The development of an outsourcing process model

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This paper aims to develop a dynamic process view of outsourcing. The research used a longitudinal, grounded theory approach using iterative steps of reviewing current literature and knowledge on outsourcing and empirically examining the processes occurring with three case companies and further refining the model using extant literature, to develop the model of the outsourcing process. The case companies, all from the telecommunications industry, outsourced at least three activities, which were examined over the course of four years. The model began as static stages of the outsourcing process, with unfounded assumptions, to a dynamic model with key drivers and influences on the process.

Key words: outsourcing, process view, grounded theory

1. Introduction

Outsourcing has been written about extensively, however, there is a lack of conceptual models of outsourcing. This paper outlines the iterative steps involved in developing an outsourcing model by reviewing literature, comparing this to empirical findings and relating these back to the extant literature. The research uses two process models of outsourcing to investigate nine outsourcing cases.

The cases are then related back to the literature in order to further refine and develop the initial models.

2. The outsourcing process

A number of writers declare that strategic decision process is a neglected study. Ring and Van de Ven (1994: 91) assert that scholars from institutional economics, organisational sociology, and management have all studied selection issues but have ignored the process issues. Lever (1997) and Zhu, Hsu & Lillie (2001) provide exceptions to the neglect of the process view of outsourcing. Lever (1997) describes four phases of outsourcing: discovery; negotiation; transition; and assessment. Zhu, Hsu and Lillie (2001) also describe four stages within the outsourcing process: planning, developing, implementing, and surviving. These process models are useful as a basis for understanding the steps involved in outsourcing.

The first stages for Lever (1997) and Zhu *et al* (2001) are the 'discovery' stage, and the 'planning' stage respectively. Discovery consists of benchmarking internal service levels, identifying future requirements, issuing requests for proposals, and identifying a shortlist of suppliers. Planning is creating a sound business plan that includes all the present and future costs of outsourcing the activity as well as identifying hidden costs such as impact on the community, customer services and employees.

The next stage identified is the 'negotiation' (Lever, 1997) or the 'development' stage (Zhu *et al*, 2001). Negotiation entails selecting the supplier based on the compatibility of their operating philosophy, their approach to service, and their approach to joint planning. Development has a different focus. Negotiation is focused on creating a partnership, development however involves determining the appropriate vendor agreement with the appropriate level of detail, establishing the appropriate business relationship to be entered into by the buying and supplying companies, an assessment of the impact on and management of employee benefits, developing a timeline for outsourcing to happen, and preparing a communications plan. This involves a focus not only on the relationship but also on the internal issues which have to be addressed.

Following this stage is the 'transition' stage (Lever, 1997) or the 'implementation' stage (Zhu *et al*, 2001). In the transition stage, the company is planning and preparing staff and computer systems for transferral to the supplier. Similarly, implementation involves creating a transition plan and checklist.

The final stage is 'assessment' (Lever, 1997) or 'survival' (Zhu *et al*, 2001). At the assessment stage, the supplier is providing the activity and the performance is monitored using service levels and benchmarks. At the end of this phase, the contract is either terminated or renegotiated. In parallel, the survival stage involves a post-outsourcing review to determine if the objectives before the outsource where met by the outsource.

The process models developed by Zhu *et al* (2001) and Lever (1997) are on the whole, very similar, apart from the difference in focus at the second stage. The models are integrated and shown in Figure 1.

Insert Figure 1 about here

Although these models lend themselves to empirical investigation, they appear to have limitations. They are both rational, staged models of the outsourcing process and do not take into account the individual context of the outsourcing company. Furthermore, they neglect the environmental and social processes which may impact upon the outsourcing process. Finally, they generate normative statements regarding the outsourcing process. This study proposes to explore not only the value of these normative process strategies but also the environmental, organisational and social processes which may shape and influence the outsourcing process.

