



Research article

Business process outsourcing studies: a critical review and research directions

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Abstract

Organizations are increasingly sourcing their business processes through external service providers, a practice known as Business Process Outsourcing (BPO). Worldwide, the current BPO market could be as much as \$279 billion and is predicted to continue growing at 25% annually. Academic researchers have been studying this market for about 15 years and have produced findings relevant to practice. The entire body of BPO research has never been reviewed, and this paper fills that gap. We filtered the total studies and reviewed 87 empirically robust BPO articles published between 1996 and 2011 in 67 journals to answer three research questions: What has the empirical academic literature found about BPO decisions and outcomes? How do BPO findings compare with Information Technology Outsourcing (ITO) empirical research? What are the gaps in knowledge to consider in future BPO research? Employing a proven method that Lacity *et al.* (2010) used to review the empirical ITO literature, we encapsulated this empirical literature on BPO in a way that is concise, meaningful, and helpful to researchers. We coded 43 dependent variables, 152 independent variables, and 615 relationships between independent and dependent variables. By extracting the best evidence, we developed two models of BPO: one model addresses BPO decisions and one model addresses BPO outcomes. The model of BPO decisions includes independent variables associated with motives to outsource, transaction attributes, and client firm characteristics. The model of BPO outcomes includes independent variables associated with contractual and relational governance, country characteristics, and client and supplier capabilities. Overall, BPO researchers have a broad and deep understanding of BPO. However, the field continues to evolve as clients and suppliers on every inhabited continent participate actively in the global sourcing community. There is still much research yet to be done. We propose nine future paths of research pertaining to innovation effects, retained capabilities, environmental influences, global destinations, supplier capabilities, pricing models, business analytics, emerging models, and grounded theory development.

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Introduction

For over 20 years, the information technology outsourcing (ITO) and business process outsourcing (BPO) markets have continued to grow internationally. ITO – the sourcing of information technology services through external third parties – is the larger and more mature market. BPO – the sourcing of business processes through external third parties – is smaller than ITO but

growing at a faster rate. Market estimates vary widely. For example, IDC Research and Booz, Allen, and Hamilton estimated that ITO comprised 64% of the \$362 billion worldwide outsourcing market compared to 36% for BPO in 2006,¹ but that ITO was growing at 10% per year compared to BPO growing at 25% per year. Gartner estimated that in 2010, the global ITO and BPO markets

were worth \$442 billion worldwide, and similarly sized the ITO global market to be larger than the BPO market at 63%. Opportunities for the BPO market are still enormous, according to IDC Research, which estimated that only \$68 billion of the Fortune 500's \$1.3 trillion non-core cost base is currently outsourced. Given this growing BPO market, academic researchers have an opportunity to study and to inform BPO practice.

In an echo of outsourcing practice, academic research on ITO is more mature than academic research on BPO. The earliest studies of ITO were published in 1992 (Dibbern *et al.*, 2004) and before the year 2000, there were 45 empirical, peer-reviewed ITO articles compared to one article on BPO (Lacity *et al.*, 2010). ITO researchers have also produced several literature reviews on the large body of theoretical and empirical ITO work and have summarized the learning and set agendas for future ITO research directions (Dibbern *et al.*, 2004; Fjermestad and Saitta, 2005; Mahnke *et al.*, 2005; Gonzalez *et al.*, 2006; Alsudairi and Dwivedi, 2010; Lacity *et al.*, 2010). Following practice, academic research on BPO started later but is producing quickly a vast amount of good empirical research. During the last 4 years, both ITO and BPO researchers are publishing about 15 academic papers per year according to our searches in ABI Inform, EBSCOHost, JSTOR, and Science Direct. Despite the growth in BPO research, we found no reviews of the findings from the growing base of empirical BPO findings. We aim to fill that gap. Our review answers three research questions: What has the empirical academic literature found about BPO decisions and outcomes? How do BPO findings compare with ITO findings? What are the gaps in knowledge to consider when shaping future BPO research?

In this paper, we used the same review method for BPO research that Lacity *et al.* (2010) used to review ITO research. The ITO review examined 164 empirical ITO articles published between 1992 and 2010 in 50 journals. In that paper, Lacity *et al.* (2010) coded 36 dependent variables, 138 independent variables, and 741 relationships between independent and dependent variables. By extracting the best evidence, the authors identified the determinants of ITO decisions and the determinants of ITO outcomes. The determinants of ITO decisions included independent variables associated with motives to outsource, transaction attributes, client firm characteristics, and influence sources. The determinants of ITO outcomes included independent variables associated with client and supplier capabilities, relationship characteristics, contractual governance, decision characteristics, and transaction attributes. By following the same review method, we are able to answer more directly the question: How do BPO findings compare with ITO findings?

In this review, we examined 87 empirical BPO articles published between 1996 and 2011 in 67 journals. We reviewed and coded results from both quantitative and qualitative research. Specifically, our review includes findings from 50 quantitative BPO papers, 36 qualitative BPO papers, and one paper that used both qualitative and quantitative methods. From these papers, we extracted the most frequently studied and most frequently supported constructs to develop models of the determinants of BPO decisions and the determinants of BPO outcomes. These models identify

the direct relationships between the independent and dependent variables and are the best repeated evidence accumulated about BPO decisions and BPO outcomes based on 15 years of research.

This review contributes to the literature in a number of important ways. For researchers new to the study of BPO, we have documented and described 162 variables previously used in BPO research and summarized the findings of years worth of research. We have identified a number of gaps in knowledge, thus signaling where new researchers can readily contribute. For advanced researchers, we have outlined more ambitious research goals, such as developing endogenous BPO theories.

We will show that ITO and BPO research has produced some similar and consistent results. Both research streams found that motives for outsourcing, transaction attributes, and client firm characteristics affect outsourcing decisions. Both research streams also found that relational governance, contractual governance, country characteristics, supplier capabilities, and client capabilities affect outsourcing outcomes. But there are differences at the level of specific individual variables within each broad category. For example, the ITO review identified more variables as determinants of decisions and outcomes than the BPO review, primarily because BPO researchers have not yet studied some independent variables as frequently as ITO researchers have studied them. We have suggested future topics of BPO research based on robust findings from the ITO literature that likely apply to BPO, promising yet understudied areas from the BPO review, and interesting research questions based on current BPO trends and our recent survey and case study work.

The paper is structured as follows. First, we explain the research method used to code the articles. One valuable output from this exercise is a master list of variable names and descriptions used in BPO research over the 15-year period (see Appendix A). Second, we present the findings that answer the first research question. The findings section is organized into three parts: findings that examine 43 dependent variables used in BPO research, findings that examine 152 independent variables used in BPO research, findings that examine 615 relationships between independent and dependent variables. Third, we compare the findings from the ITO review in Lacity *et al.* (2010) to the BPO review. This comparison helps to cross-pollinate good research ideas from both fields. Fourth, the section on gaps in knowledge identifies future paths of research. We also discuss further theory development in the BPO context, research 'dead ends,' and the limitations of our review. We conclude by summarizing the answers to the three primary research questions.

Research method

Our review method comprised three processes to find, code, and verify codes from the empirical BPO literature. The review method is identical to Lacity *et al.* (2010).

Empirical BPO journal articles

We searched for empirical BPO journal articles in ABI Inform, EBSCOHost, JSTOR, and Science Direct using the terms 'business process outsourcing,' 'business processes

AND offshoring,' and 'offshore outsourcing.' We initially had hundreds of hits. We read the abstracts and selected 125 papers we thought were empirical articles on BPO. Upon closer read, we dropped 38 papers for one of the following reasons: the paper studied ITO not BPO (e.g., Weerakkody and Irani, 2010), the paper studied captive centers or spin-offs not outsourcing (e.g., Festel *et al.*, 2011), the paper was theoretical or mathematical, but not empirical (e.g., Sankaranarayanan and Sundararajan, 2010), the paper did not test main effects (e.g., Shih and Chiang, 2011), the paper was about outsourcing physical goods not business processes (e.g., Holweg *et al.*, 2011), or the paper lacked a dependent variable about BPO decisions or BPO outcomes (e.g., Wickramasinghe and Kumara, 2010). After eliminating these papers, we were able to code 87 empirical articles found in 67 publication outlets (see Table 1). These articles span the years 1996 to the first half of 2011. The review includes 36 qualitative papers, 50 quantitative papers, and one paper that used mixed methods.

Empirical BPO findings coded

In order to aggregate findings across studies, we needed a list of master codes and master code descriptions. The initial list was based on the 150 master codes Lacity *et al.* (2010) used to analyze the ITO literature. Our intention was to use the same codes so that the findings of this BPO review could be compared with the ITO review in Lacity *et al.* (2010). We added codes to the master list as needed. For example, we added a number of variables that describe process attributes, such as 'Process Interdependence,' 'Process Interoperability,' and 'Process Standardization.' We also deleted variables from the ITO version of the master list that were never used in the BPO articles included in this review, such as 'Ethnocentrism' and 'Prompt Payment' to suppliers. In total, the BPO master code list defines 162 variables (see Appendix A).

We also coded the empirical relationships found between an independent variable and a dependent variable within each study. The relationship coding scheme, which was used in Lacity *et al.* (2010) and Jeyaraj *et al.* (2006), assigned four possible values to the relationship between independent and dependent variables: '+ 1,' '-1,' '0,' and 'M' (see Table 2). We coded a '+ 1' for positive relationships, '-1' for negative relationships, '0' for relationships that were studied but not empirically significant. If the study was quantitative, we used $P < 0.05$ as the requirement for a significant positive or negative relationship. If the study was qualitative, we relied on the authors' strong arguments for a significant positive or negative relationship. We also used the code 'M' for a categorical relationship that mattered. The 'M' code was needed because some significant relationships were categorical (i.e. not ordinal, interval, or continuous), but a relationship clearly mattered between the independent and dependent variable. For example, Reitzig and Wagner (2010) found that applicants from different countries experienced significantly different outsourcing performance outcomes. The relationship between the independent variable 'Country' and the dependent variable 'Outsourcing Outcomes-Organizational Business Performance-Client' was coded as 'M' where a relationship mattered. All told, we initially

coded 619 relationships between an independent and dependent variable.

Code verification

For each paper, the first three authors independently filled in a coding sheet by mapping the paper's independent and dependent variables to our master list of variables. We met in person to compare codes. In cases where one person's code did not match the other two coders, we discussed the difference until we reached a consensus. In addition to independently coding the articles, we sought to confirm further the reliability and validity of the coding. We sent emails to the authors of randomly chosen studies and asked them to indicate the extent to which they agreed with our coding of their findings. In total, we solicited feedback for 151 findings of 619 findings, representing approximately 24% of the sample. We provided the variables used in their studies, our master variables (and descriptions) that their variables were 'coded as,' and the relationships between the independent and dependent variables per our coding scheme provided in Table 2. (See Appendix B for the email template sent to original authors.) Of the 151 findings asked to be verified, we received responses from authors about 63 of the relationships coded (10.1% of total relationships coded). Overall, the original authors strongly agreed with our coding, with a mean rating of 6.14 (SD = 2.26) on a seven point Likert scale with a '1' indicating 'Strongly disagree with the coding' and a '7' indicating 'Strongly agree with coding.' On the basis of the responses, we changed one finding: one author convinced us to change one relationship coded initially as an 'M' to a '+ 1.' However, one author rated four findings as a '1' because he did not want any of his variables abstracted to a higher level. We deleted his four findings from the study. After dropping these four findings, the total number of relationships coded was 615.

What has the empirical academic literature found about BPO decisions and outcomes?

We organized the findings into three sections. The first section examines the dependent variables used in BPO research, the second section examines the independent variables used in BPO research, and the third section examines the relationships between independent and dependent variables.

Findings on dependent variables

We identified 43 dependent variables (see Table 3) used in BPO research. We categorized these 43 variables into three broad categories: dependent variables that examine BPO Decisions, dependent variables that examine BPO Outcomes, and a miscellaneous set of dependent variables. These three broad categories have received unequal attention, with BPO Decisions representing 261 of the 615 (42%) relationships and BPO Outcomes representing 325 of the 615 relationships (53%), and miscellaneous dependent variables representing 29 of 615 relationships (<5%).

BPO Decisions

BPO researchers have clearly studied a range of outsourcing decisions from the binary make-or-buy decision (e.g.,

Table 1 Empirical BPO articles included in this review by journal, year, and study method

Journals	Year of publication											Study method ^a				
	1996	2001	2003	2004	2005	2006	2007	2008	2009	2010	2011	TOT.	L	T	M	TOT.
1. Academy of Management Journal									1			1		1		1
2. Accounting and Finance					1							1		1		1
3. Advances in Competitiveness Research								1				1		1		1
4. Aslib Proceedings: New Information Perspectives								1				1		1		1
5. Auditing: A Journal of Practice and Theory										1		1		1		1
6. British Food Journal										1		1		1		1
7. Business Process Management Journal						1	1	1	2			4	4	2		4
8. Decision Sciences						1		3				3	1	2		3
9. Employee Relations												1	1			1
10. Employee Responsibilities & Rights Journal									1			1		1		1
11. European Journal of Information Systems									2			2	2	2		2
12. European Management Journal							1					2	2	1		2
13. Human Resource Management		1										1	1			1
14. Human Systems Management						1						1	1			1
15. Industrial & Corporate Change									1			1	1			1
16. Industrial Management & Data Systems									1	1		2	2			2
17. Industrial Marketing Management									1			1	1			1
18. Industrial Relations Journal										1		1	1			1
19. Industry & Innovation												1	1			1
20. Information & Management									1			1	1			1
21. Information Resources Management Journal								1				1	1			1
22. Information Systems Frontier								1				1	1			1
23. Information Systems Management												1	1			1
24. Information Technology Management										1		1	1			1
25. International Journal of Business & Management												1	1			1
26. International Journal of Business Performance Management										1		1	1			1
27. International Journal of Human Resource Management					1							1	1			1
28. International Journal of Information Management						1						1	1			1
29. International Journal of Innovation Management												1	1			1
30. International Journal of Managing Projects in Business										1		1	1			1
31. International Journal of Operations & Production Management												1	1			1
32. International Journal of Productivity & Performance Management									1			1	1			1
33. Journal of Business & Industrial Marketing										1		1	1			1
34. Journal of Business Research												1	1			1
35. Journal of Corporate Real Estate										1		1	1			1
36. Journal of Economic Behavior & Organization												1	1			1
37. Journal of European Industrial Training												1	1			1
38. Journal of Information Technology										1		1	1			1
39. Journal of Information Technology Case & Application Research												1	1			1
40. Journal of International Business Studies											2	3	3			3
41. Journal of International Management									1			1	1			1
42. Journal of Labor Research											2	2	2			2
43. Journal of Management												1	1			1
44. Journal of Management & Marketing Research												1	1			1
45. Journal of Management Research												1	1			1
46. Journal of Management Studies												1	1			1
47. Journal of Operations Management											1	1	1			1
48. Journal of Production Innovation Management												1	1			1

Table 3 Dependent variables used in BPO research

#	Dependent variable	Frequency
<i>BPO decisions</i>		
1.	Outsourcing decision – Make-or-Buy	94
2.	Outsourcing decision – Degree of outsourcing	57
3.	Outsourcing decision – Offshore	45
4.	Outsourcing decision – Offshore – country	18
5.	Outsourcing decision – Supplier selection	13
6.	Contract detail	9
7.	Outsourcing decision – renewal	8
8.	Control mechanisms	7
9.	Subcontracting	4
10.	Outsourcing decision – Intention	3
11.	Outsourcing decision – Multisourcing	3
	Total	261
<i>BPO outcomes</i>		
1.	Outsourcing outcomes – Organizational business performance – Client	57
2.	Outsourcing outcomes – Success	45
3.	Outsourcing outcomes – Organizational business performance – Supplier	37
4.	Outsourcing outcomes – Process performance improvements	33
5.	Outsourcing outcomes – Process performance improvements – Offshore	29
6.	Outsourcing outcomes – Success – Offshore	28
7.	Innovation effects	20
8.	Relationship quality	17
9.	Risk	16
10.	Effective knowledge sharing	8
11.	Switching costs	8
12.	Trust	6
13.	Business process management capability – Supplier	2
14.	Commitment	2
15.	Coordination	2
16.	HR management capability – Supplier	2
17.	Relational governance	2
18.	Business process management Capability – Client	1
19.	Client management capability	1
20.	Client/supplier alignment	1
21.	Communication	1
22.	Loss of control	1
23.	Opportunism	1
24.	Partnership view	1
25.	R&D spend	1
26.	Risk management capability – Client	1
27.	Supplier business growth	1
28.	Supplier dependency	1
	Total	325
<i>Miscellaneous dependent variables</i>		
1.	Supplier employee turnover	16
2.	Process integration	5
3.	Industry growth	5
4.	Training	3
	Total	29
Total number of dependent variables: 43		
	Grand total	615

Saxena and Bharadwaj, 2009) to more nuanced decisions about sourcing specific processes within a department. For example, Wahrenburg et al. (2006) examined the sourcing of eight processes within HR. In all, the BPO research in our sample used 11 dependent variables to address BPO decisions (see Table 3). In examining the specific dependent variables in Table 3, the three most frequently studied dependent variables in this category include decisions about whether to insource or outsource (Outsourcing Decision-Make-or-Buy examined 94 times), the decisions about deciding how much to outsource (Outsourcing Decision-Degree of Outsourcing examined 57 times), and whether to source offshore or not (Outsourcing Decision-Offshore examined 45 times). BPO researchers have also studied decisions about sourcing locations, such as sourcing to specific countries (e.g., Liu et al., 2011) or to specific suppliers (e.g., Borman, 2006). BPO researchers studied decisions about how much detail to include in outsourcing contracts (e.g., Wüllenweber et al., 2008a, b) and which types of control mechanisms to use (e.g., Daityari et al., 2008).

