

IT REGIE EN TRANSFORMATIE

ONDER REDACTIE VAN: COKKY HILHORST



NYENRODE. A REWARD FOR LIFE

Colofon

ISBN 978-90-8980-149-4

©2021 Cokky Hilhorst

Nyenrode Business Universiteit

Straatweg 25

3621 BG Breukelen

The Netherlands

DRIVERS AND BARRIERS OF SUPPLIER-SUPPLIER COOPERATION IN A TRIADIC IT MULTISOURCING COOPETITION CONTEXT

Jean Pierre van der Weerd

INTRODUCTION

Looking at outsourcing, the trend can be recognized that clients are increasingly opting for a multisourcing approach. As a result, multiple suppliers are required to collectively deliver a service to a single client. These suppliers are often competitors and therefore regularly compete. Having to cooperate and compete simultaneously can be seen as a paradox (Gnyawali, Madhavan, He & Bengtsson, 2016; Raza-Ullah, Bengtsson & Kock, 2014). This paradox is referred to as coopetition (Raza-Ullah et al., 2014). When coopetition is enforced by an external actor (e.g. the client), it is referred to as forced coopetition (Wiener & Saunders, 2014). This provides a challenge: How do we make otherwise competing IT suppliers work together effectively so the client gets what is needed? This raises the research question:

What are the antecedents of successful supplier-supplier cooperation in an IT multisourcing context where suppliers, that otherwise are competitors in the marketplace, are forced to cooperate by their client?

THEORY

IT multisourcing

Wiener and Saunders (2010) define IT multisourcing as “the delegation of IT projects and services in a managed way to multiple vendors who must (at least partly) work cooperatively to achieve the client’s business objectives” (p. 210). Or as Bapna, Barua, Mani and Mehra (2010) state it more practically “the practice of stitching together best-of-breed IT services from multiple, geographically dispersed service providers” (p. 785).

Coopetition & forced coopetition

Coopetition is a linguistic blend of the words cooperation and competition. The term as used here, has been coined in the 1980's by Novell founder Ray Noorda (Bengtsson & Raza-Ullah, 2016). It is defined as "the simultaneous pursuit of cooperation and competition between firms" (Raza-Ullah et al., 2014, p. 189). In today's market place the cooperation between otherwise competing firms seems to be the de facto way of working. In their pursuit of common goals competitors voluntarily decide to join forces (e.g., Samsung and Sony to design LED televisions). However, there are also situations where coopetition is asked for on a involuntary basis. Such as in an IT multisourcing where a client expects several of its suppliers to cooperate as to jointly serve its interests. To account for the difference between voluntary and involuntary coopetition Wiener and Saunders (2010) introduced the concept of forced coopetition. They defined it as "a situation where an external actor (the multi-sourcing client firm) creates and orchestrates a market-like environment, in which a set of interdependent actors (the vendor firms) is required to compete and cooperate" (p. 212).

IT multisourcing models and coopetition

In IT multisourcing generally two models prevail. That of the client directly steering its suppliers or the utilization of a so-called service integrator to steer suppliers on behalf of the client. Wiener and Saunders (2014) distinguish between these two and outline how each relates to both cooperation and competition, see Table 1.

Model	Mediated (guardian vendor)	Direct
Graphical illustration		
Vendor competition	Low (mediated client-vendor relationship and separate vendor areas)	Moderate (direct client-vendor relationship but separate vendor areas)
Vendor cooperation	Moderate (cooperation with guardian vendor and cooperation with other vendors at area interfaces)	Low (cooperation with other vendors at area interfaces only)

Table 1. IT multisourcing models used in practice (Wiener and Saunders, 2014).

RESEARCH METHOD

This research addresses a broad question on a specific social process; therefore an exploratory case study approach is considered appropriate (Swanborn, 2010). Reviewing the IT outsourcing projects supervised by the author yielded two triadic (one client forcing two otherwise competing suppliers to cooperate) cases in the same sector (utilities):

- *Case Aqua – Dutch drinking water companies outsourcing construction and management of a shared customer care and billing system (mediated model)*. In 2009 this resulted in a situation in which Aqua Supplier 1 became accountable for the application management of the system and also fulfilled the role of external service integrator. Generating a mediated multisourcing model. Aqua Supplier 2 was awarded the construction of the system and the subsequent management of the IT infrastructure. The suppliers have successfully worked together for 9 years.
- *Case Power – Transmission System Operator (TSO) outsourcing its entire IT (direct model)*. In 2010 and again in 2015 TSO Power outsourced the larger part of its IT. In 2015 the application management was awarded to Power Supplier 1. The management of

the IT infrastructure was awarded to Power Supplier 2. Since no external service integrator was appointed the IT multisourcing model is a direct model. The cooperation between the suppliers can be described as a marriage of convenience.

Drivers & barriers

Out of a literature study a list of 60 possible drivers (positive impact) and barriers (negative impact) of cooperation was distilled. The case study participants assessed whether an item on the list had impacted cooperation positively or negatively. Based on interviews we identified why items were considered drivers or barriers of cooperation.

