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The Other Side of the Story: Using Psychological Contracts to Intensify Outsourcing Relationships

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The context of the research

- The SEC Service Consortium
 - High quality services and the reduction of the the price list
 - Trust-based relationship with the customer (banking houses)
- The Psychological Contract as an integration of the legal contract
 - Perception of implicit and mutual obligations
 - Equivalence in the value of psychological and contractual obligations
 - The importance of individual (not organizational) level of analysis
 - each worker is involved and participates actively in the psychological contract.



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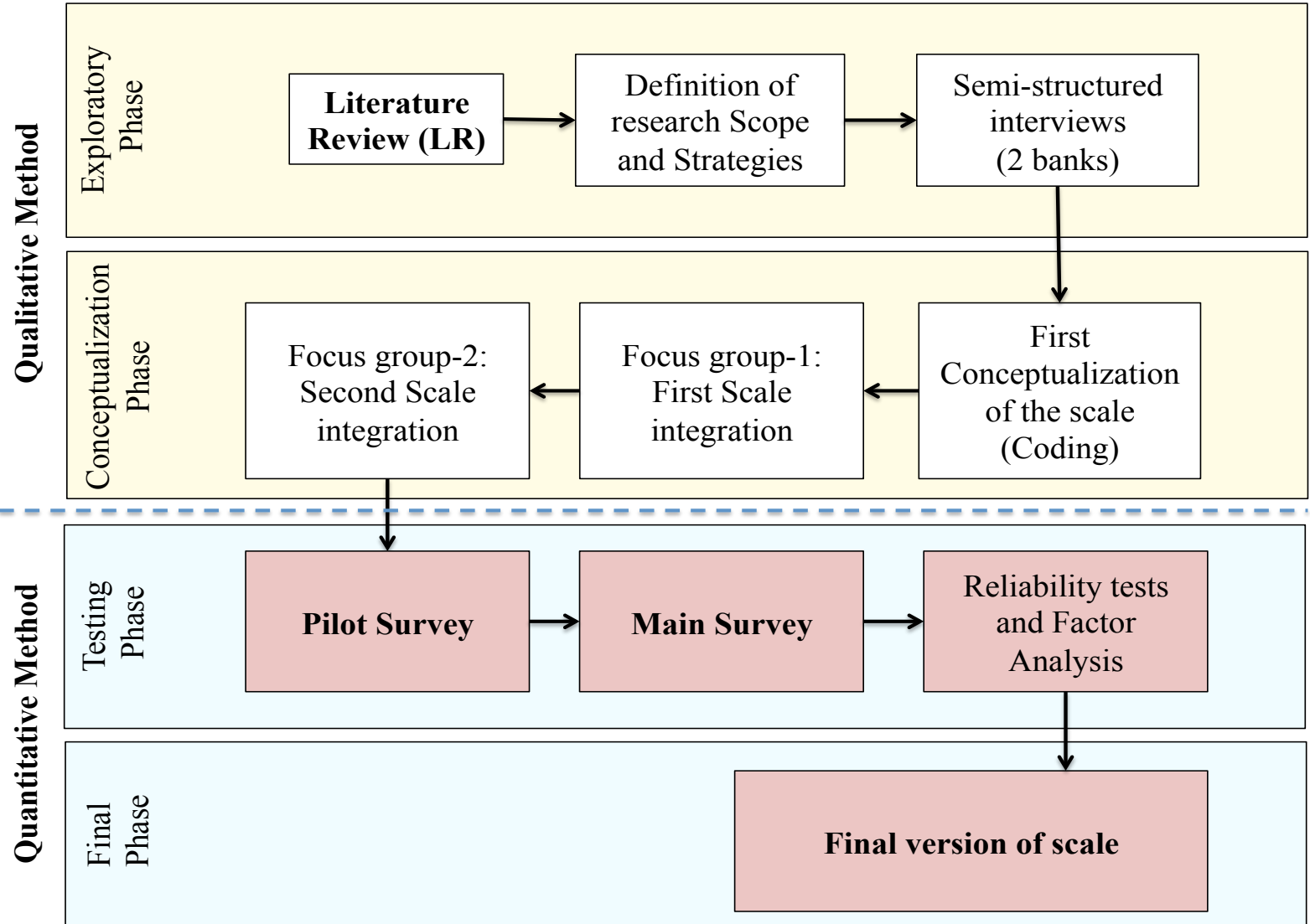
The research questions

RQ1: What mutual obligations constitute a psychological contract in an outsourcing relationship?

RQ2: What effects do these obligation have on success and therefore on improved relationships with clients?



Future steps





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Literature Review and questionnaire

Questions	Bibliographical references
What is your role inside the bank? What are your functions?	
What do you think about the actual condition of outsourcing in the bank context? Is it developed or is it just at the beginning? What is the role of CIO in relation to outsourcing?	
What kind of relationship do you have with your suppliers? Is this true for all of them, or do you manage different relationships in relation to different suppliers?	<i>Kern, Willcocks, 2000</i>
What are, in your opinion, the mutual obligations that client and supplier have to respect in a post-contractual phase? What are, in your opinion, the key points for a successful relationship between client and supplier?	<i>Koh, et al., 2004</i>
How much are you involved in the choice of outsourcer in relation to the outsourcing project? What are your contributions?	<i>Koh, et al., 2004</i>
What is the role of relationship factors as communication, control, information sharing, integration between client and supplier in the outsourcing?	<i>Koh, et al., 2004</i>
Which is the role of trust between client and supplier?	<i>Kern, Willcocks, 2000</i>
How do you manage the role division?	<i>Koh, et al., 2004</i>



