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Self-interest or the greater good: How political and rational dynamics influence the outsourcing process

Abstract

Purpose – The purpose of this research is to provide an understanding of the influence of political goals and behaviour on the outsourcing decision process and outcomes.

Design/methodology/approach – The research used an exploratory longitudinal case-based approach. Eight outsourcing projects in three telecommunications companies were analysed from the initial decision to the outcome of the case.

Findings – We show how political goals and behaviours influence the outsourcing decision process and inductively develop four political goals: personal reputation, attainment, elimination and control. We also identify three dynamic outsourcing paths: the personal reputation path, which leads to successful outcomes; the short-term attain and eliminate path leading to unsuccessful outcomes; and the destabilised path, which leads to mixed outcomes. All of these can be tested in other empirical settings.

Research limitations/implications – The implications for outsourcing literature are that political intentions influence the decision process and outcomes. The implications for managers are the ability to identify and manage political goals that influence outsourcing decision process and outcomes. For theorists, we provide an understanding of how political and rational goals and behaviour interact to impact outsourcing outcomes: with political and rational goals and behaviour complementary in some instances. The limitations are that with a small sample the findings are generalisable to theoretical propositions rather than to a population.

Originality/value – For the first time, we uncover the political goals that impact the outsourcing decision process and outcomes. We add to the outsourcing literature, transaction cost theory and resource based theory by defining and understanding the political goals that complement these theories.

Key words: Outsourcing (Make or Buy); Case Studies; Politics

Paper type: Research paper

Introduction

The academic literature in outsourcing is growing rapidly, exploring issues as diverse as strategy, risks, capabilities, and governance (Boulaksil and Fransoo, 2010; Holcomb and Hitt, 2007; Jacobides and Winter, 2005; Leiblein and Miller, 2003; Madhok, 2002; Combs and Ketchen, 1999). Despite this growth, little attention has been given to the political dimension of outsourcing (Bidwell, 2012; McIvor, 2009; Mantel *et al.*, 2006). Much of the current outsourcing literature is based solely on the rational view of outsourcing from based on transaction cost economics (TCE) and/or the resource-based view (RBV) (Harland *et al.*, 2005; Holcomb and Hitt, 2007; Ellram *et al.*, 2008; Handley and Benton Jr, 2009; McIvor, 2009; Narayanan *et al.*, 2011) with few studies taking a political perspective (Bidwell, 2012; Mantel *et al.*, 2006).

Rational views of TCE and the RBV provide compelling prescriptions for outsourcing. One assumption is that actors in organisations, who have positions of formal authority, set goals based on an assessment of the transaction-specific characteristics, and a rational judgement of the most appropriate governance structure or the best interests of the organisation. However, these assumptions may be flawed (Beach and Mitchell, 1978; Nutt, 1984; Day and Lord, 1992), and it is increasingly recognised that reliance on these rational models provides an incomplete picture of the outsourcing process (McIvor, 2009). Unfortunately, research on non-rational aspects of supply management is relatively rare (Carter *et al.*, 2007; Gao *et al.*, 2005).

Organisational politics are an important part of the outsourcing process (Bidwell, 2012; Peled, 2001). Indeed, outsourcing is often regarded as a political act as it directly impacts the power structures within the organisational hierarchy. As many outsourcing contracts continue to fail (Chamberland, 2003; Handley and Benton Jr, 2009; Robinson *et al.*, 2008; Zhu *et al.*, 2001) it is acknowledged that TCE and the RBV should be augmented with other theories in order to better explain the outsourcing process (McIvor, 2009; Ketchen and Hult, 2007; Marshall *et al.*, 2007; Mantel *et al.*, 2006). The research in this papers uses constructs from TCE, the RBV, and the strategic decision-making view (Eisenhardt and Zbaracki, 1992; Elbanna, 2006) to uncover political and rational constructs, and explore their effect on outsourcing decision processes and outcomes. The aim of this research is to provide an understanding of the influence of political and rational goals and behaviour on the outsourcing process and how these affect outcomes. Similar to the work of Bidwell (2012), we examine the effect of politics on the decision to outsource but go beyond the decision and contract specification stages to understand the effect on outsourcing execution and outcomes. The research questions are as follows:

1. What political and rational goals and behaviours affect the outsourcing process?
2. How do political and rational factors affect the outsourcing decision process and the achievement of outsourcing objectives?

The paper makes a number of important contributions. This is the first study to operationalise specific political constructs in the outsourcing process. Contributing to the outsourcing literature, the findings show how politics and rationality can be complementary in some instances, while politics can disrupt the process and lead to failure in others. Much of the current outsourcing literature argues that rational goals and behaviour will lead to outsourcing success (McIvor, 2009; Momme and Hvolby, 2002; Insinga and Werle, 2000; Vining and Globerman, 1999). Our findings contradict this assertion because politics was present, and interacted with rational goals and behaviours in all of our cases. Specifically, we found that certain political

goals and behaviours had a negative impact even if rational goals and behaviour were followed. Overall, the findings show that ignoring politics is detrimental to our understanding of the outsourcing process, supporting the work of Bidwell (2012). From these findings, we develop propositions that can be used as a basis for future research.

The following sections discuss the literature on rationality, politics and the outsourcing decision process; research methods employed; findings including paths for successful and failing outsourcing processes; a discussion of the findings; and the paper concludes with limitations and areas for further research.

Theoretical background

Despite the relevance of politics to the outsourcing process, the rational perspective dominates the current outsourcing literature. Many studies use the RBV and TCE as theoretical lenses to explore different aspects of the outsourcing phenomenon (Holcomb and Hitt, 2007; Jacobides and Winter, 2005; Leiblein and Miller, 2003; Madhok, 2002; Combs and Ketchen, 1999). The RBV and TCE are important for understanding outsourcing because they focus on strategic issues including what activities firms should outsource, the development and leveraging of capabilities for competitive advantage, and understanding where it is appropriate to pursue efficiencies and where to pursue collaborative relations with suppliers (McIvor, 2009; Momme and Hvolby, 2002; Insinga and Werle, 2000; Vining and Globerman, 1999). The RBV and TCE regard the firm as having a single set of goals, which are pursued for the benefit of the organisation (Bidwell, 2012).

A number of authors have argued that employing rational theories alone does not provide an adequate explanation of politics in the outsourcing process (McIvor, 2009; Ketchen and Hult, 2007; Mantel et al., 2006). TCE has been repeatedly criticised for its narrow view of human motivation focused on opportunism (Macher and Richman, 2008; Ghoshal and Moran, 1996; Noorderhaven, 1995). TCE explains how opportunism arises between the buyer and supplier firms in the outsourcing process, without accounting for the influence of individual interests. As outsourcing can be used a political weapon for personal advancement and as a means of weakening the power of a function in the organisational hierarchy it is important to understand how individuals and groups make these decisions. Also the concept of bounded rationality in TCE asserts that humans are inherently rational, but have limited cognitive powers and ability to process large amounts of information (Williamson, 1985). However, TCE focuses on how actors make the best decision for the organisation while ignoring individual or group goals.

Decision theory has brought the ideas of emotion and affect back into decision-making (Kahneman, 2012). The basic premise is that actors are prone to decision-making biases that they are not aware of (Tversky and Kahneman, 1981). Bringing the idea of emotion and affect into the decision process leads to a much more complete picture of the decision (Mumby and Putnman, 1982). Scientists have suggested that judgement and rational thought are dependent on emotional signalling (Bechara et al., 1997; Damasio, 1994; Sayegh et al., 2004). This provides a direct link with the political school, as emotions are a result of reactions to the push and pull of interests in the organisation (Sayegh et al., 2004; Elbanna and Child, 2007). However, the decisions in much of decision theory are assumed as one-off, isolated from other decisions and invariably assumes that there is one decision-maker rather than coalitions of interest (Ferris et al., 2002). Integrating political factors from the strategic decision-making view adds complexity and explanatory power as political goals influence the emotion of the decision-maker and how the decision is framed (Elbanna and Child, 2007).

