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THE FORGOTTEN STAKEHOLDERS:

FORMING TEAMS IN AN OUTSOURCED IT ENVIRONMENT

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Abstract

Organisations have outsourced their IT functions primarily to reduce costs or to become more competitive. These outsourcing agreements are typically subject to intensive negotiation between the potential supplier group and the organisation's Finance Group. Rarely is the wider community of organisation stakeholders consulted, either before or during the negotiation and selection phase. This community of 'forgotten stakeholders' is often the group most affected by the outsourcing arrangements. They are the employees who will be transferred to the supplier, offered redundancies or become the 'survivors' – the ones left behind. This period of uncertainty leaves the forgotten stakeholders feeling anxious or guilty, often severely affecting their productivity and attitudes to work as the individual experiences alienation resulting from inadequate consultation and change management practices.

The paper outlines some of the reasons for outsourcing IT, and describes the risks to the organisation of inadequate preparation and negotiation of contracts. It also outlines ways to ensure a more successful outsourcing relationship between client and supplier. In addressing alternatives to outsourcing, the paper identifies the importance of trust and commitment in relationships between organisations, between organisations and their employees, and between employees – particularly those in teams. Without the establishment of trust and commitment between the individual team members, they will never grow into high-performing teams.

Two models of team formation are investigated, the first being the 35 year-old Tuckman Model describing a gradual progression through 'forming', 'storming', 'norming' and 'performing'. (Tuckman 1975) At the other end of the spectrum is the 'punctuated equilibrium' model of Gersick, which proposes that, as in nature, teams forge stronger relationships only after a cataclysmic event such as severe interpersonal conflict, major schedule slips or any other major event of project life. Under this model, the leadership requirements will be different. (Gersick 1988) If the Gersick model best reflects projects in today's environment, there will need to be a major paradigm shift in how Project Managers form multi-vendor, multi-skill teams and lead them to successfully deliver the IT solution. The Research Proposal identifies research that can be conducted to try to better understand how teams form in the outsourced IT environment.

Keywords

Outsourcing, Human Resource Management, Stakeholder Management, Team Formation, Leadership, Alienation

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Introduction

Companies have entered into outsourcing arrangements for many reasons: to reduce costs, to become more competitive or more efficient. Over the last three years there have been reports on these outsourcing ventures ranging from great success to miserable failure. Learning from the mistakes of earlier outsourcing ventures, new process are being developed which will reduced the negative impact and increase the positive impact.

Commercial organisations are driven to seek solutions to improve on shareholder value. Cost reduction, HR change management programs, outsourcing and attempts to change the environment to a more commercialised one are all part of an organisation's armoury in the quest for favourable Stock Exchange results. Government organisations outsource for cost efficiencies.

Their Finance and Accounting group and the Vendor Management Group invest a great deal of time and effort in negotiating strong contracts that focus on ensuring costs are driven down. These groups will appear to have saved their organisation significant costs and be consequently rewarded. Staff in other areas of the organisation are not so fortunate – these are the forgotten stakeholders. Outsourcing an organisation's support services will often add to the administration burden of the remaining staff as new procedures are introduced and 'rationalisation' reduces the number of staff that had previously provided support in this area. In the world of IT, further burdens are added to the workload of the Project Manager. These burdens include additional administration tasks, difficulty of obtaining staff for technical acceptance activities and finally, the challenge of building a high-performing multi-vendor, multi-functional team.

After an organisation outsources some or all of its IT functions, issues for the Project Manager include:

- Forming a team that includes those who are left behind after their peers have moved to the supplier organisation – the 'survivors'.
- Forming a team from team members not selected by the Project Manager
- Forming a team from members supplied from many vendors with different contractual agreements and different skills and backgrounds
- Working within the constraints of these contractual agreements

In addressing the question of outsourcing IT in large organisations and the consequences for the forgotten stakeholders a number of areas need to be discussed:

- Outsourcing, strategic partnerships and strategic alliances
- The impact of outsourcing on Stakeholders and
- Forming a team for optimal Project performance.

Outsourcing

Outsourcing is defined as: "the procurement of products or services from sources that are external to the organisation. For services, this usually involves the transfer of operational control to the suppliers."(Lankford and Parsa 1999).

Outsourcing agreements can range from full outsourcing, where the vendor is in charge of all activities in a major division of the Business to selective outsourcing, where the vendor provides services for activities such as payroll or cleaning. The whole of the organisation is not devolved as it would be if a Government organisation is privatised.

In 1996 a study, *New Directions in Finance: Strategic Outsourcing*, reported a "clear trend in the use of outsourcing as a competitive tool rather than just as simple means of cost control." In 1999, the most widely outsourced activities were legal work at 59%, Information systems at 36% and production and manufacturing at 31%, with 26% of all companies outsourcing at least one financial function. (Lankford and Parsa 1999) At the same time, some authors were beginning to question the value of outsourcing for cost reduction alone - the "outsourcing myth".(Lee 1996)

By 2000, in Australia, The Humphry Review of *Whole of government Information Technology Outsourcing* looks back on the "hope and naiveté of the early 1990s". With the tools of research by such groups as Gartner and Meta and lessons learned from within Government, and other large organisations such as Banks, utilities and other service organisations, the Humphry Review was able to report from the basis of a better understanding of benefits and risks of IT outsourcing.(Humphry 2000)

By 2002, the Australian Financial Review reports on the mix of success and failure encountered by large organisations that have outsourced.(Lawson 2002a) What many of these journal or newspaper articles or reports have in common though, is what needs to be done to ensure that outsourcing IT is, or will be, successful.

I will discuss the benefits and risks of outsourcing IT and strategies for more effective implementation of outsourcing in another part of this paper. But first it is important to understand the reasons behind an organisation's decision to outsource some or all of its IT functions.

Why have Governments and large organisations outsourced?

Changes in the competitive market, rapid technological change, globalisation, greater emphasis on core competencies, increased risk and the search for flexibility have been the drivers for Governments and large organisations to search for a solution through outsourcing. (Journal of Management Development 2000), (Zhu *et al.* 2001) Global competitive pressures have forced companies to focus on 'core' competencies and specialisation. (Domberger 1998)

The most successful outsourcing relationships have been with support services where operational control has been transferred to the suppliers – catering, cleaning, payroll, legal work, and financial functions. Less successful outsourced relationships involve Information Technology, especially where the focus was more on reducing costs and less on development and management of the contractual arrangements and the client/supplier relationship. (Lankford and Parsa 1999)

There are two major reasons for outsourcing IT:

- Scale economies
- Strategic sourcing (Journal of Management Development 2000)

Scale Economics

As early as 1991, 100 key companies surveyed by the Boston Consulting Group indicated that the main business driver was for savings on overheads or short-term cost savings. (Boston Consulting Group 1991) Until the 1990s, "the major drivers for outsourcing IT were primarily cost-effective access to specialised or occasionally need computing power or system development skills, avoidance of building in-house IT skills and skill sets in small or low-technology organisations, and access to special functional capabilities.(2000), (Zhu *et al.* 2001) For these drivers there is always a trade-off between the reduced costs of technology and its exploitation and the increased costs of monitoring the output of the supplier. Decisions to outsource are often an Accounting or Finance Department decision, part of a concerted approach for low-cost solutions; the strategic element is often ignored in

these decisions. (Fill and Visser 2000) Outsourcing to deliver any benefits must become a managerial, not an operational or finance issue.(Zhu *et al.* 2001)
Other cost related drivers are:

