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

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AHMAD ALWAHDANI

Abstract~~BSTRACT~~

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This study develops a framework that shows the impact of the trust and reciprocity components on knowledge sharing and IT outsourcing projects. The focus of this study is to find the specific strengths (reciprocity) and trust factors within the IT domain, which can help enhance the level and quality of the knowledge transferred from vendors to clients. This study also investigates the importance of having skilled resources at the client side besides the ~~The study sets out to study the trust and reciprocity components that have an obvious impact on the knowledge exchange in IT outsourcing project. The research main goal is to develop a framework that shows the impact of trust and reciprocity components on the Knowledge sharing and IT outsourcing project success. IT Outsourcing is the endeavor of a company to expedite achievement of its goals by handing over of all or a part of IT services to a vendor (Cheon et al., 1995). O~~outsourcing of contracts and ensuring ~~vendor~~ good intentions for vendors~~will not be enough to achieve the outsourcing targets~~.

This study adopts a social exchange theory perspective. The conceptual model has been developed based on Wong and Cheung's (2005) trust categories (Partners' performance, Partners' permeability, Relational bonding, and System-based trust) and Cohen and Bradford's (1989) exchange currencies (Task-related currencies, Position-related currencies, Relationship-related currencies, and Personal-related currencies) ~~as a base to develop the study conceptual model~~.

The ~~author~~ researcher applied a single case study qualitative approach to ~~handle~~ manage the identified workplace problem (WPP) combined with a core action research methodology for at least three action research cycles. ~~The researcher collected the d~~Data was collected using two types of interviews: semi-structured and focus group interviews (Easterby-Smith et al., 2012) and (Saunders et al., 2009). The researcher used Computer Aided Qualitative Data Analysis Software (CAQDAS) to analyze the collected qualitative data.

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~~With the help of~~Using action research, interviews, observations, and participants' feedback, the main factors ~~that can~~ affecting trust and reciprocity were identified. ~~Throughout this study, the focus was to find the specific strengths (reciprocity) and trust factors within IT domain that can help in enhancing the level and quality of transferred knowledge from vendors to client.~~ Four factors were found to have significantly contributed to reciprocity: well-designed contract, client capability, operation readiness, and client-vendor relationship. Four elements were found to have a significant impact on building mutual trust between the client and the vendor: well-designed contract, vendor capability, transparency, and communication.

The study found that two factors ~~can~~could assist in increasing the level of trust and the vendor strengths during ~~the~~ IT outsourcing: ~~Those two assisting factors are~~ external consultant support (contract negotiation phase) and top management support (contract implementation phase).

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The main contribution of the study is the conclusion that both reciprocity and trust must be combined to have effective knowledge transfer. Trust and reciprocity ~~are not one single factor; both~~ are ~~two~~one~~e~~ main categor~~ies~~y ~~that has~~with their own subcategories.

2.2.4 Client – Vendor Relationship

The relationship between outsourcing companies and vendors ~~is~~ has been extensively covered in ~~existing~~ literature. ~~(~~Goo et al.~~,~~ (2008~~.~~)~~, (Goo et al.,~~ 2009~~.) and (Goo,~~ 2010) covered the impact of Service Level Agreement (SLA) on outsourcing. All these studies tried to construct a structural SLA framework, which covers both relational governance and formal contracts. Commitment and trust ~~and~~ are necessary for successful outsourcing. Th~~is~~e stud~~y~~ies identif~~ies~~y three sets of characteristics:

(i)~~1~~ Foundation (process ownership~~;~~ and ~~level~~ service-level contents and objectives).

(ii)~~2~~ Governance (enforcement and communication plans~~;~~ and conflict arbitration charters and measurement~~-~~), and

~~3~~(iii) Change (feedback~~.;~~ demand management~~.;~~ change~~.;~~ and innovation plans).

Each project can have its unique set~~s~~ of the ~~above~~se characteristics based on the project target ~~of the project~~. In reality, SLA is one of the main parts of the outsourcing project, ~~and~~ but the design is not sufficiently ~~little~~ emphasi~~z~~sed ~~is put on its design~~. In most cases, SLAs are based on shared practice for the same industry. Barthelemy (2003) concluded that outsourcing success depends on two pillars: the contract (hard side) and mutual trust (soft side). A~~The~~ proper combination of the hard and soft sides will determine the success of outsourcing. Th~~is~~e researcher found that the client can meet outsourcing objectives and achieve the highest level of satisfaction when both the hard side and the soft side are strong~~.;~~ that is~~i.e.~~, there is a well-designed contract and a high level of mutual trust between parties.

Vendor's Adequate Competency is the main factor that increases the client's trust in their vendors during the project life cycle. In the words of ~~<~~Interviewee #3~~.>~~ "All big companies tr~~y~~ies to keep a good level of trust." This competency can be measured by the vendor's years of experience in the market, the vendor's organization size~~,~~ and financial position, and the vendor's available resources. Speaking about the background and company size of vendors, ~~<~~Interviewee #11 stated, ~~>~~ "~~Vendor background and company Size: so s~~Some big vendor~~s~~ will have a predefined process and procedure that will apply to any project. ~~i~~In my opinion, dealing with

this type of vendor is the best choice." -Vendor reputation based on available references is another trust-enhancing factor, and may be the only available factor before signing the outsourcing contract. <Interviewee #18> -noted, "It is always a good idea to talk with an organization that already has the product in use."- <Interviewee #12> felt that "Vvendor reputation and the availability of onsite capable resources can increase this level of trust." <Interviewee #14> noted that "bBefore signing the contract, "vendor history in the market and references is the only way to trust the vendor and based on this give him the contract." The Vvendor's daily performance is tangible evidence that can increase the client's trust level. <Interviewee#16> Speaking about the trust-level of the vendor, Interviewee #16 said, "Wwe depend on daily vendor performance in fulfilling our requirement as the only way to increase our trust level of the vendor." According to <Interviewee #7> "The deliverable of the vendor, quality of deliverable, time of delivery, and meeting deadlines—. Aall [these] will be of added value or the main factor of evaluating the vendor."

Bibliography

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