BPO Outcomes

BPO researchers have also examined a plethora of BPO outcomes as evidenced by the 28 dependent variables that examine the consequences of BPO. The most frequently studied dependent variable in this category includes outcomes that capture a client organization’s report of organizational-level business performance improvements as a result of a BPO decision, such as improvements in stock price performance, return on assets, expenses, or profits (Outsourcing Outcomes – Organizational Business Performance – Client examined 57 times)(e.g., Gewald and Gellrich, 2007). The second most frequently used dependent variable captures general perceptions of the success or level of satisfaction with BPO (Outsourcing Outcomes – Success examined 45 times), followed by the effects of BPO on supplier organizations (Outsourcing Outcomes – Organizational Business Performance – Supplier examined 37 times) (e.g., Rajeev and Vani, 2009). The fourth most frequently examined dependent variable examined the effects of BPO on the actual performance of the business process in terms of costs or service quality (Outsourcing Outcome – Process Performance Improvements examined 33 times). The effects of offshore outsourcing on client business process performance have been commonly studied (Outsourcing Outcomes – Process Performance Improvements – Offshore examined 29 times and Outsourcing Outcomes – Success – Offshore examined 28 times (e.g., Vivek et al., 2008). Researchers have studied the effects of BPO on innovation 20 times (e.g., O’Regan and Kling, 2011). We also see a few of the studies that examined how BPO affects client or supplier capabilities, as evidenced by the dependent variables Business Process Management Capability for both clients and suppliers, and by the HR Management Capability for suppliers and the Risk Management Capability for clients (e.g., Raman et al., 2007). Five dependent variables were reverse coded – Risk, Switching Costs, Loss of Control, Opportunism, and Supplier Dependency. By reverse coding, higher values for all 28 BPO Outcome variables would be associated with better BPO Outcomes.

BPO Miscellaneous

A few dependent variables were not about making BPO decisions or about the consequences of BPO, but they were clearly making contributions to the BPO literature overall. In Table 3, we categorized four variables as miscellaneous, of which the study of the determinants of Supplier Employee Turnover was the most frequently examined (e.g., Rajeev and Vani, 2009). (Although Supplier Employee Turnover was studied 16 times, no consistent patterns emerged from this review because of the diversity of independent variables tested as determinants of turnover.)

Findings on the independent variables

We identified 152 independent variables used in BPO research. To facilitate the discussion of such a large number of independent variables, we categorized them into 14 broader categories and sorted them by frequency of use (see Table 4). Each category is briefly discussed below.

Motivation to outsource

Overall, independent variables that examined the motivations or reasons that client firms pursue BPO were the most frequently studied category among the 14 broader categories. Within this category, 19 different independent variables have been examined a total of 101 times. Cost Reduction was the most common motive studied by researchers (examined 27 times) followed by the desire to Focus on Core Capabilities (examined 10 times) and Access to Expertise/Skills (examined 10 times) (e.g., Lam and Chua, 2009; Mahmoodzadeh *et al.*, 2009; Hsiao *et al.*, 2011). Other frequently studied motivations include the desire to improve business process performance (examined nine times) and the ability to scale volume of service up or down based on demand (examined eight times) (e.g., Lacity *et al.*, 2004; Redondo-Cano and Canet-Giner, 2010).

Transaction attributes

BPO researchers have broadly studied the attributes of the transaction/process 99 times. Among the 22 independent variables in this category, the most frequently examined transaction attribute was Critical Role of Business Process – Organization (examined 16 times), which considers the degree to which a client organization viewed the business process as a critical enabler of business success (e.g., Klaas *et al.*, 2001; Wahrenburg *et al.*, 2006). Process Complexity (examined 10 times) was the second most frequently studied transaction attribute (e.g., Penfold, 2009). The third most frequently studied transaction attribute – Asset Specificity (examined nine times) come from Transaction Cost Economics (TCE) (Williamson, 1991, 2005), followed by Uncertainty (examined eight times), Process Standardization (examined seven times), and Risk (examined six times) (e.g., Gainey and Klaas, 2003; Wahrenburg *et al.*, 2006).

Client firm characteristics

Many BPO researchers have examined client characteristics in terms of financial attributes of the client firm, characteristics of the department within the client firm, and characteristics of the industry in which the client firm operates. Thirteen variables are in this category and they

Table 4 Independent variables used in BPO research

#	Independent variable	Frequency
<i>Motivation to outsource</i>		
1.	Cost reduction	27
2.	Focus on core capabilities	10
3.	Access to expertise/skills	10
4.	Business process performance improvements	9
5.	Scalability	8
6.	Concern for security/intellectual property	6
7.	Rapid delivery	5
8.	Fear of losing control	4
9.	Career development of employees	3
10.	Flexibility enablement	3
11.	Innovation	3
12.	Access to global markets	2
13.	Change catalyst	2
14.	Concern for regulatory requirements	2
15.	Political reasons/influences	2
16.	Strategic intent	2
17.	Alignment of back office and business strategy	1
18.	Convenience	1
19.	Technical reasons	1
	Total	101
<i>Transaction attributes</i>		
1.	Critical role of business process – Organization	16
2.	Process complexity	10
3.	Asset specificity	9
4.	Uncertainty	8
5.	Process standardization	7
6.	Risk	6
7.	Training	6
8.	Adaptability	4
9.	Client-specific knowledge required	4
10.	Process integration	4
11.	Transaction costs	4
12.	Process interdependence	3
13.	Switching costs	3
14.	Knowledge required	2
15.	Measurement difficulty	2
16.	Modifiability	2
17.	Opportunism	2
18.	Task structure	2
19.	Transaction size	2
20.	External production cost advantage	1
21.	Process interoperability	1
22.	Transaction frequency	1
	Total	99
<i>Client firm characteristics</i>		
1.	Client size	22
2.	Industry	14
3.	Client age	8
4.	Prior firm performance – Client	7
5.	Client experience with outsourcing	6
6.	Department size	5
7.	R&D spend	5
8.	Client experience with multiple governance modes	3
9.	Department performance	3

Table 4 Continued

#	Independent variable	Frequency
10.	Department power	3
11.	Business strategic type	2
12.	Centralization of department	1
13.	Strategic flexibility	1
	Total	80
<i>Relational governance</i>		
1.	Communication	7
2.	Culture	5
3.	Effective knowledge sharing	5
4.	Partnership view	5
5.	Relationship quality	5
6.	Relationship-specific investment	5
7.	Conflict resolution	4
8.	Trust	4
9.	Client/supplier interface design	3
10.	Prior client/supplier working relationship	3
11.	Client/supplier alignment	2
12.	Commitment	2
13.	Cooperation	2
14.	Client dependency	1
15.	Cultural distance management	1
16.	Exchange	1
17.	Length of relationship	1
18.	Mutual understanding	1
19.	Persistence of expectations	1
20.	Relational governance	1
21.	Social capital – Cognitive dimension	1
22.	Social capital – Relational dimension	1
23.	Social capital – Structural dimension	1
24.	Social norms	1
25.	Virtual teaming	1
	Total	64
<i>BPO decisions</i>		
1.	Outsourcing decision – Make-or-Buy	18
2.	Configurational approach	14
3.	Outsourcing decision – Degree of outsourcing	12
4.	Outsourcing decision – Multisourcing	8
5.	Outsourcing decision – Offshore	6
	Total	58
<i>Supplier firm capabilities</i>		
1.	HR management capability – Supplier	13
2.	Technical and methodological capability – Supplier	11
3.	Business process management capability – Supplier	6
4.	Client management capability	3
5.	Security, privacy and confidentiality capability – Supplier	3
6.	Environmental capability	2
7.	Sourcing capability – Supplier	2
8.	Supplier employee performance	2
9.	Absorptive capacity – Supplier	1
10.	Corporate social responsibility capability – Supplier	1

Table 4 Continued

#	Independent variable	Frequency
11.	Delivery capability	1
12.	Domain understanding	1
13.	Relationship management capability – Supplier	1
14.	Transition management capability – Supplier	1
	Total	48
<i>Country characteristics</i>		
1.	Cultural distance	10
2.	Country – Financial attractiveness	7
3.	Country – HR attractiveness	5
4.	Geographic distance	4
5.	Country	3
6.	Country – Business attractiveness	3
7.	Legal and political uncertainties	3
8.	Time zone differences	3
9.	City size	1
	Total	39
<i>Contractual governance</i>		
1.	Contract detail	13
2.	Contract duration	6
3.	Key performance indicators	4
4.	Contract flexibility	3
5.	Contract size	3
6.	Control mechanisms	3
	Total	32
<i>Client firm capabilities</i>		
1.	Business process management capability – Client	8
2.	Supplier management capability	6
3.	Absorptive capacity – Client	4
4.	Client outsourcing readiness	3
5.	Proactive sensemaking	2
6.	Technical and methodological capability – Client	2
7.	Change management capability	1
8.	Contract management capability	1
9.	HR management capability – Client	1
10.	Relationship management capability – Client	1
11.	Risk management capability – Client	1
12.	Transition management capability – Client	1
	Total	31
<i>Supplier firm characteristics</i>		
1.	Supplier size	5
2.	Prior firm performance – Supplier	4
3.	Supplier employee turnover	4
4.	Supplier age	3
5.	Supplier ownership	2
6.	Senior leadership	1
7.	Supplier business growth	1
8.	Supplier reputation	1
	Total	21
<i>Decision characteristics</i>		
1.	Evaluation process	5
2.	Stakeholder buy-in	4
3.	Stakeholder resistance	4

Table 4 Continued

#	Independent variable	Frequency
4.	Top management commitment/support	3
5.	Middle management commitment/support	1
	Total	17
<i>Influences</i>		
1.	Influences – Internal and external	3
2.	Influences – Mimetic	2
3.	Coalition	1
4.	Influences – Coercive	1
5.	Influences – Normative	1
6.	Upward appeals	1
	Total	9
<i>BPO outcomes</i>		
1.	Service quality	4
2.	Learning curve effects	1
3.	Outsourcing outcomes – Process performance improvements	1
4.	Outsourcing outcomes – Process performance improvements – Offshore	1
5.	Outsourcing outcomes – Success	1
	Total	8
<i>Environment</i>		
1.	Supplier competition	5
2.	Public awareness	2
3.	Public perception of outsourcing	1
	Total	8
Total number of independent variables: 152		
Grand total		615

have been examined a total of 80 times. The three most frequently studied client firm characteristics are Client Size (examined 22 times), Industry (examined 14 times), and Client Age (examined eight times) (e.g., Bardhan *et al.*, 2007; Delmotte and Sels, 2008; Mani *et al.*, 2010).

Relational Governance

Relational Governance includes 25 independent variables that examine a rich array of factors about the softer side of governing client–supplier relationships. In all, BPO researchers have examined relationship characteristics 64 times. The most frequently examined independent variable is Communication (examined seven times) (e.g., Gainey and Klaas, 2003). The following independent variables were each studied five times: Effective Knowledge Sharing between the client and supplier firms (e.g., Atesci *et al.*, 2010), Relationship Quality as described by clients (e.g., Shih *et al.*, 2005), Partnership View – a client organization’s consideration of suppliers as trusted partners rather than as opportunistic vendors (e.g., Sen and Shiel, 2006), Relationship Specific Investments that discourage opportunism (e.g., Tate and Ellram, 2009), and Culture (e.g., Ndubisi, 2011).

BPO Decision

As a class of independent variables, researchers have studied five types of BPO decisions a total of 58 times. These five types of decisions are Outsourcing Decision-Make-or-Buy, Configurational Approach, Outsourcing Decision-degree of Outsourcing, Outsourcing Decision-multi-sourcing, and Outsourcing Decision-offshore. When used as an independent variable, researchers ask ‘How does a BPO decision affect BPO outcomes?’ Outsourcing Decision-Make-or-Buy (examined 18 times) is the most frequently studied independent variables in this category (e.g., Kim, 2008; Braun *et al.*, 2011; Desai *et al.*, 2011) followed by Configurational Approach (examined 14 times). We used the variable ‘Configurational Approach’ to code research that studied how clients matched multiple factors to form configurations to maximize their chances of BPO success. For example, matching transaction attributes with BPO motivations (e.g., Redondo-Cano and Canet-Giner, 2010) and matching strategic intent with governance options (e.g., Van Gorp *et al.*, 2007).

Supplier firm capabilities

This broad category of 14 independent variables examines the capabilities suppliers need to be competitive in the market (e.g., Feeny *et al.*, 2005). Among the 48 times supplier capabilities have been studied, the most frequently examined were a supplier’s Human Resource Management Capability (examined 13 times), a supplier’s Technical and Methodological Capability (examined 11 times), and a supplier’s Business Process Management Capability (examined six times) (e.g., Borman, 2006; Lahiri and Kedia, 2009).

Country characteristics

BPO researchers have examined nine independent variables associated with a country. This research stream primarily studied why clients select particular countries to outsource BPO services to over others. The most frequently examined independent variable was Cultural Distance (examined 10 times), the extent to which client and supplier organizations differ on one or more cultural dimensions (e.g., Mehta *et al.*, 2006). The next most frequently used independent variable was Country: Financial Attractiveness (examined seven times), the degree to which a country is attractive to BPO clients because of favorable financial factors such as labor costs, taxes, regulatory, and other costs (e.g. Doh *et al.*, 2009; Malos, 2010). The third most frequently used independent variable was Country: Human Resource Attractiveness (examined five times), which looks at the degree to which a country is attractive to BPO clients because of favorable people skills such as size of labor pool and quality of education (e.g., Mehta *et al.*, 2006).

Contractual governance

Like BPO Decisions, we see that contractual governance has been used as both a dependent and independent variable. As a dependent variable, BPO researchers asked what determines the kind of contract a client chose. When used as an independent variable, BPO researchers asked how that choice affected BPO outcomes (e.g., Handley and Benton, 2009). As an independent variable, BPO researchers have examined contractual governance 32 times, using

six variables associated with BPO contracts, including level of Contract Detail (examined 13 times) and Contract Duration (examined six times) (e.g., Gewald and Gellrich, 2007; Kim, 2008).

Client firm capabilities

BPO researchers have long understood that client firms need special capabilities in order to engage successfully with BPO suppliers (e.g., Feeny and Willcocks, 1998). In this category, BPO researchers have examined 12 different client firm capabilities a total of 31 times. The most studied client capability is Business Process Management Capability – Client (examined eight times), which is the extent to which a client organization is able to efficiently and effectively manage a business process using their own in-house resources (e.g., McIvor *et al.*, 2009). Supplier Management Capability (examined six times) is a client's general ability to effectively manage outsourcing suppliers (e.g., Sanders *et al.*, 2007). A client organization's Absorptive Capacity (examined four times) is the ability to scan, acquire, assimilate, and exploit valuable knowledge (e.g., Reitzig and Wagner, 2010).