Political goals and behaviours

This paper takes a strategic decision-making view of rationality and politics, which emerged from the resource dependence view (Pfeffer and Salancik, 1978). Rationality, in this literature, is defined as the behaviour that is calculated or instrumental when pursuing *organisational goals* (Dean and Sharfman, 1993; Elbanna, 2006), and is most effective in contexts where there is relatively complete information and knowledge of constraints (Dean and Sharfman, 1996). Rational behaviour includes clearly articulating organisational goals and strategies (Eisenhardt and Zbaracki, 1992), collecting information relevant to the decision, and the reliance upon analysis of the information in making the choice (Dean and Sharfman, 1996).

The definition of politics for this paper is intentional self-interested acts to influence, enhance or protect the interest of *individuals or groups* (Allen et al., 1979). Politics can be between people, or between business units in an organisation (Pfeffer and Moore, 1980; Elbanna, 2006). Power and politics are a result of the conflict for resources in an organisation (Pfeffer and Salancik, 1978). This perspective demonstrates differences between rational and political goals and behaviour, and although not used in an outsourcing context, it has been used in other studies of strategic decisions (Eisenhardt and Bourgeois, 1988; Dean and Sharfman, 1993; Papadakis, 1998; Mantel et al., 2006).

Much of the research shows that success occurs in processes characterised by high rationality and low political behaviour, while failure occurs in processes characterised by high political behaviour and low rationality (Dean and Sharfman, 1996). Therefore, politics is much more likely to produce unsuccessful outcomes than rational processes (Gandz and Murray, 1980; Eisenhardt and Bourgeois, 1988; Eisenhardt, 1989; Pfeffer, 1992). The argument is that political behaviour reduces the effectiveness of strategic decisions because individual or group motivations influence decisions rather than organisational goals (Pettigrew, 1973; Janis, 1989; Dean and Sharfman, 1996).

However, other studies regard politics either as an inherent part of managing and organisational life (Lewis, 2002; McGrath, 2006), and thus neither positive nor negative, nor as a positive medium where decisions are made more thoroughly and with positive outcomes (Lindblom, 1959). Political behaviours consist of conflict over scarce resources, conflict over policy decisions, or any use of power or influence (Pfeffer, 1992). Self-serving behaviours put an individual or group's desires ahead of others. It is the motive behind the conflict or use of power that creates positive or negative political behaviour. If the conflict takes the form of healthy debate for the good of the organisation, these political behaviours are justified (Lindblom, 1959). Similarly, collaborative goals and behaviours may bring groups together to work on a problem while competitive goals and behaviours may set groups or individuals against each other (Simmers, 1998). Beyond these categories there are few operationalised political goals constructs, perhaps due to the difficulty in separating individual versus group goals and the interdependence of these goals.

Political behaviours are identified in a number of ways: information tactics, including withholding (Pettigrew, 1973) or distorting information (Cyert and March, 1963), agenda control, where an individual or group ensures their interests dominate in meetings and discussions (Eisenhardt and Zbaracki, 1992), timing tactics, such as taking decisions quickly to circumvent internal or external resistance (Hickson *et al.*, 1986); and negotiation or bargaining, including using inducements of favours to gain allies (Papadakis, 1998).

One of the few studies that provides insights into politics and outsourcing is Bidwell's (2012) in-depth case study analysis of outsourcing decisions. He found that organisational structure, group resources, authority and uncertainty created political tension in outsourcing decisions. Furthermore, there was a very weak link between transaction characteristics and the outsourcing decision, and political interests explained why outsourcing decisions were divorced from transaction characteristics. Managers' pursuit of their own interests was more important than aligning transaction characteristics. However, Bidwell's (2012) study did not consider how politics affects the outcome of the outsourcing process, and did not offer testable propositions for further research. Therefore, the aim of our research is to provide an understanding of the influence of political and rational goals and behaviour on the outsourcing decision process and how these affect outcomes.

Analytic framework

An analysis of the outsourcing literature identified the stages in the outsourcing process: the decision stage, the execution stage and the outcome stage as shown in Figure 1.

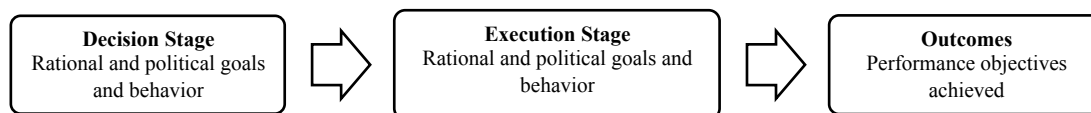


Fig. 1: Initial outsourcing process framework

The decision stage: This stage involves the motives and the initial idea for outsourcing. The outsourcing decision involves top management and is often made as a result of competitive pressures, rapid technological changes and rapid changes in demand or supply (Hoetker, 2005; Holcomb and Hitt, 2007; Narayanan *et al.*, 2011; Teece, 1992).

TCE proposes that a firm will make the outsourcing decision on the basis of the balance between production costs (the direct costs in creating a product including labour and infrastructure costs) and the transaction costs that result from outsourcing (Williamson, 1985). Influences on transaction costs include asset specificity, uncertainty, performance measurement difficulties, and the number of available suppliers. Asset specificity is the extent to which the asset can be deployed for alternative uses or transactions. Asset specificity can be non-specific (highly standardised), idiosyncratic (highly customised to the organisation) or mixed (incorporating standardised and customised elements in the transaction). In TCE, the properties of the transaction determine what constitute the most efficient governance structure: market, hierarchy or alliance (Williamson, 1985). When asset specificity and uncertainty is low, markets will govern transactions. Hierarchical governance occurs when uncertainty and high asset specificity lead to transactional difficulties. Medium levels of asset specificity lead to bilateral relations in the form of co-operative alliances between the organisations and intermediate governance.

The premise of RBV is that firms have a unique bundle of assets and resources which if not easily purchased, stolen, imitated, or substituted (Barney 1991; Peteraf 1993) can create advantage that persists over time. The goal of the organisation is to create, protect and maximise the core activities of the firm that create competitive advantage, and outsource non-core activities to more capable suppliers (Holcomb and Hitt 2007). The logic of TCE and the RBV are often

employed together to explain the outsourcing decision (McIvor 2009). Where an activity is non-core and the level of asset specificity is low, an organisation is likely to outsource via a formal contractual arrangement. Alternatively, where an activity is core and the level of asset specificity is high, an organisation is likely to retain the activity internally. If activities near the core are outsourced more relational mechanisms are employed for managing suppliers (Holcomb and Hitt 2007; Hendry 1995).

The execution stage: The execution stage is the enactment of the decision stage and involves selecting and managing a relationship with a supplier (Handley and Benton Jr., 2009). The competitive priorities of the organisation influence the supplier selection process and are a reflection of what the company does or what it needs from the supplier. These selection criteria include costs, supplier capabilities, speed, delivery quality and flexibility (Choi and Hartley, 1996; Kroes and Ghosh, 2010; Ward *et al.*, 1998). As procurement develops there is a move away from decisions based solely on price and into more complex motives (Kannan & Tan 2002; Sarkis and Talluri 2002). These complex motives are intangible criteria such as trust, compatibility and relationship orientation (Kannan and Tan 2002; Sarkis and Talluri 2002).