3. Methodology

The study explored the progress of nine outsourcing processes within three large telecommunications companies over a period of four years. Although, the researcher did not have access at the beginning of all the outsourcing processes, in each company the researcher had access from the beginning of at least one of the outsourcing processes. The other processes were studied within the limits stated by Huber and Power (1985), who proposed that moderate amounts of elapsed time do not affect the stability of information given by respondents and

Golden (1992), who found that retrospective reports given within two years of the event were reliable and did not suffer from significant error. If the decision to outsource was made over a year from when the researcher began the study the case study was dropped from the research. The research followed the outsourcing process, which began when an activity, which had been supplied by an internal provider, was considered for supply by an external provider, through to at least a year after the outsourcing contract had been signed.

The research involved conducting multiple case studies of outsourcing processes with each case used to test emerging themes and findings (Yin, 1989). Three companies were chosen from different sectors of the telecommunications industry. The first company, EquipCom, is a provider of equipment and services to both mobile and fixed-line telecommunications network operators. The second company, PhoneCom, is a fixed-line telecommunications network operator, and the final company, MobiTell, is a mobile telecommunications network operator. One industrial setting was chosen for several reasons. Firstly to understand the environmental and internal challenges of companies within one industry and to combat extra-industry influences (Narayan Pant and Lachman, 1998) and, secondly, due to the variety and frequency of outsourcing within the telecommunications industry (Hendry, 1995).

A table of the companies and the case studies is shown in Table 1:

Insert Table 1 about here

Outsourcing processes were selected due to variations in activity, function and strategic importance to the firm. Within each company, cases were chosen based on that diversity to explore if commonalities exist within the disparate cases. Secondly, similar activities were identified across the companies to enable a more direct comparison across the companies. Finally, the cases were taken from different sectors of the telecommunications industry, to increase, to some degree, variability in business contexts.

The unit of analysis was the outsourcing process carried out within each company. This is in line with other process studies (Dean and Sharfman, 1996, 1993) as it avoids the problem of ambiguity of causal ordering by analyzing the success of the process rather than overall firm performance and allows a better link between the outsourcing process and the outsourcing outcome (Pearce, Freeman & Robinson, 1987).

The researcher visited the case sites at least once a year to interview key informants, gather secondary data, and observe behaviour. The researcher stayed within the company for extended periods of time from a few days to a number of weeks. Data were collected through semi-structured interviews, observations, video media and company archives. Semi-structured interviews (approximately 80) took place with key informants who were involved in the outsourcing process including directors, managers, shop-floor workers and, where access was available, suppliers. Each informant was interviewed at least twice.

An iterative process was carried out within each company which consisted of information gathering from key informants, interpretation by the researcher, amendment by the informant, further interviews to triangulate the initial information and to gather further information, interpretation, and amendment. This process led to greater validation of interpretation, the credibility of the data and the transferability of the research method.

Data analysis involved detailed written accounts and diagrams of each outsourcing process (Yin, 1989; Miles & Huberman, 1984). After constructing each of the cases, within-case analyses took place and this was followed by cross-case analysis in order to build and refine the model of the outsourcing process (Yin, 1989).

4. Findings

4.1 Outsourcing cases

Within EquipCom three outsourcing programmes were explored: Calibration, which was one of the first activities to be outsourced, which concerned testing telecommunications network test equipment; Engineering &Test, which was the customisation and testing of telecommunications equipment on the customer's property; and the final activity to be outsourced, Access Products (APs), which entailed the manufacture of complex, unique telecommunications equipment.

The outsourcing processes for EquipCom are shown in Figure 2.

Insert Figure 2 about here

PhoneCom outsourced several activities within a three-year period. The first outsourcing process involved Network Implementation, which was the design and installation of a new fixed-line telecommunications network for both voice and data services. Logistics & Warehousing, involved the management and operation of the logistics and warehousing network, and FM & Property, which involved the activities of cleaning, catering, and security as well as maintenance of key telecommunications sites. Figure 3 shows the progress of outsourcing within PhoneCom.