Supplier firm characteristics

Overall, supplier firm characteristics have been examined 21 times. In our sample, eight independent variables captured supplier firm characteristics. The three most frequently examined were Supplier Size (examined five times), Prior Firm Performance – Supplier (examined four times), and Supplier Employee Turnover (examined four times). Concerning the latter, Supplier Employee Turnover is a variable that has been used as both a dependent and independent variable. As an independent variable, BPO researchers studied how supplier employee turnover affected an industry's growth (e.g., Budhwar *et al.*, 2006) and a supplier's need to subcontract (e.g., Kuruvilla and Ranganathan, 2010), for example.

Decision characteristics

Decision characteristics, studied a total of 17 times, include five independent variables that consider who and how client firms make BPO Decisions (e.g., Willcocks *et al.*, 2004; McIvor *et al.*, 2010). The Evaluation Process was studied five times, followed by Stakeholder Buy-in (examined four times) and Stakeholder Resistance (examined four times).

Influence sources

Influence sources have been examined nine times overall. This category includes six independent variables, three of which are from the theory of Institutional Isomorphism (DiMaggio and Powell, 1991). Institutional Isomorphism asks why so many organizations adopt similar practices, such as ITO or BPO (e.g., Ang and Cummings, 1997; Bignoux, 2011). The theory posits that firms are influenced by three sources: mimetic, normative, and coercive. The other variable in this category – Influence – External and Internal – has been studied three times (e.g., Lewin and Peeters, 2006; Kamyabi and Devi, 2011).

BPO outcomes

This category has been studied eight times with five independent variables. The only variable that has been examined more than once is Service Quality, which was examined four times (e.g., Lewin and Peeters, 2006).

Environment

As a broad category, only three independent variables have been studied eight times. These three variables are Supplier Competition (examined five times), Public Awareness (examined two times), and Public Perception of Outsourcing (examined one time).

Thus, in total, our sample includes 43 dependent variables categorized into three broad categories (BPO Decision, BPO Outcome, and Miscellaneous) and 152 independent variables categorized into 14 broad categories (Motivation to Outsource, Transaction Attributes, Relational Governance, BPO Decisions, Supplier Firm Capabilities, Country Characteristics, Contractual Governance, Client Firm Capabilities, Supplier Firm Characteristics, Decision Characteristics, Influence Sources, BPO Outcomes, and Environment). In the next section we discuss the relationships we found between independent and dependent variables.

Findings on relationships between independent and dependent variables

In this section, we summarize some of the major findings about the 615 relationships we coded between independent and dependent variables. These 615 relationships were coded at the level of the 43 dependent variables and the 152 independent variables. At this detailed level, the frequency with which findings were replicated across studies was minimal and does not provide a very coherent or comprehensive picture of BPO research. Following Lacity *et al.* (2010), we moved to a higher unit of analysis. We did this by reporting the 615 findings using the two broad categories for the dependent variable: BPO Decisions and BPO Outcomes (see Appendix C). We retained the specific independent variables and have sorted them by frequency within their broader 14 categories. Although some precision is lost by aggregating to the broader two categories of dependent variables, we gain a concise, meaningful, and better overall understanding of the determinants of BPO decisions and the determinants of BPO outcomes.

Appendix C answers in detail the question: which variables have BPO researchers studied most frequently and what have they found pertaining to the determinants of BPO decisions and outcomes? To facilitate a discussion of these findings, we created Figure 1 by extracting the best evidence from Appendix C in terms of *multiple examinations* of a variable that produced *consistent* results. In terms of multiple examinations, we used the decision rule to extract the relationships that have been examined by BPO researchers at least five times (Jeyaraj *et al.*, 2006; Lacity *et al.*, 2010). In terms of consistent results, we extracted variables in which at least 60% of the evidence was consistent. We selected this minimum threshold to ensure that more than half the evidence produced the same findings. But of course, we also wanted to identify the *most* robust findings and thus created a tiered legend. Consistent with Lacity *et al.* (2010), we used '(++)' to indicate when more

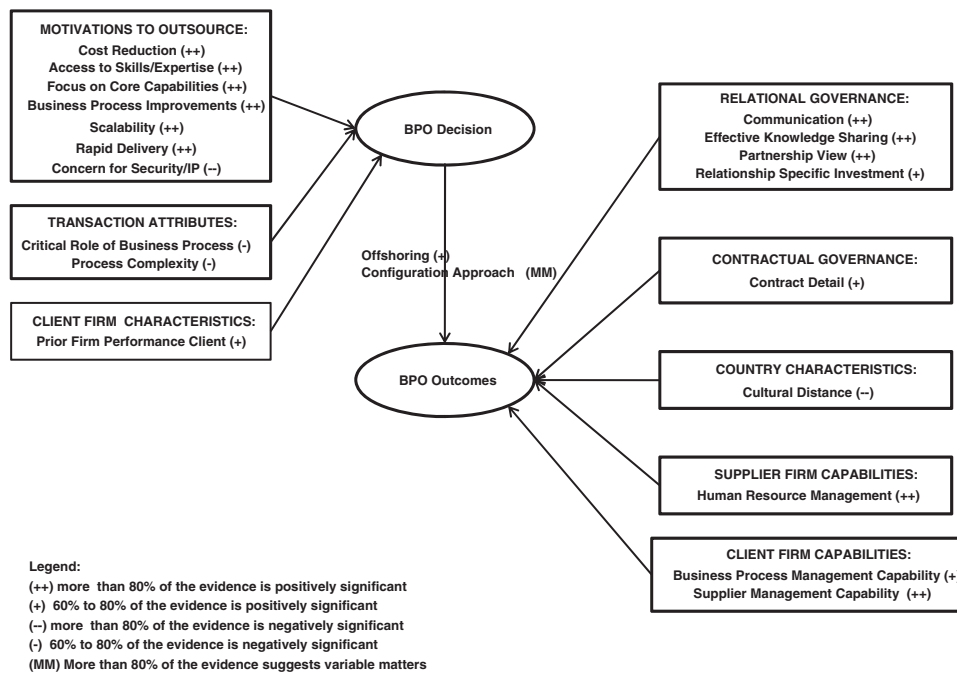


Figure 1 The model of findings on BPO decisions and BPO outcomes.

than 80% of the times a relationship was examined, the authors found a positively significant relationship. For example, in Appendix C, Cost Reduction was examined 26 times, and 24 times (92%) it was found to motivate positively and significantly BPO Decisions. Therefore we assigned the relationship between Cost Reduction and BPO Decisions the symbol '(++)' in Appendix C and in Figure 1. We used a '(+)' when 60–80% of the evidence was positively significant. Similarly, '(--)' indicates when more than 80% of the evidence was negatively significant and '(--)' indicates when 60–80% of the evidence was negatively significant. As a second example, in Appendix C, Critical Role of Business Process-Organization was examined 13 times and was found to be negatively associated with BPO Decisions eight times (62%) and was thus assigned '(--)' in Appendix C and in Figure 1. Obviously, the findings with more than 80% consistency are more robust than the findings with between 60% and 80% consistency.² These cut-off points depend on the decision rules we adopted, but because the data are all available in Appendix C, other researchers can re-run analyses using different decision rules.

Overall, Figure 1 is a model of the major determinants of BPO Decisions and BPO Outcomes. The figure captures the 21 independent variables that have been examined at least five times and have produced consistent positive or negative results, organized by the broader categories of independent variables. Next we discuss the major determinants of BPO Decisions.

Findings on the determinants of BPO decisions

Appendix C lists the entire set of 261 relationships between specific independent variables and the meta-variable BPO Decision. Three of the broad categories – Motivation to

Outsource, Transaction Attributes, and Client Firm Characteristics – had independent variables that were examined at least five times and produced consistent results.

Motivation to outsource

This category answers the research question: Why do client firms outsource business processes? BPO researchers have extensively studied the motivations to outsource BP. Seven specific motivations were examined at least five times and produced consistent results. *When considering the top findings in this category, we see that BPO researchers have found strong empirical support that what drove most outsourcing decisions was the desire to reduce costs, improve performance, and/or speed delivery on what is viewed as a non-core business process better provided by suppliers with superior skills, expertise, and scalability.* The relationship between the independent variable Cost Reduction and the dependent variable BPO Decision was the most frequently examined relationship. Of the 26 times the relationship was studied, BPO researchers found that Cost Reduction was a motivating factor in making an outsourcing decision 24 times (92%) (e.g., Saxena and Bharadwaj, 2009). The second most frequently studied relationship was Access to Skills/Expertise (e.g., Lam and Chua, 2009). A client's desire or need to access supplier(s) skills/expertise was a significant motivation in outsourcing BP nine of the 10 times (90%) it was studied. The relationship between Focus on Core Capabilities and BPO Decision was the third most frequently examined relationship. Of the nine times it was examined, a significant positive relationship was found eight times (e.g., Mahmoodzadeh et al., 2009). Thus, there is strong empirical evidence that client firms outsource business processes to focus on other core activities. The next two most frequently examined relationships show that client firms

outsource a business process when they desire or need to improve a client's business process (examined nine times and was always positively significant 100%) or when they wish to scale the volume of service up or down based on demand (studied six times and was positively significant 83%) (e.g., Currie *et al.*, 2008; Redondo-Cano and Canet-Giner, 2010). Clients also chose BPO to speed up delivery (e.g., Bandyopadhyay and Hall, 2009). The remaining motivation – Concern for Security/Intellectual Property – was the only motive that was negatively related to BPO Decisions (e.g., Banerjee and Williams, 2009; McIvor *et al.*, 2009). *The more concern for security or intellectual property, the less likely a client firm chose outsourcing.*

Transaction attributes

Under this category, researchers seek to answer: Are there general attributes of business processes that are more likely to be outsourced? In Figure 1, only two independent variables capturing transaction attributes have been studied at least five times and produced consistent results. *BPO researchers have found consistent evidence that higher values of the Critical Role of the Business Process and Process Complexity were associated with less outsourcing.* Of the 13 times it was examined, BPO researchers found that clients were less likely to outsource business processes that were perceived as critical enablers of business success eight times (e.g., Sanders *et al.*, 2007; Dobrzykowski *et al.*, 2010). This finding is consistent with the argument of focusing internal resources on core capabilities (Prahalad and Hamel, 1990). Process Complexity was studied five times and four times it was negatively associated with BPO Decisions. For example, Ventovuori and Lehtonen (2006) found that firms were more likely to vertically integrate facilities management processes that were strategically important and highly complex.

Client firm characteristics

Are there any clients that are more likely to outsource business processes than others? Only one independent variable produced consistent results after repeated examinations: Prior Firm Performance – Client. Of the five times it was examined, three times it was positively associated with BPO decisions. This result suggests that client firms with good performance were more likely to outsource business processes! This result is counter to the findings in ITO research in which clients' firms in poor financial positions were more likely to outsource information technology (e.g. Loh and Venkatraman in 1992; Mojsilovic *et al.* in 2007). Practitioners became aware of this finding from Paul Strassmann's controversial 1995 article 'Outsourcing: A Game for Losers.' He looked at financial data and layoff data for 13 companies with the largest IT outsourcing contracts. He concluded *Strategy isn't driving outsourcing. Statistics show the real reason companies outsource is simple: They're in financial trouble.* In a 2004 publication, Strassmann conducted another statistical analysis on 324 companies and reached the same conclusion: *My 1995 assertion that 'outsourcing is a game for losers' still stood up in 2002.* But, in contrast to ITO research, *BPO researchers are generally finding that healthy client firms pursue BPO* (e.g. Dunbar and Phillips, 2001).

Findings on the determinants of BPO outcomes

Appendix C also lists the entire set of 328 relationships between specific independent variables and the meta-variable BPO Outcome. Appendix C answers in detail the question: what have BPO researchers studied most frequently and what have they found pertaining to the determinants of BPO outcomes? Figure 1 captures the repeatedly significant findings and organizes the relationships between specific independent variables and BPO Outcome by the broader categories for independent variables. Six broad categories – Relational Governance, Contractual Governance, Country Characteristics, Client Firm Capabilities, Supplier Firm Capabilities, and BPO Decisions – had independent variables that were examined at least five times and produced consistent and significant results.

Relational governance

How does relational governance affect BPO outcomes? Within this broad category, BPO researchers have examined four independent variables pertaining to client/supplier relationships at least five times and found consistent affects on BPO outcomes. *Higher values for all these independent variables – Communication, Effective Knowledge Sharing, Partnership View and Relationship Specific Investments – were associated with higher values of BPO outcomes.* Communication, the degree to which parties are willing to openly discuss their expectations, progress, capabilities, strengths, weaknesses, and directions for the future, has been examined seven times and was associated with better BPO outcomes seven times. For example, Sen and Shiel (2006) concluded based on five case studies that *the frequency of communication with key opinion leaders in the client firm is critical to maintaining and fostering the relationship* (p. 153). Effective Knowledge Sharing is the degree to which clients and suppliers are successful in sharing and/or transferring knowledge. Effective Knowledge Sharing was always positively associated with better BPO Outcomes in the five relationships coded (e.g., Kim and Kim, 2008). For example, Mahmoodzadeh *et al.* (2009) studied an Iranian company's outsourcing relationship and developed a comprehensive BPO framework designed to show how effective knowledge sharing contributes to successful outsourcing. Partnership View is a client organization's consideration of suppliers as trusted partners rather than as opportunistic vendors. In five out of five cases, higher values of Partnership View were positively associated with higher values of BPO outcomes (e.g., Willcocks *et al.*, 2004). Higher values of Relationship Specific Investments were positively and significantly related to BPO Outcomes four out of five times it was empirically studied. For example, Levina and Su (2008) found a strong connection between making a relationship specific investment and improvements in a client's business processes that were outsourced offshore.

Contractual governance

Contractual governance is the formal, written contractual agreement between client and supplier organizations. What kinds of contracts are associated with the best BPO outcomes? Contract Detail was the only variable that was studied frequently enough and produced consistent results

to be included in Figure 1. Of the 12 times Contract Detail was studied, *BPO researchers found that more contract detail was associated with better BPO Outcomes nine times (75%)* (e.g., Niranjana et al., 2007). For example, Handley and Benton (2009) surveyed 198 sourcing executives and found a significant and positive relationship between contract completeness and a perceptual measure of outsourcing performance. Wüllenweber et al. (2008a, b) found that contract completeness was positively and significantly correlated with perceptions of BPO success in a survey of 215 German banks.

Country characteristics

Which types of countries deliver the best BPO outcomes? In this broad category, only one independent variable has been studied at least five times – Cultural Distance. Cultural Distance refers to the extent to which the members of two distinct groups (such as client and supplier personnel) differ on one or more cultural dimensions. Of the six times it was studied, five times researchers found that the greater the cultural distance, the less likely clients reported positive outcomes from BPO. *Overall, cultural distance negatively affected BPO outcomes.* For example, Kim (2008) studied an outsourcing relationship between the French client firm Auchan and the supplier IBM. The French participants in the study cited cultural distance as an impediment to outsourcing success.

Supplier firm capabilities

What kind of capabilities do suppliers need to make sure they deliver good BPO outcomes for clients and still earn good revenues and margins for suppliers? Only one supplier capability was studied enough times to be included in Figure 1 – Human Resource Management Capability, which is the supplier's ability to identify, acquire, develop, and deploy human resources to achieve both supplier's and client's organizational objectives. *The supplier's HR Management capability was repeatedly identified as an important supplier capability.* Examined six times, it was always found to positively and significantly affect BPO outcomes. For example, Lacity et al. (2004) studied the outsourcing of policy and claims administration at Lloyds of London and found that the supplier's People Competency was a major factor contributing to the success of the outsourcing relationship.

Client firm capabilities

What kind of capabilities do clients need in-house to make sure their BPO outcomes are good? Only two client firm capabilities have been examined at least five times and have produced consistent results. The most frequently studied and most important client firm capabilities were Business Process Management Capability and Supplier Management Capability. Researchers have studied the effects of a client's ability to manage a business process themselves before they outsource that business process five times. *Clients are more likely to successfully outsource a business process that they can efficiently and effectively manage themselves.* Four times it was found that the better the clients could perform well the business process themselves, the better the outcomes when they outsourced that process (e.g., Duan

et al., 2009; Saxena and Bharadwaj, 2009). This finding resonates with the maximum, *you can't outsource your mess for less.* The second significant independent variable in this category is Supplier Management Capability, the extent to which a client organization is able to manage outsourcing suppliers effectively. This capability was empirically examined five times and was always found to positively affect BPO Outcomes. *Clients must also develop the ability to manage BPO suppliers.* For example, Sanders et al. (2007) interviewed 19 senior executives and found that the inability to manage suppliers was the primary cause of an unsatisfactory BPO outcome.

