System Manager says that to deal with these differences, mutual respect is important.

5.7.7 PERSONAL INTERACTION

The monthly operations meetings are done face-to-face, which normally only the System Manager participates in. The IT Security Manager and Operations manager never meet Arctic IT Services, which according to the Operations Manager signifies that they haven't had any big problems. However, with service providers that Transport Corp have a closer relationship with, typically more complex services, more meetings are held face-to-face and often service providers' technicians are stationed at Transport Corp's offices for some time.

The meetings are thought to have a positive effect, as Transport Corp get to meet dedicated representatives from Arctic IT, get updated on the service, and make further plans. The System Manager values these meetings higher than “written words”, such as contracts or emails, as they contribute to a better cooperation. Also, face-to-face meetings help avoid misunderstandings that could occur by only writing emails, and as such are important to build trust. Further, with other service providers who Transport Corp have a closer relationship with, the more frequent face to face meetings are thought to build personal relations, increase the understanding of how Transport Corp work, and overall make things runs smoother and strengthen the relationship.

5.7.8 EXPECTATION MANAGEMENT

Transport Corp's expectations to Arctic IT are primarily managed through the contract. The System Manager says that: “our expectations to the service provider is that they deliver according to the plans and SLAs, those are their expectations basically. And these are mutual, they have agreed to these obligations.” Further, the system should be up and running, and whenever an error occur it is expected that Arctic IT handle it well.

Since the contract specifies, among other things, a security standard that Arctic IT should comply to, better mutual understanding is created. The IT Security Director explains: *“when we know that they follow the same standard, the understanding is stronger and more mutual on both sides. This also makes it easier to communicate and understand what the other party is doing.”*

5.7.9 THE LEVEL OF TRUST

Transport Corp says they have trust in Arctic IT Services, otherwise it would be very challenging or impossible to have an outsourcing relationship with them.

The trust is a result of delivering a stable and reliable service over time; the accumulated experiences with the delivery will to a large degree determine the level of trust. Moreover, the

service provider's attitude during the operations phase is decisive to the delivery, and thus the trust. If a service provider gives a "laissez-faire" treatment of Transport Corp, then the trust will be reduced.

Also, Arctic IT should keep Transport Corp updated and give information on what is going on. That Transport Corp shares this information is believed to build trust, and the worst they can do is just neglect sharing such information. Moreover, the reporting on updates should be open and honest, and not try and hide errors and problems. These errors are easily uncovered anyways, and will further result in that, as the IT Delivery Director says, "*they end up tearing down the trust they tried to preserve*".

Handling of problems and error situations was also emphasized as crucial to build trust; Transport Corp has to feel that Arctic IT prioritize solving their problems. The IT Delivery Director explains: "*You build trust in centimeters and tear it down in meters. Thus you build trust over time, and then error situations occur, and if they are handled well, it helps the trust. But if it is handled poorly, if the service provider is unable to handle the situation in a good way and within a reasonable time frame, trust will quickly be torn down, and in a much faster pace than what you manage to build trust in.*"

5.7.10 IT SECURITY

Security is extremely important to Transport Corp due to the sensitive information in the outsourced IT system. Therefore they need to have complete trust in the service provider's handling of security.

Thus, security breaches would seriously damage the trust, and could ultimately lead to the determination of a contract. The IT Delivery Director comments: "*If there is a problem with the security, then the contract has to be terminated or we have to stop using the service, because we cannot live with a system that does not have the appropriate security level.*"

5.8 CASE 8: BANK ALFA OUTSOURCING NON-MAINFRAME OPERATIONS TO CHENNAI CONSULTING

5.8.1 DESCRIPTION OF RELATIONSHIP

The outsourcing relationship in focus is that of Bank Alfa outsourcing their non-mainframe operations to Chennai Consulting, which is currently in the transition program; transitioning from the previous vendor to Chennai Consulting. The relationship is described by the Head of Information Security at Bank Alfa as more formalized than with their previous vendor, and Bank Alfa tries to adapt to this formal way of cooperating, as Chennai Consulting prefers it this way.

5.8.2 CONTRACT

According the Head of Information Security the contract is used quite a lot and presents what the parties have agreed upon. Still, the contract is not very specific in terms of requirements, but rather describes expectations of what they want to have delivered; "*Yes the contract is decisive. But maybe, it's awful to say, but maybe it is a bit general. It is limits to how specific you can be when writing a contract, and there are quite a few things which are operationalized as the project progresses.*" Although they do not use the contract in every discussion, the Head of Information Security says it is used when they disagree, especially when there are potential changes with commercial effect. The contract specifies how they should collaborate, meetings, frequency, responsibilities etc., but a lot of changes have been made since the initial contract was signed.

Using the contract in this manner has several effects. It is useful when the parties disagree on a topic, and thus works as a reference point, showing what they agreed upon. Also, by using it continuously, a lot of people are familiar with what it is written and what it means. This is helpful as everything cannot be put into writing; *"It is kind of an effect, for both us and the vendor, that we know the contract (..) it is recognizable through the entire process."* Moreover, it is argued that having a rather general contract is effective, as this allows for more flexibility when they work to operationalize it.

5.8.3 GOVERNANCE STRUCTURES

The transition program is divided into a set of work streams, where each stream has their own defined structures for reporting, responsibilities, key contact points etc. Such structures will govern the relationship later as well, and some are defined in the contract. Still, at this point, they are working on defining processes and structures in close collaboration with Chennai Consulting. It is argued to be important to not bring with them old governance structures from the previous vendor, but rather adapt to the structures of Chennai Consulting. Many changes have been made along the way, when they experience what works and what does not.

The governance structures works well, according to the Head of Information security. Still it can be perceived as time consuming, for instance when following defined communication lines instead of calling someone you know, which they were used to in the relationship with the previous vendor. Still, this assures traceability and more sensible way of solving issues; *"The good thing is that you are forced into a process with traceability and get a sense of control in a more sensible way than if you just called the one person you know. But it might also take more time."* Also, their willingness to adapt their structures and finding solutions which works for both parties is connected to building trust.

5.8.4 INFORMATION AND KNOWLEDGE SHARING

The parties share a lot of information. As many of Chennai Consulting's employees will be collocated with Bank Alfa's, they will share their tools for communication. Still, some areas the client would like to keep internal, such as security.

The effect of sharing information is that it makes the vendor better able to deliver a good service.

5.8.5 COMMUNICATION

The parties have defined different forums for various issues, and contact points for different areas. Still, so far Bank Alfa has experienced that it can take time to get the right information from Chennai Consulting, though it is believed to be partly caused by the fact that they are in the middle of a change process and thus it is difficult to find someone who has an overview of the project. The Head of Information Security argues the importance of communication within the work stream teams, and that they emphasize the importance of discussing all issues together with both client and vendor, so that there are no surprises in meetings and they understand each other's positions.

As pointed out earlier, the defined structures for communication assures traceability in how issues are handled and solved, although it takes more time than what they are used to. The Head of Information Security believes that as the communication lines matures and they reach the steady state phase, i.e. when the transition is over, these structures will make communication easier as you will know whom to contact concerning different issues.

5.8.6 CULTURAL DIFFERENCES

The Head of Information Security has experienced several differences in national culture, especially with India; *"It takes time to get used to, how they often say yes, but don't mean it."*

What they expect, or which decisions they can make or which they can't, and when they are dependent on going through their own hierarchies. (...) And also the silo way of thinking, which you hear of, everybody tells you, you just have to get used to it." Moreover, they have seen how Indians have a tendency to not informing when they have made a mistake.

The client has not implemented any specific mechanisms to create a better cultural understanding and rather learn and adapt along the way. Still, to ensure more openness concerning mistakes, they try to design processes that make it more likely that mistakes are shared. The focus is that mistakes are ok, as long as they are shared. Moreover, Bank Alfa's management has visited the offshore locations to meet the employees there and see how they work.

The cultural differences can have the effect that collaboration is more challenging. For instance, the silo thinking makes communication challenging, and it increases the likelihood of misunderstandings and unnecessary delays. Still, as time passes and Bank Alfa learns about the differences they have started to adapt how they work. The Head of Information Security has for instance started communicating differently and always checks if the people with the necessary authority will be present in a meeting where decisions should be made. Lastly, the visits offshore allows for better understanding of how they work and their culture.

5.8.7 PERSONAL MEETINGS

Bank Alfa believes face-to-face meetings are very important. Many of their formal meetings are in person, unless some of the attendants are offshore. Also, as many of Chennai Consulting's employees are located together with Bank Alfa's, they have a lot of informal meetings and encounters. This was an important requirement from Bank Alfa when choosing outsourcing partner, as it ensures that the parties are close and work as a team.

The effect of both formal and informal face to face meetings is explained by the Head of Information Security; "To see how a person acts and how he talks, then you'll recognize in his voice, how he acts. You can read a lot from a person, how he appears when he talks. It's easier to understand him by his tone what he means. If it's electronic later... So it's, I don't know, easier to get things through and acceptance when you've met someone face-to-face, compared to only talking to them on the phone and never meet them."

5.8.8 EXPECTATION MANAGEMENT

There are several ways Bank Alfa ensures that expectations are known and mutually understood. Firstly, as most forums include both representatives from Bank Alfa and Chennai Consulting they can discuss and share their respective understanding of how things should happen. Moreover, Bank Alfa emphasize the importance of communicating to each other what they will be able to do, and what is not possible. So far, Chennai Consulting has been rather open and transparent, but they could become even better.

This way of managing and aligning expectations is experienced as useful and effective, and has laid the groundwork for a better cooperation.

5.8.9 THE LEVEL OF TRUST

The level of trust in the relationship is high. A certain level of trust was present from the start, otherwise Chennai Consulting would not have been chosen.

Trust is argued to grow in different manners depending on which phase in the relationship they are in. In the contracting phase trust in Chennai Consulting was built particularly due to how they communicated, the competence they displayed, and through the personal relations which were created.

For the remaining phases several factors are argued to be important for trust. Openness is important for trust. They have to share their opinions, try to agree or agree to disagree. This again decides how well they cooperate, which is important for trust. Also, if the vendor is proactive when giving advice, giving more than what is expected, can potentially build more trust.

When Chennai Consulting has changed which resources work with the service between phases, Bank Alfa's trust in them has been reduced. The reason is that they experienced that they lost competence and social bonds when new employees from replaced old ones. They were not certain that the new employees had the same knowledge and understanding. *"It is the relation and competence you see in the people you work with, and you would like to keep it for the next phase, I believe that has to do with trust."*

5.8.10 IT SECURITY

The Head of Information Security believes security can affect the level of trust. Firstly, he points out that they would not have chosen Chennai Consulting if they had not had initial trust in them, based on what they learned through the selection process. He explains *"It's kind of a trust thing, we choose an Indian company, but we have to comply with requirements from Finanstilsynet. Thus we have to have that trust in the vendor that we choose, that they will implement those security controls and maintain a level of security which makes us feel secure. (..) So that's where trust and security is connected in the beginning."*

Further into the relationship he believes trust can be reduced based on how serious a potential security incident is. Also, they have defined processes for how to handle incidents, and if the vendor does not follow these in case of an incident, trust can be reduced; *"One of the things we do to try to build trust in steady state is to have good processes for such incidents, the right contact points, so that we know that we have a team which is ready if we call or discover something, that they have a contact point from us which they can call. And that we train and test these processes, so that we know if they will work in case something should happen, this is a security-trust thing."*

5.9 CASE 9: BANK BETA OUTSOURCING IT SECURITY SERVICE TO NORSECURE CORP

5.9.1 DESCRIPTION OF RELATIONSHIP

The outsourcing relationship in focus concerns Bank Beta outsourcing an IT security service to NorSecure Corp. Bank Beta characterize the relationship as based on mutual trust and respect, with close and personal relations between the firms. As employees on both sides know each other, the relationship is characterized as somewhat informal and ad-hoc, as the Threat Management Director says: *"You know who is on the other side, and you can pick up the phone and talk to them, and be prioritized on a short notice"*.

5.9.2 CONTRACT

The contract governing the relationship is very extensive, and is based on Bank Beta's standard IT outsourcing contract template. The contract specifies everything from the various SLAs to governance structures. The contract forms the basis of the relationship and people should know what it specifies. Still, it is not used actively in on a day-to-day basis, rather it has turned into sleeping document as NorSecure consistently delivers according to the contract. It can be used in case of disagreements, though Bank Beta and NorSecure normally come to an agreement without conferring with the contract. Further, NorSecure is perceived as very flexible with regards to the contract, since they do not rigidly refer to it in any situation, rather they seek to

find a common solution to most situations. Also, whenever the customer urgently demands something new, the service provider has shown flexibility by starting to deliver this new service even before this has been formalized in the contract.

The service provider's flexibility with regards to the contract fosters trust according to Bank Beta. This is because it is believed that the way a service provider use a contract displays their intentions. Specifically, if a service provider's main intention is "money-grubbing", then they are more likely to employ the contract rigidly, leaving no room for flexibility. This would reduce the level of trust. Contrary, NorSecure's flexible attitude reveals an intention and wish to deliver good services, as they are willing to stretch outside the contract or the bare minimum of what is expected, in order to do a good job. This is believed to build trust. Finally, since NorSecure knows that Bank Beta is highly aware of specifications of the contract, they are forced to "stay sharp".

5.9.3 GOVERNANCE STRUCTURES

The contract specifies the governance structures of the outsourcing relationship. These include, among other, meeting plans, reporting, and the division of responsibilities between the Bank Beta and NorSecure. Although specified in the contract, after some time the actual frequency, agenda and scope of meetings and the frequency of the reports may deviate from the contract, reflecting flexibility with regards to the details of the contract. Still Bank Beta considers the frames of the relationship to be fairly set. As the technician said "*some things are set, while other things are more flexible*".

By having these defined meeting plans, NorSecure stays updated on Bank Beta's needs and expectations. This is believed to enhance the quality of the delivery, especially since the needs and expectations may change over time. Furthermore, the division of responsibility is also underlined as a trust factor, The Account Manager explains: "*the borders with respect to responsibility, I think that is extremely important. The customer should not feel that the service provider tries to push the responsibility over at you, that you do not think you should have*".

5.9.4 INFORMATION AND KNOWLEDGE SHARING

Due to the nature of the delivered service, NorSecure has access to a fair amount of both technical information and sensitive data. This is typically information about the technical specifications of the IT system that NorSecure need to access in order to provide the service. Bank Beta also share non-technical information about their business such as their goals, activities and projects. Overall it is considered that NorSecure has a fair amount of information about them. Moreover, NorSecure also shares information with the customer, specifically they can inform the customer about new and relevant IT security services.

Sharing a large extent of information may enable NorSecure to be a better service provider. This is because they are updated on Bank Beta's operations and strategies, which enables them to do better follow up and to recommend new and appropriate services. An effect of sharing information is thus better delivery, as the Threat Management Director explains: "*it makes the vendor more able to deliver better services, because without the information the vendor has to guess what the customer wants.*" Further, sharing information is considered to have *interpersonal effects*, the Account Manager explains: "*if I tell you a secret, then suddenly we are better friends. The same dynamic is at play in business, even though in this case we have to share a fair amount of information*".

5.9.5 COMMUNICATION

The communication lines are to some extent defined in the contract, though a lot of communication happens based on the personal relations between employees at Bank Beta and NorSecure. The employees at both sides tend to just call someone they know at the other

organization whenever they need to discuss something. Overall, Bank Beta knows whom to call either through the governance structure or through personal experience.

Knowing whom to contact and being able to get the right information when needed, is believed to amplify the personal dynamics between the parties. The governance structures or personal relations directs whom to contact in the various situations, the technician comments: *“If there are technical problems I know who to contact and... it is defined in a way, but at the same time when you know people and know that a certain person knows the answer, then I just call him”*.

5.9.6 CULTURAL UNDERSTANDING

The cultural differences between Bank Beta and NorSecure are considered to be minimal, though there are general differences between the IT security industry and banking industry.

Having few cultural differences is believed to make things easier. Contrary, if the service provider was from for instance India, it is believed that they would have had serious trouble with language, communication, time difference and security-culture. Still, as there are differences between banking and the IT security industry, NorSecure should have worked better on understanding Bank Beta’s business, according to the Threat Management Director.

5.9.7 PERSONAL INTERACTION

Many of the meetings in the governance structures are held face-to-face, though this is not specified in the contract. The biannual administrative and strategic meetings are held face-to-face, and the monthly and weekly meetings can be, depending on the nature of the meeting. If many details are to be discussed and explained with the help of illustrations on a board, then it should be done face to face. In conjunction with the biannual strategic meetings, the NorSecure often invites Bank Beta to take part of a two day seminar, which in addition to the formal meetings, includes many social activities. Apart from this seminar, the service provider invites the customer for dinner from time to time. NorSecure is considered to be good at arranging such informal meetings.

The effects of meeting the service provider face-to-face, both formally and informally, are that it builds and strengthens the relation. It is important to know a face and get to know the other party when working with them. Furthermore, informal face-to-face meetings such as social events or dinners, create an opportunity to build social relations outside the work setting. Here they can *“talk about more personal things and get to know each other as persons”*, as the Threat Manager comments. This in turn, is believed to further enhance the personal relations and foster higher levels of trust.

5.9.8 EXPECTATION MANAGEMENT

Bank Beta asserts that most of their expectations are to be found in the contract, or otherwise handled in the various meetings. Bank Beta brings action-lists to the technical and strategic meetings informing NorSecure of their current priorities. Overall, the expectations are thought to be managed fairly well, though Bank Beta feel that they have to drive the expectation management. Sometimes they have to push the service provider to make them understand their issues and concerns, and their expectations with regards to proactivity from NorSecure have not been met. They expect the NorSecure to stay updated and also ahead of their own knowledge about news and changes in the market.

Expectation management is believed to be a natural part of the continuous follow up from NorSecure, and decisive to the delivery Bank Beta gets. The technician explains: *“key to get what you expect is close follow up, and thus detect whether what the service provider does diverges from you expectations”*. Whenever the expectation management is successful, new and

relevant things are suggested and implemented, and trust is built. Still, the missing proactivity from NorSecure is an example of poorly met expectations.

5.9.9 THE LEVEL OF TRUST

The relationship is described as having a high level of trust. This is attributed to a series of elements.

The most important thing in order to have trust in the service provider is that they deliver the services as agreed upon. Correspondingly, NorSecure's technical competence is also important to build trust, as this indicates their ability to deliver the service. Bank Beta believes that the service provider's delivery record has contributed to their trust in them. Contrary, if a service provider fail to deliver, or delivers very late, trust is reduced.

Also, the duration of the relationship is considered to be highly decisive to the level of trust. The service provider has "*proven many times that they can be trusted*" as the technician says. The Account Manager also explains this: "*you do not get trust immediately [...]. Trust develops over time, and can be built up further or torn down*". The evolution of trust in an outsourcing relationship starts on some initial level based on your reputation, and can move up or down after that. The trust at any time is based on the experience, and you have to prove that you deserve it.

Moreover, personal relations are considered important to trust as well. If you are able to cooperate and communicate easily, then that is positive for both the customer and service provider.

Finally, proactivity is also considered important to build trust. The Threat Management Director comments: "that they do not just sign a five years contract and just deliver what is in the contract without suggesting improvements and new stuff".

5.9.10 IT SECURITY

Since Bank Beta has outsourced a security service to NorSecure, security is the main part of the delivery, and also decisive to the trust in the service provider. However, with respect to other outsourcing relationships where security is only a part of the delivery, security is still considered to be essential. This is because it is important to know that all confidential information is treated properly, that employment routines are rigorous, background checks of new employees are conducted and so on. Furthermore, people within Bank Beta not specifically working with IT security is also believed to care about it, both because of the current threat level that newspapers report on, but also the fact that banks in general delivers services that have to be secure. Still, the awareness of IT security in Bank Beta is questioned by the technician, asking whether people think more about other business-related issues, and make decisions regardless of security considerations other than those required by laws and regulations.

Furthermore, a security breach would not be too damaging for the trust. This is not to say that security is not important, rather the Account Manager explains that: "*we live on the Internet now and these things can happen, and it can happen even to the best. [...] Even CIA and FBI can be hacked.*" However, it will also depend on the severity of the security breach, the more serious the more damage to the trust.

5.9.11 ADDITIONAL FACTORS

Personal chemistry was highlighted in the interviews as important for building trust.

5.10 CASE 10: ARCTIC IT SERVICES OUTSOURCING IT OPERATIONS TO NEW DELHI CONSULTING CORP

5.10.1 DESCRIPTION OF RELATIONSHIP

The relationship in focus concerns the outsourcing of the IT operations of a major Norwegian IT delivery company, Arctic IT Services, to a wholly owned Indian subsidiary, New Delhi Consulting Corp. New Delhi Consulting was initially chosen by Arctic IT due to a good chemistry between the leadership of the two parties, *“It was a good match. It worked, and there was some trust”*, says the relationship manager. The relationship is still characterized as very good.

5.10.2 CONTRACT

The contracts governing the relationship regulate delivery, cooperation, SLAs, organizing, reporting, governance, responsibilities, meetings, and more. The preferred way to use the contracts is to actively use them in the beginning to make the specified plans, reports and other governance structures incorporated into work practice, while later on not using it on a daily basis. Still, people should know the contract, as it can be challenging to work with someone who has not read the contract at all, who starts working from the wrong premises.