- Reducing company costs by reducing employee numbers
- Reducing company costs through expected efficiencies offered by vendors
- Avoiding expensive rebuilds or upgrades of obsolete technology or infrastructure

Strategic Sourcing

An organisation's competitive strategy may need to include determination of what should be managed internally and when to apply "cost disciplines or find ways around difficult industrial relations disputes".(Domberger 1998) Firms use outsourcing to achieve one or more of three strategic intents:

- "Strategic improvement (cost reduction and enhancement of efficiency)
- Strategic business impact (improving contribution to companies' performance within existing lines of business)
- Strategic commercial exploitation (focus on levering technology-related assets)" (DiRomualdo and Gurbaxani 1998)

An Organisation's core competencies offer long-term competitive advantage (Prahalad and Hamel 1990), (Porter 1998), (Hamel and Prahalad 1994) and must not be outsourced. Hewlett-Packard's (HP) outsourcing ventures are considered to be one of the best examples of successful outsourcing. HP outsourced its minor components in a move to deliver new products more rapidly and efficiently. HP understood the need to retain control over external components, retaining responsibility for making the critical technologies and the technology for testing the equipment. It also invested heavily in managing the contractual agreement and its enforcement. For HP there has been a reduction in time to market while still protecting its competitive position. HP was successful because it outsourced small aspects of the supply chain while retaining control over the key processes.(Lonsdale and Cox 2000) The IBM PC, on the other hand, is an example of outsourcing that had a detrimental effect on the company. IBM, when developing the early PC, used Microsoft and Intel and other small companies to develop many of the major components. IBM was able to get this new product to market quickly, and was able to outstrip Apple, its main rival. In the longer term, this decision was disastrous for IBM. The IBM open architecture made it possible for competitors to produce IBM 'compatibles'. Intel and Microsoft then began to sell its products to IBM's competitors. IBM was unable to re-establish its place in the market, because it no longer had the necessary capabilities in-house to bring a PC to market. (Lankford and Parsa 1999), (Lonsdale and Cox 2000).

Outsourcing the 'problem'

There is a third driver for outsourcing. This third driver, the outsourcing of an organisational, technical or infrastructure 'problem', such as the organisation's inability to manage its own facilities, the need to completely retrain its staff, is a high-risk outsourcing strategy (Lankford and Parsa 1999). It will be discussed in another section of the paper.

Decisions to Outsource

Decisions to outsource should be made in the context of the following considerations:

- How it will impact company competitiveness
- Ability of the client organisation to return to in-house operations if necessary
- The services to be outsourced and the number of suppliers to be used
- The reputation of the supplier - reliability and quality of service, both technical and functional. Technical includes: meeting agreed response times in the resolution of defects or issues, error-free service and minimising system down time. Functional quality refers to the quality of customer service that the supplier provides.

- The ability of the supplier to continue to deliver the latest/advanced technology and expertise. The supplier must also have the ability and incentive to help the client organisation migrate to the appropriate technology
- The client organisation's ability (and willingness) to coordinate with the supplier and evaluate performance on a continuing basis. The needs of both organisations should be matched as closely as possible during the pre-contract negotiations. Ideally, both organisations should develop a shared vision (Behara *et al.* 1995),(Lankford and Parsa 1999)

Client-supplier relationships in the outsourced environment.

Once the decision to outsource has been made, it is essential to evaluate the performance of the supplier organisation in the context of achieving expected outcomes. The literature gives a less than positive view of outsourcing from the perspective of achievement of expected costs savings and customer satisfaction.

Cost Reduction

The expected savings (as calculated by the accounting department) are rarely achieved in full – in some cases some organisations may only break even, or even make a loss. Appendix 1 summarises the outsourcing experiences of some large Australian organisations. The Humphry Review states that although IT outsourcing contracts within the Australian Government achieved cost reduction, the benefits were never as high as expected. (Humphry 2000) Reduced cost benefits were the result of low vendor estimates, misunderstanding of the contracts or failure of the client organisation to manage the contracts adequately. (Kliem 1999) Poor outsourcing decisions such as selection of the wrong vendors, unclear client requirements, outsourcing the wrong functions for the wrong reasons will also prevent achievement of expected cost reduction.

It is important to ensure that support operations are only outsourced if it is cost effective to do so. Potential savings must be calculated in comparison to the cost of delivering world's best practice in-house. (Lankford and Parsa 1999).

Customer (client) Satisfaction

Areas of customer (client) dissatisfaction with the contractual document have been identified by client organisations relating to the underestimation of the time and the skills the client needed for management of outsourcing contracts, un-cooperative vendor behaviour, questions of ownership of data, facilities, Intellectual property. (Kliem 1999)

Many stakeholders are typically excluded from the outsourcing negotiations. Since they are highly specialised contracts, most organisations believe that contract negotiation is the sole domain of the legal department and vendor/contract management. In a survey carried out with 101 large UK and US organisations, only one responded positively to the question about stakeholder involvement. (Lacity and Willcocks 2000) Those who have to work within the restrictions of the contractual agreement - Project Managers and their team members, users of the systems managed through the Support agreements - have had little or no input. There is a high level of dissatisfaction from those who actually have to work within the outsource framework. As described later in this paper, the employees directly involved with outsourcing (whether retained with the client or transferred to the supplier) can adversely affect the process, through anxiety or fear or plain bloody-mindedness.

Risks to the client organisation

"The issue of outsourcing IT is also one of the most controversial, with many arguing that IT is not a support service and is in fact critical to the competitive position of many firms, and should definitely be retained in-house…It can lead to a dependency on suppliers, and should only be outsourced in parts. (Lonsdale and Cox 2000)

The risks of IT outsourcing to the Client have been reported as:

- The removal of core activities and loss of strategic flexibility
- A fall in employee morale (the 'survivors') – this will be discussed later in the paper.
- The loss of internal coherence as key personnel and key departments are transferred out (the 'hollow' corporation) – to be discussed later in this paper. The use of outside supply can lead to a situation where the loss of critical knowledge of processes and customers within the organisation through the loss of key employees will lead to the creation of potential competitors. In addition, a loss of employees with key competencies and critical skills may occur either through resignations due to reduced morale or through transfers to the vendor company. This leaves the organisation with no contingency if the outsourcing arrangement becomes unworkable. (Domberger 1998)
- Poor quality of service and interruptions to supply, when suppliers do not have the expected level of competency, or do not share the same priorities as their clients(Journal of Management Development 2000)Short term contracts, based on lowest bid 'winning' the contract can stifle incentive to innovate, especially if the contractor does not receive any benefit form the innovations. (Domberger 1998)
- Confidentiality, privacy and other legal issues, such as loss of intellectual property rights (Lonsdale and Cox 2000)