BPO decision

As previously noted, BPO researchers have examined the BPO Decision as both a dependent and as an independent variable. Here we examine the findings pertaining to BPO Decision as an independent variable that affects BPO Outcomes. Two specific independent variables have been studied at least five times and produced consistent results. Outsourcing Decision – Offshore was examined five times and three times the decision to offshore was associated with positive BPO outcomes. For example, Nieto and Rodríguez (2011) studied Spanish firms and found a significant and positive relationship between the offshore outsourcing of research and development processes and innovation outputs.

BPO researchers have studied Configurational Approaches 11 times, and these approaches were found to significantly influence BPO outcomes nine times. For example, Saxena and Bharadwaj (2009) looked at how clients match the business process value (transactional, transformational, or strategic) with supplier's competence to ensure BPO success. Sia et al. (2008) in a survey of 171 outsourced projects in Singapore found that clients need to match flexibility (robustness, modifiability, new capability, and ease of exit) with strategic maneuvers to ensure outsourcing success. Van Gorp et al. (2007) found that clients have better BPO outcomes when they match motives (market access, cost advantages, or strategic assets,) to type of offshoring (captive, offshore outsourcing, or both).

How do BPO findings compare with ITO findings?

The second aim of this paper is to compare the overall findings from the BPO literature to the overall findings of the ITO literature. Such a comparison enables us to better understand how ITO and BPO are alike and how they are different. In addition, differences may help to inform both research streams. For example, variables that prove robust in one research stream may be worth studying in another research stream if they have not yet been considered or have been understudied. In this section, we identify a number of potentially important variables to consider in future BPO research based on the strength of findings from the ITO research and vice versa. To facilitate this discussion, we first present the pictorial findings from the ITO literature review from Lacity et al. (2010) in Figure 2. We placed an '✓' in Figure 2 to indicate any ITO finding that was identical to a BPO finding in Figure 1. In all, at the level of individual independent variables, 13 findings are identical. The detailed comparison of the ITO and BPO

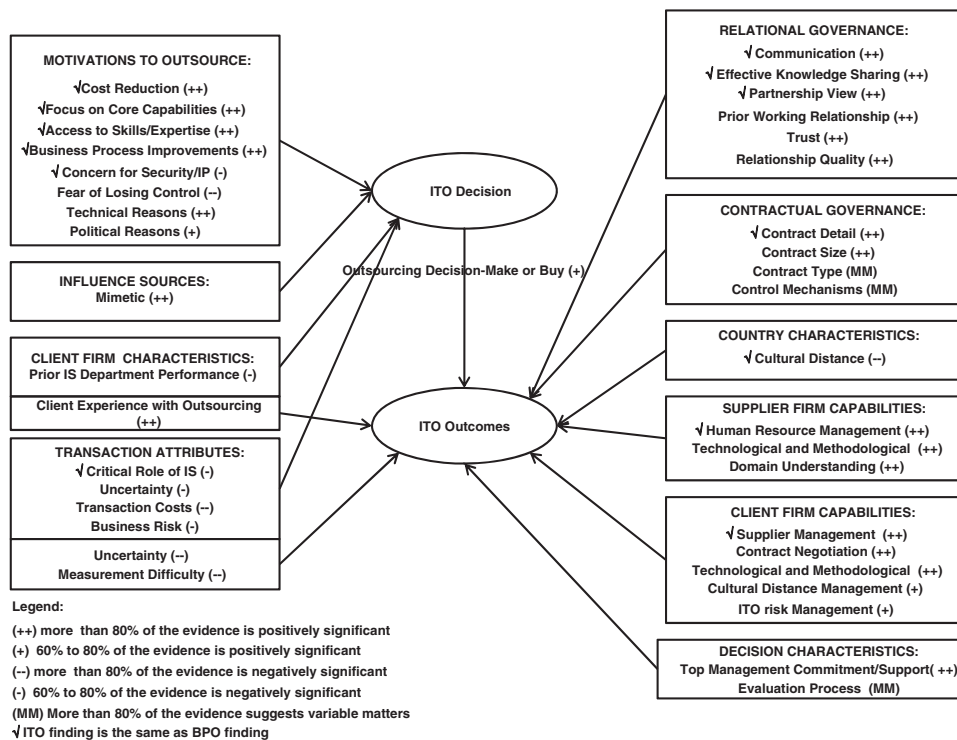


Figure 2 Findings from ITO review (Lacity et al., 2010).

findings are found in Table 5, which lists all the independent variables that were frequently examined and produced consistent and significant results in the BPO review and ITO review. Table 5 shows that there are more significant variables in the ITO review than in the BPO review. In the BPO review, there were 10 significant determinants of BPO decisions and 11 significant determinants of BPO outcomes. In the ITO review, there were 14 significant determinants of ITO decisions and 25 significant determinants of ITO outcomes. ITO researchers have replicated more findings compared to BPO researchers, and thus many of the variables not yet on the BPO set of overall findings will likely appear after more empirical examinations.

Comparison of on the determinants of BPO and ITO decisions

We found common findings in the BPO and ITO reviews within the broader categories of Motivations to Outsource and Transaction Attributes. Specifically, BPO and ITO reviews found five similar motivations to outsource and one similar transaction attribute. Below, we discuss the similarities and differences in more detail.

Comparison on motivation to outsource

There are five common motivations for BPO and ITO: cost reduction, access to skills/expertise, focus on core capabilities, the desire to improve business processes, and concern for security/intellectual property. These five motives have been frequently examined and frequently found to motivate significantly both ITO and BPO decisions. But there are differences as well. This BPO review identified

Scalability and Rapid Delivery as key motivations (e.g., Mahmoodzadeh et al., 2009; Tate and Ellram, 2009). In the ITO review, both these variables were positively associated with ITO decisions, but they were not studied frequently enough to be included as substantial evidence. Specifically, in the ITO review, Scalability was only studied three times and all three times it was positively significant; Rapid Delivery was examined twice and both times it was found to positively motivate ITO decisions. Thus, the BPO review may suggest that ITO researchers should further explore these motives.

The ITO review has three motives that were frequently examined and produced consistent results but that do not appear on the top list of evidence for BPO decisions. These three motives are: Technical Reasons, Political Reasons/ Influences, and Fear of Losing Control. In the ITO review, Technical Reasons are defined as a client organization’s desire or need to engage in an outsourcing relationship in order to gain access to leading edge technology available through the suppliers and which may not be available in-house (e.g., Altinkemer et al., 1994; Sobol and Apte, 1995). Technical Reasons were studied once in the sample of BPO literature we reviewed, but the finding was insignificant. Perhaps this variable is much more relevant to ITO than BPO. Political Reasons/Influences have been studied twice in the BPO literature and both times it was an important motivation (e.g. McIvor et al., 2010). Likewise, Fear of Losing Control was coded in the BPO review four times and was always negatively associated with BPO decisions (e.g., Ventovuori and Lehtonen, 2006). Thus, these motives, if studied more often, would also likely be in the top list of important determinants of BPO decisions.

Table 5 BPO review findings compared to ITO review findings

Independent variable category:	Independent variable	Dependent variable: decision		Dependent variable: outcome	
		BPO	ITO	BPO	ITO
Motivation to outsource	1. Cost reduction	++	++		
	2. Access to skills/expertise	++	++		
	3. Focus on core capabilities	++	++		
	4. Business process improvements	++	++		
	5. Scalability	++			
	6. Rapid delivery	++			
	7. Concern for security/IP	--	-		
	8. Technical reasons		++		
	9. Political reasons		+		
	10. Fear of losing control		--		
Transaction attributes	11. Critical role of BP of IT	-	-		
	12. Process complexity	-			
	13. Uncertainty				--
	14. Transaction costs				
	15. Business risk				
	16. Measurement difficulty				--
Influences	17. Mimetic		++		
Client firm characteristics	18. Prior firm performance – Client	+			
	19. Prior departmental performance		-		
	20. Client experience with outsourcing				++
Relational governance	21. Communication			++	++
	22. Effective knowledge sharing			++	++
	23. Partnership view			++	++
	24. Relationship-specific investment			+	
	25. Trust				++
	26. Prior client/supplier working relationship				++
	27. Relationship quality				++
Supplier firm capabilities	28. Human resource management			++	++
	29. Technical and methodological				++
	30. Domain understanding				++
Country	31. Cultural distance			--	--
Contractual governance	32. Contract detail			+	++
	33. Contract size				++
	34. Contract type				MM
	35. Control mechanisms				MM
Client firm capabilities	36. BP management			+	
	37. Supplier management			++	++
	38. Contract negotiation				++
	39. Technical and methodological				++
	40. Cultural distance management				+
Decision characteristics	41. Risk management				+
	42. Top management commitment/support				++
Decision	43. Evaluation process				MM
	44. Make-or-Buy				+
Total relationships	45. Configuration approach			MM	
	46. Offshore			+	
		10	14	11	25

Transaction attributes comparison

For transaction attributes, there is very little overlap between BPO and ITO findings. The Critical Role of IT or BP to the Business is the only independent variable that has been frequently studied and frequently found to be a determinant of both BPO and ITO outcomes. Both reviews generally find that client organizations prefer to keep critical activities in-house. Of course there are exceptions. For example, Delmotte and Sels (2008) surveyed 1264 organizations and found a positive relationship between strategic HR and degree of HR outsourcing.

Process Complexity was a major determinant in the BPO literature sample (e.g., McKenna and Walker, 2008) but not in the ITO literature sample. The closest variable in the ITO review was Task Complexity, but it was only studied one time as a determinant of ITO decisions (and it was negatively significant). In Appendix C, we also note that Process Standardization is worth studying further as a potentially important transaction attribute (e.g., Tate and Ellram, 2009). So far, Process Standardization has been examined four times and all four times it was positively associated with decisions to outsource business processes. Davenport (2005) has long argued that global sourcing of processes will spread as processes become more standardized.

Risk, Uncertainty, and Transaction Costs were major determinants in the ITO literature but not the BPO literature (e.g., Nam *et al.*, 1996). These three variables were examined in the BPO review, but none were examined at least five times. Of the three variables, so far only BPO studies of Risk have produced consistent results. The three times risk was examined as a determinant of BPO decisions, it was always negatively significant (i.e., Sen and Shiel, 2006; Currie *et al.*, 2008). The other two variables – Uncertainty and Transaction Costs – have produced mixed results in the few times they were examined in a BPO context. In the BPO review, Uncertainty was studied four times as a determinant of BPO decisions – one study found no relationship, two studies found that higher values of uncertainty were associated with more multi-sourcing (Levina and Su, 2008) and more outsourcing (Klaas *et al.*, 2001), and one study found higher values of uncertainty were associated with the decision to have less contractual detail (Gainey and Klaas, 2003). The three findings on Transaction Costs were also mixed in the BPO review.

Understudied determinants of BPO decisions: influence sources

We think Influence Sources, which has sound theoretical roots, warrant more BPO research attention. Institutional Isomorphism is a theory that examines the external influences that make organizations alike in structure and practices. DiMaggio and Powell (1991) proposed that three institutional influences – coercive, mimetic, and normative – pressure organizations to conform. So far within the BPO literature, no influence source has been studied enough to appear as a major determinant driving BPO decisions. But we have reason to believe Influence Sources may be significant based on the ITO literature. In the ITO literature, Mimetic Influences was a frequently studied and frequently associated determinant of ITO decisions (e.g., Jayatilaka, 2002). In the BPO literature, the more generically

studied influence – Influences – External and Internal – was examined three times and three times positively promoted clients to outsource BP (e.g., Kamyabi and Devi, 2011). One of the most interesting papers we read was called ‘Partnerships, Suppliers, and Coercive Influence’ by Bignoux (2011). The author used interviews in Australian companies to assess the effectiveness of different coercive influences on performance satisfaction. Among their many findings, reciprocal exchanges were effective at getting clients to do what suppliers wanted, but the exchanges were only effective at the organizational level, not the personal level. Lewin and Peeters (2006) in a survey of the Offshoring Research Network found that competitive pressures were significantly driving offshoring decisions, and was second only to reducing costs as a driver of offshoring.

Comparison of the determinants of BPO and ITO outcomes

This BPO review found 11 independent variables that were significant positive or negative determinants of BPO Outcomes, compared with 25 significant independent variables for ITO Outcomes (see Table 5). Seven variables are significant determinants of both BPO and ITO Outcomes. Specifically, the ITO and BPO reviews have three common Relational Governance variables (Communication, Effective Knowledge Sharing, and Partnership View), and one common variable in each of the following categories: Contractual Governance (Contract Detail), Country Characteristics (Cultural Distance), Supplier Firm Capabilities (HR Management), and Client Firm Capabilities (Supplier Management). Below, we discuss the similarities and differences in more detail.

Relational governance comparison

Both the BPO and ITO literature reviews identified three important variables pertaining to Relational Governance – Communication, Effective Knowledge Sharing, and Partnership View. Higher values of these three variables were consistently associated with better BPO and ITO outcomes. Relationship Specific Investment was an important independent variable in the BPO review, but it was not examined at all in the ITO review. Relationship Specific Investments may significantly affect opportunism if one party has to make a significant investment and the other party does not (Barney, 1999). This may be an important variable lacking in ITO research.

Three other relational governance variables in the ITO review were studied frequently and found to be related positively to ITO outcomes: Trust, Prior Client/Supplier Working Relationship, and Relationship Quality. Trust is defined here as the confidence in the other party’s benevolence (e.g., Hart and Saunders, 1997; Sabherwal, 1999). Of the 10 times Trust was empirically examined in the ITO literature, it was always associated with better ITO Outcomes, or found to matter. In the BPO literature, Trust has been examined three times so far, and three times found to affect positively BPO outcomes such as increasing success or reducing risk (e.g., Gainey and Klaas, 2003; Wüllenweber *et al.*, 2008a, b). Prior Client/Supplier Relationship has been only studied once so far in BPO and was associated positively and significantly with improvements in processes after outsourcing (Mani *et al.*, 2010). Relationship Quality

was studied four times as a determinant of BPO Outcomes; twice it was not significant at $P < 0.05$ (e.g., Lahiri and Kedia, 2009) and twice it was positively significant (e.g., Saxena and Bharadwaj, 2009).

Contractual governance comparison

Both the BPO and ITO reviews examined a number of variables associated with contractual governance, but only one variable was frequently examined and produced consistent results in both reviews: *More Contract Detail was associated with better ITO and better BPO outcomes*. In the ITO review, three additional contractual governance variables were significant: Contract Size, Control Mechanisms, and Contract Type. Contract Size was studied in the BPO literature three times and all three times it was not found to be significant at $P < 0.05$ (e.g., Gewald and Gellrich, 2007). Control Mechanisms were studied three times in the BPO literature and produced mixed results – one negative, one positive, and one relationship that mattered (e.g. Willcocks *et al.*, 2004). Contract Type was not studied in the BPO literature. In the ITO literature, Contract Type is a term denoting different forms of contracts used in outsourcing. Examples from the ITO literature include customized contracts, fixed price contracts, time and materials contracts, fee-for-service contracts, and partnership-based contracts. Of the seven times Contract Type was empirically examined in ITO, it was found to matter seven times. For example, Gefen *et al.* (2008) found that partners with high business familiarity were more likely to sign time and materials contracts than fixed-price contracts. The types of contracts used to govern BPO are worth studying further, as such research is likely to produce interesting results.

Country characteristics comparison

Cultural Distance negatively affected outcomes in both the BPO and ITO reviews. This was particularly relevant in the cases of offshore outsourcing in both reviews (e.g., Rao *et al.*, 2006; Liu *et al.*, 2011). In general, clients find it easier to work with suppliers that share a similar culture.

Supplier firm capabilities comparison

The Supplier's Human Resource Management Capability was repeatedly found to be an important supplier capability in the BPO and ITO literature reviews as far as its affect on BPO and ITO outcomes. Two additional supplier capabilities emerged as important in the ITO literature review: Technical and Methodological Capability and Domain Understanding. In the ITO review, the supplier's Technical/Methodological Capability was always found to affect ITO outcomes positively in the nine times it was examined. In the BPO review, this variable produced mixed results; of the seven times Technical/Methodological Capability was studied as a determinant of BPO outcomes, it positively affected BPO outcomes four times (e.g., Rajeev and Vani, 2009; Luo *et al.*, 2010) and had no significant effect three times on BPO outcomes (e.g., Narayanan *et al.*, 2011). Domain Understanding is the extent to which a supplier has prior experience and/or understanding of the client organization's business and technical contexts, processes, practices, and requirements (e.g., Clark *et al.*, 1995; Gopal *et al.*,

2002). In the ITO review, this was empirically examined five times and found to be positively and significantly associated with better ITO Outcomes (e.g., Chou *et al.*, 2006). Domain Understanding has not studied as a determinant of BPO outcomes. In both literatures, more studies on supplier firm capabilities seems warranted. For example, Feeny *et al.* (2005) identified 12 supplier capabilities, yet few of these have been studied frequently enough to understand the effects on outsourcing outcomes.