Using the contracts to incorporate its specifications into work practices is hoped to have positive effects on the relationship by creating mutual understanding. Also it is argued that they learn to know people at the service provider; how they behave and react and their strengths and weaknesses. This in turn, is believed to help establish trust. Contrary, if a service provider is very rigid and follow the contract to its finest detail, i.e. is nitpicking, this is usually very destructive to the relationship. This can also make it impossible for Arctic IT to use the contract the way they prefer. Also, by making sure that people know the contract and have the same understanding of the cooperation and delivery, unnecessary discussions are avoided.

5.10.3 GOVERNANCE STRUCTURES

The governance structures are largely specified in the contracts, and should be followed and it has been the Relationship Coordinator's to make sure that they are. The governance structures from the contract should be followed as far as possible and be incorporated into work practices, otherwise *“people forget what is written in the contract and can establish whatever they want, from intuition... And I don't think that is a good way”*, comments the Relationship coordinator. Still, getting these things executed is hard, and often fails.

The effects of using these governance structures is that you can get a project started much faster when both parties have a mutual understanding of the governance, and they support and build the relationship and trust between the parties.

5.10.4 INFORMATION AND KNOWLEDGE SHARING

Arctic IT posit that a service provider should not have more information than what it needs to get the job done. Still, the amount of information shared depends on the project. For short projects (<6 months) the amount of information shared is very limited, while for longer projects (2-5 years) more information is shared. This is because, as the Relationship Coordinator comments, *“they get more information because they need to know more about the organization, how they work, how they think and what is going on, how we are organized, changes... so then there is a lot more information. And that is because you have to be able to identify yourself with the Arctic IT.”*

A lot of information is shared with New Delhi's employees, while Arctic IT has very limited insight into New Delhi Consulting's organization. Even though they often sent employees on

visits to India, this does not provide the same insight as when Indians come and work in their office over time.

5.10.5 COMMUNICATION

Arctic IT has not experienced any problem with communication or communication lines with New Delhi Consulting. The communication lines and communication channels are defined in the governance structures.

5.10.6 CULTURAL DIFFERENCES

There are cultural differences between at New Delhi Consulting's Indian employees and Arctic IT's Norwegian employees. For instance, there is a difference in how Indian employees and their managers relate, compared to Norwegian. In India, managers do not talk casually with their employees, which they do in Norway. Further, whenever an Indian manager gives an order to an employee this should be followed without asking questions, while Norwegians are more critical to orders. Furthermore, the Indian meaning of "yes" was pointed out as a cultural difference, as to Indians this only means that they have heard what you said.

To build cultural understanding, Arctic IT has specified in the contract that Indian employees working on their projects have to go through a cultural training program. This training has also been done in reverse, that is Norwegian employees learning about Indian culture, though this is not mandatory from a contract perspective.

The training has been successful and has created a better awareness around the respective cultures, and they are able to adapt their behavior to their culture. For instance, if an Indian employee says "yes" to something, the Norwegian employees would ask follow-up questions of how the employee would proceed to do the task.

5.10.7 PERSONAL MEETINGS

From time to time, Arctic IT visits New Delhi Consulting in India meeting the Indian workforce personally. Also, they have employees from New Delhi Consulting stationed at their offices sometimes, during which many of the Norwegian employees invite the Indian employees to for instance skiing or dinners at their homes.

The effect of having these personal meetings is that it creates an affiliation between the Indian team and Arctic IT. Further, the meetings are very effective, as the Relationship Coordinator comments "*things can be solved in a day instead of a month*". Overall it is considered positive to have personal meetings.

5.10.8 EXPECTATION MANAGEMENT

The expectation management is largely done through the contract phase in the beginning, a process in which both parties express their concerns and come to an agreement. This phase of coming to an agreement is extremely important according to the Relationship Coordinator. However, if at some point during a project the perceptions of the contract diverge, they will have to discuss how they perceive it and come to an agreement.

5.10.9 THE LEVEL OF TRUST

The trust level in the relationship will depend on who you ask according to the Relationship Coordinator, but he characterizes it as being very good with complete trust in the service provider. The level of trust results from their ability to discuss issues openly, the Relationship Coordinator comments "*if we could not have spoken openly, then we could not have kept it going*". Also, he says that "*the relationship is good because they manage to solve issues as they occur, they are open about things, and get to an agreement on what is to be delivered, that is what trust is based on*".

5.10.10 IT SECURITY

Security is not affecting the trust Arctic IT has in New Delhi Consulting. New Delhi Consulting has to comply to certain laws and regulations, which has never caused any problems. If there was a security breach, this would of course not be good, but at the same time it is not sure it even was New Delhi Consulting's fault.

5.10.11 ADDITIONAL FACTORS

The Relationship Coordinator mentions that personal chemistry can be decisive to the relationship, and he argues that "the most dangerous in these deliveries is if two relations do not work. It can ruin everything. Everything else can be great, but if two people do not like each other or have incongruent views of the world, then it is destructive". Also, control is mentioned as something that can tear trust down: "the worst that can happen is if someone does not trust the other party, and instead try to control the other party instead of just getting things done".

6. ANALYSIS

In this chapter the findings presented in chapter 5 will be analyzed. The first goal is to examine whether the cases, altogether, supports the *model of trust building in IT outsourcing* (Figure 1), and/or if they focus on considerations or factors currently not covered by the model. This contributes to answering RQ1. Moreover, the second goal is to analyze whether the cases support a connection between IT security and trust in IT outsourcing relationships, contributing to answering RQ2. The results of the analyses presented here will be used further in the discussion in chapter 7.

The structure is the following. First, an analysis of the connections made between trust building mechanisms and dynamics will be presented. Second, an analysis of which trust building dynamics have been substantiated by the findings is given. Third, which types of trust manifest themselves in the findings is analyzed. Figure 2 shows which parts of the model are treated in these different sections. Moreover, additional considerations revealed by the findings which are relevant for revising the model will be analyzed. Lastly, an investigation of the connection between IT security and trust is presented.

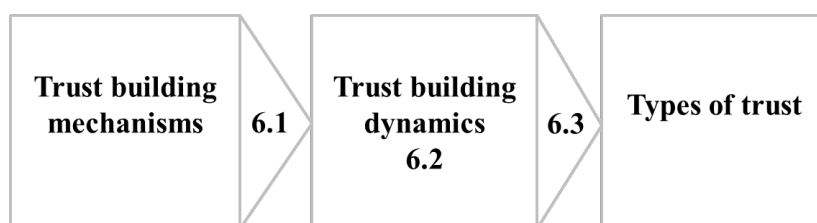


Figure 2: Illustrates which part of the model the sections corresponds to.

The reasons for treating the different parts of the model separately, as shown in Figure 2, are several. Firstly, the causal explanations given by the cases are extensive and complex, and it was considered that splitting it into different parts would result in a more comprehensible analysis, and that the arguments would be easier to follow. Secondly, by separating the analyses, the way in which the various explanations are used to evaluate different parts of the model becomes clearer, and thus increases the reliability of the research. Moreover, different parts of the conceptual background will often be connected to different parts of the model. Lastly, due to the research design and the focus of the interviews (Appendix C) there are larger amounts of data to base the analysis of the first part of the model upon, i.e. connections between mechanisms and dynamics in the model of trust building in IT outsourcing (Figure 1) and respectively less for the two subsequent parts.

6.1 TRUST BUILDING MECHANISMS

In the following section an analysis of connections between *trust building mechanisms* and *trust building dynamics* will be presented. The aim of the section is to describe how the cases connect mechanisms and dynamics, hence creating a clearer understanding of how the trust building dynamics of the different mechanisms are experienced. That is, the focus is the connection between the first and the second part of the model of trust building in IT outsourcing, shown in Figure 3.

Additionally, certain considerations and effects of implementing the mechanisms that are not part of the model, but emphasized by the cases, are included. These are included as they will be important for further discussion in chapter 7 where revisions of the model will be addressed. Overall, this section contributes to answering RQ1.

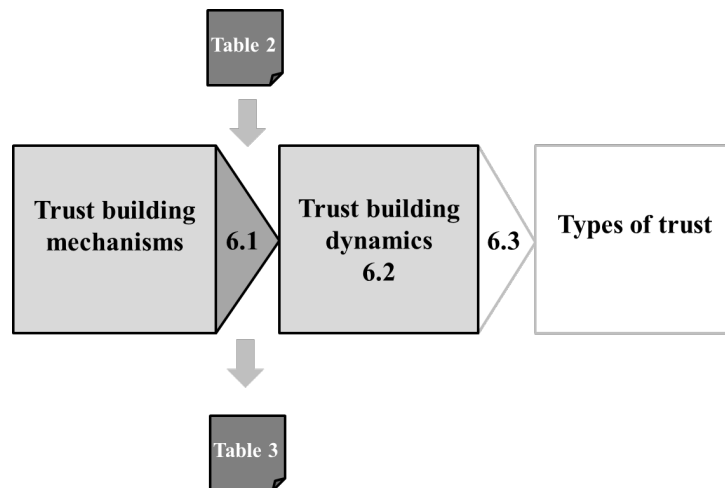


Figure 3: Illustrates which part of the model the following analysis corresponds to.

Table 2 gives an overview of the connections made by the cases between mechanisms and dynamics. The table is the result of a process where each case was analyzed, examining the causal explanations of the effects of the different mechanisms, which resulted in registering an explicit or implicit connection. This process was presented elaborately in section 4.4.2. The connections form the basis of the analysis in this section, where only the connections made explicitly (represented by the upper line of case numbers, in black) will be considered beyond the table. In the summary (6.1.8), a similar table will be presented (Table 3). The table will summarize this section's analysis by showing how the explicit connections made by the case firms correspond to those connections found in the conceptual background.

Mechanisms \ Dynamics	Contract	Governance structures	Information and Knowledge sharing	Communication	Cultural understanding	Personal Interaction	Expectation Management
Learning process	4 12356890	1348 25690	13456790 2	8 159	280 13456	278 1450	457 2
Mutual understanding and expectations	12340 68	4569 20	349 260	1 -	- 2	14 2570	12456890 7
Reduction or harmonious resolution of conflicts	13456789 0 -	326780 -	6 -	13568 -	123456 -	1 6	2356 -
Adaption and commitment	89 46	1589 -	- -	- -	12680 -	- -	- -
Benevolence	39 -	246 -	2469 -	- -	- -	- -	9 -
Social exchange	0 4	135 24	- 29	9 -	- 21	2346789 0	- -
Control	789 2	68 23	2 -	- -	- -	- -	- 3

Table 2: The table shows the results of the analyses of connections between a mechanism and a dynamic. That is, it shows which cases argued that a mechanism can facilitate a dynamic. The arguments were given either explicitly or implicitly, which the table illustrates. Per table slot one can read which cases gave an explicit causal explanation of a connection, the black numbers, and underneath, which cases indicated a connection implicitly, in grey. The number zero refers to case ten.

The rest of this section will have the following structure. For each trust building mechanism, i.e. column in Table 2, connections to trust building dynamics made explicitly by at least one case firm will be addressed. For each explicit connection, representative arguments given by the cases which caused a connection to be registered are presented. Moreover, each explicit connection will be explained in light of the conceptual background. Here, some connections can be directly supported, while others require combining different parts of the conceptual background, as will be seen. Moreover, the number of firms making both explicit and implicit connections will be presented. However, these numbers are added for reliability purposes, as seen in section 4.6.1. Apart from making the reader aware of the number of cases that support a connection, these will not be elaborated on further. The section ends with a summary of the connections between mechanisms and dynamics, ultimately presented in Table 3.

6.1.1 CONTRACTS

Here, the explicit connections made between *contracts* and the dynamics *learning process*, *mutual understanding and expectations*, *reduction or harmonious resolution of conflicts*, *adaptation and commitment*, *benevolence*, *social exchange* and *control* will be analyzed. In addition, how the cases emphasized the effects of *rigid use of contracts* and how contracts contribute to *delivery* will be examined.

6.1.1.1 LEARNING PROCESS

Case four gave an explicit rationale for of how *contracts* facilitate a *learning process*, while eight cases implicitly suggest a connection. Canucks Consulting Corp, in case four, suggest that through the contract negotiation phase they get to know their client better, for instance, what their expectations and previous experience with outsourcing are.

It can be argued that the conceptual background indirectly supports this connection. Indirectly because the literature review by Austad and Lossius (2014) did not reveal this connection explicitly, but it can be substantiated by using related theory as follows. First, the trust building effects of contracts suggests that the process of drawing up the contract allows for creating a *mutual understanding* and *expectations* (3.3.2.1), which can be argued to entail sharing information both ways based on the findings. Furthermore, Austad and Lossius (2014) explained that when a mechanism facilitates interaction and information sharing this allows for more accurate interpretation of the other party, and of their trustworthiness (3.3.3.1). Thus, as drawing up the contract facilitates sharing information, getting to know the other party, a *learning process* takes place according to Austad and Lossius (2014). Overall, the findings support that *contracts* can facilitate a *learning process*.

6.1.1.2 MUTUAL UNDERSTANDING AND EXPECTATIONS

Five cases explicitly connect the *contract* to the establishment of *mutual understanding and expectations* in the relationship, while two cases implicitly make the connection. For instance, in case one and two, both concerning Mumbai Consulting, the contract is referred to as a document which represents what was agreed upon initially and what is expected from both parties. This is supported in case one, three and four, where emphasis is also given to the *process* of making the contract where these mutual understandings and expectations can be established.

This effect is supported by the conceptual background (3.3.2.1). Poppo and Zenger (2002) argued that the process of drafting the contract allows the parties to mutually agree upon the formal specifications and frameworks for cooperation, resulting in mutual understanding and expectations. Moreover, joint participation in planning how to collaborate, which the findings suggest is frequently part of the contract, was argued to decrease hesitation and increase sustainability in relationships according to Lee and Kim (1999). In total, the findings support that *contracts* can facilitate *mutual understanding and expectations*.

6.1.1.3 REDUCTION OR HARMONIOUS RESOLUTION OF CONFLICTS

Nine of the cases explicitly state that the contract functions as a *reference point in case of misunderstandings* and/or that it can help *solve or reduce conflicts*. For instance, Yankee Consulting Group say that the contract defines the frames for the relationship and that they confer with the contract in case of disagreement and misunderstandings. Moreover, in case four, Canucks Consulting Group argue that the contract is an active document, as it for instance includes defined processes for how to solve conflicts.

The conceptual background supports this effect of contracts. First, using contracts as a reference point in cases of instability, which a disagreement or misunderstanding can be called, was suggested by Qi and Chau (2012) (3.3.2.1). Moreover, specifying processes for solving conflicts, and sharing information about goals and priorities, rights and obligations in the contract specifies, can ease coordination between the parties and facilitate harmonious conflict resolution according to Goo et al. (2009) and Poppo & Zenger (2002). All in all, the findings support that *contracts* can facilitate *reduction and harmonious resolution of conflicts*.

6.1.1.4 ADAPTATION AND COMMITMENT

Two cases explicitly underline the importance of *showing willingness or ability to adapt* to the other party's needs and wishes even when these extend outside the specifics of the *contract*. Also, two other cases implicitly suggest the connection. For instance, in case nine, Bank Beta emphasizes NorSecure Corp's focus on finding solutions to whatever challenges the client needs solved, and potentially dealing with contractual consequences later on, instead of first referring to whether it is in accordance with the contract or not. This, according to Bank Beta, signals NorSecure Corp's intentions in the relationship; to deliver a good service even when this means stretching outside or not acting exactly according to the contract. Moreover, in case eight, Bank Alfa appreciates that the contract itself is general, that is, not too specific, as this allows for flexibility when they operationalize the contract.

This effect of contracts is not directly supported by the conceptual background as none of the findings from Austad and Lossius' (2014) literature review presented these dynamics connected to contracts (3.3.2.1). Still, Sharma et al. (2008) suggested that it can be difficult to handle changing aspects of a relationship in a contract. Moreover, how adaptation and commitment can contribute to trust was pointed out in section 3.3.2.2, in relation to *governance structures*. One point being that the parties' expectations and business needs will often change as time passes, and this necessitates changing governance structures accordingly. Mao et al. (2008) found that such behavior could signal goodwill and commitment. Thus, although not aimed at contracts, the same rationale can be argued to apply, supporting that as needs change, showing flexibility relative to what the contract specifies can be perceived as a signal of goodwill and commitment. Overall, the findings support that contracts or showing flexibility in *contract* implementation, can be connected to *adaptation and commitment*.

6.1.1.5 BENEVOLENCE

Two of the cases explicitly relate the *contract* to the ability to signal *benevolence*. That is, Bank Beta, as seen above (6.1.1.4), argues that the vendors signal positive intentions when they focus on solving the client's problems, even when the consequent actions are outside the contract, instead of referring to financial issues before taking action. That is, Bank Beta perceives that NorSecure Corp has Bank Beta's interests in focus, not just their own.

This function of the contract can be indirectly supported using the same arguments from the conceptual background as in the previous section 6.1.1.4. Using the argument put forward by Mao et al. (2008), when a party goes beyond what the contract specifies, necessitated by changing expectations and business needs, this can show concern and goodwill. Moreover, Austad and Lossius' (2014) dynamic benevolence (3.3.3.5) suggested that by showing concern for the other party, one can signal goodwill. Overall, the findings support that *contracts* can facilitate *benevolence*.

6.1.1.6 SOCIAL EXCHANGE

In case ten, an explicit connection is made between *contracts* and the establishment of *social bonds*, while case four makes an implicit connection. More specifically, Arctic IT Services believe that the governance structures specified in the contract should be incorporated into work practice early in the project. By accomplishing this they hope to obtain positive effects, such as for instance creating a mutual understanding of how to work together, get to know employees from the other party; how they react, and what their strengths and weaknesses are.

This effect of contracts is supported by the conceptual background (3.3.2.1). That is, Fischer et al. (2011) argues that contracts prescribe social interaction through defined processes and procedures for communication and information exchange. Moreover, the dynamic social exchange proposed by Austad and Lossius (2014) explains how personal interaction allows for

social bonds to establish. All in all, the findings support that *contracts* can be connected to *social exchange*.

6.1.1.7 CONTROL

Two cases explicitly suggest that *contracts* help increase *control* in the relationship, while one case implicitly suggests it. For instance, Transport Corp highlights how the contract specifies which laws and regulations have to be followed, and the according sanctions that follows in case of breaching them.

This function of contracts are in line with the conceptual background, as contracts are commonly referred to as control mechanisms, implemented for instance to assure that the employees act in a certain manner (3.3.2.1). In total, the findings support that *contracts* can facilitate *control*.

The following sections will not concern contracts' connections with dynamics from the model, but rather other considerations related to contracts which appeared in the findings. They are included as they are relevant in the discussion on revisions of the model in section (xx). Similar considerations may be included for the remaining mechanisms, if the findings revealed relevant considerations relevant to answering RQ1.

6.1.1.8 RIGID USE OF THE CONTRACT

Eight of the cases connect *how* the parties use the *contract* during the delivery phase to whether they perceive the relationship as good or bad. This is done differently, either through negative experiences with *rigid* use of the contract or positive experiences with *flexible* use of the contract. For instance, Eagle Consulting group's Security Account manager, in case three, argued; "*If every single time the client say something then you have to check what the contract says, right.. the last thing we really want is to take out the contract and say; look, it does not say in the contract. (..) In Norway I would say that referring to the contract is a bad signal. It's as if you're saying that you are messing with the relationship.*" This effect of rigid use of the contract is supported by three other case firms, where case two and seven also connects such actions to reduced trust. Contrary, being flexible in how the contract is used, that is not always following the contract meticulously, is considered positive according to five case firms. Likewise, such flexibility was seen in section 6.1.1.4 and 6.1.1.5 to be related to adaptation and benevolence. Overall, the findings suggest that *using the contract rigidly or flexibly* can affect the perception of the relationship and level of trust.

6.1.1.9 DELIVERY

Six of the cases argue that the *contract* contributes to understanding what should be *delivered*. For instance, in case six, Cherokee Consulting Group uses the contract as a starting point for what to deliver. Likewise, Canucks Consulting Corp, in case four, says the contract specifies what service should be delivered and its quality. Moreover, the process of making the contract is emphasized as an arena for agreeing on what should be delivered. Overall, the findings suggest that the *contract* contributes to the ability to *deliver* the service that the client expects or needs.

6.1.2 GOVERNANCE STRUCTURES

Here, the explicit connections made between *governance structures* and the dynamics *learning process, mutual understanding and expectations, reduction or harmonious resolution of conflicts, adaptation and commitment, benevolence, social exchange and control* will be analyzed. In addition, how the cases emphasized the effects of *rigid use* of governance structures and how governance structures contribute to *delivery* will be examined.

6.1.2.1 LEARNING PROCESS

All cases except one make a connection between *governance structures* and the facilitation of *learning about the other party*, whereof four do it explicitly. The connection is usually explained by how the governance structures define meeting structures, reporting schedules etc. which allows for a better understanding of the other party. For instance, in case three, Eagle Consulting Group's Security Account Manager argues for the effects of prescribed meetings; *"We have had clients who have specified that we should have meetings this often, but then they say it's going so well that we do not need them. (...) Often, we're interested in having a meeting, because it always gives us a bit of information."*

This connection is not directly supported by the conceptual background, as it was not identified by the reviewed articles in Austad and Lossius' (2014) literature review (3.3.2.2). However, an argument can be made in the same manner as for contracts in section 6.1.1.1, by positing that as governance structures facilitate information sharing and learning about the other party, through prescribed meetings and procedures for information sharing, it allows for a more accurate interpretation of whether to trust them or not. Overall, the findings support that *governance structures* can facilitate a *learning process*.

