Outsourcing as a strategy of IT-organizations
A study of limitations and opportunities that may exist within the field of service, decision-making and collaboration for IT-organizations in Sweden.

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Acknowledgments

In the fall of 2011 Malmström and Reinhard took the decision to write this thesis together. After almost four months of early mornings and late nights we are proud to present the result of our work. Before we present our findings we would like to start by thanking a couple of important people who have helped us during this journey.

First of all we would thank to our friendly and very helpful supervisor Mr. Kiflemariam “Kifle” Hamde. Kifle has supported and giving us guidance throughout this whole semester.

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Gustaf Malmström and Oliver Reinhard
Abstract
The two of us have both studied at U.S.B.E. (Umeå School of Business and Economics) for four years. Both of us have also got a private interest within IT-organizations way of making businesses as well as the development within this sector. We know that there are a lot of organizations on the market, which provide services for outsourcing of IT-activities and according to us these could be rather simple to use.

The purpose with this study was to identify possible limitations and opportunities with outsourcing of specific IT-activities. We wished to be able to locate what the drivers are behind IT-organizations decisions of whether they would use outsourcing or not. To be able to do so, we have created a theoretical framework based on four different themes containing strategy, service, decision-making and collaboration. This framework has been our line of argument throughout this study.

We had a positivistic approach with an objective view, which has influenced this study. This led us to choose a deductive approach where we started by develop a theoretical framework, which concerned our research area. Our selected theories worked as the foundation for the development of a survey, which was randomly distributed, to 1200 IT-organizations within Sweden. Out of these 1200 organizations we received 133 answers in return. This data have served as the primary data for our study and have been analyzed with support of the statistical computer program SPSS.

What we found out was that the Swedish IT-organizations, which were using outsourcing today, did so with the objective of gain competitive advantages by spend more focus on their core competencies. The organizations that participated in our study had core competencies within different areas, but they all had one thing in common, which was that one of their main objectives was to provide their customer with a high service level. However they also felt a risk that the use of outsourcing could result in a loss of their service capabilities. This was something they believed could be a drawback by the use of outsourcing. Organizations that did not use outsourcing today also believed that there could be a security risk by outsourcing of sensitive materials to an external subcontractors located outside Sweden. Another interesting finding form our study was that a majority out of all our respondents’ was not worried about loosing their jobs as a result of outsourcing. Despite this fact, a majority among those who thought outsourcing was a threat against their job, worked within an IT-organization that did not use outsourcing today.

The theoretical contribution of the study was a combined model of strategy, service, decision-making and collaboration that could support IT-organizations when considering of whether they would start outsourcing or not. Our main practical contribution was that we have been able to illustrate how important it is for an IT-organization to understand the importance of knowing what their core competence is, in order to be able to gain a competitive advantage, something that our respondents’ did not seemed to be aware of.
**Keywords:** Outsourcing, IT-organizations, Service, Globalization, Risk, Security, Alliances, Networks, Culture, Competitive advantage and Core competence
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1 Introduction

In this chapter we will give an overview of the whole subject of IT-outsourcing, followed by an identification of the problem, which then has been narrowed down to a research question and the purpose of our study. The chapter ends with a short summary about our research strategy and a section about the limitations with our study.

1.1 Choice of subject

The two of us are currently studying on Umeå School of Business and Economics (USBE) master program in Management. What the two of us have in common is that we both have seen the courses in strategy as the most interested ones at this master program. We therefore thought that a topic for our study connected to strategy conformed well to our studies and personal interest. But strategy is a rather wide field; a Google search on the word strategy gives over 9,7 billion hits (Google, 2012). So we realized that we had to focus our study into a specific area, within the strategy field. Since the both of us had personal interests within IT related businesses, we decided to focus our study on outsourcing within the Swedish IT-sector.

That outsourcing is a form of strategy is nothing new. Organizations have used outsourcing as a strategy for cutting their costs for a long period of time (Blaskovich & Mintchik, 2011, p.8; Graf & Mudambi, 2005, p. 254). One example of an organization, which has used outsourcing in a way like this is BAE Systems. BAE decided to outsource their entire HR-activities, which were not a part of their organizations core competencies. BAE’s strategic choice of using outsourcing became successful for them and resulted in that BAE were able to cut their operational cost. (Holweg & Pil, 2012, p. 103)

Within the IT-sector, outsourcing of IT related service activities had an estimated turnover of 241 billion USD, in 2004 (Graf & Mudambi, 2005, p. 24) and today there is nothing indicating that this business would decrease. Due to the rapid development of IT-infrastructure within countries such as China and India, the trend indicates that the use of outsourcing of IT-activities will increase to subcontractors located within these countries (Blaskovich & Mintchik, 2011, p. 24). Since the technological development within IT changes so fast, it is hard for the academic literature to follow the practical development within this business area (Blaskovich & Mintchik, 2011, p. 24). Blaskovich and Mintchik (2011, p. 25) have also raised the question whether if the conclusions from previous researches regarding IT-outsourcing still are valid, or if these may have changed as a result of the ongoing technological development? Due to the technological development new questions arises and previous ones need to be re-examined as well (Blaskovich & Mintchik, 2011, p. 29). Based on this information we argue that there still is plenty of room for more research connected to outsourcing of IT-activities and that our study has a large potential to contribute to the research field within IT-outsourcing. Therefore we further argue that a research topic connected to IT-outsourcing is an appropriate one for thesis on master level within business and administration.
1.2 Historical background of outsourcing and outsourcing of IT-activities

As a starting point of this study, we would like to give a short historical background regarding outsourcing and outsourcing of IT-activities.

From a historical perspective the use of outsourcing have existed for very long time. As far as when explorers, traders and mercenaries existed, outsourcing has existed as well (Corbett, 2004, p. introduction xiii). But if we would look at outsourcing from a business administration perspective, we have to look at the use of outsourcing as a strategy. Then it was not until the 1950’s, when organizations started to use outsourcing as corporate strategy (Hätönen & Eriksson, 2009, p. 144).

Since our study will be focus on IT-outsourcing, we believe it is important to mention the history behind this phenomenon. There are probably a lot of people who believe that outsourcing of IT-activities is a rather new thing, but they are wrong. Outsourcing of IT-activities actually dates back as long as to the 1960’s and 1970’s (Grover, Cheon & Teng, 1996, p. 90). In the 1970’s a number of organizations started to outsource IT related activities such as programming and specific processing services. Outsourcing of IT-activities becomes an increasing trend and in the 1990’s organizations had now started to outsource application development and system integrations as well. (Grover et al., 1996, pp. 90-91). It was also during the 1990’s when organizations actually started to realize the benefits by using outsourcing and the phenomena begun become an accepted strategy to use (Hätönen & Eriksson, 2009, p. 144; Yakhlef, 2009, p. 38). Before the 1990’s outsourcing had only been seen as a temporary solution, but now this changed and outsourcing started to be seen as a strategic approach for getting access to better skills and resources together with a way of cutting the operational costs (Quinn & Hilmer, 1994, p. 1). One of the earlier adopters of using a strategy like this was Kodak. In 1989 Kodak took the decision to outsource all of their IT-activates to a number of subcontractors (Blaskovich & Mintchik, 2009, p. 27).

By the end of the 20th century, outsourcing had become such a common strategy to use as it now started to be classified as a norm and not longer just an expectation (Hätönen & Eriksson, 2009, p. 144). Now organizations had begun to see outsourcing as a possible strategy to use with the objective of gaining a competitive advantage. One example was Microsoft, which decided to outsource their computer software manufacturing and the distribution services of their products. By doing so Microsoft was able to spend more focus on the core competencies they had in software coding (Useem & Harder, 2000, p. 25).

What we now are able to see is that IT-activities have gone from a completely new phenomenon to a worldwide business, during a period of less then 50 years. Today outsourcing of IT related activities have become an accepted part of organizations overall strategies and there is nothing which indicates that this will be change in the future (Blaskovich & Mintchik, 2011, p. 28). The modern communication technology, for example Internet and voice-over-IP have made it much easier for us to communicate over larger geographical distances (Chakrabarty, Whitten & Green, 2007/2008, p. 10). The technological development has also made it easier for us to do business with each other in
general, especially within IT. One example of this is the homepage Elance.com. Elance was founded in 1999, in California and is just a webpage that links programmers, designers and consultancies together with organizations, which have a demand for these services. Today Elance have turned over more than 500.000.000 million USD since they started and they are still growing. This gives us a hint of how much the use of external competences actually affects the IT-business. (Elance, 2012)

Carmel and Agrawal (2002, p. 73) believed that more and more organization would start to use the benefits of moving IT-activities to other countries, due to the increased globalization and how easy it is to get access to high skilled workers within other regions. Highly technological firms such as Microsoft, Google and IBM have already started to use this opportunity, even though they just have used fully owned subsidiaries within India, China and Russia (Levina & Vaast, 2008, p. 308).

1.3 Problem background
What is outsourcing? One way of describing it is by defining it as a decision-making process. The decision is whether an organization would keep an activity in house, or buys it from an external supplier (Johnson, Scholes & Whittington, 2009, p.79). If an organization decides to outsource some of their activities, they have to enter an outsourcing agreement with a selected subcontractor. A traditional outsourcing agreement is when an organization becomes a client who finds a vendor (subcontractor), which will perform the service for them (Holweg & Pil, 2012, p. 99). But what are the opportunities’ and limitations behind an agreement like this?

The topic outsourcing of IT-activities has already been widely explored. According to Grover et al., (1996, p. 93) there are three main benefits with outsourcing of IT-activities: strategic, economic and technological. The strategic benefit is that an organization gets a possibility to focus on their core competence (Grover et al., 1996, p. 93). An organizations core competence is their actual source of creating a competitive advantage (Prahalad & Hamel, 1980, p. 82) and getting some kind of competitive advantage is the main objective for most organizations, no matter what business they are operating within (Porter, 1996, pp. 61-62). The technological benefit is that an organization might be able to keep up with the technological development and minimize the risk to fall behind there competitors (Grover et al., 1996, p. 93). Finally the economic benefit is of course that an organization could save money by using outsourcing (Blaskovich & Mintchik, 2011, p. 8; Graf & Mudambi, 2005, p. 254; Grover et al., 1996, p. 93).

In the case of Grover et al., (1996, pp. 99-100), they conducted a quantitative study by sending out 1000 questionnaires to random selected organizations within different industries, but none of these organizations were active within the IT sector. The way Grover et al., (1996, pp. 99-100) have conducted their research are common for studies on IT-outsourcing. Most previous studies we have found connected to this topic, have just like Grover et al. focused on organizations whose core competencies not lies within the IT-sector. This is one research gap we have located. We believe that there are too few studies made on outsourcing of IT-activates, conducted on organizations whose core competencies’ lies within IT. According to Grover et al. (1996, p. 93) the strategic benefit with IT-
outsourcing is that an organization could focus on their core competencies. But what if an organization outsources activities closely connected to their core competencies? There are actually organizations within different sectors that have done so, for example the American car manufacturer Chrysler. In the 1980’s Chrysler decided to outsource parts of their engine development to Mitsubishi and Hyundai (Prahalad & Hamel, 1990, p. 84). So one new question appears: could there actually be strategic benefits for IT-organizations that outsource activities in which they already have core competencies, like programming, web-development or web design? This is something we do not know yet. But we believe that there could be both strategic opportunities, as well as limitations for an IT-organization who outsources activities’ closely connected to their core competencies. Based on this we have decided to use strategy as a starting point for our study.

As mentioned above Grover et al., (1996, pp. 99-100) based their findings on a study conducted on organizations whose core competencies’ did not lie within IT-activities. We therefore think it was not strange that one of the main benefits with IT-outsourcing was to keep up with the technology. Out of the organizations that outsourced their IT-activities most of them did not obtain knowledge within this area, so by the use of a subcontractor these organizations were able to both save money and keep up with the technological development (Grover et al., 1996, p. 93; 102). But since we have decided to investigate IT-organizations, we do not believe that keeping up with the technological development is one of the main opportunities or limitations with outsourcing for them. We will not spend too much focus on the economical factors either. Previous researches have already proven that outsourcing of IT-activities could be a way for an organization to cut their operational costs (Blaskovich & Mintchik, 2011, p. 8; Graf & Mudambi, 2005, p. 254; Grover et al., 1996, p. 93).

In a qualitative study from 2002 Carmel and Agrawal (2002, p. 68) asked their respondents what the primary objective with the use of IT-outsourcing were from them. In total 70 % out of the respondents answered that lower their costs was the main objective and over 90 % said that it was one of the most important reasons (Carmel & Agarwal. 2002, p. 68). However since the topic of our study lies within business and administration, it is impossible to exclude the economic perspective completely. Especially since an organization’s assets is a part of their resources. How an organization decides to use their resources together with their competencies in order to creating an advantage and fulfills their stakeholders’ expectation is their strategy (Johnson et al., 2009, p. 3) and outsourcing could be a part of this.

Even though outsourcing is a part of an overall strategy, which also makes strategy as a natural starting point for our study. There are a number of factors connected to IT-outsourcing, which we believe could affect its outcome. Grover et al., (1996, pp. 105-106) discovered that if a selected outsourcing subcontractor was able to deliver a higher service level compared to what their client had expected, this could have a positive effect on their outsourcing relationship. In other words a better service provided by subcontractor could be seen as an opportunity with outsourcing. But what if it would be the other way around and the subcontractor provides their client with a lower service compared to client’s expectations, could this be classified as a limitation with outsourcing? Based on previous
research, we believe that service is one of the most important factors, which could affect the decision of whether an IT organization will use outsourcing, or not. But this is something that has not been proven yet, which also makes it to a gap within the existing literature.

Since Grover et al., (1996, p. 106) study has looked at outsourcing from the subcontractors’ point of view. They argue that it is important for the outsourcing subcontractor to deliver a high service level, since the competition within the IT sector is getting harder and harder (Grover et al., 1996, p. 106). But their study is also conducted only at organizations, which have used IT-outsourcing and what they saw as the benefits with it. The Grover et al., (1996, p. 106) findings gives no answer to why organizations have not used IT-outsourcing? Neither have they found any potential limitations with IT-outsourcing. However based on their findings Grover et al., (1996, p. 106) argue that both the organization and the subcontractor were benefited if the client was satisfied with the service level the vendor had delivered to them. That a delivered service from a subcontractor with a higher quality then expected could be classified, as an opportunity with outsourcing is believable. Especially since previous research has proven that the delivered service quality was critical for how successful the outcome of the IT-outsourcing would be (Grover et al., 1996, p. 109). But could the service level also be seen as a risk and limitation with IT-outsourcing? According to Chakrabarty et al., (2008, p. 2) the quality of the service the subcontractor deliver to their customer, has been proven to have an impact on whether an outsourcing initiative will be a success or failure. But just like most other studies conducted on outsourcing of IT-activities, these findings were built on study that not had observed IT-organizations.

Our opinion is that the service quality could be very important for IT-organizations when they consider whether to use outsourcing or not, but this has not been proven yet. However there are a few examples, which indicates that this actually could be the case. In 2003 Dell decided to stop outsourcing their call centre activities, which provided customer support for their American users (Graf & Mudambi, 2005, p. 254). The reason behind this decision was that Dell’s American customer complained over that they had problem to understand the Indian support provider due to language and culture barriers (Graf & Mudamabi, 2005, p. 254). Customer support is a kind of service and in the Dell case the service quality was the critical factor for the decision to stop using outsourcing. In a qualitative study conducted by Levin and Vast (2008) on organizations active within the financial sector, which used IT-outsourcing as a part of their strategies. They found out that when their respondents were looking for subcontractor for outsourcing to, the subcontractor’s knowledge was the key factor behind the decision (Levin & Vast, 2008, p. 315). One of their respondents answered that it was important for them to get exactly the service provided, as they demanded (Levin & Vast, 2008, p. 315). But how could an organization know this in advance? Based on previous research connected to outsourcing of IT-activities we have discovered that service could be an important factor of the decision whether to outsource or not. According to Charkabarty et al., (2008, p. 9) there are a relationship between service quality and relationship quality; these two together then have an effect on the customers’ satisfaction. Based on this finding it is important, from a subcontractor point of view to develop a
strategy, which focus on delivering a high service quality and establish a good relationship with their client (Charkabarty et al. 2008, p. 9).

Charkabarty et al. findings tells us not just that service is an important part of IT-outsourcing, it also tells us that the collaboration between the subcontractor and its client is another important factor. As mentioned earlier Johnson et al., (2009, p. 79) defined outsourcing as a decision-making process. Our opinion is that their definition is not an optimal one, which actually tell us what outsourcing is. Outsourcing is not just a decision; it is also an agreement between two actors. Previous research has point out that outsourcing could be classified as a type of strategic alliance (Blaskovich & Mintchik, 2011, p. 18). In other words outsourcing is a form of collaboration between the involved actors. Therefore we believe there might be a number of collaboration factors, which could imply both opportunities and limitations with outsourcing. According to Chakrabarty et al., (2008, p. 4) a combination of service quality and relationship quality could have an impact on how successful the outcome of an IT-outsourcing agreement would be.

Relationship quality is defined as how good the collaboration between a subcontractor and a client have been and includes factors such as trust, commitment, cultural similarities and communication (Charkabarty et al., 2008, p. 3). If there for example are too large cultural differences between a client and their subcontractor, their outsourcing collaboration might fail (Blaskovich & Mintchik, 2011, p. 5). The subcontractor’s reputation is built on the service they have provided their client with (Charkabarty et al., 2008, p. 10). So it is important that the subcontractor and their client understand each other. Because if the subcontractor and the client misunderstand each other there is a possibility that there relationship would end up in a conflict (Blaskovich & Mintchik, 2011, p. 5). So a misunderstanding due to culture differences or language difficulties could lead to a decreased relationship quality. If relationship quality reaches a low level the risk that outsourcing collaboration would fail increases (Charkabarty et al., 2008, p. 11).

Based on the studies, which point out a link between relationship quality and outsourcing success, we argue that the collaboration is an important factor to include in a new study connected IT-outsourcing. Because we do not know which the potential opportunities for an IT-organization are by entering an outsourcing collaboration. Neither do we know what the factors are that could be used as arguments against the development of an outsourcing relationship. If the management of an IT-organization did know the answer to these questions in advance it would be easier for them to make the decision whether they would use outsourcing, or not. An outsourcing decision is part of an organizations overall strategy. Since an organizations strategy includes all the decisions the top management make with the objectives of improve their organizations performance (Clegg, Carter, Kronberger & Schweitzer, 2011, p. 11) and outsourcing could be a decision like this. In the begging of this chapter we gave an example with BAE, which had outsourced their HR-activities. The example with BAE proves that there are links between outsourcing, decision-making and economic benefits, something that have been proven in other studies as well. According to Blaskovich and Mintchik (2011, p.8) the economic factor, which was one of the three main drivers for using outsourcing, was linked to the management decision of whether they would use outsourcing or not. But this not proves that the economic benefits would be one
of the main opportunities with outsourcing of IT-activities form an IT-organizations point of view.

Let us now assume that an IT-organization has decided to outsource some parts of their IT-activities. One of the first decisions the management has to make after this is whether they would use a domestic supplier, or one located abroad (Carmel & Agrawal, 2002, p. 66). If saving money would have been the main opportunity with outsourcing of IT-activities, a Swedish IT-organization would select a supplier located within for example India in front of a domestic one. Due to the fact that the salary of an Indian engineer equals 1/4th of what an average engineer earns in the Western world (Swedishtrade, 2012). In Sweden graduated computer sciences (systemvetare) students are the ones with highest average starting salaries among all graduated university students (Sjöström, 2011). So if the possibility to save money had been the main opportunity with IT-outsourcing, all Swedish IT-organization would select a subcontractor located abroad. But since we do not know which country Swedish IT-organizations would prefer to outsource to and what the most important factors are behind their decision. We do not know if economic factors are one of the main opportunities with IT-outsourcing. However we are pretty confident that our study would give an answer to the question, which countries Swedish IT-organizations prefer outsourcing to? This also increase the value of our study, since this is another area were we have a possibility to come up with some new contributions.

Today outsourcing can no longer be classified as a simple decision making process (Grover et al., 1996, p. 95), there are a number of factors, which the management need to take into the consideration before they make a decision (Graf & Mudambi, 2005, pp. 244-245). Findings from previous studies indicate that the employees worked within an organization, which used outsourcing were worried about their jobs, since they felt less important for their organization. The fact that employees fear outsourcing could create a barrier that an organization needs to overcome, if they hope to succeed with their outsourcing strategy. (Carmel & Agarwal, 2002, pp. 75-76). This makes the employees impact on an outsourcing strategy to a potential factor, which could affect the decision. Another factor that could affect the decision is the quality of the delivered service from the subcontractor (Graf & Mudambi, 2005, p. 258). However the question on which are the main factors that affect an outsourcing decision remains unanswered. Could for example employees’ attitude towards IT-outsourcing have a positive impact on an outsourcing decision and could the delivered service be classified as both an opportunity and limitation?

As we can see there are still a lot of questions connected to outsourcing of IT activities that we still have no perfect answer to. Even though a lot researches on outsourcing of IT-activities have been done, there are still plenty of room for new studies connected to this topic (Blaskovich & Mintchik, 2011, p. 28). Grover et al., (1996, p. 110) argue that more research needs to be done on IT-outsourcing connected to delivered service quality and collaboration factors. This is why we believe it is important for us to include service and collaborations as two important parts of our study. Then Graf and Mudambi (2005, p. 265) found out that a large number of organizations have started to reconsider their outsourcing decisions due to negative feedback on the service quality, which they have received from unsatisfied customers. Based on their findings Graf and Mudambi (2005, p. 265)
recommend top management to consider how important the strategic objectives with outsourcing actually are for their organizations. But what information could support the top management of an IT-organizations, to make the decision whether they would use outsourcing or not? We hope that our study could provide some information, which could support top management of IT-organizations in Sweden to make the best strategic decision. This objective for us gives our study both practical value as well as a theoretical one.

1.4 Research Gap
The main message of Grover et al., (1996) research was that the success of IT-outsourcing was positively related to the subcontractors’ service quality and their ability to establish a long-term collaboration. These findings could be seen as the answer to the question whether if IT-outsourcing will succeed or fail, but this is not actually the case. Previous researches have got problems to find the factors behind whether IT-outsourcing actually will succeed or fail (Blaskovich & Mintchik, 2011, p. 28). This makes success factors behind IT-outsourcing to a very large research gap and whether if IT-outsourcing will succeed or fail to an unanswered question. We believe it would take years of studies and large economic resources to be able to answer this question, since it has not been proven yet whether IT-outsourcing will succeed or not. But we have been able to locate another research gap, which include what the main opportunities’, and limitations of outsourcing IT-activities, from an IT-organizations point of view, are? If we would be able to locate the main opportunities and limitations for Swedish IT-organizations, our findings could support the process of figure out for certain whether outsourcing of IT-activities would be success or not. To be able to locate the main opportunities and limitations with IT-outsourcing, we have stated the following research question and purpose of this study.

1.5 Research question
What are the main limitations and opportunities of outsourcing IT-activities for IT-organizations operating in Sweden?

1.6 Purpose
The purpose of this study is to explain the differences between using and not using outsourcing as a part of an IT-organization’s strategy within Sweden. We would like to identify the main opportunities and limitations with outsourcing of IT-activities by conducting a survey on a number of IT-organizations. When we have been able to define these limitations and opportunities, we would like to give an insight to the IT-organizations as they can consider when reflecting upon using outsourcing as a strategy.

1.7 For whom
With the realization of the growing trend within IT-outsourcing, it is our intention to provide information towards IT-organizations within Sweden. We do so to make them
acknowledge why outsourcing might be good or bad for the specific organization. Our objective is to be able to provide the IT-organizations with enough information so they hopefully could make a correct decision for their specific organization. Therefore, our study is dedicated to the IT-organizations within Sweden.

