UNIVERSITY OF TAMPERE
Department of Management Studies

ASSESSMENT OF CHANGE MANAGEMENT IN OUTSOURCING

Management and Organization
Master's Thesis
May 2013
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ABSTRACT

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Title:	Assessment of change management in the context of outsourcing
Master's thesis:	68 pages, 2 Appendices
Date:	May 2013
Keywords:	Outsourcing, transition, change management, change, assessment.

The companies of today are competing in ever-changing business environments that require effectiveness and readiness to change. Many companies try to focus on their core competencies, and this often means outsourcing some parts of the company. In the outsourcing literature much emphasis has been put on the strategic aspects of outsourcing such as decision-making and the outcomes and effects, but not so much on how the outsourcing itself can be managed. This study contributes to the outsourcing literature by focusing on the process of outsourcing, more precisely the transition phase, which has been said to greatly influence the success of outsourcing. The aim of this study is to examine the transition as a change and provide tools to assess it. The literature on change management is used to approach this subject from the managerial point of view.

This study consists of a literature review and a qualitative single-case study. The literature review develops a framework based on both the change management literature and the outsourcing literature. The case in this study is an IT organization of a Finnish multinational company which has recently outsourced its services to an outside provider. The data consists of secondary data collected by the company during the transition phase, and primary data collected by the researcher after the transition phase. The primary data was collected with semi-structured interviews from five people from three different organizational levels in the IT organization.

The findings suggest that change management can and should be used to help in the transition phase of outsourcing. Seven factors are identified from the findings which require attention in the change management of outsourcing. Based on these, an assessment tool is developed for managerial use.

TABLE OF CONTENTS

1 INTRODUCTION 1
1.1 Background of the study 1
1.2 Research question and structure of the study 4
1.3 Limitations 4
1.4 Methods 5
1.5 Definition of key concepts 6

2 CHANGE MANAGEMENT 8
2.1 Personal change curve 9
2.2 Change management of an organization 12

3 CHANGE IN OUTSOURCING 19
3.1 The outsourcing process 19
3.2 The characteristics of transition 21

4 RESEARCH METHODOLOGY 26
4.1 Research method 26
4.2 Research design 27
4.3 Data collection 28
4.4 Data analysis 30
4.5 Validity and reliability 31

5 CASE STUDY 33

6 DISCUSSION 52

7 CONCLUSIONS 62

REFERENCES 65

APPENDIX 1: Interview themes 69
APPENDIX 2: The questionnaire 70

List of Figures

Figure 1. The five stages of a change curve 11
Figure 2. Adapting to transition (adapted from Marks 2007, 726) 18
Figure 3. The process of outsourcing 20
Figure 4. The process of collecting and analysing the data. 29
Figure 5. Method used for analysing primary data. 31
Figure 12. Assessment of the key change management factors during transition..... 53
Figure 13. Factors of communication success in outsourcing..... 57

List of Tables

Table 1. Change management in outsourcing – prevalent factors..... 22
Table 3. Checklist for the transition phase 63

1 INTRODUCTION

1.1 Background of the study

The globalization and developments in technology in the past couple of decades have resulted in significant changes in the business environment. It has provided companies with wider markets but also wider competition. Securing competitive advantage in a global and ever-changing environment is challenging, and companies have to find new ways to gain effectiveness. Outsourcing has become one of the emerging trends with the past couple of decades to help companies stand up to this challenge.

The idea to buy service outside the company when lacking the necessary expertise is not at all novel. However, outsourcing formed into a trend only in the 1990's (Willcocks 2011, 7); at the same time as many business fields and economies witnessed the growth of the service industry (Busi and McIvor 2008, 190). Outsourcing means moving parts of the production process outside the company by looking for the most competitive alternative (Tilastokeskus 2008b). It is then clear that if competitors are able to produce quality with far lower expenses, it forces the whole business environment to change and reconsider the way in which companies work. However, the price is not the only reason for outsourcing, although it may be very prevalent. In Finland many companies state that being present there where their customers and competitors are affects their decision to outsource (Tilastokeskus 2008a). Hence, employment expenses are one major factor but not the only one for outsourcing.

Some industries seem more prone to outsource than others. According to the Statistics Finland (Tilastokeskus 2011) as much as over 78 per cent of Finnish companies employing over ten people have outsourced completely or parts of their IT.// In service industry, data processing has grown nearly 20 per cent from 2001 to 2011 (ETLA 2012). Also, the IT sector in Finland is one of the top three in exporting services (ETLA 2012, 73). Digital services have grown only after the 1990's, and after this the industry has grown a lot (ETLA 2012, 80). Outsourcing can be seen as one of the outcomes of

this, because the services often provide help to a certain area of expertise. In ICT especially this is the case, because this is an area where there are not many routine tasks but rather services of experts (ETLA 2012, 82). Approximately 80 per cent of the work requires expertise (ETLA 2012, 84). On the other hand there are other areas that have gotten attention in outsourcing literature, e.g. accounting, human resources management, logistics and supply chain management etc. (Varadarajan, 2009, 1165). Outsourcing has come to stay in Finland too, and we should learn how to manage this reality (Taloussanomat 1.2.2010).

Up to this date outsourcing has been a popular topic in the research literature, even though the theory has mostly been following the practice (Busi and McIvor 2008, 186), which is also notable from the large number of case studies conducted on the subject. All in all the research field of outsourcing is still rather scattered. Chadee and Raman (2009, 417-422) note that previous research has focused on 1) decision-making of outsourcing 2) management of outsourcing (referring to the partnership and contract relationships) 3) the outcomes and effects of outsourcing and 4) the service providers of outsourcing. Especially the strategic approach and strategic management of outsourcing and decision-making have been very prominent (cf. Busi and McIvor 2008).

In theory outsourcing has been depicted as a process (see McIvor, 2008b), which entails the starting phase, choosing the vendor, negotiation and preparation with the vendor, transition phase, service delivery and post-outsourcing phase (Beulen, Tiwari and van Heck 2011, 206). On the other hand this kind of linear approach has been criticized for not taking into consideration for example situations which require flexibility (Rashid 2012). Nordin (2005, 301) also supports this view by saying that outsourcing in some cases is not always a linear process, but the approach depends on the situation.