6.1.2.2 MUTUAL UNDERSTANDING AND EXPECTATIONS

Four cases suggest explicitly that *governance structures* can facilitate improved *mutual understanding and expectations*, and two cases make an implicit connection. For instance, in case four, Canucks Consulting use their customer feedback program to understand how the customer perceives the service they are receiving, outside formal forums. This allows them to understand what their clients appreciate, and what can be improved, and thus contributes to a mutual understanding of the situation.

This connection is supported by the conceptual background as governance structures share this potential effect with contracts (3.3.2.2). As governance structures prescribes continuous information sharing concerning business goals, changing concerns and operations, it facilitates the creation of mutual understanding and expectations, in accordance with the proposed trust building dynamic in Austad and Lossius (2014), seen in section 3.3.3.2. All in all, the findings support that *governance structures* can facilitate *mutual understanding and expectations*.

6.1.2.3 REDUCTION OR HARMONIOUS RESOLUTION OF CONFLICTS

Six cases explicitly relate *governance structures* to *reduction or harmonious resolution of conflicts*. For instance, in case six, the Country Manager at Cherokee Consulting group elaborates on the effect of having a defined timeline: *"And the timeline is especially important (...) A certain way of creating troublesome projects is if this is unclear. Then you are sitting on each side with your own opinions which are most likely not aligned, and the customer is expecting something that we have not delivered."* That is, the likelihood of conflict is reduced due to a commonly known timeline. In case ten on the other hand, Arctic IT Services considers the effect of not following governance structures, the result being misunderstandings and inefficiency. That is, not using or not having governance structures can result in more conflict due to unaligned expectations. Lastly, in case six, governance structures are argued to help resolve conflicts through defined escalation points.

This effect of governance structures is supported by the conceptual background (3.3.2.2), in the same manner as for contracts in section 6.1.1.3. That is, governance structures both help reduce or harmoniously resolve conflicts as they represent a mutual understanding of how to collaborate, for instance through timelines, and also as they can describe how to solve them, for instance through escalation points. Overall, the findings support that *governance structures* can facilitate *reduction of or harmonious resolution of conflicts*.

6.1.2.4 ADAPTATION AND COMMITMENT

Four cases suggest that by *adapting* to the other party's *governance structures*, one can improve collaboration and the relationship. In case one, Mumbai Consulting had to adapt to NorOil Corp's very formal way of working, while NorOil Corp also became a bit more pragmatic as time passed. Mumbai Consulting experienced that as adaptation took place, it became easier to collaborate and the relationship improved. Also, in case eight, Bank Alfa's willingness to adapt their governance structures to their new vendor was emphasized as important.

This effect of governance structures is supported by the conceptual background. Mao et al. (2008) argued that adapting to the other party's constraints and governance structures could signal goodwill and commitment (3.3.2.2), and thus facilitating the dynamic adaptation and commitment. All in all, the findings support that *governance structures* and *adaptation and commitment* can be connected.

6.1.2.5 BENEVOLENCE

Two cases explicitly state that *governance structures* facilitate discussing new projects with the client, beyond the current service, which could allow for signaling *benevolence* by giving advice and showing concern. For instance, The IT IS Director in Cherokee Consulting comments; "*If you do not have these three layers to discuss different areas, you only get stuck on the operational part. You do not have any place to talk about what you want to do in the future, should we go and do something different for your business (..)*". That is, there is no formally defined forum for signaling concern and proactivity.

This effect of governance structures is not directly supported by the conceptual background (3.3.2.2). Still, Austad and Lossius (2014) suggest that if a mechanism allows for the vendor to express proactivity through active anticipation of clients' needs, this will illustrate positive concern, i.e. *benevolence* for their business. Overall, the findings support that *governance structures* can facilitate expressing *benevolence*.

6.1.2.6 SOCIAL EXCHANGE

Five cases suggest a connection between *governance structures* and amount of *social exchange*, whereof three do this explicitly. For instance, in case five, Yankee Consulting Services suggest that the formal meetings described in the governance structures are often held in person, which allows them to meet and interact with the client, which is perceived as positive.

This effect of governance structures is supported by the conceptual background (3.3.2.2), in the same manner as for contracts, as argued in section 6.1.1.6. That is, as the governance structures prescribe social interaction, they facilitate increased social exchange. Overall, the findings support *governance structures* can facilitate *social exchange*.

6.1.2.7 CONTROL

Two cases explicitly suggest that *governance structures* can facilitate *control* in the relationship, while two case firms implicitly suggest the connection. In case six, for instance, Cherokee Consulting Group posit that the governance structures helps the parties track the SLA and delivery, which, in turn, allows their client to see if they are delivering according to contract.

This function of governance structures is supported by the conceptual background (3.3.2.2), where the use of control mechanisms, such as governance structures, is suggested to help manage outsourcing relationships more effectively and increase predictability (3.3.2.2). Overall, the findings support that *governance structures* can facilitate *control*.

6.1.2.8 RIGID STRUCTURES

Yankee Consulting Services suggest that adhering too much to *governance structures* can be perceived as negative. More specifically, they believe that they can be perceived as *rigid* in cases where they persistently refer to for instance meeting minutes, which is a result of defined procedures for documentation, showing what was originally agreed upon and what are the responsibilities of the parties in cases of disagreement or conflict.

6.1.2.9 DELIVERY

Three case firms relate *governance structures* to service *delivery*. For instance, in case nine, Bank Beta believes that the structures which governs their relationship results in better services and deliveries from their vendor, NorSecure Corp, due to for instance regular updates. Also, in case five, Yankee Consulting Services argues that governance structures allows them to show what they have delivered, as they have good documentation and progress tracking procedures which can be communicated to the client. Overall, the findings suggest that *governance structures* contribute to the ability to *deliver* the service.

6.1.3 INFORMATION AND KNOWLEDGE SHARING

Here, the explicit connections made between *information and knowledge sharing* and the dynamics *learning process*, *mutual understanding and expectations*, *reduction or harmonious resolution of conflicts*, *benevolence* and *control* will be analyzed. Also, how the cases emphasized how information and knowledge sharing can contribute to *delivery* will be examined.

6.1.3.1 LEARNING PROCESS

Eight cases explicitly suggest that increased *sharing of information and knowledge* contributes to *learning* about the other party, while one case implicitly makes the connection. For instance, in case six, Cherokee Consulting Group suggest that information sharing, both ways, helps them understand their client's business, their challenges and their reactions, and helps their client understand how Cherokee Consulting Group works, their methods and processes. In both case three and four the vendor firms aim for what they call transparency, which entails close contact and a lot of information sharing, and emphasizes its importance for a successful delivery. It can be argued that these effects also include learning about the other party's traits and capabilities.

This effect of information and knowledge sharing is supported by the findings by Austad and Lossius (2014) as both Blomberg (2008) and Lee and Choi (2011) suggest that such sharing can allow the parties to learn about each other's traits and capabilities, and hence decide the trustworthiness of the other (3.3.2.3). Overall, the findings support that *information and knowledge sharing* can facilitate a *learning process*.

6.1.3.2 MUTUAL UNDERSTANDING AND EXPECTATIONS

Six cases indicate a connection between *information and knowledge sharing* and improved *mutual understanding and expectations*, whereof three do it explicitly. In case three, for instance, Eagle Consulting group argues that information sharing is essential for understanding their client's business, culture, vision and what they want to achieve with the service.

This effect of information and knowledge sharing is supported by the conceptual background as Rottman (2008) and Swar et al (2012) suggest that such sharing improves the parties' understanding of each other's business and interests. In total, the findings support that *information and knowledge sharing* can facilitate *mutual understanding and expectations*.

6.1.3.3 REDUCTION OR HARMONIOUS RESOLUTION OF CONFLICTS

In case six, Cherokee Consulting Group suggest that *information and knowledge sharing*, such as sharing delivery statuses allows them to prove what they are delivering. Moreover, they

suggest that such honesty can help avoid confusion and misunderstandings, i.e. *reducing or harmoniously resolving conflicts*.

This effect of information sharing was not found in Austad and Lossius' (2014) literature review (3.3.2.3). However, the dynamic reduction or harmonious resolution of conflicts' trust building effect is partly built upon the argument by Huemer (1998) who suggests that trust can be based on perceived equity and fairness in decision processes (3.3.3.3). Thus it can be argued that when a party has more information and hence a better understanding of a situation, this increases the likelihood of it being perceived as fair, and thus reduces conflicts. Overall, the findings support that *information and knowledge sharing* can facilitate *reduction and harmonious resolution of conflicts*.

6.1.3.4 BENEVOLENCE

Four cases explicitly state that *information and knowledge sharing* contributes to showing *benevolence*. For instance, in case two, Mumbai Consulting Services argue that extensive sharing of information and knowledge enables them to proactively propose solutions and projects that the client would not come up with themselves. Thus, information sharing is important for the vendor's ability add extra value for the client. Moreover, in case nine, Bank Beta suggests that when they share information about their operations and activities with their vendor NorSecure Corp, this can enable them to better follow up with new and appropriate services, making them a better vendor.

Support for this connection is not supported directly by the conceptual background, as ability to show benevolence is not a suggested effect of information sharing (3.3.2.3). Still, the dynamic benevolence suggest that if a mechanism enables active anticipation of the other party's needs, this can help signal positive concern (3.3.3.5). Overall, the findings support that *information and knowledge sharing* can facilitate showing *benevolence*.

6.1.3.5 CONTROL

In case two, Mumbai Consulting Services make a connection between *information and knowledge sharing* and *control*. That is, they argue that through the continuous meetings and the information which is shared in these meetings, the parties can keep track of the relationship, and measure whether they are meeting their targets.

Although the conceptual background (3.3.2.3) does not present any connection between control and information and knowledge sharing, the dynamic control is argued by Austad and Lossius (2014) to entail increasing predictability and integrity in the delivered service (3.3.3.7). One can thus argue that by sharing information which helps the parties keep track of the relationship, integrity and predictability is improved. Overall, the findings support that *information and knowledge sharing* can facilitate *control*.

6.1.3.6 DELIVERY

Five cases relate *information and knowledge sharing* to the ability to *deliver* the service. For instance, Mumbai Consulting Services, in case one, argue that information sharing is essential to ensure a successful delivery as it creates an understanding of NorOil and how they used to work before they chose to outsource. Likewise, in case nine, the Threat Manager of Bank Beta says; "*it makes the vendor more able to deliver better services, because without the information the vendor has to guess what the customer wants.*"

6.1.4 COMMUNICATION

Here, the explicit connections made between *communication* and the dynamics *learning process, mutual understanding and expectations, reduction or harmonious resolution of conflicts* and *social exchange* will be analyzed.

6.1.4.1 LEARNING PROCESS

Four cases indicate that *communication* can have the effect that it facilitates *learning about the other party*, whereof case eight does it explicitly. That is, Bank Alfa argues that it is very important to discuss all issues jointly as they come up, so that they can understand each other's positions and avoid surprises. That is, sharing and discussing continuously, i.e. timely and adequate sharing of information, allows the parties to learn about each other in a timely manner.

This effect of communication is supported by the conceptual background, as Lee and Kim (1999) and Mao et al. (2008) argue that when a party gets the necessary information in a timely manner they will be able to decide trustworthiness more accurately and feel more confident in the relationship (3.3.2.4). Also, when information is shared in a timely manner, it can improve the perception of, for instance, a party's reliability, and consequently the party can be perceived as more trustworthy. The findings support that *communication* can facilitate a *learning process*.

6.1.4.2 MUTUAL UNDERSTANDING AND EXPECTATIONS

Mumbai Consulting Services, in case one, makes an explicit connection between *communication* and improved *mutual understanding and expectations*. This connection is made by arguing that good communication enables better information transfer, and thus improved mutual understanding.

Austad and Lossius' (2014) literature review did not reveal this effect of communication explicitly. Still, it can be argued that as effective communication means sharing meaningful information in a timely manner (3.3.2.4), this should increase the likelihood of creating or maintaining mutual understanding and expectations. Overall, the findings support that *communication* can facilitate *mutual understanding and expectations*.

6.1.4.3 REDUCTION OR HARMONIOUS RESOLUTION OF CONFLICTS

Five cases make an explicit connection between *communication* and *conflicts*, either by arguing that effective communication helps reduce or resolve conflicts, or by suggesting that lack of, or poor communication creates more conflicts. For instance, in case six, Cherokee Consulting Group argues that effective communication, which is partly made possible by clearly defined contact points and responsibilities, helps the parties get in contact with the right people at the right time, which avoids confusion and misunderstandings, i.e. conflicts. This is also reflected in the Country Manager's statement: "*It is written in the contract who is the contact person on their side for this layer and who is the counterpart of me.. (..) Once you identify that, they know exactly where to go and how to reach the information.*" Lack of, or poor communication, on the other hand, can according to Mumbai Consulting Services, in case one, result in disagreements and reduced confidence. They ascribe some of their disagreements with NorOil Corp to their own occasional inability to communicate timely and accurately.

A connection between communication and conflicts was not revealed directly by Austad and Lossius' (2014) literature review. Still, one can argue that effective communication gives the parties a more accurate picture of the state of the relationship and also increases the chances of realizing the expected gains of the collaboration. These are characteristics of what a mechanism should facilitate to result in the dynamic reduction or harmonious resolution of conflicts proposed by Austad and Lossius (2014). Thus the findings support that *communication* can facilitate *reduction or harmonious resolution of conflicts*.

6.1.4.4 SOCIAL EXCHANGE

One case suggests a connection between *communication* and increased *social exchange* explicitly. That is, the Account Manager at Bank Beta, in case nine, suggests that communication further amplifies personal dynamics. That is, frequent communication between employees from the vendor and client strengthens social bonds.

That communication can facilitate social exchange was not revealed by Austad and Lossius' (2014) literature review (3.3.2.4). Still, the dynamic social exchange is facilitated if a mechanism enables creating or strengthening social bonds, which case firm nine suggests communication does. As such, the findings support that *communication* can facilitate *social exchange*.

6.1.5 CULTURAL UNDERSTANDING

Here, the explicit connections made between *cultural understanding* and the dynamics *learning process*, *mutual understanding and expectations* and *adaptation and commitment* will be analyzed. However, as *cultural differences* was often considered an issue when building trust in the findings, and that this was presented as a reason for pursuing cultural understanding in section (3.3.2.5), this will be analyzed first.

6.1.5.1 CONSEQUENCES OF CULTURAL DIFFERENCES

Five cases state that *cultural differences* have been the cause of diverging expectations and/or conflicts in their outsourcing relationship. In case four, the CEO of Canucks Consulting Corp is certain that a good cultural match will have a significant effect on the relationship. Also, Canucks have, according to the CEO, turned down clients due to cultural differences as this would cause poor communication and difficulties in creating a mutual understanding. Other cases mention effects of cultural differences, if not met with adequate measures, such as misunderstandings, delays and poor or failed deliveries.

These effects of cultural differences are in line with the findings of Austad and Lossius' (2014) literature review which suggested that differences in culture, both national and organizational, can be the cause of diverging expectations, misunderstandings, conflict and impeded performance. To counteract such effects, different measures based on *cultural understanding* were suggested in section 3.3.2.5. A majority of the cases implement such measures, and the coming sections will analyze which dynamics were facilitated as a result. Overall, the reported effects on cultural differences provide support for making *cultural understanding* a mechanism in the model.

6.1.5.2 LEARNING PROCESS

Eight cases indicate that by trying to improve *understanding of the other party's culture*, one facilitates a *learning process*, whereof three do so explicitly. For instance, in case ten, Arctic IT Services believe that their cultural training has been successful in creating an improved awareness of the respective cultures. It is also worth noting that the activities which the cases implement to overcome cultural differences and increase cultural understanding mainly comprise activities which necessarily mean learning about the other party, as for instance through cultural training and offshore visits.

The activities implemented by the cases are in accordance with the suggested measures to be taken to overcome cultural differences from section 3.3.2.5. They facilitate a better understanding of the other's norms, beliefs and business attitude, and thus lay the groundwork for creating a negotiated culture. Moreover, as activities aiming for cultural understanding seem to facilitate interaction and increased information, this suggests that it also facilitates a learning process, in accordance with Austad and Lossius' (2014) definition. Overall, the findings support that *cultural understanding* activities can facilitate a *learning process*.

6.1.5.3 REDUCTION OR HARMONIOUS RESOLUTION OF CONFLICTS

Six cases explicitly argue that improved *cultural understanding* can lead to the *reduction or improved resolution of conflicts*. In case one, for instance, Mumbai Consulting Services' Key Account Manager believes that cultural differences will always exist, but by understanding the other party's culture one can reduce misunderstandings; *"I believe that being humble concerning*

the other culture and trying to understand the background for how they say things, it always helps. Otherwise there will be a lot of conflicts."

This effect of seeking cultural understanding is in line with the conceptual background, as one of Austad and Lossius' (2014) findings was that cultural differences was often connected to increased misunderstandings and conflict, and thus impeded performance. By building employees' cultural intelligence they are better able to effectively adapt to the other culture (3.3.2.5) and consequently reducing the likelihood of conflict. Overall, the findings support that improved *cultural understanding* can facilitate *reduction or improved resolution of conflicts*.

6.1.5.4 ADAPTATION AND COMMITMENT

Five cases posit that with increased *cultural understanding* comes the ability to *adapt* to the other party. For instance, in case six, Cherokee Consulting Group suggests that as cultural understanding is improved it becomes clearer which adjustments has to be made to make the cross cultural collaboration work. Also, in case one, Mumbai Consulting Services experienced that as they got to know NorOil Corp's culture, them being more meticulous about formal structures, they were able to adapt and thus ease collaboration.

This effect of cultural understanding is in line with the conceptual background which suggests that making an effort to learn about the other party's culture is important for being able to adapt and to signal interest (Gregory et al., 2009; Sharma et al., 2008; Winkler et al., 2008). Also, by adapting for instance the management styles one can avoid misunderstandings and diverging expectations (Gregory et al., 2009; Winkler et al., 2008), which was what Mumbai Consulting experienced. Altogether, the findings support that improved *cultural understanding* can facilitate *adaptation*.

6.1.6 PERSONAL INTERACTION

Here, the explicit connections made between *personal interaction* and the dynamics *learning process, mutual understanding and expectations, reduction or harmonious resolution of conflicts* and *social exchange* will be analyzed. In addition, how the cases emphasized personal interaction as the *most effective communication channel* will be examined.

6.1.6.1 LEARNING PROCESS

Seven cases indicate that *personal interaction* facilitates *learning* about the other party, whereof three do so explicitly. For instance, in case seven, Transport Corp argues that when employees from the vendor are situated at their offices, people get to know each other better and the parties grow closer. In general they believe that face-to-face meetings contributes to a better understanding of how they work.

These experienced effects of social interaction can be argued to be indirectly supported by the conceptual background. Firstly, because social interaction is the most media rich communication channel it can improve the parties' abilities to communicate nuances and contexts (3.3.2.6), which can be argued to also include communicating "who they are". These effects are in line with how Austad and Lossius (2014) described a learning process; facilitated through increased interaction and information sharing that allows for a better ability to interpret the other party (3.3.3.1). All in all, the findings support that *social interaction* can facilitate a *learning process*.

6.1.6.2 MUTUAL UNDERSTANDING AND EXPECTATIONS

Six cases indicate that *personal interaction* facilitates improved *mutual understanding and expectations*, whereof two do so explicitly. For instance, in case four, Canucks Consulting Corp argues that NorPhone Corp appreciates face-to-face meetings as it allows them to communicate "*straight to their face*" how they perceive the service, and make sure that Canucks understands

and implement the appropriate measures if improvements are needed. That is, they are more able to agree on what has to be done, and what can be expected from the service in the future.

These effects of personal interaction can be supported indirectly by the conceptual background, using the same theory as for section 6.1.6.1; as face-to-face communication increases the chances of conveying a message, mutual understanding and expectations should consequently be more obtainable. Overall, the findings support that *personal interaction* can facilitate *mutual understanding and expectations*.

6.1.6.3 REDUCTION OR HARMONIOUS RESOLUTION OF CONFLICTS

In case one, Mumbai Consulting Services explicitly suggests that *social interaction* can *reduce or help ease resolution of conflicts*, while case six does so implicitly. For instance, Mumbai Consulting Services' Client Partner has experienced that in less formal meetings the client is able to bring up issues and thoughts, not appropriate in formally prescribed meetings, which allows them to solve disagreements before they become a conflict. Also, they use informal get-togethers when there has been a conflict, to loosen up the mood.

This effect of personal interaction is supported by the conceptual background (3.3.2.6) as face-to-face communication increases the likelihood of conveying a message as intended, and reduces the chances of misunderstandings (Sharma et al., 2008). Overall, the findings support that *personal interaction* can lead to *reduction or harmonious resolution of conflicts*.