Client firm capabilities comparison

Pertaining to client firm capabilities, both the BPO and ITO literature reviews identified the ability to manage suppliers as a key capability affecting outsourcing outcomes. Of all the client capabilities examined across both reviews, Supplier Management Capability is one of the most generic. Both reviews identified more specific capabilities. In the BPO review, the client's ability to manage the business process in-house positively affected BPO outcomes, as did the technical and methodological maturity capability positively affected ITO outcomes. The ITO review also identified the ability to understand, accept, and adapt to cultural differences as a critical client capability, particularly for offshore outsourcing (e.g., Winkler *et al.*, 2008). The ITO review also identified a client organization's ability to identify, rate, and mitigate potential risks associated with outsourcing as a critical client capability (e.g., Smith and McKeen, 2004). Finally, the ability to negotiate contracts was identified as an important ITO client capability.

Understudied determinants of BPO outcomes: transaction attributes, decision characteristics, client firm characteristics

In the BPO literature reviewed so far, there are no significant findings concerning the affects of Transaction Attributes, Decision Characteristics, or Client Firm Characteristics on BPO Outcomes. In the ITO Review, there were significant variables found within these three broad categories. In ITO studies, two Transaction Attributes – Uncertainty and Measurement Difficulty – were frequently examined and frequently found to be negatively associated with ITO Outcomes (e.g., Poppo and Zenger, 1998). In the BPO literature, the only transaction attribute that has been tested five times as a determinant of BPO outcomes was Asset Specificity, which we note was insignificant three times. In BPO research, transaction attributes are studied much more frequently as a determinant of BPO decisions instead of BPO outcomes.

Two decision characteristics were important in ITO – Top Management Commitment/Support and the Evaluation Process used to make ITO decisions. In the BPO review, Top Management Commitment/Support was examined twice and twice found to positively influence BPO outcomes. Evaluation Process was studied three times thus far in BPO and produced mixed results. The most promising Decision Characteristic in the BPO review may be Stakeholder buy-in. The three times gaining commitment and support from all parties involved in outsourcing related decisions was examined, it was positively and significantly associated with better BPO outcomes (e.g., Tate and Ellram, 2009).

One client firm characteristic – Client Experience with Outsourcing – was positively linked to ITO outcomes. However, in the BPO literature, the results are mixed. Two studies found that a client's prior experience with outsourcing positively affected BPO outcomes (e.g., Mani *et al.*, 2010) and twice it was found to be insignificant (e.g., Hutzschenreuter *et al.*, 2011). So far, there are not many client firm characteristics that seem to affect BPO outcomes directly.

Decision comparison

One of the most interesting questions to ask is whether outsourcing leads to positive outcomes. This category of independent variables helps to answer that question. Within the BPO literature, decisions to outsource to offshore suppliers were significantly and positively related to BPO outcomes in repeated examinations, as well as configurational approaches. In the ITO literature review, one specific independent variable had been studied at least five times and produced consistent results: Outsourcing Decision-Make-or-Buy, examined 27 times. *In ITO, clients reported positive outcomes from outsourcing IT 63% of the time, negative outcomes 22% of the time, and no changes in performance as a consequence of outsourcing IT 15% of the time.* In BPO, the binary make-or-buy decision was examined 18 times. *In BPO, clients reported positive outcomes from outsourcing business processes 56% of the time, negative outcomes 11% of the time, and no changes in performance as a consequence of outsourcing business processes 33% of the time.* Hopefully, future research can help identify BPO practices and capabilities to improve that performance outcome.

What are the gaps in knowledge needing future BPO research?

The third aim of this paper was to help direct future BPO research by identifying gaps in knowledge and emerging trends to study. The previous section suggested further investigation of broad categories and specific independent variables as determinants of BPO decisions or BPO outcomes based on the comparison of BPO review findings and ITO review findings. In this section, we identify future BPO research opportunities based on gaps that exist in both the ITO and BPO literatures. We also identified gaps based on our extensive interactions with practitioners, attendance at the largest practitioner outsourcing events, and recent case study and survey work. BPO practitioners have pressing challenges and as academics, we suggest we have at least nine new opportunities to inform and influence practice.

1. *BPO innovation effects.* BPO clients are increasingly expecting BPO suppliers to not only lower costs and improve service on back office processes, but also *to innovate*. For example, in a survey distributed to the attendees at the 2011 International Association of Outsourcing Professionals (IAOP) World Summit, innovation was the number one thing clients wanted from providers (Lacity and Rottman, 2011). Clients in that survey expected providers to proactively suggest innovations because outsourced work is core to a

provider's business, but not core to the customer's business. Clients didn't want providers to wait for the client to give them ideas. Clients expected to reap the benefits of a provider's innovations in technologies and process maturity to constantly help customers achieve their business priorities. But innovation is not an easy BPO outcome to achieve. In that same survey, supplier respondents indicated they cannot deliver innovation because clients are driving BPO deals on price. As one supplier wrote, 'It's all about price' is not a productive starting point.' Our most recent survey elicited 1358 usable responses from clients (28%), suppliers (43%), and advisers (29%) (see Fersht *et al.*, 2011). Only 11% of clients were getting effective new and creative methods (innovation) from their outsourcing, only 18% were getting effective new business acumen from their suppliers, and only 13% were getting access to effective new technologies. At the same time from 50% to 75% of clients identified considerable innovation potential from outsourcing over the next 24 months for analytics, procure-to-pay, industry-specific industry processes, customer care, supply chain management, and order-to-cash. *Clearly, there is a very large innovation gap, and practitioners are looking for good insights on how to deliver innovations from BPO.* Within this BPO review, Innovation Effects were examined 20 times, but the context was always research and development. These studies are quite good at looking at the effects of outsourcing R&D on dependent variables such as number of patents filed or granted (e.g., Ciravegna and Maielli, 2011; Lucena, 2011; Nieto and Rodriguez, 2011). For example, Grimpe and Kaiser (2010) found a u-shaped relationship between degree of outsourcing R&D and innovation performance measured as share of sales from new products. They found that outsourcing improved innovation performance up to a point, then too much outsourcing actually hurt innovation performance. Beyond R&D, BPO, and ITO researchers could help practice by studying how clients can get innovation from outsourcing.

2. *Retained client capabilities.* Overall, we believe the study of client capabilities in both ITO and BPO literatures should be expanded. So far, only two BPO client capabilities and five ITO client capabilities have been studied frequently enough to be extracted in Figures 1 and 2. Promising research that needs to be replicated suggests that clients need to retain more capabilities in-house after outsourcing. In the BPO review, a client's Absorptive Capacity, Outsourcing Readiness, Proactive Sensemaking, Change Management, Contract Management, HR management, and Risk Management capabilities were all found to positively affect BPO decisions, but none of these have been replicated at least five times. Some of the best research considers multiple client capabilities within the same study. For example, Feeny and Willcocks (1998) first identified nine important client capabilities for managing ITO in 1998. In Willcocks and Feeny (2006), they adopted the core client retained capabilities model for BPO, which also has nine retained client capabilities. Research on client capabilities is important because we know that BPO is not about abdicating

management responsibility for business processes after outsourcing, but about managing BPO in a different way, which requires a different set of client capabilities. As an indicator of possible research areas, in our 2011 survey (Fersht *et al.*, 2011) advisers and suppliers suggested clients needed leadership and governance, vendor management, business process skills, change management experience, and technology process design skills. For cloud services outsourcing, they suggested clients needed additional cloud-specific skills in business know-how, project management, architecture, and sourcing.

3. *Environment.* We were quite surprised to find so little research done on environmental variables in both the ITO and BPO reviews. Only three environmental variables were found in the BPO review – Supplier Competition, Public Awareness, and Public Perceptions of Outsourcing. The presence of strong supplier competition had been found generally to lead to increase a client organization's propensity to outsource (e.g., Gospel and Sako, 2010; McIvor *et al.*, 2010). Other variables that seem interesting, yet understudied, include Public Awareness or knowledge of outsourcing and Public Perceptions of Outsourcing (e.g., Sen and Shiel, 2006; Hutzschenreuter *et al.*, 2011). Consider, for example, the public's anti-offshoring views in countries like the United States and the United Kingdom (e.g., Hirschheim *et al.*, 2007; Lacity and Rudramuniyaiah, 2009; Hirschheim and Newman, 2010). How does public perception affect sourcing decisions within client locations and how will suppliers adapt? The anti-offshoring sentiment may be influencing US-based corporations – particularly recipients of some of the \$800 billion American Recovery and Reinvestment Act made available from 2009 – to consider sourcing jobs closer to home. Furthermore, regulations and many government contracts require that outsourced work be done onshore. Thus, we believe that environmental variables warrant more study.
4. *Alternative destinations besides India.* Within our BPO review, 51 articles studied the outsourcing of business processes to suppliers based in certain countries and of these, 30 papers (59%) studied the outsourcing of business processes to Indian suppliers. In comparison to India, we have relatively few studies on outsourcing to BPO suppliers based in other countries. The next most frequently studied country was Chinese-based BPO suppliers, with three papers. Practices that may be recommended in the Western client-Indian supplier context may not work well in other countries (e.g., Lacity *et al.*, 2010). For example, with the ITO literature, onshore liaisons was identified as a best practice for US clients hiring Indian ITO providers (e.g., Gopal *et al.*, 2002; Rottman and Lacity, 2006). Onsite liaisons (i.e., bringing Indian supplier employees to US client sites) may not work well in other countries. For example, Jarvenpaa and Mao (2008) found that large Japanese clients do not interact directly with Chinese suppliers but instead interface through a Japanese-based IT supplier. *Comparative studies of practices across countries and cultures are a gap in knowledge in both BPO and ITO research* (Dibbern *et al.*, 2004; Lacity *et al.*, 2010).
5. *Supplier capabilities.* There is a clear gap in the study of supplier firm capabilities, yet outsourcing must, by definition, be highly dependent on supplier ability to perform. So far only one supplier capability has been studied enough times to be included in Figure 1 – Human Resource Management Capability. It was *also repeatedly identified as* positively and significantly affecting BPO outcomes. This dearth may well reflect difficulties in accessing competitively sensitive data about suppliers' capabilities, though increasingly suppliers have been less reluctant to be specific and public about their distinctive capabilities. Feeny *et al.* (2005) provide a 12-capabilities supplier model. This offers a basis for further research, in the light of environmental changes, client's moving requirements and suppliers' dynamic positioning strategies since that research was carried out. Our most recent survey indicates the top reason for not outsourcing is lack of conviction about supplier capabilities, recorded by 39% of clients (Fersht *et al.*, 2011). Interestingly, clients rate lack of supplier capability as the sixth most important reason for clients not hiring suppliers. Providers also underestimate the importance clients place on the supplier's ability to support change management and governance, the service culture of their delivery organization, and the ability to bring innovation. Clients and suppliers are closer in agreement on the top three attributes clients look for in a supplier, namely financial stability, ability to deliver standard operational services, and knowledge of specific industry processes. But these priorities may well change and, together with the discrepancies in client *vs* supplier perceptions our survey, further research is needed in this neglected area in BPO studies.
6. *Pricing models.* Full time equivalent (FTE)-based pricing is still the primary method used to calculate the price of a BPO deal, with 60% of the deals in 2010 using this method (Fersht *et al.*, 2011). However, the trend over the last 3 years is a move toward more transaction-based (pay-per-use) and outcome-based pricing, and blended solutions with more 'gainsharing' components. For example, nearly half of finance and accounting BPO deals in 2010 had gainsharing elements. Fersht *et al.* (2011) in case study work also uncovered a growing demand for more transactional and outcome-based pricing models, particularly with existing customers and companies with more evolved processes. We have also seen several joint venture risk-reward sharing BPO arrangements, though these have been so far very much a minority practice (Willcocks and Lacity, 2006). Overall, Fersht *et al.* (2011) found service providers unwilling to offer customers transaction/outcome-based pricing until they understood the internal processes better. Clients are also unwilling, for much the same reasons. Until the clients internal processes are well understood and under control the service provider cannot offer a competitively priced transaction-based deal. Transaction-based pricing and gainsharing will be increasingly used as part of BPO engagements, but FTE pricing will still play a major role, particularly at the beginning of outsourcing relationships (Fersht *et al.*, 2011). All this suggests a lot of potential in researching pricing BPO models. One

major question might be – what types of processes lend themselves to outcome and gainsharing pricing? Another area of interest is the type of customer best positioned to move to these models and the shape of the evolutionary path they might undertake. It may also be interesting to research whether pricing is more difficult in BPO than in ITO, the future of hybrid solutions to pricing, and whether better approaches to pricing BPO innovation activity can be found.

7. *Business analytics.* Among the 87 papers included in this BPO review, only three dealt with knowledge process outsourcing – the outsourcing of knowledge-intensive activities like business analytics (see Table 6) (e.g., Sen and Shiel, 2006; Raman et al., 2007; Currie et al., 2008). Recent surveys suggest that business analytics and knowledge processes are the top increasing areas of client interest in 2010–2011 (Fersht et al., 2011). In some ways this cannot be surprising. Not only are contemporary organizations awash with data but they already have to perform many forms of business analytics on a daily basis. But the challenges inherent in analytics are massive, exacerbated by the increase in digitized data, the development of mobile technologies, and new enabling hardware and software supporting data storage and growth. As a result, business and IT managers struggle to develop outcomes based on all of the information they receive. However, many BPO providers have been working on developing capabilities to fill this gap. In particular our recent research suggests that providers are looking to provide stand-alone analytics relating to specific applications; help clients gather data from multiple systems with the data then used to assess the whole business situation; and, by pulling together disparate data, provide predictive analytics that can identify improvements, and new market/product/service opportunities. However, we would suggest that developing and running business analytics using a BPO provider is going to be challenging, with distinctive issues coming to the fore, not least about data sensitivity, over-reliance on a supplier for core activities, the degree of customization offered by suppliers, and the supplier capabilities and levels of customer relationship needed to make business analytics work. Business analytics through BPO would

seem to emerge as a major potential study area, not yet discovered by academic researchers.

8. *Emerging models and trends.* The global ITO and BPO markets in 2010 look substantially different from 20 years ago when a few large US-based suppliers like EDS, IBM, and CSC dominated the market. In addition to the explosion of suppliers located around the world, we also see the emergence of many different sourcing models. *Practitioners seek academic contributions on emerging sourcing models and look to us to help understand the extent to which emerging models are merely hyped labels vs legitimate, value-added services.* For example, practitioners are scrambling to understand cloud computing. The extent to which cloud computing is incrementally or radically different from applications service provision and the best practices to source successfully through ‘the cloud’ certainly warrant more academic research (Lacity et al., 2011). We see the bundling of ITO with BPO services increasing as clients seek to leverage relationships with existing suppliers (Willcocks et al., 2009; Willcocks and Lacity, 2012). Shared services and captive centers are also important, yet under studied areas of *insourcing* research (but see Oshri, 2011). In our recent survey, 17–25% of organizations had shared services, and 3–16% captive centers, depending on the business process in question (respondents mentioned 12 main business processes). In fact the majority of these organizations were looking to outsource more of these in the coming year. The dynamics of, and challenges in, such changes are a neglected area of research. Many niche markets are also worthy of study, including crowdsourcing, rural outsourcing, freelance outsourcing, and knowledge process outsourcing. This area of emerging trends and models is particularly interesting in the light of our 2011 survey indicating an unprecedented level of outsourcing occurring in the near term across 11 major BPO areas. Between 10% and 15% of clients are going to outsource a business process for the first time in 2011–2012. Meanwhile depending on the business process, some 12–58% of clients already outsource several business processes and will outsource more, or new processes, by mid-2012 (Fersht et al., 2011). These developments set up new areas of research, for example: how do clients manage multiple process outsourcing? Which combinations are optimal? These developments also create an expanding practitioner base for the products of that research.