Insert Figure 3 about here

Network Build was one of the first outsourcing processes within MobiTell. This involved the design and installation of a new mobile phone telecommunications network. This outsource was closely followed by FM entailing catering, cleaning, security and maintenance services, and Customer Services which entailed all call-centre activities for managing customer queries and complaints.

The outsourcing processes for MobiTell are shown in Figure 4

Insert Figure 4 about here

4.1.1 Environmental Forces. Within each of the cases environmental factors, factors external to the organisation were regarded as an influence on the outsourcing process, especially on the decision to outsource. These were the intensity of the competitive environment, the political and regulatory environment, changes or issues surrounding technology, and influences from the social environment.

EquipCom, as a large multi-national fixed and mobile network equipment and service provider, identified factors that influenced their outsourcing processes. These were the intensity of competition, the structural change in the industry from a large state-run telecommunications network provider to multiple smaller network providers, the intensity of technological change, the rise of the mobile phone industry, the shift in value from a production-orientation to a service-orientation within the market as driving the need to outsource.

PhoneCom, a fixed-line network operator, provided evidence that the deregulation of the telecommunications network provision market, the subsequent intensifying of competition, the rapid technological advancements, and the bandwagon effect of competitors outsourcing had an effect on their outsourcing decisions.

MobiTell, a mobile phone network provider, described technological advances and unprecedented growth in the mobile phone sector as influencing their decision and approach to outsourcing.

4.1.2 Organisational Forces. From an organisational perspective, history, strategy, cost, resources, critical incidents, and competitive positioning, all appeared to shape the outsourcing process.

EquipCom had a clear outsourcing strategy, communicated by senior managers, managers and employees within the company. This was also evident in their company documentation. However, there appeared to be two strategies within EquipCom, a global strategy from the headquarters and a local strategy, developed within the local EquipCom site in the UK. Although, these strategies were similar, they both emphasised the outsourcing of non-core activities (those relating to manufacturing) and the reduction of headcount (which were due to the high headcount cost of the company and the desire to retrain employees for more skilled work), the EquipCom UK strategy also emphasised the desire to keep employees in the company, even if they were outsourced. This involved creating a plant with a 'shopping mall' concept, where the suppliers would be located within the EquipCom plant.

The EquipCom local strategy was also developed in a step-by-step learning approach. A small activity was outsourced first, Calibration, followed by larger and more complex activities. The success of previous outsourced activities influenced and provided a basis for further activities to be outsourced.

Within PhoneCom, one major incident created the desire to outsource, the creation of PhoneCom through the merger of several companies from two different sectors of the telecommunications industry. When this occurred, one of the main motivations was the reduction of headcount cost through synergy. Therefore, employees from the companies who were involved in the merger had to compete for limited positions. At this time, an accounting error also led to the doubling of forecasted savings through the merger. Outsourcing was regarded as key to cutting costs and also to solve disputes between the two different cultures that had come together when the merger occurred. The history of the merger, the in-fighting within the company all had an influence on the outsourcing process within PhoneCom.

There was no evidence that PhoneCom had an outsourcing strategy, either from senior managers, managers or employees or within company documentation.

MobiTell had a different organisational context. It was a relatively new company in the market, less than ten years old, was involved in a rapidly growing sector, and was struggling to cope with huge increases in customer demand. With a relatively small workforce and limited resources, outsourcing was regarded as a way to buy-in expertise quickly and efficiently as there was not time to develop capabilities internally. Again, there was no evidence of an outsourcing strategy. Senior managers stated that even the corporate strategy was not developed, as the company had to be reactionary to cope with growth in the market.

4.1.3 Individual and Group Level Forces. At an individual and group level several factors appeared to influence the outsourcing processes: political behaviour, altruism, power, and incomplete information. Within EquipCom, there appeared to be a strong leader who was altruistic about outsourcing. The CEO did not want his loyal employees to leave the company completely. Employees and managers alike praised the CEO's attitude and stated his honesty and integrity. Other individual and group level forces included the wishes of several senior managers to run their own company, which also appeared to influence the outsourcing process.