We believe to have found a gap in the literature, because we cannot find any similar articles or previous studies regarding our subject. Therefore we feel confident that our study has a large potential to contribute to the research area regarding outsourcing within the IT-industry. Our aim is to investigate the potential limitations and opportunities regarding IT-outsourcing within the IT-organizations. Most of previous studies that have been done on outsourcing of IT-activities have been conducted on organizations whose core competencies not lie within the IT-sector. Therefore we argue that the previous researches are limited, since we believe that there are great differences between different industries.

Our contribution will hopefully be used by IT-organizations since our objective is to create a theory or model, which would help IT-organizations to understand why or why not they could use outsourcing as a part of their strategy.

1.8 Research strategy
To be able answer our research question, we have decided to conduct a quantitative study through a survey among IT-organizations, located within Sweden. The study will follow a deductive strategy, since the research question and the survey have a foundation within existing literature (Bryman & Bell, 2011, pp. 26-29).

To obtain all the primary data we required for answering our research question. We have decided collected a lot of data through our survey. The benefit with the use of a survey as data collection method is that it is relatively easy to obtain a large amount of data, which then could be analyzed in support with different statistical programs (Saunders et al., 2008, p. 144). All the data collected from our survey have been processed into the statistical data program SPSS, before we presented them in our empirical findings chapter.

1.9 Definitions and Terms
There are a number of concepts’, which are frequently used through out the whole study. Therefore we have decided to compile a list that summarizes a few of them. The objective with this section is to inform the reader about how we, as researchers have interpreted these concepts, so the reader get the possibility do it in the same way.

- Activities: Everything that is going on within an organization is classified as an activity. All the ongoing activities inside an organization together compose a process, which developing raw material into a final product. (Porter, 1985, pp. 36-44)

- Competitive advantage: When an organization is able to deliver a product or service, which generate a higher value to their customer compared to their competitors (Porter, 1996, pp. 61-62).

- Core competencies: The special expertise an organization obtains within their business area. This type of competence act as the foundation of a competitive advantage.
• *IT-activities:* In this study we have decided to define IT-activities as those activities that are connected to programming, web-development and web-design.

• *Outsourcing:* a decision making process where the management of an organization decides whether they would keep a specific activity in-house, or buy if they would buy from an external subcontractor (Johnson, Scholes & Whittington, 2009, p. 79).

• *Stakeholder:* Those people that are affected by an organization and those people that an organization are dependent on (Johnson et al., 2008, p. 132).

### 1.10 Limitations

This study has only been made on IT-organizations located within Sweden. We conducted a quantitative research based on a survey. A survey is good method to use if the objective is to generalize the findings (Bryman & Bell, 2007, pp. 129-130). In the case our study, we have been able to generalize our findings to some extent. Our study is also only conducted within Sweden and on Swedish IT-organizations, which of course is an important delimitation of our study to keep in mind.

We decided to use simple random sample as our sampling technique. Simple random sample implies that each member of the sample has been selected by entire chance (Bryman & Bell, 2007, pp. 185-186). The use of a simple random sample is of course strength of our study. But we need to keep in mind that our entire population in Sweden was 28187, out of which we created a sample of 1200 and received the 133 answers in return. The fact that our study is based on just 133 answers is another limitation we need to mention. Finally all our respondents were working with web-development, web-design and/or programming. The entire IT-sector includes organizations working within other areas as well, which we have decided to exclude from our study.

### 1.11 Disposition of the study

**Chapter 1**

The intention with this first chapter was to introduce the topic of outsourcing of IT activities. In this chapter we presented why we have chosen this topic followed by a historical background, our problem background, research gap, research question, purpose and the limitations with the research.

**Chapter 2**

In the second chapter we will present our course of actions with our research of theories. The chapter begins with a presentation of our prior knowledge, followed by our research strategy, selection of sources, a definition of secondary sources. The chapter ends with a section about source criticism.
Chapter 3
In the third chapter we will present a review over existing literature and studies, which we consider to be useful for us in order to answer our research question. This chapter also acts as the foundation of the whole study.

Chapter 4
The fourth chapter will give the reader an insight of how we have conducted our study. We will present which type of data collection method we have used and how we have done to analyze the results.

Chapter 5
In chapter five we present the primary data, which we have collected from our survey. The data are presented in a combination of text and charts.

Chapter 6
In the sixth chapter we made an analysis of our primary data, supported by the theories presented in chapter three.

Chapter 7
The seventh chapter starts were the analysis ends. In this chapter we have combined our findings with the analysis. In the chapter we will present an answer of our research question followed by a recommendation for those organizations that participated in our research. At the end of the chapter we have also given a suggestion for potential further research.

Chapter 8
The whole research ends with a chapter about truth criteria’s. Since we would like our study to be as reliable as possible, there are three truth criteria’s that need to be fulfilled.
2 Scientific method

In this chapter we present our course of action within our research of theories. We will begin by defining our prior knowledge, together with our scientific strategy. At the end we summarize it with selection of sources and presenting some criticism against them.

2.1 Prior knowledge

To be able to give the reader a correct view of the reality as possible, it is important as an author to strive against to keep such an objective picture as possible (Johansson Lindfors, p. 116). Even though, it is impossible to be completely objective when conducting a social-sciences study (Johansson Lindfors, 1993, p. 110). We believe that our study have to be written in a way that keeps it clear from our own opinions, as far as possible. To be able to review and scrutinize works that have been conducted properly we, as authors have followed the truth-criteria’s, replicability, validity and reliability, which have been stated by Bryman and Bell (2007, pp. 162-165). These concepts will be discussed further in chapter eight.

The two of us are both studying are fourth year at Umeå School of Business and Economics with Management as major. During our previous three and a half year at the university we have gone through A, B, C and D-level courses in business administration. We have also gathered basic knowledge’s in economics, statistics, Swedish and European law. Still we have not studied completely the same subjects throughout the years, but our opinion is that this could give us an advantage when it comes to searching and interpreting information from different sources.

Malmström has studied the program IBP (International Business Program), which has given him the advantage of understanding business English to a greater level. He has also studied courses that have been more focused on more international perspective compared to other business and administration programs. During his third year Malmström also studied one semester abroad at University of Aberdeen in Scotland, where he studied management and business development. What inspired Malmström to write a study concerning outsourcing within the IT-industry was his passion for cross border business. He has always felt a connection to businesses that have an internationalized perspective of their business core.

Reinhard has studied the program Civilekonomprogrammet, which is the basic program of being able to work with business and administration within Sweden. During his studies, Reinhard has gained a deep knowledge within marketing and management as a result of that he decided to focus his studies into these subjects. Just like Malmström, Reinhard has also used the opportunity to study one semester abroad. In Reinhard’s case he went to Taipei in Taiwan, where he took courses in management, e-commerce and organizational design. During his time in Taiwan Reinhard got in contact with the outsourcing industry for the first time. One of his fellow students from Denmark told him about some of the potential opportunities with outsourcing of IT-activities across national borders.
This gave Reinhard the first and perhaps the most crucial insight in what later would become the subject for his degree project.

Based on our previous experiences, the two of us have a great and diverse knowledge about how to write a study like this and what we have to include in it. However, since we are in a process of continuous learning, which implies that we will learn new theories and methods during the journey. The fact that our knowledge will be developed during this work, will affect our way of writing. We have also to taken into consideration that when we started to the work with this study, we had studied for three and a half years. During this time we have learned a lot of new theories, which we might apply could in this study. However this pre knowledge have most likely affected us to use the models in a certain way. If we perhaps had studied something else before we conducted this study, the theories we would have learnt would perhaps look different. This could in turn have changed the work and the theories, which we had chosen to use. But since the both of us found strategy as the most interesting topic we had studied during these years, it became natural for the two of us to conduct our study within this area.

Regardless of our preconception we believe that we have been able to stay as neutral as it were necessary for us to be, in the sense that the study would not been affected by it. As Johansson and Lindfors (1993, pp. 115-116) argued, that the author strives to achieve a study, which would give the same result regardless if someone else would have investigated the same problem. By demonstrating our own knowledge it is dependent up on the reader to decide whether it is correctly analyzed or not.

2.2 Scientific strategy
When conducting a research within a specific area, there are often two types of concepts that arise prior at the beginning of the writing process. These concepts are referred to as ontology and epistemology. Ontology could be defined as the “doctrine of what is” (Justesen & Mik-Meyer, 2011, p. 11) and epistemology defined as “what is (or should be) regarded as acceptable knowledge in a discipline” (Bryman & Bell, 2007, p. 16). In social science research, ontology and epistemology are the two main known research philosophies (Saunders et al., 2009, p. 109).

The outcome of a study is dependent on our the researchers epistemological view (Bryman & Bell, 2007, p. 26). Therefore it is important to present the implication of these. The epistemological view is often divided into two different sub-categories, positivism and interpretivism (Bryman & Bell, 2007, pp. 16-18). These two concepts are being separated between each other by two different definitions, where positivism

Figure 1, Induction and deduction (Ekelund, 2002, p. 19)
is defined as the natural science strategy while interpretive is defined as the “difference between people and objects of the natural sciences” (Bryman & Bell, 2007, p. 19). To find out and decided which type of strategy we would use within our study.

A positivistic strategy towards a subject or research question is applied when the authors are trying to explain something that is taking place through a law-like generalization (Saunders et al., 2009, p.113). The authors of a study like this generate a theory, which is tested and will thereby create laws or rules for how to understand and assimilate, in other words the researchers develops a hypotheses from their selected theories (Saunders et al., 2009, p. 113). Positivism is more of an explanation method compared to the interpretativistic method, which is more of an understanding method (Bryman & Bell, 2007, pp. 16,19). Since the purpose with this study is to identify the main limitations and opportunities when using or not using outsourcing as a part of an IT-organizations strategy, our opinion is that a positivistic strategy would be an appropriate one for us o use. We began our work by with creating a frame of reference, which would become the foundation of our survey and the questionnaire. The questionnaire was then distributed to a specific number of IT-organizations, within Sweden. The data we then gathered form our survey were later on analyzed in support of our frame of reference. Based on these findings we would finally be able to come up with a conclusion.

Since our research question is based our study on existing literature and research, our study follows a deductive approach. The reason to why we have followed a deductive is because we have developed a theoretical framework (which will be presented in the following chapter) that worked as the foundation of our data collection. To illustrate the relationship between the existing theories we have used and our empirical findings, we used Ekelund’s model (see figure 1). Our empirical findings are built on the primary data we collected through our survey.

2.2.1 Survey
The decision to use a survey, as a research strategy, most of the time includes the use of a questionnaire (Saunders et al., 2009, p. 361; Babbie 2007, p. 245). The use of a questionnaire implies that all the respondents’ fill out the same number of questions, which makes it efficient to analyze compared to if the same sample would have been analyzed with a qualitative strategy instead (Saunders et al., 2009, p. 361). According to Babbie (2007, p. 245) a questionnaire is developed to provide the researcher with the data they require for their analysis.

According to Saunders et al., (2009, p. 362) a questionnaire works best with standardized questions. That is one reason to why we decided to use mainly closed-ended questions. With closed-ended questions the respondents’ are given a number of answering alternatives, which they are allowed to choose between and it is the researcher that has developed these the different alternative. The main benefit by the use of close-ended questions is that they are easier processed compared to open-ended questions. With open-ended questions the respondents’ gets a higher degree of freedom, because they are allowed to come up with a personal answer. However the disadvantages with open-ended questions is that they need to be coded by the researcher before they could be processed. During the
coding process there is always a risk that the researchers interpret the answerers in a wrong way, which could end up in that an error occurs. Another problem with open-ended questions is that the respondents’ may come up with answers to some of the questions that could be irrelevant for the purpose of the investigation (Babbie, 2007, p. 245). However to make the best possible survey, we realized that we would need to include a few open-ended questions as well for being able to collect the primary data we required.

2.3 Selection of sources and theories
The foundation of this study is the third chapter where we present a review over existing literature and studies. Since we follow a deductive approach it has been important for us to create a solid background for this study. Because of that, we put a lot of time and effort into our literature research, so we would be able get a detailed view as possible over what we believed was necessary to include into our study. To be able to do so, we have always aimed to gain information from original sources as far as it was possible for us to do. When we collected the information regarding our research area we managed to find a lot of original literature sources that we have used as our secondary literature. To make sure that the secondary sources we have used were reliable we have gathered most of the information from referred academic journals and books.

According to Saunders et al., (2009, p. 70) refereed academic journals “are usually the most useful for research projects as they will contain detailed reports of relevant earlier research”. Besides the academic journals, we have also used a number of academic books. Most of these books have been connected to the subject of research methodology and to support us in the progress of formulating our research question. Finally we have used a number of web-based sources; these have mainly been used in our problem background, since it has been important for us to include a practical angle in this study as well. Regarding the information we have collected from the web-based sources and especially the ones that comes from newspapers have a number of critical factors, which we needed to keep in mind. Potential critical factors connected to sources like these are the coverage, the political perspective and the articles author’s personal perspective (Saunders et al., 2009, p. 74).

2.4 Secondary sources
The secondary sources within this study consist of all the information sources, which we have not collected by ourselves. Such as, peer-reviewed articles, journals, books, webpages and newspaper etc. (Saunders et al., 2009, pp. 69-70). However, we have tried to evaluate their credibility and to what extent one could believe and trust each of the sources. We as researcher have thoroughly appraised whether each of those sources could help us to answer our research question as well as supporting us to fulfill the purpose of the study. By evaluating each of the sources validity, reliability and replicability they are judged whether they would be a useful source or not (Saunders et al., 2009, pp. 272-273).

2.5 Criticism of sources
It is always important to discus the quality and reliability of the secondary sources that have been used, especially when the questionnaire is built on this information. But it is also
important to critically evaluate the objectivity of the secondary sources; a reliable source should not be biased. Further on it is important to make sure that the information, which is presented within the literature review, actually is valid. That is why it is important trying to use original sources as far as it is possible to do so. If it is not possible to use the original source, there is a risk that some information could be missed. When the original source is cited in later research, the authors often have reduced and summarized the original material. However there are some potential problems with the use of the original sources as well. An original source could have been published several years ago and could be considered as rather timeworn. So from a researcher’s point of view it is always important to keep the time perspective in mind. To solve a potential problem with olden literature, the study could be complement it with academic researches, articles and books that are more up to date. When collecting the articles for the literature review, the best is to choose articles that have been assessed by experts, so called peer-reviewed. By doing so the possibility that these articles be seen as rather objective and reliable is rather high. However no matter how careful you are during the literature search, all articles and books in some sense always show the authors own personal opinion regarding the subject. (Ejvegård, 2003, pp. 62-64)

Even if we have attempted to be as critical as possible during our collection of secondary sources, the risk that we may have missed something will always be there. Therefore we have tried to collect as much information regarding our subject, as it was possible for us to do. Since our literature review is the foundation of the whole study, it is important that it will contain all the information required to fulfill our purpose. However we could never know for certain that we have chosen the most appropriate secondary sources, but we can always argue that we believe we have chosen the most appropriate secondary sources for our specific problem.
3 Theoretical framework of outsourcing as a strategy

The purpose of this chapter is to present the theories and academic research, which we see as the most relevant in order to answer our research question. The function of a literature review is to give the reader a deeper knowledge within the research field (Saunders, et al., 2009, p. 61). Since our study follows a deductive approach, the literature presented within this chapter works as the foundation of our whole study.

Our literature review is divided into four main parts, each part present one theoretical theme. We have select theories and academic research based on these four themes; Strategy, Service, Decision-making and Collaboration. Our opinion is that these themes play an important role in defining the opportunities and limitations with outsourcing as a part of an IT-organizations strategy.

Strategy: Outsourcing is considered to be a part of a lot of organizations strategies today. According to Porter (1996), a number of organizations use outsourcing as a part of their overall strategy to become more efficient. The explanation behind this is that many organizations have started to realize that it is hard to accomplish all necessary activities by themselves. Porter’s theories support the statement that outsourcing is linked to strategy. That is why we would begin this chapter by looking at outsourcing from a strategic point of view.

<table>
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<tr>
<th>Service</th>
<th>Decision making</th>
<th>Collaboration</th>
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<tr>
<td>Within the theme service we are going to look deeper at the concept of core competencies. We will also describe and explain the GAP-model.</td>
<td>When it comes to decision-making there will always be risks involved, due to this fact it is important to bringing up risk management together with security. We will also discuss project governance by focusing on the stakeholder perspective within the IT-industry.</td>
<td>Since outsourcing consists of almost just collaboration there is a great need of bringing it up. Therefore we will be talking about networks, culture as specific topics. We will also discuss globalization.</td>
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3.1 Introduction, what is outsourcing?

Every organization faces new difficulties each day. It does not matter whether these difficulties are easy or hard to solve, because they all have one thing in common, the organization needs to decide how they are going to be solve them. Difficulties within IT could either be solved by using the sources in-house, or outsource it to an external actor. When the decision has been made to outsource a business activity, the organization must choose a business partner to collaborate with. There is also a need to decide what the location of the partner should be. (Graf & Mudambi, 2005, p. 254)

Figure 2, The context of business process outsourcing decisions (Graf & Mudambi, 2005, p. 255)

We believe outsourcing could be a controversial topic to discuss. The use of outsourcing has been criticized by the general public and of politicians, because of the decisions of moving business activities to different locations (Graf & Mudambi, 2005, p. 253). The reason behind the criticism from politicians do we believe are connected to the risk of employment loss within the organizations home countries. This could generate difficulties that the politicians need to solve. On the other hand, outsourcing could open up the possibility for the organizations to become more competitive because they can spend more time focusing on their core competences (Johnson et al., 2009, p. 79).

3.2 Theoretical background about outsourcing

3.2.1 Outsourcing

Outsourcing could be defined as a decision-making process, where the management of the organization decides whether they would keep a specific activity in-house or buy it from an external subcontractor (Johnson et al., 2008, p. 114), as we can see in figure 2. As we have mentioned before, outsourcing is a part of an organizations overall strategy. If an organization decides to use outsourcing, it implies that they will buy one or a few activities from an external subcontractor. The used subcontractor could be located within the same country or somewhere else in the world (Hovlin, 2006, p. 17).

Outsourcing across national boarders could be defined in a number of different ways.
Hovlin (2006, p. 17) define the movement of business activities to a subcontractor located in another country as offshoring. Becker, Ekholm and Nilson-Hakkala (2010) have used the same definition when they talked about organizations that moved activities to another country. Johnson et al., (2008, p. 302) have on the other hand defined outsourcing over national borders as global sourcing. A third definition of outsourcing activities to another country is given by Hijzen, Görg and Hine (2005), who have investigated what effect international outsourcing has on the demand for skilled labor within UK. Hijzen et al., (2005) have used to define it as international outsourcing instead of for example offshoring or global sourcing. These three examples illustrates quite well that outsourcing business activities to a subcontractor located within another country could be defined in a number of different ways. All of these definitions are all a form of outsourcing.

The use of outsourcing as a part of the overall strategy is something that has become more popular over time. Already at the end of the 1980’s Prahalad and Hamel (1990, p. 84) argued that outsourcing could be a short cut to gain useful skills and knowledge in a short-term perspective. This does not necessary need to be adversely. According to Kessler et al., (2000, p. 214), an organization could establish a strategic partnership to gain access to skills and knowledge that could make them more competitive. One objective with the use of outsourcing is to get access to some of those competencies that an organization requires to their operations. So that an organization gets an opportunity to focus on their core competencies instead, which is the actual source for creating a competitive advantage. (Johnson et al., 2009, p. 79)

The decision to use outsourcing as a part of an overall strategy could be rather controversial. According to Hovlin’s (2006) research, a lot of employees were sure that the globalization process could not be stopped and this was something they were worried about. They thought this phenomenon could be a threat against their jobs in the future (Hovlin, 2006, p. 36). Hovlin (2006, p. 18) further argued that a strategic choice of using outsourcing in the long run could lead towards offshoring parts of business activities. What she meant was that that outsourcing could increase the probability that an organization would move parts of their production abroad in the long run (Hovlin, 2006, p. 18). There is no secret that if business activities move outside the home country, this will have a temporary negative effect on the country’s overall employment rate (Becker et al., 2010, p. 42). When media is reporting about offshoring, they often just mention that this phenomenon implies that the production would be moved outside its origin country. Which leads to the production within the home country will be shut down, without given any deeper information about what offshoring actually is (Becker et al., 2010, p. 16). So we see it as logical that people might be worried about what negative effects outsourcing and globalization could have on their jobs.

Due to the risk aspects with outsourcing, it has been important for us to have a critical view of the theoretical research and literature regarding the subject. Therefore we have been very careful when we selected the literature, which is presented in the remaining sections of this chapter. Since the most important aspect with a literature review is to find literature, which could support the researcher to find an answer the research question (Saunders et al., 2009, p. 93).
3.3 Strategy

3.3.1 Competitive advantage

The main objective for most organizations, no matter what business they are operating in, is to deliver a product or service, which generates the highest possible value to their customers. To be able to do so, an organization must be best in class and outperform their competitors in some way. This could be done either by delivering a higher value to the customer, or by deliver the same value as their competitors but to a lower price, or even do both (Porter, 1996, pp. 61-62). Whether if an organization decides to focus on delivering a product with higher value or a lower price depend on all the activities, which are going on inside the organization. These activities are the source for creating a competitive advantage and it is connected to operational effectiveness. Operational effectiveness means that an organization performs similar activities as their competitors but in a better way (Porter, 1996, pp. 61-62). An optimal competitive advantage should contain four central factors: durability, transparency, transferability and replicability, if it would be sustainable over time (Clegg et al., 2011, pp. 91-92).

The IT sector is similar to most other businesses, where knowledge and skills are the main drivers for creating a competitive advantage. Since knowledge is such an important factor, actually the most important one for an organization it should be almost impossible to copy just by observations. This type of knowledge is defined as tactic knowledge and this type of knowledge is hard for an organization to gain in an external way. But there is an exception, if an organization is able to find a subcontractor that obtains high expertise within the same area as them; this type of activities could be outsourced. (Kessler et al., 2000, pp. 216-217)

Another possible benefit for an organization by using outsource is that they get a possibility to focus more on those activities they are good at. These types of activities are the foundation of an organizations performance are defined as an organization’s core competencies. (Prahalad & Hamel, 1990)

According to research made by Kessler et al., (2000, p. 220), there is a negative relationship between outsourcing of activities during the development of a new product and the development of a competitive advantage for the final product. They further argue that there is also a negative relationship between outsourcing during the development stage and the innovation level within an organization. So in general, there are risks that the use of outsourcing during the product development stage could resists the process of developing a competitive advantage. On the other hand, their analysis indicates that the use of outsourcing at a later stage of the production could significantly shorten the projects time. Finally they come up with the conclusion that the top management should keep those activities, which may generate a competitive advantage inside the organization. They could then use the possibility to outsource activities’, which have smaller strategic importance for their business. But to this differs dependent on what type of business the organization is operating in and that is why it is important for the top management to carefully consider each decision where outsourcing is one option. (Kessler et al., 2000, p. 220-222).

If an organization considers starting to use outsourcing, we think it is important that the top
management is aware about what their competitive advantage is and how it could be affected. To get a deeper picture of how different activities are linked together, we will in the next section present Porter’s value chain.

### 3.3.2 The value chain

The Value chain is a model assembled by a number of different activities. Each part is built to clarify and define what is happening with a product that is being produced and delivered from the organization (Porter, 1985, p. 36). To make the model more understandable it is divided into two larger blocks, the primary activities and the support activities.