There is consensus in the literature that contract implementation is improved by proactive relationship management, including commitment, trust, and communication (Ambrose *et al.*, 2010; Liu *et al.*, 2009; Morgan and Hunt, 1994; Nyaga *et al.*, 2013). Handley and Benton Jr (2009) identify a direct link between commitment and cooperation in a relational contracting arrangement and successful outsourcing. In this case, commitment is where the parties involved agree to develop their relationship over time, while cooperation involves the firms working together collaboratively and with a joint problem-solving orientation (Handley and Benton Jr., 2009). At the execution stage, the senior manager or manager involved in the decision may take the lead in selecting and managing the relationship if it is seen as important, or this may be managed by another manager brought in once the decision is made (Mantel *et al.*, 2006).

Outsourcing outcomes: A number of studies show that outcomes should be based on whether the objectives stated at the beginning of the process are met (Dean and Sharfman, 1996, 1993; Pearce, Freeman and Robinson, 1987). If objectives are examined after the process, managers' aspirations may have changed as the outcomes of the process become apparent (March and Simon, 1958). It is important to capture the objectives of a process at the beginning of the process as objectives can then be compared over time (Nutt, 1998).

TCE, RBV and the strategic decision-making view are employed to analyse how political and rational goals and behaviours influence the outsourcing process. TCE constructs include cost savings and the importance of ex-post contractual controls (contractual focus and penalties). From the RBV, factors include: focus on core and capability at the decision stage, and relational mechanisms (commitment, cooperation and trust) at the execution stage. From the strategic decision-making view factors include: rational behaviour (strategy formulation, information gathering, commitment, cooperation, trust and penalties), and political goals and behaviour (agenda-setting, bargaining, timing, information distortion and threats).

Research methods

Research objectives

The research objective is to identify political goals and behaviours in the outsourcing process. Following this, we want to explore how political and rational goals and behaviours at different stages in the outsourcing process affect the outcomes of the process.

Research design

The unit of analysis is the outsourcing process. Outsourcing occurs when an activity, which was supplied by an internal provider is supplied by an external provider (Ellram *et al.*, 2008). The study details the progress of eight outsourcing cases within three large telecommunications companies, in line with case study criteria (Yin, 2002). The majority of the data were gathered over a period of four years in the early 2000s with follow-up telephone and email correspondence several years later. Data were gathered from a single industrial setting, the telecommunications industry, for a number of reasons. Within one industry there are shared ideologies, allowing the researcher to combat extra-industry influences such as environmental and internal challenges and opportunities (Narayan Pant and Lachman, 1998). The period was of particular interest from an outsourcing perspective as the early 2000s were a particularly turbulent time in the telecommunications industry with the ‘dot-com bubble’, the rapid devaluation in telecoms share prices, rapid changes in technology, changes in the demand for different infrastructure types (from fixed-line to mobile; voice to data) and rapid change within the industry. This led to a period of intense outsourcing to deal with environmental, technological, supply and demand uncertainty (Narayanan *et al.*, 2011), which meant that the researchers had access to multiple, parallel cases of diverse activities with different task complexities (McIvor, 2009; Holcomb and Hitt, 2007).

The research design used a longitudinal case study approach, based on multiple cases of outsourcing to enable replication logic where each case was used to test emerging insights (Yin, 2002).

Case selection

Three firms were chosen from different sectors of the telecommunications industry as they had outsourced a range of activities, were characterised by environmental instability with rapid changes in demand, supply and technologies, and broad access was granted to the researchers over an extended period of time. The first firm ‘Manufacturing Company’ is a provider of equipment and services to both mobile and fixed-line telecommunications network operators; the second firm ‘Telecom Company’ is primarily a fixed-line network operator; and the final firm ‘Mobile Company’ is a mobile telecommunications network operator. Complexity was identified using asset specificity and core competence criteria: the extent of training and knowledge requirements, difficulty of writing complete contracts, the importance of the activity to the functioning of the firm (Williamson, 1985), directly affecting the customer, of strategic importance, or difficulty in replication (Prahalad and Hamel, 1990). Core and asset specificity status is shown in Table I.

The outsourcing activities chosen are shown in Table I below.

Table I: Companies and cases

Manufacturing Company		
Non-core/low asset specific	Near-core/medium asset specific	Core/high asset specific
Calibration consisted of calibrating test equipment. This was a simple task with low asset specificity and described as non-core. (Case A)	Engineering & Test involved examining the customer's established network equipment, making necessary adaptations or additions to the existing equipment, and then testing the equipment for use by the customer. This was described as a supportive task, with some degree of complexity, medium asset specificity and supportive of the core. (Case D)	Network Products aimed to shift the manufacture, final assembly and testing of several of Manufacturing Company's largest revenue-generating network products to a supplier. This was an extremely complex task in an uncertain supply environment, with high asset specificity and a core capability. (Case E)
<i>Objectives achieved</i>	<i>Some objectives achieved (focus on core and capacity) others not (cost and capability)</i>	<i>Some objectives achieved (focus on core) others not (cost, capability)</i>
Telecom Company		
	Warehousing & Logistics included the control of Telecom Company's logistics operation and the central warehouse. This was medium asset specificity, supportive of the core and was neither very simple nor highly complex. (Case F)	Network Development involved the planning, purchasing and selection of equipment and the building of the new network. The new technology also provided a management system that detected faults in the network with more accuracy and efficiency. This task was extremely complex, of high asset specificity and core to the company. (Case B)
	<i>Objectives not achieved</i>	<i>Objectives achieved</i>
Mobile Company		
FM involved the management of the corporate buildings and the management and maintenance of its switch sites. This task was relatively straightforward, of low asset specificity and non-core to the company. (Case G)	Customer Service provided call centre operations, which included handling calls from end-customers regarding queries or problems. This task was neither very simple nor highly complex, of medium asset specificity and supportive of the core. (Case C)	Network Development activity consisted of three activities: the acquisition, design, and construction of a new network. This task was highly complex, of high asset specificity and core to the company. (Case H)
<i>Objectives not achieved</i>	<i>Objectives achieved</i>	<i>Objectives not achieved</i>

In order to assess whether the outsourcing processes were successful or unsuccessful we examined the objectives achieved 18 months to two years after the outsourcing process (Pearce *et al.*, 1987; Dean and Sharfman, 1993, 1996). We examined the initial objectives and the objectives at the execution stage from multiple respondents to achieve convergence on the objectives. As far as possible, we identified objectives that were measurable. We interviewed respondents at the outcome stage to see if objectives were achieved.

Data analysis

The research team included one full-time and one part-time researcher and an external expert. The full-time researcher collected the majority of the data through semi-structured interviews, observation and company archives. Content analysis of industry reports was performed to generate a view of the industry dynamics for the cases. Company reports, emails and memos, as

well as interview questions, were analysed in order to establish company strategy. 94 semi-structured interviews took place with key informants in the outsourcing process including directors and managers (although many of these interviews included questions on multiple cases. Taken as separate interviews the total is 148: see Table II below). Each of the respondents was asked about the decision and execution stage of the outsourcing process, their own goals and behaviour, as well as the goals and behaviour of the other actors in the outsourcing process. All the interviews were recorded and transcribed *verbatim* to allow the part-time researcher to listen to the interviews. To ensure that bias stemming from self-justification, memory lapses and omissions by individual interviewees could be avoided (Bartlett, 1954; Nutt, 2005), interviewees read their transcripts and commented on the contents thus ensuring that validity and factual accounts were maintained.

Table II: Table of interviews.