6.1.6.4 SOCIAL EXCHANGE

Nine cases suggest a connection between *personal interaction* and the facilitation of *social exchange*, whereof eight cases do so explicitly. For instance, in case four, Canucks Consulting Corp's CEO comments that he enjoys meeting the client at informal occasions, as it allows to get to know the employees of the client in a different way. He comments; "*its people making business with people, not organizations making business with organizations.*" Such personal interaction is argued to build personal relations and also strengthens business relationships. Furthermore, formal meetings also allows for the strengthening of social bonds due to, according to case three, the opportunity to interpret body language and see the other party's face.

As the dynamic social exchange is partly defined by a mechanism's ability to facilitate formal and informal interaction which again results in strengthening social bonds (3.3.3.6) this connection is supported by the conceptual background due to the nature of the mechanism personal interaction. Also, Rottman (2008) argued that informal conversation not related to business creates informal socializing ties and thus increased social capital, in line with the findings. Overall, the findings supports that *personal interaction* can facilitate *social exchange*.

6.1.6.5 MOST EFFECTIVE COMMUNICATION CHANNEL

Three cases emphasize the effectiveness of personal meetings, relative to other communication channels. For instance, in case seven, Transport Corp's System Manager argues that personal meetings is the preferred channel, as it creates good communication which in turn fosters a good relationship. Also, in case ten, Arctic IT Services' Relationship Coordinator comments that with personal meetings "*things can be solved in a day instead of a month.*"

These experiences are coherent with the conceptual background as, firstly, Sharma et al. (2008) presents face-to-face as the most media rich form of communication and secondly, Rottman (2008, p.39) argues that personal interaction "*allows for a level of social interaction that is impossible through teleconference or email conversations.*"

6.1.7 EXPECTATION MANAGEMENT

Here, the explicit connections made between *expectation management* and the dynamics *learning process*, *mutual understanding and expectations*, *reduction or harmonious resolution of conflicts* and *benevolence* will be analyzed. Also, how the cases suggested that expectation management contributes to *delivery* will be evaluated.

6.1.7.1 LEARNING PROCESS

Three cases argue explicitly that their *expectation management* partly aims to facilitate *learning* about each other, while one case suggests the connection implicitly. For instance, in case four, Canucks Consulting Corp present that they try to manage expectations by showing prospective clients how they work with current clients through reference visits. Moreover, by involving the people who will actually work in the delivery team in the contract negotiation phase they allow the parties to meet and get to know each other as early as possible, which helps align expectations.

This effect of expectation management is not directly supported by the conceptual background (3.3.2.7). Still, the activities that the case firms use as examples of how they manage expectations includes facilitating interaction and information sharing, in line with Austad and Lossius' (2014) definition of this dynamic. Thus, the findings support that *expectation management* can facilitate a *learning process*.

6.1.7.2 MUTUAL UNDERSTANDING AND EXPECTATIONS

Nine cases suggest that *expectation management* improves *mutual understanding and expectations*, whereof eight do so explicitly. For instance, in case two, Mumbai Consulting Services argue that through continuous expectation management, following up and discussing the delivery supported by KPIs and SLA, they can fix potential misunderstandings and align the parties' expectations. Moreover, in case six, the IT IS Director at Cherokee Consulting Group argues that the contract can never fully assure mutual understandings and expectations, and one thus have to discuss continuously how they interpret it.

This experienced effect of expectation management is supported by theory, as Gregory et al. (2009) argues that by making an effort to agree on the goals and benefits of the relationship, can result in mutual understanding. Overall, the findings support that *expectation management* can facilitate this dynamic.

6.1.7.3 REDUCTION OR HARMONIOUS RESOLUTION OF CONFLICTS

Four cases explicitly argue that *expectation management* can reduce or help *harmoniously resolve conflicts*. For instance, in case five, Yankee Consulting Services' Security Manager's comment illustrates this effect; *"It's an amazing way of creating arguments between the client and the vendor. Not doing it [managing expectations] explicitly; "what are our expectations?" (..) "* Moreover, in case two, the Relationship Manager in Mumbai Consulting Services argues that it is important to confront issues early on, so that the client does not expect something that they will not get. Otherwise misunderstandings would be the result.

This effect of expectation management is supported by the conceptual background as Gregory et al. (2009) suggest that creating agreement concerning what is the goals and benefits of the relationship can decrease the likelihood of conflicts and misunderstandings (3.3.2.7). All in all, the findings suggest that *expectation management* can facilitate this dynamic.

6.1.7.4 BENEVOLENCE

In case nine, Bank Beta argues that they to a certain extent experience that NorSecure Corp meets their expectations of *proactivity*, i.e. showing benevolence and concern for their business. Still the Threat Manager comments; *"They could be more proactive and ask: is this right,*

should we do this now, should we prioritize this or this?” That is, they suggest that increased focus from the vendor expectation management could also facilitate proactivity.

This effect of expectation management is not directly supported by the conceptual background, as Austad and Lossius’ (2014) literature review did not reveal this effect. Still, they argue that if a mechanism helps the vendor expressing proactivity through active anticipation of the client’s needs, what Bank Beta requests, this can signal benevolence. Thus, it can be argued that the findings support that *expectation management* can facilitate showing *benevolence*.

6.1.7.5 DELIVERY

Mumbai Consulting Services, in case two, argues that continuous follow up on KPIs and SLAs together with the client helps them evaluate whether they are *delivering* according to what the client expects.

6.1.8 SUMMARY

All in all, the findings suggest that many of the mechanisms can facilitate several of the dynamics in the model of trust building in IT outsourcing. A summary of the analysis is given in Table 3, showing with a cross which connections were suggested by the findings. The dark grey colored slots illustrate that the conceptual background directly supports a connection. The light grey colored slots illustrate that the conceptual background allowed for indirect support, but required combining different parts of the theory to explain the connection. As such the light grey slots suggest possibilities for future research (0). It is noteworthy that all the connections suggested by the findings could be supported either directly or indirectly. Also, the white slots have not been investigated with respect to the conceptual background, as the findings did not unveil a connection. Furthermore, for certain mechanisms, considerations which are not part of the model were presented. These are not included in Table 3, but will be relevant in the discussion in chapter 7.

Mechanisms Dynamics	Contract	Governance structures	Information and Knowledge sharing	Communication	Cultural understanding	Personal Interaction	Expectation Management
Learning process	×	×	×	×	×	×	×
Mutual understanding and expectations	×	×	×	×		×	×
Reduction or harmonious resolution of conflicts	×	×	×	×	×	×	×
Adaption and commitment	×	×			×		
Benevolence	×	×	×				×
Social exchange	×	×		×		×	
Control	×	×	×				

Table 3: Shows which mechanisms (column) were explicitly argued to facilitate the different dynamics (row) by the findings, illustrated by a cross. Moreover, it shows which connection could be supported directly (dark grey) and which were supported indirectly by the conceptual background (light grey).

6.2 TRUST BUILDING DYNAMICS

In this section an analysis of trust building dynamics will be presented. This analysis is made up of two parts. Firstly, an analysis of whether and how the case firms substantiate the existence of the trust building dynamics in the model is given, based on their explanations of how different mechanisms build trust. Secondly, an evaluation of the case firms’ suggested dynamics when asked an open question about how trust is built in general in IT outsourcing relationships (Appendix C), is presented. The aim is to examine whether the findings support the existing dynamics in the model or if they suggest potential revisions. Overall, the analysis contributes to answering RQ1.

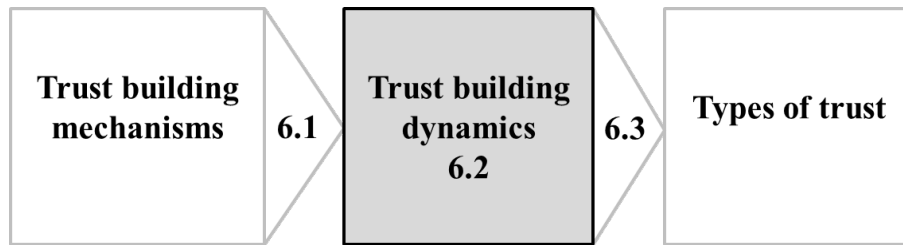


Figure 4: Illustrates which part of the model the following analyses corresponds to.

6.2.1 TRUST BUILDING DYNAMICS SUBSTANTIATED IN RELATION TO MECHANISMS

In this section, the aim is to unveil whether the cases, through their explanations on the trust building mechanisms, explicitly connect the trust building dynamics to trust, and as such support the connection between the second and the third part of the model of trust building in IT outsourcing, as illustrated in Figure 5. It will also be examined whether all three parts of the model are explicitly connected, that is, whether explanations of how a mechanism leads to a dynamic which in turn leads to trust, can be found. This is illustrated in Figure 5. This analysis will be seen to differ from the previous in section 6.1, which only focused on connecting the first two parts, as seen in Figure 3.

It should be noted that the explanations on the connection between trust building dynamics and trust are considerably more scant than those found in the previous section, resulting in a much shorter analyses. This can be traced back to the focus on trust building mechanisms and their effects during the data collection, and that it was not possible, due to resource constraints, to delve deeper into explanations on the dynamics. This issue will be addressed in section 0 and 8.2.2. Also, here, trust will be treated as a unified concept, since it was considered more rewarding to analyze its different types separately in section 6.3.

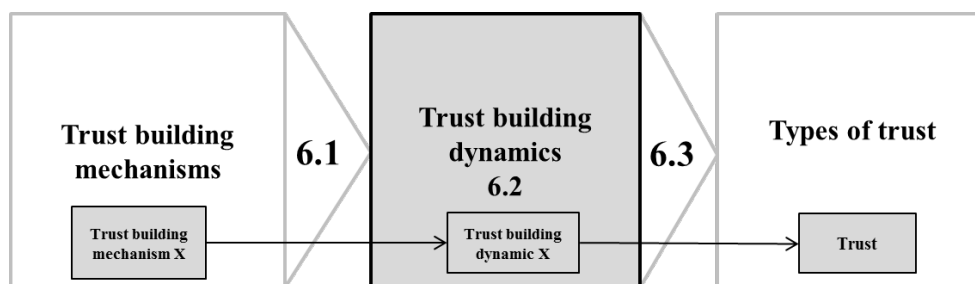


Figure 5: Shows which parts of the model the following analyses correspond to.

The structure of the section is as follows. Each of the trust building dynamic is analyzed separately, answering whether the cases explicitly connect the dynamics to trust, as well as the mechanisms that were explained to cause the dynamic. Subsequently, concluding remarks on the similarities and dissimilarities across the dynamics are made, and general considerations on the support for the model of trust building in IT outsourcing are given.

6.2.1.1 LEARNING PROCESS

Five cases connect the trust building dynamic *learning process* to trust explicitly, in which the mechanisms *expectation management*, *information sharing* and *contract* have been found to create the learning process that in turn facilitates trust. As such, these three mechanisms facilitate learning about the other party and hence build trust, supporting the proposed dynamic from the model of trust building in IT outsourcing (Figure 1).

6.2.1.2 MUTUAL UNDERSTANDING AND EXPECTATIONS

Five cases make an explicit connection between the trust building dynamic *mutual understanding and expectations*, and trust. Moreover, the four mechanisms *contracts, information and knowledge sharing, communication and expectation management* are suggested to facilitate mutual understanding and expectations that in turn help build trust. This substantiates the proposed dynamic from the model of trust building in IT outsourcing.

6.2.1.3 REDUCTION OR HARMONIOUS RESOLUTION OF CONFLICTS

Two case firms make the connection between the dynamic *reduction and harmonious resolution of conflicts* and trust, based on the two mechanisms *governance structures and information and knowledge sharing*. This substantiates the dynamic from the model of trust building in IT outsourcing.

6.2.1.4 ADAPTATION AND COMMITMENT

Four cases explicitly state that the dynamic *adaptation and commitment* is connected to trust. Further, adaptation and commitment is facilitated by the three mechanisms *contracts, governance structures and cultural understanding*, and thus substantiates the proposed dynamic in the model.

6.2.1.5 BENEVOLENCE

The connection between the trust building dynamic *benevolence* and trust was made by two cases. The trust building mechanisms which were argued to promote this trust building dynamic was *contracts and expectation management*, hence supporting the proposed dynamic in the model for trust building in IT outsourcing.

6.2.1.6 SOCIAL EXCHANGE

Five cases make the connection between *social exchange* and trust, four of them through the trust building mechanism *personal interaction* and one through the *contract*. This substantiates that trust builds through social exchange, and its presence as a dynamic in the model of trust building in IT outsourcing.

6.2.1.7 CONTROL

No case firm made a connection between the trust building dynamic *control* and trust, hence the dynamic is not supported by the findings. The implications of control not being connected to trust will be further discussed in section 7.1.2.1, as this might suggest revisions to the model of trust building in IT outsourcing.

6.2.1.8 MISSING CONNECTIONS WITH TRUST

When comparing the connections in Table 2 with the analysis of this section, it becomes evident that trust building mechanisms are more frequently connected to the trust building dynamics only, as opposed to explanations covering how the mechanisms are connected to a dynamic and then trust. For instance, from Table 2 it can be seen that the trust building dynamic *learning process* is connected to all the trust building mechanisms, though the analysis above found that only five cases explicitly make the further connection to trust. Similar trends can also be found when investigating the other dynamics as well. Furthermore, case four connects a learning process facilitated by *contracts* to trust, while a learning process facilitated by *information and knowledge sharing* is not. This implies that a learning process can be connected to trust. Still, the explanation of why, for instance, case four only connects it to trust when it was caused by a contract and not when it was caused by information sharing is lacking. This indicates that future research should examine the connection between the trust building dynamics and trust in more depth (8.1.3).

6.2.1.9 CONCLUSION

Overall, all the dynamics in the model of trust building in IT outsourcing (Figure 1). are substantiated by the findings, except *control*, illustrated by a cross in Table 4. Furthermore, in Table 4 the rightmost column shows which mechanisms that were found to facilitate a certain dynamic. Still, it was seen that the dynamics are less frequently connected to trust than to the mechanisms. This issue will be addressed in section 8.2. This analysis will become relevant in the discussion of potential revisions of the model in chapter 7.

Dynamics	Trust	Mechanisms
Learning process	✘	Contracts, information and knowledge sharing, expectation management
Mutual understanding and expectations	✘	Contracts, information and knowledge sharing, communication, expectation management
Reduction or harmonious resolution of conflicts	✘	Governance structures, information and knowledge sharing
Adaption and commitment	✘	Contracts, governance structures, cultural understanding
Benevolence	✘	Contracts, governance structures
Social exchange	✘	Contract, personal interaction
Control	—	

Table 4: Shows whether a trust building dynamic and trust is explicitly connected, marked by an X.

6.2.2 TRUST BUILDING DYNAMICS SUGGESTED IN OPEN QUESTION

This section will analyze the dynamics which were mentioned as especially decisive of the level of trust, as a part of the open-ended question on what builds trust in the interviews (Appendix C). This will differ from the previous section which concerned how the trust building dynamics were substantiated in the context of the mechanisms. As such, this analysis will aim at further substantiation of the trust building dynamics that are already included in the model and/or uncovering potential dynamics that are not currently covered adequately. It will contribute to the discussion of a revision of the model in chapter 7 and thus contribute to answering RQ1.

Table 5 presents the dynamics emphasized, from the most frequently mentioned to the least. Here, each dynamic will be analyzed in light of the conceptual background to evaluate if the dynamic's trust building abilities can be explained. Also, for each, an evaluation of whether it is covered or not by the existing dynamics in the model (Figure 1) will be given.

Dynamics	Case
Delivery	12345679
Solving problems and conflicts	12570
Proactivity	24589
Personal relationships	12469
Openness and honesty	680

Table 5: Shows which dynamics were argued, by the different cases, to affect the level of trust when they answered the open question of what decides the level of trust (ref appendix). The number 0 corresponds to case ten.

6.2.2.1 DELIVERY

In eight of the cases *delivering* according to what the client expects is argued to be decisive for the level of trust, whereof five say it is the most important factor. For instance, in case one, Mumbai Consulting Services argues that the main issue in their relationship has been that they have not delivered the service the way that NorOil expected, which has caused trust to be reduced. Also, they argue that if you follow up on your promises in terms of delivery, trust will increase. Likewise, in case three, Eagle Consulting Group argues that the most effective way of building trust is to deliver according to the client’s expectations or potentially exceeding them. This is reflected in the Relationship Manager’s statement; *“It’s back to expectations again, it’s an eternal circle, iterative. If we deliver as we should, or exceed, then we build a good trust as we meet the expectations of the client. The client expects cheaper, stable IT services. You deliver that, you get trust.”* Lastly, in case four, Canucks Consulting Corp connects the delivery issue to *quality*. The CEO states; *“if the quality is not good, then it hurts the trust.”*

That delivery is argued to be important for the level of trust is supported by the conceptual background. Firstly, *predictability* was presented as an antecedent of trust (3.2.2) and Deutsch (1960, as cited in Huemer, 1998) argue that predictability includes *reliability*. If one considers the other party as reliable, it means the belief that the other will behave in a way which leads to a particular outcome. It can thus be argued that by delivering according to the client’s expectations over time it will make the vendor seem increasingly predictable and reliable as the client experiences receiving the service which they expect, which, in turn, facilitates building trust. Secondly, another antecedent of trust was expectations of the other party’s *abilities* (3.2.2). Barber (1983, as cited in Huemer, 1998) argues that trust is likely to emerge if a party has positive expectations of the other’s ability to complete the assignment. Thus, one can argue that as a vendor over time delivers, these expectations of abilities are met, and trust can build. Lastly, *quality of service* was presented as a success factor in IT outsourcing relationships (3.1.3.2), and defined as the *“the difference between the customer’s expectations for service performance prior to the service encounter and their perception of the service received.”* (Asubonteng et al., 1996, as cited in Aarnouts, 2012, p. 201). This theory, in conjunction with the trust antecedent expectations of abilities supports the focus on delivery and its quality. More specifically, if the expectations to quality of service in the delivery are not met, this can be analogous to not meeting expectations of abilities. As a result trust cannot be built or is reduced.

This dynamic is not covered by the model of trust building in IT outsourcing (Figure 1), and will be discussed further in section 7.1.2.2.

6.2.2.2 SOLVING PROBLEMS AND CONFLICTS

Five cases stress how the parties manage to *solve problems and conflicts* as important for the level of trust. For instance, in case two, Mumbai Consulting Services argue that how they so far have been able to meet and discuss problems together with the client, and explain how they will be solved, has been important for building trust. In case seven, the IT Operations Manager of Transport Corp comments; “*You build trust in centimeters and tear it down in meters. Thus you build trust over time, and then error situations occur, and if they are handled well, it helps the trust. But if it is handled poorly, if the vendor is unable to handle the situation in a good way and within a reasonable time frame, trust will quickly be torn down.*”

That the occurrence of problems and conflicts, and that how they are dealt with can affect the level of trust can be supported by the conceptual background. It can be argued that when conflicts or problems occur, this can potentially hurt how *predictable* and *reliable* the other party is perceived, thus hurting an antecedent of trust (3.2.2). That is, it can be perceived less likely that the other party will behave in such a way that the desired outcome of the relationship will be obtained. Moreover, conflicts and problems can cause a party to perceive it as less likely that the other party has the *ability* to complete the assignment reliably, and thus reduces the positive expectations of their abilities, another antecedent of trust (3.2.2). On the other hand, the case firms argue that if conflicts are solved in a good way, trust can be built. This can also be supported by the antecedent positive expectations of abilities and positive expectations of *motivation*. If conflicts and problems are solved in a good manner, the expectations of the other’s abilities might be met or even increase, as the perception of their ability to reliably complete the assignment is either unchanged or improved. Also, the perception of how concerned they are with the other’s satisfaction, i.e. expectations of motivation, may be improved, thus increasing trust.

This dynamic is reflected in the model of trust building in IT outsourcing through the dynamic *reduction or harmonious resolution of conflicts*, which already covers how conflicts and problems can negatively affect trust, and thus the benefits of either reducing or handling them in a good manner (3.3.3.3)

6.2.2.3 PROACTIVITY

Five case firms argue that trust is built if the vendor signals *proactivity*, adding extra value beyond what the contract specifies and thus helping the client’s business. For instance, the Security Manager of Yankee Consulting comments; “*There is trust on a business level: "will they manage to do the job". And there is trust like; "ok, they don't just do the job, but they have our best interest at heart and have the capacity to do something about it". So it's kind of "good enough" and "really cool", and that goes for trust as well*”. That is, they argue that they can build trust beyond what they accomplish by just delivering according to expectations by being proactive.

That trust can be built by showing proactive behavior which is beneficial for the other party is supported by the conceptual background. By giving value adding advice and delivering beyond what is expected, the vendor signals that they hold a *positive concern* for the client’s satisfaction, i.e. *positive intentions*, the antecedent of trust and thus trust is more likely to emerge (3.2.2).

Proactivity is already reflected in the model of trust building in IT outsourcing (Figure 1) through the dynamic *benevolence*, which explains how showing concern and thus positive intentions can help build trust (3.3.3.5).