However, the process or its parts is not much researched, whereas the different aspects of the decision-making regarding outsourcing and contracts management have gotten more attention. Nordin (2005, 297) points out that there is very little research to be found on the outsourcing process, its challenges and managing those challenges. Furthermore, the transition point or the implementation is usually said to be one of the impediments of outsourcing (cf. Beulen et al. 2011, 205; Rashid 2012, 447), but even

still it lacks the academic attention. Therefore the purpose of this study is to elaborate the understanding of the outsourcing process, and more specifically the transition phase.

Busi and McIvor (2008) bring forth the need for research on operative and managerial level. They highlight that in managing the outsourcing process one could benefit from the techniques of operative management, such as change management. Within the research field outsourcing is often perceived as a process to be managed (Hätönen and Eriksson 2009, Aydin, de Groot, and van Hillegersberg 2010, Zhu, Hsu, and Lillie 2001), with not much weight given to the change that it entails. Only Varadarajan (2009, 1166) takes another viewpoint, describing outsourcing as a transitional phase, during which some activities performed inside the company are moved outside. He makes a remark that the existing relationship after outsourcing is called merely sourcing due to its constant state, which underlines the change factor in outsourcing. Outsourcing therefore means not only structural change for the organization but also changes in how the company works and employs people.

So far research has not touched upon change or change management in outsourcing settings, although many papers which discuss this process mention that change should be taken into consideration. For example Beulen et al. (2011) talk about implications that outsourcing has on the personnel, whereas Useem and Harder (2000) talk about change management as one of the four capabilities an outsourcing manager should have. It appears that only Rashid (2012) has directly researched the change and its challenges in outsourcing, but she fails to give any practical implications on change management. Based on the above, this study will focus on the change aspect of outsourcing, and will contribute to the current outsourcing theory. Young (2009, 525), however, asserts that the academic literature does not offer much assistance to implementing change management. Similarly, Clarke and Garside (1998, 537) also note that there is a lack of tools to measure or benchmark change management. Therefore this study will focus on making change management useful in the settings of outsourcing. If successful, it will provide new information about how the change management itself can be executed and managed in similar settings.

1.2 Research question and structure of the study

This study addresses the topic of change and change management in outsourcing. This is examined especially from the point of view of the organization. The research question is:

- *How can change management in outsourcing be assessed?*

In order to answer this question also the following issue needs to be addressed:

- *Which are the key factors of change management in outsourcing?*

The study consists of seven chapters. The first chapter is the introduction, including the presentation of the background of the study, research questions, limitations and methods. The second chapter reviews the theoretical field of change management. The third chapter builds on the theoretical understanding of outsourcing as a change. The fourth chapter explains the methodology, the data collection and analysis methods used in this study. It also briefly introduces the case in question. The fifth chapter presents the findings of both the secondary and primary data. The sixth chapter is the discussion part, where the findings are analysed and compared to the literature review. The seventh chapter offers the conclusions of the study and aims to provide an answer to the research questions.

1.3 Limitations

Considering that there is a vast literature on both outsourcing and change management, some limitations are in order. Firstly, the study focuses on how to best execute the transition and change management from the company's point of view. Therefore outsourcing is scrutinized here only for the transition part, which means the time when the personnel is preparing for the change. The time after transition phase is excluded, because the people to be transferred no longer work for the company.

Secondly, outsourcing can happen in different forms, from outsourcing to companies in the same country to outsourcing to other countries or even continents (so-called offshoring). Although these different forms are interesting and have possible effect on the how the outsourcing is done, they are not analysed deeply in this study. The case company outsourced its function to a provider located in a different country, but this company has branches in nearly all the countries where the case company is working. Therefore, to be precise, the context is offshoring, but offshoring itself is not studied.

Thirdly, outsourcing always has two partners, i.e. two companies working together. It should be noted that knowledge transfer and transition governance will require joint efforts from both the provider and the buyer (Beulen et al. 2011, 221). Unfortunately the time and length of this paper do not allow for the relationship aspect to be discussed. Only the view of the case company (buyer) and its change management is considered.

Lastly, change management is always people related. It focuses on getting people to accept the change and adapt to it. However, in outsourcing the situation is quite different, because some people will evidently leave the firm. There are three different paths for the employees: "(1) they will leave the firm; (2) they will be transferred to the supplier company; or (3) they will stay on" (Embleton and Wright 1998, 102). In this study there are some people who will stay (remaining employees) and people who will transfer to the service provider. In this case study the employees either transferred to the service providers or they stayed in the buyer company. The aim of change management is then to get the people who are in the area of reduction to transfer to the service provider, and to motivate them to helping with the transfer during the transition phase However, the ethics of outsourcing is here left outside this study. Instead, the study focuses on the viewpoint of the company and how to conduct change management most efficiently.

1.4 Methods

This research is a qualitative case study, focusing on an outsourcing project of an IT unit in a multinational company. Because outsourcing and change management have not

been combined in the field of researched, this study benefits more from the qualitative approach in which the researcher can make observations about the object of study.

Although a single-case study offers no statistical generalisations, it enables a richer examination and provides a deeper understanding of the events. It is also suitable when the context is of high importance (Yin 2009, 18). The data of the case study consists of secondary data, which has been collected in the form of surveys, and primary data collected from five semi-structured interviews. The secondary data is analysed with SPSS system and the interviews with content analysis methods. The research methods are discussed further in chapter 4.

1.5 Definition of key concepts

Assessment in this study means a way to assess and measure how change management has succeeded. It should be noted that it does not necessarily mean a numerical assessment, but also welcomes the idea of qualitative evaluation and even check lists. The purpose of this assessment is not only to grade the management, but to provide support for it. This means that the assessment does not have to be located only in the end of the project.

Change Management refers to the management or leading of an organizational change. It means using specific managerial practices that have been found useful in situations of change. Change management has gotten newer applications, such as organizational learning (cf. Yakhlef 2009), but the conventional view of change management is applied in this study.