9. *Developing endogenous BPO theory.* We agree with Busi and McIvor’s (2008) argument that we need to develop our own outsourcing theories. Christensen (2006) argues that there are two major stages of theory development: the descriptive phase and the normative phase. We believe this paper makes an important contribution toward the development of a descriptive theory of BPO. The descriptive phase of theory development has three steps: (1) observation and description of constructs (such as we did in Appendix A), (2) categorization of constructs (such as we did in Tables 3 and 4), and (3) statements of correlations between constructs (such as we did in Appendix C). Correlations that are repeated and confirmed result in a

Table 6 Functions studied in BPO review

#	Functions	Frequency
1.	Multiple business processes	21
2.	Unspecified business process (general BPO)	20
3.	Finance and accounting	11
4.	Research and development	12
5.	Human resources	11
6.	Supply chain	3
7.	Facilities management	2
8.	Knowledge process outsourcing	3
9.	Insurance	1
10.	Marketing	1
11.	Translation services	1
	Total	87

descriptive theory. Figure 1, which extracts robust and consistent findings on the determinants of the BPO Decisions and BPO Outcomes, is based on the best evidence we have to date. Figure 1 is a good starting point for building a BPO theory because it is based on data and data are at the foundation of any good theory development (Strauss and Corbin, 1997; Glaser and Strauss, 1999; Christensen, 2006). We would argue that, especially in the last 10 years, BPO empirical studies have collected enough data to begin to develop and test theories derived from looking at the phenomena we wish to explain, and that utilizing theory from outside ITO and BPO needs to be done much more critically and with much more regard to the weight of these findings than has occurred in the past. This is an argument we have made in detail with regard to the use of TCE in ITO studies (Karimi Alaghehband *et al.*, 2011; Lacity *et al.*, 2011), where TCE use emerged as somewhat problematic; the opportunity here is to build on the rich work we have collated here and develop and test an endogenous theory for BPO, which can also direct practitioners toward effective and ineffective practices.

Research Cul de Sac

Thus far, we have focused on the BPO research review findings that were replicated at least five times and produced consistent findings in terms of positively or negatively affecting BPO decisions or BPO outcomes. We have also suggested areas for future BPO research. In this section, we discuss what might be called research 'dead ends.' These are findings that have been repeatedly examined and found to have no significant affects on BPO decisions or BPO outcomes. After repeated examinations, sometimes researchers may not find patterns because there are simply no patterns to find. In this BPO review, five variables were examined at least five times and consistently found no significant relationship. These five variables are Asset Specificity, Industry, Client Age, Contract Duration, and Supplier Size.

Asset specificity and BPO outcomes

Are there any attributes of business processes that are more likely to achieve positive BPO outcomes? Only one independent variable – Asset Specificity – was examined at least five times. Of the five times it was examined, three times (60%) no relationship was found between Asset Specificity and BPO Outcomes, and on two occasions higher values of Asset Specificity were positively related to BPO outcomes. For example, Gainey and Klaas (2003) found that highly idiosyncratic training was not associated with higher values of client satisfaction (one type of BPO outcome), but it was associated with higher values of trust (another type of BPO outcome). *We note the mixed findings for Asset Specificity in the BPO literature are repeated in the ITO literature as well.* In Lacity *et al.* (2010), Asset Specificity was examined six times as a determinant of ITO Outcomes; three times it was insignificant and three times it was negatively associated with ITO outcomes (e.g., Kim and Chung, 2003). More recently, a review of 33 relationships between Asset Specificity and ITO found that only 36% of findings supported TCE logic (Lacity *et al.*, 2011). This is an

interesting finding pertaining specifically to TCE as applied to BPO and ITO. The finding on the lack of significance of Asset Specificity was also evident in three reviews of the ITO literature (Lacity *et al.*, 2010; Karimi Alaghehband *et al.*, 2011; Lacity *et al.*, 2011). Because Asset Specificity is the leading independent variable in TCE, we are cautious to suggest abandoning the study of this variable altogether. We refer readers to an in-depth debate on Asset Specificity and other TCE variable appropriation in the ITO context in Karimi Alaghehband *et al.* (2011) and Lacity *et al.* (2011). In that debate, numerous explanations about the mixed findings on Asset Specificity were discussed, including faulty measures, violations of TCE assumptions, the idiosyncrasies of IT, and higher predictive powers of variables from other theories.

Contract duration

This variable was studied six times, and four times it was not significantly associated with BPO outcomes (e.g., Sia *et al.*, 2008); one time a study found that longer contracts had better BPO outcomes (e.g. Willcocks *et al.*, 2004), and one study found that shorter-term contracts had better BPO outcomes in offshore contracts (e.g. Lee and Kim, 2010). In the ITO literature review, Contract Duration was examined seven times but produced mixed results (Lacity *et al.*, 2010). The preponderance of the ITO evidence (57%) found that shorter contracts were associated with better ITO Outcomes (e.g., Currie, 1998; Baldwin *et al.*, 2001). But two findings from Domberger *et al.* (2000) found that longer-term contracts were associated with better outcomes. *On the basis of the BPO and ITO review, the most important Contractual Governance variable was Contract Detail, not the duration of the contract.*

Client firm – industry and client age

In general, the broad category Client Firm Characteristics seeks to answer the broad question: Which types of clients are more likely to achieve positive BPO outcomes? Two independent variables – Industry and Client Age – were examined five or more times and consistently produced insignificant results. *The age of the client organization and the industry for which that client organization belonged did not significantly affect BPO outcomes.* Client Age has been studied five times and three times it was not significantly related to BPO outcomes (e.g., Mani *et al.*, 2010), one time it was negatively related to BPO outcomes (e.g., Grimpe and Kaiser, 2010), and one time it was positively related to BPO outcomes (e.g. Nieto and Rodríguez, 2011). Industry was always measured as a categorical variable and of the 10 times it was examined, Industry was an insignificant determinant of BPO outcomes six times (e.g. Gewald and Gellrich, 2007).

Supplier size

The broad category Supplier Firm Characteristics seeks to answer the question: Which types of suppliers are more likely to achieve positive BPO outcomes? Clients report that some small suppliers perform quite well, as do some large suppliers. In Appendix C, only Supplier Size has been examined at least five times. Supplier Size has been studied five times and three times it was not significantly related to BPO outcomes (e.g., Nadkarni and Herrmann, 2010), one

time it was negatively related to BPO outcomes (e.g., Rajeev and Vani, 2009), and one time it was positively related to BPO outcomes (e.g. Lahiri and Kedia, 2009). *No size pattern is evident, perhaps because there is simply no pattern to uncover.* Lacity *et al.* (2011) also address the issue of Supplier Size. They argue that managerial practices such as standardization, centralization, technology enablement (like self-service portals), and tight controls contribute more to positive outsourcing outcomes than size. Overall, we would not advise BPO researchers to spend many resources investigating the relationship of Industry, Client Age, Contract Duration, and Supplier Size to BPO outcomes.

Discussion

As noted in the introduction, academic research on ITO is more mature than academic research on BPO. ITO researchers published 45 empirical, peer-reviewed ITO articles before the year 2000 (Lacity *et al.*, 2010) compared to one article on BPO in the same time period. During the last 4 years, the pace of publication in ITO and BPO research is equal, with about 15 empirical journal papers published in each stream each year. As of this review, the preponderance of evidence from both streams is producing largely consistent results pertaining to the categories of independent variables that affect outsourcing decisions and outsourcing outcomes. Both empirical literatures identified the same broad categories of independent variables affecting outsourcing decisions: Motivations to Outsource, Transaction Attributes, and Client Firm Characteristics. Both research streams identified common categories that affect outsourcing outcomes: Relational Governance, Contractual Governance, Country Characteristics, Supplier Capabilities, Client Capabilities, and Decisions.

Are findings similar because BPO researchers are mimicking ITO research or because the phenomena are similar? We believe the latter. We think the similarities across these two research streams attest to the robustness of these findings across different back offices. Regardless of what client firms are outsourcing – information technology, human resources, finance, and accounting – the motivations for outsourcing are largely driven by costs, the desire to access supplier skills and expertise, and an overall strategy to focus on core capabilities. Client organizations are less likely to outsource functions that are critical to their businesses. Once outsourcing decisions have been made, the same enablers of success apply: sound contracts, strong relational governance, and complementary client and supplier capabilities.

We suspect that similarities in ITO and BPO research is based on the commonality of phenomena and not research mimicry because the streams seem to have been conducted rather independently of one another as evidenced by publication outlet. For example, the ITO research review included studies in 67 journals (Lacity *et al.*, 2011) and the BPO research reviews included studies published in 50 journals. There were only 13 journals that published both ITO and BPO studies (*Academy of Management Journal, Decision Sciences, European Journal of Information Systems, Industrial Management & Data Systems, Industrial Marketing Management, Information & Management, Information Systems Frontiers, Information Systems Management,*

International Journal of Information Management, Journal of Information Technology, Journal of Information Technology Case and Application Research, Journal of Operations Management, and MIS Quarterly). A more rigorous assessment of the possible influence of ITO research on BPO research (and vice versa) would require a citation analysis of each research stream, which we leave for future research.

The main consequence of the relative immaturity of BPO to ITO research is that the BPO review identified fewer determinants of decisions and outcomes than the ITO review. Because ITO researchers have been doing research longer than BPO researchers, ITO researchers have replicated more findings. In this paper, we have argued that both streams of research would actually benefit if mimicry was increased. Because ITO research is more mature than BPO research, we have mostly identified how ITO research can inform BPO research. We pointed to a number of ITO variables that might be studied more in BPO research, including influence sources, uncertainty, measurement difficulty, and top management support. BPO researchers have not yet studied these independent variables as frequently as ITO researchers have studied them. Once BPO researchers do, it will be interesting to see which independent variables will be added to Figure 1.

We do also think that BPO research can inform ITO research. In particular, one interesting difference emerged. ITO research found that clients firms in poor financial positions were more likely to outsource information technology (e.g. Loh and Venkatraman in 1992; Mojsilovic *et al.* in 2007) whereas BPO researchers found that healthy client firms were more likely to pursue BPO (e.g. Dunbar and Phillips, 2001). The difference might be because large-scale ITO decisions are more likely than BPO decisions to involve the sale and transfer of expensive assets, and thus ITO may be a better way to raise cash than BPO. But there may be a different reason: the difference might be attributed to the dates of the studies. The ITO findings on prior firm performance are based on nine studies before 2007 whereas the five BPO studies on prior client firm performance were conducted between 2006 and 2010. ITO researchers might revisit this variable – perhaps the more current BPO research finding also applies now to ITO.

Limitations of research

All research has limitations, and we therefore recognize the following limitations of this review. First, we cannot guarantee that we found every empirical BPO article published in a refereed journal. We apologize in advance if we have missed any important work by colleagues. Second, we recognize that we could have made errors in coding. When we verified codes with a sample of the original authors, we did need to change one relationship from an 'M' to a '+ 1' and we dropped four findings because authors did not want their measures abstracted to a higher level. These indicate that our codes are not perfect. We do believe, however, the preponderance of the 615 findings is reliable because three people independently coded the results and also because a sample of authors confirmed findings. Third, the relationships in both models only capture direct effects, not interactive effects or dynamic effects. There were simply



not enough replications to add these promising additions to the models. Fourth, the review method is not as statistically rigorous as a meta-analysis. We were keen to include the rich base of qualitative research. We did not want to eliminate 36 of the 87 papers.

Conclusion

Our review of the empirical BPO literature aimed to answer three major questions: What has the empirical academic literature found about BPO decisions and outcomes? How do BPO findings compare with ITO empirical research? What are the gaps in knowledge to consider in future BPO research?

On the determinants of BPO decisions, we establish consistent evidence as to what motivates BPO decisions. Clients outsource business processes to reduce costs, to focus on core capabilities other than the business processes chosen for outsourcing, and to inject client firms with supplier resources such as skills and expertise to improve client's business process performance, scalability, and delivery speed. Concerning transaction attributes, we have good evidence that clients are less likely to outsource business processes that have high levels of complexity or criticality. On the determinants of BPO outcomes, overall we can establish that both contractual and relational governance are important, that both clients and suppliers need strong complementary capabilities to make relationships successful, and cultural distance between clients and suppliers hurt performance.

We compared and contrasted BPO research findings with ITO research findings. We found that ITO and BPO research have produced mostly consistent results. Both ITO and BPO research found that motives for outsourcing, transaction attributes, and client firm characteristics affect outsourcing decisions. Both research streams also found that relational governance, contractual governance, country characteristics, supplier capabilities, and client capabilities affect outsourcing outcomes. The main differences between the research streams occurred at the level of specific individual variables within each broad category.

Despite the rich body of existing BPO research reviewed, the field continues to rapidly evolve and therefore remains a rich field of inquiry. We have suggested areas of future research based on under-studied, yet promising variables from both the BPO and ITO reviews. We summarized gaps identified by other authors and emerging trends in practice that may warrant further study. We also discussed how BPO researchers can develop theories endogenous to the BPO context. In all, we establish there are at least nine new major areas for BPO research, as well as continuous, updating work that needs to be done in the extant research areas, given the dynamism of and accelerating growth in this increasingly important phenomenon across sectors and geographies. Much has been accomplished, yet so much remains to be done.

Notes

- 1 http://www.strategy-business.com/media/file/Outsourcing_for_Virtuosos-webinar.pdf
- 2 Similarly, '(00)' or '(0)' indicate multiple tests of an independent variable which found no significant relationships 80% or more

times for '(00)' or 60–80% more times for '(0)'. For example, in Appendix C, the independent variable Industry was examined 10 times as a determinant of BPO Outcomes, but it was found insignificant six times and is thus indicated as a '0'. Relationships that were repeatedly found to be insignificant were not included in Figure 1, but we do write about them in the Discussion section.

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Appendix A

Master codes

1. *Absorptive capacity – Client*: A client organization's ability to scan, acquire, assimilate, and exploit valuable knowledge (e.g., Grimpe and Kaiser, 2010; Reitzig and Wagner, 2010).
2. *Absorptive capacity – Supplier*: A supplier organization's ability to scan, acquire, assimilate, and exploit valuable knowledge (e.g., Luo et al., 2010).
3. *Access to expertise/skills*: A client organization's desire or need to access supplier skills/expertise (e.g., Currie et al., 2008; Lam and Chua, 2009).
4. *Access to global markets*: A client organization's desire or need to gain access to global markets by outsourcing to suppliers in those markets (e.g., Van Gorp et al., 2007).
5. *Adaptability*: The extent to which a party is able to adapt a business process to meet changes in the environment (e.g., Sia et al., 2008).
6. *Asset specificity*: The degree to which an asset can be redeployed to alternative uses and by alternative users without sacrifice of productive value (Williamson, 1976; Sia et al., 2008).
7. *Business process management capability – Client*: The ability of a client organization to efficiently and effectively manage a business process using in-house resources (e.g., McIvor et al., 2009).
8. *Business process management capability – Supplier*: The ability of a supplier organization to efficiently and effectively manage a business process (e.g. Saxena and Bharadwaj, 2009).
9. *Business process performance improvement*: A client organization's desire or need to engage a supplier to help improve a client's business, processes, or capabilities (e.g., Gewald and Dibbern, 2009).
10. *Business strategic type*: An organization's strategy to address three fundamental business problems – entrepreneurial, engineering, and administrative. Categorized under the Miles and Snow typology as Defenders, Prospectors, Analyzers, and Reactors (Miles and Snow, 1978; Shih et al., 2005; Kenyon and Meixell, 2011).
11. *Career development of employees*: A client organization's desire or need to provide better career opportunities for employees (e.g., Lacity et al., 2004).
12. *Centralization of department*: The degree to which the department's decision-making is concentrated within a particular group or location (e.g., Delmotte and Sels, 2008).
13. *CEO personality*: The attributes of a CEO's personality, including conscientiousness, emotional stability, agreeableness, extraversion, and openness to experience (e.g., Nadkarni and Herrmann, 2010).
14. *Change catalyst*: A client organization's desire or need to use outsourcing to bring about large scale changes in the organization (e.g., Gospel and Sako, 2010).
15. *Change management capability*: The extent to which a client organization effectively manages change (e.g., Lacity et al., 2004).
16. *City size*: The size of a city in which a client or supplier is located (e.g., Rajeev and Vani, 2009).
17. *Client age*: The age of a client organization in years (e.g., Delmotte and Sels, 2008).
18. *Client dependency*: The degree to which a supplier depends on a client (e.g., Gainey and Klaas, 2003).
19. *Client experience with outsourcing*: A client organization's level of experience with outsourcing or offshoring (e.g., Mani et al., 2010).
20. *Client experience with multiple governance modes*: A client organization's level of experience with multiple governance modes, such as captive centers, offshore outsourcing, etc. (e.g., Hutzschenreuter et al., 2011).
21. *Client management capability*: The extent to which a supplier organization is able to effectively manage client relationships (e.g., Howells et al., 2008).
22. *Client outsourcing readiness*: The extent to which a client organization is prepared to engage an outsourcing supplier by having realistic expectations and a clear understanding of internal costs and services compared to outsourced costs and services (e.g., McIvor et al., 2009).
23. *Client size*: The size of a client organization usually measured as total assets, sales, and/or number of employees (e.g., Wahrenburg et al., 2006).
24. *Client/supplier alignment*: The degree to which client and supplier incentives, motives, interests, and or goals are aligned (e.g., Sen and Shiel, 2006).
25. *Client-specific knowledge required*: The degree to which a unit of work requires a significant amount of understanding/knowledge about unique client systems, processes, or procedures (e.g., McKenna and Walker, 2008).
26. *Client-supplier interface design*: The planned structure on where, when, and how client and supplier