The Forgotten Stakeholders

Destruction of organisational coherence and organisational culture

The leaking (or loss) of key competencies and knowledge from the organisation can lead to a loss of internal coherence preventing cross-company working and result in a 'hollow corporation'. Gaps in the full set of functions and operational understanding of process or even the tacit understanding of the values and norms of "how things are (were) done around here" and loss of 'corporate memory' (Journal of Management Development 2000) mean that there is no full or clear view of how the organisation works or why. Essential skills and knowledge will be transferred to the supplier Organisation with the transfer of employees. (Domberger 1998)

Outsourcing leads to "a redefinition of organisational boundaries", resulting in social costs as well as financial costs. The new organisational environment, with the introduction of new skills and work practices and modification of individual incentives and employment terms for the employees transferred to the supplier organisation can produce positive or negative results. Those who have remained with the client organisation will experience anxiety or guilt with a high possibility of negative results, possibly even alienation of parts of this workforce. Alienation is linked to 'powerlessness', isolation and 'normlessness'.(Israel 1971) and is defined as: "The deep, and sometimes disturbing conviction that one is somehow psychologically alone in the world, surrounded, besieged by potentially hostile adversaries" and is characterised by an inability to trust other people. (Sinclair 1979) Change management programs may encourage transferred employees with technical knowledge and skills to view outsourcing as an opportunity for career development. Change programs must also be developed for the survivors to minimise the social cost resulting from this state of alienation.

Effects of 'downsizing' - outsourcing on employees

The effects of reducing staff numbers through the transfer to the vendor organisation, or through redundancies or redeployment must be carefully managed. The results are usually employee fear and resistance (Domberger 1998) (Kliem 1999)A recent Australian survey *The new rules of downsizing and retention study* has focussed on low morale among the 'survivors' of downsizing as a common problem. There is also guilt associated with "surviving this round". The effects on surviving staff are reported as:

- 63% of companies reported poor staff morale
- 50% reported reduced trust in management.
- 32% said remaining staff were less able to cope with stress in the workplace
- 22% experienced reduced productivity. (Yelland 2002)

Staff transferred to vendor organisations may view themselves as 'serfs' being sold off with the outsourced functions. (Journal of Management Development 2000) The Australian study specifically referred to "sagging morale" due to employees being "treated like a commodity". (Yelland 2002) Given that employees are important stakeholders in the organisation, this concept of transferring employees, without their total agreement is in direct discord with the concept of stakeholder management essential for a strong corporate culture. (Weaver and Bourne 2002),

It is also important to understand the nature of the changed relationships between employee and employer. The previously implicit "psychological contract held with employees concerning job security in exchange for 'loyalty' is changing if not destroyed" (Morrison 1994), (Moskal 1993). Table 1 shows the changes in the employer/employee relationship.

Table 1 Changing Social Contract (Journal of Management Development 2000), (Moskal 1993)

Old Social Contract	**New Social Contract**
Employment	Employability
Permanent Workforce	Externalised Workforce
Job security	Career resilience
Career structure within organisation, managed by employer	Career portfolio within market, employee's responsibility for assessing and designing their own careers
Organisation-resilient employees	Self-reliant employees
Union based bargaining	Individually based bargaining
Loyalty to employer	Loyalty to self and profession - specialisation
Commitment	Flexibility and performance
Limited availability of information to employees	Disclosure of information to employees
Employer assesses training needs and provides training and development.	Employer provides tools, open environment and the opportunities for assessing and developing skills Individuals empowered to hone, re-direct and expand their skills to stay competitive in the job market

It is not only the destruction of the social contract between employees and employers that is responsible for the disintegration of an organisation's corporate culture. An organisation's culture develops over time through formal and informal practices and interactions, rituals, myths, symbols, history, leadership. (Hampden-Turner and Trompenaars 2000), (Viney 1997), (Diamond and Allcorn 1984). When the cultural structure breaks down, employees will feel anxiety even if their own jobs are not in danger. (Allcorn 1995) These disruptions can "tear apart a whole value system". (Journal of Management Development 2000)

The phrase 'corporate survivors' syndrome' is often used to describe the manifestation of decreased management credibility, decreased employee morale, increased absenteeism and increased turnover often apparent after corporate restructuring."(Journal of Management Development 2000). This can lead to greater turnover of employees.(De Vries and Balazs 1997; Yelland 2002) The 'survivor syndrome' manifested through job insecurity will severely effect organisational effectiveness. In addition, employees with marketable skills are more likely to leave the organisation, thus leaving the organisation vulnerable through loss of corporate memory and reluctance of skilled employees to join the company.(De Vries and Balazs 1997), (Yelland 2002)

The conclusion of the foregoing analysis can be summarised:
- Companies are likely to experience deterioration in all aspects of performance as a result of outsourcing IT functions.
- The expected costs savings are rarely realised.
- The impacts of an organisation's decision to outsource must be assessed with regard to an objective assessment of its implications for competitive advantage as well as the social costs, that is the effects on employees.
- Planning is essential (Lawson 2002c) and tight contractual arrangements including dispute resolution strategies must be carefully executed (Lee 1996), (Jennings 2002), (Humphry 2000), (Fill and Visser 2000)

How to ensure best value is achieved through clearly defined Procurement strategies

Procurement defined

Procurement has been defined as: "a strategy to satisfy a client's development and/or operational needs with respect to the provision of realising project actualisation for a discrete lifecycle". (Davidson 1998) It is "about more than mere contractual arrangements but rather a design and choice of delivery method". (Rowlinson and McDermott 1999)

Procurement Issues for Outsourcing

Generally, outsourcing vendors do not share the same objectives or even profit motives of their outsourcing customers. Therefore it is absolutely essential that a tight contract is negotiated, as the most effective mechanism to ensure that the customer's expectations are met.(Fill and Visser 2000), (Humphry 2000), (Lee 1996)
The model suggested in the Humphry Review is based on Standards Australia Document 'HB240' is set out in Table 2 below:

Table 2 - The Process of Outsourcing **(Humphry 2000)**

<table>
<tr><td rowspan="5">Communicate and Consult</td><td>Strategic Analysis</td><td rowspan="5">Monitor and Review</td></tr>
<tr><td></td></tr>
<tr><td>Transitional/ Planning</td></tr>
<tr><td></td></tr>
<tr><td>Implementation</td></tr>
</table>

The three major areas of the process must be considered to be of equal importance:

Communication and Consultation

As has been discussed earlier in this paper, there are many stakeholders to an outsourcing decision – not just the contract/vendor management community. These other stakeholders are rarely consulted, but have valuable insights to contribute as well as being the people who must make the outsourced agreement work within the organisation. A formal communications plan must be developed and operated throughout the whole process even beyond the implementation of the agreement. "Cooperation and consultation and not coercion must be the order of the day." (Humphry 2000)

Strategic analysis, Planning and Implementation

Outsourcing must be considered as only one in a range of strategies to achieve the strategic aim or business objective. This also implies that the strategic aim or business objective has been clearly defined and articulated. Other aspects to consider are: anticipated costs and benefits, implications of the decision on service, management and organisational strategy, risks and the risk management strategy and impacts on the organisation including, employees, culture, customers. The outcome of this activity will be a business case and communications strategy that is the baseline for all further activities.