*Figure 3, The generic value chain (Porter, 1985, p. 36)*

The primary activities are those activities that are directly connected to the development and distribution of a final product (Johnson et al., 2009, p. 74). The primary activities are divided into five categories. The first one is *inbound logistics*, this is where we find activities such as receiving, stocking and warehousing of goods. Secondly comes the *operation*, where an organization adds value to the product. This is where the organization convert raw material into a final product that is ready for the market. (Porter, 1985, pp. 39-40)

When the product is developed, the organization must quickly get it out on the market. The activities that are connected to the distribution of the final product to the customer, are classified as *outbound logistics*. But before a product is ready for the market, an organization must identify who their customer would be, through which channels they would sell the product and to what price. Activities that are connected to selling and pricing go under the category *marketing & sales*. When a product, for example a computer program is sold there could still be need for support and service. That is why an organizations value chain includes *service* as well. All the activities within the value chain could be a potential source for an organization to create a competitive advantage. Which of the activities that is the most important ones, depends on what type of business we are looking at. For a logistic firm the main source is of course in- and outbound logistics, but if the organization is a call center that provides customer support, the service activities may be the most relevant in their work of developing a competitive advantage. However it is important to remember that if an organization would be able to create a competitive advantage, all the primary
activities are in some sense connected to this process. (Porter, 1985, p. 41)

Above the primary activities in the value chain we find the support activities. The objective with the support activities is helping “to improve the effectiveness or the efficiency of the primary activities” (Johnson et al., 2009, p. 75). The support activities are divided into four generic categories; firm infrastructure, human resource management, technology development and procurement. These four types of activities exist within all competitive organizations. However each of them includes a number of distinct value activities, which are specific to each industry. (Porter, 1985, pp. 40-43)

The organization infrastructure is the top of the organization. Here, we find the organizations management, lawyers and the financial departments. The activities within the organization infrastructure act as a guide for which direction the organization and its employees would follow. Most of the larger decision concerning the organization are developed and taken here and it is also up to the organizations infrastructure to implement them within the rest of the organization. So in contrast to the other support activities, the organization infrastructure supports the whole chain and not just focusing into one single activity. (Porter, 1985, p. 43)

The Human Resource Management (HRM) department of an organization is responsible for recruiting, development and compensation of employees. The HRM department is responsible for training of existing employees as well as recruiting new profiles to the organization. The HRM plays an important role in the process of creating a competitive advantage, because their job is to find and motivate those employees that obtain the desired skills an organization requires. (Porter, 1985, pp. 42-43)

The environment is in constant technological change, because of that it is important for an organization to keep up with their technological development and avoid the risk of falling behind their competitors. The activities categorized as technology includes bring new goods to the production team and developing existing products. The technological activities are also important since almost all activities within an organization contain some kind of technology and because of that the technological development support a large number of activities within the value chain, for example an organizations intranet. An organizations intranet is an example of an activity that is not directly connected to the process of developing a final product, but it could still be a source to a competitive advantage. If an organization is able to keep up with the technology, this could be a key in their process of developing a competitive advantage for all types of industries. (Porter, 1985, pp. 41-42)

The last activity within the field of support activities is called procurement. The procurement department is responsible to provide the organization with all kinds of raw material, whether it is a physical product or a service that is required. Like all value activities, procurements include different types of technology. Procurements activities do not necessary have to exist within a traditional purchase department. These types of activities could exist within other departments as well, like when a CEO decides to purchase strategic consulting or outsource one of the organization’s activities. The procurement activities have a large impact of an organizations overall costs, since it is
connected to the inputs of the value chain. But the procurements activities themselves are often connected to low costs. (Porter, 1985, p. 41) It is important to point out that all the different activities within the value chain are not isolated from each other. The link between different activities could become a source of competitive advantage as well. This proves why the coordination of the different activities is so important for an organization, because it could improve their performance or reduce the costs (Porter, 1985, pp. 48-49).

All support and primary activities could be divided into three different categories *direct*, *indirect* and *quality assurance*. These categories play different roles within the process of creating a competitive advantage. The *direct*-activities have the direct connection to development of customer value. The *indirect*-activities are those activities, which make it possible for an organization to perform their direct activities. One example of an indirect-activity is planning. The indirect-activities are harder to understand, a lot of managers have problems to distinguish between direct- and indirect-activities. Which result in that they combine these two groups of activities into one. The last of these three categories is the *quality assurance*. The objective with quality assurance is to make sure that all other activities within the value chain keep the right quality level. An example of quality assurance are monitoring and supervision. The quality assurance activity often have an impact on an organizations costs and effectiveness (Porter, 1985, pp. 43-44).

As we could see there are a number of activities that is connected to an organizations competitive advantage. According to Clegg et al., (2011, p. 68) an organizations decision to use outsourcing or not, is often a result of a value chain analysis. If an organization starts to use outsourcing, we believe it could have an effect on all the activities within their value chain. As we have mentioned an organizations advantage is dependent of all their activities. If the activities would be changed as a result of outsourcing, the final product could be affected, which we believe might end up with that an organization might lose their competitive advantage.

### 3.3.3 Generic strategies

Porter (1980, pp. 34-46) created the concept generic strategies. The generic strategies were at first a share matrix divided into three different boxes. Each individual box represented different aspects of an organization depending on whether the organization has a strategic advantage or a strategic target. The boxes were named; *overall cost leadership*, *differentiation* and *focus*. Today, the theory has been modified and the box *focus* has been divided into two different boxes (Clegg et al., 2011, p. 69).

This has created the share matrix that we use today, even though the foundation and meaning of the theory is the same. The boxes have been renamed; *differentiation focus*, *differentiation*, *cost leadership* and *cost leadership focus* (Clegg et al., 2011, p. 69). Today
each of these boxes represents whether an organization has a high or low focus on the degree of differentiation, or if it has a narrow or broad scope of business activities. As we can see in the share matrix (see figure 4) the cost leadership has a broad scope of business activities while there is a low degree of differentiation. This means that an organization, which has cost leadership as a strategy, probably focuses on a broad market. They are not trying to be cheaper or having higher quality on their products. More often, they gain an above-average returns on their investments. An example of an organization that has succeeded with strategy like this is the multinational organization IKEA; they sell furniture’s to the public for a low price and their warehouses are often located outside the city center. (Clegg et al., 2011, p. 69)

The differentiation strategy however differs from the cost leadership. This strategy has a broad scope of business activities with a high degree of differentiation. These types of organizations attract a lot of people, they exist in a lot of places but at the same time they are differentiated in a way, which separate them from other organizations within the same industry. An example of an organization that uses a differentiated strategy is Apple. Apple has managed to spread worldwide with their products that is expensive, unique and attracts a lot of people. (Clegg et al., 2011, p. 70)

The organizations that use a focus strategy have to make a strategic choice between having a high or low product differentiation. If an organization decides to have a high differentiation, this type organization focuses on having a narrow market with a differentiation focus. An example of an organization that possesses this type of strategy is Ferrari; they have a very narrow scope of business activities while a high product differentiation. (Clegg et al., 2011, p. 71)

If an organization wants to keep the product differentiation low as well as the scope of business activities they have chosen the strategy cost leadership focus. This means that the organization has focused on not to differentiate from others when it comes to product as well as having a narrow scope of business activities. An organization like this often sells their own merchandises at a lower price called “me-too’s”. (Clegg et al., 2011, p. 72)

We believe it is important to define where the investigated organizations are located within the share matrix. The reason behind this is because it gives us a greater overview of the concept to understand, which type of strategy our respondent organization uses. It also makes it easier for us to understand how and why their business looks the way it looks. Further on we will discuss the organizations approach towards service.

3.4 Service

3.4.1 Core competence
C.K. Prahalad and Gary Hamel are the two researchers who developed the concept core competencies within the field of management (Clegg et al., 2011, p. 93). They had during the 1980’s analyzed a number of organizations’ development core competencies and how these competencies had affected the organizations’ position on the market. The core competence itself is one of the most important aspects of running an organization. When an
organization has been able to find their core competencies and understands how to develop and maintain them. The organization has found the key to how they could succeed with their operations. (Prahalad & Hamel, 1990)

Prahalad and Hamel (1980, p. 80) realized that the top management choice of strategic architecture played an important role in this process. One example is the comparison between the organizations’ NEC and GTE’s developments during the 1980s. In the beginning of the decade GTE was a much larger actor compared to NEC on the market. The big difference between the two organizations at that moment, were their top managements knowledge about core competencies. NEC had a top management that understood the importance of creating competencies and how these competencies could improve the organization’s performance. Therefore NEC designed a strategic architecture, which would make it possible to develop necessary competencies. GTE on the other hand had a top management that did not understand how important core competencies were for the organization’s future development. At the end of the decade, the roles where changed and NEC had gained a larger market share than GTE (Prahalad & Hamel, 1990, p. 81). According to Prahalad and Hamel (1990, p. 81): “The real source of advantage are to be found in management's ability to consolidate corporate wide technologies and production skills into competencies that empower individual businesses to adapt quickly to changing opportunities”. Prahalad and Hamel (1990, pp. 81-82) further argue that every top manager have a possibility to develop necessary core competencies within the inside of their organization.

Prahalad and Hamel define an organization as a tree, where the core competencies are the root system and the finished product are the leaves. The root system provides the tree with water and nutrients, as similar to the core competencies, which is the foundation of an organization and the key for creating a competitive advantage. Everyone knows that a tree will not generate leaves without nutrients; in the same way an organization will not be able to deliver a final product without any competencies. This illustrates quite well how important the core competencies are for an organization. Due to this fact it is very important for an organization to maintain, nurture and protect these competencies. Not just because that the competencies are important for an organization at the moment, they are also the key driver for the organizations future business development. (Prahalad & Hamel, 1990, p. 82)

One of the main benefits with core competencies is that it is possible for an organization to test how solid they are. Prahalad and Hamel (1990, p. 84) suggests three main tests that can be used for this purpose:

1. “A core competence provides potential access to a wide variety of markets”
2. “A core competence should make a significant contribution to the perceived customer benefits of the end product”
3. “A core competence should be difficult for competitors to imitate”

These three tests were developed thanks to the research that was conducted in the 1980’s (Prahalad & Hamel, 1990). Although these findings might be considered as rather old, they
are often used in modern writing. Prahalad and Hamel’s findings are still very useful and cited in literature that is much more up to date, for example in Clegg et al., (2011, p. 94).

According to Prahalad and Hamel (1990, p. 84) a world leading organization normally has 5 to 6 core competencies inside the organization, this also imply that an organization have a limited number of capabilities. So there will probably exist areas where the organization could improve their operations and lower their costs by looking outside the own house. What the organization could do is either to create an alliance or outsource some of their activities. By choosing one of these options an organization could lower their costs and get access to those competencies they are missing. However it is important to remember that the strategic choice to outsource some of the internal activities includes a number of risks. One example of when the decision to outsource part of the production failed was when Chrysler in the 1980’s took the decision to outsource parts of their engine production to Hyundai and Mitsubishi. The problem for Chrysler was that they became too dependent on these two organizations (Prahalad & Hamel, 1990, p. 84).

In general Prahalad and Hamel seems to have a negative attitude towards the use of outsourcing, they argue that: “Outsourcing can provide a shortcut to a more competitive product, but it contributes little to building the people-embodied skills that are needed to sustain a product leadership. Nor is it possible for an organization to have an intelligent alliance or sourcing strategy if it has not made a choice about where it will build competence leadership” (Prahalad & Hamel, 1990, p. 84). According to Prahalad and Hamel (1990, p. 84) an organization that does not have a clear plan and goals for how they will develop those competencies they would like to, will be struggling with creating them. The problem is that an organization cannot calculate how much it will cost to develop these competencies in advance. That is why many organizations see alliances or outsourcing as a good option to gain access to necessary skills from an external actor (Prahalad & Hamel, 1990, p. 85).

Between the core competencies and the final product in the “tree” definition, Prahalad and Hamel (1990) discuss the core product. It is the core product that gives value to the final product the organization delivers. One example of this is Honda's engines gives values to their cars. If an organization has a good core competence and a good core product, they will most likely deliver a final product with high quality. That is why top management has to understand and accept the link between core competencies, core product and the final product. So it is important for the top management to develop a strategic architecture that gives spaces and makes it possible for the organization to develop those necessary competencies the organization requires. With a well-developed strategic architecture, this strategic program could guide the organizations operation to develop new competencies in the future. (Prahalad & Hamel, 1990, pp. 85-91)

We believe that the core competencies play a crucial part when discussing the possibility of outsourcing. Since the use of outsourcing has increased during the recent years, organizations perhaps must start to consider which their core competencies really are and focus on them. Today we do not know whether the use of outsourcing is just a growing trend among IT-organizations or if it actually is the future for this sector. What we do know
is that organization must focus on their core competencies to be able to survive in today’s business climate. Another important aspect that especially IT-organizations need to keep in mind is the value of delivering high quality service to their customers. So within the next section we will look deeper into this by using the GAP-model.

3.4.2 GAP-model
To acknowledge and identify problems within quality, it is necessary to understand and know how to use the GAP-model. The GAP-model gives a greater view of how the quality within an organization could be identified and improved. The model itself is divided into two parts, the upper part, which focuses on the consumer and the lower part that focuses on the subcontractor. Within the model there are five different gaps. Each gap represents a lack of quality inside the organization. By support of the GAP-model, an organization could identify were they have lack of quality by finding the correct gap. (Zeithaml V. A, Berry .L .L and Parasuraman A. 1988, p. 35-39) We hope that the GAP-model could help us to identify where there in general are lack of quality among our respondents as well as giving recommendations for how they could improve them.

Gap 1: Zeithaml et al., (1988, p. 35) argue in their article that the consumer perceives high quality as the: “difference between consumer expectations and management perceptions of consumer expectations”. They mean that service organizations do not understand which type attributes that are important to the consumers or customers. One of the biggest aspects, which must be taken into consideration within this gap, is the upward communication. Upward communications means that the communication that comes from below must be listened too to ensure that this Gap does not occur. This type of information often comes from either the employees that meet the customer in person (Zeithaml et al., 1988, p. 38).

Gap 2: According to Zeithaml et al., (1988, p. 35-36) the supplier gap two is defined as the “difference between management perceptions of consumer expectations and service quality specifications”. The importance of matching or exceeding customer expectations for management is sometimes difficult. There are several different factors, which to a large extent affecting the situation between manager’s perceptions of consumer expectations. These factors could be resource constraints, short-term profit orientation, market conditions and management indifference (Zeithaml et al., 1988, p. 39).

Gap 3: The “difference between service quality specifications and the service actually delivered” is a definition of the third supplier gap (Zeithaml et al., 1988, p. 36). In other words, there is a difference between the specifications regarding the service and how it was delivered. The managers have one idea or vision of how the service would be delivered, which the subcontractors do not cope with.

Gap 4: The supplier gap four is defined as the “difference between service delivery and what is communicated about the service to consumers” (Zeithaml et al., 1988, p. 36). When media takes over there is sometimes a risk for exaggerations, this means that the organizations promises too much, which makes the customers, disappointed. The problems often lie within the communication channels, such as the public relations department.
Gap 5: The fifth gap looks at quality from the opposite point of view, the customer view, therefore the name customer gap (Wilson, Zeithmal, Bitner & Gremler, 2008, p. 105-106). Zeithaml et al., (1988, p.36) defines this gap as the “Perceived service quality is defined in the model as the difference between consumer expectations and perceptions”. This means that the service provider has not been able fulfill the customers’ expectations. Before the service have been conducted the consumer are already bias of how the delivery are going to be, due to either previously experienced services, rumors or word of mouth.

It is crucial to identify which gap organizations tend to struggle with the most. With that knowledge it will be easier to see whether an organizations meets the demands from their customers on the market. With the help of the GAP-model we hope being able to identify what the customers want and believe they get. We will also be able to see what the organizations deliver as well as what their customer think about their organization.

3.5 Decision making

3.5.1 Risk management

Risk can be defined in a number of different ways. According to the Oxford English Reference Dictionary (Pearsall & Trumble, 1995, p.358) risk is defined as “a chance or possibility of danger”. On the other hand, Hansson (2000, pp. 7-8) argues that risk does not need to have one single meaning; instead he has defined risk with a number of different statements:

1. Risk = “an unwanted event which may or may not occur”.
2. Risk = “the cause of an unwanted event which may or may not occur.”
3. Risk = “the probability of an unwanted event which may or may not occur.”
4. Risk = “the statistical expected value of an unwanted event which may or may not occur.”
5. Risk = “the fact that a decision is made under conditions of known probabilities.”

But Hansson’s intention was not to define risk by using different statements; he would like to show that the word risk could have a greater meaning than just one. He further argues that the most important aspects when discussing risk is that everyone involved must be clear of which definition that has been used (Hansson 2000, p. 9). Koller (2007, p. 3) argues, “An individuals perception of risk depends mainly on the contextual setting in which that person finds him- or herself”. Therefore we believe that there are several ways of how to define risk but it is up to the eyes of the beholder to decide whether it is a risk or not.

There are a lot of possible ways for how to evaluate and calculate risk. According Cohen (2003, p. 9): “The only meaningful way to evaluate the riskiness of technology is through a probabilistic risk analysis (PRA). A PRA gives an estimate number of expected health impacts- example, the number of induce deaths- of the technology, which then allows comparisons to be made with the health impacts of competing technologies so a rational judgment can be made of their relative acceptability. Not only is that procedure attractive from the standpoint of scientific logic, but it is easily understood by the public”. We think
that this definition is the most suitable one for our problem, since we were discussing a rather new type of business activity. We also believe that it might be good for an organization to conduct a PRA analysis before they take a decision to use outsourcing as a part of their strategy.

3.5.2 Security
Security as a concept is somewhat difficult to define. We believe it is important to give a description of what we see as potential security problems within the IT-industry when it comes to outsourcing. There is always a threat that an organization’s website could be hacked by an outsiders, who do not have the authority to access this webpage (Bishop, 2003, p. 21). If some very sensitive information leaks out, this could cause problems for the organization it belongs to. So an organization must always take integrity issues as well as confidentiality issues into their consideration (Bishop, 2003, pp. 4-5). These issues could be difficult for an organization to handle if some parts of their production would be outsourced to another country or region where different laws have been applied (Bishop, 2003, p. 18).

Organizations must take their customers security into account before they decided to outsource parts of their activities. In Sweden for example there are banks that actually outsource some of their IT-activities to specialized IT-organizations (Yakhlef, 2009). Therefore we believe it could have a devastating effect on the customers’ satisfaction if sensitive material leaks out from a subcontractor to unknown third part. We believe security related issues are one important factor that affects the decision-making process whether an organization will use IT-outsourcing or not. But there are a lot of other factors, which have an impact on this decision as well. Keep track of the stakeholders is one example, monitoring the process is another and this concept will be further discussed in the following section.

3.5.3 Project governance
According to Müller (2009, p. 2) “Governance provides a framework for ethical decision making and managerial action within an organization that is based transparency, accountability and defined roles”. We believe there is a need for project governance within projects where outsourcing could play a big part. When we look at the concept project governance within this study, we will introduce the reader to the stakeholder theory, which gives a better understanding of how project governance could affect people.

The stakeholder theory is based on that an organization is taking a wider responsibility towards anyone who could be affected by them. This means that an organization must cope with value maximization, if they would be able to continue following the stakeholder theory. What an organization dose is that they strives to keep up with the desired needs of their stakeholders, such as subcontractors, customers, employees as well as other people that are affected by the organization. Use this type of strategy could be very difficult for an organization, but if they succeed this could be very beneficial for them. (Jensen, 2002, p. 241) The stakeholder mapping theory identifies the stakeholder expectations, their power as well as understanding political priorities (Johnson et al., 2009, p. 107). The matrix itself is based on the level of interest in contrast to its power. A stakeholder map is used to identify the different stakeholders view and strategy to the individual organization as well as to
what extent it will influence the organization. A lot of organizations use this matrix to determine which stakeholders that could have an impact on them (Johnson et al., 2009, p. 108).

We believe that this theory is important to enlighten because the decision of start using outsourcing have an impact on an organizations stakeholders. For example if an organization start to use outsourcing, there is a risk that someone could lose their job. This would then affect his/ hers family due to loss of income. This will in turn have an impact on other organizations since the purchase power would decrease among those who have lost their jobs.

### 3.5.4 Cost benefit analysis

One of the largest parts of an organization’s total spending is their cost of labor. If an organization decides to outsource parts of their activities, this could lower their cost of labor (Hollensen, 2010, p. 35). But is the possibility of cutting the cost of labor actually one of the main benefits with outsourcing for Swedish IT-organizations?

The definition of a cost-benefit is that the all costs and benefits, which are connected to strategy, have a monetary value. To put a monetary value on all these parts could be hard, but it is still possible to do. The best way to do it is by using a cost-benefit analysis (CBA). A CBA is possible to use when the managers got the possibility to put a financial value on all the benefits and disadvantages, connected to their strategy. Based on this information they could then make a strategic choice. (Johnson et al., 2008, pp. 373-375)

A CBA lists all the spending and the revenues connected to a strategy. The spending represents the costs and the revenues are the benefits an organization achieves (Robinson, 1993, p. 924). According to Hollensen (2010, p.35) one of the benefit with outsourcing is the possibility to lower the labor cost. In a case like this an organizations outputs would be lower, which would have a positive impact in a CBA. According to Robinson (1993, p. 926) CBA became a useful tool within the healthcare business, since people got a possibility to put a value of the quality of their life. We believe that if a CBA could be used for economic evaluation within the healthcare sector, it could be used to evaluate IT-outsourcing as well. For this reason, we believe that the use of a CBA could make it possible for an IT-organization to compare to their cost of labor against, for example the quality of the final product.

There is no secret that one opportunity with outsourcing is the possibility an organization has to cut their costs. But we do not know if it actually is one of the main benefits with IT-outsourcing. That is why we think it is important to include this short section about CBA.

### 3.6 Collaboration when outsourcing

#### 3.6.1 Alliances and networks

As we have mentioned earlier in this study, organizations are always searching for a way to develop a competitive advantage. Today it is common that organizations are looking for
important strategic resources outside their own organizations. To get access to these resources a lot of organizations have started to use strategic partnerships, subsidiaries or subcontractors, which are located all over the world. This has resulted in an increased global collaboration through alliances and networks. (Clegg et al., 2011, p. 322)

An organization that considers joining a network or alliance must first be aware about what their core competence is. If an organization on the other hand considers about using outsourcing instead, it still requires that they know what their core competence is in advance. When an organization decides to outsources parts of their activities to an external actor, they will get access to this subcontractor’s knowledge and resources. (Gummesson, 1994, pp. 10-11) The objective for an organization by joining an alliance is that they could get access to new skills, knowledge, invocations etc. (Clegg et al., 2011, pp. 322-323). According to Langfield-Smith and Smith (2002, p. 281) outsourcing includes a number of relationships classified as strategic alliances.

A strategic alliance is defined as a situation of mutual interdependence. If such a relationship would work, the key is that the involved organizations trust each other (Willcocks & Choi, 1995, p. 68). If an organization have decided to use outsourcing, it is important that they are able to trust the subcontractor before they could proceed with the process (Langfield-Smith & Smith, 2002, p. 287). According to Willcocks and Choi (1995, p. 71) most of the long-term IT-outsourcing projects are defined as a strategic alliances or strategic partnership. If an IT-outsourcing relationship would serve during a longer period of time depends on the preparation work the organizations have done in advance (Willcocks & Choi, 1995, p. 71).

One important part of an organization’s strategy is to establish good external relationships and networks, with for example their subcontractors and distributors (Johnson et al., 2009, p. 7). We believe it is hard to find a good definition of what a network actually is, since the word network exists in so many different contexts and not just within business and administration. But according to Podolny and Page (1998, p. 59) an organizational network includes a number of different types of relationships, for example alliances and outsourcing agreements.

In the literature review conducted by Christine Oliver (1990), she has identified six main objectives for why organizations establish relationships and starts to collaborate with each other (Oliver, 1990, p. 242). These six objectives are:

1. **Necessity**: An organization join a network in order to meet requirements, laws or regulations from for example the government (Oliver, 1990, p. 243).
2. **Asymmetry**: Asymmetry could be defined as a lack of balance between the organizations that collaborate. When asymmetry occurs within a network one organization could exercise power or control over another one. The main reason for why asymmetry emerges is when one organization starts to cooperate with another one with only one objective, which is to get access to the other organizations skills and resources and then try to control the collaboration. (Oliver, 1990, pp. 243-244)
3. **Reciprocity**: Reciprocity could be defined as the opposite to asymmetry. Reciprocity implies that at least two organizations develop a network with the
objective to support each other towards a better performance and they treat each other equally. (Oliver, 1990, pp. 244-245)

4. **Efficiency**: Efficiency focus on how an organization could improve their internal efficiency through collaborations. By joining a network, an organization could for example get the possibility to focus more on their core competencies. (Oliver, 1990, p. 245)

5. **Stability**: Organizations could join a network to generate resource and knowledge, which could help the organization to protect them from environmental uncertainty (Oliver, 1990, pp. 245-246).