Calibration	Manufacturing Cases			Telecom Cases				Mobile Cases			
	Engineering & Test	Network Access	Warehousing & Logistics	Network Development	FM	Customer Services	Network Development	Customer Services	Network Development	Customer Services	Network Development
Managing Director/ CEO	4	4	4	1	1	3	3	3	3	3	3
Director Business Services	3	3	3	3	3	3	3	3	3	3	3
Director of Fixed Line	3	3	3	1	3	3	3	3	3	3	1
Director of Purchasing	4	4	4	4	4	4	4	3	2	3	3
Senior Manager Purchasing	3	3	2	2	2	2	3	3	3	3	3
Manager Calibration	3	3	3	3	3	2	2	2	2	2	2
		2	2	3	3						
		2	1	3							
Interviews for each case	20	24	22	17	15	17	18	15			

Data analysis involved written accounts and diagrams of each outsourcing process (Miles and Huberman, 1984; Yin, 2002). Validity and reliability were ensured as much as possible throughout the research. Construct validity was maintained using multiple data sources including multiple informants, documentation and observation for each case. Internal validity was ensured by pattern matching at the coding stage (Yin, 2002). Reliability was maintained by ensuring the same protocol across all the cases. As constructs emerged we did supplementary interviews to ensure full protocols were used for each respondent. The constructs in the literature review were used as the basis for the protocol. Other constructs emerged from the literature if respondents discussed a specific concept about themselves then it was included in the coding, if not about themselves when two respondents discussed it. Usually this included the senior management executive, but in one case (Mobile Network Development) we used convergent evidence from two other informants, as the initial director could not be contacted.

After constructing each of the cases, within-case analysis took place to provide explanation building within a single context (Yin, 2002). Pattern matching within the cases involved constructs taken from the outsourcing and decision-making literatures used to frame each of the cases and new constructs added on a case-by-case basis. The two researchers coded the transcripts separately: Each researcher came up with an initial code for new constructs, a discussion of the code (another external expert was consulted if there was disagreement) and a consensus was found on what the phenomenon was and what it should be called. Coding structures including the concept and its definition and approximately 5% of transcript samples were given to the external expert. Code definitions and concepts were changed through

consensus of the team (full and part-time research and external expert) and retested with another external expert to achieve 100% inter-rater reliability. This allowed the researchers to compare and contrast all the cases using similar constructs. Cross-case analysis then looked for patterns across the cases and helped to understand the dynamics of the outsourcing process (Yin, 2002). The constructs were restructured, debated and tested until patterns and bundles of constructs emerged (similar to Pagell and Wu, 2009).

Findings

Construct development

The majority of constructs were derived from the outsourcing literature or the strategic decision-making literature. However, new political goal constructs were developed directly from the data. The origin of the constructs (whether theory-derived or induced from the data), and where they were found is given below in Table III.

Table III: Constructs, their sources and appearance in cases

CONSTRUCT	DESCRIPTION	LITERATURE/CONSTRUCT DEVELOPMENT	FOUND IN CASE
DECISION STAGE		Holcomb & Hitt, 2007; Marshall et al, 2007; McIvor, 2009	
Political goals		Eisenhardt & Zbaracki, 1992; Elbanna, 2006; Mantel et al, 2006; Pfeffer, 1992	
Personal reputation goals	Goal for the outsource to be successful	Data induction	A, B, C, D, E
Attainment goals	Goal to obtain promotion or reward in the company	Data induction	F, G, H
Elimination goals	Goal to eliminate activity that was perceived as a problem	Data induction	C, F, G, H
Control goals	Goal to gain influence in the company	Data induction	A, D, E, F, H
Political behaviour		Boardman & Hewitt, 2004; Eisenhardt & Zbaracki, 1992; Elbanna, 2006	
Agenda-setting	Making sure individual or group priorities dominate	<i>Eisenhardt & Zbaracki, 1992</i>	A, B, D, E, F, G, H
Bargaining	Making deals and concessions to influence decision	<i>Papadakis, 1998</i>	A, E, F,
Timing	Making the decision at a certain time to affect the outcome	<i>Hickson et al, 1986</i>	A, B, D, E, F, H
Information distortion	Data manipulated to make case more compelling	<i>Pettigrew, 1993; Cyert & March, 1963</i>	F, H
Threats	Use of verbal threats to coerce organizational members	<i>Benton & Maloni, 2005</i>	F, H
Rational goals		McIvor, 2009	
Headcount reduction	Reducing headcount to cut costs	McIvor et al., 2009; Marshall et al., 2007	A, D, E, F, G, H
Cost savings	Need to save other costs apart from headcount	Ellram et al, 2008; Kroes & Ghosh, 2010; Robinson et al, 2008	C, F, G, H
Focus on core	Outsourcing in order to concentrate on the core aspects of the business	Holcomb & Hitt, 2007; Marshall et al, 2007	A, D, E, F, G, H
Capability	Outsourcing in order to access supplier's superior capability	Combs & Ketchen, 1999; Handley and Benton, 2009; Holcomb & Hitt, 2007	B, C, D, F, G
Capacity	Capacity restraints internally a primary reason to outsource	Marshall et al, 2007	B, C, D
Rational behaviour		Ellram et al, 2008; McIvor, 2009	
Strategy formulation	Strategy guided decision to outsource	Eisenhardt, 1989b; Eisenhardt & Zbaracki, 1992; Marshall et al, 2007	A, B, C, D, E
Information gathering	Detailed data gathered and used to guide decision to outsource	Dean & Sharfman, 1993; Eisenhardt & Zbaracki, 1992	F
EXECUTION STAGE		Cadden et al, 2012; Kroes & Ghosh, 2010; Holcomb & Hitt, 2007	
Political goals		Eisenhardt & Zbaracki, 1992; Elbanna, 2006; Mantel et al, 2006; Pfeffer, 1992	
Attainment goals	Goal to obtain reward from outsourcing to a supplier	Data induction	B, D, F, H
Control	Goal to gain influence over the supplier choice decision	Data induction	E, F
Political behaviour		Boardman & Hewitt, 2004; Eisenhardt & Zbaracki, 1992; Elbanna, 2006	
Agenda setting	Making sure individual or group priorities dominate	<i>Eisenhardt & Zbaracki, 1992</i>	D, E, F, H
Information distortion	Data manipulated to make case more compelling	<i>Pettigrew, 1993; Cyert & March, 1963</i>	F, H
Threats	Use of verbal threat to coerce the supplier	<i>Benton & Maloni, 2005</i>	D, E, F, G, H
Rational Goals		McIvor, 2009	
Cost savings	Cost savings criteria for evaluating and managing the relationship	Ellram et al, 2008; Kroes & Ghosh, 2010; Robinson et al, 2008	F, G, H
Capability	Superior capability criteria for evaluating and managing the relationship	Combs & Ketchen, 1999; Handley and Benton, 2009; Holcomb & Hitt, 2007	A, B, C, E
Capacity	Increased capacity criteria for evaluating and managing the relationship	Marshall et al, 2007	B, C
Rational behaviour		Cadden et al, 2012; Kroes & Ghosh, 2011	
Strategy formulation	Strategy was developed to guide the choice of supplier	Chen et al., 2006; Kannan and Tan, 2002	A, B, C, D, G
Information gathering	Detailed data gathered and used to guide execution	Eisenhardt & Zbaracki, 1992	B, C, D, F, G
Commitment	Long-term orientation signalled by the company	Handley & Benton, 2009; Liu et al, 2009; Zhao et al 2008	A, B, C, D, E
Cooperation	Working together to solve problems	Cao & Zhang, 2011; Handley & Benton, 2009	A, B, C, D, E
Trust	A sense that the supplier had the company's best interest at heart	Ireland & Webb, 2007; Hoetker, 2005; Sarkis & Talluri, 2002	A, B, C, D, E
Contract focus	Using the contract to manage the relationship	Meehan & Wright, 2011; Moller et al 2011	A, C, D, F, G, H
Penalties	Using penalties to manage the relationship	Meehan & Wright, 2011; Moller et al 2011	F, G, H
OUTCOMES		Handley & Benton, 2009; Holcomb & Hitt, 2007; McIvor, 2009	
Objectives achieved	Initial objectives for the outsourcee achieved	Dean & Sharfman, 1997; Nutt, 1998	A, B, C
Perceived success	Perception of the customer company that outsource was successful		
<i>Emergred from data; not apparent in literature</i>			
<i>Operationalized and developed from strategic decision-making literature</i>			
<i>Operationalized in outsourcing literature</i>			