Outsourcing refers to using external resources to conduct any activies which were previously done by the company itself (Hätönen and Eriksson 2009, 146). Basically this means moving a specific function or service previously executed in-house to an external provider. According to Embleton and Wright (1998, 95) outsourcing refers to the search for expertise to handle such functions or services outside the company, and therefore the decision to outsource is that of either "make or buy". In addition, outsourcing can be divided into offshore or onshore outsourcing (cf. Aydin et al 2010, 327). The onshore

outsourcing signifies that the outsourcing is happening to another company working in the same country, whereas in offshoring the other party is in another country than the outsourcing party. The outsourcing happening in the case company was offshoring, although the question of onshoring and offshoring is not studied in depth in this study.

With **transition phase** is meant the time between the contract commencement and the actual transfer of the people. The transition then refers to the other half of the execution phase, with the other being the service delivery (Beulen et al. 2011, 206). Some argue that the transition already starts before and ends later than these, and this might be the case when considering outsourcing from the individual side of how the change is accepted (see Cullen, Seddon, and Willcocks 2005, 239). For the sake of clarity the transition phase is here defined as stated above.

There are always two companies involved in the outsourcing process. There is **the buyer,** which refers to the company outsourcing parts of its services, and **the provider,** which refers to the company providing these services. Due to confidentiality the names of the two companies are altered. The buyer is called Agile and the provider Beeter**.**

2 CHANGE MANAGEMENT

Comparing to the organizations in the 19th or the early 20th century, it is quite obvious that the current organizations are not working in such a stable environment anymore. Companies have to be adaptive and respond to the changing demands of the environment in order to survive (Kets de Vries and Balazs 1999, 652). In the few past decades this has been giving increasing rise to the awareness of change management in the literature too.

The first so called change management model was proposed by Kurt Lewin (1947) over sixty years ago. This model has been used as a basis for change management for decades after it was written. Lewin (1947, 32) introduces change as moving from the present level to a new, desired one. This happens through a three-step process, where you first have to unfreeze the present level, then move to the next level and lastly freeze the new force fields once at the new level (Lewin 1947, 35). Although many papers have been written about modelling change management, they usually all boil down to this very simplistic model.

One of the most quoted change management models is John Kotter's (1996) renowned article about leading change. Kotter argues that there are eight steps that every change manager should take into consideration. In comparison to Lewin's (1947, 32) idea of transplanting existing force fields with new ones so that the social equilibrium is changed, this model gives more concrete ideas of how to actually do this in a company environment.

These two models have been used a lot as a basis in the change management literature. For example Young (2009) presents a meta model for change based on the vast branch of change literature, and these phases can be seen to follow Lewin's and Kotter's work. Although change management is even now a popular and actual topic, the same themes emerge again and again even in the newest publications (e.g. Carter 2008).

Some new viewpoints to these old theories have emerged. For example Weick and Quinn (1999, 379) point out that Lewin's model does not function in our reality, where change is continual instead of episodic, and suggest that the model should rather be "freeze, rebalance, unfreeze". However, because the context of outsourcing means actually foundational restructuring of an organization, the situation can be seen as episodic, because structure always has inertia. Hence, I will focus on the traditional views of change management.

Both Lewin and Kotter view change management as a chronological process which, however, might be a bit misleading. Many of the steps of Kotter, for example, can overlap in time. Weick and Quinn (1999, 382) note that change can be seen also as spiral or open-ended as opposed to linear. Perceiving change as a process can however be of help in both theory and practice. For example Oakland and Tanner (2007, 14) discovered that process-based approach increased the chances of success in change management. It might therefore be recommendable to simplify the change for the purpose of understanding, but at the same time to bear in mind that it never will be a simple and one-way flow. In the next sections the main factors of change management are examined first from the individual and then from the organizational point of view.

2.1 Personal change curve

Having to change is always a psychological process for an individual. Elmuti and Kathawala (2000, 123-124) state that personal abilities to face change are thought as an important factor for the success of an outsourcing project. For this reason, and to better understand what change management literature is based on, this section will look at how individuals experience change. Here first the individual side of coping with change will be presented, and then the emotions which should be recognised are discussed.

Elrod and Tippett (2002) have made an extensive overview to the human responses in changes and transition. They noticed that all models which discuss the stages that a person goes through during a change follow Lewin's work of unfreezing, moving and refreezing. All models move from a normality or equilibrium state to disruption and from there to a new equilibrium. The disruption phase has one thing common: it always

has a dip in performance, no matter what kind of emotions a person is feeling (Elrod and Tippett 2002, 285).

The best-known model with a change curve comes from Kübler-Ross (1969), with five different stages (see Figure 1). There are a lot of similar works describing the change process, but all having the same kind of pattern (see Elrod and Tippett 2002). The first stage is denial. It should be noted that with changes in a workplace something new usually replaces something old. A person can face big barriers if this loss is not recognised (Elrod and Tippett 2002, 279), which will stop the person moving on from the denial stage. The second, third and fourth stages (anger, bargaining and depression) can vary by their order (Elrod and Tippett 2002). Perhaps one can even move back and forth between these stages. Kets de Vries and Balasz (1999, 652) name these feelings disbelief, which similarly includes confusion, yearning for the lost, anger, sadness and self-reproach. Despite the variance of these stages in different models, all of them have a unifying factor: at this point the productivity levels drop (Elrod and Tippett 2002). The last stage of acceptance seems to be a bit ambiguous. Does it mean adaptation, or merely acceptance of the loss? Kets de Vries and Balasz (1999, 652) think that one phase in the personal change process is to abandon old ways of working and accepting the current situation, at the same time orienting oneself at the future. They continue to the next phase, where reshaping of one's personal world takes place and one can start shaping a new identity. Marks (2007) similarly discusses transition facilitation from the point of view of adaptation, which implies that change is not just about imposing the change on others but also helping them to adapt and form a new reality. I think that the change curve therefore could have a sixth stage, which is learning to live with the new situation.