Transition-planning involves planning the move to the outsourced state, including contractual agreements that meet the "risk reward profile" of the original business case as well as a clear strategy regarding the employees, both those who will be transferred and those who will remain. Implementation will be mainly focussed on the classic change management processes, but needs to take into account the needs of the supplier.

Monitor and Review

Without a clearly thought out and executed management plan for outsourcing, the odds will be against its successful implementation. Equally important is the ongoing monitoring of the Service Level Agreements (SLA) and performance criteria, but also that the strategic aims and business objectives originally conceived are met. Flexibility must also be built into the arrangement. There must not be an assumption that the market or the organisation is fixed. There must be allowances made for review and renegotiation.

The Contract

IT outsourcing is not a partnership or alliance. "A tight contract is the only mechanism to ensure that expectations of the outsourcing customer are met. … The contract is the number one key issue to a successful outsourcing relationship". (Lacity and Hirschheim 1993) The vendor and client cannot be partners because "their profit motives are not shared…The customer cannot expect the vendor to act in the best interests of the client in situations where a conflict of interest arises." (Lee 1996)

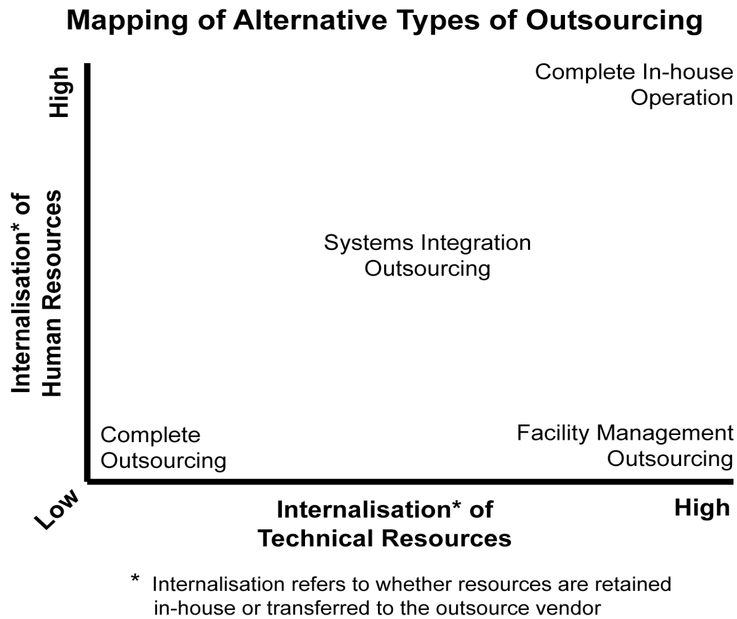

Figure 1 - outsourcing types and level of internalisation

According to (Lee 1996), there are three major types of outsourcing contracts, relating to:

1. Complete outsourcing – transfer of the entire IT function of a company together with existing IT assets and personnel for the client to the vendor. Contracts must deal with issues of transfer of assets and the legal issues involved and are usually long-term – around ten years. The vendor usually assumes all the risks and responsibilities to provide the client with its IT function. Very few staff and very little technical infrastructure is retained. "The degree of internalising of human and technical resources is very low in these contracts". (Lee 1996)
2. Facility management – the vendor provides the human resource necessary to operate and manage the customer's equipment and software. Retention (internalisation) by the Client Organisation of technical resources is high, while retention of human resources is low.
3. Systems Integration outsourcing – the vendor must manage the installation and operation of the customer's multivendor IT systems in such a way that these link with IT systems within the Client Organisation or with those managed in other vendor organisations.

Figure 1, illustrates the level of internalisation by outsource types described above. (Lee 1996)

Other types of agreements include maintenance, installation/procurement contracts, rental contracts, application development contracts and facilities (eg Data Centres) time-sharing, and are now being extended to training and network management as organisations continue to downsize.(Lee 1996)
"The written contract is the best mechanism for defining the rights, liabilities and expectations of both parties and this guides the behaviours of both parties" (Lee 1996). An effective contact must consider:

- Service level – definition of scope and nature of services along with detailed performance levels, through which client can measure vendor's performance and take action if necessary (for penalties etc)
- Transfer of assets – dealt with by a sale agreement with independent valuations, for transfer of technology and other physical assets.
- Transfer of Staff – when the vendor is required to accept transferred employees as part of the agreement, with no reduction in their employment terms and conditions. If the vendor employs

new staff to perform the outsourced function, the client organisation should participate in the selection process, if they are to be used by the vendor in the client organisation.

- Pricing and payment – the agreed price must cover all the services required with a ceiling on total fees. There should also be a mechanism in place to negotiate prices down, in the event that IT operational costs reduce – this is a common occurrence.
- Warranty and liability – Warranties must be written into the agreement for the vendor to indemnify losses, costs and liabilities arising from the vendor's breach of contract. This will ensure that the risk of expensive legal proceedings later in the relationship is reduced.
- Dispute resolution and termination – proper mechanisms and processes for dispute resolution should be built into the agreement, covering issues such as buy-back, knowledge and skill transfer, transfer of staff. and assistance in the transition. Explicit agreements must be in place for termination of the services of the vendor if agreed performance levels are consistently not met.
- Intellectual property matters – ownership of IP resulting from outsourcing activities is must be explicitly stated in the contract. Ownership usually remains with the customer.
- Information security – Covering both data security for integrity and privacy and safeguarding of commercially sensitive information and plans for disaster recovery and restoration of 'business critical' systems and functions.(Lee 1996)
- Risk Sharing – For complete outsourcing agreements, risk-sharing arrangements are essential to promote relationships that are more robust than a mere customer/supplier relationship.

Alternative relationships

Outsourcing arrangements between Client and supplier can sometimes grow to be more of a partnership that a vendor/client relationship (Lankford and Parsa 1999) In many cases, where the outsourcing relationship is long-term and robust it may be more appropriate to take the form of a partnership. The development of a strategic partnership or strategic alliance will ensure that issues discussed earlier in this paper regarding the pitfalls of outsourcing can be overcome in time and with a great deal of good will between the partners. The relationship must move from a complex supply relationship to one where trust and shared commitment and vision are foremost.