The abbreviations in Tables III, IV, V, VI and VII are:

A: Manufacturing Calibration

B: Telecom Network Development

C: Mobile Customer Service

- D: Manufacturing Engineering & Test
- E: Manufacturing Network Products
- F: Telecom Warehousing & Logistics
- G: Mobile Facilities Management
- H: Mobile Network Development

Four of the constructs were derived from the data, as the existing literature did not adequately operationalise the concepts. These were the political goals of personal reputation, attainment, elimination and control. Although the extant literature discusses political goals (Eisenhardt and Bourgeois, 1988; Dean and Sharfman, 1993; Simmers, 1998), to the best of our knowledge, we have no way of operationalising the political goals apart from an all-encompassing political goal concept. Representative quotations for the data-derived goals are given in Table IV below. All literature-derived construct categories and representative quotations are given in Appendix 1 (on request).

Table IV: Data-derived first order constructs and quotations

Constructs	Representative Quotations	
	Decision Stage	Execution Stage
<p>Political goals</p> <p><i>Personal reputation</i></p> <p>And there's personal pride and very good loyal people, what a shame to lose such good loyal people. So, for me it was a major personal motivation to see, could we absolutely get it to work with outsourced companies. (CEO, Manufacturing Company A,D,E)</p> <p>I think the big ego thing for me was to try and show that there was a different way of doing things that I'd seen in the IT industry work that could actually work in this Luddite telecoms industry. (Network Implementation Director Telecom Company B)</p> <p>And we had to make sure we did this properly. I was only in the company a few months and this had to go very well. (Director Customer Services, Mobile Company C)</p> <p><i>Attainment</i></p> <p>And in fact, [the CFO] and I had a conversation and what's happened about... having said that I was put into [Telecom Company] to be a hatchet man. After this we'll move on, with the CFO becoming CEO somewhere and me the CFO. (Director Purchasing, Telecom Company B and F)</p> <p>I identified that I could do the head of FM's job and my own job. And it wasn't being done properly. So it was self-interest don't get me wrong, it was unquestionably self-interest. (Senior Manager Purchasing, Mobile Company G)</p> <p>It was a self-edification exercise, he became a project director because of it. He got rid of one responsibility to elevate himself up. (Senior Manager Purchasing, Mobile Company H)</p> <p><i>Elimination</i></p> <p>It was a bad image, because it never delivered what was needed. I inherited a poison chalice. (Director Customer Service, Mobile C)</p> <p>[The Purchasing Director] was not interested in logistics he just wanted it off the table. He could drop the trucks and sheds element of his empire because it wasn't something that interested him. (Senior Manager Purchasing, Telecom Company F)</p> <p>The whole purpose was to not spend my time on [FM]. (Director HR, Mobile Company G)</p> <p>So [the Director] had to make a saving and the one saving he could make was headcount, to move it out. And that's I think he was hoping that would relieve him of quite a bit of pressure. (Senior Manager Network 3, Telecom Company H)</p> <p><i>Control</i></p> <p>[The CEO] likes to stay ahead of the [directors in headquarters] and that is why things are tried in the UK first. (Director Purchasing, Manufacturing Company A,D,E)</p> <p>[The Finance Director] had various people in his group who were positive influencers to [him] but negative influencers to the board, another one who was negative to the board was the financial controller and somebody went to him, influenced him to step in and he was one of the people, if he said no[to the outsource] then [the CEO] listened. (Director Purchasing, Telecom Company F)</p> <p>And the other thing they did was, I could get on my high horse here, but I'll try not to, the way they did they actually got rid of staff, depending on what area they were working in at any given moment. (Senior Manager Network 2, Mobile Company H)</p>	<p>If we were not managing this appropriately, it would have been managed for us. Which is not in our personal culture. (Director Business Services, Manufacturing Company A)</p> <p>The whole nature of the project is we are trying to do an incredible amount in a very short time. (Director Network Implementation, Telecom Company B)</p> <p>To actually achieve the service levels we had set ourselves. I think that was the main thing. (Director Customer Services, Mobile Company C)</p> <p>The purchasing director had a vested interest. We found out that he had his own email on the [Supplier] network, he played golf with the [Supplier] chief exec and their families knew each other. He was most certainly playing to his own agenda that was quite obvious. (Manager Finance, Telecom Company B)</p> <p>I started asking questions about how they got the contract, but [the supplier] are an Irish company and some of our senior management are Irish... (Director Purchasing, Manufacturing Company D)</p> <p>[The new Director] used to go round and tell everyone that they had a load of contracts signed and he would be rich. (Manager Finance, Telecom Company F)</p> <p>During that time, [Supplier 1] were going to get the Rolex contract, but [Supplier 2] got into the frame as well. And something went on there, and I've heard stories but I don't know if they are true or not. There were rumours about family members...(Senior Manager Network 3, Mobile Company H)</p>	<p>[Supplier 1] was not actually going to be used but I actually went to visit them and I told the group that we should go with [Supplier 1] because they were going to use [Supplier 2] and I didn't have the confidence in [Supplier 2]. (CEO, Manufacturing Company E)</p> <p>And there was a feeling, particularly amongst the finance community out of the six of us, that they would prefer it to be a third party that was at arms length. Because knowing which buttons to push, means that you can go round the back door. (Senior Purchasing Manager, Telecom Company F)</p>

At first, the political goals appeared to be quite similar: The goals achieved something for an individual, or a group directed by an individual. However, there was a difference in the intent of the goals: *Personal reputation* was outsourcing with the intention of achieving the outsourcing objectives, which would reflect well on the individual in the long-term; *attainment* was outsourcing with the intention of specifically gaining promotion or a reward for an individual by making the decision to outsource in the short-term; *elimination* was intended to outsource a problem activity or person; and *control* was to outsource in order to gain influence in the company. Once we identified these goals, we defined, operationalised and examined each in the case studies.

Path development

In order to develop the outsourcing paths, we developed and examined the constructs in relation to whether or not objectives were achieved. Certain factors appeared in the successful cases and were absent from the unsuccessful cases including: *personal reputation*, *capability*, and *strategy formulation* in the decision stage; *personal reputation*, *capability*, *strategy formulation*, *commitment*, *cooperation* and *trust* in the execution stage.

Goals and behaviours at the decision stage of the unsuccessful cases were: *attainment*, *elimination*, *headcount reduction*, *cost savings*, *focus on core* and *agenda-setting* at the decision stage. At the execution stage: *cost savings*, *contract focus*, *penalties* and *threats*. Of these only *contract focus* was found in some of the successful cases. In two of the unsuccessful cases there were further similarities at the decision stage with *control goals*, *timing*, *information distortion* and *threats*; and at the execution stage: *attainment goals*, *agenda-setting*, *information distortion*, and *threats*.

We then developed three paths from the constructs: identifying at which stage the construct appeared, and whether it was part of a successful or failed process.

The personal reputation path: the first path is the personal reputation path. The goals and behaviours across the outsourcing stages are summarised in Table V.