6.2.2.4 PERSONAL RELATIONSHIPS

Five of the cases argue that *personal relationships* between employees from the vendor and client are important for the level of trust. For instance, in case one, Mumbai Consulting Services argue that strengthening *social bonds* between individuals has built interpersonal trust. However, they also point out that if they do not *deliver* as expected, these social bonds are inadequate. In case four, the same beliefs are reflected in the CEO of Canucks Consulting Corp's comment; "*Nothing beats the trump card of trust and relations! (..) Of course the other things have to be in place, but after that it boils down to trust and relations.*" Still, the CEO also adds the importance of delivering; "*In an IT outsourcing relationship over many years, then the quality has to be in order, otherwise this will hurt your trust. Then it will not help with a dinner*".

The importance of personal relationships for building trust is supported by the conceptual background. Firstly, the *passionate conception* of trust entails that trust depends strongly on social bonds between people (3.3.4.2). Moreover, Granovetter (1985, as cited in Huemer, 1998) argues trust is preferably built through concrete *personal interactions*, creating *interpersonal trust* (3.3.4.4).

Personal relationships is already reflected in the model through the dynamic *social exchange*, which explains the importance of creating social bonds for trust to build (3.3.3.6).

6.2.2.5 OPENNESS AND HONESTY

Three cases argue that *openness* and *honesty* is decisive for the level of trust. For instance, in case six, Cherokee Consulting Group suggest that when they give the client insight into the status of the delivered service, this makes them feel more certain that they are getting what they expect. Moreover, they believe that being open and honest about mistakes and discussing how they will be solved is important.

The importance of being open and honest for trust to build can be supported by the conceptual background. Firstly, Luhmann (1979, as cited in Huemer, 1998) argues that *familiarity* is a precondition for trust, and trust has to be learned. By acquiring knowledge about the other party's traits, available options and abilities trust can emerge (3.2.3.1). Thus, one can argue that by being open and honest the parties can get familiar and learn about each other's traits and options, which can build trust. Secondly, the antecedent *predictability* partly entails how *credible* the other party is perceived. That is, the belief that the other will do as they say or convey information accurately. Thus, the more open and honest the parties are, they can potentially be perceived as more credible and truthful.

This factor can be argued to be included in the model of trust building in IT outsourcing through the dynamics *learning process* (3.3.3.1) and *reduction or harmonious resolution of conflicts* (3.3.3.3). This is because a learning process entails the possibility of a more accurate interpretation of the other's trustworthiness, which the emphasis on openness and honesty can be argued to underline the importance of. Moreover, the importance of being open and honest concerning mistakes or issues is reflected in harmonious resolution of conflicts as it can increase perceived *equity* and *fairness* in decision processes, and how sincere and honest the other party is.

6.2.2.6 SUMMARY

All in all the case firms proposed five trust building dynamics when asked an open question on what are the most decisive factors affecting the level of trust. These were *delivery, solving problems and conflicts, proactivity, personal relationships, and openness and honesty*. Four of which were found to be covered by the current model, and the findings thus substantiates the existence of the dynamics *learning process, reduction or harmonious resolution of conflicts,*

benevolence and *personal exchange*. Delivery was the only dynamic which is not covered. This analysis will contribute to a revision of the model in chapter 7.

6.3 TYPES OF TRUST

In this section an analysis of which types of trust manifest themselves in the findings will be given. The aim is to evaluate whether the types of trust proposed by the model of trust building in IT outsourcing are relevant or potentially expendable. This contributes to answering RQ1.

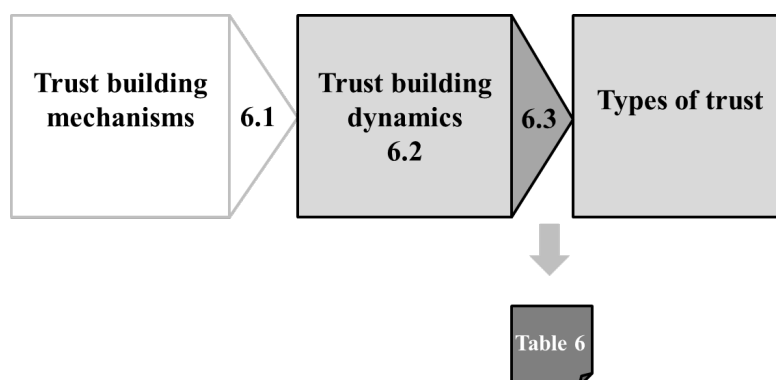


Figure 6: Illustrates which part of the model the following analyses corresponds to.

The assessment of whether a trust type manifests itself or not will be based on the analysis in section 6.2.1 and 6.2.2. The first substantiated the presence of the dynamics from the model based on the causal explanations of mechanisms' trust building effects, and the second analyzed dynamics proposed by the interviewees in an open question to theory. Both these analyses suggest that different subsets of trust antecedents and preconditions are important for building trust in IT outsourcing relationships. Based on this, the following analysis can deduce which types of trust are present, as will be seen. As illustrated in Figure 6 (above), the analysis will be summarized in Table 6 showing which dynamics were used to argue the presence of the different types of trust.

The structure is the following. For each type of trust in the model an analysis is given on whether the suggested dynamics, with their related trust antecedents and preconditions, suggest the presence of this type of trust.

6.3.1.1 STRATEGIC TRUST

As described in the conceptual background *strategic trust* depends largely on *predictability*, as the decision to trust relies on a calculation of *possible gains* expected to be achieved when collaborating with another party. By accumulating more information about another party, this allows for an accurate prediction of their actions, and *knowledge based trust* can be built (3.3.4.1).

The dynamics *learning process*, *mutual understanding and expectations*, and *reduction or harmonious resolution of conflicts* were in section 6.2.1 found to be substantiated by the findings. Moreover, section 6.2.2 showed that *delivery*, *solving problems and conflicts*, and *openness and honesty* were argued to be important for trust to build. All these dynamics are explained or supported by the conceptual background to build trust based on their contribution to predictability or ensuring obtaining the expected gains of the relationship. Based on this, one can argue that the findings suggest that predictability and maximization of likelihood of

obtaining expected gains is important for trust to be built in IT outsourcing relationships. This supports the presence of strategic trust.

6.3.1.2 PASSIONATE TRUST

Passionate trust depends strongly on *social bonds* between people and the *positive expectations of the other party's intentions*. *Goodwill trust*, included in the passionate conception, is based on such positive intentions and is argued to form the basis for a long-lasting stable business relationship (3.3.4.2).

The dynamics *mutual understanding and expectations, adaptation and commitment, benevolence and social exchange* were in section 6.2.1 found to be substantiated by the findings. Moreover, section 6.2.2 showed that *solving problems and conflicts, proactivity and personal relationships* were argued to be important for trust to build. All these dynamics are explained or supported by the conceptual background to build trust based on their contribution to social bonds and/or signaling positive intentions. Thus, one can argue that the findings support that social bonds and showing positive intentions are important for trust to be built in IT outsourcing relationships, and thus supports the presence of passionate trust.

6.3.1.3 COMPETENCE TRUST

The conceptual background presented that trust can result from the *positive expectations of another's abilities*, known as *competence trust*. That is, trust emerges with the belief that another party is *capable* of doing what he says he will do (3.3.4.3).

The dynamics *learning process and mutual understanding and expectations* were in section 6.2.1 found to be substantiated by the findings. Moreover, section 6.2.2 showed that *delivery, solving problems and conflicts, and openness and honesty* were argued to be important for trust to build. All these dynamics are explained or supported by the conceptual background to build trust based on their contribution to signaling abilities and uncovering capabilities. Based on this, one can argue that the findings suggest that meeting expectations of abilities and capabilities is important for trust to build in IT outsourcing relationships. This supports the presence of competence trust.

6.3.1.4 INTERPERSONAL TRUST

According to Granovetter (1985, as cited in Huemer, 1998) trust is preferably built through concrete *personal interactions*, which can create *interpersonal trust*. Such trust is especially enabled by personal contact and proximity (3.3.4.4).

The dynamic *social exchange* was in section 6.2.1 found to be substantiated by the findings. Moreover, section 6.2.2 showed that *personal relationships* was argued to be important for trust to build. These dynamics are explained or supported by the conceptual background to build trust based on their contribution personal interaction and hence the creation of social bonds. Thus, one can argue that the findings suggest that social interaction and social bonds are important for trust to be built in IT outsourcing relationships, and thus supports the presence of interpersonal trust.

6.3.1.5 SYSTEM TRUST

Trust can, as presented in the conceptual background, be built through the use of formal control mechanisms, such as contracts, plans, roles and procedures, for several reasons. Firstly, it signals an effort made to *protect the parties* from loss or harm. Moreover, their implementation can *reduce uncertainty*, for instance through increasing familiarity, reciprocity, threats of sanctions, procedural norms and policing. Lastly, they can have a *stabilizing effect on expectations*. The resulting type of trust is known as *system trust* (3.3.4.4).

The dynamic *control* was not found to be substantiated in section 6.2.1. Moreover, none of the dynamics in section 6.2.2 build upon any of the reasoning behind why the use of formal control mechanisms can help facilitate trust. Thus, one could argue that the findings do not suggest that system trust is relevant for IT outsourcing relationships. Still, some case firms did express appreciation of the control mechanisms, i.e. *contract* and *governance structures*, in the model and argued that they had a positive effect in terms of structuring and effectivising the collaboration (5). These mechanisms were connected to trust, as presented in section 6.2.1, but not through the dynamic control. Rather they were connected to trust through for instance *learning process* and *mutual understanding and expectations*. These are also dynamics which can be argued to reduce uncertainty and stabilize expectations, due to their contributions to *predictability*, *reliability* and expectations of *abilities*. The case firms' appreciation of these mechanisms and the fact that they connect them to trust through dynamics which entail antecedents which can be connected to aspects of system trust, supports the presence of this type of trust.

6.3.2 SUMMARY

Overall, the findings support the presence of all the types of trust suggested by the model of trust building in IT outsourcing. Table 6 summarizes which dynamics, based on their antecedents and preconditions, were used to substantiate the presence of the different types of trust. The dynamics from the open question, *delivery*, *solving problems and conflicts*, *proactivity*, *personal relationships*, and *openness and honesty*, are included in the table through the dynamic they were argued to be covered by in section 6.2.2. Overall, this analysis will be taken into account when evaluating a revision of the model in chapter 7.

Dynamics Types of trust	Learning process	Mutual understanding and expectations	Reduction or harmonious resolution of conflicts	Adaption and commitment	Benevolence	Social exchange	Control
Strategic trust	✗	✗	✗				
Passionate trust		✗		✗	✗	✗	
Competence trust	✗	✗	✗				
Interpersonal trust						✗	
System trust	✗	✗					

Table 6: Shows which dynamics were used to substantiate the presence of the different types of trust.

Here, it is worthy to note that Table 6 does not represent explicit causal arguments on consequences of facilitating the different dynamics from the findings. That is, the interviewees made very few distinctions between different types of trust. This is likely a consequence of the research design's focus on mechanisms. However, Table 6 presents how the authors have used the discussions from section 6.2.1 and 6.2.2, as explained in the introduction to this section, to argue the relevance of the different types of trust. As such, a more meticulous analysis connecting the mechanisms and dynamics to the different types of trust is appropriate to support these connections, and will thus be addressed in section 8.1.3.

6.4 ADDITIONAL CONSIDERATIONS ON THE MODEL OF TRUST BUILDING IN IT OUTSOURCING

In this section, various topics which have appeared through the findings, but are not covered by the preceding sections, will be presented. Specifically, interconnectedness between the mechanisms and between the dynamics is addressed, as well as additional factors which are not currently covered of the model of trust building in IT outsourcing. All will contribute to answering RQ1 by indicating revisions or extensions to the model of trust building in IT outsourcing, to be discussed in chapter 7.

6.4.1 THE INTERCONNECTEDNESS BETWEEN MECHANISMS

Austad and Lossius (2014) described the trust building mechanisms as being interconnected and dependent upon each other (3.3.2.8). Still, it was argued that they all have distinct contributions, that is, they help build trust in distinct ways, which supports their separateness in the model of trust building in IT outsourcing. In this section, the interconnectedness and dependencies between the various trust building mechanisms, identified through the findings, will be investigated. The purpose of the section is to verify the mechanisms' separateness, but not to present an elaborate discussion on the interconnectedness of the mechanisms similar to that found in section 3.3.2.8. Thus, this section will focus solely on those interconnections that have been made explicitly by the cases, these were:

- *Contracts' interconnectedness with governance structures and expectation management*
- *Governance structures effects on several other mechanisms*
- *Interconnectedness between communication and information sharing*
- *Interconnectedness between personal interaction and cultural understanding.*

6.4.1.1 CONTRACTS

The findings indicate that the mechanism *contract* is decisive for all of the other mechanisms. However it was only explicitly stated to affect *governance structures* and *expectation management*, which will thus be presented in the following.

Contracts and governance structures

The contract specifies, for all case firms except Transport Corp, the governance structures of the relationships, including amongst others, meeting plans, responsibilities, reporting schedules, communication lines and incident procedures. Moreover, some of the effects of contracts and governance structures are overlapping, that is, the explanation of the effects of the two mechanisms are equally applicable to both. For instance, both contracts and governance structures have the effect of evoking the trust building dynamic *reduction and harmonious resolution of conflicts* as a result of the specified processes for handling conflicts, which are defined in the contract as well as the governance structures. Still, there are also dissimilarities between the mechanisms, which can be observed from Table 2, justifying the treatment of governance structures as a separate mechanism rather than a part of the contract. Also, the reasons for being connected to a dynamic might differ between governance structures and contracts. For instance, governance structures can be connected to *adaptation and commitment* by allowing the parties of the relationship to adapt to each other's governance structures, which is considered to help strengthen the relationship. While contracts, on the other hand, is connected to adaptation and commitment by way adapting to the other party's needs and wishes, although these may not be in line with or included in the contract.

Contracts and expectation management

Contracts are also considered, by six case firms, as an important part of the expectation management. This is because, the contract functions both as a means for writing down the expectations of the parties, as well making sure the expectations of both parties are known and

aligned at the outset of the relationship through the contract negotiation phase. Still, expectation management extends beyond the contract, as it is argued by many firms that a contract can never fully assure *mutual understandings and expectations* and that explicit discussions of expectations regularly is important. Thus, even though the contract can help in creating mutual understanding and expectation, the mechanism expectation management can be appreciated for its separate contributions.

6.4.1.2 GOVERNANCE STRUCTURES

Governance structures is, by examining the findings, found to direct the nature of other mechanisms such as *information and knowledge sharing, communication, expectation management* and partially *personal interaction*. Still, these mechanisms have been associated with other effects than governance structures as seen in Table 2, indicating that they have distinct contributions to the production of trust. Furthermore, even though governance structures and some other mechanism may evoke the same dynamic, the rationale behind may differ. For instance, in case one both governance structures and information and knowledge sharing are associated with a *learning process*, though the rationales behind are not the same. Governance structures were argued to evoke a learning process because working by such structures allows for a better understanding of the other party, while information and knowledge sharing was related to a learning process due to the sharing of information on the client's processes and ways of working.

6.4.1.3 COMMUNICATION AND INFORMATION AND KNOWLEDGE SHARING

From the findings it can be seen that *information and knowledge sharing* and *communication* is talked about rather interchangeably by the cases. According to Austad and Lossius (2014), these two dynamics will be observed and evaluated within many of the same real world events, such as meetings, emails, discussion forums (3.3.2.8), which might be the reason for why they are talked about concurrently by many of the cases. For instance, in case four, Canucks Consulting's sharing of industry reports with clients is believed to demonstrate *benevolence* and proactivity for clients. It can be argued that it is in fact the sharing of this type of information that is the cause of the benevolence marked registered in Table 2, even though it was reports, as communication channel, that made it possible. Furthermore, in case one it was argued that communication is essential for trust building since it enables better information transfer and mutual understanding, which in turn is believed to establish trust. This finding indicates that communication is important for the realization of information and knowledge sharing. This is analogous to the above-mentioned example from case four; reports are argued to enable information sharing, which expresses benevolence towards the client, and the emergence of trust.

Nonetheless, being talked about interchangeably does not necessarily imply that they have the same effects, which becomes apparent when examining Table 2. This indicates that there in fact is a distinction between the range and depth of the shared information, i.e. information and knowledge sharing and the timeliness and meaningfulness of the shared information, i.e. the communication quality. For instance, in section 6.1.4.3 it was seen that communication effectiveness was argued to help avoid conflicts, which is a distinct effect of communication as opposed to information and knowledge sharing.

6.4.1.4 PERSONAL INTERACTION AND CULTURAL UNDERSTANDING

Five case firms explain how *personal interaction* is used to create *cultural understanding*, especially through company visits to service providers' offshore facilities. Moreover, social activities are used to let people get to know each other better outside formal settings, which helps build cultural understanding further. Thus, personal interaction is seen as being closely connected to cultural understanding, in line with Austad and Lossius (2014) reporting that,

among other, personnel visits can help build trust by signaling a willingness to learn and understand the other party. Still, personal interaction covers more than cultural understanding, and vice versa. For instance, the Client Partner at Mumbai Consulting, in case one, argues that informal personal meetings helps reduce conflicts by creating an open forum to discuss issues 6.1.6.3, which is a unique effect of personal meetings, justifying its separateness.

6.4.2 INTERCONNECTEDNESS BETWEEN TRUST BUILDING DYNAMICS

In this section, the interconnections between the trust building dynamics will be discussed. These can be found by examining Table 2, identifying similar registrations across dynamics (rows).

The trust building dynamics was introduced by Austad and Lossius (2014) as a way of explaining the causal relationship between trust building mechanisms and their contributions to trust. They were defined based on observed trends in how the mechanisms were argued to facilitate trust in the reviewed literature (3.3.3). As such, the dynamics should reflect distinctive explanations of how trust is built, but can be caused by several mechanisms. Thus, by examining Table 2 there should be some variation in the connections between the mechanisms and dynamics, representing the distinctiveness of the explanations.

Still, by examining Table 2 it is revealed that *mutual understanding and expectations* have a subset of the registrations that *learning process* has. That is, the rationales identified for the creation of mutual understanding and expectation always include an aspect of learning processes, thus registering both dynamics. This issue will be further discussed when evaluating a revision of the model in chapter 7.

6.4.3 ADDITIONAL FACTORS

In this section, additional factors uncovered through the findings will be presented. These are factors which are currently not part of the model of trust building in IT outsourcing, and as such may suggest extensions to the model. From the findings it is not evident whether these factors would be considered mechanisms, dynamics or if they do not fall into either category. Thus, they are treated in this section separately. Their nature, i.e. if they could be classified as mechanisms or dynamics, and their potential inclusion in the model will be discussed in section 7.1.4, facilitated by this analysis. The additional factors are *personal chemistry*, *individuals' abilities to communicate effectively* and *investments*.

6.4.3.1 PERSONAL CHEMISTRY

Four cases emphasize *personal chemistry* as important to build trust. In case four, *personal chemistry* is argued to be decisive for the communication effectiveness. Especially people holding key roles in the relationship, such as the Account Manager, are believed to be critical for how well the communication will work. In fact, if they do not have a good *personal chemistry* with their counterparts at the client firm, they may be replaced. Furthermore, in case three, the Security Account Manager explains that the personal chemistry between the people taking part of the contract negotiation can be decisive to the level of trust in the relationship. It is argued that if the personal chemistry is not good these people can potentially be replaced. Personal chemistry is currently not a part of the model of trust building in IT outsourcing as it was not found by Austad and Lossius (2014), still it can be argued that it is partly reflected through *personal interaction* and *social exchange* as both of these underline the importance of *social bonds*. This will be further discussed in section 7.1.4.1.

6.4.3.2 INDIVIDUALS' ABILITIES TO COMMUNICATE EFFECTIVELY

In case one, the Client Partner argues that communication is essential for trust building, and that each *employees' ability to communicate effectively* significantly affects the communication between the parties. He explains that "(..) between 60 and 80% of the project success could be

ascribed to the people, and their ability to communicate. Communicate, not just talk". Individuals' abilities to communicate effectively is not currently covered explicitly by the model of trust building in IT outsourcing. Still, the mechanism *communication* was defined by its degree of timeliness, adequacy, effectiveness and quality (Lee & Kim, 1999; Mao et al., 2008). Thus it can be argued that each individual's ability to communicate effectively, can have impact on both the timeliness, adequacy and effectiveness of the communication in general. This will be further discussed in section 7.1.4.2.

6.4.3.3 INVESTMENTS

In case two, it was emphasized that by *investing* resources directed at a specific outsourcing relationship shows devotion, and can contribute to building trust. In the model of trust building in IT outsourcing this is partly reflected in the dynamic *adaptation and commitment*, as one can argue that relationship specific investments can be called an adaptation, and signals *commitment* and *goodwill*. However, the act of doing an investment can be argued to not be appropriately covered by a dynamic, but resembles a mechanism as it is an implementable activity, in accordance with the definition of a mechanism (3.3.2). Investment's relevance in the model will be discussed further in section 7.1.4.3.

6.4.4 SUMMARY

Overall, this section has analyzed interconnectedness between mechanisms, interconnectedness between dynamics and additional factors revealed by the findings. It was found that several of the mechanisms are interconnected, but that they have distinct contributions in terms of how they affect trust. Moreover, it was found that *learning process* and *mutual understanding and expectations* were often based upon many of the same rationales from the cases, making these two dynamics closely connected. Lastly, the three subjects *personal chemistry*, *individuals' abilities to communicate effectively* and *investments* were presented as they were emphasized by the case firms as important for trust, but not explicitly covered by either mechanisms or dynamics in the model. These analyses will facilitate the discussions on possible revisions of the model in chapter 7.