Partnerships and Alliances defined

Tony Lendrum in *The Strategic Partnering Handbook*, has defined Strategic Partnering and Alliances as:
"The cooperative development of successful long-term, strategic relationships, based on mutual trust, world-class and sustainable competitive advantage for all partners; relationships which have a further separate and positive impact outside the partnership/alliance".(Lendrum 2000)

Lendrum uses 'partnership' and 'alliance' interchangeably, but according to the *Oxford Dictionary*, they have slightly different meanings. 'Alliance' is "a union or association formed for mutual benefit, especially of countries by treaty, or families by marriage". 'Partner' is "one who shares with another or others in some activity, especially in business where he/she shares risks and profits". "Strategic Alliance" will be used in this paper to describe one-off arrangements, while "Strategic Partnership" will describe "mutually rewarding, strong long-term relationship based on two-way trust, commitment and cooperation." (Lendrum 2000)

Strategic Partnering is "about picking long term winners …throughout the supply chain … not just immediate customers and suppliers" Both Lendrum and KPMG emphasise the importance of careful selection of potential partners, and the importance of maintaining the relationship through such instruments as Trust Charters and robust and mutually agreed Problem Resolution processes. (KPMG 1998), (Lendrum 2000) The essential features of partnering are shared mutual objectives, the requirement for continuous improvement and a particular focus on problem resolution.(Bennett and Jayes 1995)

Strategic Alliances can provide access to additional resources, capital expertise, and distribution channels. They can reduce the uncertainty of the competitive marketplace through sharing risk, as well as provide the benefits of economies of scale. (Lendrum 2000) There are risks, mainly relating to instability of the arrangements through lack of trust and cooperation. Successful Strategic Alliances and Partnerships depend on trust, cooperation, and mutuality. (Lendrum 2000) As with the business drivers for outsourcing, the transfer of non-core competencies from customer to supplier can also be an important part of partnering or alliance strategy. Partnerships/alliances are more than this however. What identifies a partnership or alliance is a fully cooperative, interdependent innovative, continuously improving relationship. Organisations that have moved to outsourcing, or are intending to, would be advised to give consideration to a Strategic Alliance or Partnership as an alternative.

The importance of Trust

"Enlightened self-interest, together with legal mechanisms like contracts can compensate for an absence of trust and allow strangers jointly to create an organisation",(Fukuyama 1995) or an organisational construct like outsourcing. This paper has outlined the risks and inadequacies of outsourcing from a cost reduction perspective and also as being detrimental to the forgotten stakeholders.

In forming Strategic Alliances or Partnerships, or managing the changes to employees' workplace conditions, powerful companies must strive to be fair and equitable, and to be perceived as fair, in dealing with smaller, weaker partners or employees. Equally, planned and continuous communication, in both directions, is essential. This process of fairness and communication is described as moving from the power game to the trust game and requires a change in culture, management systems and attitudes. (Kumar 2000)

Other aspects of building trust between Companies or with employees include developing ways to share all relevant information, taking into account different values of all parties – resulting from national or corporate differences. (Kimber and Birchall 1998)

"Trust is the expectation that arises within a community of regular, honest, and cooperative behaviour, based on commonly shared norms, on the part of other members of that community." Even the economies of a country or a Company are influenced by cultural values and "depend on moral bonds of social trust," and leading to the strengthening of the social capital that has been built through cultural mechanisms like religion, tradition, or historical habit. Trust varies greatly from one society to another. Fukuyama asserts that "Only those societies with a high degrees of social trust will be able to create the kind of flexible, large-scale business organisations that are needed for successful competition in the emerging global economy."(Fukuyama 1995)

(French and Granrose 1995) define relationships in the following way:

- 'exploitation' – One person uses another to achieve his/her own selfish objectives without considering any benefit to the other.
- 'reciprocity' - two persons are each using the other in a way that ensures each benefits. In this type of relationship there is a sense of stability and balance absent from exploitation relationships. These relationships are based on rewards and 'give and take'.
- 'mutuality' – This relationship is beyond exploitation and reciprocity. The two parties treat each other not as means but as themselves, by taking an interest in the other's goals and needs.

Clearly 'mutuality' is the superior of the three relationships. Whether they are organisations working to form partnerships or organisations dealing with employees, each party must have 'mutuality' as their goal. The concept of organisations working with their employees or with other organisations in less than superior exploitation relationships is one where it will be more likely to breech ethical bounds because of the idea of mutual benefit is ignored or not understood. (French and Granrose 1995)

It can be argued that business does operate entirely in the context of self-interest, whether that be the actions of an individual or a corporation as a whole. This is the connection between self-interest and reciprocity or exploitation. Reciprocity could be regarded as the "norm for business situations". What should drive companies in partnerships/alliances is the wider concept of self-interest – mutuality - where longer-term gains are more important that the short term 'selfish' behaviour. (French and Granrose 1995) "Enlightened self-interest, together with legal mechanisms like contracts can compensate for an absence of trust and allow strangers jointly to create an organisation that will work for the common purpose." (Fukuyama 1995). Potential conflict, or misunderstanding can arise from the tendency to cooperate while trying to protect personal or company interests.

The Stakeholder connection

When organisations enter into outsourcing negotiations, the stakeholders of outsourcing most affected but least considered, are the employees of the client organisation. "The difficulties of accepting, adapting to, and accommodating change are not new …Deregulation, globalisation and technological innovation are the alleged culprits (of this incessant change)" creating upheavals "resulting in dislocation and reinvention of productive activity". (Domberger 1998) For the client organisation's employees, the uncertainty that impending outsourcing engenders in an extremely anxious time. Their working life is at risk; they may be about to fall under 'new management' or their own job may be on the line. The social contract between employer and employee is about to be broken. The level of anxiety "tends to be proportional to the uncertainty that surrounds the impending changes. With it can grow feelings of resentment and anger at the prospect of 'unfair' treatment of staff." (Domberger 1998) This is the condition of alienation. (Israel 1971)

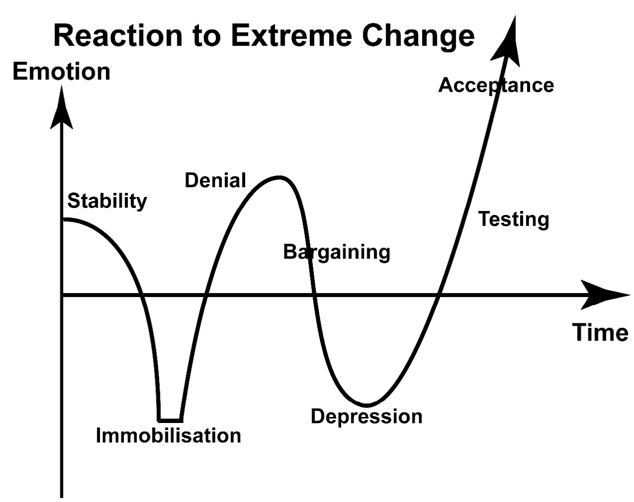

Figure 2- Reaction to extreme change (Turner 2002)

Figure 2 Shows the extreme range of reactions to extreme change. Turner has obviously assumed that eventually change will be accepted.

There are three possible outcomes for staff in the client organisation: transfer to the contractor, redeployment by the client organisation, or redundancy. Table 3 outlines the two major approaches to staff transfer.

Table 3 Approaches to staff transfer from (Domberger 1998)

Separation type	Advantages	Disadvantages
'Clean Break' Staff given redundancy notices – and payments – and are free to seek alternative employment. This could be with the contractor.	• Administrative simplicity • Reduced negotiation time • Equality of treatment among staff	• Potential opposition by staff and unions • Cost of the redundancy payments which could significantly reduce the financial value of the outsourcing
Negotiated transfer Transfer of staff to contractor's payroll on agreed terms and conditions	• Continuity of employment to staff and ensures services are delivered with minimal disruption • Costs of contract implementation are significantly reduced • Contractor faces greater certainty about the transfer of skilled staff	• Negotiations can be protracted causing costs in terms of management time and effort • Restrictions on who should be transferred (eg all current employees). The implications are that the contractor has the responsibility to deal with excess staff. This may increase the price of the contract.