One managerial implication is to help people move from one stage to another. Given the form of the change curve, all communication and actions should consider employees' feelings and recognise how their personal change curve is built. On the other hand the management should be aware that all kinds of events can trigger different emotions and coping behaviours (Klarner et al. 2011, 334). This is not unusual, because people try to make sense of what is happening and therefore will struggle with emotional tensions (Liu and Perrewé 2005, 265). People need to move past the different stages, and therefore they need to be given space for their emotions to process the change.

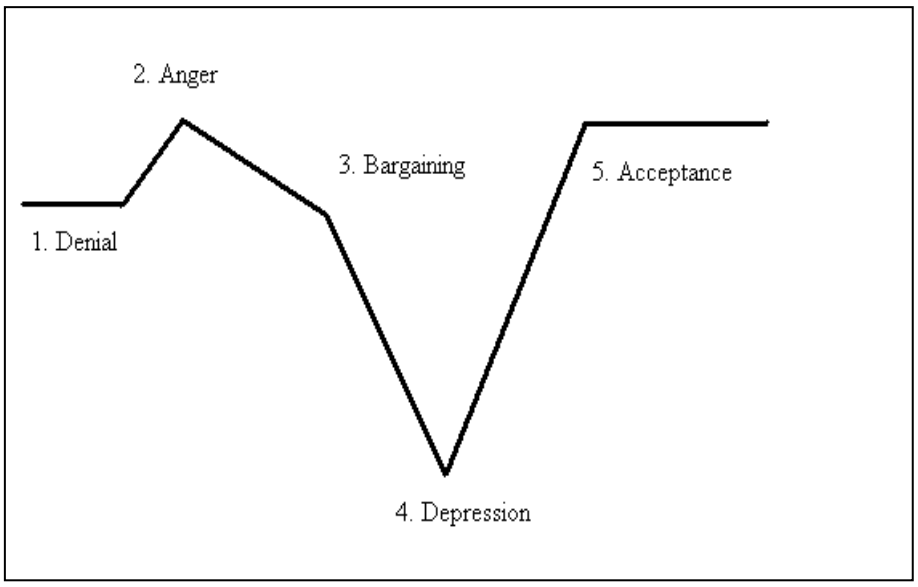

Figure 1. *The five stages of a change curve (based on the work of Kübler-Ross, 1969)*

Klarner et al. (2011, 334-335) note that employees can have different feelings and therefore different reactions in different stages of the change, and additionally previous changes can also affect the way an employee feels about that particular change. The negative emotions, however, have been studied quite extensively. For example Kiefer (2005) has concentrated on what triggers negative emotions in change and what are the possible outcomes of those emotions. She finds that the antecedents for negative emotions lie in the likeliness of the employees to feel that they cannot work efficiently, to feel a threat "to their personal situation and future", and "to feel a lack of fairness, support and appreciation" (Kiefer 2005, 890-892). Kiefer (2011, 891) also makes an important notion that emotions should not be taken as a form of resistance nor as an inability or unwillingness to change, but rather the underlying causes for them should be understood and dealt with. The literature provides some help in this, but some problems usually stem from the company itself. The most important thing the management should do is "to pay attention to how employees feel treated by the organization in on going change" (Kiefer 2005, 892). When negative emotions are experienced, it has an effect on two things: trust in the company erodes, and people might demonstrate withdrawal tendencies (Kiefer 2005, 890). Naturally neither of these is good for a change project, and therefore these things should be paid attention to.

Klarner et al. (2011, 333) argue that positive and negative feelings should not be juxtaposed nor automatically treated as good or bad. The management should remember that several emotions can coexist at the same time (Klarner 2011, 334). This means for example, that some employee behaviours can even seem irrational to the management, because the emotions can vary or even be contradictory in the sense we might classify them. On the other hand, much literature focuses on handling the negative emotions, but not many focus on reinforcing the good emotions. Managers should aim at both.

2.2 Change management of an organization

Understanding how an individual experiences change forms the basis also for change management in an organization. The change management however is more than just addressing individual needs. In an organization everyone faces the same change and there are more variables that come to play. The group or team settings can have a distinct effect how change is experienced by an individual, either in positive and negative. On the other hand, an organization has obligations not only to its members but also to its operations, which should be preserved at the same time as the change is carried through. Here the main points of change management are considered from the organizational viewpoint. This should not be seen as an exhaustive list, nor should they be understood as a clear and linear sequence.

Introduction

Given that the majority of the employees usually have nothing to do with the decision to change, it is not surprising that a change program is rarely congruent with employees' own personal goals and felt to threaten their own well-being (Liu and Perrewé 2005, 267). In the very first stage of change people have a hard time to predict what a change means to them, which induces "mixed emotions that are anticipatory in nature" (Liu and Perrewé 2005, 268). So, what is then the best way to introduce a change?

According to Burke (2008, 253) one has to establish a need for change and communicate it to everyone, so that people adopt the idea of changing the way things were done before. This is consistent with both Lewin's (1947) idea of unfreezing and Kotter's (1995, 97) belief that people need to be moved out of their comfort zones in

order to start implementing a change. Lewin (1947, 35) observes that emotional stir-up can be necessary to show the personnel that change is needed, which is supported by a notion from Kets de Vries and Balazs (1999, 647) that in order to get the process moving people will need "an inducement in the form of pain or distress". Kotter (1995, 89) even suggests creating a crisis which can even be done with the information that already exists. Considering the point Kets de Vries and Balazs made, it seems very plausible that this kind of crisis could work as such an inducement. Kotter (1995, 98) continues to argue that bad business results can actually prove to be a blessing in vindicating change.