- employees work, interact, and communicate (e.g., Sen and Shiel, 2006).
27. *Coalition*: A strategy in which an agent enlists the aid or endorsement of other people to influence a target to do what the agent wants (e.g., Bignoux, 2011).
 28. *Commitment*: The degree to which partners pledge to continue the relationship (e.g., Levina and Su, 2008).
 29. *Communication*: The degree to which parties are willing to openly discuss their expectations, directions for the future, their capabilities, and/or their strengths and weaknesses (e.g., Gainey and Klaas, 2003).
 30. *Concern for security/intellectual property*: A client organization's concerns about security of information, transborder data flow issues, and protection of intellectual property (e.g., Wüllenweber et al., 2008a, b).
 31. *Concern for regulatory requirements*: A client organization's concerns about complying with regulations (e.g. Howells et al., 2008).
 32. *Configurational approach* – The client firm matches multiple factors in configurations that maximize their chances of BPO success. For example, matching strategic intent with contractual governance, matching transaction attributes with contractual governance (e.g., Sen and Shiel, 2006; Saxena and Bharadwaj, 2009).
 33. *Conflict resolution*: The degree to which clients and suppliers quickly, fairly, and meaningfully resolve disputes (e.g., Wüllenweber et al., 2008a, b).
 34. *Contract detail*: The number or degree of detailed clauses in the outsourcing contract, such as clauses that specify prices, service levels, key process indicators, benchmarking, warranties, and penalties for non-performance (e.g., Luo et al., 2010; Handley and Benton, 2009).
 35. *Contract duration*: The duration of the contract in terms of time (e.g., Willcocks et al., 2004).
 36. *Contract flexibility*: The degree to which a contract specifies contingencies and enables parties to change contractual terms (e.g., Sia et al., 2008).
 37. *Contract management capability*: The extent to which a client organization is able to effectively manage contracts with suppliers, including the ability to track service levels and verify invoices (e.g., Sanders et al., 2007).
 38. *Contract size*: The size of the outsourcing contract usually measured as the total value of the contract in monetary terms (e.g., Gewald and Gellrich, 2007).
 39. *Control mechanisms*: Certain means or devices a controller uses to promote desired behavior by the controlee (e.g., Daityari et al., 2008).
 40. *Convenience*: A client organization's desire to select a sourcing option based on ease of use, convenience, and less frustration (e.g., McKenna and Walker, 2008).
 41. *Cooperation*: The degree to which client and supplier employees are willing to work together in common pursuit (e.g., Wüllenweber et al., 2008a and b).
 42. *Corporate social responsibility capability-supplier* – A supplier organization's ability to behave in a socially responsible way, such as promoting environmental responsibility and promoting fair labor practices (e.g., Brown, 2008).
 43. *Cost reduction*: A client organization's need or desire to use outsourcing to reduce or control costs (e.g., Borman, 2006).
 44. *Country: Business attractiveness*: The degree to which a country is attractive to BPO clients because of favorable business environmental factors such as economic stability, political stability, cultural compatibility, infrastructure quality, security of IP (e.g., Doh et al., 2009; Malos, 2010).
 45. *Country: Financial attractiveness*: The degree to which a country is attractive to BPO clients because of favorable financial factors such as labor costs, taxes, regulatory, and other costs (e.g. Doh et al., 2009; Malos, 2010).
 46. *Country: Human resource attractiveness*: The degree to which a country is attractive to BPO clients because of favorable people skills and availability factors such as size of labor pool, education, language skills, experience, and attrition rates (e.g. Mehta et al., 2006; Malos, 2010).
 47. *Country*: The nationality of the client or supplier organization (e.g., Reitzig and Wagner, 2010).
 48. *Critical role of business process – Organization*: The degree to which a client organization views the business process as a critical enabler of business success (e.g., Klaas et al., 2001; Wahrenburg et al., 2006).
 49. *Cultural distance*: The extent to which the members of two distinct groups (such as client and supplier organizations) differ on one or more cultural dimensions (e.g., Mehta et al., 2006).
 50. *Cultural distance management*: The extent to which client and supplier organizations understand, accept, and adapt to cultural differences (e.g., Tate et al., 2009).
 51. *Culture*: Shared values, beliefs, practices, and assumptions that characterize a group (e.g., Rajeev and Vani, 2009).
 52. *Delivery capability*: A supplier's ability to deliver a contracted service on time, on budget, and with agreed upon service quality (e.g., Howells et al., 2008).
 53. *Department performance*: CXO's, CEO's, or organizational members' perceptions of the function's performance or competence (e.g., Klaas et al., 2001).
 54. *Department power*: The level of influence of the department on the organization (e.g., Dunbar and Phillips, 2001).
 55. *Department size*: The size of a department usually measured as total department budget, number of functions, and/or number of employees (e.g., Calantone and Stanko, 2007)
 56. *Domain understanding*: The extent to which a supplier has prior experience and/or understanding of the client organization's business and technical contexts, processes, practices, and requirements (e.g., Luo et al., 2010).
 57. *Effective knowledge sharing*: The degree to which clients and suppliers are successful in sharing and transferring knowledge (e.g., Mahmoodzadeh et al., 2009).
 58. *Environmental capability* – The use of physical space for branding services and motivating staff (e.g., Budhwar et al., 2006).
 59. *Evaluation process*: The client organization's process for evaluating and selecting suppliers (e.g., Handley and Benton 2009).

60. *Exchange*: A strategy in which an agent explicitly or implicitly offers to provide a favor or benefit to a target in return for doing what the agent requests (e.g., Bignoux, 2011).
61. *External production cost advantage*: The degree to which a supplier is perceived to have an advantage over a client organization in production cost economies (e.g., Williamson, 1991; Rajeev and Vani, 2009).
62. *Fear of losing control*: A client organization's concerns that outsourcing may result in loss of control over IT (e.g., Lewin and Peeters, 2006; Sanders et al., 2007).
63. *Flexibility enablement*: A client organization's desire or need to outsource to increase the flexibility of the use and allocation of resources (e.g., Tate and Ellram, 2009).
64. *Focus on core capabilities*: A client organization's desire or need to outsource in order to focus on its core capabilities (e.g., Carey et al., 2006; Gewald and Dibbern, 2009).
65. *Geographic distance*: The physical distance between two locations (e.g., Doh et al., 2009).
66. *Human resource management capability – Client*: A client organization's ability to identify, acquire, develop, retain, and deploy human resources to achieve its organizational objectives (e.g., Klaas et al., 2001).
67. *Human resource management capability – Supplier*: A supplier organization's ability to identify, acquire, develop, retain, and deploy human resources to achieve both supplier's and client's organizational objectives (e.g., Kuruvilla and Ranganathan, 2010).
68. *Industry*: The primary industry classification of a client organization; Common classifications include service vs manufacturing, private vs public, banking vs others, etc. (e.g., Bardhan et al., 2007; Mani et al., 2010).
69. *Industry growth*: The increase or decrease in the size of an outsourcing market (e.g., Budhwar et al., 2006).
70. *Influences – External and internal*: The combination of external media, supplier pressure, and internal communications at the personal level among managers of companies (e.g., Borman, 2006; Lewin and Peeters, 2006).
71. *Influences – Mimetic*: Influences that arise from the perception that peer organizations are more successful; by modeling themselves based on peer organizations, the mimicking organization aims to achieve similar results (e.g., Klaas et al., 2001).
72. *Influences – Normative*: Influences arising from norms of professionalism, including formal education and professional and trade associations (e.g., Borman, 2006).
73. *Influences – Coercive*: Influences that result from both formal and informal pressures exerted on an organization by other organizations upon which they are dependent (e.g., DiMaggio and Powell, 1991; Bignoux, 2011).
74. *Innovation*: A client organization's desire or need to use outsourcing as an engine for innovation (e.g., Ciravegna and Maielli, 2011).
75. *Innovation effects*: The extent to which outsourcing positively effects client's innovation, such as the effects on the number of patents filed or granted (e.g., Grimpe and Kaiser, 2010).
76. *Key performance indicators*: A set of measures to assess performance (e.g., De Toni et al., 2007; Mahmoodzadeh et al., 2009).
77. *Knowledge required*: The degree to which a unit of work requires a significant amount of understanding/knowledge about unique, specialized, or advanced content (e.g., Lam and Chua, 2009).
78. *Learning curve effects*: The degree to which clients and or suppliers learn from their experiences (e.g., Daityari et al., 2008).
79. *Legal and political uncertainties*: The extent to which a country's legal and political environments are uncertain, unstable, or unfamiliar (e.g., Currie et al., 2008; Penfold, 2009).
80. *Length of relationship*: The number of years a client and a supplier organization has worked together (e.g., Gainey and Klaas, 2003).
81. *Loss of control*: The degree to which a client loses control over a business process after outsourcing (e.g., Sanders et al., 2007).
82. *Measurement difficulty*: The degree of difficulty in measuring performance of exchange partners in circumstances of joint effort, soft outcomes, and/or ambiguous links between effort and performance (e.g., Tate and Ellram, 2009).
83. *Middle management commitment/support*: The extent to which middle managers provide leadership, support, and commitment to outsourcing (e.g., Levina and Su, 2008).
84. *Modifiability*: 'The ability in outsourcing to allow alteration of service attributes to address changing business requirements' (e.g., Sia et al., 2008).
85. *Mutual understanding*: Degree of understanding of behaviors, goals, and policies between partners (e.g., Sen and Shiel, 2006).
86. *Opportunism*: 'Self-interest seeking with guile' or 'Making of false or empty, that is self-disbelieved, threats and promises' (Williamson, 1976, 1991; Tate and Ellram, 2009).
87. *Outsourcing decision – Degree of outsourcing*: The amount of outsourcing as indicated by percentage of budget outsourced and/or type and number of business processes outsourced (e.g., Gilley et al., 2004; Salimath et al., 2008).
88. *Outsourcing decision – Intention*: The extent to which a client organization intends to increase the use of outsourcing in the future (e.g., Bandyopadhyay and Hall, 2009).
89. *Outsourcing decision – Offshore*: A client organization's decision to engage an offshore supplier (e.g., Ficarek et al., 2008; Lee and Kim, 2010).
90. *Outsourcing decision – Offshore-country*: A client's decision to select this country as an offshore outsourcing destination; a country's location attractiveness to BPO clients in other countries (e.g., Malos, 2010).
91. *Outsourcing decision – Make-or-buy*: The fundamental make-or-buy decision (e.g., Williamson, 1991) in which a client organization decides to keep a business process in-house or decides to engage an outsourcing supplier, measured as a binary variable (e.g., Lee and Kim, 2010).

92. *Outsourcing decision – Multisourcing*: A client organization's decision to engage multiple BPO suppliers (e.g., Sia et al., 2008).
93. *Outsourcing decision – Renewal*: The client's decision to extend or renew an existing outsourcing contract (e.g., Bharadwaj et al., 2010).
94. *Outsourcing decision – Supplier selection*: A client organization's reason(s) for selecting a particular supplier (e.g., Howells et al., 2008).
95. *Outsourcing outcomes – Organizational business performance – Client*: The degree to which a client organization achieved organizational-level business performance improvements as a result of an outsourcing decision, such as stock price performance, return on assets, expenses, or profits (e.g., Reitzig and Wagner, 2010).
96. *Outsourcing outcomes – Organizational business performance – Supplier*: The degree to which a supplier organization achieved organizational-level business performance improvements as a result of an outsourcing decision, such as stock price performance, return on assets, expenses, or profits (e.g., Rajeev and Vani, 2009).
97. *Outsourcing outcomes – Process performance improvements*: The degree to which a client organization reports business process improvements as a consequence of outsourcing, such as reports of costs savings realized or better quality of services (e.g., Mani et al., 2010).
98. *Outsourcing outcomes – Process performance improvements – Offshore*: The degree to which a client organization reports business process improvements as a consequence of outsourcing, such as reports of costs savings realized or better quality of services (e.g., Levina and Su, 2008).
99. *Outsourcing outcomes – Success*: A client organization's general perceptions of success and satisfaction with outsourcing (e.g., Sia et al., 2008).
100. *Outsourcing outcomes – Success – Offshore*: A client organization's general perceptions of success and satisfaction with offshore outsourcing (e.g., Vivek et al., 2008).
101. *Partnership view*: A client organization's consideration of suppliers as trusted partners rather than as opportunistic vendors (e.g., Willcocks et al., 2004; Sen and Shiel, 2006).
102. *Persistence of expectations*: 'The tendency for prior beliefs and expectations to persevere, even in the face of new data or when the data that generated those beliefs are no longer valid' (e.g., Lewin and Peeters, 2006).
103. *Political reasons/influences*: A client stakeholder's desire or need to use an outsourcing decision to promote personal agendas (e.g., Maelah et al., 2010).
104. *Prior client/supplier working relationship*: The situation in which the client and supplier organizations have worked together in the past (e.g., Mani et al., 2010).
105. *Prior firm performance – Client*: Client firm performance usually measured as net profits, return on assets, expenses, earnings per share, number of patents, and/or stock price prior to an outsourcing decision (e.g., Dunbar and Phillips, 2001; Gilley et al., 2004).
106. *Prior firm performance – Supplier*: Supplier firm performance usually measured as net profits, return on assets, expenses, earnings per share, and/or stock price prior to an outsourcing decision. (e.g., Gewalt and Gellrich, 2007; Nadkarni and Herrmann, 2010).
107. *Proactive sensemaking*: The extent to which executives proactively create awareness and understanding in situations of high complexity or uncertainty in order to make decisions (e.g., Sia et al., 2008).
108. *Process complexity*: The degree to which a task requires compound steps, the control of many variables, and/or where cause and effect are subtle and dynamic (e.g., Ventovuori and Lehtonen, 2006; Penfold, 2009).
109. *Process integration*: The degree to which clients and suppliers are able to integrate processes (e.g. Sen and Shiel, 2006).
110. *Process interdependence*: The level of integration and coupling among tasks; processes that are highly integrated are tightly coupled and difficult to detach (e.g., Sanders et al., 2007).
111. *Process interoperability*: The extent to which a business process can operate on many supplier platforms (e.g., Sia et al., 2008).
112. *Process standardization*: The degree to which a process is standard (e.g., Tate and Ellram, 2009).
113. *Public perceptions of outsourcing*: The degree to which the public has a negative perception of outsourcing or offshoring (e.g., Sen and Shiel, 2006).
114. *Public awareness*: The degree to which there is publicly available information about outsourcing or offshoring (e.g., Hutzschenreuter et al., 2011).
115. *R&D spend*: The amount of money an organization spends on R&D (e.g., Calantone and Stanko, 2007; Grimpe and Kaiser, 2010).
116. *Rapid delivery*: A client organization's desire or need to engage in outsourcing in order to speed up delivery (e.g., Bandyopadhyay and Hall, 2009; Lam and Chua, 2009).
117. *Relational governance*: The unwritten, worker-based mechanisms designed to influence inter-organizational behavior (Macneil, 1980; e.g., Kim, 2008).
118. *Relationship quality*: The quality of the relationship between a client and supplier (e.g., Sia et al., 2008; Saxena and Bharadwaj, 2009).
119. *Relationship-specific investment*: Specific investments made over time, which discourage opportunism, reinforce signals of the client firms, and create extendedness of the relationships (e.g., Tate and Ellram, 2009).
120. *Risk management capability – Client*: A client organization's practice of identifying, rating, and mitigating potential risks associated with outsourcing (e.g., Borman, 2006).
121. *Risk management capability – Supplier*: A supplier organization's practice of identifying, rating, and mitigating potential risks associated with outsourcing (e.g., Borman, 2006).
122. *Risk* – The extent to which a transaction exposes clients to a chance of loss or damage (e.g., Wüllenweber et al., 2008a, b).
123. *Scalability*: The ability to scale volume of service up or down based on demand (e.g., Currie et al., 2008; Redondo-Cano and Canet-Giner, 2010).