Even if the methods outlined in Table 3 are properly negotiated with input from the employees and their representatives, evidence from outsourcing organisations worldwide suggests that contracting can have a negative effect on terms and conditions of employment. "The issue remains controversial …. If savings from contracting are achieved directly at the expense of workers then there is no net efficiency gain, only a transfer of wealth."(Domberger 1998)

Whether it is staff transfer, redundancy, retrenchment or 'surviving', the prospect of any of these options will be a cause of extreme anxiety for many staff. (Domberger 1998)
Schein identified two types of anxiety behaviours associated with impending change. The first type is associated with the inability to learn what appears difficult and is manifested by denial or blame and can lead to panic. The second type of anxiety is associated with the guilt or shame of not learning new things. Lack of management of this type of anxiety can lead to negativity. (Schein 1993) The anxiety experienced in outsourcing situations will be primarily and predominantly the first type; this is the one Schein as identified as the most destructive. Measures must be put in place not only to manage this anxiety but also to create a climate where the second type of anxiety predominates. This will allow change agents to provide appropriate support systems to overcome the negativity and anxiety of this potential change. Schein's writing is about drivers of both management and workforce. On the other hand the work of (Senge 1990) work focuses on what happens right at the workplace of the employee. (Walker 2002) Senge identified that enthusiasm and commitment cannot be sustained unless there is positive change in the way people interact. Restraints such as time, support and results that inhibit effective change initiatives, also impact on trust and commitment. (Senge *et al.* 1999)

By understanding the sources of anxiety caused by the impending changes of outsourcing, management can help by the development of alternative strategies. (Domberger 1998) Outsourcing will have an impact on employees, on their wages and conditions of employment. The *New Rules of Downsizing and Retention Study* reported that many Australian Organisations had now recognised the need to manage change and counter the anxiety of both those who were to be transferred or retrenched and the survivors. Of the Organisations surveyed:

- 91% increased communications with employees
- 86% recognised employees' innovation and initiative
- 80% used company events to rebuild morale
- 85% rewarded employees for improved productivity
- 80% introduced employee development programs
- 79% streamlined the organisation
- 68% consolidated or improved the physical work environment
- 65% collapsed job classification. (Yelland 2002)

Quality of Work Life

Maslow's 'hierarchy of needs' is well known and often quoted. The hierarchy (as modernised in (Collins and McLaughlin 1998) is:

1. Physiological – food, water, shelter
2. Safety – security, stability, freedom from fear
3. Social – Friendship, interpersonal interaction, group membership
4. Self-esteem – achievement, recognition, personal worth
5. Self-actualisation – realisation of one's full potential, personal growth, self-expression.

R.R. Walton espoused eight factors that contributed to the quality of work life. Walton's eight factors are:

1. adequate and fair compensation,
2. safe and healthy environment,
3. development of human capabilities (Provision of mechanisms to allow employees to develop skills and knowledge)
4. growth and security (this includes security of employment)
5. social integration (freedom from prejudice and the fostering of a sense of community),
6. constitutionalism (the rights of employees and their protection),
7. total life space (balance of work life with social life),
8. social relevance (working in socially responsible organisations)

These two sets of factors for the achievement of Quality of Work Life have similar components. The factors in these sets (or any other) contain essential elements for improvements in work life, leading to job satisfaction, individual productivity, organizational effectiveness (if interests of workers and goals of organisation are congruent) by the mechanism of common goals, shared values and assumptions. (Walton 1974)

Clearly, the disruptions and uncertainties of outsourcing are bound to affect quality of work life and the consequent benefits. It is essential that the transition is managed effectively.

Managing Transition

It is absolutely essential and a prime responsibility of management, that the transition process of staff across organisational boundaries is managed effectively. The important elements to successful transition are: communications, planning and support. If there is a 'support gap' or a 'time gap' (Senge *et al.* 1999) the negative consequences of this period of anxiety will be exacerbated. The importance and the elements of planning and communication have been discussed above. Support for staff affected by organisational change should include advising staff of their options, career counselling, and assistance with superannuation and other entitlements, which may be affected.

Communication

Successful communication depends on an assumption that each party intends to be open and honest in their dealings with each other. Drawing on Warnock's concept of 'nondeception', communication would have to meet the following criteria: there is no intention to deceive, everything said and implied is true and everything relevant to the discussion is fully revealed to all parties concerned. (Warnock 1971) When dealing with communications to employees, timing of communication is essential. While

withholding of relevant information is an ethical issue that will erode employee's trust, it is also important to ensure that the messages are not communicated before clear decisions have been reached. Speculation arising from incomplete information is just as damaging as that arising from no information at all.
"One persistent compliant by staff concerns the lack of proper communication regarding the process itself, how it will affect individuals, and what options might be available to them. …The result of poor communication has been to add considerably to uncertainty and to erode trust between staff, their managers and their colleagues" (Domberger 1998)

Team Formation in the outsourced environment

Definitions

"A work *team* is a set of two or more individuals whose job performance is interdependent, as distinct from a work *group* which although a set of two or more individuals does not involve interdependent job performance, although work and space may be shared.

Figure 3 - Team basics (Katzenbach and Smith 1993)

A team collaborates on joint work and typically cross-disciplinary interaction is warranted." (Katzenbach and Smith 1993). The essence of a high-performing team is the ability to take risks involving conflict, trust, interdependency and hard work, as well as understanding and acceptance of the need to move from individual accountability to mutual accountability.(Katzenbach and Smith 1993) Figure 3 summarises the essence of a team. It is the combination of skills, commitment and mutual accountability that leads to high performance

Drawing on the data in Figure 3 and the data in Table 4 it is possible to draw a correlation between the development of team identity, trust and commitment and the Team Performance Curve in Figure 4.

Table 4 - Katzenbach & Smith's team definition

Pseudo team	No focus on collective performance. No interest in shaping a common purpose or set of performance goals
Potential team	Trying to improve its performance Requires more clarity about purposes, goals and More discipline in agreeing a common working approach. Not yet established collective accountability

Real team	Complementary skills Equally committed to a common purpose, goals and working approach Mutual accountability
High performing team	Meets all conditions of ‘real teams’ In addition: Deeply committed to one another’s personal growth and success

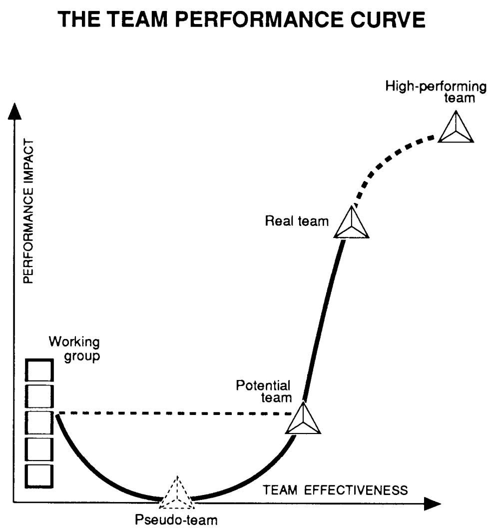

Figure 4 - Team performance curve (Katzenbach and Smith 1993)

(Tuckman 1975) on the other had viewed the formation of a team in terms of forming relationships and working through conflict to the realisation of the optimal level of performance. They are listed in Table 5.