6. **Legitimacy**: Some organization decides to join a network, since they feel the pressure for the environment of doing so. By joining a network an organization could improve their reputation, image, prestige or congruence through collaboration with others. (Oliver, 1990, p. 246)

According to Oliver (1990, p. 242) each one of these six objectives’ could be an argument for starting to collaborate and joining a network. The six objectives are not isolated from one another; they could interact with each other as well (Oliver, 1990, p. 242).

Since we do not know the reasons for why Swedish IT-organizations have developed an outsourcing network or not. We cannot exclude anyone of Oliver’s six objectives in advance. Based on this we consider all of them relevant for our research.

We have chosen to include this section about alliances and network, since we believe it could support our work of identifying potential benefits and disadvantages with IT-outsourcing. The reason for why we have chosen to include literature about alliances is because we believe that some of the main reasons for using outsourcing are very close to the objectives with joining an alliance.

### 3.6.2 Culture and outsourcing

When we talk about the subject outsourcing as a strategy. We believe it is important to mention how culture could affect the decision whether an organization would be willing to outsource or not. As we have mentioned in the introduction chapter, Graf and Mudambi (2000, p. 254) gave an example with Dell. In 2003 Dell decided to move parts of their call center activities back to America. Dells American customers had complained that it was hard for them to understand the language of the Indian IT support. The new call center in America would start to provide support to Dell’s American customers and Dell would continue to use the Indian call centers for their Asian and European customers (Graf & Mudambi, 2000, p. 254).

The example with Dell illustrates that the cultural factors includes much more than just the way of working. According to Krishna, Sahay and Walsham (2004, p. 64) the cultural forces that could have an impact on outsourcing includes; attitudes, behaviors, norms and language barriers. These cultural factors will play an important role when an organization decides whether they would outsource parts of their activities to a foreign country or not.

Krishna et al., (2004, p. 64) have presented data, which indicated that organizations prefer
to outsource to a country whose culture matches the organizations origin culture. According to their research, Norwegian organizations preferred to outsource activities to Russia, because they thought that the Russians are good at adapting to the Norwegian culture. British organizations on the other hand rather use Indian subcontractors. In India the software developer often have a degree from a higher education and most of them speak good English as well. (Krishna et al., 2004, p. 64) Finally Krishna et al., (2004, p. 64) have looked at organizations based in Germany and these organizations had much harder to cooperate with the Asian business culture, compared to the British organizations. We think these examples illustrates quite well why culture is an important aspect to keep in mind, when an organization consider using outsourcing. Because it seems to be different between each country, which culture their organizations prefer.

Two of the most important cultural factors are values and norms and it is essential to not underestimate the power of them. Value and norms are deep-rooted into peoples mind and they cannot be changed easily. The workers in India might have different opinions about organizational hierarchy, compared to workers in England, for example (Krishna et al., 2004, p. 65). John Hendry (1995, p. 196) discusses culture as a medium that could locate values by looking at norms, routines, rituals and listen to histories. Hendry (1995, p. 197) further argue that if you understand the culture, you have found the key to develop a successful communication. We think this is another example of why culture plays an important role in the decision making regarding outsourcing. According to a research made by Grover et al., (1996, pp. 110-111) communication is one of the most important factors when an organization would find an outsourcing service provider and try to establish a good relationship with them.

An optimal situation for an organization is to create a shared culture. With a shared culture everyone within the organization share the same value and works towards the same goals (Henry, 1995, p. 197). This could be harder for an organization to accomplish, if they decide to outsource parts of their activities. But if the organization still believes that outsourcing across boarders is a suitable strategy. The organization have to accept the fact that the business environment most likely will look different in the subcontractors country, compared to what they are used to at home (Krishna et al., 2004, p. 65). If an American organization for example decides to move parts of their activities to Canada, they would face a small cultural difference. USA and Canada are culturally close to each other. They share the same language, religion and are located close to each other. If the American organization on the other hand decides to move some production to China they will face a much larger cultural distance. (Daniels, Radebaugh & Sullivan, 2009, p. 119)

Even though today’s society becomes more and more globalized, large cultural differences between different regions will still exist. We will always have a national identity based on; language, rituals, symbols, flags etc. and this identity will continue to create a “them and we” feeling (Daniels et al., 2009, p. 98). So if an organization decides to use outsourcing as a part of their strategy, they have to accept the impact of cultural power and try to find way to how to work with it. Krishna et al., (2004, p. 65) give an example of something called a cultural bridge. A cultural bridge could for example be an Indian citizen, who has lived and studied in England for a longer period. This person could work as a link between an Indian
subcontractor and an English organization, because he/she has a good knowledge about the two different types of cultures. By using a cultural bridge, the cultural barriers could be lowered between the two organizations and by that improve the cooperation. (Krishna et al., 2004, p. 66)

Since cultural differences could be seen as one of the main barrier that an organization have to overcome if they would like to outsource parts of their activities, especially if they would like to use a foreign subcontractor. The role of the culture might be seen as a problem and an argument against outsourcing. That is why we believe it was important to include the cultural perspective in our study, to be able to answer our research question further on.

3.6.3 Globalization

In this literature review we have mentioned both the stakeholders perspective and the cultural connection to outsourcing. With these concepts in mind we discovered that it was important to include globalization in our study as well. Johnson et al., (2008, p. 132) define stakeholders as “those individuals or groups who depends on an organization to fulfill their own goals and on whom, in turn, the organization depends”. According to Hovlin (2006, p. 51) customers’ general attitudes towards goods or service, which are produced outside their home country has become more and more positive. Hovlin (2006, p. 36) discovered that a great number of employees were worried about the on-going globalization process. A lot of them believed it was a process that could not be stopped and they were worried about it. The reason was that her respondents’ thought that the increased globalization could be a threat against their job in the future. (Hovlin, 2006, p. 36)

From our point of view we were not surprised that some people thought that the increased globalization could affects them in a negative way. One of the main effects of the increased globalization is that a lot of organizations have started to use international outsourcing of their productions and activities (Hijzen et al., 2005, p. 860). Outsourcing often implies that some people could loose their jobs (Johnson et al., 2009, pp. 251-252). Based on these previous researches we thought that globalization seems to have a strong connection to outsourcing over national borders and because of that we thought it was important to include globalization in our study.

According to Wetherly and Otter (2011, p. 206) “Globalization is a process created by human activities and interactions across national frontiers and we are all involved either as active agents of change or as people affected by change”. According to the International Monetary Found, globalization is about the movement of capital, people and technology across international borders (Clegg et al., 2011, p. 392). Data analyzed by Hirst, Thompson and Bromley (2009, p. 24) shows that the globalization trend has pointed continuously upwards since the 1970s.

According to Wetherly and Otter (2011, p. 207) there are six main aspects of globalization.  

1. **International trade and the creation of the global market place**: An increased globalization could be defined as increased trade of goods and services across national borders. If there were no trade, organization would not have the possibility to find skilled labor somewhere else. (Wetherly & Otter, 2011, p. 207)
2. *Globally organized production and investment flows:* A lot of organizations, operating in different businesses have discovered and used the advantage to move parts of their production abroad. The main advantages are the possibility to find cheaper or and high skilled labor. (Wetherly & Otter, 2011, p. 208)

3. *Migration:* Globalization opens up for movement of people. Workers could move into the cities or across national boarders into new countries. (Wetherly & Otter, 2011, p. 209)

4. *Communication flows:* The globalization development is connected to communication, both transportations and telecommunications. The improved communication medias and transport mediums are positive related to the globalization process. (Wetherly & Otter, 2011, p. 209)

5. *Cultural flows:* The increased communication and movements of people have resulted in that different cultures have been mixed with each other. This has resulted in that people have get closer to each other and started to learn how to work and deal with cultural issues, which is a key for global business. (Wetherly & Otter, 2011, pp. 209-210)

6. *Rapid technology change:* The ongoing technological change has accelerated the globalization process in the world. The development in the transportation area has resulted in cheaper and easier ways to travel. This has affected us to travel more. The development within the communication technologies, where Internet and the improved telecommunication techniques have revolutionized the way we are making business. (Wetherly & Otter, 2011, p. 210)

Since our pre-understanding regarding the connection between globalization and outsourcing of IT-activities were quite limited. We decided to include all of the six aspects of globalization. Since we did not know in advance if all of these aspects could be related to IT-outsourcing, or not. However we have found indications on that Wetherly and Otters (2011, p. 207-210) six aspects could have a connection to IT-outsourcing. According to Hovlin (2006, pp. 35-36) it is the technological development within the communication area, which has made it possible to outsource IT-activates across national borders. Lituchy and Rail (2000) argue that the technological development has made it possible for small business to start working on international bases without the implication of enormous costs for the organization. One example of this is Internet, which has made it possible for organizations to reach out to a larger market (Lituchy & Rail, 2000, p. 88). There is no secret that the globalization process has opened up new possibilities for us to do business. One example is to start using a subcontractor located within another country. A potential benefit with this is the possibility for an organization to lower their operational costs and by selecting a subcontractor located within a country where the cost of labor is lower (Daniels et al., 2009, p. 708). There are also organizations, which have started to use international sourcing as an effect of that their competitors are doing it (Daniels et al., 2009, p. 709). In other words international sourcing is a trend, which an organization decides to follow.

Wetherly and Otter (2011, pp. 209-210) mention that cultural flows brings different cultures closer to each other, which is one of the main aspects of globalization. As we have mentioned earlier culture plays an important role in the decision-making process regarding outsourcing. A study conducted by Krishna et al., (2004, p. 64) indicated; organizations
prefer outsourcing to a country which culture matches their own one. If an organization would be able to succeed with global business, they must understand how to operate within a cross-cultural context (Wetherly & Otter, 2011, p. 210). This is maybe easier if an organization selects a culture that matches their own one. This is another example of how Wetherly and Otter’s aspects could have a connection to outsourcing. But there are also arguments for why an organization should not use a subcontractor located abroad and instead select one from their home country. According to Daniels et al., (2009, p. 708) the use of a domestic subcontractor implies that there are no language barriers and the subcontractor is using the same currency.

Our opinion regarding the subject of globalization is somewhat complex. Based on existing literature regarding international outsourcing we have discovered that globalization seems to have a strong connection to outsourcing across national borders. But we did not know in advance if the ongoing globalization process actually could be classified as a benefit or limitation with IT-outsourcing, or maybe both. According to Hallikas, Karvonen, Pulkkinen, Virolainen and Touminen (2004, p.50) “A function which generate the possibility of beneficial effects or profit often includes risk. This is also the case with business activities”. As we mentioned in the section about management risk, Oxford English Reference Dictionary definition of risk is “a chance or possibility of danger” (Pearsall & Trumble, 1995, p. 358). So based on existing literature we believe that the globalization process could generate both benefits and disadvantages for IT-outsourcing.

3.7 Summary of the theories
The purpose with this study is to identify the main opportunities and limitations with outsourcing IT-activities. To be able to do so, we conducted a survey among IT-organizations located in Sweden. The survey was built on our theories we have presented within this chapter, with the aim to support our work of identify the main factors of the limitations and opportunities in outsourcing. As you have seen our literature review is divided into four theoretical themes, which we believe to have a large impact on the outcome of IT-outsourcing.

*Strategy:* If an organization would be able to use outsourcing, they must first be aware about what their core competence is (Gummesson, 1994, pp. 10-11). An organization’s core competence is also their most important resource, since it is the main source for creating a competitive advantage (Prahalad & Hamel, 1990). When an organization has identified their core competence the next step is trying to create a competitive advantage (Porter, 1996, p. 62). If an organization would be able to do so, they must have developed a strategy that makes it possible (Clegg et al., 2011, p. 52). The concept of outsourcing is a strategic choice, where an organization decides to purchase some of their activities from an external subcontractor instead of keeping them “in-house” (Johnson et al., 2009, p. 79). This decision is often a result from a value chain analysis (Clegg et al., 2011, p. 68).

The reason why an organization decides to use outsourcing is most of the time connected to that they would like to cutting costs, be able to focus on core competence or because the IT function is inefficient (Laplante, Costello, Singh, Bindiganavile, & Landon, 2004, p. 21).
The benefit with the selected subcontractor an organization decides to use is that they either could deliver the same activities to a lower cost or with a higher quality, compared to if the organization would have kept them “in-house” (Clegg et al., 2011, p. 68).

Porter and the generic strategies bring up the relationship between costs and quality. As mentioned earlier this correlation is one of the most crucial aspects with outsourcing. An organization could have four different types of leadership that involves differentiation or cost focusing (Clegg et al., 2011, pp. 69-71).

Service: When discussing service as a concept, organizations must be clear about what there core competencies are. An organization core competence is the heart of the organization and shines through to the customer as in delivered service and quality of the product (Prahalad & Hamel, 1990).

The GAP-model identifies potential gaps between an organization and their customers regarding the service quality. The model supports the process to recognize a recommendation for how an organization could improve their service quality (Zeithaml et al., 1988, p. 35-36). If an organization is able improve the service level of their products it often have positive effect on their customers.

Decision-making: Outsourcing could be defined as decision-making process where an organization decides whether they would use outsourcing or not (Johnson et al., 2009, p. 79). There are of courses a lot of factors the top management need to take into consideration before they could make this decision, for example the risk factors. They must also take their customers security into account before they outsource parts of their activities. By outsourcing parts of the IT-activities there is a risk that sensitive information may leak out to an outsider. So it is important that an IT organization takes the integrity as well as confidentiality issues into their consideration (Bishop, 2003, pp. 4-5) before they make an outsourcing decision. According to Clegg et al., (2011, p. 52) there is no existing guidebook for how an organization would create a “best way” strategy. It is up to the top management to find a strategy that suits their organization and hopefully works better compared to their competitors (Clegg et al., 2011, p. 52). Besides the risk factors we have included a section concerning project governance. Within project governance we have focused on the stakeholder theory. The theory considers an organizations wider responsibility towards anyone who will be affected by the organization (Jensen, 2002, p. 241). If an organization decides to start using outsourcing, there is an implication that some employees most likely would lose their jobs (Johnson et al., 2009, pp. 251-252). The third part of the decision-making theme is about CBA. A CBA makes it possible for the top management to put a monetary value on all cost and benefits that are connected to their selected strategy. By visualizing all costs and benefits it is possible for the top management to make a strategic choice. (Johnson et al., 2008, pp. 373-375)

Collaboration: We believed that collaboration is an important part of outsourcing. What problem may arise during a collaboration and have the on going globalization process made it easier to collaborate? Based on question like these we decided to include literature regarding culture, alliances, and globalization. According to Krishna et al., (2004, p. 64)
there are a lot of cultural forces, which could have an impact on outsourcing. These factors often play an important role when an organization decides if they would outsource parts of their activities to a foreign country, or not. Krishna et al., (2004, p. 64) could also present data, which indicates that organizations prefer to outsource to a country whose culture matches the organization’s origin one.

To be able to develop a strategy with outsourcing involved, there is a need for having alliances and networks. One objective with outsourcing is that an organization would get access to important strategic resources from an external actor. A lot of organizations have started to use strategic partnerships, subsidiaries or subcontractors located all over the world, which could offer them necessary resources. This trend has resulted in increased global collaborations through alliances and networks (Clegg et al., 2011, p. 322). The establishment of good external relationship and networks is an important part of an organization’s strategy (Johnson et al., 2009, p. 7) and these networks includes a number of different relationships, such as alliances or outsourcing agreements (Podolny & Page, 1998, p. 59).

The constant technological development has accelerated the globalization process immense (Wetherly & Otter, 2011, p. 210). One of the major effects of the increased globalization is that a lot of organizations have started to use international outsourcing of their productions and activities (Hijzen et al., 2005, p. 860). According to Hovlin (2006, pp. 35-36) it is the technological development within the communication area, which has made it possible to use IT-outsourcing. Wetherly and Otter (2011, pp. 209-210) argue that the increased collaboration and movement of people have resulted in a mix between different cultures. Through this mix people have learned how to deal with different culture issues that may arise, which is a key factor to success within global business (Wetherly & Otter, 2011, pp. 209-210).

To illustrate how these four theoretical themes are connected to each other, we have developed an own simplified model.

The first theoretical theme Strategy contains theories that are connected to an organization’s overall business operations, whether they are using outsourcing or not. Our three following themes: Service, Collaboration and Decision-making are the one we believe covers the main theories when investigating outsourcing.
Our ambition with this study is to identify the main opportunities and limitations with outsourcing of IT-activities. Since our research follow a deductive approach, we believe that the answerer to our question lies within the concepts, which we have been presented within this chapter. But to be able to find the answer to our question we needed to collect some primary data as well. In the following chapter we will clarify how we did to collect this data.
4 Practical Method

In this chapter we will guide the reader through our practical method and explain how we have conducted our study. We will discuss relevant information needed to make a decision regarding which technique we will use when collecting our primary data. Further on there will be a description of how the primary data have been collected, treated and processed. By giving the reader a more in depth description of how and why we have done things, it will be easier to understand our empirical findings.

4.1 Investigation strategy

We decided to conduct a quantitative study, through a survey, among IT-organizations within Sweden. The purpose with the study was to identifying the main limitations and opportunities of using and not using outsourcing as a part of an IT-organizations strategy. According to Patel and Tibelius (1987, pp.43-44), authors could gain knowledge and information regarding organizations to explain, measure and describe how the organizations acting. The information we have gathered is our primary data and will be used to identify which service, decision or collaboration theories that are applicable and useful to our conclusion.

4.2 Sample

Since, we were investigating IT-organizations within Sweden our population is somewhat large (28187 according to 121.nu), therefore we had to extract a sample of it. To be able to do so we decided to use the webpage 121.nu. 121.nu is a webpage that lists all organizations, which are active within specific business areas within Sweden. At the moment there were 28187 organizations registered within Web development, Webb design and programming (121.nu, 2012). These 28187 will be acting as our sample-frame. It was difficult to investigate all of these organizations and their employees. Sometimes it can be hard to create a sample that could an insight of how things work within a specific area (Eliasson, 2010, p. 45). Therefore we decided to create a sample were the members had good knowledge about how it actually works within IT-organizations. Although, there might be able to be a slight loss of some organizations due to the fact that they could just have started their organization or were in a process of shutting it down. We believe that by using 121.nu, we would to be able to reach almost every single IT-organization within Sweden. Since the homepage 121.nu constantly updates their directory towards UC, SCB, Bolagsverket, Svensk Adressändring, Skatteverket, PRV, SWETIC, Tullverket etc (121.nu). Based on this fact, we argue that 121.nu is a reliable source for us to use with the purpose defining our population.

We have decided to include all Swedish IT-organizations’ in our population, regardless if they are small or big in numbers of turnover or employees. The reason to why we chose not to separate them was because our objective is that the sample would mirror the whole environment in the best possible way. Sine we believe that this could give a more reliable picture of the whole industry. There are very small initial costs connected to outsourcing of
IT-activities. Therefore we believed that it would not any bigger differences between those IT-organizations’ that have a larger turnover or numbers of employees, compared to the smaller ones.

According to Bryman and Bell (2007, pp. 185, 197) there are two types of samples, the probability and non-probability sample. When using a probability sample everyone from the population has an equal chance to be a part of the sample (Eliasson, 2010, p. 47). With the use non-probability sample not all of the individuals, within the population has the possibility of getting into the sample (Eliasson, 2010, p. 50).

With a probability sample technique there are three different ways for how to create a sample out of the population. First, we could use a simple random sample where each individual from the population has the same possibility of becoming a part of the sample (Bryman & Bell, 2007, pp. 185-186). Secondly, we could create a stratified random sample where the population is divided into smaller groups; afterwards you create a sample from each group (Bryman & Bell, 2007, pp. 187-188). Thirdly, could develop a multi-stage cluster sample to where we first put the population in groups, then we select some of these groups and finally we make a sample within each of these groups (Bryman & Bell, 2007, p. 188).

We do not further argue on the non-probability samples since we believe that the use of a probability sample would give us a better result to reflect upon. By defining our knowledge regarding the different types of sampling techniques, we would like to show the reader that we have chosen the best technique to use for being able to get the best diversified answers as possible.

In our study we have decided to conduct a simple random sample. To do so we found a list of all IT-organizations that are registered as a serious organization within Sweden, at the webpage 121.nu. Since there is a large amount of organizations, 28187 to be exact, and each organization is on a list of that consist of 1127 pages. To make our sample as random as possible we used a random number generator, which generated a number of pages that we were going to use. After that we used the random number generator again that picked a number between 1-25, which represented each individual organization. By doing so, each IT-organization that was registered within Sweden had an equal chance to be selected. In other word each organization had the same probability of becoming a part of the sample (Bryman & Bell, 2007, p. 187).

The reason to why we wish to conduct a simple random sample is that we believe this were the best way to gain top results. At the end of our study we will further discuss the truth criteria’s as an evaluation. We believe it gives a more solid truth to assess our study in the end rather than doing it now.

4.2.1 Estimated respondents’ rate
The main disadvantage with a self-administrated questionnaire (via mail, which were the technique we were using) is that it often generates a low respondents’ rate. However it is still a very popular data collection method to use (Keller, 2008, p. 158). Web surveys,
which in most cases are self-administrate, often suffer from low respondent rates (Bethlehem, Cobben & Schouten, 2011, p. 103).

Internet has made it easier to conduct surveys’ for organizations; as a consequence of this there are a lot of “poor” surveys posted on the web. From a respondents’ point of view it is difficult to decide whether it is a good or poorly executed survey, which could lead to a loss of respondents’ (Bethlehem et al., 2011, pp. 104-105). Manfred, Bosnjak, Berzelak, Haas & Vehovar (2006, p.80) give a similar explanation to the connection between web-based surveys and low respondent rates. Manfred et al., (2006, p. 80) mentions that the increased use of Internet has led to over-survey and by that the Internet users have started to mark survey mails as spam. This could have a negative impact on the selected respondents’ attitude towards responding on a web-based survey (Manfred et al., 2006, p. 80).

Since we were aware about the problem with low respondent rate connected to a web-based survey we decided to estimate a respondent rate and set up a minimum answer for how many answers we required, before sent out our questionnaire. According to Saunders et al., (2006, p. 364) a likely respondent rate for questionnaires distributed via Internet is 11% or lower. We put our minimum respondents’ number ($n$) to be equal to 100 and with an estimated response rate ($re$) of 8.5%. To be able to calculate a required sample size ($N$) we then applied the following formula:

$$N = \frac{n}{re}$$

We then rounded the number 1176.47 up to the nearest hundred, 1200, which became our actual sample size.

4.3 Research design

As we explained earlier in this study, we are following a deductive strategy. The reason behind this is that the research question and survey are developed out of existing literature and research (Saunders et al., 2009, p. 61). Since our purpose is to identify the main limitations and opportunities with using outsourcing as a strategy for IT-organizations located in Sweden. Our aim is to come up with a generalization for those organizations that participated in our survey. This recommendation could then support the IT-organizations when they are considering using outsourcing as a part of their strategy.
come up with a recommendation, it is important to use a research strategy that makes it possible for to generalize the result from the collected data (Bryman & Bell, 2005, pp. 129-130).

With the use of a quantitative strategy we became able to have a much larger sample size, compared to if would have used a qualitative one instead. Nevertheless, is important to remember that the use of a quantitative strategy still only makes it possible to come up with a general recommendation for those organizations that participated in the research (Bryman & Bell, 2005, pp. 129-130). But we argue that a quantitative strategy is the most appropriate one to use for our research. Since we believe that a larger sample-size would give us a result closer to how the general representation in Sweden looks like, compared to if we used a qualitative strategy with a much smaller sample.