There is evidence in PhoneCom of group and individual forces have a great impact on the outsourcing process. There were two competing interest groups within PhoneCom, the Finance department, predominantly from the one sector of the telecommunications industry, and the Purchasing department, made up of members from a quite different sector of the telecommunication industry. Both departments had very different views of what should or should not be outsourced and how outsourcing should take place. Depending upon which group held the most power in the company certain activities were considered for outsourcing over others. For the first two years the Purchasing department, under the leadership of the director of purchasing and the chief financial officer (CFO), made the decisions on outsourcing and in the third year that power shifted to the Finance department once the director purchasing and the CFO moved to another company.

Within each of the PhoneCom cases, there appeared to be individual actor forces shaping the outsourcing processes. For the FM & Property outsource there was great animosity between the purchasing director and the director of FM & Property. Again, the directors were from different parts of the industry, but the tension between the two parties was especially intense with hatred expressed on both sides. Within Logistics & Warehousing, the relationship involved more of a scenario of incomplete information. The Logistics & Warehousing manager, who put forward the idea to outsource, persuaded the purchasing director and CFO that he had unique knowledge of the Logistics & Warehousing network as well as the regulatory environment. Furthermore, he planned to make cost savings that were higher than any external provider quoted. This appeared to sway the decision to outsource to the manager. Previously, he had been passed over for the job as purchasing director, and then proposed the management buy-out of the Logistics & Warehousing.

The outsourcing of Network Implementation appeared to be quite distinct. The director of purchasing and the CFO were not directly involved in the outsourcing process and the process was very different. The individual forces within this outsource were from the strong leadership of the director of network implementation. His motivation was to make sure the outsourcing process worked well, not only for the company, but for his own prospects in the company and the job market. The director believed his reputation rested on the success of the outsourcing process. Other managers agreed that the director was the driving force behind the outsourcing process, even though he wasn't involved in the decision-making. It was also stated that at the beginning of the process there was a struggle over the ownership of the outsource with other interests competing against the director of implementation to decide on the supplier, however, the apparent political nature of this influence was halted by the director of implementation.

Within MobiTell the individual forces appeared secondary to the environmental forces driving the apparent need to outsource. Each of the directors had problems with the internal activities in terms of the ability to cope with growth and changing technology. The director of HR, in charge of FM, had pressure from the board of directors due to the poor FM service as well as his own desire to concentrate on HR issues rather than FM issues. The customer service director also felt that the expansion in demand customer services outweighed the supply possibilities internally. The director of network implementation, the first to outsource, appeared to have quite different motivations. Firstly, budgetary restraints meant that his department could not grow internally and he regarded cutting costs as a way to achieve promotion within the company.

4.1.4 Conclusion. Distinct forces shaped each of the outsourcing processes: environmental forces, organisational forces, as well as individual and group forces. These forces influenced the activities to be outsourced and the motivations to outsource.

It was also found that there were similarities, at a general level, between the outsourcing processes. At the beginning, in all cases, there was idea formation, shaped by the environmental, organisational, and individual or group forces. This was followed by an evaluation or assessment. Within EquipCom, this involved an internal evaluation for Calibration and an informal internal and external evaluation for both Engineering & Test and AP. In PhoneCom, there was an internal and external cost evaluation for FM & Property; two evaluation stages for Logistics and Warehousing, one an informal internal evaluation and the second a more rigorous internal and external evaluation of the supply market; and only an external evaluation for the Network Implementation outsource. In MobiTell, there appeared to be extremely limited internal evaluation, with the main driver the inability to grow the business internally, with extensive formal external evaluation for FM and Customer Services and a limited external evaluation for Network Rollout.