6.5 IT SECURITY AND TRUST

In the following section an analysis of a possible connection between IT security and trust is conducted, in order to answer RQ2. Across the ten cases, there are four main explanations of how IT security is related to trust as shown in Table 7. These will here be analyzed with respect to the conceptual background on trust, with the aim of creating a clearer picture of how IT security and trust is correlated. As Table 7 shows, some cases are registered as holding different views. This is due to the fact that different interviewees had different understandings of the matter. Such inter-firms differences will not be considered here, but the table enables tracing the arguments in chapter 5.

Relation between IT security and trust	Cases
IT security affects trust	1356789
Proactivity in providing IT security builds trust	6
Not affecting trust	160
Lack of awareness	49

Table 7: Shows which cases argued for different connections between IT security and trust.

6.5.1 IT SECURITY AS A FUNDAMENTAL PART OF THE EXPECTED DELIVERY

In seven cases, *IT security* is described as a fundamental part of the expected outsourcing delivery, and a prerequisite for trust to emerge. As such, it is argued to be decisive in the choice of vendor, and inadequate IT security will result in the client not trusting the vendor. Additionally, the Relationship Manager at Mumbai Consulting, in case two, supports a connection between the level of trust and IT security, though no explicit causal relationship is given. However, he argues that by complying to standards and giving clients the opportunity to observe their processes, especially relevant to maintaining security, they grow confident.

The argument of IT security being an essential part of the delivery and thus also a prerequisite for trust, is supported by the conceptual background, which was seen in section 6.2.2.1. It was argued that *delivery* specifically contributes to trust through the antecedents *predictability* and positive expectations of the vendor's *abilities*, which also is applicable to the connection between IT security and trust, by way of IT security being a significant part of the delivery. Additionally, delivering the expected level in IT security can be argued to affect the quality of the delivery and trust, corresponding to the argumentation in section 6.2.2.1. Similar arguments are found in section 3.4, where IT security was proposed to have the potential to build, among other types, *competence trust*. Finally, Luhmann (1979, as cited in Huemer, 1998) suggest that *trust has to be learned*, and that *familiarity* is a precondition for trust to emerge. Based on this it can be argued that the Relationship Manager at Mumbai Consulting indicates a connection between how confident the client is in the level of IT security, and trust built through consequent increased positive expectations of abilities, and familiarity.

6.5.2 PROACTIVITY AND IT SECURITY

In case six, the Country Manager at Cherokee Consulting argues that *proactively* giving advice concerning IT security beyond the expectations of the client could potentially build trust.

Being proactive in giving advice about IT security was suggested as a way to build trust in the conceptual background (3.4). This was also seen in section 6.2.2.3, specifically it was argued that proactivity demonstrates positive concern for the other party, and as such building trust through the antecedent *positive intentions*.

6.5.3 DOES NOT AFFECT TRUST

Three of the cases indicate that IT security does not affect trust. The Key Account Manager at Mumbai Consulting, in case one, and the IT IS Director at Cherokee Consulting, in case six, both argue that IT security does not affect trust. It is argued that IT security is just one part of the delivery, and like any other part of the service it has to work. Thus, there is nothing special about security. Similarly, Arctic IT, in case ten, argues that their trust in a vendor is not affected by IT security. Furthermore, a security breach would not necessarily be a severe disruption of the relationship, as it is argued that such breaches might not be the vendor's responsibility.

IT security was established as one out of many parts or *quality metrics* of the delivery of an outsourcing service in the conceptual background (3.1.4). At the same time, it was seen in section 6.5.1 that delivering the expected level of IT security could be argued to build trust. Still, the findings from these three cases indicate otherwise, and this will be further discussed in section 7.3.

6.5.4 LACKING AWARENESS OF IT SECURITY

In two of the cases, lack of awareness of IT security issues was pointed out. First, Canucks Consulting, in case four, claims that a broad part of their customers has both poor awareness of IT security and give it low priority. Second, the technician at Bank Beta, in case nine, is doubting the actual awareness of IT security within the organization, and questions whether people consider IT security issues in decision making processes, or if they solely consider business-related issues. All in all, this might indicate that IT security is of low perceived importance to these firms, which in turn suggest that it is less likely to affect trust. The awareness of IT security will be further discussed in section 7.3.

6.6 SUMMARY

This chapter has analyzed the findings from chapter 5. The first three sections contributed to evaluating how the findings substantiate the model of trust building in IT outsourcing, by directly looking at causal explanations relevant for different parts of the model. More specifically, they analyzed whether and how the mechanisms, dynamics and types of trust were supported by the findings. Moreover, additional considerations which were revealed by the findings, but not covered in the previous sections were analyzed. These were interconnectedness between mechanisms, interconnectedness between dynamics and additional factors not covered by the model. All these analyses will facilitate a further evaluation of the model in chapter 7, and discussions of which parts have been substantiated and which revisions are in order. This contributes to answering RQ1. Lastly, the last section analyzed which connections between trust and IT security were proposed by the findings, and revealed four main categories of how this connection is understood. This facilitates the discussion in 7.3, and contributes to answering RQ2.

7. DISCUSSION

This chapter will discuss the findings and analyses with the aim of answering the paper's research questions. Firstly, the model of trust building in IT outsourcing will be discussed in light of the findings and analyses, the result being a revised model which constitutes the final answer to RQ1a and RQ1b. Secondly, a *new* model will be put forward, aiming to explain the role played by of the different trust building dynamics. This is a result of the study which was not part of the original scope of the research questions, but which contributes to an improved understanding of trust building in IT outsourcing. Third, the connection between trust and IT security will be discussed, finalizing the answer to RQ2.

7.1 THE MODEL OF TRUST BUILDING IN IT OUTSOURCING

In this section the findings and analysis from chapter 5 and 6 will be discussed with the aim of evaluating whether the findings support the model of trust building in IT outsourcing proposed by Austad and Lossius (2014) or if they suggest revisions. The main focus will be on discussing potential revisions, as the analysis in chapter 6 has already explained how many of the model's components are supported. When considering a possible revision, additional theory which was not part of the development of the original model, as presented in the conceptual background, will be added to underpin the revisions. The result is a revised version of the model of trust building in IT outsourcing. Overall, this rounds up the answer to RQ1a and RQ1b.

The structure is the following. For each section of the model, i.e. mechanisms, dynamics and types of trust, a discussion will be presented. For each, both supported components, revisions and other relevant considerations will be discussed. Then, a revision of additional factors which were argued to be important for trust building will be assessed, discussing their relevance and potential for inclusion in the model. Lastly, the resulting revised model will be presented.

7.1.1 TRUST BUILDING MECHANISMS

7.1.1.1 EXISTING MECHANISMS REVISED

The analysis in section 6.1 and resulting summary in Table 3 showed that all of the trust building mechanisms were claimed to facilitate several of the trust building dynamics as proposed by Austad and Lossius (2014). As all of the *dynamics*, except *control* which will be discussed further in section 7.1.2, were substantiated by the findings, this connects all of the mechanisms further to trust. This validates the mechanisms' trust building effects, as suggested by the theory upon which the model of trust building in IT outsourcing was built (Austad and Lossius, 2014). Overall, this justifies not removing any of the mechanisms from the model.

Moreover, as argued in section 6.4.1, although the findings suggest several interdependencies between mechanisms, they facilitate the trust building dynamics in different manners. This justifies not collapsing several mechanisms into one, as they describe distinct ways in which trust can be built.

In addition, it is noteworthy that *personal interaction* was suggested by the findings as the most effective communication channel (6.1.6), in accordance with the conceptual background. This supports its place as an explicit mechanism in the model.

In conclusion, all mechanisms included by Austad and Lossius (2014) will remain a part of the model.

7.1.1.2 IMPLEMENTATION OF A MECHANISM DOES NOT ASSURE TRUST BUILDING EFFECTS

The cases did not only comment upon positive effects of the mechanisms, but also potential negative effects, such as reduced trust. For instance, both *contracts* and *governance structures* were argued to potentially reduce trust if they were used in a very rigid manner (6.1). Flexibility in relation to these mechanisms can, on the other hand, build trust. Likewise, the importance of *how* a mechanism is implemented is reflected in the Key Account Manager of Mumbai Consulting's statement concerning plans, i.e. governance structures; "*That is the effect; yes, it is nice to have a plan, but if you do not follow it - it will have the opposite effect. We do not have control. A plan is great, and it creates trust if you follow it.*" Overall, this suggests that the implementation of a mechanism does not assure that trust will increase. That is, the model does not promise a certain trust building effect of a mechanism, but rather offers an explanation of how they *can* build trust through certain dynamics. As such, the dynamics offer important insight into how trust can be built and how the mechanisms preferably should be implemented.

7.1.1.3 EFFECTS OF TRUST BUILDING MECHANISMS NOT SUPPORTED BY CONCEPTUAL BACKGROUND

In section 6.1 several effects of the trust building mechanisms which were suggested in the findings could not be directly supported by the conceptual background. This is reflected in Table 3, where a light grey slot show where the findings suggested a connection which could not be found in the conceptual background. Instead, these required combining different parts of the background to explain the connection. However, these findings and analysis do not suggest that the connections cannot be directly supported in general, but only that they were not uncovered by or included in Austad and Lossius' (2014) literature review. Their literature review only included research which explained the trust building effects of a subset of mechanisms in an IT outsourcing setting, and it is therefore unknown whether these connections are substantiated by other research. It is outside the scope of this paper to go into further investigation of these connections in other theoretical fields, but the analysis highlight the need for future research to investigate how well examined these connections are or the potential need for more empirical research on the connections and their effect on trust, especially in IT outsourcing (8.1.3).

7.1.2 TRUST BUILDING DYNAMICS

7.1.2.1 EXISTING DYNAMICS REVISED

Substantiated dynamics

In the analysis in section 6.2.1 all the dynamics in the model of trust building in IT outsourcing were found substantiated by the case firms, except *control*. That is, the dynamics were found to be descriptive for how the case firms explain how or why a mechanism can help build trust. These findings and analyses support keeping all dynamics except control as a part of the model, which will be discussed later in this section.

Moreover, four of the trust building dynamics openly suggested in section 6.2.2 were argued to already be included in the model through existing dynamics. These arguments further support those dynamics' explanatory power, especially as these causal explanations were given in an unrestricted setting.

Considering learning process

The analysis in section 6.1 showed that case firms' explanations of how trust builds through a *learning process* was often found implicitly in their reasoning, notably more so than for other dynamics. This is represented in Table 2. That is, the case firms do not often explicitly state that through a process of obtaining more information about the other party, they are better able to

decide their trustworthiness and understand their capabilities. Rather they only discuss the importance of getting to know the other party in the process of building trust. This was still interpreted as indicating the importance of a learning process, as they implicitly argue for the importance of *familiarity*, which is a precondition of trust which this dynamic reflects (3.3.3.1). In addition, learning process is the dynamic which was connected to the mechanisms most frequently, as seen in Table 2. This may indicate that a learning process will always take place in an IT outsourcing relationship.

Overall, these observations could result in questioning whether learning process is a rewarding dynamic, if case firms are not able to use it explicitly in their explanations of how trust is built and/or that it will always be a facet of any relationship with some level of trust. Overall, it could be considered too vague to be a rewarding dynamic.

Moreover, in section 6.4.2, it was found that the dynamic *mutual understanding and expectations* was always supported by a subset of the firms which were found to also suggest a learning process, as seen in Table 2. The reason was that these two dynamics were substantiated by partly the same rationales made by the case firms. If each dynamic should have a distinct contribution in describing how trust evolves, one could thus question whether mutual understanding and expectations is a more precise and appropriate way of describing what the case firms need when deciding whether to trust or not. That is, uncovering whether the parties' goals and expectations for collaboration are compatible enough for both parties to obtain the expected gains of the collaboration, in accordance with the reasoning behind strategic trust (3.3.4.1). Based on this one can argue that removing learning process as a dynamic could be appropriate.

Despite these issues connected to learning processes as a dynamic, it will be kept a part of the model for a set of reasons. Firstly, the fact that some case firms do explicitly substantiate learning processes as a trust building dynamic supports its existence. Second, the fact that it is often implicitly indicated by the case firms, suggest that practitioners may prosper from improved understanding of how trust evolves; a fuller appreciation of how the mechanisms facilitate a learning process which allows increased ability to decide trustworthiness. Lastly, it can be argued that it is unsurprising that the dynamics learning process and mutual understanding and expectations follow the same line of reasoning suggested by case firms, as they both rely on obtaining more information about the other party. Still, the trust building effect of the obtained information differs. Where learning processes describes the need for perceiving the other party's traits such as capabilities, reliability and integrity, mutual understanding and expectations emphasizes the need for agreeing on what to expect from the relationship. Thus removing learning process from the model would mean removing a causal link made by the case firms and reduce the model's explanatory power.

Considering control

The analysis in section 6.1 showed that some cases connect the mechanisms to the dynamic *control*. Still, in section 6.2.1 control was found to never have been used as an explanation for how a mechanism can help build trust. Moreover, none of the cases suggested a dynamic in the open question on what can decide the level of trust, which reflected the dynamic control primarily (6.2.2). Overall, the findings do not substantiate that the dynamic control explains how trust evolves in IT outsourcing relationships. This necessitates a discussion on whether it should remain a part of the model.

One reason for why control is not used to explain how trust emerges may be the common perspective that trust and control are not related, but rather opposites. Several of the case firms indicate that they hold this understanding. For instance, Transport Corp explained their limited

use of the contract on a daily basis through the rationale that they rather rely on a relationship based on trust (5.7).

This understanding of trust and control as substitutes can be supported by theory. For instance, Ring and Van de Ven (1994) use trust and control as substitutes for overcoming uncertainty in economic exchanges. They argue that while individuals may rely on trust in their personal relationships, they rather have to rely on “life jackets” offered by their organization through formal control mechanisms to overcome uncertainty when in a professional setting. Das and Teng (1998) argue that such views suggest that trust and control are completely different approaches for increasing confidence in the cooperative behavior of another. Control becomes necessary when one cannot trust the other party. Moreover, studies have found that controlling behavior can signal distrust (Ghoshal and Moran, 1996). This is opposite of the effect suggested in the conceptual background, where the use of control mechanisms was argued to potentially increase trust through, for instance, the dynamic control (3.3.4.4). Consequently, one can argue that talking about control when giving explanations of how trust can be created is contrary to a basic understanding of the two as incompatible. Thus, control may not be an appropriate dynamic in the model, as it is too related to reduction of trust rather than structuring and effectivising the collaboration. This is reflected in the fact that the case firms have not substantiated control as a dynamic.

Furthermore, it can be argued that the antecedents and preconditions which the dynamic *control* is argued to describe the need for, in the process of building trust, are covered by other dynamics. More specifically, control was argued to be a dynamic to explain how several of the mechanisms in the model build trust through their ability to increase *predictability*, *reliability* and *integrity* in collaboration processes, procedures and the delivered service. Control was moreover argued to build trust through reduction of uncertainty, stabilization of expectations and signaling an effort made to protect the outsourcing parties from risk (3.3.3.7). However, one can argue that the dynamics *learning process*, *mutual understanding and expectations*, and *reduction and harmonious conflict resolution* together cover these antecedents, preconditions and trust building effects. Altogether they describe how the mechanisms can reduce uncertainty and stabilize expectations through increased predictability and aligned expectations for how to collaborate and concerning expected gains.

All in all, control will be removed as a dynamic in the model of trust building in IT outsourcing as it is neither used explicitly by the case firms to explain how trust can be built (6.2.1), nor does excluding it remove any of the model’s explanatory power according to the previous discussion.

7.1.2.2 NEW DYNAMIC: DELIVERY

Section 6.2.2 analyzed the dynamics proposed by the cases in the open question on what decides the level of trust. Four of the dynamics proposed were evaluated to already be reflected in the model, thus substantiating the existing dynamics. However, it was found that *delivery* is not a dynamic in the model developed by Austad and Lossius (2014). Thus, a discussion concerning its inclusion is appropriate.

The analysis in section 6.1 presented how several cases connected the mechanisms *contracts*, *governance structures*, *information and knowledge sharing*, and *expectation management* to *delivery*, when they were considering the mechanisms’ trust building effects. That is, they argued that these mechanisms helped them assure that the service was delivered, according to expectations. Moreover, section 6.2.2.1 analyzed how delivery had been argued by many of the cases to be decisive for the level of trust in the relationship, often the most decisive. This suggests that delivery is considered an important trust building dynamic by the cases, and supports its inclusion in the model.

The importance of delivering according to expectations for the level of trust was argued to be supported by the conceptual background (6.2.2.1). Continuously delivering according to expectations was explained to build trust as it will increasingly give the parties a perception of the other's *predictability*, *reliability* and *abilities*. All these antecedents are partially facilitated through other dynamics as well. What is not, however, covered by other dynamics as explicitly as for delivery is the client's expectations concerning receiving the gains which was the motivation to engage in outsourcing in the first place. And, as argued in the strategic conception of trust, a main reason for deciding to trust another can be built upon expected gains. As outsourcing relationships can be argued to first and foremost be motivated by some expected gain, as presented in section 3.1.2, this should be represented in the model to increase its explanatory power. Overall, delivery does not only add explanations of how to facilitate antecedents covered by other dynamics, but also underlines the significance of realizing gains for trust to build in IT outsourcing. Thus, it can be argued that it should be included as a dynamic in the model.

The importance of delivering a service in line with expectations for trust to build can also be explained through the concept of *quality of service*. Quality of service was presented as an important success factor in IT outsourcing in section 3.1.3.2 and one can interpret quality of service as a component in the concept of gain. By bringing in new theory to clarify the connection between delivery and quality of service, can further support adding delivery as a dynamic in the model.

Lewis and Booms (1983, as cited in Parasuraman et al., 1985, p.42) define service quality in a manner which links it to delivery; "*Service quality is a measure of how well the service level delivered matches customer expectations. Delivering quality service means conforming to customer expectations on a consistent basis.*" This can support the cases' use of the term delivery and its connection with trust through quality of service. Also, Parasuraman et al. (1985) argue that the quality of a service is not just based on the outcome of the service, i.e. if the requirements in the contract are met, but also the process through which the service is delivered. Based on this one can argue that delivery is a continuous process through which trust can build if expectations of quality of service are met or exceeded.

Overall, delivery will be added to the revised model of trust building in IT outsourcing, as presented in section 7.1.5, based on the following arguments. Firstly, because the cases emphasize delivery as an important dynamic for building trust. Secondly, because it can be supported by the conceptual background and adds explanatory power to the model by underlining the importance of realizing expected gains. Lastly, because its connection with trust can be further justified by bringing in additional theory.

7.1.3 TYPES OF TRUST

In the analysis in section 6.3 it was argued that all the types of trust which are included in the model of trust building in IT outsourcing were indicated by the cases' explanations. This analysis was not based on explicit statements made by the cases, but rather on the cases' explanations of how trust is built through the different dynamics. This suggest that future research can focus more on this part of the model to increase understanding of which types of trust are most prevalent in an IT outsourcing relationship (8.1.3). However, the model, in terms of types of trust, is argued to be supported by the findings and analysis, and thus remains unchanged.

7.1.4 ADDITIONAL REVISIONS

In this section the factors and considerations emphasized by the cases, as analyzed in section 6.4.3 which are not part of the model of trust building in IT outsourcing developed by Austad and Lossius (2014), will be assessed to evaluate the value of potential revisions of the model.

7.1.4.1 PERSONAL CHEMISTRY

In section 6.4.3 it was found that *personal chemistry* was emphasized as important for building trust, but that it is not a part of the model. To create a better understanding of why the case firms emphasize personal chemistry when discussing trust building and to facilitate an evaluation of its relevance, additional theory beyond the conceptual background is considered.

Blomqvist (2000) relates personal chemistry to *social similarity*, which is based on similarity in terms of character, education, competence and/or personality. Such social and character similarities are argued to potentially foster trust, and personal and organizational differences can, on the other hand, cause inertia. To overcome dissimilarities one can facilitate interaction, shared experiences and the creation of shared meanings and trust can still be created. Furthermore, Andersen and Kumar (2006) relate personal chemistry to an individual's *emotions* towards its counterpart. They argue that emotions, as opposed to pure rational calculations, will largely shape people's perception of another's trustworthiness, as personal interaction is not carried out in an emotional vacuum. Lack of personal chemistry or negative emotions, in addition to the inability to disguise or disregard these emotions, can potentially cause uncertainty and distrust, and is an often cited reason for why business relationships fail as interpersonal relationships worsen and conflicts arise (Andersen and Kumar, 2006).

Based on this, the importance of personal chemistry in trust building suggested by the case firms is supported. More specifically, the case firms suggested that personal chemistry was decisive for effective communication, delivery and trust. In light of the arguments above this makes sense, as a relationship where the parties experience dissimilarities and negative emotions towards the counterpart can result in a bad atmosphere, potential conflicts and reduced trust, in line with their explanations.