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Literature Review and questionnaire

In your opinion, what are the key factors that make easier (or that enable) the strategic development of the relationship with the supplier?	
Can you tell us about circumstances in which you have taken part or that you have witnessed where the client-supplier relationship has had success as a strategic factor for business? What is your opinion about this experience? In your opinion, what have been the determinant factors for success? Can you tell us about circumstances in which you have taken part or that you have witnessed where the client-supplier relationship has failed as a strategic factor for business? What is your opinion about this experience? In your opinion, what have been the determinant factors for failure?	<i>Koh, et al., 2004</i>
What have been the emerged problems (it there have been) in the management of this kind of relationship?	<i>Koh, et al., 2004</i>
Has the relationship between client and supplier evolved during the passing of years? If it has, can you tell why and how?	<i>Kern, Willcocks, 2000</i>
Which perspectives can you see in the future regarding the relationship you already have with your supplier? And why?	



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Semi-structured interviews

- We analyzed 2 banks and SEC:
 - 1 large bank is on the board of directors of SEC
 - 1 large bank is only a customer of SEC
- We interviewed (6 interviews):
 - 2 CIO (banks)
 - 2 Organizational Development Manager (banks)
 - CEO and Deputy Manager (SEC)
- Each interview lasted more than an hour
- Almost 40 pages



- To analyze the collected interview data, we proceeded with the definition of codes, that is, the keywords selected to execute the analysis through Atlas.ti

Codes	Presence of effects	Absence of effects	Value
	(+)	(-)	
Involvement in decisions	X		16
		X	6
Cooperation	X		19
		X	5
Knowledge sharing	X		10
		X	6
Strategy sharing	X		20
		X	9
Evolution of client-provider relationship	X		11
		X	5
Impact of client's business knowledge	X		12
		X	0
Partnership	X		14
		X	2
Communication quality	X		15
		X	6
Quality/value of relationship with provider	X		14
		X	2
Trustworthy relationship	X		12
		X	1
Timetable respect	X		10
		X	5
Added value of objective/request clarity	X		12
		X	6
Strategy innovation value	X		11
		X	2



MEMO	DESCRIPTION
Limited post-sales support	SEC does not provide manuals or information to explain how the program works, what its application is, and so forth.
Standard basic services supply	Banking houses commit to SEC only for basic services. Personalized services for differentiation are managed in-house or committed only to outsourcing for specialized companies.
The consortium does not differentiate banking houses	See previous description.
Double innovation, outsourcer–outsourcee	Banking houses and even SEC are susceptible to innovation.
Relationship longevity with the outsourcer	Outsourcers must be trustworthy and solid enough to remain on the market for a long time.
No priority list	It is necessary to create a priority list of projects, to develop the most critical ones for banking houses.
Need for portal	Portals could provide immediate, homogeneous answers to members' needs.
Need for a stronger consortium needed	The consortium strategies should be better planned, leading to a stronger, more consistent consortium in which even the CIO is part of the board of members.
Improve project management	Projects should be better managed and keep the same development team in all the involved banking houses (roll-out)



- Model with 2 variables + moderator variables
 - **Variable Y (dependent variable):** Measure of the improvement of SEC services
 - **Variable X (independent variable):** Levers that can improve the trust-based relationship. In this case, we investigate how the relationships of behaviors by SEC and the banking houses and by SEC and providers might encourage improvements in the partnership relationship and eventually the psychological contract
 - **Variable M (Moderator):** Variable that potentially moderates the obtained results, including
 - M1: User involvement during the initial phase of the project, which should facilitate knowledge sharing among partners
 - M2: The presence of users in the initial phase of the project, which should increase the chances of project success
 - M3: A flexible contract, which is fundamental if the market evolves or clients' needs change.



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Research Hypothesis to be tested

H1: The sharing of information facilitates the improvement of the services offered by SEC to its own client SEC.

H2: The co-operation between bank users and SEC workers has a positive impact on the level of service offered by SEC.

H3: The high involvement of users in the various phases of the project has a positive effect on the services offered by SEC.

H4: Training bank users in terms of knowledge about the new products/services provided by SEC has a positive effect on the services offered by SEC.

H5: The willingness to offer e-learning services about current product/services has a positive effect in the quality improvement of the relationship between SEC and users.

H6: The trust between client and supplier is of vital importance for the quality improvement of the relationship (in this case, trust indicates the reliability of the partners and, therefore, the respect of the legal contract).

H7: Having in-depth knowledge of the client's business and also understanding and anticipating its needs have a positive effect on the outsourcing relationship.

H8: The monitoring of the services provided by SEC facilitates the improvement in the quality service.

H9: The clarity of the client's requests enhances the success of the outsourcing relationship.

H10: A formalized communication system among users, the bank and SEC increases the success of the outsourcing relationship.

H11: Excellent relationships among partners facilitate innovation in terms of new products/services provided by SEC.



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Conclusions

- The case study reiterates the results obtained through literature review and also provides new research cues
 - Isolation of some new elements on which SEC should intervene
- New conceptualization of the relationship between outsourcer and outsourcee
 - Wider outsourcing concept based on mutual obligations, the importance of communication, close connection with clients, efforts to anticipate bank' s need

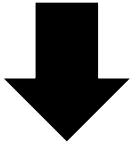


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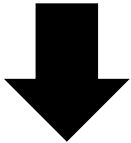


Next steps

- We will deliver a pilot survey
- Pilot survey analysis → Clarity of the questions, Reliability, Validity, etc.



- Final Survey → Reliability, Validity, FA, ...



- Final scale