One outsource was halted after the evaluation, PhoneCom FM & Property, however, the other eight cases reached the stage of externalisation. EquipCom transferred people, equipment, knowledge and property to the suppliers in the Calibration, Engineering & Test, and AP cases. PhoneCom transferred people and knowledge to the supplier in the Logistics & Warehousing case but kept ownership of the plant and equipment as a risk aversion and control mechanism, in the event that the supplier failed to live up to expectation. There was no transfer of people, equipment, or property in the Network Implementation case as the supplier was chosen in order to provide these. MobiTell FM & Property outsourced people, knowledge, and equipment but not property. Similar to PhoneCom Network Implementation MobiTell Customer Services chose a supplier who could provide necessary assets, and no transfer of assets took place. For PhoneCom Network Rollout, a part of the workforce was transferred, along with their knowledge but no transfer of equipment or property took place.

In none of the cases was a formal procedure for reflection on success or failure of the outsource process apparent. There were performance requirements in terms of product or service cost, quality and delivery for EquipCom Calibration, Engineering & Test, and AP, PhoneCom Network Implementation, and MobiTell Customer Service; cost savings targets for PhoneCom Logistics & Warehousing; and both service levels and cost savings targets for MobiTell FM & Property.

However, there was no clear link between the objectives to outsource and that achievement of those objectives.

5. Discussion

Following the case studies, it was clear that the rational, four-stage models described by Zhu *et al* (2001) and Lever (1997) lacked some complexity and dynamism needed to inform the outsourcing literature. The models were lacking in context, such as the influence of the environment, the history, position and strategy of the company and the influence of groups and individuals within the companies. Furthermore, the models presented normative steps which were either unnecessary or inappropriate.

Within the Zhu *et al* (2001) Lever (1997) models, the assumptions underpinning the four stages were not empirically or theoretically founded. As the only process models available at the beginning of this research they were used as the initial models for the outsourcing process.

For example, Lever's first stage, the *discovery* stage, described the benchmarking of internal service levels, the identification of future requirements, the issuing of requests for proposals, and the identification a shortlist of suppliers. Within the literature, it appeared that this stage was not the first stage in the outsourcing process. It failed to consider more general drivers to outsource. Furthermore, the majority of writers within the outsourcing literature focus on the initial decision-making stage of the outsourcing process, which Lever's first stage appears to ignore altogether. At this stage, writers concentrate on the benefits and drawbacks of outsourcing, which involve assessing the initial motivation to outsource within the company and then exploring the activity to establish if it is a suitable candidate for outsourcing in terms of cost (Lackow, 1999; Lacity, Willcocks and Feeny, 1996; Takac, 1993); focus on core (Lever, 1997; Sharpe, 1997; Quinn & Hilmer, 1994); flexibility (Harrison and Kelley, 1990; Harrigan, 1985); or learning advantages (Lever, 1997; Sharpe, 1997; Alexander & Young, 1996). The reasons for outsourcing are also interdependent (Harrison and Kelley, 1993; Lever, 1997).

Following the cases and the outsourcing literature, the research identified an *idea formation* stage that connotes ambiguity rather than assumption. This enabled a more descriptive and inclusive phase, where events and motivations to outsource, in general, may be included.

Lever's (1997) second stage, *negotiation*, provides the assumption that the supplier is selected due to the compatibility of operating philosophies with the customer, the supplier's approach to service, and the joint planning for improvements and transition. In the outsourcing literature, the next stage takes the form of evaluating the internal activity against external providers for suitability and competence of performing an activity, or only the evaluation of external providers, as it has been decided that the internal activity is to be outsourced. Few writers show empirical evidence that prescriptions are followed in practice, with the exception of Jennings (1996). This stage developed from the initial premise to outsource to seeking clarification of the internal activity and discovering if there are external providers with a specific advantage over the internal provider. Jennings (1996) labelled this stage the *evaluation* stage. It was felt that negotiation may be part of this stage but the more general term evaluation would be a better descriptive term.