Although the connection between personal chemistry and trust is supported by the previous arguments, it will not be added to the model of trust building mechanisms in IT outsourcing or cause any revisions based on the following reasoning. The fact that trust is built through good personal relationships is already reflected in the model through the dynamic *social exchange* and the concept of *social bonds*, which especially contributes to *interpersonal trust*. Personal chemistry can herein be interpreted as a characteristic which makes such bonds and trust easier to develop, rather than a dynamic in itself. As such, one can use personal chemistry and the experiences shared by the case firms as a guideline when implementing trust building mechanisms in the model. That is, when implementing mechanisms such as *communication* and *personal interaction*, the findings and theory suggest that one should pay special attention to the personal chemistry between the individuals who realize these mechanisms as this can affect how effective the mechanism will be in terms of building trust. This supports the argument presented in section 7.1.1.2; that implementation of a mechanism does not assure that trust will be built. Future research should investigate the impact of personal chemistry on the mechanisms in the model, and thus examine how important it is to keep it in mind during implementation (8.1.3).

7.1.4.2 THE INDIVIDUALS' ABILITIES TO COMMUNICATE EFFECTIVELY

In section 6.4.3 it was found that *individuals' abilities to communicate effectively* was emphasized as important for building trust, but that it is not a part of the model. Thus, additional theory beyond the conceptual background will be considered to evaluate its relevance.

Many studies have found communication to be a major precursor of trust (Anderson and Narus, 1990; Morgan and Hunt, 1994; Bialaszewski and Giallourakis, 1985), and is reflected in the model where *communication* is included as a mechanism. For two organizations to communicate effectively, cooperate well and build trust, it has been found that the individuals

therein should have good *communication skills* (Blomqvist and Stahle, 2000). This is supported by Bialaszewski and Giallourakis (1985) who found that communication skills are important for trust to evolve in a marketing channel. Furthermore, Blomqvist and Stahle (2000) argue that trust rests upon prompt and frequent information sharing, i.e. communication, but that not just fact-based information will be shared, also information on feelings, intentions and opinions. Inappropriate communication of such information can cause distrust. However, when a communicator is able to be clear and precise of the issue and at the same time develop a dialogue, he can develop a trusting relationship. (Syddow, 1998; as cited in Blomqvist and Stahle, 2000)

Consequently, the importance of the individual's ability to communicate is supported by theory beyond the conceptual background. Although the case firm did not go into further detail on what could be the consequences of inadequate communication skills, the arguments above suggest that it can certainly be crucial for trust to evolve.

Although the connection between the individual's ability to communicate and trust is supported by the previous arguments, it will not be added to the model of trust building mechanisms in IT outsourcing or cause any revisions based on the following reasoning. One can argue that a vendor or client's ability to communicate effectively is both based on the procedures and processes they put in place to facilitate this, and the employees therein exhibiting timely and accurate sharing of information. This suggests that the mechanism communication already signals to the practitioner using the model, that communication effectiveness should be cared for both in terms of (inter)organizational design and the capabilities of the employees therein. This supports that no revisions of the model is necessary.

7.1.4.3 INVESTMENTS

In section 6.4.3 it was found that *investments* was emphasized as important for building trust, but is not a part of the model in Austad and Lossius (2014). To create a better understanding of why case firm two emphasize investments when discussing trust building and to facilitate an evaluation of its relevance in the model, additional theory is acquired.

Suh et al. (2006) propose that when a supply chain partner makes a relationship specific asset investment this can contribute to the calculations of the other party's trustworthiness, and thus increase trust. Their findings support this. Furthermore, Selnes (1998) suggest that making investments, which are potentially not transferable to other business relationships, is a way of signaling *commitment* to the other party. He finds that commitment is strongly connected to the satisfaction of the other party.

Based on this, the importance of investments in trust building suggested by case two is supported. Mumbai Consulting Services' argument that investments signals devotion to the relationship, is in line with its analogous connection to commitment made by Selnes (1998).

Overall, investments is supported to build trust by both the findings and through theory beyond the conceptual background. Moreover, investments is neither covered by the mechanisms nor the dynamics in the model. Thus, it may represent a lacking part of the model, as opposed to the previous subjects discussed, which were already captured by existing mechanisms or dynamics. Also, it can be argued that investments can intuitively be understood as an implementable activity, in line with the definition of a trust building mechanism (3.3.2), which is important to take into account when considering its inclusion. In conclusion, investments will be added to the revised model of trust building in IT outsourcing, as presented in section 7.1.5.

Based on the conceptual background, findings and new theory it can be argued that investments especially will build trust through the dynamic *adaptation and commitment*. However, as this paper did not focus on investments as a mechanism from the outset, no further explanations of

its trust building effects were given by the case firms. Thus, this necessitates future research to investigate the connection between investments, the trust building dynamics, and finally which types of trust it contributes to.

7.1.5 REVISED MODEL OF TRUST BUILDING IN IT OUTSOURCING

Based on the findings, analysis and discussion given in this paper, a revised model of trust building in IT outsourcing is presented in Figure 7, which should give an improved understanding of how trust can be built in IT outsourcing. Firstly, this study found support for several trust building effects of the mechanisms in the model, whose effect could be described by one or several of the trust building dynamics. The supported connections are not visible in Figure 7 but presented in Table 3. Second, all the dynamics proposed by Austad and Lossius (2014), except *control*, have been substantiated by this study, as the cases used causal explanations of how a mechanism contributed to trust which were analyzed to belong to one of the dynamics. Lastly, the study supports the presence of all the types of trust in the model proposed by Austad and Lossius (2014).

Besides finding support for many parts of the model proposed by Austad and Lossius (2014), some revisions have been made. Firstly, *investments* has been added as a mechanism, as it was suggested by one of the cases as an important activity which can build trust, and its trust building effect could be supported by theory. Moreover, *delivery* was added as a dynamic, as many of the cases emphasized this as one of the most important explanations of how trust can be built. Lastly, *control* was removed as a dynamic as it was not substantiated by the findings. The antecedents and preconditions *control* described as important for trust to evolve are still present, but facilitated through other dynamics. Moreover, the importance of *control* in IT outsourcing relationships is not completely abandoned, as the *control* mechanisms contract and governance structures are still included.

Overall, this discussion has finalized the answer to RQ1 of this paper.

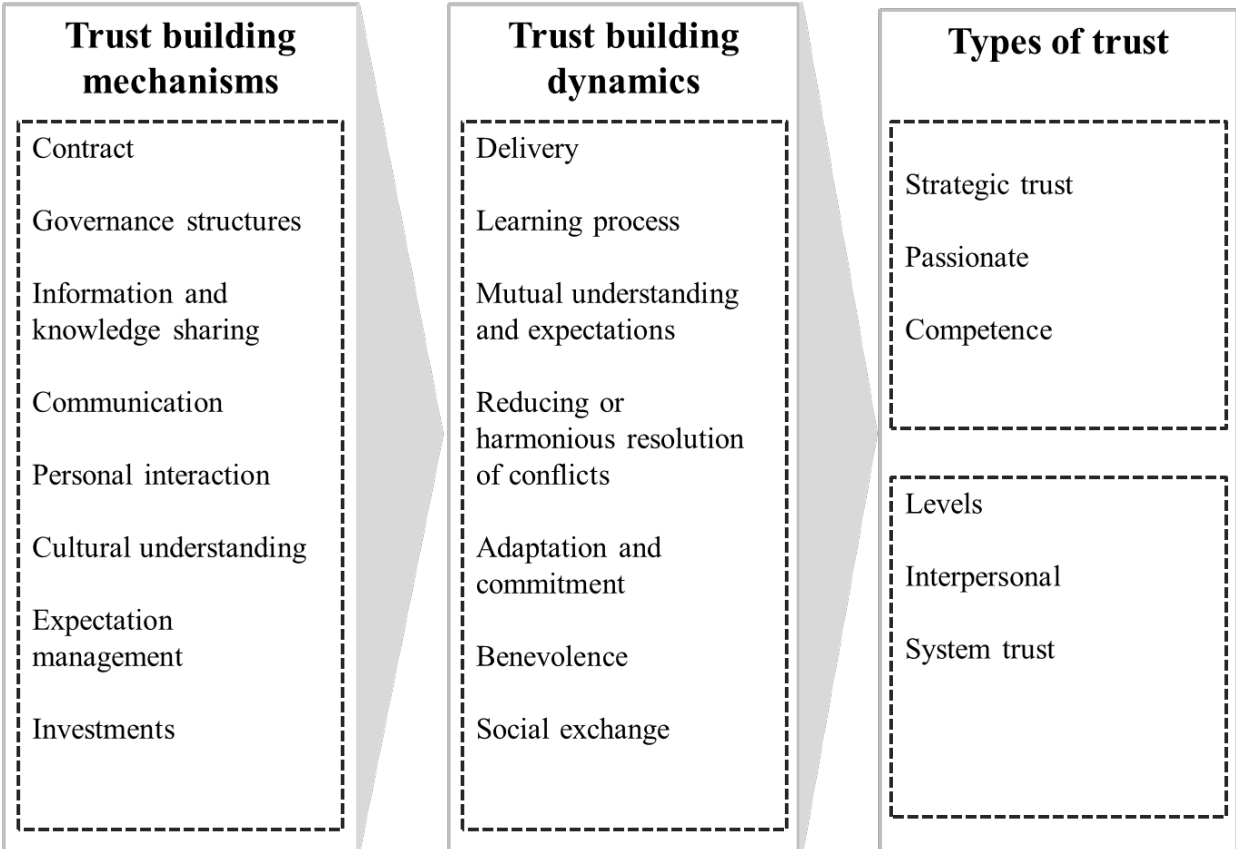


Figure 7: Revised model of trust building in IT outsourcing.

7.2 A MODEL OF THE DYNAMICS' ROLE IN TRUST BUILDING IN IT

OUTSOURCING

Based on the cases' answers to the open question on what is decisive for trust, the analysis in section 6.2.2.1, and other causal explanations in the findings, a model of the dynamics' relative role in trust building will here be put forward. The model aims to display how the cases suggest that a certain dynamic in the revised model, presented in section 7.1.5, is indispensable and builds a foundation of trust, while the others are needed to build additional amounts of trust on top of the foundation.

The structure is the following. First, how *delivery* is suggested to be an indispensable dynamic is presented, together with an explanation of the role played by the other dynamics. Second, a discussion on the implications of the model is given.

7.2.1 INTRODUCING THE MODEL OF THE DYNAMICS' ROLE IN TRUST BUILDING IN IT OUTSOURCING

As described in the findings in chapter 5 and analysis in section 6.2.2 many of the cases suggest that *delivery* is the most important dynamic. Some also posit that if the vendor does not deliver, then the other trust building dynamics will be without significant effect. This is reflected in the statement of the Business Development Director at Canucks Consulting, case four; *"First of all you have to deliver what you promise, otherwise nothing else matters. If you say you will deliver tomorrow and continuously deliver too late, then the trust will be torn down"*. Their CEO further states; *"... the quality has to be in order, otherwise this will hurt your trust. Then it will not help with a dinner."* Overall, one can consequently interpret that the amount of trust relies greatly on one dynamic, *delivery*, which builds a foundation of trust.

Moreover, the cases suggest that by building trust through the other dynamics, on top of delivery, one can further increase the level of trust, which is not obtainable just based on successfully delivering according to contract. This is reflected in the Security Manager of Yankee Consulting comments on the effect of proactivity, i.e. *benevolence*; *"There is trust on a business level: "will they manage to do the job". And there is trust like; "ok, they don't just do the job, but they have our best interest at heart and have the capacity to do something about it". So it's kind of "good enough" and "really cool", and that goes for trust as well"*. That is, they argue that they can build trust beyond what they accomplish by just delivering according to expectations as presented in the contract, by being proactive. Similar arguments were put forward concerning other dynamics as well. However, these dynamics would not suffice by themselves to build or maintain adequate trust if delivery is not in place.

As mentioned above, if delivery is not in place, the other dynamics' trust building effect will be reduced. Although not suggested explicitly in the findings, the opposite effect can also be the case. That is, the other dynamics can be argued to have an amplifying effect on the level of trust obtained through delivery. More specifically, if the other dynamics are facilitated this can potentially make the delivery itself improve, and thus result in even more trust built through this dynamic. For instance, by showing benevolence and going beyond what the contract specifies, the delivery can become even better as the current needs of the client are met, not just what they originally specified in the contract.

As a consequence of these findings, analyses and discussion a new model, showing the dynamics' role in trust building in IT outsourcing, is here put forward and presented in Figure 8.

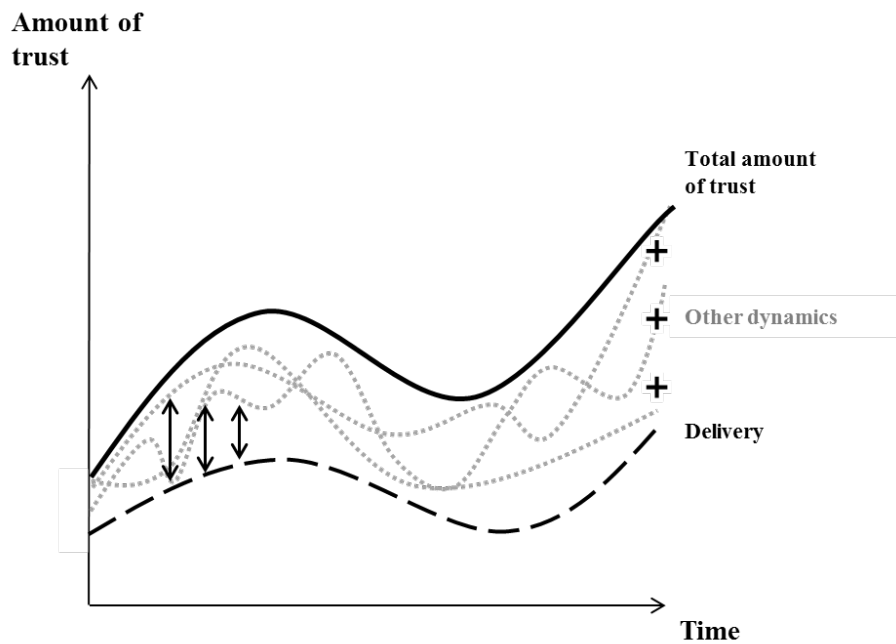


Figure 8: Model of the dynamics' role in trust building in IT outsourcing.

The aim of the model is to illustrate how delivery plays a crucial role in trust building, and the relative role and amplifying effects of the other dynamics. This is signaled by the thicker stippled line, showing the amount of trust built through delivering according to expectations over time, relative to the trust built through the other dynamics, which have thinner, light grey lines. The light grey stippled lines are placed above delivery's line, to show how they can build additional trust beyond what can be accomplished just by delivering. That is, they have the potential of building trust up to a level which delivery cannot obtain by itself. The arrows, to the left, pointing from delivery to the other dynamics illustrates how the other dynamics are dependent upon delivery to have a significant trust building effect, but that they, on the other hand, can improve the delivery and thus increase the amount of trust resulting from this dynamic. The plus signs, on the right, illustrates how the trust produced through the different dynamics are added together, giving the total amount of trust between the parties, the thick black line. The lines of the different dynamics are not parallel to underline that they do not necessarily vary together. Moreover, the trajectories and frequencies are not meant to signal that trust from the different dynamics evolves in a certain manner, only their relative placement is in focus.

It is worthy to note that although the model only gives delivery a specific placement and role relative to the other dynamics, this does not necessarily mean that the others are equal. However, the findings do not give the opportunity to propose such relative roles or importance of the other dynamics, and future research should aim to investigate this further (8.1.3).

7.2.2 IMPLICATIONS OF THE MODEL

The model can highlight two important properties of trust building in IT outsourcing.

Firstly, it can instruct how firms should direct their effort to build trust more effectively. That is, the model suggests that first and foremost, a vendor has to assure that the service is delivered according to the expectations of the client. Thus, implementing mechanisms which have been found to facilitate *delivery* should be of first priority. Future research should investigate further which mechanisms contribute to this dynamic and how (8.1.3), as this study did not focus on delivery as a mechanism during the interviews. Furthermore, the model indicates that by

implementing mechanisms which facilitate the other dynamics, the level of trust can reach levels which are not obtainable by just delivering according to contract.

Second, the model indicates that the different types of trust play different roles in IT outsourcing relationships. More specifically, in section 7.1.2.2 it was argued that the dynamic *delivery* especially underlines how realizing the expected gains is important for trust to build in IT outsourcing. This is in line with the *strategic* conception of trust, where a main precondition was built upon the likelihood of obtaining expected gains. Moreover, the analysis in section 6.2.2 found that *delivery* reflects the importance of meeting *expectations of abilities* for trust to build. Overall, based on the case firms' emphasis on *delivery* as an indispensable dynamic, one can argue that strategic trust and *competence trust*, makes up the foundation for trust in IT outsourcing. That is, first and foremost, the basic expected gains have to be obtained and expectations of abilities have to be met for trust to build. Still, for trust to reach even higher levels *passionate trust* comes into play.

The previous paragraph indicates that there exists a hierarchy of types of trust in IT outsourcing. This is recognizable in already existing typifications of trust, such as the ones by Sako and Helper (1998), and Ring (1996). Both describe a basic type of trust, *contractual* or *fragile* trust respectively, which are both based on confidence in the likelihood that future outcomes of an exchange will be consistent with the basic expectations of the parties. These types indicate a rational and calculative approach to trust. Moreover, both describe that there is a stronger type of trust, *goodwill* trust and *resilient* trust. Sako and Helper (1998) argue that moving from contractual to goodwill trust involves an expansion in congruence in thought on what is acceptable behavior, and increased concern for the other party's interests. In a similar manner, resilient trust is based on the non-calculative reliance in the integrity of the other party and the belief in mutual interest in the realization of collective and individual goals in the future.

This can be seen in conjunction with the discussion in this section and the model describing the role of the different dynamics. Firstly, in line with the typifications presented above, the model suggests that trust has to be built by adhering to the basic expectations of the parties, i.e. building a foundation of trust. Secondly, by showing goodwill and concern for the other's interests beyond what the contract specifies additional levels of trust can be built. As such, the existing typifications support the existence of a hierarchy of trust types in IT outsourcing.

7.2.3 SUMMARY

All in all, this section proposed a new model showing the roles played by the dynamics from the revised model of trust building in IT outsourcing. It aims to explain how *delivery* builds an indispensable foundation of trust, based on realizing the expected gains of the outsourcing relationship and meeting the expectations of abilities. Moreover, it shows how one can build even higher amounts of trust by facilitating the other dynamics from the model. Overall, this new model, which was not the focus of the research questions (ref intro), can enhance the understanding of how firms should prioritize implementation of mechanisms to build trust by indicating the role played by the different dynamics.

7.3 IT SECURITY AND TRUST

In this section, RQ2 will be addressed. The findings and analysis will be discussed, as the perceptions on the relationship between *IT security* and trust were found to be diverging, as seen in section 6.5. As such, possible explanations of the observed discrepancies will be proposed.

First, IT security was in section 6.5 connected to trust by means of being perceived as a crucial part of the outsourcing *delivery*, and further build goodwill trust by giving proactive advice concerning IT security. This is in line with the proposed connections between IT security and trust in the conceptual background (3.4), and in accordance with the revised model of trust

building in IT outsourcing. However, it was also seen in section 6.5.3 that three of the cases argue that IT security does not affect trust, based on the rationale that security is just one part of the *delivery* that have to be in order, and that *there is nothing special about IT security*. As such, it seems that for IT security to be accentuated in connection to trust depends on the *perceived relative importance* of IT security in the IT outsourcing delivery. That is, if IT security is considered a crucial part of the delivery it is also argued to be decisive to trust, conversely, if it is not perceived as being relatively more important than other parts of the delivery, it is not connected to trust.

Furthermore, it was seen in section 6.5.4 that two cases point out that there is a lack of awareness of IT security issues (at customer firms) and that this could suggest it to be less likely to affect trust. Following the logic from the preceding paragraph, an increased awareness of IT security could increase its perceived relative importance, and thus be connected to trust. Seen in conjunction with the increased attention on IT security in the media and the increased complexity and gravity of IT security threats stressed in the conceptual background (3.4), it seems plausible to propose that IT security would be attributed higher relative importance and higher significance to trust henceforth.

7.3.1 SUMMARY

Overall, there seems to be notable support for the importance of IT security to trust. Specifically, this was related to IT security being considered an essential part of the *delivery* and further giving *proactive* advice concerning IT security, all in line with the revised model of trust building in IT outsourcing. Furthermore, it was proposed that firms lacking awareness of IT security concerns could come to relate it to trust as the general awareness of IT security is increasing. This proposition should be subject to future research (8.1.3).

Still, in three cases it was stated that IT security in fact does not affect trust. This contradictory evidence weakens the general support for the connection between IT security and trust, specifically it was seen that the relative perceived importance of IT security would determine whether it is emphasized with regards to trust. Still, due the resource constraints of this research, further pursuing this line of inquiry was not possible. Therefore, there are lacking explanations on reasons for why the relative perceived importance of IT security differ. This could, as such, be an area of future research (8.1.3).

8. IMPLICATIONS, LIMITATIONS AND CONCLUSION

The purpose of this chapter is to make clear the implications of the research put forward in this paper, make readers cognizant of its limitations, and present conclusions to the research questions. As such, this chapter brings the paper to an end. It is structured as follows. First the implications are presented, followed by the limitations, and finally the conclusion is presented.

8.1 IMPLICATIONS

In this section, the implications of the research will be presented. The implications pertain to practitioners, theory and future research, and will be presented according to this order.