Table 5- Tuckman's team formation schema

Forming	Just learning to deal with each other
Storming	Stressful negotiation of terms under which the team will work together
Norming	Roles are accepted, team feeling develops and information flows freely
Performing	Optimal levels are realised – in productivity, quality, decision-making, allocation of resources and interpersonal interdependence

The curve of team growth from startup to high performance will resemble Katzenbach & Smith’s ‘S-Curve’ for the same team.

Figure 4 illustrates the expected difference between the ideal team growth depicted by both Tuckman and Katzenbach & Smith – 'performing' and that of 'dysfunctional' teams, typical of multi-vendor, multi-skill teams operating within an IT outsourced environment.

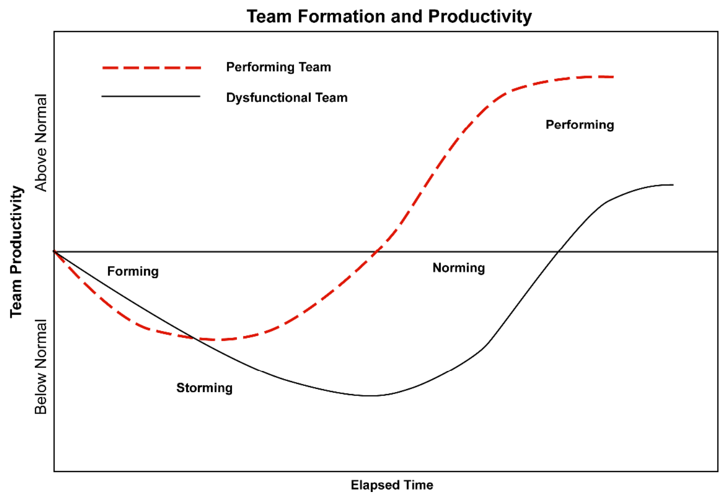

Figure 5 - Productivity - performing and dysfunctional teams

It is most likely that members of the 'dysfunctional' team will take much longer to move through each of the phases. Differences in each individual's or group's values and norms, work approaches, feelings of self-worth will slow down the process of negotiation, role development, as well as the establishment of trust, commitment and mutual accountability. If there is too much personal anxiety, too great a difference in values, or too much unresolved conflict and poor leadership, the team may never reach the 'performing' level, having to disband before achievement of deliverables.

A typical multi-vendor, multi-skill team in an outsourced IT environment will have all the preconditions for 'dysfunctional'. It will most likely contain contain:

- Employees of the client organisation - including the 'survivors',
- Individuals from the outsource vendors - either staff (many of whom will have previously worked in the client organisation) or contractors provided by the vendor
- Possibly teams from other vendors
- Specialist consultants from a 'specialist technology' and/or 'startup' companies.

The team members from the vendor organisations will have very different values, ranging from the new IT values of the 'specialist tech' companies to values of employees of large traditional organisations. Consequently, individuals in this multi-vendor team will have different ways of working and different visions of commitment and motivation.

In such a highly complex team structure , each sub-group has its own clearly understood and recognised 'constructs of identity'(Viney 1997) and knows how to behave within those constructs. These constructs may not have universal acceptance across the whole project, since the team members are drawn from different organisation backgrounds and operating in the context of cultures formed by different disciplines and in some cases cultures. Therefore, there is no common, shared commitment; in fact many of the technical specialists are more comfortable with working alone than within a team. (Thielen 1999) The personality traits and professional profiles of technical specialists are quite different from the former generation of IT workers. Generally of a younger age, with a craftsman's approach to work, operating in isolation from corporate society these highly skilled technical people "operate in absolutes."(Thite 1999). "The culture of a young successful company is likely to be strong, it is instrumental to the success of the company."(Yukl 2002) This culture has been described as technical and non-hierarchical, both structurally and for the purposes of communication, whereas the structure and therefore preferred communication methods of traditional organisations is more hierarchical.

(Likert and Likert 1976) summarised the result of the clash of the cultures within such a team. "Perception is the key to behaviour. The way persons see things determine the way they will act. If the perceptions are distorted, the distortions are reflected in their behaviour. One of the sinister aspects of any struggle is the sizeable distortion it creates in the judgement and the perceptual processes of the opposing groups… Members see the work of their own group as superb and downgrade the work of the opposing group…Confidence and trust are obliterated." The resulting "cognitive blind spots" will lead to a failure to see a solution that would enable the disparate groups to understand the issues of the other groups and to agree on a solution that would lead to successful delivery of expected outcomes.

Given the lack of internal cohesion and potentially unresolved internal conflict, unresolved roles, personality conflicts, and anti-team culture that can be present in such a diverse team, it will be extremely challenging for any Project Manager to develop a 'performing team' culture. In addition: "There is a widespread view that technical professions lack leadership skills." (Thite 1999) The implications are that Project Managers who have a technical background will need much more support to develop necessary leadership skills.

The Tuckman model, described earlier in this paper, was developed over 35 years ago, and it is still a good starting point for understanding teams. At the other end of the spectrum, the concept of 'punctuated equilibrium' proposes that team forming is not characterised by gradual change, rather, as in the natural world, it is punctuated by 'cataclysmic events' that force movement to the next evolutionary level. (Pinto 2002) According to (Gersick 1988), the team will quickly develop a set of operating principles which are less than optimal and certainly do not meet Tuckman's or Katzenbach & Smith's criteria but are sufficient in the early stages where there is a normally a great deal of good will. It will take a 'trigger event' "almost precisely at the halfway point between first meeting and project deadline" to move the team out of this level of operation. This trigger can be dissatisfaction with project progress either within the team or externally, interpersonal conflict or any one of the usual project flashpoints. This trigger is the catalyst for revision of team relationships, consolidating of team values and all contribute to higher team performance form this point onwards, if the result is positive. "It is typically in the second phase of this group's life that effective work gets done and the group begins to function more as a team and less as a collection of individuals". If the results of the cataclysmic event was negative however, the team would be forced to disband or have its membership modified – it would be almost impossible to revert to the pre-cataclysm mode of operation after one of these triggers. This model could accommodate inclusion in the team of individuals alienated by recent outsourcing events.

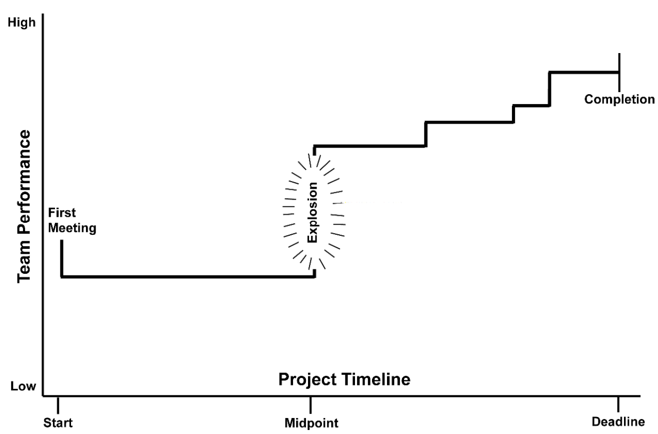

Figure 6 - Punctuated equilibrium model of team formation - (Gersick 1988)

In the context of 'punctuated equilibrium' project managers will need to operate differently. Project startup activities would need to have a different focus – project task allocation and expectations of particular team behaviours would probably need to be treated differently, because of the likelihood that team relationships and commitment will not significantly improve until the trigger event. Current literature on team formation and leadership appears to presume that there is a steady improvement in team relations. With 'punctuated equilibrium', the leader needs to anticipate the 'mid life crisis', needs to be able to recognise the warning signals, develop strategies to reduce the impact and develop skills to guide the team through this cataclysmic event for positive outcomes and metamorphosis into a high performing team.