The next stage of Lever's (1997) model is the *transition* phase. The ideas underlying this stage are that the success of the stage is dependent upon planning and preparation and, during this stage, staff and computer systems are transferred. In the outsourcing literature, the management of an outsourced activity is a growing area (see for example Lonsdale, 2001, 1999; Cox, 1996). It was found that not only do authors include Lever's (1997) proposal of the transfer of systems and staff, but they also include the systems put in place to manage the outsourced activity (Lonsdale, 2001, 1999; Cox, 1996). Therefore a more comprehensive label for this stage was needed which takes into consideration that there may not be a transfer of assets or the transfer may take different forms describes and that the relationship with the supplier has begun. The outsourcing literature describes this as the *management* stage (Lonsdale, 2001, 1999; Cox, 1996). Furthermore, the lack of attention to this stage of the process previously may be due to earlier ambiguous definitions of outsourcing that did not include management of an activity as part of the outsourcing process.

Lever's (1997) final stage was the *assessment* phase: the supplier was providing the activity for the customer and the customer was monitoring the performance of the supplier using service levels and benchmarks. The conclusion to the assessment phase was that the contract was either terminated or renegotiated. Within the literature the two parts of this stage – the monitoring of performance and the termination or renegotiation of the contract – where found to be separate. Monitoring performance was described in the management stage (Lonsdale, 2001, 1999; Cox, 1996), and termination or renegotiation was a separate stage in the process (Lacity, Willcocks, & Feeny, 1996). This stage occurs when the customer assesses whether or not the outsource has been a success. This *outcome* phase is a reflective phase, which happens when the contract is re-tendered, the contract is renewed, the contract is insourced as the customer no longer needs the activity, or the activity is insourced.

Similar arguments can be applied to the Zhu et al (2001) model, which again is lacking in empirical or theoretical foundation.

Missing from the earlier models is the dynamism inherent in outsourcing processes. The process is demonstrated as very linear, one part of the process activated once the previous part is complete. Within the research, that was not the case. For example, the outcome of one outsourcing process will affect later outsourcing processes and findings at one stage of the process may provide an incentive to return to a previous stage for reassessment, for example in the PhoneCom FM & Property case.

The dynamic nature of the outsourcing process is reflected in Figure 5. The model consists of a variation of the standard four-phase models as described by Zhu, Hsu & Lillie (2001) and Lever (1997) but informed by the outsourcing literature and the empirical findings of the case studies.

Figure 5 about here

6. Conclusion

The previous 'road map' views of the outsourcing process have limited value for theory or application. They ignore the unique challenges and context for each outsourcing process. Although, it may be argued that they are helpful in providing a logical process view this has to be part of a larger environmental, organisational and social process view, which considers how these shape and influence the outsourcing process.

6.1 Implications for Theory and Practice

Although, outsourcing theory is still in its infancy, it has consider the complexities of social processes at work throughout the outsourcing process as well as the understanding that outsourcing processes occur within a network of actors, organisational issues and environmental issues.

For managers, the challenge is to take a more process view of outsourcing and to understand the forces shaping the outsourcing process. This awareness will lead to more manageable and measurable outsourcing processes.

6.2 Further Research

Further research from this study would involve exploring the processes that determine appropriate outsourcing processes. How the interplay of environmental, organisational and individual or group forces shape the outsourcing process, for example, how power issues occur and can be managed throughout the outsourcing process.

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Planning† Developing† Implementing† Surviving†

Discovery‡ Negotiation‡ Transition‡ Assessment‡

Figures

Figure 1: Zhu, Hsu & Lillie's (2001) † and Lever's (1997) ‡ Outsourcing Process Models

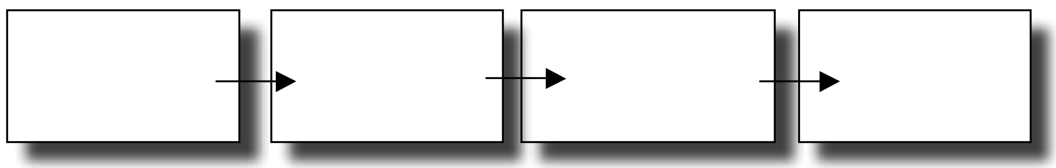


Table 1: Case Study Activities

Company	Activity
EquipCom	Calibration
EquipCom	Engineering & Test
EquipCom	Access Products (AP)
PhoneCom	FM* and Property
PhoneCom	Logistics & Warehousing
PhoneCom	Network Implementation
MobiTell	FM*
MobiTell	Customer Services
MobiTell	Network Rollout