Table V: Personal reputation path constructs

	Case A ManCal	Case B TeND	Case C MoCS
Political Goals			
Personal reputation	DS	DS	DS
Attainment		S	
Elimination			D
Control	D		
Political Behavior			
Agenda-setting	D	D	
Bargaining	D	S	
Timing	D	D	
Information distortion			
Threats			
Rational Goals			
Headcount reduction	D		
Cost savings			D
Focus on core	D		
Capability	DS	DS	DS
Capacity		DS	DS
Rational Behavior			
Strategy formulation	DS	DS	DS
Information gathering		S	S
Commitment	S	S	S
Cooperation	S	S	S
Trust	S	S	S
Contract focus	S		S
Penalties			
Outcomes			
Headcount	X		
Cost savings			X
Focus on core	X		
Capability	X	X	X
Capacity		X	X
Success	X	X	X
D Decision stage			
S Selection and management stage			
X Objective achieved/success			
x Partial success			

There were three successful cases that followed similar trajectories: Manufacturing Calibration (A), Telecom Network Development (B) and Mobile Customer Service (C). The path was labelled ‘personal reputation’ as the goals and behaviours were focused on the personal reputation goals of the directors of the outsource.

At the decision stage, each director stated the goal of *personal reputation* as influencing the decision, and they wanted the outsource to succeed. In each case, there was a strong leader involved throughout the outsourcing process. The executives had a desire for a successful outcome, which would reflect well on them in the long-term, and they were prepared to manage the outsource through the entire process.

There were political behaviours (*agenda-setting*; *bargaining* and *timing*) in two of the cases (A and B), but these were missing in the third (C). In the Calibration case (A), the CEO of the UK subsidiary was trying to wrest control of outsourcing from headquarters, and the political

behaviour reflected this. In Network Development (B), the network development director (*personal reputation goal*) and the purchasing director (*attainment goal*) were both involved in the decision and supplier selection. However, the purchasing director was not involved beyond the supplier selection stage, and the network implementation director managed the relationship.

In each case, strategy formulation was evident with an articulated outsourcing strategy guiding the decision. Surprisingly, information gathering on the decision itself was absent. The decision was made due to the overarching goal to cut headcount costs and focus on core business (A) or to expand the function without adding headcount due to budgetary constraints (B and C).

At the execution stage, there was a clear pattern of commitment, cooperation and trust. The CEO of Manufacturing Company suggested that trust was the most important factor in making the outsource work. Relevant and substantial information gathering was evident at the execution stage for assessing suppliers (B and C), while in the Calibration case (A) they did not assess the supplier market, and they outsourced by a management buy-out of the internal function. Supplier performance was achieved with assistance from the buying firm with all objectives achieved. The perception of the outcome was that the outsourcing process was a success.

The attain and eliminate path: The second path is the attain and eliminate path. The goals and behaviours of the cases are summarised in Table VI below.

Table VI: Attain and eliminate path constructs

	Case F TeW&L	Case G MoFM	Case H MoND
Political Goals			
Personal reputation			
Attainment	DS	D	DS
Elimination	D	D	D
Control	DS		D
Political Behaviour			
Agenda-setting	DS	D	DS
Bargaining	DS		D
Timing	D		D
Information distortion	DS		DS
Threats	DS	S	DS
Rational Goals			
Headcount reduction	D	D	D
Cost savings	DS	DS	DS
Focus on core	D	D	D
Capability	D	D	
Capacity			
Rational Behaviour			
Strategy formulation		S	
Information gathering	DS	S	
Commitment			
Cooperation			
Trust			
Contract focus	S	S	S
Penalties	S	S	S
Outcomes			
Headcount reduction	X	X	X
Cost savings			
Focus on core			
Capability			
Capacity			
Success			
D Decision stage			
S Selection and management stage			
X Objective achieved			
x Partial success			

This path was identified in three failed cases where key performance objectives were not met, and the outsource was perceived as unsuccessful: Telecom Warehousing & Logistics (F), Mobile FM (G), and Mobile Network Development (H).

At the decision stage, senior managers stated goals of *attainment* and *elimination*. In case F, the outsource occurred as a response to announcing exaggerated cost savings, and then outsourcing to try to cut costs. In cases G and H this was due to budgetary constraints, as the company demerged, lacked funds and needed to cut costs. This led to goals focused on the self-interest of the director. The decision stage was important for short-term rewards from outsourcing. Making the decision to outsource was sufficient to get promoted, and to eliminate a problem. *Threats* were used in Telecom Warehousing & Logistics (F) and in Mobile Network Development (H) to coerce people into the decision. Additionally, the directors who made the

decision to outsource, stepped aside directly after the decision was taken (G) or during the execution stage (F and H).

At the execution stage, the only rational goal was *cost savings*. Although cost savings was a goal in almost all the cases at the decision stage, it appeared to have detrimental effects when used as the primary goal in managing the relationship. The focus on cost over capability meant that service levels deteriorated. The cost savings goal was stated along with *focus on the contract* and *threats* and *penalties*. Threats included giving the supplier a 'kick' (F), threatening to end the contract (G), or aggression and confrontation (H). Although penalties were stated in a number of other cases it was when they were used or managers threatened to use them that penalties influenced the process.

In two of the cases, *agenda-setting* and *information distortion* behaviours were apparent throughout the process (F and H). For example, respondents claimed there was information distortion during the management of Mobile Network Development (H) where the company had pushed for unattainable cost savings leading the supplier to distort progress reports; while in Telecom Warehousing and Logistics (F) the supplier selection process was seen as flawed, with the evaluation team's decision rejected by the director.

In each of the attainment and elimination cases, supplier performance was regarded as unacceptable with no objective achieved, except initial headcount reduction. In all the cases, the activities were insourced due to high costs and low service quality. There was an overall perception of failure.

The destabilised path: The final path contains factors from both the personal reputation and short-term attain and eliminate paths. The goals and behaviours evident in this path are summarised in Table VII below.

Table VII: Destabilised path constructs

	Case D MaE&T	Case E MaNP
Political Goals		
Personal reputation	D	D
Attainment	S	
Elimination		
Control	D	DS
Political Behavior		
Agenda-setting	DS	DS
Bargaining		D
Timing	D	D
Information distortion		
Threats	S	S
Rational Goals		
Headcount reduction	D	D
Cost savings		
Focus on core	D	D
Capability	D	S
Capacity	D	
Rational Behavior		
Strategy formulation	DS	D
Information gathering	S	
Commitment	S	S
Cooperation	S	S
Trust	S	S
Contract focus	S	
Penalties		
Outcomes		
Headcount reduction	X	X
Cost savings		
Focus on core	X	X
Capability		
Capacity	X	
Success	x	x
D Decision stage		
S Selection and management stage		
X Objective achieved		
x Partial success		

The destabilised path is evidenced in two cases that had mixed outcomes with some objectives met and some managers describing the performance as successful while others perceived failure including: Manufacturing Engineering & Test (D) and Manufacturing Network Products (E). This path had factors from the personal reputation path, and the attain and eliminate path.

At the decision stage, *personal reputation* and *control* goals were present. *Personal reputation* was due to the CEOs wish to keep loyal workers and to make the outsource work, while *control* was to control the outsourcing decision process. *Agenda-setting* and *timing* followed these goals. The UK CEO tried to set the agenda and wanted to outsource before senior managers in headquarters could become involved in the decision process. *Headcount* and *focus on core* were the main reasons for outsourcing for both cases, while *capability* and *capacity* were

also important for D. In line with the successful Calibration outsource (A) these decisions were informed by an outsourcing strategy.

At the execution stage, similarities with Case A included *commitment*, *cooperation* and *trust* as part of relationship management. However, differences were notable. Senior managers from Europe with different goals and behaviours replaced the CEO at the execution stage. First, the political goals became *attainment* (D) or *control* (E) as the supplier selection was for short-term self-interest and to gain influence and there was no personal reputation goal. Political behaviour was evident. For example, one engineering manager described when he wanted changes to the service he would “kick them or whatever.” This attitude towards the supplier, although also described as trusting and committed, jarred with the relationship managers’ comments. *Threats* were used in both cases. Supplier performance was regarded as mixed in the Engineering & Test case (D), with capacity managed but quality decreasing. In the Network Products case (E), the supplier did not have the capability to make the complex product at the right quality in the right quantity without assistance from the buying organisation, and this caused frustration. There was no agreement on the outcome.