Since we decided to have a quantitative strategy, the second step was to select a suitable research strategy. According to Saunders et al., (2009, p. 141) it is important to choose a research strategy that is appropriate for your research question. Bryman and Bell (2011) defines research strategy as “a general orientation to the conduct of business research” (Bryman & Bell, 2011, p. 26). Based on our research question we decided that a survey would be the most appropriate strategy to use.

One benefit with the use of a survey is that it makes it possible to collect a large amount of quantitative data, which is relatively easy to standardize and compare (Saunders et al., 2009, pp. 141, 144). According to Babbie (2007, p. 244) if a researcher would like to collect data from a sample that is too large to observe directly, a survey are most likely the best research strategy to use.

The aim with this type of strategies are often to answer questions such as who, what, where, how much or how many. Therefore, we believe that a survey would be an appropriate research strategy for us to. The use of a survey could give the researcher a good possibility to monitor the whole research process and at the end hopefully find some relationships between different variables, which could help the researcher to come up with a solution or conclusion (Saunders et al., 2009, p. 144).

4.3.1 Questionnaire
In our questionnaire we started by presenting the general structure behind the survey and ourselves. We introduced the subject as well as who we are. According to Bryman and Bell (2007, p. 140) it is important to inform respondents’ about their anonymity. It is also important that the questions are designed in such a way that it makes it easy for the respondents’ to interpret and not misunderstand the meaning of them (Eriksson, 1978, p. 182). These are two factors we have kept in mind when we developed our questionnaire. In the first part of our questionnaire we asked the respondent to answer some general questions about their background, for example age, gender, years in the business and how big the organization they work for were. By doing so we were able to spot the differences between what people thought regarding outsourcing of IT-activities in Sweden. To make our questionnaire as understandable as possible for our respondents, most of our questions have a horizontally formatted. The use of a horizontal structure is one recommended way of
structuring a questionnaire (Bryman & Bell, 2007, p. 248). The reason for why we used this structure was only to make the answers as clear as possible. One possible way of making a questionnaire even easier for the respondents to understand is by dividing the questions into different themes that reflects upon the selected theories (Eriksson, 1978, p. 178). This is another recommendation we decided to follow when we developed our own questionnaire.

Our second part of the survey was divided depending on how the respondents’ answered on the question: whether they were using outsourcing, or no? All of the following questions were separated depending on this answer. The respondents’ answered the exact same questions but in two different places. The reason for why we did so was to distinguish between those organizations that used outsourcing and those who did not.

The first questions the respondent answered in the second part figures out where the respondent organization had its core competence, where they considered themselves as better than their competitors and if they had any production abroad. We continued our questionnaire by asking if the organizations had any plans on moving their production abroad, if yes we asked them where. The following question figured out whether the organizations had any cooperation with another subcontractor.

The next part was more focused on identifying specific areas within risk, safety, service, security and culture. We also asked where the organization would place themselves within the generic strategies, as in to how the organization had decided to niche them.

The following part was dedicated to the GAP-model; we asked the respondents’ specific questions, which were connected to the model. Our aim was to identify gaps to where the organizations failed to meet the customer demands.

The next part was dedicated in to finding specific opportunities, limitations and risks that we believed to be crucial for outsourcing IT-activities. We also asked to what extent an international cooperation would affect the organization, as well as if the respondent’s or the respondent’s co-workers were afraid of being dismissed because of outsourcing.

The last part discussed the attitudes towards the respondents’ organizations regarding how open they were. At the final part of the survey we asked the respondents’ to grade different statements that they considered being important if they would use outsourcing.

4.3.2 Distribution
Saunders et al., (2009, pp. 362-363) defines two types of questionnaires, self-administered questionnaires and interview-administered ones. We decided to use a self-administered questionnaire, which was in an electronic version. A self-administered questionnaire is defined as questionnaire that is developed by the researcher and sent out to the respondents’, who fill in the answers and return it to the researcher (Saunders et al., 2009, pp. 362-363). We developed our questionnaire in an electronic version by using the web-based program “Google Docs”. We then sent out an email to all members of our sample with a link to the questionnaire than it was up to the respondents to submit the form. This made it possible to distribute it in a fast, easy and cheap way (Denscombe, 2003, p. 41).
The program “Google Docs” exported our collected data to an excel sheet. This minimized the risk for that any errors would emerge during the data processing (Bryman & Bell, 2007, p. 204).

The respondents’ to our survey were asked to fill in our questionnaire at one single occasion. Since our research question focused on a specific problem, which would be analyzed through the data we collected from different sources at one single point of time. When data are collected from a number of cases at one single occasion, the research follows a cross-sectional design (Saunders et al., 2009, p. 155; Bryman & Bell, 2007 pp. 55-56). We decided to follow a cross-sectional design, because we were interested into look at the main opportunities and limitations with IT-outsourcing at the moment. We were not interested into see if our respondents’ attitudes towards outsourcing changed during a specific period of time. So we believe that a cross-sectional design would be the most appropriate research design for us to use for finding an answer to our research-problem.

4.3.3 Data processing

We gathered all of our primary data from “Google Docs”. All the data collected were then exported to an excel sheet for further processing. All the data were exported automatically without us being in contact with it, which we believe have narrowed down the processing errors. All formulas were calculated in excel by using their formulas. Our survey was divided into three different parts, where all of the participants were answering the first part. Then, depending on whether they were outsourcing or not, they answered the same questions but in two different places. This was to clearly separate the two groups so we would be able to clearly identify the main opportunities and limitations of outsourcing as a strategy within organizations in Sweden.

To analyze our data further we decided to use the program SPSS. From our excel sheet we replaced all the answers with numbers so that SPSS would be able to interpreted it. We changed for example the background variable women to number 1 and men to number 2. After doing so we analyzed our data by using a t-test. A t-test finds out whether if there is a significant difference in the two groups mean value (Trost, 1994, p.122). By using our background variables, if the organizations were outsourcing, or not. We could easily spot the differences in the mean value in the respondents’ answers. Our t-test were conducted with a confidence interval of 95 %, this means that we could be able to state our findings to a 95 % certainty. By using SPSS in this way helped us to ensure that there was a significant difference between the two groups. According to Bryman and Bell (2007, p. 162), this benefits a study to become more reliable.

We have also conducted a cross tabulation test. The reason to why we have conducted a cross tabulation test was that this test does not take into consideration on how the variables look like. Similar to the t-test it finds out the mean value of all the possible variables and through a chi square test, identifies whether it is significant or not (Saunders et al., 2009, p. 439).
4.3.4 Steps for improving the respondent rate

Mangione (1995; cited in Bryman & Bell, 2007, p. 244) argues that a respondent rate under 50 % on self-administrated questionnaires is not acceptable. But, according to Bryman and Bell (2007, pp. 245-246) there are a large number of published studies in journals such as Academy of Management Journal and Strategic Management Journal, which had a respondents’ rate far below 50 %. Bryman and Bell (2007, pp. 245-246) further argue that a low respondents’ rate on self-administrated questionnaires is completely normal and this should not stop people from using this type of data collection method.

We do not share Mangione’s argument that a questionnaire with a respondent rate below 50 % would be classified as not acceptable. But we do share Mangione’s opinion that a higher response rate that was better. That were why we decided to follow a number of recommended steps given by Bryman and Bell (2007, p. 244) for how a response rate could be improved.

The first step was connected to the development of the questionnaire. If the questionnaire is “too long” it often have a negative effect on the respondent rate. In general people seems to have a more positive attitude towards answering short questionnaires, compared to longer ones. (Bryman & Bell, 2007, p. 244) Our objective was to develop a questionnaire from which we could collect as much primary data as possible, without make it too long.

The second step for improving the respondent rate was connected to the importance of clear instructions and a nice layout. According to Bryman and Bell (2007, p. 244) clear instructions in a combination with a nice layout could have a positive impact on the respondents’ rate, To make sure that our questions was clear and easy to understand, we did a pilot test by sending out a draft to a group of people of different age among our friends and asked them for feedback.

According to Bryman and Bell (2007, p. 273) “It is always desirable to conduct a pilot study before administering a self-completion questionnaire”. The advantage with a pilot test is not only to see if the people understand the questions (Bryman & Bell, 2007, p. 273). This also gave us as researcher a possibility to test if the research instruments worked, in our case the “Google Docs” questionnaire. The reason why we decide to test our questionnaires on peoples within our circle of friends was because we knew for sure that these people would not be a part of our sample. According to Bryman and Bell (2007, p. 274) a pilot test should never been sent out to any people that could be a part of the sample of the study.

The third recommendation was to write a good covering letter, which inform the respondents’ why they have been selected, why there answers are important for us as researcher and a warranty that the respondents’ answers will be anonymous (Bryman & Bell, 2007, p. 244). Since our questionnaire was in an electronic version we distributed our covering letter (see appendix 1.4) via email, which contained a link to the survey.
The final recommendation of Bryman and Bell (2007, p. 244) is to send out a reminder to those people who did not respond at the first time. According to Bryman and Bell (2007, p. 244) reminders often have an obvious impact on the respondent rate. We did send out a reminder via email (see appendix 1.6) one week after we had contacted the member of our sample at the first time. The reminder had a desired effect and we received over 20 answers just within the first hour.

4.3.5 Translation of the questionnaire

Since our study has been conducted only at IT-organizations located within Sweden, we decided to distribute our questionnaire in a Swedish language version. This decision gave us one extra factor that we had to take into consideration before we could analyze the data, the translation process between English and Swedish.

When we, as authors, translated our questionnaire it was important to be as careful as possible. The respondents’ needed to interpret the questions in the same way as they were intended to be (Saunders et al., 2009, p. 383). To avoid any translation errors Usunier (1998, pp. 49-50) has given four elements, which are worth considering during the translation process. These four elements are:

1. Lexical equivalence: which is connected to the use of a dictionary. By just translating a word with support of a dictionary may change its actual meaning (Usunier, 1998, p. 49). For example the Swedish word “varm” could be translated into “hot, warm, burning”, three English words with different meanings.

2. Idiomatic equivalences: is when the author translates a whole sentence and the translated version gets another meaning than the original one (Usunier, 1998, p. 49).

3. Grammatical-syntactical equivalence: the quality of the language, how the sentences are constructed and expressed. It is not unusual that the words following different orders within different languages. For example in Japanese the verbs comes at the end of a sentence, compared to in English where the verbs are in the beginning instead. (Usunier, 1998, p. 50)

4. Experiential equivalence: “is about what words and sentences means for people in their every day experience” (Usunier, 1998, p. 50). When words are translated it must be into real items and experiences that are familiar for the respondents’. It is also important that the words are not too complicated, so the respondents’ fully understand the meaning of them. (Usunier, 1998, p. 50)

Since our research was conducted on Swedish IT-organizations, we decided to make the original version of the questionnaire in Swedish. When we then translated the original version into English, we kept Usunier’s four elements in mind. These have been important for us, since we used a translation technique called direct translation. The main advantage with direct translation is that it is easy to implement, but its main disadvantage is that it could generate translation errors (Usunier, 1998, p. 52). Since both authors have a great vocabulary and a good knowledge within the English language from previous studies. We are confident that we have avoided any translation errors, which could have a negative impact on our survey or its result.
4.3.6 Actual respondent rate

According to Saunders et al., (2009, p. 220) a research report shall include the total respondent rate of the study. The respondent rate is the percentage of those people out of the selected sample that respond to the survey (Bryman & Bell, 2007, p. 196). We shared Saunders opinion since we argued that the respondent rate was important information to share with the readers of this study. To calculate our actual respondent rate, we used a formula given by Bryman and Bell (2007, p. 196):

\[
N = \text{Number of usable questionnaires} \\
S = \text{Total sample} \\
U = \text{Unsuitable or un-contactable members of the sample}
\]

After we rounded off our respondent rate to just one decimal, the value of our actual respondent rate became 11.0 %. This is normal for a questionnaire distributed via the Internet. As we mentioned in the section about Estimated respondent rate, according to Saunders et al., (2009, p. 364) a likely response rate for a web-based questionnaire distributed via Internet is 11 % or below.

4.3.7 Loss

As we have explained earlier in this study we sent out our survey to IT-organizations listed at the webpage 121.nu. All of our surveys were randomly distributed to IT-organizations across Sweden. At the time of our send-out there were 28187 organizations listed at the webpage. Among these organizations we sent out an email with our survey to 1200 of them and out of these 1200, we received 133 answers in return. One of our respondents’ managed to send in our survey without answering any questions. We made all of the questions obligatory so the respondents’ were required to answer all of the questions in the survey; otherwise they would not have been able to submit the survey. This made it very easy for us to eliminate any loss of respondents’ leaving any question unanswered. However there was one respondent who managed to send in the survey without answering any questions. Therefore we have one respondent, which is our actual loss.
5. Empirical findings of the survey

In this chapter we will present the primary data we collected through our survey. The results will be presented in both text and charts. To make it easier for the readers to follow this chapter will present two clarifications: the organization that were using outsourcing today will be called the A respondents (blue graphs) and those who did not, B respondents (red graphs). The second clarification is regarding the name of the graphs. A number names all graphs, which represent the question (see appendix 1.2) the graph is connected to.

This chapter is divided into five sections; in the first section we will present the findings from our four background questions. In the following ones we will then presented the data, which are connected to our four theoretical themes; strategy, service, decision-making and collaboration.

5.1 Introduction

We will start by presenting the backgrounds information about our respondents’. These questions concerned age, size of the organization, for how long they have worked within IT sector and if they were using outsourcing today. We will present each question individually with support of some bar charts and a short description of our findings. In the first four questions, the respondents’ rate will be presented in percentage on the y-axis. The following graphs will then have the number of respondents (N) answers on the Y-axis. On the x-axis the questions answers alternatives will be presented.

5.2 Background information

1. Age

The majority of our respondents’ had an age between 30 to 39 years. To be more specific, this group represented 41,7 % of our total respondent rate. We were also able to calculate the mean age of our respondents’ to 39,4 years and the median age, which was equal to 39 years. We could also see that the wide distribution is good, since we have succeeded to capture people from the whole Swedish working population. Our range of respondents’ reached from 19 to 68 years old.
2. Size of the organization

This question provided us with information regarding the size of the organization. We could see that 69,7 % of our total respondent rate worked within an organization with 1 to 9 employees. The second largest group was organizations with 10 to 19 employees with a respondents’ rate of 12,1 %, followed by 20 to 49 employees, 7,6 %. The remaining 14 respondent’s were distributed as followed: 50 to 99 employees 3,0 %, 100 to 499 employees 4,5 % and more than 499 employees’ 3,0 %.

Figure 9, Question 2

3. For how long have you been working within the IT-sector?
A clear majority of our respondents’ answered that they had five years experience or more; the exact number was 75,0 %. As graph 3 indicates the remaining 25 % is quite equally distributed over the other alternatives.

Figure 10, Question 3

4. Do your organization uses external support of IT-activities today?
In the last of our background question we asked the respondents’ whether their organization used outsourcing or not. Out of our respondents’ a majority of 60,6 % answered that they were not using outsourcing today. The remaining 39,4 % answered that they did use external support in form of outsourcing.

Figure 11, Question 4
5.3 Strategy

5.3.1 Competitive advantage

6. Within which business area do you consider your organization to perform better compared to your competitors?
In this question we gave the respondents’ an option to select more than one alternative. Out of the A respondents’ 65,4 % thought they were better compared to their competitor in programming, 51,9 % answered web-development and 17,3 % web-design. 65,0 % of the B respondents’ answered that they were better than their competitors in programming, 33,8 % answered web-development and 28,8 % web-design. In total, 22,5 % out of the B respondents’ answered that they were better compared to their competitors within more than one business area and that is lower than the 28,8%, which answered that they had more than one core competence. Overall, 25,8% out of all our respondents’ thought that they were better than their competitors within more than one of these business areas. (See appendix 3 for graph)

5.3.2 Value chain

7. Do your organization have any kind of production located abroad, if yes what type?
As in the previous question, we gave the respondents’ the possibility to select more than just one alternative. 55,8 % of the A respondents’ answered that they had no production abroad, 32,7 % answered programming, 19,2 % web-development and 11,5 % web-design. There was totally 13,5 % that answered that they had more than one type of business activities in another country. Among the B respondents’ a majority, 81,3 %, answered that they had no production abroad. However, 15,0 % had programming, 5,0 % web-development and 5,0 % web-design as production abroad. 5,0 % out of the B respondents’ answered that they had more than one kind of production located outside Sweden. The general picture among the IT-organizations, which filled out our survey, 71,2 %, had all their business activities located within Sweden and there was only 8,3% who had more than one kind of activity in another country. (See appendix 3 for graph)

8. Do your organization have any plans of moving parts of its production abroad, if yes which type?
Just like in the previous two questions the respondents’ were allowed to select more than one alternative. As we can see in graph 8 (See appendix 3), a majority of all the respondents’ (A and B), had no plans of moving any activities abroad. Among the 52 A respondents’, 32,7 % of them were planning to move programming activities abroad. 19,2 % were considering moving web development activities and 15,4 % web-design. Out of the 52 A respondents’, 17,0 % had plans of moving more than just one type of business activities abroad. Even if 42,3 % of the A respondents’ had plans of moving at least one type of business activities abroad, a majority of 57,7 % were answering that they had no plans of moving any business activities abroad at the moment. 85,7 % of the B respondents’ said that they had no plans in moving business activities’ abroad. But there was still 24,3 % considering in moving some parts of their production abroad. Out of all the B respondents’ 10,0 % answered that they were planning to move programming activities abroad, 2,5 % web-development and 2,5 % web-design. There was only 2,5 % out of the B respondents’ who had plans of moving more than one kind of production activity abroad.
5.3.3 Generic Strategies

12. Which of the following alternatives defines in the best way how your organization has decided to niche itself?

We gave the respondents’ four alternatives (see appendix 1.2) and asked them to select one of the assertions that suited their organization in the best way. The main findings from question 12 were that most A and B respondents’ identified themselves with a differentiation focus strategy. Out of the A respondents’ 53.8 % and 48.8 % among the B respondent selected this alternative. The second most selected alternative was differentiation strategy, 28.8 % out of the A organizations and 33.8 % of the B organizations identified their organization with a strategy like this. The general findings from this question were that among all respondents’, 82.6 % identified their organization with a strategy that focused on differentiation and 17.4 % identified their organization with a strategy focusing on costs. (See appendix 3)

5.4 Service

5.4.1 Core competence

5. Within which areas do your organization has its core competence?

We gave all our respondent three alternative s to choose between. Similar to question 6,7 and 8 the respondents’ had a possibility to select more than one alternative, if they would like to do so. 71.2 % of the A respondents’ answered that they had their core competence within programming. 59.6 % believed that they had core competence within web-development and 28.8 % web-design. 44.2 % out of the A respondents’ answered that they had core competence within more than one area. 28.8 % of the B respondents’ selected more than one option. Of the B respondents’, 71.3 % responded that their core competence were within programming. 46.3 % answered web-development and 36.3 % responded web-design. Adding the A and B respondents’ together we found out that 34.8 % out of our total respondents’ rate had core competence within two or all three of these areas. (See appendix 3 for graph)

13.1 Which of the following alternative suits your organization in the best way?

Question 13 was divided into two parts (see appendix 1.2). In the first section we have presented the findings form the first part and the finding from the second part will be presented in the next section. We asked the respondents’ to select the alternative that they believed suited their organization best. Both respondent-groups selected high service to a greater extent. 75.0 % of both A and B respondents’ selected high service. Another interested finding was that there were only a few respondents’ that selected low price, low risk or high security. For example, none of the A respondents’ and only one of the B respondents’ thought that a low price suited their organization best. (See appendix 3 for graph)

13.2 Which of the following alternative suits your organization in the best way?

In the second part of question 13 we gave the respondents’ the same five alternatives (see appendix 1.2) as in the first part. The difference was that we now asked them what they
thought were most important for their customers. Just like in 13.1, a greater part of the A, 73,1 %, and the B, 70,0 %, respondents’ believed the most important for their customers was high service. As we then could see in graph 13.2 (see appendix 3) , the remaining answers from the A and B respondents’ were quite equally distributed over the other four alternatives. The second most common answer among the organizations that outsourced was low risk, with 9,6 % of the answers. Out of the B organizations 12,5 %, low price was the second most selected one. (See appendix 3 for graph)

5.4.2 Gap model

14. Do you think that the top management of your organization actually are aware about what your customer demands?
The greatest amount out of our respondents’ did believe in a high degree that their boards of directors were aware of what service and products their customers looked for. What we could see in graph 14 (see appendix 3) was that the respondents’, whether they are outsourcing or not, tend to believe that their board of leaders knows what they are doing. Only five respondents’ answered a three or less, which shows that most of the respondents’ were positive to their board’s choices. According to our statistics we saw that 56,2 % of B respondents’ answered a six and 32,5 % answered a five. The A respondents’ answered in a similar way. 48,1 % answered six and 34,6 % five. However we saw a bigger difference in answer number four, which where selected by 13,5 % of the A respondents’ answered while it was only selected by 7,5 % of B respondents’.

15. Do you think that your organization delivers the same standards to your customers as they promised them to do?
Similar to the previous question, only five of the respondents’ answered a three or lower. This shows that the respondents’ believed that theirs organization lived up to the standards as they promised to deliver. 47,5 % of the B respondents’ answered a six and 40 % answered a five. Of the A respondents’ 40,4 % answered a six while 44,2 % answered a five. We did not see any particular differences in number three where 11,5 % of the A respondents’ and 8,8 % of the B respondents’ selected this option. (See appendix 3 for graph)

16. Do you think that your top management specifications of your products conform with what you actually delivers to your customers?
As we could see in graph 16 (see appendix 3), most of the respondents’ believed that the specifications on their products were in accordance with what their board of directors said it should be. Among the A respondents’ 48,1 % answered a six and 36,5 % answered a five. Out of the B respondents’ 42,5 % answered a six and 45 % a five. Only 10,0 % of the B respondents’ and the A respondents’, 9,6 %, answered a three.

17. Do you think that your organization communicates services that conform with the service they deliver to your customers?
We could see in graph 17 (see appendix 3) that the answers from the two respondents-group differs a bit between each other. Among the A respondents’ 28,8 % answered a six and 55,8 % answered a five. Out of B respondents’ 43,8 % answered a six and 45 % answered a five. We were not able to statistically determine this question since our significance level was too high (0,352). This means that we could only see that there might be a difference, but this could also just be a coincidence. What we also could see was that 13,5 % out of A respondents and 7,5 % B respondents answered a three.

18. Do you think that your customers expectations match the product and/or service that your organization actually delivers?
In graph 18 (see appendix 3) we could see that most of the respondents’ believed that their customers expectations actually conformed to what they delivered to them. 36,2 % of the B respondents answered a six and 52,5 % a five. 30,8 % of the A respondents answered a six and 44,2 % a five. We could also see that 17,3 % of the A respondents answered a four, while 10 % of the B respondents a four.

5.5 Decision making

5.5.1 Risk and Security
11. If you are using an external subcontractor for part of your production, could this be a risk for your customer’s security and your own databases?

Question 11 has been analyzed through the use of cross tabulation in SPSS. What we found out was highly relevant with a strong significance level, 0,000 (see appendix 2.1). The question concerned the security of information within databases that involves their customer as well as themselves. What we could see was that 69,2 % of the respondents’ that outsource today did not believe there was a risk by using outsourcing. Those organizations that outsource did not believe there was risk to outsource, 56,2 %. 38,8 % of the respondents’ that did outsource, did not know if there was a risk with outsourcing.
21. Within which area would you see the main risk concerning outsourcing?