*Facilities Management

Figure 2: Diagram of EquipCom Outsourcing Events

	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Strategy Development	(Nov) EquipCom UK strategy to outsource non-core activities	*(Dec) EquipCom Global strategy to reduce headcount*			
Internal Evaluation	(Jan) Informal evaluation of ***all internal activities*** in EquipCom UK for suitability for outsourcing (search for internal management buy-out candidates)				
External Evaluation			*(Oct)* ***Engineering & Test*** *supplier evaluation of one predetermined supplier*	*(Mar)* ***AP*** *supplier evaluation of one predetermined supplier*	
Outsourcing Contract Signed		(March) ***Calibration*** management buy-out contract signed		*(Feb)* ***Engineering & Test*** *outsourcing contract signed*	*(July)* ***AP*** *outsource contract signed*
Other Critical incidents	(Oct) Communications day held to inform all employees of strategy, followed by party (then yearly event)			(Apr) EquipCom UK reverses EquipCom Global's choice of ***AP*** supplier (Apr) ***Engineering & Test*** demand increases	(Aug) ***AP*** demand increases

Figure 3: Diagram of PhoneCom Outsourcing Events

	Year 1	Year 2	Year 3	Year 4
Strategy Development	(May) Manager proposes to buy **Logistics & Warehousing** (June) CEO proposes **Network implementation**	(Dec) Purchasing Director proposes **FM & Property** outsource		
Internal Evaluation	(May-Sep) Informal evaluation of **Logistics & Warehousing**	(Dec) Internal cost evaluation of **FM & Property**		
External Evaluation	(Aug – Jan Yr 2) **Network implementation** evaluation of predetermined suppliers	(Jan) Formal evaluation of **Logistics & Warehousing** supply market	(Jan) Evaluation of the **FM & Property** supply market	
Outsourcing Contract Signed		(Mar) **Network Implementation** contract signed (Nov) **Logistics & Warehousing** management buy-out contract signed		
Other Critical incidents	(Jan) Merger (July) Director of **Network Implementation** hired		(Jan) Director of purchasing and CFO resign (Feb**) FM & Property** outsource halted (April) **FM** outsource proposed without Property activity (Dec) **Logistics & Warehousing** insourced	PhoneCom splits into two companies

Figure 4: Diagram of MobiTell Outsourcing Events

	Year 1	Year 2	Year 3	Year 4	Year 5
Strategy Development	(Feb) Director of Network Implementation proposes **Network Rollout** outsource	(June) HR Director proposes **FM** outsource		(Jan) **Customer Service** Director joins company and proposes outsource	
Internal Evaluation		(Aug) **FM** informal evaluation			
External Evaluation	(Apr) **Network Rollout** predetermined supplier evaluation	(Nov**) FM** evaluation process of supply market		(Mar) **Customer Service** evaluation of supply market	
Outsourcing Contract Signed	(Nov**) Network Rollout** outsource contract signed		(May**) FM** outsource contract signed	(Jun) First **Customer Service** outsource contract signed (Sep)Second **Customer Service** supplier found	(Apr) Third **Customer Service** supplier found
Other Critical incidents					(Jan) **FM** activity brought back in-house (June) **Network Rollout** in-house