124. *Security, privacy, and confidentiality capability – Supplier*: The proven ability of a supplier to protect client data through investments in technology, training, process controls, audits, and other management practices (e.g., Sen and Shiel, 2006).
125. *Senior leadership*: The extent to which the senior executives of an organization are effective leaders (e.g., Lacity *et al.*, 2004).
126. *Service quality*: The quality of a service, frequently measured as a client's perception of a satisfactory service performance by the supplier (e.g., Lewin and Peeters, 2006).
127. *Social capital: Cognitive dimension*: Social capital arising from the sharing representations, interpretations, and systems of meaning among parties (Nahapiet and Ghoshal, 1998; e.g., Willcocks *et al.*, 2004).
128. *Social capital: Relational dimension*: Social capital arising from personal relationships people have developed with each other through a history of interactions (Nahapiet and Ghoshal, 1998; e.g., Willcocks *et al.*, 2004).
129. *Social capital: Structural dimension*: Social capital arising from the patterns of linkages between people or units including network ties, network configuration, and network appropriability (Nahapiet and Ghoshal, 1998; e.g., Willcocks *et al.*, 2004).
130. *Social norms*: *An individual's perceptions of the social pressures put on him or her to perform or not to perform the behavior in question.*' (Ajzen and Fishbein, 1980; e.g., Raman *et al.*, 2007).
131. *Sourcing capability – Supplier*: Expertise in procurement and the ability to leverage aggregate purchasing power (e.g., Lacity *et al.*, 2004).
132. *Stakeholder buy-in*: Gaining commitment and support from all parties involved in outsourcing related decisions (e.g., Tate and Ellram, 2009).
133. *Stakeholder resistance*: The degree to which stakeholders oppose an outsourcing decision (e.g., Ventovuori and Lehtonen, 2006).
134. *Strategic flexibility*: An organization's ability to precipitate strategic changes and adapt to substantial, uncertain, and rapidly occurring environmental changes (e.g., Nadkarni and Herrmann, 2010).
135. *Strategic intent*: A client organization's desire or need to outsource for strategic reasons, such as developing new capabilities that can be leveraged in the marketplace (e.g., Sanders *et al.*, 2007).
136. *Subcontracting*: The practice when the primary supplier engages another supplier for contracted work, either with or without the client's knowledge or approval (e.g., Kuruvilla and Ranganathan, 2010; Luo *et al.*, 2010).
137. *Supplier age*: The age of a supplier firm in years (e.g., Lahiri and Kedia, 2009).
138. *Supplier business growth*: A supplier increases revenues by extending services to existing clients, obtaining new clients, or through mergers and acquisitions (e.g., Saxena and Bharadwaj, 2009).
139. *Supplier competition*: The presence of multiple, reputable, and trustworthy service providers, which can provide a range of choices for the clients (e.g., Levina and Su).
140. *Supplier dependency*: The degree to which a client depends on a supplier (e.g., Borman, 2006).
141. *Supplier employee performance*: The client's perception of the performance of individual supplier employees (e.g., Daityari *et al.*, 2008; Lam and Chua, 2009).
142. *Supplier employee turnover*: The percentage of the workers that are replaced in a given time period (e.g., Budhwar *et al.*, 2006).
143. *Supplier management capability*: The extent to which a client organization is able to effectively manage outsourcing suppliers (e.g., Sanders *et al.*, 2007).
144. *Supplier ownership*: The supplier's ownership structure; private, public, jointly owned with primary client (e.g., Kuruvilla and Ranganathan, 2010).
145. *Supplier reputation*: The public's perception of a supplier's capabilities based on past performance and financial status (e.g., Gewald and Gellrich, 2007).
146. *Supplier size*: The size of a supplier organization usually measured as total assets, sales, and/or number of employees (e.g., Nadkarni and Herrmann, 2010).
147. *Switching costs*: The costs incurred when a client organization changes from one supplier or marketplace to another (e.g., Wahrenburg *et al.*, 2006).
148. *Task structure*: The degree of clarity and structure pertaining to tasks (e.g., Daityari *et al.*, 2008).
149. *Technical and methodological capability – Client*: A client organization's level of maturity in terms of technical or process related standards, and best practices such as component reuse (e.g., Bardhan *et al.*, 2007).
150. *Technical and methodological capability – Supplier*: A supplier organization's level of maturity in terms of technical or process related and best practices such as component reuse (e.g., Sia *et al.*, 2008; Bharadwaj and Saxena, 2009).
151. *Time zone differences*: The difference in local times between two locations as measured in hours (e.g., Mehta *et al.*, 2006).
152. *Top management commitment/support*: The extent to which senior executives provide leadership, support, and commitment to outsourcing (e.g., Tate and Ellram, 2009).
153. *Training*: The nature or extent of supplier employee training by either the client or supplier organization (e.g., Raman *et al.*, 2007; Malik, 2009).
154. *Transaction costs*: The effort, time, and costs incurred in searching, creating, negotiating, monitoring, and enforcing a service contract between buyers and suppliers (Williamson, 1991; e.g., Levina and Su, 2008).
155. *Transaction frequency*: The number of times a client organization initiates a transaction, typically categorized as either occasional or frequent (e.g., Wahrenburg *et al.*, 2006).
156. *Transaction size*: The size of a transaction in terms of dollar value or effort (e.g., Luo *et al.*, 2010).
157. *Transition management capability – Client*: The extent to which a client organization effectively transitions services to outsourcing suppliers or integrates client services with supplier services (e.g., Luo *et al.*, 2010).

158. *Transition management capability – Supplier*: The extent to which a supplier organization effectively transitions services from a client organization to the supplier or integrates client services with supplier services (e.g., Saxena and Bharadwaj, 2009).
159. *Trust*: The confidence in the other party's benevolence (e.g., Gainey and Klaas, 2003).
160. *Uncertainty*: The degree of unpredictability or volatility of future states as it relates to the definition of requirements, emerging technologies, and/or environmental factors (Williamson, 1991; e.g., Mani *et al.*, 2010).
161. *Upward appeals*: The tactic of invoking the authority and power of higher management; for example suppliers may bypass client liaisons by appealing to client management (e.g., Bignoux, 2011).
162. *Virtual teaming*: The extent to which the service provider and the client perceive and behave as part of the same team (e.g., Saxena and Bharadwaj, 2009).



Appendix B

Email template to authors to verify codes

Dear [AUTHOR],
 We hope this email finds you well. We coded the entire body of empirical (both quantitative and qualitative) Business Process Outsourcing literature from 1996 to 2011. To ensure the accuracy of our codes, we are randomly selecting a subset of the 87 articles we coded for review by authors. You were selected! We are hoping that you will validate how we coded some or all of the relationships in your paper:

[STUDY REFERENCE]

We have a master coding list of over 160 variables used in BPO research. We mapped the variables you used in your paper to our master coding list so we could more easily summarize findings across studies. We were hoping you would indicate the extent to which you think our coding of your study is reasonable.

We also coded the findings between independent and dependent variables. The coding scheme assigns four possible values to the relationship between independent and dependent variables: ‘+1,’ ‘-1,’ ‘0,’ and ‘M.’ We coded a ‘+1’ for positive relationships, ‘-1’ for negative relationships, an ‘M’ for a relationship mattered, and ‘0’ for relationships that were studied but not empirically significant. A more thorough explanation of the codes is included below.

Below you will find what we have coded for your paper at a high level and the relevant descriptions of our master variables below the table. Please tell us the extent to which you agree with our coding for each of the findings from your study listed in the table. Please use the 7-point Likert Scale on the right hand column of the table.

Your checks will go long way toward our initiative and will be much appreciated. Please don’t hesitate to contact us if you have questions. We are hoping you will be able to respond within 1 week’s time.

Thank you!

Our descriptions of our master variable names: [HERE DESCRIPTIONS OF RELEVANT INDEPENDENT AND DEPENDENT VARIABLES FOR A STUDY WERE PROVIDED] (see Table B1).

[Explanation of codes followed]

Table B1 Coding table, descriptions of variables, and detailed explanation (if needed) of coding scheme follow

<i>STUDY: [STUDY REFERENCE]</i>						<i>YOUR OPINION ABOUT HOW WE CODED YOUR STUDY</i>						
						<i>[OUR NAMES] reasonably coded the findings from my study:</i>						
						<i>[Please type in a number based on the scale below]</i>						
#	<i>IV as in your study</i>	<i>We coded your IV as:</i>	<i>REL.</i>	<i>DV as in your study</i>	<i>We coded your DV as:</i>	<i>Strongly disagree</i>			<i>Strongly agree</i>			
						1	2	3	4	5	6	7
1				[]			
2				[]			
3				[]			

Appendix C

This appendix shows the relationships between independent variables and the three categories of dependent variables (BPO Decisions, BPO Outcomes, Miscellaneous). For each relationship, a '1' indicates a positive and significant relationship; '-1' indicates a negative and significant relationship; '0' indicates a not-significant relationship; 'M' indicates the independent variable mattered when operationalized as a categorical variable (see Table 3 for detailed explanations). The relationships that were examined at least five times are boxed. The relationships that were examined at least five times and met the criteria for consistent results as described in the text are marked with '++', '+', '---', '+-', and '0'.

Table C1 Relationships between independent variables and BPO decisions and BPO outcomes

CATEGORY Independent variable	BPO decisions					BPO outcomes					Misc. variables					Total frequency
	0	1	-1	M	TOT	0	1	-1	M	TOT	0	1	-1	M	TOT	
<i>Motivation to outsource</i>																
Cost reduction	1	24		1	<u>26++</u>	1				1					1	27
Access to expertise/skills	1	9			<u>10++</u>											10
Focus on core capabilities	1	8			<u>9++</u>	1				1						10
Business process performance improvements		9			<u>9++</u>											9
Scalability		5	1		<u>6++</u>			2		2						8
Concern for security/intellectual property		5	5		<u>5--</u>			1		1						6
Rapid delivery		5			<u>5++</u>											5
Fear of losing control		4	4		4											4
Career development of employees		1	1		2							1			1	3
Flexibility enablement		3	3		3											3
Innovation		2	2		2			1		1						3
Access to global markets		1	1		2											2
Change catalyst		2	2		2											2
Concern for regulatory requirements		2	2		2											2
Political reasons/influences		2	2		2											2
Strategic intent		2	2		2											2
Alignment of back office and business strategy			1		1					1					1	1
Convenience		1	1		1											1
Technical reasons	1				1											1
<i>Motivation to outsource total</i>	4	71	14	4	93	2	4	1	1	7					1	101
<i>Transaction attributes</i>																
Critical role of business process-organization	2	2	8	1	<u>13--</u>			1	2	3						16
Process complexity		4	4	1	<u>5--</u>			1	1	2			2		3	10
Asset specificity	1	1	2		4	3	1	1	1	<u>5(0)</u>						9
Uncertainty	1	2	1		4	1	1	1	1	3			1		1	8
Process standardization		4	3		4	4	3	3	3	3						7
Risk			3		3			2	3	3			1		4	6
Training								2	3	2			1	3	4	6
Adaptability				1	1		3		3	3						4
Client-specific knowledge required			2		2	2			2	2						4
Process integration		1			1	3		3	3	3						4
Transaction costs	1	1	1	1	3			1	1	1						4

Table C1 Continued

CATEGORY	BPO decisions				BPO outcomes				Misc. variables				Total frequency		
	0	1	-1	M	TOT	0	1	-1	M	TOT	0	1		-1	M
<i>Independent variable</i>															
Social capital-relational dimension						1					1				1
Social capital-structural dimension						1					1				1
Social norms														1	1
Virtual teaming											1				1
<i>Relational governance total</i>		3		2	5	6	41	6	4	58				1	64
<i>BPO decision</i>															
Outsourcing decision – Make-or-Buy						6	10	2		18					18
Configurational approach		1		2	3				9	11(MM)					14
Outsourcing decision – Degree of outsourcing						6	5	1		12					12
Outsourcing decision – Multisourcing						3	4	1		8					8
Outsourcing decision – Offshore	1				1	1	3	1		5+					6
<i>BPO decision total</i>	1	1		2	4	10	25	9	10	54					58
<i>Supplier firm capabilities</i>															
HR management capability – Supplier		1			1		6			6++		2	4		13
Technical and methodological capability – Supplier	1	2			3	3	4			7		1			11
Business process management capability – Supplier	1	2			3	1	2			3					6
Client management capability		1			1	2	2			2					3
Security, privacy and confidentiality capability – Supplier		1			1	1	1			2					3
Environmental capability						1	1			1		1			2
Sourcing capability – Supplier	1				1	1	1			1					2
Supplier employee performance				1	1	1	1			1					2
Absorptive capacity – Supplier															1
Corporate social responsibility capability – Supplier		1			1										1
Delivery capability		1			1										1
Domain understanding		1			1										1
Relationship management capability – Supplier											1				1
Transition management capability – Supplier											1				1
<i>ITO decision total</i>	3	10	1	1	15	5	19	1	25	25	3	5		8	48
<i>Country characteristics</i>															
Cultural distance			4		4	4	1	5		6--					10
Country – Financial attractiveness		4			4	2	1		3						7
Country – HR attractiveness		2		1	3	1	1		1		1				5
Geographic distance			4		4										4
Country			2	2	2			1	1						3
Country – Business attractiveness	1	1	2		3										3
Legal and political uncertainties							1		1			1			3
Time zone differences											1				1
City size											1				1
<i>Country characteristics total</i>	1	7	10	4	22	2	4	5	2	13	3	1		4	39

<i>Contractual governance</i>											
Contract detail										1	13
Contract duration											6
Key performance indicators											4
Contract flexibility											3
Contract size											3
Control mechanisms											3
<i>Contractual governance total</i>										1	32
<i>Client firm capabilities</i>											
Business process management capability – Client	2	1	3	1	4						8
Supplier management capability		1	1	5							6
Absorptive capacity – Client		2	1	3							4
Client outsourcing readiness		2	2	1	1						3
Proactive sensemaking			2	2							2
Technical and methodological capability – Client		1	1	1							2
Change management capability				1							1
Contract management capability				1							1
HR management capability – Client				1							1
Relationship management capability – Client				1							1
Risk management capability – Client				1							1
Transition management capability – Client										1	1
<i>Client firm capabilities total</i>	2	4	1	1	8	2	17	3			31
<i>Supplier firm characteristics</i>											
Supplier size											5
Prior firm performance – Supplier											4
Supplier employee turnover		1	1	2							4
Supplier age				2	1						3
Supplier ownership								1		1	2
Senior leadership											1
Supplier business growth											1
Supplier reputation											1
<i>Supplier firm characteristics total</i>	1	1	1	8	6	4	1	1	19	1	21
<i>Decision characteristics</i>											
Evaluation process		1	2	1	1						5
Stakeholder buy-in		1	1	3							4
Stakeholder resistance	1		3	4							4
Top management commitment/support		1	1	2							3
Middle management commitment/support				1	1						1
<i>Decision characteristics total</i>	1	3	3	1	8	1	5	2	1	9	17
<i>Influence sources</i>											
Influences – External and internal		3									3
Influences – Mimetic	1	1	2								2
Coalition								1			1
Influences – Coercive								1			1
Influences – Normative		1	1								1
Upward appeals											1
<i>Influence sources total</i>	1	5	6	2	1	3					9

Table C1 Continued

CATEGORY Independent variable	BPO decisions				BPO outcomes				Misc. variables				Total frequency		
	0	1	-1	M	TOT	0	1	-1	M	TOT	0	1		-1	M
<i>BPO outcomes</i>															
Service quality		3			3		1			1					4
Learning curve effects				1	1										1
Outsourcing outcomes – Process performance improvements		1			1										1
Outsourcing outcomes – Process performance improvements – Offshore						1				1					1
Outsourcing outcomes – Success		1			1										1
<i>BPO outcomes total</i>		5		1	6		1		1	2					8
<i>Environment</i>															
Supplier competition		3			3		1		1	2					5
Public awareness							2			2					2
Public perception of outsourcing				1	1										1
<i>Environment total</i>		3		1	4		3		1	4					8

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