We analyzed question 21, which considers the risk with outsourcing, by using cross tabulations and in SPSS. We could through the analysis statistically determine to a significance level at 0,026 (see appendix 2.1) that the A respondents’ find the service as the greatest risk with outsourcing, 59.6 %. 52.6 % of the B respondents’ also thought the same thing. What we also could determine was the fact that the B respondents’ believed that there was security risks with the use of outsourcing, 40.0 %. While only 21.2 % of the A respondents’ only considered security to be a risk factor. Regarding the costs not many among the respondents’ categorized this to be a great risk. 19.2 % of the A respondents’ answered that they believed costs were concerned as a great risk while 7.5 % out of the B respondents’ considered costs as a great potential risk.

![Figure 13, Question 21](image)

5.5.2 Project governance

23. Are you afraid of losing your job as a result of that your organization using outsourcing?

Out of those people who responded on our survey, there was just a very small minority who actually were afraid of losing their jobs. Among the A respondents’, 3.8 % thought that they could loose their jobs as a result of outsourcing. Out of the B respondents’ 3.8 % respondents’ answered the same thing. In addition to these 3.8 % there were another 6.3 % of the B respondents’ who did not know whether if they would have to be afraid or not. (See appendix 3 for graph)
24. Is there fearfulness among your colleagues that they could lose their jobs as a result of outsourcing?
This question investigated whether there was fearfulness among the respondents’ colleagues of losing their jobs due to outsourcing. We could statistically determine our findings with a significance level at 0,000 (see appendix 2.1). We conducted a cross tabulation from which we found this significance. 75,0 % out of the A respondents’ answered that their colleges were not afraid of losing their jobs as a result of outsourcing, 85,0 % of the B respondents’ answered the same thing. 15,0 % among the B respondents’ thought their colleges were afraid of losing their jobs, while only 5,8 % out of the A respondents’ thought so. 19,2 % of the A respondents’, did not know whether their colleges were afraid, or not and no one (0,0 %) of the B respondents’ did not know this.

![Figure 14, Question 24](image)

5.5.3 Cost-Benefit analysis

19. Which main advantage could you see with outsourcing different types of IT-activities?
The findings from question 19 (See appendix 3 for graph) indicated that there were two alternatives, which dominated the overall answer rate, focus on core production and lower costs. 50,0 % out of the A respondents’ and 53,8 % of the B respondents’, answered that they would be able to focus on their core production. As graph 19 illustrates 30,8 % out of the A and 36,3 % of the B respondents’ thought that the main advantage by using outsourcing was the possibility to lower their costs. A final interesting observation from question 19 was that 3,8 % out of the A and 2,5 % of the B respondents’ believed that the main advantage with outsourcing was connected to improved security.

20. What do you believe is the main disadvantage with outsourcing IT-activities?
When we asked the respondents’ what they thought could be the main disadvantages with the use of outsourcing. 59,6 % among the A respondents’ and 58,8 % of B respondents’ thought the disadvantages was connected to service. Out of the A respondents’ 26,9 % answered that the main disadvantage was connected to cost, which make it to the second most selected answerer of this question. Among the B respondents’ on the other hand, security was the second most selected alternative with 25,0 % of the answers. (See appendix 3 for graph)
5.6 Collaboration

5.6.1 Alliances and Network

10. Do you collaborate with any other organization or company today?

Our findings from question 10 were analyzed with the use of a cross tabulation test analysis in SPSS. What we found out was that a significance level at 0,027 (see appendix 2.1) could be statistically determined that 92,3 % of the A respondents’ did cooperate with other organizations today. Out of the B respondents’ we could see that 73,8 % did cooperate with other organization today. We believed these findings were interesting since IT-organizations that were using outsourcing, also tend to cooperate to a greater extent with other organizations compared to IT-organizations, which did not outsource.

26. Rank the following statements based on how important you think they are in case of a potential outsourcing relationship

Our 26th and last question was divided into six parts, each part consisted of one statement (see appendix 1.2). The respondents’ were asked to rank every statement from 1 (not important) to 5 (important), dependent on how important they were for them, in an outsourcing relationship. (See appendix 3 for graphs)

26A. In order to meet requirements, laws or regulations

There were only a few respondents’, 5,8 % among the A respondents’ and 2,5 % out of the B respondents’, which believed it was important to establish an outsourcing relationship in order to meet laws and regulation. The most selected alternative was 1 (Not important), 30,8 % out of the A respondents’ and 32,5 % of the B respondents’ had chosen this one. But if we look at graph 26A we could se that both the A and B answers are quite equally distributed between the alternatives 1 to 4. With 1 and 3 as the two most selected ones within both groups. (See appendix 3 for graph)

26B. With purpose of taking control over an organization for getting access to their skills, knowledge and resources.

In question 26B we asked the respondents’ if the objective with an outsourcing relationship was to take control over another actor and by that getting access to their resources. The greater part out of both the A, 34, %, and the B respondents’, 32,5 %, did not think this was an important objective. There were on the other hand only 4 organizations, 2 within each group that thought this was an important objective. Among the A respondents’ 2 was the second most selected alternative with 26,9 % followed by 3 and 4, which had 17,3 % each. Among the B respondents’ 3 was the second largest one, selected by 26,3 % of them. This was followed by 4, 21,3 % and 2 with 17,5 %. (see appendix 3 for graph)
26C. To create a network were the members treat and support each other equally.

The question itself concerned how important the respondents’ believed it was to create an equal network with another organization. We have been able to statistically determine this question with significance at 0,057 (see appendix 2.1) through a cross tabulation test. This means that the question is somewhat reliable but we have chosen to include it in our statistically proven data because it is so close to be determined by a 95 % confidence interval. The B Respondents’ believed to a greater extent that this was not important compared to the A respondents’. 30,0 % out of the A respondents’ answered a 4 while only 15,4 % of the B respondents’ selected this a 4. 40 % of the B respondents’ answered a 3 while only 28,8% of the A respondents’ the same. We also saw that the A respondents’, 30,8 % answered a 1 while only 16,2 % of the B respondents’ did so. We were also able to statistically determine this question by using a t-test, where our significance level was as low as 0,029 (see appendix 2.2). We could see that the A respondents’ had a mean value of 2,46 while the B respondents’ mean value was 2,91. This means that the B respondents’ believed it was more important to have an equal network than A respondents’.

26D. Improve the internal efficiency through collaborations with other organizations

Out of the A respondents’, 28,8 % thought this was an important objective (5). The same alternative was selected by 21,3 % of the B respondents’. Alternative number 4 was however the most selected one within both the respondent groups, A (36,5 %) and B (35,0 %). Further more we could see in graph 26D (appendix 3) that 3 was the second most selected answer among the B respondents’ with 25,0 % and the third largest out of the A respondents’, 21,2 %. There was also a number of respondents’ who did not thought this was an important objective with an outsourcing relationship, since they answered 1 or 2.

26E. Create a stable environment for the organization

The respondents’ were asked if an establishment of environmental stability was an important objective with an outsourcing relationship. Here we could see some differences between the A and B respondents’. As graph 26E (See appendix 3) indicates, the A respondents’ answers were quite equally distributed between alternatives 1 to 4, were 4 had the highest answering rate with 26,9 %. There were only 5,8 % of the A respondents’ who answered 5. Among the B respondents’, 5 was also the alternative with fewest answers, 6,3 %. But in contrast with A, a bulk of the B respondents’ answered 3 or 4. The alternative with the single most answers among these two, was 3 selected by 31,3 % of all the B respondents’.
26F. With the objective of improving the organizations image and reputation

With the last question in our questionnaire we would like to find out if the organizations thought it was important to develop an outsourcing relationship to improve their image and reputation. The general findings from this question were that most of the A and B respondents’ did not think so. Since only 12,1 % out of all the respondents’ selected either alternative 4 or 5. In graph 26F we could see that the B respondents’ answers were quite equally distributed between alternatives 1 to 3. 36,3 % answered 3, which made it the most popular answer among the B respondents’. Among the A respondents’ alternative 1 had the highest respondent rate with 36,5 % out of the answers followed by 3, which was selected by 32,7 % of them. (See appendix 3 for graph)

5.6.2 Culture and outsourcing

25. How would you define the organization that you are working in?

No one out of the A respondents’ defined their organization as a closed or a very closed one. 51,9 % thought they were working within a very open one instead. In graph 25 (see appendix 3) we could see that the answers from the B respondents’, looks similar compared to the A respondents’. Even though there were 3,8 % out of the B respondents’ who described their organization as closed and another 1,3 % who said very closed one. The greater part of the B respondents’ defined their organization as very open, 47,5 % or as an open one, 41,3 %.

9 A. Do your organization have any plans on moving production abroad, in that case where?

In question 9 the respondents’ were asked to write down the name of a country or region to where they were planning to move some of their business activities. If the respondents’ had plans of moving to more than just one country or region, they were allowed to write down the name of all of them. To be able to analyze this question we had decided in advance to categorize all countries into regions. To make it easier to understand, we have named the regions after the continents on the globe. Since no one out of the respondents’ selected a country located within South America or Australia, we have excluded these two regions due to the reason that we have no data to analyze. The respondents’ categorized as indifferent had selected two countries or more, which were located within different continents. Since this question has a connection to culture we decided to categorize those respondents’ who selected countries with a large culture differences as indifferent. In the pie chart (9a) we have assembled the data from the 52 A respondents’. 57,7 % had no plans of moving activities aboard. Among the remaining 42,3 %, 17,3 % would select a country located within Europe, 11,5 % would select Asia. The remaining 9,6 % were indifferent to the location. Finally, out of the A respondents’, one of them (1,9 %) answered that they would like to move their production to USA and one other (1,9 %) was considering Morocco in Africa. (See appendix 3 for graph)
9 B. Do your organization have any plans on moving production abroad, in that case where?
Out of the B respondents’, 87.5 % were not considering moving any parts of their business activities to another country. But there were still ten respondents’ (12.5 %) who had plans on moving production abroad and one of them has been classified as indifferent (1.3 %). Among the remaining B respondents’, which answered that they were considering to move parts of their production to another country, 5.0 % had selected a country within Europe, 2.5 % chosen USA and the remaining 3.8 % selected Asia. Among the three B respondents’ that selected Asia, 2 out of 3 had just answered India and the third one wrote Southeast Asia. Even though the region Asia was not the most selected one among either the A or the B respondents’, India was the single most selected country among all the respondents’. Seven of them had only written India. In addition to these seven, one of the A respondent had answered India and Pakistan. In total there were 10 respondents’, which answered India, the second most selected country was USA with totally 3 answerers. (See appendix 3 for graph)

5.6.3 Globalization
22. How much do you think a possible international collaboration would effect your organization?
The results from question 22 gave us a wide range of answers. The respondents’ were allowed to select an answer between 1 (Not at all) and 6 (Large extent). There were organizations within both the A and B respondents’ who thought that an international collaboration would not have an impact on them. Then there were totally 8 respondents’, which responded that they would be affected to a large extent. But, as graph 22 illustrates the overall distribution of answers for A and B looks quite similar. As we could see in the graph (see appendix 3) preponderance of the answers, 68.2 % lies within the interval of 3 to 5. The alternative with the highest rate is number 4, 32.7 % out of the A and 28.8% of the B respondents’ selected this alternative.

5.7 Cronbach’s alpha
To be able to say anything about the internal reliability of our study, we decided to do a statistically determined test that could satisfy our internal reliability. By using the Cronbach’s alpha test we were able calculate the average of all possible reliabilities.

A Cornbach’s alpha test is performed by the use of the “split-half” method, which means that the respondent groups will be dived into two parts and then compared against each other. The alpha coefficient will vary from 0 to 1, where 1 means that there is a perfect reliability and 0 means that there is no internal reliability. (Bryman & Bell, 2005, p. 95)

Our Cronbach’s alpha was calculated to 0.580 (see appendix 2.3), which perhaps is not perfect value on our internal reliability. According to Bryman and Bell (2005, p. 95) the rule of thumb of the alpha coefficient is a value that is more towards 0.8, but some researchers believe that is acceptable if the value is a little bit lower than that.
6. Analysis

In this chapter we will present an analysis based on the data we have collected from our survey, with support of the theoretical framework from chapter three. The function of this chapter is to give the reader an analysis over how we did come up with an answer to our research question. Just like in the previous chapter, we have named the organizations that were using outsourcing as A and those who did not outsource as B.

At the end of chapter three we presented a model over how our four theoretical themes, strategy, service, decision-making and collaboration were linked each other. This model will act as the foundation for the structure of this analysis.

We will start the analysis by go through the theme strategy, so we could get a picture over which type of strategies and advantages the participated IT-organizations had.

Then we will go through our three remaining themes, which all are linked to each other. Within these three themes we hope being able to find an answer to our research question, which finally will be presented in chapter 7.

Figure 17, Own developed model

6.1. Strategy

6.1.1. Competitive advantage

At this moment we had 28187 registered IT-organizations in Sweden (121.nu). We interpret this information as it exists a competition on the Swedish IT-market and that the organizations need to have some kind of advantage to survive. An optimal situation for one of these IT-organizations would be if they had some kind of competitive advantage. According to Porter (1996, pp. 61-62) a competitive advantage is when an organization succeeds to deliver a higher value to their customers compared to their competitors.
When we compared the findings from question 5 and 6, we believed that there was a connection between the organizations knowledge and expertise inside one area and their advantage within the same. For example out of those 71.2 % of the A respondents’ who answered that they had core competence within programming; they most likely had some kind of special knowledge and expertise within this area as well. Kessler et al., (2000, pp. 216-217) define this type of knowledge and expertise as tactical knowledge, which is the source to competitive advantage and because of that it should be hard for the competitors to imitate these skills. Since these skills should be difficult to copy, it could be hard for an organization to outsource these types of activities, unless they find a subcontractor who obtains similar skills (Kessler et al., 2002, pp. 216-217). So even if an IT-organization consider themselves to have core competence and an advantage within for example programming, they could still have a possibility to outsource parts of these activities without losing their advantage. But it requires that they find a subcontractor who could compensate for their own skills. It seems like our respondents’ could be aware about this, since a clear majority out of both the A and the B respondents’ answered that the main risks with the use of outsourcing was connected to providing a lower service level. In other words the quality of the outsourced activities could be lowered compared to if an IT-organization would have kept them in-house.

A competitive advantage is dependent on a number of factors; to get a better picture of this we used Porter’s value chain.

6.1.2. Value chain

It is important for all organization to remember that a competitive advantage is affected by all the activities’ that goes on within an organization (Porter, 1985, pp. 48-49). For those IT-organizations that did not use outsourcing it was easy to see that programming, web-development or/and web-design would be categorized under operations. Operations are where the organization adds value to the product and where the final product is developed (Porter, 1985, pp. 39-40). We believe that a value chain for an organization, which uses outsourcing, looks more complex. The activities’ the B respondents’ answered that they had an advantage in, will be categorized as Operations. Those activities that they bought from an external subcontractor will be placed under inbound logistics. So a B organization could for example have programming activities within both inbound logistics and operation activities, we start to see the complex picture with IT-outsourcing.

But even if outsourcing would affect the primary activities’, we think IT-outsourcing in a larger extent connected to the support activities. According to Johnson et al., (2009, p. 75) the functions of the support activities are to improve the primary activities efficiency and effectiveness. As we could see in the findings from question 26D, a greater part (59.8 %) of all organizations believed that improving the internal efficiency was an important objective with an outsourcing relationship. The organization infrastructure of course plays an important role in the process of improving the internal efficiency and effectiveness. Since the organization infrastructure represent the top management of the organization and by that it support the whole value chain (Porter, 1985, p. 43).
Otherwise we believe that procurement and technology are the two support activities, which have the strongest connection to IT-outsourcing. For an organization that is keeping up with the technological development, this could be a source of a competitive advantage (Porter, 1985, pp. 41-42). Out of the A respondents’, 50.0 % and 53.8 % among the B respondents’ answered that the main advantage with outsourcing was the possibility to focus on their core production. By doing so these organization could have a better possibility to keep up with their technological level. Then we have the procurement, an outsourcing decision is an example of procurement (Porter, 1985, p. 41). Procurements are often connected to low costs (Porter, 1985, p. 41) and as we found out in our survey 26.9 % of the A respondents’ answered that the main advantage with outsourcing, was the possibility for them to lower their costs.

Based on the findings from our research we believe that the last of the support activities, human resource management (HRM), not have the same importance for an IT-outsourcing decision as the other three support activities. According to Porter (1985, pp. 42-43) one of the functions with the HRM activities is to motivate the employees within an organization (Porter, 1985, pp. 42-43). But since 92.4 % out of all our respondents’ answered that they were not afraid of loosing their job as a result of outsourcing, we do not think that the employees’ motivation would decrease as a result of employment security.

According to Clegg et al., (2011, p. 68) outsourcing is often a result of a value chain analysis. When we tried to put in the activities within a value chain, we believed it was easier to do so for an IT-organization, which did not use outsourcing. As we mentioned before, a competitive advantage is connected to all activities within a value chain (Porter, 1985, pp. 48-49). This is something that is important to keep in mind for organizations that is considering about making some changes, for example the 12.5 % among the B respondents’ that consider over moving parts of the production abroad. Because if would they do so, the construction of their value chain will be change, which could be a risk against their current advantage.

With support of the value chain we have been able to see how different activities are linked to each other and how they are connected to outsourcing. But to get a picture over how our respondents’ strategies looked like, we used Porter’s generic strategy.

6.1.3. Generic Strategy

As we have mentioned before, a competitive advantage is when an organization is able to deliver a higher value to their customer, compared to their competitors. This could be done either by delivering; a product with a higher value, a product with similar value but with a lower price or even doing both (Porter, 1996, pp. 61-62). To get a better view over how our organizations thought they had built their advantage, we use Porters generic strategy. With the generic strategy there are two ways to define a competitive advantage, through differentiation (higher value) or cost leadership (lower costs) (Clegg et al., 2011, p. 69). Out of the A respondents’ 82.7 % answered that they had niched themselves with differentiation or differentiation focus, the same result among the B respondents’ was 82.5 %. In other word a greater part of our entire respondents’ had built their advantages on
delivering high value to their customers and not focused on lower costs. This is interesting to compare with the findings from question 19, 65,4 % of the $A$ respondents’ and 61,3 % of the $B$ respondents’ answered that the benefits by using outsourcing was either that they would be able to focus on their core production or improve their service level. We also believe that the reason to why a lot of organizations have answered differentiated focus is because they did believe that the service level was so important. We think that the organizations believe that they all have something unique to provide their customers with. That is why they were focused on service and keep a smaller customer base.

So far in the analysis we have used competitive advantage, value chain and generic strategy to get a picture over the IT-organizations strategies. Since outsourcing were a part of the $A$ respondents’ but not of the $B$ respondents’, we know for sure that their value chains looks different and that is connected to how they have built their advantages. In the next section we will go into our theoretical theme service by start looking at the core competence.

6.2 Service

6.2.1 Core competence

We have mentioned it earlier in our study; core competence is one of the most important aspects for running an organization (Prahalad & Hamel, 1990). The top management of an organization should have developed a strategic architecture, which makes it possible to develop necessary competencies and this is possible for every organization to do (Prahalad & Hamel, 1990, pp. 81-82). Among the 132 respondents’ that participated in our survey, 80 of them (60,6 %) used a strategy were they kept all activities in-house and not used any kind of outsourcing. Prahalad and Hamel would most likely argue that these organizations had a better strategic architecture compared to those 39,4 %, which were using outsourcing. According to Prahalad and Hamel (1990, p. 84) outsourcing is a shortcut to get access to skills and knowledge that are required to develop a more competitive product.

According to Prahalad and Hamel (1990, p. 84) a large world leading organization normally has between 5 to 6 core competencies. The majority of the organizations that participated in our study, more precise 69,7 % had between 1 to 9 employees and cannot be classified as a large world leading organization. Since the examples Prahalad and Hamel (1990) gives on world leading organization are Canon, Honda and NEC (Prahalad & Hamel, 1990). We do not think it is realistic that an IT-organization with between 1 to 9 employees could have the same number of core competencies like for example Canon. If our respondents’ had been aware about what the concept of core competence actually was, a realistic answer from them would have been that they had core competence within just one area. Nevertheless, out of the $A$ respondents’, 44,2 % believed that they had core competence within more than one area; the same number was 28,8 % among the $B$ respondents’. The only organizations that participated in our research, which we believe could have a realistic opportunity to have more than one core competence, is those four respondents’ who worked in an organization with more than 499 employees. But out of these four, only two of them answered that they had core competencies within more than one area. To see if the IT-organizations seemed to understand the concept of core
competence, or not, we compared the findings from question 5 and 6. If the respondents’ had understood the concept, the results from question 5 would have been the same as in question 6.

In chapter 3 we mentioned that Prahalad and Hamel (1990, p. 83) defined an organization as a tree. The core competence is the root system and the leaves represent the final product (Prahalad & Hamel, 1990, p. 83). Between the core competence and final product we have the core product, which generates value to the final product. It is important for an organization to understand the link between these three factors, so they could develop a good strategy (Prahalad & Hamel, 1990, pp. 85-91). Since our general findings from the comparison of question 5 and 6, was that the result in general was lower in question 6. From our point of view this indicates that a lot of the respondent organizations were not aware about what their core competence actually was. We need to keep in mind that Prahalad and Hamels arguments are theoretical ones and it is possible that the theory and reality not always look the same. So just because the IT-organizations were not familiar with the concept of core competence did not imply that there strategies would fail. But if an organization would like to use outsourcing, they must first be aware about what their core competence is, so they do not outsource the wrong activities. Just like in the case of Chrysler who outsourced their engine production, which ended up in a failure (Prahalad & Hamel, 1990, p. 84). Out of the A respondents’ 50,0 % had answered that they only had core competence within one area and an advantage within the same. The other 50,0 % seemed not to be aware about what their core competence was and therefore they faced a risk of outsourcing wrong type of activities, like Chrysler did.

But even if all of our IT-organizations would have been aware about what their core competencies were, we do not think this would have implied an automatic success for them. It is also important that these organizations were aware about the importance of the quality of their products and how they could be improved it, which we will move on to now.

6.2.2 Gap model analysis

The first Gap is defined as the difference between the manager’s perception and the actual service specifications (Zeithaml et al., 1988, p. 35). Both our groups of IT-organizations (A and B respondents’) had a strong feeling that their management knew what service level their customers demanded (more than 80 %). A lot of our respondents’ felt a strong belief in what their management was doing. Since the majority of our respondents’ were working within small organizations we believe that a lot of them either were a part of the management or had a close connection to this group. By looking at the background question and see that 75 % of our respondents’ had five or more years within the IT-industry, indicates that they were aware about what they were capable of doing. We cannot determine that there is a gap in the quality of the product here. This means that we will continue our search within the following gap.

The second Gap concerns if the quality standards an organization has set up are being delivered as promised (Zeithaml et al., 1988, p. 35-36). Our respondents’ did believe that their organizations delivered their products in the same way as it was promised to be
delivered. As mentioned in gap one this is, according to us, not a coincidence since a lot of our respondents’ had a long working experience within the same industry. We cannot identify any lack of quality within gap number two and need to move on to gap number three.

In every organization there is a manager (board of director in larger organizations). The manager’s role is to identify obstacles and opportunities in order to make the organization to continue with its assignments. The manager will specify the core products of the organizations and design the outline of these products. This would be the foundation of each organization as they distinguish themselves from other organizations. This means that the specifications needs to conform from the managers perspective with what the employees actually deliver. Gap three covers this area as in the “difference between service quality specifications and the service actually delivered” (Zeithaml et al., 1988, p. 36). Our findings from the question (number 16) that concerns this, was similar to the previous three questions. Both the A and the B respondents’ did believe that the specifications from their managers correspond with what they actually delivered to their customers, in a high degree. Neither in this question was it possible for us to determine any kind of absence within the field of quality. The following gap will discuss the quality aspects further on.