In the beginning it is also essential to create a future prospect and the reasoning for change. In order to succeed the reasons behind a change have to be made extremely clear to everyone, and it is the task of the leader to provide clarity of vision and direction (Burke 2008, 255). This does not necessarily mean that for example the CEO alone creates the vision, but is responsible for it to be created. Kotter (1995, 98-100) defines vision as "a picture of the future that is relatively easy to communicate and appeals to customers, stockholders, and employees", and continues to argue that creating an appealing but simple enough vision is essential to win over the hearts of the personnel. Kets de Vries and Balazs (1999, 654) note similarly that "hope becomes the bridge between preparation and transformation", meaning that first it is necessary to feel the urgency of changing, but then people need something to look forward to. At best a vision should include both avoidance of losing something and striving for something better (the negative and positive) (Aiken and Keller 2009). A common pitfall in the introduction stage of a change is that the motivational speech given by the managers might be motivating for them but not for their employees (Aiken and Keller 2009). Aiken and Keller (2009) suggest that for motivation, one should address the impact on society, customer, company, the working team and the employee him/herself. What the writers do not happen to note here though, is that as important it is to make good promises it is even more important to keep them. So even when addressing all or most of these five factors, one should remember to speak the truth.

Additionally, Burke (2008, 257) recommends focusing on some initial activities at the starting point of the transition phase, which will get people's attention, give focus and convey the idea that the change is really happening. A symbolic event can be of use.

Kets de Vries and Balazs (1999, 648) also talk about a triggering point for the purpose of people to move from acceptance, but from an individual's point of view. The difference for a person is that even things that seem minor to others can make the people move forward. The underlying idea is that the discontentment has to build up first (Kets de Vries and Balazs 1999, 648). So even a "staged" event could then be the trigger.

To address the individual concerns at this stage is very important. How the change is experienced and dealt with at any stage will have an effect on the emotions and perceptions of latter stages of the change as well (e.g. Liu and Perrewé 2005; Klarner et al. 2011). As noted in the previous chapter, a person will be prone to first deny the change, and then resist it in different forms (with a dip in performance). The idea with creating discomfort is to make people move on from the denial. Therefore the employees must be given clear and sufficient information. However, the distribution of information should be thought carefully. Liu and Perrewé (2005, 268) state that "too much information may give employees the impression that things that are going on are beyond their understanding and control, and consequently, induce feelings of uncertainty and fear", but that also too little information can diminish the sense of being in control. I believe that when there is too much or too little information will also affect whether employees will deny the change.

Change coalition and motivation

Creating a vision for the sake of it is not enough though. Everyone, including leaders, have to commit to striving for that vision. This means also removing the obstacles that are hindering people to achieve this vision (Kotter 1995, 101) and continuously motivating the employees with own example and keeping the spirits up by creating "small wins".

The advocates of change are commonly known as change agents in the literature. Kotter (1995, 98) makes a point that when managing a change, the group of people advocating change should grow quite fast. He also asserts that to be successful, this coalition should have different kinds of chances to influence, and not just hold stationary power. Kets de Vries and Balazs (1999, 657) support this by urging leaders to build coalition with key power holders of the organization, and make sure the crucial players are behind the new

vision. Aiken and Keller (2009) make an interesting remark about investing too much in change agents because of the fact that it is the unexpected members who step up along the way who make the most difference. The most important function of the change agents and managers is to set an example and to work as a role model. The problem usually here is that in practice, managers and agents already think they represent the change without doing anything more (Aiken and Keller 2009). During the change even the managers should be constantly asking themselves what they should do differently (Aiken and Keller 2009). As Kotter (1995) and many others have noted, leaders should aim at making clear and distinct acts which resonate among employees. It is expected from the leaders not to back down, but to show where people should be going (Burke 2008, 262). Repeating the vision can be of help in this too.

In a long change project the urgency levels can easily drop, unless managers actively seek to establish goals and rewards along the way (Kotter 1995, 102), but also for a shorter timeframe having milestones is important. Kets de Vries and Balazs (1999, 658) regard small wins to have a ripple effect. They advise leaders to divide a big change effort into smaller bits, so that the overall task is more agreeable. According to them, "milestones need to be celebrated to contribute to a sense of well-being". But even in concentrating in small wins, as Kotter (1995) calls them, leaders should not forget to expect high performance results.

Communication

Jørgensen, Owen and Neus (2009, 39-40) have found indication that honest and timely communication is one of the success factors for change. Although communication is present at all stages of the change process in many different forms, it is best to address it on its own too. According to Kotter (1995, 100), there are three mistakes that leaders make in communication. First one is to communicate only one time or through one channel. This means of course communicating through various channels so that the message will sink in. The second one is that people do not understand the message. Kets de Vries and Balazs (1999, 656) have gotten a similar result: "leaders should use simple language that will resonate within the people who will be affected". Thirdly managers' and other advocates' behaviour might not be in line with what they are saying. Communication is never just words; it includes gestures and actions too.

A fourth point could be added to this list: a very simple thing that often is forgotten, namely sharing all the information. Liu and Perrewé (2005, 271) think that after the initial stage of change it is important to share even specific information. Kets de Vries and Balazs (1999, 658) state too that it is hugely important that leaders empower their subordinates with information and avoid secrecy. Liu and Perrewé (2005, 271) also note that "communication that addresses specific concerns for employees is more effective than general communication about the change in inducing employees' accurate appraisal about the situation". Therefore, the more the employees have information to make accurate estimations, the better they can carry out effective coping strategies and therewith relate to the change outcomes as positive or at least as something they can affect. It could be added that this information sharing should be encouraged in every direction, including information flow also horizontally and down-up.

Engagement and support

A very difficult phase for leaders can be the post-launch because there is uncertainty and things start to move their own course. When all the people know about the change, the best way to keep them moving in the same direction is to engage and involve them. Employee involvement is indeed one of the most significant success factors of change (Jørgensen et al. 2009, 39-40). Burke (2008, 259) suggests that in the transition phase the leader should tackle especially the individual-level resistance by letting people participate at least to some extent to the change. Giving alternatives in how to do things is one way to make people commit. In addition, people should be engaged in diagnosing and sharing the things that are inhibiting the change (Marks 2007, 728). These things often are invisible to the management but still ever-present in the workplace.

At the group-level the leader should give a chance for closure and to say goodbye to the past (Burke 2008, 260). The use of symbols, ceremonies, and different forums might be useful in letting go of the old (Marks 2007, 726). One can also recompose the group, which should help in moving forward. But even the existing group can also serve a supporting purpose. The best facilitator to help employees to overcome the barriers of change is social support (Kets de Vries and Balazs 1999, 663). This support should include emotional support and bolstering of self-esteem, as well as providing whatever

resources are necessary to make the change happen (Kets de Vries and Balazs 1999, 664).