Further path dynamics: we observed further dynamics in four of the cases. Political battles happened in two of the Manufacturing cases (D and E) and in the Telecom Network Implementation case (B). In the Manufacturing cases (D and E), fighting between the subsidiary and the headquarters meant that the focus on personal reputation and capability shifted to attainment and control and a mix of political and rational behaviours. In the Telecom Network Implementation case (B), there were multiple goals at the decision stage as two directors battled to gain responsibility of the outsourcing process (the purchasing director with attainment and elimination goals; the network implementation director with personal reputation enhancement goals). Whilst a political shift occurred during the execution stage as the purchasing director, who was involved in two failed cases, lost interest and the network implementation director took over the management of the supplier with his goals and behaviour taking precedence, and leading to success.

These dynamics suggest that outsourcing outcomes are not fully determined by the decision stage dynamics, and that at the execution stage political battles can alter the course of the outsourcing process.

Additionally, in Mobile FM (G) although there was little political behaviour in the decision stage, elimination (the HR director wanted to free up his time) and attainment goals (the senior purchasing manager wanted promotion) were driving the process. As the senior managers were a strong united force and had set the agenda for outsourcing, there was little need to engage in bargaining, timing, information distortion or threatening behaviour at the decision stage. This was the opposite of a political battle, as it was political unification to meet different but aligned goals.

Discussion

Political goals

Although current outsourcing literature has acknowledged the influence of politics on outsourcing (Boardman and Hewitt, 2004; Mantel *et al.*, 2006; Peled, 2001) and has uncovered how organisational structure impacts the decision and contract development (Bidwell, 2012), this is the first study to deconstruct political goals into personal reputation, attainment, control and elimination. These goals had a common theme: the personal interest of the decision-maker.

Where they differed was in the intention of the goal: to gain legitimacy or reputation through achieving the outcomes of the outsource (personal reputation); to gain promotion or money in the short-term (attainment); to remove a problem activity or executive (elimination); or to increase influence in the organisation (control). The findings indicate that three of the four political goals had an effect on stages of the outsourcing process. There was not sufficient evidence to conclude control's effect on the process. In addition to the influence of political goals, the study found evidence that political behaviours such as agenda setting, information distortion and threats influenced outsourcing success. The evidence of political goals and behaviours is a response to the first research question and supports the view that politics is inherent in the outsourcing process (Lewis, 2002; McGrath, 2006).

Where this study differs from existing literature is the identification of how political and goals influence the outsourcing process. The strategic decision-making view and the majority of the outsourcing literature propose that rational goals and behaviour lead to successful outsourcing (Dean and Sharfman, 1996; Handley and Benton Jr, 2009). Our analysis suggests that rational behaviours and goals should be considered in parallel with political goals and behaviours. As all the cases had political goals and behaviours, we argue that outsourcing processes are not merely rational processes, but political goals also influence the choice of rational goals and behaviours.

Outsourcing process paths and propositions

In order to develop propositions we identified patterns in the findings. The dynamic paths evidenced in the cases, and stated in the propositions are illustrated in Figure 2.

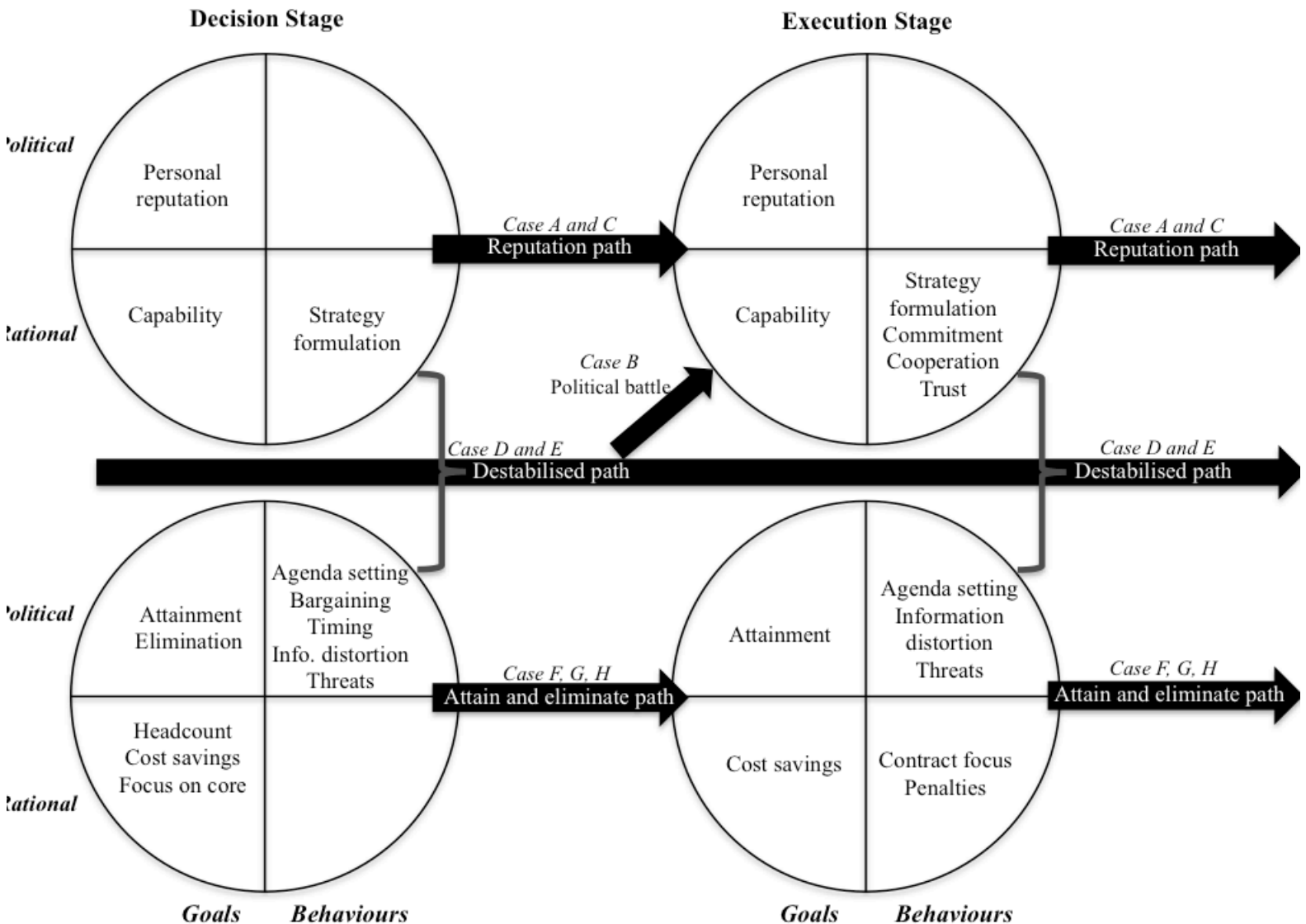


Fig. 2. Proposed paths

In several cases there was a consistently positive (A and C) or a consistently negative (F, G and H) path through the process. This supports existing literature in suggesting that processes dominated by rational goals and behaviours tend to be successful, while processes with political goals and behaviours tend to fail (Eisenhardt and Zbaracki, 1992; Dean and Sharfman, 1996). Our findings differ because the political goal of long-term personal reputation was found in parallel with rational goals and behaviour. This has not been identified previously in the outsourcing literature. We also found that rational goals and behaviour including relational behaviours (Handley and Benton Jr, 2006) did not necessarily lead to successful outcomes, as parallel short-term attainment and elimination goals were disruptive.