The fourth gap is to some extent similar to the third one. It is difficult to distinguish them from each other. Nevertheless, the fourth gap discusses the “difference between service delivery and what is communicated about the service to consumers” (Zeithaml et al., 1988, p. 36). What we saw in our findings was that most of the respondents’ from both the A and the B groups’ believed to a high degree that the communication coincided with the actual service. We believe our respondents’ thought that they were quiet straight forward with what they delivered. Since many of the respondents’ believed that a great service played a crucial part of their organization and therefore the need of having a good communication towards their customers was necessary. We cannot identify if there is a lack within the quality aspects here either. Therefore is it necessary to continue the search within the next and last gap.

The fifth and final gap is called the customer gap. It is defined as the difference between consumer expectations and perceptions (Zeithaml et al., 1988, p. 36). We asked a question whether our respondents’ believed that their customers’ expectations concur with what their organizations actually delivered. What we have taken into consideration is that it is only the IT-organizations employees that have answered this question and not the customers themselves. This question would perhaps been more valid if we would have asked the customers about their opinion regarding the IT-organizations services. Since an organization cannot survive without its customer we believe that our respondents’, with the amount of experience they had together and with the size of the IT-organizations, indicates that our respondents were aware about what their customers demanded. If the organizations would have delivered a poor service level or had got a lack of knowledge in what their customers demanded, they would start losing customers. This means that the respondents’, according to us, knew what they were talking about.
The Gap model is a great way to identify an organizations service Gaps. It is possible to locate a gap where the demand of service does not fulfill the requirements or if it is necessary, whether it comes from inside or outside the organization. We have not been able to determine any gap because a lot of our respondents’ believed that they delivered the same type of service as their customers were looking for. We believe they are right. The reason why we believe they are right is simple. Most of our respondents’ have got a long work experience within the IT-industry, which is fairly new to the market. We also believe that a lot of our respondents’ work in smaller organizations that make them to a more vital part of the organization. This means that the possibility of having a better communication channel between the CEO and its employees is easier than within a larger organization. We also believe that there is a great amount of knowledge that lies behind knowing what the customers demands, something that our respondents’ clearly possessed.

What we do need to take into consideration is that we have not been able to ask any customers of what they think about IT-organizations decision to use outsourcing or not. This is something that we will discuss further within the section about future research in chapter eight. However we do believe that involving the customer point of view would have completed this research in an even better way.

6.3 Decision-making

6.3.1 Risk and security
In our study we would like to find out specifically whether if IT-organizations felt that there could be a great risk with outsourcing IT-activities, regarding their databases. We asked our respondents’ if they thought there was a risk regarding their databases by using outsourcing. What is fairly interesting is that 23.1 % of the A respondents’ thought there was a risk while only 5.0 % among the B respondents’ did so. This means that the A respondents’ believed to a higher degree that there was a risk connected to their databases by using outsourcing. Here we argue that Hansson’s (2000, pp. 7-8) description number three, the probability of an unwanted event, which may or may not occur, is most applicable to what this risk actually could mean to the organizations. We interpret this situation as the B respondents’ were more careful and more cautious compared to the A respondents’. We believe that the B respondents’ did see the risk to a greater extent than the A respondents’ actually do. This aspect would also affect the security, which lies within the field of risk. What is important to highlight is that organizations that are located within different countries have to work under different laws and regulations. This means that it would always lay a risk of perhaps being too “easy-going” with the security. Especially when an organization outsources activities that contains important materials, which could be classified. How “safe” the organizations network is could also affect security and the databases towards hackers and other intruders, which could benefit from the information. According to Bishop (2003, pp. 4-5) the confidentiality as well as integrity issues needs to be dealt with. This means that to be able to outsource from organizations located within Sweden, these organizations must either have great control over the subcontractor or outsourcing non-classified materials.
Nevertheless, a lot of our respondents’ did not see a risk as a potential issue, which means that this was not the reason to why our IT-organizations did or did not use outsource. What we will continue to investigate is how stakeholders are affected by IT-outsourcing. The next part will therefore continue with project governance.

6.3.2 Project governance
In our theoretical framework we brought up the stakeholder theory. The stakeholder theory regards taking a wider responsibility towards anyone who will be affected by the organizations (Jensen, 2002, p. 241). Therefore we asked our respondents’ if they or their colleagues were afraid of losing their jobs as a result of outsourcing (question 23 and 24). As we have mentioned in our introductory chapter, there is a high demand for skilled workers within the Swedish IT-sector. Organizations are willing to pay a high salary towards graduated students that have a degree within IT, for attracting them to start work for their organizations. What we believe to see is that organizations within the IT-sector do not have the same type of problems when it comes to expanding their businesses compared to other industries. Since each single employee is a stakeholder of the organization they working for, the organization itself has a responsibility towards the employees. The employee is often dependent on the organization, since it is his/hers provider of work and money. When someone loses their job it would affect family and friends as well as the economy around that person. What then surprised us was that the respondents’ answered to a very high degree that they did not were afraid of losing their job as well as they had a feeling that their colleagues were not afraid either. Nevertheless, there was a difference between the two groups, which caught our attention. In question 24 we found a significant difference, through a t-test and a cross tabulation test, between the B and the A respondents’. The B respondents’ felt to a greater extent that their colleagues were afraid of losing their jobs as a result of outsourcing, compared to the A respondents’. We cannot determine why respondents’ felt the way they felt, we can only speculate. We believe that the respondents’ have answered no on the 23rd and 24th question and service on question 20 and 21 to a greater extent for a reason. If you do have great service, it is personal. The employees are the one that provides a great service is a fact. How can you then be afraid of losing your job due to outsourcing when you believe that what you are doing is great and no one could do the same thing as good as you do? We get the feeling that employees at IT-organizations do not feel threatened of outsourcing because of the great service levels they delivers. They might believe that when you deliver a great service, you do not have to worry about losing your job due to outsourcing. Since the majority (69,7 %) of the IT-organizations that participated in our survey were quiet small (1-9 employees), there is a necessity for them of providing great service. Something the respondents’ might felt that they will lose if they would use outsourcing. The Organizations and their employees might feel that they would lose control over projects if they were starting to outsource and not being able in keep up with their high service level.

We have now focused a lot on the service connection with IT-outsourcing, but so far we have not talked anything about costs. In the following section will continue our analysis with support of a CBA.
6.3.3 Cost benefit analysis

All costs and benefits that are linked to the organizations strategy could be given a monetary value. To be able to assess these parts, which are rather difficult, the best way for us was to use a CBA. A CBA could only be used when the manager have an opportunity to envision the value of the benefits and disadvantages. The information generated from a CBA will act as a foundation for a strategic choice (Johnson et al., 2008, pp. 373-375).

This is something that we do not intend to do because we believe it would be a too big of an assignment. We believe it would not give us any deeper knowledge, which could support us to answer our research question. Therefore we asked only one question (number 19) to where the respondents’ were asked what main advantage they saw by using outsourcing. The respondents’ were given four different alternatives that we believed were the most crucial aspects when it comes to IT-outsourcing. These four alternatives were: lower costs, improved service, improved security and focus on core production. What we found out was that both the A and the B respondents’ had answered this question in a similar way. More than 50 % from the both groups believed that there was a possibility of focusing on their core production by using outsourcing. In other words the benefits itself with IT-outsourcing is that an IT-organization would be able to focus more on the core competences they obtain. We do believe that IT-organizations could then focus on creating a greater value to the customer by providing a better service here while outsourcing some of the basic parts of the production. Since we are not educated or have any professional experience within the IT-sector we cannot determine that it is easy to do so.

In the following question (number 20) we asked the respondents’ to assess which of the three statements (costs, poor service or poor security) they believed could be major a disadvantage with outsourcing. Almost 60 % of the respondents’ from both groups selected poor service as the main disadvantage with the use of outsourcing. We could now see that the largest costs with IT-outsourcing, according to our respondents’ was the loss of great service level, or an increased amount of poorly delivered services. The respondents’ were therefore not willing to give up their great service, in order to gain a competitive advantage by for example offering a lower compared to their competitors. Nevertheless, our respondents’ also saw the security as a big issue. We believe that the respondents’ have answered in such way because in Sweden we have strict laws and regulations regarding privacy policies compared to other countries. Therefore, if an IT-organization outsources some of their activities, they have to make sure that the subcontractor follows the laws and regulations that we here in Sweden. If an IT-organization not doses so, they might get difficulties with preceding their work within Sweden due to a loss of credibility from their customers.

What we also saw as interesting was that both the A and the B respondents’ had chosen lower costs as the second greatest advantage by using outsourcing, in question 19. This is equivalent with question 9 were we asked the respondents’ to which country they would like to outsource their production. In this question, India was the most commonly chosen specific country. According to the Swedishtrade (2010) an Indian worker’s salary equals only a quarter compared to an average Swedish one. We interpret this information, as organizations are aware about the benefits by using outsourcing as a possibility of saving
money by cutting their labor costs. Despite this fact, most of our respondents’ selected Europe as their prime target for outsourcing to. Something we believe could have a connection with the cultural aspects. The cultures within other European countries are familiar and similar to the culture we have in Sweden and are therefore easier to adapt to these ones.

6.4 Collaboration

6.4.1 Alliances and Networks
Whether an organization considering to join an alliance, network or to use outsourcing, the organization must first be aware about what core competence their is (Gummesson, 1994, pp. 10-11). As we have mentioned earlier, the results from our survey indicated that a lot of our respondent seemed not to be aware about what their core competencies were. If an organization uses outsourcing they must be able to trust the subcontractor (Langfield-Smith & Smith, 2002, p. 287). Among the A organizations, no one defined their organization as closed one. This is something we think is interesting to mention. Since our opinion is that it could be hard for a closed organization to trust an external actor, like a subcontractor.

One of the most important parts of an organizations overall strategy is to establish good external relationships (Johnson et al., 2009, p. 7). Examples of relationships like this are alliances or outsourcing agreements (Podolny & Page, 1998, p. 59). A preponderance of all our respondents’, 92,3 % of the A and 73,8 % of the B respondents’ had previous experience of collaborating with other actors. But we would like to see what objectives our respondents’ would have with an outsourcing collaboration. We did so by using Oliver’s six objectives for why organizations start to collaborate.

The first objective is necessity, which is that organizations join a network in order to meet requirements, laws or regulations (Oliver, 1990, p. 243). Among our respondents’, the A and the B respondents’ answers looked rather similar compared to each other. Some organizations believed this was an important objective. But we interpret the results from a majority out of both the A and the B respondents’ as they did not necessary believed this was an important objective, with the establishment of an outsourcing relationship.

Oliver’s second objective is asymmetry, were an organization’s objective with the collaborations is to take control over the other actor in order to get access to their skills and knowledge (Oliver, 1990, pp. 243-244). Over 50 % out of both A and B respondents’ did not believed this was an important objective, but there were also over 20 % within both groups who saw this as an important objective for the establishment of an outsourcing agreement.

The third of Oliver’s objective is reciprocity, which is developing a collaboration relationship with equal treatment (Oliver, 1990, pp. 244-245). Here we found a difference between the A and the B respondents’, which we were able to prove statistically. A greater part of the A respondents’ did not think this was an important objective. But the results
from the B respondents’ answers indicated that they in general believed equal treatment was an important objective with an outsourcing relationship.

Oliver’s fourth objective is efficiency; by establish a collaboration relationship an organization would be able to improve their internal efficiency (Oliver, 1990, p. 245). In our findings we saw that preponderance out of both the A and the B respondents’ answers indicated that they believed this was an important objective with outsourcing. This did not surprise us. Since according to Johnson et al., (2009, p. 79) the objective with outsourcing is that an organization would be able to focus on their core competence. In other words the organization would be able to focus on the activities they are really good at, which could improve their efficiency.

The fifth objective is stability where the objective with a collaboration relationship is to protect the organization from environmental uncertainty (Oliver, 1990, pp. 245-246). On this question the results differed a bit between the A and the B respondents’ here. The A respondents’ answers were quite equally distributed from 1 to 4, on a scale from 1 to 5 (5=important). While a majority out of the B respondents’ selected alternative 3 or 4. These findings could be connected to how the IT-organizations looked at risks. Koller (2007, p. 3) argues, “An individuals perception of risk depends mainly on the contextual settings in which that person finds him or herself”. Since stability in general was a bit more important for the B respondents’, this indicated that they might have a more negative attitude towards taking risks.

The last objective for establishes collaboration is legitimacy, where the objective is to improve the organizations image or reputation (Oliver, 1990, p. 246). The findings from the B respondents’ results indicated that they did not think this was an important objective. Over 50,0 % among the A respondents’ did not think this was an important objective either. But there were 17,2 % out of the A respondents’, which thought improved image was an important objective with outsourcing. A possible explanation could be that they saw outsourcing as a trend. According to Daniels et al., (2009, p. 709) there are organizations, which starting to use international sourcing because their competitors are doing so. Nevertheless since there were only a few of out of the A respondents’ and no one of the B respondents’, which believed improved image was an important objective with outsourcing. It is hard for us to say whether if the use outsourcing with the objective of improving an IT-organizations image could be classified as an advantage. Based on our findings we think it actually could be the other way around, since a majority out of the A and the B respondents’ answered that the main disadvantage with outsourcing was connected to a lower service level.

Oliver’s six objectives are not isolated from each other, but each single one could be an argument for collaboration (Oliver, 1990, p. 242). Based on our findings we would say that the single main objective with the development of an outsourcing relationship was efficiency. In the next section of the analysis we will look at some cultural aspects connected to outsourcing of IT-activities.
6.4.2 Culture
One of the most important parts of outsourcing is communication (Grover et al., 1996, pp. 110-111). According to Hendry (1995, p. 196) the key to a successful communication is culture. Out of the A respondents’ 51.9 % defined their organization as very open and 34.6 % as an open one. No one out of the respondents’ within the same group believed their organization was closed or very closed. We think this is an indicator on that an organization needs to have an open culture to be able to develop a successful outsourcing communication.

An optimal situation for an organization is to develop a shared culture (Henry, 1995, p. 197). In an outsourcing relationship it seems to be easier to develop a culture like this with a subcontractor located within the same country, because there are fewer barriers the involved actors have to overcome. By selecting a domestic subcontractor, an organization could avoid a number of barriers, for example different languages (Daniels et al., 2009, p. 708). Since such a great part among both the A (57.7 %) and the B (87.5 %) respondents’ had no plans of moving parts of their production abroad, we see culture as an important barrier the IT-organizations have to overcome for be successful with their outsourcing strategy.

According to Krishna et al., (2004, p. 64) organizations prefer to outsource to a country where the culture matches their own. Based on our findings we believe that Krishna et al., theory is true. Because out of those IT-organizations that were considering to move production abroad, most of them would select a country located within Europe. Our opinion is that the Swedish culture is more similar to other European cultures, compared to for example an Asian one. When we now start to talk about outsourcing across national borders, it is logic for us to move on with globalization.

6.4.3 Globalization
When we asked our respondents’ if they would be affected by an international collaboration, a majority of the answers from the A and the B respondents’ were that they would be so. From our point of view these answers indicate that a majority of our respondents’ believed they would be affected by globalization. But not in the way Hovlin’s research indicated. A lot of Hovlin’s respondents’ were worried about the ongoing globalization, since when production moved abroad, they saw it as a threat against their jobs (2006, p. 36). Among all our respondents’ only 3.8 % were worried about losing their job. So we believe that the connection between globalization and IT-outsourcing, not have an impact on the employees motivation among our respondents’.

If globalization could be classified as an opportunity our disadvantage with IT-outsourcing is hard for us to say. The first two out of six Wetherly and Otter’s six aspects of globalization are about how increased globalization could give an organization access to high skilled and cheaper labor (Wetherly & Otter, 2011, pp. 207-208). In our findings we could see that 30.8 % out of the A and 36.3 % of the B respondents’ answered that the main advantage with outsourcing was the possibility to lower their costs. So for them the increased globalization could open up for outsourcing opportunities. Nevertheless, the fifth of Wetherly and Otter’s aspects is about how globalization have brought people closer
together, which results in that different cultures have been mixed and this have supported us to learn how to deal with cultural issues (Wetherly & Otter, 2011, pp. 209-210). That we are getting better to collaborate with different cultures could be another opportunity with globalizations connection to outsourcing. But since a greater part of our respondents’ had no plans of moving any production abroad and among those who had this, a majority would use another country within Europe. We interpret these results, as it still could be too large cultural differences within the world to see globalization as one of the main opportunity with IT-outsourcing. But since there are some potential benefits with globalization we would not classify it as a limitation either.

*Based on the analysis we have presented within this chapter we have come up with a conclusion and some suggestions for further research, which will be presented within the following chapter.*
7 Conclusion and recommendations

This chapter aims to link the empirical findings together with our analysis in order to come up with an answer to our research question. Based on the conclusion we have then developed a recommendation for Swedish IT-organizations’, which they can use as tool if they consider beginning to use outsourcing in the future or not. The chapter ends with a section were we present a number of potential areas for further research.

7.1 Conclusion

Based on our findings we have been able to point out some aspects that we find as interesting. The use of IT-outsourcing as a strategy could implies both limitations and opportunities. Just like Hallikas et al., (2004, p. 50) argue that a business activity, which could generate a potential beneficial effect for an organization also, implies a risk. Our findings indicate that this is the case with IT-outsourcing as well.

What we found out was that IT-organizations tend to have more focus on providing a high service level to their customers’ rather than for example lowering costs. Our IT-organizations did believe that they had a great knowledge within what their customers demanded and that their customer had a willingness to pay for higher services levels. It is perhaps not strange when you reflect upon it. If the IT-activities do not work within an organization, the production will stagnate. This means, that if organizations provides a high service level it might results in that IT-organizations having a closer relationship with their customers. Perhaps this could be more time consuming but since IT as a concept is rather new, we are aware of what problem it could cause and how little knowledge commonage really have. If an IT-organization would outsource, there is a risk that their high service level could decrease, which could result in that they lose their current market advantage. This could have a major impact on the business in Sweden. Organizations, in general might do not know where to turn when the IT-infrastructure fails or when they are in need of changes. Nevertheless, if an IT-organization only outsources very specific tasks, would they still be able to provide the high service level? Apparently not according to our survey, even IT-organizations that did use outsourcing today felt that the lack of service affected them. This means that these organizations lose the power and control over projects, which are in need of monitoring. These findings indicate that Grover et al., (1996, p.109) theory stating that service is one of the most important factors behind IT-outsourcing’s level of success. Most likely is the case among IT-organizations as well, at least within Sweden.

Even though IT-organizations might lose control (by using outsourcing) over the service, the possibility of saving a great amount of money is still there. However, the respondents’ did not agree. Since both our respondents’ groups (A and B) saw the benefits with cost reduction, but a majority of them believed there was a higher gain in focusing on deliver high service level. We find this very interesting since it seems like the market is not price sensitive. If it had been price sensitive, IT-organizations would probably have started to outsource almost immediately to lower their costs. Another aspect that strengthens this statement is that a lot of our respondents’ had not chosen to outsource to low-wage countries, because they preferred Europe instead. We interpret this, as it might exist large
cultural barriers between different regions, which an IT-organization has to overcome. Plus that the Swedish IT-organizations do not believe that they would get the same service level delivered within low-wage countries as they could get in Europe. However the most interesting conclusion we see is that cutting the costs not seems to be the main objective with IT-outsourcing, which makes our study a bit unique. Since a lot of previous researches on IT-outsourcing, have suggested that saving money is a main objective with IT-outsourcing (Graf & Mudambi, 2005, p. 254; Grover et al., 1996, p. 93).

A greater part among all our respondents’ saw the benefits with outsourcing in the possibilities for them to focus on their core production and improve the internal efficiency. By doing so the IT-organizations could get a possibility to increase their service level, which could improve how the customers evaluate their products. The finding that some of our respondents’ saw an opportunity in that they would be able to focus on their core competencies prove what previous studies have found out about outsourcing. The strategic benefit with the use of outsourcing is that an organization gets an opportunity to focus on their core competencies (Blaskovich & Mintchik, 2011, p. 8).

What we also found out was that outsourcing implies a number of risks. Organizations cannot just find a subcontractor to outsource to, they also need to consider the different laws and regulations within the different countries they would outsource to. Our laws in Sweden are strict when it comes to handling personal information regarding individuals. This means that IT-organizations must monitor the whole process, from the beginning to the end. We believe that this could become even more expensive compared to if they just would do the work themselves.

Something that surprised us was the fact that just a small amount of our respondents’ were afraid of losing their jobs as a result of outsourcing. We thought that it would have been more respondents’, which would be afraid of losing their jobs due to outsourcing. We believe this is connected to the high service level that our respondents’ believed they delivered. IT-organizations believe they deliver a product that has got such a high service level that it is difficult to replace it. We also believe that the size of the organizations plays a big part within this situation. Since a lot (69,7 %) of our respondents’ worked within smaller organizations (1-9 employees) we believe there is a bigger needs to obtain a great service level. If you do not deliver a high service level, it is perhaps easy for your customers to go somewhere else with their problems. Where the customer could get either a higher service level or a similar one but to a lower price. We also saw that the amount of years within the industry could affect the respondents’ thoughts around the subject. Since the majority (75 %) of our respondents’ had five or more years experience or more within the IT-industry, we do believe that they had the knowledge of what works within this sector. If you do not obtain this type of knowledge, there is a risk of being eliminated from the market by other organizations, which do the same thing as you do but in a better way.

Our recommendations to the IT-organization are paradox. We could both see limitations, as well as opportunities with the use of outsourcing. However, we believe that if an organization decides to use outsourcing as a part of their organizational strategy, they should be very certain of where their core competence lies as well as what they would like
to gain from this decision. They should also be aware about that their current advantage on the market is a mix of a number of activities within the organization. By using outsourcing this combination might be changed, which could be a risk against their current market advantage.

It is perhaps easy to set up the connection since countries have become so much closer to each other, thanks to the Internet for example. This has made it easier to gain knowledge and information about anything. Therefore organizations could be in need of developing alliances with other subcontractors. Something that the IT-organization then must consider is what type of tasks the subcontractors will do, as well as who does what in the alliance. Since IT-organizations within Sweden are so keen of providing a good service level. This is something we believe is necessary for the IT-organizations to do if they would like to stay in the market. They should be aware of that simpler mistakes for example just decide to use outsourcing in the belief that they would save money. It could strike back and make it even more complicated to outsource, compared to if they just would have kept the production inside the organization instead.

If an IT-organization on the other hand does not wish to outsource, they should be aware of that other organizations are going to, or are already doing it. This means that it can be a reduction of price, some organizations will perhaps start to take a lower price. But, we do not believe that this will happen. We believe that IT-organizations will keep the same cost structure even if they start using outsourcing. The only change is that they will be able to make more money and be able to manage more customers at the same time. However, this could perhaps be a threat towards the smaller organization as in losing the economy of scale as the larger organizations could gain.

One important aspect that needs to be taken into consideration is the use of our model (see figure 17). Since we only have decided to state which factors that could affect IT-organizations in their decision regarding the use of outsourcing, or not. We cannot determine to which degree each concept can or should be used. We see this as a weakness with our study, since we cannot determine to what extent each of the concepts could affect the IT-organizations. It would have been interesting to see which of the concepts that could affect as well as how much they affect the IT-organizations decision regarding outsourcing, or not. But if we had done so, our research question would have looked differently. This was not the purpose with our study, but we would like to emphasize the fact that we are aware of it. Since we do see it as a weakness, we will recommend this to be investigated in further research.

To conclude our findings we believe that IT-organizations face an uphill battle against whether they would outsource IT-activities or not. We believe that IT-organizations should be very careful of what they do. IT-organizations must take a lot of aspects into consideration such as what service level they wish to accomplish as well as what price level the organization intend to strive for. What is most important for the IT-organizations is to understand whether outsourcing is consistent with their current strategy or not. This means that an organization perhaps spend a great amount of money only to figure out to whether they would use outsourcing or not, just to find out it is not worth it. We cannot determine
Whether outsourcing will become the next obvious strategy or if it just is a trend. Therefore, we will later in this chapter introduce the reader to which type of further research we believe is crucial to get an answer to our question. But before we move on to the section about further research, we would like to summarize the theoretical and practical implications of our study.