Adaption to the new corporate culture

Here the word adaption is used because there is no clear end to change management. The biggest mistake one can make is to declare that the change is achieved and ready at too early a stage, without waiting for the new behaviours to be rooted (Kotter 1995, 102). According to Burke (2008, 266-267), even after the intensive change efforts one should maintain change momentum, by encouraging people to develop themselves and the organization. According to Kotter (1995, 103) "Until new behaviours are rooted in social norms and shared values, they are subject to degradation as soon as the pressure for change is removed". Interestingly enough, Lewin's work does seem to impose a finite point, but it is not clear when this refreezing is over. It could be at the stage where a person has not merely accepted the situation, but adapted to it, with a future-orientation and a new identity (Kets de Vries and Balazs 1999, 652). Even if there is such a point, it might be safe to say that there is no line to be crossed with any change, because adapting will happen over a longer period of time.

Marks (2007) has studied how people can be best facilitated to adapt a change (see Figure 1). This idea also follows Lewin's idea, but in and interesting way includes both emotional and intellectual aspect. It describes quite simplistically how the change management should move from weakening the old to strengthening the new. In the beginning it is important to focus more on weakening the old, both on emotional level with empathy and understanding and on intellectual level by engaging people in the change efforts.

Levels	**Tasks** Weakening the old	Strengthening the new
Emotional	EMPATHY	ENERGY
Intellectual	ENGAGEMENT	ENFORCEMENT

Figure 2. *Adapting to transition (adapted from Marks 2007, 726)*

Gradually the leaders should start strengthening the new situation more and more, by creating energy and appealing to the positive emotions (Marks 2007, 726). By intellectual enforcement Marks (2007, 733) means that leaders should also track the development of the post-transition organization, and show to the employees that the new behaviours and attitudes have helped people improve and reach the better results the company has been aiming for with this change. Enforcing also means that employees are consistently involved in creating the new future and translating the new ideas into day-to-day procedures (Marks 2007, 734). The tasks of weakening the old and strengthening the new can overlap too. Marks (2007, 247) himself states that "Abandoning the old and developing the new occur more as a fading out and in than a quick cut".

3 CHANGE IN OUTSOURCING

As already noted above, there is clear evidence to view outsourcing as a form of change. Recalling on Lewin's (1947) work, change means shifting from one state to a new one. In outsourcing the change is both external and internal. Structures and ways of working change and people physically might have to move into the facilities of a new company, but also the mind-sets of people will have to be altered to face the new way of working. This chapter reviews the different factors and employee perceptions of transition phase of outsourcing, and aims to describe the nature of change in outsourcing. In order to do understand its parts, the process of outsourcing is first presented.

3.1 The outsourcing process

Murray and Crandall (2006) note in their article that managing an offshore outsourcing of IT systems design needs a project approach. An outsourcing process is usually conceived as a project, because a project is easier to understand and quantify. It has many phases which can alter depending on the viewpoint. Zhu et al. (2001, 373) present four different stages for an outsourcing process: planning, developing, implementing and the surviving. Cullen et al. (2005, 231) have a four-phased model which reminds that of Zhu et al's: it starts with Architect, continues to Engage and Operate and ends with Regenerate. They have refined this model, however, with nine different building blocks with different goals in them, which opens up this model a bit more. These nine building blocks are 1) Investigate, 2) Target, 3) Strategize, 4) Design, 5) Select, 6) Negotiate, 7) Transition, 8) Manage, and 9) Refresh.

Similarly, the process by Murray and Crandall (2006, 6) begins with configuring a set of potential companies, then moves to assessing and selecting the partner, then contracting, transitioning and implementing and lastly monitoring and assessing the results. All of the models follow the same pattern. The process of outsourcing is illustrated in Figure 3 based on the assumptions. The process of outsourcing consists of seven phases. First the company makes the decision to outsource, which is followed by

vendor evaluation. The third phase is selecting and drafting a contract with the provider. After this starts the fourth phase of planning the transition, which is consequently followed by the transition and implementation in phases five and six. The last phase includes monitoring and evaluating how the outsourcing has succeeded.

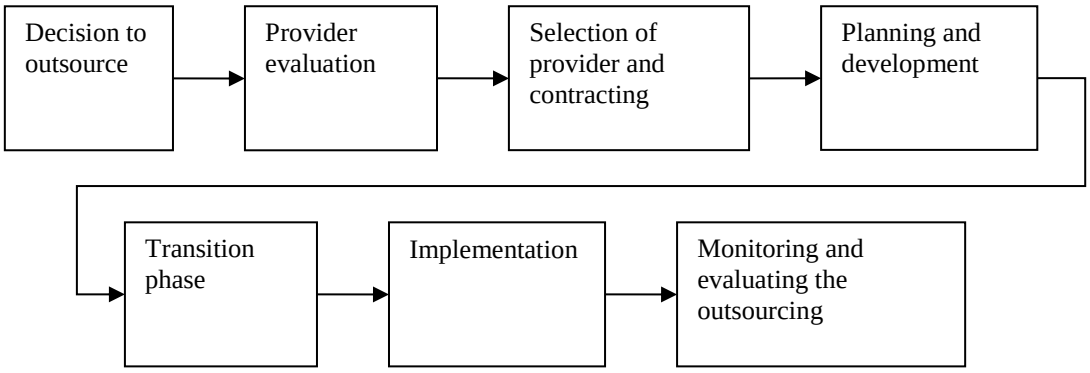

Figure 3. *The process of outsourcing (a comprised model based on the works of Cullen et al. 2005, Murray and Crandall 2006 and Zhu et al. 2001).*

As already noted, this study only looks into the transition phase, which has the most to do with the human aspect of outsourcing. Usually during this period the employees of the provider work alongside with those of the buyer's, because of the transfer of information (Murray and Crandall 2006, 9). According to Murray and Crandall (2006, 10), this phase involves "revising management policies, motivating adoption, and performing training." Beulen et al. (2011), in turn, argue that transition management consists of knowledge transfer, transition governance and retaining the organization. After their empirical investigation they add proper communication structures, processes and capabilities of potential service providers (Beulen et al. 2011, 213). They also find that knowledge transfer and transition governance are more important factors than retaining the organization or transition planning, which would suggest that special attention should be given to these things (Beulen et al. 2011, 220). However, the findings in this study can be due to the fact that these factors were the ones that caused problems for the case company.