8.1.1 IMPLICATIONS FOR PRACTITIONERS

8.1.1.1 THE MODEL OF TRUST BUILDING IN IT OUTSOURCING

The main implication of RQ1 for practitioners is the *revised model of trust building in IT outsourcing*, which provides them with an empirically supported and improved tool for building trust in their IT outsourcing relationships.

The revised model describes that by implementing the mechanisms in the model the level of trust in the outsourcing relationship can increase. However, as uncovered in this research, one must be cautious not to assume that the pure implementation of a mechanism will assure higher levels of trust. Rather, *how* the mechanisms are implemented is of importance. For instance, practitioners must strive to create a balance in the implementation of *contracts* and *governance structures*. These mechanisms define the frames of the relationship by specifying what is expected and how to collaborate. Still, this paper suggest that a rigid implementation of these mechanism can result in reduced trust, while flexible implementation which shows willingness to adapt, on the other hand, allows trust to grow. Furthermore, in the implementation of *personal interaction* one should strive to assure that the employees realizing this mechanism has personal chemistry, as suggested by the findings. This is because personal chemistry can greatly affect to what extent personal interaction is able to facilitate the dynamics in the model, for instance, how easily social bonds can be built, i.e. the facilitation of *social exchange*. These findings underpin the importance of the dynamics provided by the model, as they allow for a better understanding of how to implement the mechanisms, by describing different processes through which trust evolves.

To improve their trust building capabilities, practitioners should use the model when assessing and potentially changing which and how they implement the trust building mechanisms. Firstly, practitioners must investigate how they implement the mechanisms, if at all, in their organization at the moment. Secondly, they should engage in evaluation and assessment together with their employees and the other party, to reflect upon what effect this implementation has on trust in their outsourcing relationship. Such self-assessment can aid the parties in becoming more aware of how they build trust, how their actions potentially reduce trust, and what can be changed to revise potential negative effects of their actions on trust. By using the model of trust building in IT outsourcing in this process, one is presented with a language for discussing mechanisms, their trust building effects, and conceptualized processes through which trust has been shown to evolve, i.e. the dynamics. As such the model, with its dynamics, allow for a more knowledgeable understanding of why and how the implementation of the mechanisms can result in trust or why they currently do not. This, again, can make it easier to redirect efforts or change how mechanisms are implemented to facilitate the different dynamics and consequently effectivise trust building.

Also, the model splits the concept of trust into different types. This can help practitioners in understanding how trust evolves on different levels, both between individuals and systems, and

is based on different antecedents and preconditions resulting in both a strategic and passionate aspect of trust. By becoming better aware of these different types of trust, one can become better able to appreciate that trust can evolve through the facilitation of many different dynamics.

Overall, the model provides practitioners with a tool for more conscious and effective trust building, and a terminology to discuss the issue. Such insight and competence will become increasingly valuable as outsourced services have been reported to increase in complexity and strategic importance, which increases the need for trust between the parties.

8.1.1.2 THE MODEL OF THE DYNAMICS' ROLE IN BUILDING TRUST IN IT OUTSOURCING

The main implication of the new model, showing the role played by the different trust building dynamics, is that it directs how trust building efforts should be prioritized. More specifically, it suggests that practitioners must first and foremost assure that *delivery* is in place. By delivering according to the basic expectations of the other party, a foundation of trust is created. Thus, mechanisms which contribute to delivery should be implemented first. This study found that *contracts, governance structures, information and knowledge sharing* and *expectation management* were argued to facilitate improved delivery, although this is subject to future research (8.1.3). Moreover, the new model suggests that to build higher levels of trust, which cannot be obtained by just delivering according to basic expectations, the other dynamics have to be facilitated as well. These two layers of effort also illustrate how successful IT outsourcing relationships first and foremost relies upon receiving the expected gains which the outsourcing agreement rests upon, but that trust can grow even stronger if the parties go beyond these expectations. Overall, the new model works as a complementary tool, together with the revised model of trust building in IT outsourcing, for practitioners who want to strengthen their trust building capabilities.

8.1.1.3 IT SECURITY AND TRUST

The main implications of RQ2 for practitioners is that it describes how the perception of the importance of IT security, relative to other components in the delivery, can be decisive for its effect on trust. For clients, this suggests that they should be attentive to their own perception of IT security, and make sure to communicate its importance to their vendor. For vendors, it suggests that they should be attentive to the client's perception of IT security, to understand which effect it can have on trust and consequently assure that they devote enough effort to the issue.

8.1.2 THEORETICAL IMPLICATIONS

The research put forward in this paper provides several contributions to theory.

Firstly, it complements and extends current research on trust building mechanisms in IT outsourcing relationships. As revealed by Austad and Lossius (2014) research on the trust building effect of different mechanisms, especially in an IT outsourcing setting, was scant. Especially, academics, such as Niazi et al. (2013), requested more research on practitioners' experiences from using different trust building mechanisms and their effectiveness. Through RQ1, this study has contributed to improving insight into these issues.

The paper contributes beyond the existing research, building upon the pre-diploma thesis project by Austad and Lossius (2014), by empirically testing and consequently revising the model of trust building in IT outsourcing. Firstly, the paper found support for several of the mechanisms' trust building effects, as revealed in Austad and Lossius (2014) literature review. Thus strengthening the research which the literature review was based upon. Moreover, the empirical investigation resulted in bringing in new factors which were not uncovered by the literature review. These are the mechanism, *investments*, and the dynamic; *delivery*, and were included

due to how practitioners emphasize their importance for trust building. Moreover, *control* was removed as a dynamic as it was not found to be an applicable explanation of how the trust building effect of the mechanisms were perceived. As such, this study contributes with revised frames and an improved language, based on empirically substantiated concepts, for discussing how trust building mechanisms can be implemented to build trust in IT outsourcing.

Secondly, as revealed by Austad and Lossius (2014) the connection between IT security and trust had not been investigated before. This study has addressed this missing field of research by empirically investigating the proposed connection between IT security and trust, for which they found some support. Moreover, the connection was found to be dependent upon how the parties perceive the importance of IT security as a part of the delivery, relative to other components. Implications for future research

8.1.3 IMPLICATIONS FOR FUTURE RESEARCH

Here, areas for future research unveiled by this paper will be presented. Specifically they pertain to further investigation on *the revised model of trust building in IT outsourcing*, further investigation of *the new model concerning the role of dynamics' role in trust building* and identification of reasons for the *differing perceptions* on the *relative importance of IT security*.

8.1.3.1 REVISED MODEL OF TRUST BUILDING IN IT OUTSOURCING

The revised model of trust building in IT outsourcing should be subject to future research, particularly the new elements that were uncovered through this research and added to *the model of trust building in IT outsourcing* by Austad and Lossius (2014). As such, *delivery* and *investments*, the newly added mechanism and dynamic, need further investigation.

Also, emergent findings such as the effects of personal chemistry as well as the connections between trust building mechanisms not directly supported by the conceptual background, should be investigated further. These too require more elaborate explanations.

Furthermore, it was pointed out in section 6.2 and section 6.3 that trust building dynamics and types of trust were not as extensively examined as trust building mechanisms in this research. Thus, future research should aim at providing further examination and support for these parts of the model, thus strengthening its overall explanatory power.

The areas of future research, identified in the preceding paragraphs, suggest the need for ancillary explanations to further support and strengthen the revised model of trust building in IT outsourcing. For this purpose, qualitative research would be appropriate.

Moreover, when explanations on the entire model are established, the generalizability of the model can be tested further. Specifically, it could be rewarding to endeavor statistical generalizability (Bryman and Bell, 2011), by having a larger sample size being representative for all firms engaging in IT outsourcing in the Norwegian market. This suggests the need for future quantitative research to be conducted.

Finally, the model could also prove to be relevant beyond IT outsourcing relationships, and as such, it could be tested for other business relationships as well.

8.1.3.2 NEW MODEL: MODEL OF THE DYNAMICS' ROLE IN TRUST BUILDING IN IT OUTSOURCING

The model presented in section 7.2 was not explicitly investigated in this research, but rather represent emergent findings. Thus, it should be subject to further empirical investigation. Specifically, future research should seek to create more profound support for the model, as well identify improvements and/or extensions. For instance, as *delivery* was attributed high importance by the model, future research should investigate the mechanisms' potential to facilitate delivery, as this is currently not clear. Further, currently, the model only gives delivery a specific role relative to the other dynamics, thus future research should seek to establish the relative role played by these dynamics, as well as the interplay between them. These issues would be appropriately addressed through future qualitative research as it would require in depth explanations on complex issues.

8.1.3.3 IT SECURITY

The varying explanations on the connection between *IT security* and trust should be addressed in future research. Specifically, the *diverging perceptions* on the importance of IT security in an outsourcing delivery could be rewardingly addressed through quantitative research, as it could provide statistical data on, for instance, the relationship between the perceived importance of IT security, a person's position within a firm and trust. Also, it should be investigated quantitatively whether in fact the awareness of IT security issues is increasing in the Norwegian market and its potential effect in the perceived importance of IT security.

8.2 LIMITATIONS

The research of this master thesis is subject to limitations, which the reader should be aware of. These are specifically contextual influences, fewer explanations on the connection between trust building dynamics and trust as well as limitations regarding the interpretation of the research data. All will be presented in the following.

8.2.1 CONTEXTUAL INFLUENCES

In chapter 4, the dominant focus on cross-case analysis at the expense of particularized and holistic analysis of the individual cases within their specific contexts was explained. Accordingly, the analysis and discussion of this thesis did not pay attention to contextual variables such as, for instance, duration of the IT outsourcing relationships, client and vendor country of origin and experience with regards to IT outsourcing. Not attending to these issues was discussed in section 4.6.1 as a potential threat to the internal validity of the research, as the causal relationships suggested by the research might be altered due to contextual influences. Still, it was argued that this risk might have been mitigated by corroborating findings across cases. Notwithstanding, even if the internal validity of the research in fact is adequately handled, the abovementioned contextual variables still appear relevant to thorough understanding of trust in IT outsourcing relationships. As such, including these aspects into the analysis could have allowed for further and valuable insights. For instance, it might have been valuable to analyze contextual factors such as the *type of outsourced service* and the *interviewees' positions*, with regards to understanding the reason for why the relative perceived importance of IT security differs (7.3).

8.2.2 FEWER EXPLANATIONS OF CONNECTION BETWEEN TRUST BUILDING DYNAMICS AND TRUST AND TYPES OF TRUST

In section 6.2 it was noted that there are relatively few explanations of the connection between trust building dynamics and trust, compared to trust building mechanisms and dynamics. Similarly, it was seen in section 6.3 to be few considerations on the different types of trust. These tendencies were ascribed to the research design, and its focus on trust building mechanisms. The consequence of the scant explanations on trust building dynamics and types of

trust is that one part of the revised model of trust building in IT outsourcing has less empirical support than the other. Thus, even though the trust building mechanisms were widely connected to the trust building dynamics, the further connection between trust building dynamics to trust is weaker. This can, in its utmost consequence, lead to the questioning of the explanatory power of the model of trust building in IT outsourcing, as the connection to trust is vital.

5.2.3 Interpreting the data

The interpretation of the qualitative data with respect to the concepts being studied, represent another limitation to the research. As the concepts are not well-established, particularly the dynamics which were first suggested by Austad and Lossius (2014), it was challenging to identify the qualitative data that corresponds to the various dynamics. Moreover, as there are many ways of interpreting the same statement, and due to overlap between the dynamics (6.4.2), some dynamics were often read from the same rationales, such as for instance *learning process* and *mutual understanding*.

8.3 CONCLUSION

This study has investigated empirically how practitioners from the Norwegian IT outsourcing market experience and explain the effect of implementing a set of trust building mechanisms in the outsourcing relationships (RQ1). By doing this, it tested whether practitioners causal explanations support or suggest revisions to *the model of trust building in IT outsourcing* developed by Austad and Lossius (2014). In addition, how practitioners believe IT security can affect trust between vendor and client in IT outsourcing relationships was investigated (RQ2). The study was motivated by both practitioners and academics highlighting trust as a critical factor for IT outsourcing success, the significant number of failing outsourcing relationships and the need for better insights into how to build trust. IT security was given particular attention due to practitioners' belief that it could be decisive for trust in IT outsourcing relationships.

The study found support for a majority of the factors in the original model of trust building in IT outsourcing. Firstly, all the mechanisms in the original model were found to facilitate at least one of the trust building dynamics. Thus, they remain a part of the model. In addition, the mechanism *investments* was added. Secondly, six of the trust building dynamics proposed in the original model were substantiated through the practitioners' explanations and experiences with how the mechanisms build trust. However, the study did not find support for the dynamic *control*, resulting in removing it from the model. On the other hand, *delivery* was added as a dynamic, describing how mechanisms' contribution to *delivering* according to expectations is important for building trust. Third, all the types of trust included in the original model were found to be relevant in IT outsourcing relationships. All in all, the result was a revised version of the model of trust building in IT outsourcing, more congruent with how practitioners experience the trust building effect of the mechanisms.

In addition, this study revealed how the implementation of the trust building mechanisms does not assure that trust will increase. More specifically, *how* the mechanisms are implemented can be decisive for its effect on trust. This further highlights the importance of the model, as the dynamics allows for an improved understanding of *how* the mechanisms can be used for them to have the desired effect on trust. This finding, along with the revised model of trust building in IT outsourcing, represent the answer to RQ1.

A new model was put forward based in this study. This model shows how practitioners argue that different dynamics play different roles in the process of building trust. More specifically, it highlights how the dynamic *delivery* is indispensable, as it establishes a foundation of trust. Moreover, it shows how the other dynamics can build trust beyond what *delivery* can

accomplish alone. Still, if *delivery* is not in place, trust will be reduced and the other dynamics' trust building effects will not be significant. This result of this research was not within the original scope of the research questions, but complements the revised model from RQ1.

Lastly, this study found that practitioners have diverging understanding of the effect of IT security on trust. Its effect on trust seems to derive from the perceived importance of IT security relative to other components of the delivery. That is, if IT security is perceived as a crucial part of the delivery, it can have a significant effect on trust. However, many report that IT security receives little attention or is perceived as a relatively less important part of the delivery, thus not affecting trust significantly. This represents the answer to RQ2.

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APPENDICES

APPENDIX A: INTERVIEW GUIDELINES

Før intervjuet

- Forberede en intervjuguide
 - Forsikre om at spørsmålene gir svar på forskningsspørsmålene
 - Formuler både hovedtemaer og underspørsmål
 - Vær nøye med utvalget av spørsmål, da det er begrenset med tid per intervjuobjekt
- Avklares med intervjuobjektet
 - Send mail med informasjon om masteroppgaven
 - anonymisering av intervjuobjekter
 - intervjuguide
 - avklaring om lydopptak
 - mulighet for oppfølgingsspørsmål i etterkant om det blir nødevending
 - Få tilsendt grunninformasjon om intervjuobjektet slik at man slipper å bruke tid på det under intervjuet

Under intervjuet

- Vær sikker på at lydopptakeren er slått på
- Still tydelige spørsmål slik at intervjuobjektet ikke er i tvil om hva det blir spurt om
- La spørsmålene være åpne ved å spørre "hvordan", "forklar"
- Lytt oppmerksomt, vær interessert og gi intervjuobjektene tid til å tenke.
- Husk på hva som blir svart, og still relevante oppfølgingsspørsmål
- Styr intervjuet mot det man ønsker å finne ut, men vær oppmerksom på at intervjuobjektene kan vektlegge andre ting enn det som er forventet, hvilket krever fleksibilitet
- Sørg for at alle hovedtemaer blir dekket, og avslutt med å spørre om intervjuobjektet har noe å tilføye
- Vær kritisk til eventuell inkonsistens i svarene, utfordre intervjuobjektene om nødvendig.

Etter intervjuet

- Noter hvordan intervjuet gikk, generelle inntrykk
- Transkriber lydopptakene

APPENDIX B: INFORMATION LETTER TO CASE FIRMS

Information concerning interview in conjunction with master's thesis in Strategy and International Business Development Norwegian University of Science and Technology

First and foremost we would like to thank you for contributing to our study by participating in the interview. This helps us strengthen the analysis and our study. Here, we present some information, which we hope you will be able to read prior to our meeting.

Subject in focus: The evolution of trust between vendor and client in an IT outsourcing relationship, and how IT security affects the level of trust.

We wish to focus on a specific contract, to better enable giving examples and having the interviewees describe the same situation.

Project description

Trust is often cited as a central component in successful IT outsourcing relationships. The number and size of IT outsourcing contracts in Norway is increasing. Still, many report that they struggle to make IT outsourcing a successful endeavour, and many contracts are considered failures. Thus, it is highly relevant to seek a better understanding of how one can build a good trusting relationship with one's client or vendor. Also, *Trust* is an ambiguous concept, which has various interpretations. Hence, it is valuable to create a better insight into what trust in an IT outsourcing setting means, and how this trust can be built.

IT security is getting increased attention amongst Norwegian firms who wish to, or already do, outsource all or parts of their IT. Practitioners posit that IT security can affect the level of trust between the parties, and this thesis aim to investigate this proposition.

Prior to the master's thesis a literature review was conducted, covering relevant literature from several research fields. This led us to formulate two research questions and a subset of trust building mechanisms, which our project aims to investigate.

Research questions

1. *How do practitioners from the Norwegian IT outsourcing market experience and explain the effect of trust building mechanisms (*) implemented between client and vendor*
2. *How can IT security affect trust between vendor and client in IT outsourcing relationships according to practitioners?*
- 3.

We hope that you can share your experience and views on these subjects in our interview.

Key concepts

Trust: Many definitions exist, and the interpretation varies across settings and individuals. Still an often-used definition is: "*Trust is a psychological state comprising the intention to accept vulnerabilities based upon positive expectations of the intentions or behaviour of another*". In a business setting, this often includes expectations of the other party's competence, benevolence and integrity.

(*) Trust building mechanisms in focus:

- *Contracts and SLA:* What is specified in the contract, what is the function of the contract and the SLA after signing etc.

- *Governance structure*: Defined project plans, processes and procedures of how to collaborate etc.
- *Information and knowledge management*: Reports, shared systems, regular meetings, overall strategy/mentality towards sharing information and knowledge with the other party etc.
- *Communication*: proactive formal and informal sharing of meaningful and timely information between organizations. The *quality of communication* can be defined by its degree of timeliness, adequacy, effectiveness and quality.
- *Personal interaction*: Face to face meetings, visiting the other party, at what occasions etc.
- *Cultural understanding*: How much effort is put into understanding the other party's culture and organization, how is this accomplished etc.
- *Expectation management*: How does one assure that the parties' expectations, both towards the goals of the contract and how to collaborate, are aligned and shared etc.

The interview

The answers in the interview will be used in the master's thesis analysis, but the interviewees and the firm will be anonymous. The interview will be recorded, and the recording will be deleted after the report is finished.

If you have any questions, do not hesitate to contact us on 48251950 / 40172088 or ida.johanne.austad@gmail.com / therese.lossius@gmail.com.

Looking forward to meeting you!

Yours sincerely,
Therese Lossius & Ida Johanne Austad

APPENDIX C: INTERVIEW GUIDE

Interview guide

The questions below will function as a guide in terms of which subjects and issues we would like to cover during the interview. Thus the interviewee is welcome to bring in other subjects, which they consider relevant. The questions will not necessarily be posed in this order.

Main subject	Questions
Collaboration between the parties	1. How would you describe the relationship?
Contracts	2. What is the function of the contract in your relationship? 3. What effect does this use of the contract have on the relationship?
Governance structure	4. Which/how are governance structures used in your collaboration with the vendor/client? 5. Which effect does these governance structures have on your relationship?
Information and knowledge sharing	6. How do you share information and knowledge between the parties? 7. What kind of information and knowledge do you share? 8. What effect does this sharing have on the relationship?
Communication	9. How are the communication lines defined? 10. What effect does this way of communicating have on your relationship?
Cultural understanding	11. Do you experience cultural differences between the parties? 12. How to attempt to understand the other party's culture? 13. What effect does this understanding of cultural differences have on your collaboration?
Personal interaction	14. How do you use face-to-face meetings and visits in your collaboration? 15. What effect does these meetings have on the relationship?
Expectation management	16. How do you make sure that the parties' expectations are known and aligned? 17. What effect does this expectation management have on the relationship?
Trust - Open question	18. How do you experience the level of trust between the parties? 19. What affects the level of trust between the parties?
IT security	21. How does IT security affect the level of trust between the parties?
Other	23. Is there anything we have not discussed today, which you believe could be relevant for the topic at hand?

APPENDIX D: TABLE SHOWING CONNECTIONS BETWEEN TRUST BUILDING MECHANISMS AND DYNAMICS

Example:

Case 1: Mumbai Consulting delivering IT services to NorOil Corp

	Contract	Governance structures	Information and knowledge sharing	Communication	Cultural understanding	Personal interaction	Expectation management
Learning process	x	X	X	x	x		
Mutual understanding and expectations	X			X		X	X
Reduction or harmonious resolution of conflicts	X			X	X	X	
Adaption and commitment		X			X		
Benevolence							
Social exchange		X			x		
Control							
Other		Effective means of managing the relationship	Delivery				

What affects the level of trust?

- Delivery
- Mutual understanding
- Conflict resolution
- Clarifying expectations
- Social Bonds