7.2 Contribution

7.2.1 Theoretical contribution
So far there has not been much research done about IT-organizations’ use of IT-outsourcing as a part of their organizational strategy. The research that has been done is regarding IT-outsourcing in general, but not much towards the specific IT-industry. Outsourcing as a concept does not differs depending on which industry you choose to look closer at. The differences lies within how the industries decide to approach outsourcing as a strategy. Each industry has its unique way of adapting towards outsourcing, which means that research like this will always be necessary. This is especially the case within the field of IT-outsourcing. Since rapid technological development makes it hard for the academic literature to follow the practical development within this area, which results in that new question appears and the old ones needs to be reexamined (Blaskovich & Mintchik, 2011, p. 24; 29).

We argue that the previous studies that have been conducted on outsourcing of IT-activities, do not comply with what we would like to investigate. The previous studies have focused more on IT-outsourcing from organizations’, which not are active within the IT-sectors and not specifically on organizations’ that have their core competence within IT. Therefore our theoretical contribution is a more targeted research towards IT-organizations and the specific IT-sector.

The model that we have created, with the help of our theoretical framework and the respondents’ answers, is necessary to understand when studying this topic. We believe that our model will help other researchers to understand and embrace the importance of the different themes and what role they play when it comes to outsourcing within IT-organizations. Our model, do we believe, have been a missing link within the knowledge of IT-organizations. Therefore our opinion is that we have fulfilled a knowledge GAP, through the development of our model.

7.2.2 Practical contribution
The practical contribution that could be gained from this study is mainly connected to those IT-organizations’, which participated in our survey. What we saw was that it was important for IT-organizations to be careful before they decide to use outsourcing. We believe to have created an eye-opener for a number of IT-organizations, which were considering of using outsourcing as a part of their organizational strategy. With the use of our study, IT-organizations could get a better understanding of what would support them to make an appropriate strategic decision. It is necessary for them to understand what their core competence is to be able of creating new market advantages and to protect their current ones. A lot of our IT-organizations did not seem to be aware of what their core
competencies were, which could make it difficult for them to understand the consequences of the use of outsourcing. We hope to give the IT-organizations an insight of what types of activities they should be aware of, to maintain their core competencies and competitive advantages to be able to continue their work in the future. This study could be used as a sort of a guideline for our respondents’ to follow when they are thinking about using outsourcing as a strategic choice. What we recommend IT-organizations to do is to follow our own developed model when they are considering about outsourcing parts of their activities. By doing so, they will enable some of the most the important aspects, which are necessary to take into consideration before they make a decision of whether they would outsource parts of their activities, or not.

With our conclusion and contribution in mind, we have been able to come up with some suggestions for further research.

7.3 Further research
We believe our study managed to gain knowledge regarding the limitations and opportunities, which are connected to outsourcing of IT-activities.

What would be interesting to investigate in the future is to scrutinize what the customers believe and find out their perceptions regarding IT-outsourcing. This can perhaps give a more two-sided view of what is works and what is not. We believe that the further research should focus more in depth of a moral and political perspective.

We also believe it is necessary to explore other aspects than those we have decided to use (service, collaboration and decision-making). The reason to why we believe this could be interesting for further research is because we think it could determine other aspects, which might play a big part in whether outsourcing of IT-activities would be beneficial for an organization, or not.

We have managed to motivate and explain our findings by the use of our conducted research. However, we are aware of that we cannot find and scrutinize every aspect that could be a limitation or benefit IT-organizations when it comes to outsourcing. Therefore is there a necessity to continue the search for factors that do affect the IT-organizations.
8 Truth criteria’s

We would like our study to be as reliable as possible. Since we have conducted a quantitative study there are there a number of criteria’s that needs to be fulfilled. Theses criteria’s are called validity, reliability and replication.

8.1 Validity

The concept validity is defined by how well we have managed to measure what we really would like to measure (Dahmström, 2000, p. 55). The validity in our study will be measured on how well our questions are connected to our problem. Within the term validity, internal and external validity exists. The two of them play a crucial part in validating our study; therefore will we clarify them below.

Internal validity focuses on how well the author has managed to operationalize the terms in such a way that it becomes measurable (Bryman & Bell, 2005, p. 49). Since we have investigated the main opportunities and limitations with outsourcing for IT-organizations. Our intentions were to identify, through the literature search, what type of aspects that would affect IT-organizations and then develop the questions so it would make it easy to compare the A and the B respondents’ answers. To be able to reach a high internal validity the respondents’ must understand the question in the same way as the author intended them to be. The questions should be written in such way that they do not get misinterpreted (Hartman, 2004, p. 146). We conducted a smaller pilot study, from which we received a lot of feedback. This feedback made our questionnaire more valid. With hindsight, we can conclude that our questions could be analyzed in such way we would like them to be analyzed. A lot of our answers were significant which shows us that there were differences between the two groups and these are statistically proven. But since we were not able to statistically secure all our questions, we cannot say that our internal validity is really high. But by just looking at the graphs, which presents our results we could see that there is a great resemblance between all the answers. We interpret this, as the respondents’ have understood our questions in the way that they were supposed to be understood. So from our point of view the internal validity of our study is high, but it could of course have been higher.

The external validity will determine whether if a researcher could apply their result on a larger group, than just their own respondents’ (Bryman & Bell, 2007, p. 42). In our case this group could be all active IT-organizations within Sweden. Depending on how our selection of respondents’ has been accomplished, different conditions will be taken place. For example, if a simple sample random selection has been conducted it is easier to generalize the findings. The larger the groups of respondents’ are, the better the external validity will be (Bryman & Bell, 2005, p. 49). Since we had a population of 28187 IT-organization, from which we contacted 1200 of them. Out of these 1200, 133 submitted our questionnaire; therefore we believe that the external validity of our study is rather good.

After those approximately 50 respondents’ had submitted our survey, we saw that the answers were starting to look more and more similar to the previous answers. Nevertheless,
we believe it is too harsh to say that our survey could be generalized over all IT-organizations in Sweden. We have not received many answers from respondents’, which come from larger organizations and we believe this group is fairly big. Therefore we will not generalize our conclusion for all IT-organizations in Sweden. Bryman and Bell (2007, p. 169) believe that if the sample not represent the actual population in an optimal way, it is hard to generalize the findings beyond the respondents. However, we do believe that we are able to generalize the findings to our respondents’. If we would have generalized the answers to the whole population, we would have needed to gather more data, especially form larger IT-organizations. But this was something we did not intended to do.

To strengthen our study even more we contacted friends, which are writing their degree projects as well and asked them to help us by participate in a pilot study. 10 of our friends composed a group where they first filled out our survey to spot flaws and mistakes. Their thoughts were taken into consideration and were then evaluated to see whether these comments would make the survey better or not. Finally, we let our instructor read the questions through for an approval before we sent out the final version to our sample.

8.2 Reliability
Reliability as a concept is a way to determine whether the study would hold and give the same result over time. If the same study is conducted at a different time setting and the findings indicates the same result as it did the first time, the reliability would be high. High reliability is reached by achieving the criteria’s stability, internal reliability and Inter-observer consistency. (Bryman & Bell, 2011, pp. 157-159)

A study, which is stable, is not affected by time. The best way to test it is by using the method test-retest. This method means that the authors first conduct one test and then re-administer it to the same group of people. The result should then be similar to each other in order to gain a high stability. (Bryman & Bell, 2011, pp. 157-159)
We have only conducted our survey at one single occasion, which makes it difficult to say anything about our stability since we have not measured it. But to secure ourselves from any mistakes we have been very thorough on how we have created and conducted our survey so it would be possible to distribute it once more in the future.

Internal reliability is about whether or not a respondents answer on one question, could be related to how he/she has respond on the other questions. The key for internal reliability is that the scale or indexes, which would be used for compression, are consistent (Bryman & Bell, 2007, p. 163). We have determined our internal reliability to 0,580 by conducting a Cronbach’s alpha test. This value is not an optimal one, but in our opinion it is fully acceptable. However, we cannot say for certain that our study has an internal reliability since this test is very broad.

Inter-observer consistency concerns how the questions should be processed. If there for example is more than one observer that translates the findings, it could be difficult to stay consistent. This could happen when for example a decision about how open-ended question would be categorized. (Bryman & Bell, 2007, p. 163). To avoid this problem we have
discussed methodically through the survey before we sent it out. We have also, when interpreting the answers, discussed all our findings to make sure that we are on the same level and most important, have understood it in the same way.

We are aware about that our study, like most others, probably could have been done in a better way. There will always be arguments for that other more relevant theories could have been used. That we as authors could have collected more data, design our questionnaire in another way and made other tests with SPSS. But these arguments could also imply that we would have conducted another study.

But during the whole process we have always strived to come up with the most reliable result. Even if our Cronbach’s alpha value was not optimal, we believe that our reliability in general is high.

8.3 Replication
Replication is very close to reliability. If a study should be replicable, another researcher should be able to replicate the findings (Bryman & Bell, 2007, p. 41). Therefore a study should be conducted in such a way where the authors own values are left outside the study. To be able to determine whether a study has been conducted without any personal values and beliefs, the study must be able to reproduce by another researcher. If he/she than would be able to reproduce it, the study is replicable (Bryman & Bell, 2011, p. 165). We created an Internet based survey, which could be found in appendix 1, to avoid affecting the respondents’ with our presence. We have also been very accurate on all our stages from the development, distribution to the analysis of the survey. This means that if anyone wishes to replicate our study there is a great manual above on how they are supposed to do more exactly. That is why we believe our study would be replicable, but we cannot be sure that it would generate the same findings again.
Reference List


[Retrieved: 21st of January 2012]


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1. APENDIX

1.1 Appendix, Survey questionnaire Swedish, original version

Vi vill undersöka hur de nya möjligheterna att outsourca IT-aktiviteter för organisationer i er bransch. Vi vill ta reda på vilka huvud fördelar och nackdelar det kan finnas genom att outsourca aktiviteter till andra organisationer.

Vi vill också passa på att definiera ett uttryck så att ni lättare kan förstå och besvara frågorna.
Vi definierar IT-aktiviteter som är aktiviteter inom Webb-design, Webb-utveckling och programmering.

*Obligatorisk

1. Ålder*

2. Organisationsstorlek*

   Baserat på antalet anställda

   () 1 till 9
   () 10 till 19
   () 20 till 49
   () 50 till 99
   () 100 till 499
   () 499 eller fler

3. Hur länge har du arbetat inom IT?*

   () 0 till 1 år
   () 1 till 2 år
   () 2 till 3 år
   () 4 till 5 år
   () 5 år, eller fler

4. Använder ni er av hjälp inom IT-aktiviteter från andra företag idag?*

   Dvs. använder ni outsourcing som en del av er strategi?
5. Inom vilket arbetsområde ligger er kärnverksamhet?*
   () Programmering
   () Webb utveckling
   () Webb design

6. Inom vilket arbetsområde anser ni er vara bättre än era konkurrenter?*
   () Programmering
   () Webb utveckling
   () Webb design

7. Har ni någon produktion utomlands, i så fall vad?*
   () Programmering
   () Webb utveckling
   () Webb design
   () Ingen production utomlands

8. Har ni planer på att flytta delar av produktionen utomlands, i så fall vad*
   () Programmering
   () Webb utveckling
   () Webb design
   () Ingen production utomlands

9. Har ni planer på att flytta produktionen utomlands, i så fall vart?*
   Skriv land eller region, ex. Indien eller Baltikum eller nej om inga planer på utandsflytt
10. Samarbetar ni idag med någon annan organisation eller företag?*

() Ja
() Nej
() Vet ej

11. Om ni har produktion hos en annan leverantör, finns det en oro för er kunders säkerhet och era databaser?*

() Ja
() Nej
() Vet ej

12. Hur har ni valt att nischa er, är ni?*

() Differentierade med en bred kundbas
() Differentierade med en smal kundbas
() Fokuserade på ett lågt pris med en bred kundbas
() Fokuserade på ett lågt pris med en smal kundbas

13. Vilket av dessa påståenden passar in bäst på ert företag?*

Detta identifierar jag med företaget jag jobbar på:

Lågt pris      Hög service      Låg risk      Hög säkerhet      Bra kultur
() () () () ()

Detta efterfrågar våra kunder:

Lågt pris      Hög service      Låg risk      Hög säkerhet      Bra kultur
() () () () ()

14. Tycker du att ledningen för ditt företag vet vad era kunder efterfrågar?*

Instämmer inte 1 2 3 4 5 Instämmer helt
15. Tycker du att ditt företag lever upp till de standarder som ni utlovar er för att hålla?* 

   Instämmer inte 1 2 3 4 5 Instämmer helt

16. Tycker du att ledningens specifikationer på era produkter stämmer överens med vad era kunder får leverat?* 

   Instämmer inte 1 2 3 4 5 Instämmer helt

17. Tycker du att ni kommunicerar ut en service som stämmer överens med den service som ni faktiskt levererar?* 

   Instämmer inte 1 2 3 4 5 Instämmer helt

18. Tror du att kundernas förväntningar stämmer överens med vad ni faktiskt levererar?* 

   Instämmer inte 1 2 3 4 5 Instämmer helt

19. Vilka fördelar finner ni med att outsourca olika typer av IT-aktiviteter?* 

   () Hålla kostnader nere? 
   () Ge kunderna en bättre service 
   () Öka säkerheten för era kunder 
   () Ni kan fokusera på er kärnverksamhet

20. Vilka nackdelar finner ni kan uppstå med att outsourca olika typer av IT-aktiviteter?* 

   () Kostnaden 
   () Servicen 
   () Säkerheten

21. Vilka risker finner ni med att outsourca olika typer av IT-aktiviteter?*
22. Hur anser du att ett eventuellt internationellt samarbete med andra organisationer skulle påverka er?*

Detta ur ett kulturellt perspektiv

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Stor utsträckning</th>
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<td>Liten utsträckning</td>
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</table>

23. Är du rädd för att bli av med ditt jobb pga outsourcing?*

() Ja
() Nej
() Vet inte

24. Finns det en rädsla bland dina kollegor att bli av med sitt jobb pga outsourcing?*

() Ja
() Nej
() Vet inte

25. Anser du att den organisation som du jobbar för är en:*

() Mycket öppen organisation
() Öppen organisation
() Varken eller
() Stängd organisation
() Mycket stängd organisation

26. Rangordna vilka av dessa påståenden du anser vara viktigt vid ett eventuellt strategiskt drag att outsourca?*

1 = Inte viktigt, 5 = Mycket viktigt

<table>
<thead>
<tr>
<th>Till följd av lagar och regleringar.</th>
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<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ta kontroll över en annan organisation för att få tillgång</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

5
till deras möjligheter och resurser.

Skapa ett jämbördigt nätverk med en annan organisation.

() () () () ()

Öka effektiviteten internt genom samarbete med andra organisationer.

() () () () ()

Skapa stabilitet för organisationens omgivning.

() () () () ()

I hopp om att förbättra sitt rykte och image.

() () () () ()

End page two

Tack för din medverkan!

Tyck till!

Om du har frågor eller kommentarer, skriv dessa här tillsammans med din mail

1.2 Appendix, Survey questionnaire English translated version
We would like to investigate the possibilities with of outsourcing IT-activities, for organizations’ operating within your business field, the IT-sector. We would like to define what could be the main opportunities and disadvantages with outsourcing of IT-activities to a subcontractor.

To make it easier for you to answer our questionnaire, we would like to inform you how we have defied IT-activities.
Our definition of IT-activities is all the activities that are connected to Web-design, Web-development or/and programming.

6
*Mandatory

1. Age*

2. Size of the organization*
   Based on the number of employees

   () 1 to 9
   () 10 to 19
   () 20 to 49
   () 50 to 99
   () 100 to 499
   () 499 or more

3. For how long have you been working within the IT-sector?*

   () 0 to 1 year
   () 1 to 2 years
   () 2 to 3 years
   () 4 to 5 years
   () 5 years or longer

4. Do your organization uses external support of IT-activities today?*
   Clarification: Are your organization using outsourcing as a part of their strategy?

   () Yes
   () No

End page one of the questionnaire

5. Within which area does your organization have its core competence?*

   () Programming
   () Web-development
   () Web-design
6. Within which business areas do you consider your organization to perform better, compare to your competitors?*

() Programming
() Web-development
() Web-design

7. Do your organization have any kind of production located abroad, if yes which type?*

() Programming
() Web-development
() Web-design
() No production abroad

8. Do your organization have any plans of moving parts of its production abroad, if yes which type?*

() Programming
() Web-development
() Web-design
() No production abroad

9. Do your organization have any plans of moving parts of its production abroad, in that case were?*

Write the name of the land or the region, example India or the Baltic states. If you don't have any plans of moving production abroad pleas write NO.

10. Do your organization collaborate with any other organizations’ today?*

() Yes
() No
() Do not know

11. If your organization are using an external supplier for delivering parts of your production. Could this imply a risk for your customers security and your organization’s own databases?*

() Yes
() No
() Do not know

12. **Which of the following alternatives defines in the best way how your organization has decided to niche itself?**

   () Differentiated with a large customer base
   () Differentiated with a small customer base
   () Focused on delivering a low price to a large customer base
   () Focused on delivering a low price to a small customer base

13. **Which of the following alternative defines your organization in the best way?**

   *I identify the organization I work for with*

<table>
<thead>
<tr>
<th>A low price</th>
<th>High service</th>
<th>Low risk</th>
<th>High security</th>
<th>Good culture</th>
</tr>
</thead>
<tbody>
<tr>
<td>()</td>
<td>()</td>
<td>()</td>
<td>()</td>
<td>()</td>
</tr>
</tbody>
</table>

   *This is what our customers demand*

<table>
<thead>
<tr>
<th>A low price</th>
<th>High service</th>
<th>Low risk</th>
<th>High security</th>
<th>Good culture</th>
</tr>
</thead>
<tbody>
<tr>
<td>()</td>
<td>()</td>
<td>()</td>
<td>()</td>
<td>()</td>
</tr>
</tbody>
</table>

14. **Do you think that the top management of your organization actually are aware about what your customer demands?**

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
</table>
   Disagree () () () () () Agree

15. **Do you think that your organization delivers the same value to your customers as they have promised them to do?**

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
</table>
   Disagree () () () () () Agree

16. **Do you think that your top managements specifications of your organization’s products conform with what you actually delivers to your customers?**

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
</table>
   Disagree () () () () () Agree
17. Do you think that your organization communicates a service that conform with the service they delivers to your customers?*

Disagree 1 2 3 4 5 Agree

18. Do you think that your customers expectations match the products and/or services that your organization actually delivers?*

Disagree 1 2 3 4 5 Agree

19. Which main advantage could you see with outsourcing of different types of IT-activities?*

() Lower the costs  
() Provide the customer with a better service  
() Improve the security level for the customers  
() You will be able to focus on you’re your core production

20. What do you believe is the main disadvantages with outsourcing of IT-activities?*

() Cost factors  
() Service  
() Security

21. Within which area would you see the main risks concerning outsourcing?*

() Cost  
() Service  
() Security

22. How much do you think a possible international collaboration would effect your organization?*

From a cultural perspective

Not at all 1 2 3 4 5 In a large extent
23. Are you afraid of losing your job as a result of that your organization start using outsourcing?*

() Yes  
() No  
() Do not know

24. Is there fearfulness among your colleagues that they could lose their jobs as a result of outsourcing?*

() Yes  
() No  
() Do not know

25. How would you define the organization that you are working in?*

() As a very open organization  
() As an open organization  
() Neither nor  
() As a closed organization  
() As a very closed organization

26. Rank the following statements based on how important you think they are in case of a potential outsourcing relationship?*  

1 = Not important, 5 = Important

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>In order to meet requirements, laws or regulations.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>With purpose of taking control over an other organization for getting access to their skills, knowledge and resources.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To create a network were the members treat and support each other equally.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improve the internal efficiency through collaborations with other organizations.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Create an environmental</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
stability for the organization.

With the objective of improving the organization's image and reputation.

Thank for your participation!

Additional comments
If you have any questions or comments regarding our survey, please write them here together with your email address

1.3 Appendix, Covering letter Swedish original version
Hej,

Vi är två killar från Umeå Universitet som skriver vår D-uppsats om outsourcing som en del av en strategi hos IT-bolag. Därför ber vi nu om din hjälp med att fylla i denna enkät (tar max 3 minuter).

Länk till enkäten

Alla svar kommer naturligtvis vara helt anonyma!

Vid eventuella frågor kan ni svara på detta mail.

Vi är otroligt tacksamma för alla svar!

Med vänliga hälsningar
Oliver Reinhard & Gustaf Malmström
Hello,

We are two guys who are studying our final year at Umeå University and at the moment we are working on our degree project. We are looking at outsourcing as a part of an organizational strategy. We have decided to focus on IT-organizations and would need your help. We kindly ask you to fill in our questionnaire (it will take maximum 3 minutes).

[Link to the questionnaire](#)

Your answers will be completely anonymous!

If you have any additional questions, you could just reply on this mail.

We are very grateful for all your answerers!

Best Regards
Oliver Reinhard & Gustaf Malmström

---

**1.5 Appendix, Reminder mail Swedish original version**

Hej,

Vi är två killar från Umeå Univeristet som skriver en D-uppsats i ämnet management. Vi kontaktade för en vecka sedan angående en enkätundersökning om outsourcing inom IT branschen.

Just nu saknar vi ett fåtal svar och önskar att ni kan ta tid till att svara på några enkla frågor i ämnet (har ni redan svarat kan ni naturligtvis förbise detta mail, men vi vill passa på att tack er för hjälpen).

[Länk till enkäten](#)

Hoppas vi inte gjort er upprörda eller stört i ert arbete.

Med vänliga hälsningar
Oliver Reinhard & Gustaf Malmström

---

**1.6 Appendix, Reminder mail English translated version**

Hey,
We are two guys who studying at Umeå University, at the moment we are writing our degree project within Management. We contacted you last week regarding survey about outsourcing within the IT-sector.

At the moment we are missing a number of answers and wondering if you could take a few minutes to answer a few simple questions regarding this topic (if you already have filled out our questionnaire, you could just skip this mail and we would like use the moment and thank for your support).

[Link to the questionnaire]

Sorry for interrupting you in your work
Best regards
Oliver Reinhard & Gustaf Malmström

Appendix 2

2.1 Crosstabulations
### 2.2 T-tests

<table>
<thead>
<tr>
<th>VAR00003</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
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</thead>
<tbody>
<tr>
<td>A10</td>
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<td>52</td>
<td>1.1</td>
<td>.358</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>80</td>
<td>1.3</td>
<td>.537</td>
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<tr>
<td>A11</td>
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<td>52</td>
<td>1.85</td>
<td>.538</td>
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<td></td>
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<td>80</td>
<td>2.34</td>
<td>.572</td>
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<tr>
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<tr>
<td></td>
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<td>2.09</td>
<td>.640</td>
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<td>52</td>
<td>2.02</td>
<td>.641</td>
</tr>
<tr>
<td></td>
<td>2</td>
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<td>2.33</td>
<td>.612</td>
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<td>A26c</td>
<td>1</td>
<td>52</td>
<td>2.46</td>
<td>1.244</td>
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<tr>
<td></td>
<td>2</td>
<td>80</td>
<td>2.91</td>
<td>1.081</td>
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</table>

<table>
<thead>
<tr>
<th>Levene's Test for</th>
<th>t-test for Equality of Means</th>
<th>95% Confidence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equal variances assumed</td>
<td>F</td>
<td>Sig.</td>
</tr>
<tr>
<td>A10</td>
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<td>.000</td>
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<td>Equal variances not assumed</td>
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<tr>
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<td>.900</td>
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<td>A21</td>
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<td>88.590</td>
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<tr>
<td>A26c</td>
<td>4.549</td>
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<tr>
<td>Equal variances not assumed</td>
<td>-2.141</td>
<td>98.124</td>
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</tbody>
</table>
2.3 Cronbach’s alpha

Appendix 3, Graphs

![Graph 5](image1)

![Graph 6](image2)