3.2 The characteristics of transition

Marks (2007, 722) notes that when facing changes related to employees' way of work, especially those of restructurings and downsizings, managers try to get everything done as quickly as possible in order to avoid any violence towards the company and to downplay any kind of failure. This, however, tends to lead to forgetting the change management. Outsourcing is a typical example of this kind of situation. Therefore it is useful to understand what the context of outsourcing, and more specifically transition, actually is like in the terms of change. These characteristics are summarized and linked to the factors of change management in Table 1.

Elmuti and Kathawala (2000, 125) found that unclear expectations and objectives affect the success of outsourcing the most, as well as a lack of comprehensive plans. Beulen et al. (2011, 210) assert that providing clarity is needed in order to assure a good transition. This is supported further by for example Rashid's (2012, 450) notion that defining the supply chain is hugely important, because only this way will everybody know who is involved and affected and plans can be made accordingly. All of these views can be seen to match the change managerial concept of creating a need to change and appropriate vision. However, to be able to do this in the context of outsourcing the service provider is needed. Vision should be decided together or at least communicated both ways with the two companies. Both Beulen et al. (2011) and Nordin (2005) have deemed cooperation and good relationships between the two companies important. They also contend that this is what makes implementation of outsourcing challenging. If the companies succeed in this, the result can be a very successful transition. For example in one case company of Cullen et al. (2005, 240) where IT was outsourced, the company went further than just ensuring that the personnel who are transferred would get a secure position at the provider's company. Instead, the service provider company was in close contact with the transferring personnel through several meetings, also arranging presentations at their own site and introducing the company's training and career possibilities. This is a good example of how the service provider can be of help in dispelling the uncertainty.

Table 1. *Change management in outsourcing: the prevalent factors.*

Factors of change management	Characteristics in outsourcing	Reference
Introduction of change	- vision and need for change - reasons - clear expectations and objectives - future clarified at the new employer	Rashid (2012), Elmuti and Kathawala (2000)
Communication	- aligned, consistent and regular - after launch communication at a high level - knowledge sharing - communication protocols for intercompany communication - cultural considerations	Aydin et al. (2010), Beulen et al. (2011)
Participation	- management should engage the employees at all times after the decision is made to outsource. - also cross-functional personnel	Nordin (2011), Beulen et al. (2011)
Feelings	- deep negative feelings depicted on the change curve - drop in morale and therewith productivity	Aydin et al. (2010), Elmuti and Kathawala (2000), Khosrowpour et al. (1996), Rashid (2012)
Support	- top management support - proper infrastructure - appropriate control systems - project tracking tools - training on sourcing methods	Beulen et al. (2011), Elmuti and Kathawala (2000), Rashid (2012)
No equivalent	Role of the service provider - in close contact with the transferring personnel - several meetings and presentations - introduction to the new company and its trainings	Aydin et al. (2010), Beulen et al. (2011), Cullen et al. (2005)
No equivalent	Capability evaluation and motivation of key players needed.	Handley (2012), Beulen et al. (2011)
No equivalent	Attention to cultural differences, both national and organizational, is needed.	Aydin et al. (2010), Elmuti and Kathawala (2000), Power et al. (2004), Rashid's (2012

One of the most prevalent subjects in the outsourcing literature is the role of communication. Aydin et al. (2010, 344) state that in offshoring, communications is very important. This refers to how the communication is handled between people, and is essential especially when there are two companies with two different cultures. This idea is supported by many other studies too. For example Beulen et al. (2011, 217) found

this as a new element in their study, under one of the most important factor of transition governance. They suggest problems in communications were due to a lack of an appropriate communication protocol. In comparison, Aydin et al. (2010, 345) assert that it would be effective to leave the communication to the people from the same culture, which means that either there are provider's employees moving to the client's location or the other way around. A combination of both of these approaches might be of use.

There are many studies supporting the importance of communications in-house (see Khosrowpour et al. 1996, Rashid 2012). Rashid's (2012, 458) has found that it can be hazardous to fail in aligned communication which should provide a consistent message in all channels. In addition, Zhu et al. (2001, 376) suggest that communication should tackle inaccurate information or rumours by regular updates. Contrastingly, Elmuti and Kathawala (2000, 125) do not find the communication as one of the most crucial factors affecting the successfulness of an outsourcing project from the point of view of the employees. This could be because communications have many purposes. Elmuti and Kathawala (2000, 125) have found that unclear objectives and expectations, fear of job loss and inadequate support are related to the outsourcing outcome, and all of these usually need communication. Therefore it could be that the employees deem the way of communication as less important, whereas the content is more important. It is interesting that only Khosrowpour et al. (1996, 94) actually talked about how much communications is needed at different times of outsourcing. According to them, both the communication and the participation should be highest in the planning and implementation phases. Before and after communication should be only done as much as is required to keep the rumours out. It is usually not appreciated if management is thought to withhold information (Khosrowpour 1996, 95).

The employees in an outsourcing situation are prone to have deep negative feelings as depicted in the personal change curve. For example in Rashid's (2012) case the behaviour of the employees reflected emotions of denial, anger and disappointment. Many studies report a drop in employee morale and productivity (see Elmuti and Kathawala 2000, Aydin et al. 2010), but they have not suggested what could be done about it. In the literature there are two recommendations to be found, the first relating to communication and the second to participation. Logan, Faught, and Ganster (2004, 160) found that the more satisfied the employees have been the more threatened they feel by

the new employer. Accordingly, she suggests that the employee's roles and futures, including career paths, should be clarified to minimize this threat. Khosrowpour et al. (1996, 94) suggest alternatively that participation of the employees has a positive effect on productivity, and management should engage the employees at all times after the decision is made to outsource. Also in the case company which Nordin (2011, 306-307) studied, managers became more aware that they need to involve employees in the implementation process. Worth noting is that also cross-functional personnel should be involved (Beulen et al. 2011, 217). This seems reasonable because many of the problems in outsourcing could possibly be avoided by simply engaging and asking the employees (cf. Rashid 2012, 452).