RESULTS

Out of the 60 possible drivers and barriers 12 items could not be assessed by the participants. Leaving 48 items for evaluation. Those items where literature and our cases show corresponding results (27) are listed in Table 2. Here the case studies provide additional substantiation for the drivers and barriers of cooperation already established in cooperation literature.

Nr	Drivers (+)	Nr	Barriers (-)
3	Vendor business growth	5	Rivalry in the marketplace
8	Commitment	25	Ambiguity & role conflicts
9	Trust	26	Contradicting demands
16	Contract length (if longer)	32	Strain
18	Clarity on accountabilities	33	Conflict
19	Profitability of the contract	34	Dualities
20	Conflict management resolution	35	Contradictions
23	Reciprocal exchange of information	36	Internal uncertainty
24	Interpersonal trust	37	Behavioural uncertainty
39	Joint problem solving	38	Opportunistic behaviour
41	Physical proximity	40	Use of severe conflict resolution tactics
49	Cultural similarity	47	Zero sum game
50	Goal congruity		
52	Shared perspective		
55	Creating a common culture		

Table 2. Drivers and barriers of cooperation

In the end of all the drivers and barriers as identified in cooperation literature only one, overlapping skill sets (item 12), showed an opposing result in the case study (positive) compared to literature (negative). Table 3 lists those drivers and barriers without a clear upfront impact direction (15) or those not necessarily constituting a drivers or barrier (5). The table also distinguishes between those showing a positive, negative or neither positive nor negative impact direction in the case studies.

Nr	Impact direction not obvious	Nr	Not necessarily a drivers or barrier
<i>Positive impact in the case study</i>			
1	Number of vendors (if limited)	7	Social exchange
14	Coordinating role of the client	53	Align common interest regularly
15	Pre assigned vendor responsible areas	56	Vendor learning
21	Formal agreements between otherwise independent vendors		
42	Client retained capabilities (if present)		
43	Guardian vendor model		
58	Equal treatment		
<i>Negative impact in the case study</i>			
13	Active role of the customer	51	Difference in network position
27	Emotional ambivalence	54	Social sanctioning
30	Loyalty conflict		
<i>Neither positive/negative in the case study</i>			
2	Size of vendors		
10	Sense of community		
22	Technological asymmetry or complementary profile		
46	Self-interests are overlapping or congruent		
59	Prior experience with cooperation		

Table 3. Drivers and barriers without a clear upfront impact direction or not necessarily a drivers/barrier

RECOMMENDATIONS

Based on earlier research and substantiated by our case studies facilitating cooperation between otherwise competing suppliers is fostered by actively pursuing and accommodating the outlined drivers and by avoiding or eliminating barriers. To be more specific and concrete:

- Make sure that during an outsourcing, suppliers can extend and grow their business.
- Always ensure profitability of the sourcing contract from a supplier perspective.
- Resolve (emerging) conflicts quickly and decisively.
- Try to solve problems together, this strengthens the bond between parties which results in mutual credit which can be redeemed for future favors.
- Avoid anything unclear or uncertain. Be it role ambiguity, contradicting demands, demarcation issues, unclear accountabilities, etc.
- Avoid opportunistic behavior or social sanctioning.
- Align common interest regularly. Even if it doesn't seem necessary.
- Finally, when outsourcing a so-called client retained organization stays behind. Its composition should be a conscious choice and not the result of a process whereby people leave or stay because of past performance and seniority irrespective of their competences and capabilities. Executing IT is something different than governing and orchestrating IT. The retained organization should be geared towards the latter.

REFERENCES

Bapna, R., Barua, A., Mani, D., & Mehra, A. (2010). Cooperation, Coordination, and Governance in Multisourcing: An Agenda for Analytical and Empirical Research. *Information Systems Research*, 21(4), 785–795.

Bengtsson, M., & Raza-Ullah, T. (2016). A systematic review of research on coopetition: Toward a multilevel understanding. *Industrial Marketing Management*, 57, 23–39.

Gnyawali, D. R., Madhavan, R., He, J., & Bengtsson, M. (2016). The competition–cooperation paradox in inter-firm relationships: A conceptual framework. *Industrial Marketing Management*, 53, 7–18.

Raza-Ullah, T., Bengtsson, M., & Kock, S. (2014). The coopetition paradox and tension in coopetition at multiple levels. *Industrial Marketing Management*, 43(2), 189–198.

Swanborn, P. (2010). *Case Study Research: What, Why and How?* SAGE Publications, Inc.

Wiener, M., & Saunders, C. (2014). Forced coopetition in IT multisourcing. *Journal of Strategic Information Systems*, 23(3), 210–225.

OVER DE AUTEUR

Drs. ing. Jean Pierre van der Weerd werkt als zelfstandig management consultant bij Pensar B.V. Gespecialiseerd in: IT & sourcing governance (regie) en IT ecosysteem samenwerking.

Email: j.vanderweerd@pensarict.nl