Moving from dysfunctional to performing

The key to moving from dysfunctional teams to performing teams is said to be the quality of the leadership within the team. (Katzenbach and Smith 1993), (Robbins and Finlay 2000) (Bennis *et al.* 1968). Table 6 identifies the skill sets

Table 6 leadership skill sets (Robbins and Finlay 2000)

	People	**Character**	**Action**	**Thinking**
People attributes (motivating factors)	• Versatility • Pyramid learning • Feedback	• Charisma • Integrity • Altruism		
Managing Skills (hygiene factors)			• Decision making • Initiating activities	• Problem solving • Fostering linkages • Assisting in evolution and change

Table 7- Leadership Skills - (Robbins and Finlay 2000)

Versatility	"Provide information to others in a manner in which others want to receive it", 'Being who we need to be to deal with the people we need to deal with"
Pyramid learning	"Sharing information that they acquire with others and encourage them to do the same. It increases the intellectual capacity of the organisation, making it a learning company"
Feedback	Providing feedback requires tact and delicacy in knowing the right way to praise and offer correction"
Charisma	Unflashy charm that informs the team that the leader is in common cause with them
Integrity	Living in alignment with principled values
Altruism	Meaning well – and doing the right thing
Decision-making skills	It is often better to make a bad decision than no decision at all, avoiding 'blamestorming' or ignoring the mistake for credibility
Initiating activities	Leadership starts things
Problem-solving skills	The ability to analyse and define options for resolution of problems.
Fostering linkages	Creating a collaborative environment where people feel free to share information across boundaries
Assisting in evolution and change	Addresses passions that create change – anxiety about the past, hope for the future.

In my opinion however, the notion of what constitutes good leadership with regard to team formation seems to be built on the assumption that the Tuckman model accurately reflects how teams are formed. This gradual inexorable movement towards 'performing' *will* require the leadership skills listed above. However, the Tuckman model doesn't allow for situations such as those described for the alienated stakeholders of outsourcing, and doesn't allow for the 'punctuated equilibrium' model of Gersick.

Conclusion

Throughout the paper whether discussing outsourcing its reasons, risks and dangers or discussing Strategic Alliances and Partnerships to managing stakeholder and forming teams in good or adverse situations, the common thread for success in any of these relationships has been trust and commitment. Building a trusting committed relationship between organisations, or organisations and employees or between team members involves all stakeholders and a considerable investment of time and funds from an organisation's Senior Management team. Leaders have been identified as the essential catalyst for building and maintaining trusting relations whether they are senior management or project leaders, depending on the circumstances. The question remains: Are we giving the leaders enough assistance? Are we starting from the correct premise? Are the lists and theories of team formation based on a false premise or just outdated?

Warren Bennis wrote: "We call ourselves 'change agents', but the real changes in our society have been wrought by the pill, the bomb, the automobile, industrialisation, communication media, and other forces of modernisation. The change agents of our society are the lawyers, the architects, the engineers, the politicians and the assassins." (Bennis *et al.* 1968) Bennis is describing a world more like the ‘punctuated equilibrium’ model. Experience and observation tells me that the world that Bennis is describing is also the common world of outsourcing. This world engages specialists such as engineers, politicians, assassins and the finance community to cause change in society and in organisations. The specialists fulfil the narrow role they have been engaged to perform, but neglect those most affected by the change. These people I have described as forgotten stakeholders.

There is enough information in the literature to provide those who desire to develop an outsourcing strategy that will enhance the organisation’s financial and strategic goals. There are more than adequate prescriptions for ensuring these organisations manage the transition for impacted employees. What is missing is the recognition that the forgotten employees must be involved before the event. This involvement will add dimensions to the outsourcing strategies and implementation that will ensure a much smoother transition and reduce the risk of alienating these very significant organisational members.

The other element to consider is how teams are formed in the new IT environment. In my opinion, Tuckman’s model must be called to question as not being adequate in this new world. At the other end of the spectrum, it is unclear whether ‘punctuated equilibrium’ provide the answer. Whatever model best fits, it will probably be necessary to rethink the adages about leadership, which are so easy to say, but not so easy to do.

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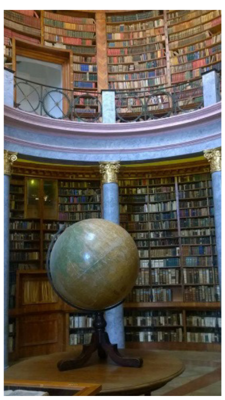

Appendix 1

Australian Companies' Outsourcing Experiences (source: Australian Financial Review Feature on Outsourcing 13 September, 2002)

Company Name	Function(s) Outsourced	Positive (P) or Negative (N) Experience?	$ gain or loss?	Outsourcing Objectives	Comments
Wesfarmers CSBP (Lawson 2002a)	IT operations	(P) relationship flexible		• Reduce Support costs • Upgrade basic systems infrastructure	• IT requirements changed significantly, but agreement and relationship was flexible and was able to be renegotiated • SLAs set out responsibilities and deliverables of both parties • Defined to deliver client's business goals rather than technical performance alone
Hamilton James & Bruce HJB) (Lawson 2002b)	Recruitment vendor – provision of technical skills to organisations	(P) Results with lower overheads than larger recruitment firms. Teams are cheaper to hire.			• Client can make job offers to contractors (for a fee) • Team can be assembled to client requirements • Client manages team, but HJB looks after HR
BMW (Lawson 2002c)	Production of one specialised model – X3 sports activity vehicle	Too early to say – model to be ready in 2004		No reasons given	• BMW are outsourcing a core function but maintaining control over design and brand building
Victorian Police/ Vendor = IBMGSA		(N) significant cost overruns and disputes	between $150M and $210M over five years		• Dispute between client and vendor is long running

Company Name	Function(s) Outsourced	Positive (P) or Negative (N) Experience?	$ gain or loss?	Outsourcing Objectives	Comments
Bank of Queensland/ vendor = EDS	IT, call centres and loan and credit processing	Agreement just signed		Lower costs and manage risks	• Will cover 25% of staff and 35% of operating expenses.
Commonwealth Bank/ vendor = EDS	?IT processing	(P) five years into a 10 year contract CBA seem to have no major issues			• CBA intend to maintain control of back office processes, particularly customer-facing IT activities.
Optus/ vendor = IBMGSA				• Estimated to be worth $500M over 10 years	• Newly signed contract

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