Specifically, we found that when decision-makers had a long-term success goal to gain new competences, it was characterised by personal reputation goals, capability goals, strategy formulation, relational behaviours, and ultimately success. Where the decision-makers were incentivised by short-term gain through the elimination of a rival or promotion or reward, this was evidenced by attainment and elimination goals, and parallel political behaviour, cost goals, a lack of rational and relational behaviours, a focus on contracts and penalties and ultimately the failure of the objectives. Our first propositions therefore are:

P1: Reputational goals are likely to be associated with successful outcomes.

P2: Attainment and elimination goals are likely to be associated with negative outcomes.

P3: Having the right political goals (reputational) has a greater influence on success than having alignment with the transaction characteristics (only outsourcing non-core activities with low asset specificity).

Where the predictions of the personal reputation and attain and eliminate paths do not hold, we witness political battles (B, D, E). Political battles can have a positive or negative influence. A positive influence when a decision-maker with long-term self-interested goals supersedes a decision-maker with short-term self-interested goals (B) or, we may conjecture, a negative influence if the opposite happens. Where different goals (short-term attain and eliminate and long-term personal reputation) occur simultaneously (D and E), this ultimately leads to a mixed outcome. We therefore propose:

P4: Political goals and behaviour at the execution stage matter more than at the decision stage due to potential path changes.

Alternative explanations

The idea that rational processes lead to more successful outcomes underpins much of the outsourcing literature (Holcomb and Hitt, 2007; McIvor, 2009). In our study, we found all cases had political goals and behaviours present. We do not rule out the proposition that rational goals and behaviour alone will lead to successful outcomes. However, it was not found in this study.

Additionally, the destabilised path demonstrated that even with personal reputation goals at the beginning of the process, if these were not maintained this led to a vacuum, filled by short-term political goals. They also demonstrated that commitment, cooperation and trust were not enough to ensure success, which is contrary to the findings of others in the outsourcing literature (Handley and Benton Jr, 2009; Sanders *et al.*, 2007). If these are coupled with short-term goals,

threats and an emphasis on cost savings, this tended to lead to mixed outcomes for the process, leading us to conclude that these behaviours are important but are influenced by other political factors that can undermine the outcome.

The issue of task complexity, the extent of asset specificity or core characteristics, which both RBV and TCE suggest will influence the achievement of outsourcing objectives (Williamson, 1985; Prahalad and Hamel, 1990; Ellram *et al.*, 2008), did not have a major influence in this study. The argument is where asset specificity, or complexity is high, and where there is uncertainty in the task and the environment, then it should be more difficult to outsource successfully. The successful cases in our study included the achievement of objectives for a simple and non-core task in a fairly certain supplier environment (A); a supportive task in a limited supplier market (B) and an extremely complex task in a highly uncertain supplier environment (C). Therefore other factors had a greater influence. This is similar to the findings of Bidwell (2012) who found that outsourcing decisions and contract writing were independent of transaction characteristics.

Finally, we found that focus on core was a decision goal for each of the unsuccessful cases (F, G, H), and in the non-core or low asset specific successful case (A). It seemed that the directors of the other personal reputation cases saw their functions as strategically important and therefore had to be managed very carefully. In the attain and eliminate cases, focus on core was used as a pseudonym for a function that should be eliminated as a problem or a waste of time, even when one of these functions (H) was core to the company. Although literature cites focus on core or outsourcing low asset specific functions as a positive reason for outsourcing (Quinn and Hilmer, 1994; Ellram *et al.*, 2008) it comes with the caveat that outsourcing has to be vigilantly managed and monitored (Williamson, 1985; Ellram *et al.*, 2008). With our finding it is clear that managers have to be aware that labelling a function 'not core', especially when it is actually core to the business, may lead to a negative connotation and lack of careful management.

Conclusion and future research

This research has important implications for theory and practice. The findings have highlighted a number of limitations with the existing outsourcing literature. With its antecedents in the RBV, the core/non-core logic has been an important influence on how organisations distinguish between activities that should be internalised and those that should be outsourced (Cox, 1996; Ellram *et al.*, 2008; Quinn & Hilmer, 1994). However, the findings have shown the limitations of applying this logic alone, and the need to consider additional factors from the political perspective when making the outsourcing decision. Through analysing the outsourcing process we have shown that politics can manifest itself in a number of ways from the initial decision stage through to the execution stage. The findings do not undermine the importance of rationality in outsourcing rather they illustrate that ignoring political goals and behaviour is detrimental to our understanding of the outsourcing process.

This is one of the first studies to use constructs from the strategic-decision making literature along with TCE and the RBV as the basis for understanding how political and rational goals and behaviour influence the outsourcing process and outcomes. We found that a more comprehensive explanation arises from using strategic decision-making view constructs and logic rather than rational theories alone. We develop the strategic decision-making perspective by giving fine-grain detail to the overarching political goal concept with the discovery of multiple goals: personal reputation, attainment, control and elimination. The findings

demonstrate that political goals and behaviours are prevalent in outsourcing and influence the process and outcomes of outsourcing. We found that political goals based on attainment of personal interests or problem elimination led to failure. However, these goals could be overcome by personal reputation goals at the execution stage.

In relation to the implications for practice, understanding political dynamics and how to temper negative politics while accentuating positive politics can provide a solid foundation for the outsourcing process. The decision stage needs to be carefully managed to ensure that strategies are clear, positive political intentions are fostered and incentivised, and actions provide positive reinforcement rather than opportunities for self-interest. This should create the initial conditions that set clear expectations and diminish any negative political intentions.

Due to the complexities of outsourcing the execution stage has to be managed with commitment, cooperation and trust. Relationship management not only brings the two parties closer together to problem solve but also serves as an important quality control mechanism to ensure mutual expectations are met. If the relationship is managed using penalties or threats this is detrimental to the outcome (Boulaksil and Fransoo, 2010). Managers should be careful when using problem-solving behaviours that they do not also use what may be construed as coercive actions. One possible way for organisations to align political and rational goals and behaviours is through incentives. Making sure managers are incentivised by achieving outsourcing objectives over the longer-term and reinforcing that through advancement and promotion can be constructive (Robinson *et al.*, 2008).

There are a number of limitations with the research. Further research is required to explore more fully the linkage between political and rational goals and behaviour in outsourcing. Although this study has provided important initial insights more needs to be known about how political goals and behaviour influence the outsourcing process. The study focused on the buying firm and we need to understand the supplier's role. Also, as is often the case with case study research, when combining data from a variety of sources, and over a long time period, the researchers' analysis is often a significant reality filter. The main limitation of the outsourcing paths and propositions is that only one research group in a limited number of outsourcing instances has assessed their applicability. Therefore, the value of the paths and propositions will not be fully assessed until they are rigorously tested by other researchers and in other research settings.

The findings here are also useful for future inquiry, and provide a number of important areas for further research. The political constructs developed in this study could be applied in other areas of outsourcing research. For instance, existing literature on outsourcing frameworks, which are dominated by the rational perspective, could integrate the political constructs developed here to provide a comprehensive picture of outsourcing grounded in organisational reality (McIvor, 2009; Momme and Hvolby, 2002; Insinga and Werle, 2000; Vining and Globerman, 1999). Further research needs to be carried out on the behavioural dimension of outsourcing, which involves employing theories from the fields of strategy and organisational behaviour. The study has shown how theories from the rational and political perspectives can be complementary in the outsourcing process. Employing theories from other fields would allow us to understand the complementary or even contradictory nature of these perspectives in the outsourcing process.

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