Organizational Level

Individual or Group Level

Strategy

Politics

History and critical incidents

Power

Idea Formation **Evaluation** **Management** **Outcome**

Environmental Level

Outsourcing Process

Stakeholder interests

Control of resources

Politics/ regulations

Incomplete information

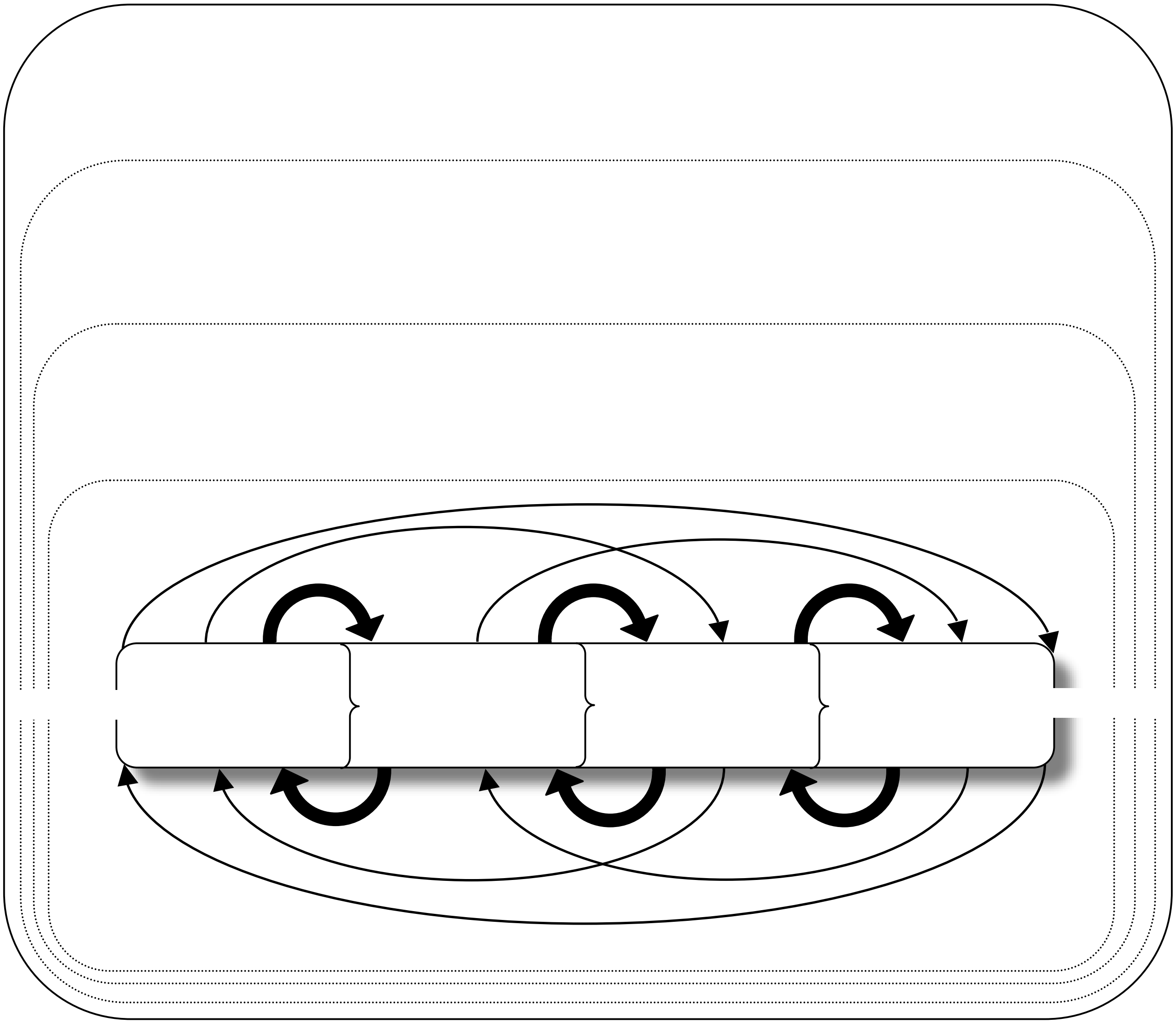
Resources

Technology

Society

Industry competition

Figure 5: The Dynamic Outsourcing Process



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10. List of Figures

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