In an outsourcing situation people need a lot of support (Elmuti and Kathawala 2000, 125). There is a need for top management support, but also appropriate control systems and infrastructure to support the change. In order to the knowledge transfer to be successful, streamlining processes, appropriate documentation (Rashid 2012, 452), and appropriate project tracking tools (Beulen et al. 2011, 215) are needed. Also training on skills that help to deal with different type of sourcing methods is needed (Elmuti and Kathawala 2000, 125). These notions are especially consistent with task-directed support which is highlighted by Kets de Vries and Balazs (1999, 664).

Aydin et al. (2010, 344), Elmuti and Kathawala (2000, 125), and Power, Bonifazi, and Desouza. (2004, 41) all found that cultural differences need a lot of attention in an outsourcing situation. In Rashid's (2012, 453) findings of an IT outsourcing case there were a lot of cultural changes which were neither acknowledged nor managed, which caused a lot of problems. This is consistent with Aydin et al.'s (2010, 344) remark that cultural differences are usually underestimated. However, culture should not only be seen as a national culture, but also the organizational culture, i.e. the way of working should be considered (cf. Rashid 2012, 454). Aydin et al. (2010, 333) for example note that the "'Not invented here' syndrome (Katz and Allen, 1982) is mentioned most", which means that people usually reject any cultural change for no specific reason other than that it is not their usual way of working.

According to Handley (2012, 162-163), companies should conduct a capability evaluation before outsourcing and make sure that even when outsourcing, the risk of the

critical capabilities being lost is managed. This is not easy, given the fear of job loss that occurs in outsourcing situations (Elmuti and Kathawala 2000, 125). Rashid (2012, 452) notes that employees easily think staff retention is ranked lower on management priorities than it actually is, which makes it even more important to invest in. Even a more frightening notion comes from Logan et al. (2004, 160), who states that "those with high prior involvement are apt to be both less satisfied and more likely to quit after the outsourcing". It is then easy to agree with the suggestion of Beulen et al. (2011, 221) that additional compensation or other motivation should be given to the main informants or subject matter experts, in order to ensure proper knowledge transfer and the transfer of the employees to the new employer.

4 RESEARCH METHODOLOGY

The purpose of this study is to describe successful change management of an outsourcing project and define how it could be assessed. The research focuses on an IT unit of a Finnish multinational company and it is conducted as a single-case study. In this chapter I will discuss the methodological approach taken in this study.

4.1 Research method

In this study the qualitative approach was used for analyses because the change management in the field of outsourcing is a new and emergent theme, and requires the researcher to remain open to all possible viewpoints. In addition, every individual can experience the change differently; a more interpretative approach is required. The research question of this study – how one can measure change management – begs for an approach where understanding of the feelings and perceptions of employees is possible. This requires interaction which qualitative methods can provide. The quantitative analysis could end up with a statistical overview without giving any indication what exactly was wrong or could be done better.

The qualitative and quantitative methods have often been described to be the two opposites of each other, but this might end up oversimplifying them. Instead these two approaches should rather be seen as complementary to each other. The biggest difference lies in the procedure of how a study is conducted. The quantitative approach uses statistical methods or other methods of quantification (Ghauri and Grønhaug 2010, 104), and therefore can more easily provide results which can be generalised. In comparison, qualitative approach has more to do with holistic interpretation and understanding (Eriksson and Kovalainen 2008, 5), and provides the possibility to explore a field which is not yet well-defined (Ghauri and Grønhaug 2010, 109-110). This is foremost because in qualitative research the researcher interacts more with the object (Hirsjärvi and Hurme 2011, 23-24). Choosing a qualitative approach does not

exclude the possibility to use numerical data, and even in this study the secondary data consists of such data.

4.2 Research design

The design of this study is single-case study. This study originated from the interest of the case company concerning the outsourcing project of an IT unit, and furthermore, the limited literature on the subject. The case company was chosen because they had very recently outsourced one of its functions and was willing to participate in the research. Some other qualitative designs could have been possible, but were excluded because of their unsuitability. For example, a grounded theory tries to develop a theory from the data (Eriksson and Kovalainen 2008, 154), which is too big a task considering the size of this study. A focus group research which creates an interactive discussion with a group of people on a single topic (Eriksson and Kovalainen 2008, 173) would not serve the purpose of this study, because people might not talk openly due to the sensitive nature of the research topic. Action research on the other hand, requires the researcher to be a part of that change himself (Eriksson and Kovalainen 2008, 193-194), which was not possible because the study was conducted right after the transition period. A case study then appeared both suitable as a method and possible to execute with the scope of this study. A case study is good for situations where there are no single set of outcomes (Yin 2009, 20). Furthermore, case studies are often used to study complex organizational or managerial issues (Eriksson and Kovalainen 2008, 116-117), of which change management in outsourcing is an excellent example. Although a single-case study cannot offer generalizations, it can offer a deeper understanding of the phenomenon.

Yin (2009, 18) defines a case study to be an empirical inquiry, which

- "investigates a contemporary phenomenon in depth and within its real-life context, especially when
- the boundaries between phenomenon and context are not clearly evident.

- - copes with the technically distinctive situation in which there will be many more variables of interest than data points and as one result
- relies on multiple sources of evidence, with data needing to converge in a triangulating fashion, and as another result
- benefits from the prior development of theoretical propositions to guide data collection and analysis." (Yin 2009, 18)

Outsourcing is a very contemporary phenomenon, and the change management which the study focuses on is naturally embedded in a specific context. But what is even more important is the fact that this subject requires openness to several "variables of interest" (maybe even ones that are not prevalent in the theory) which one cannot determine beforehand, and these rely on multiple sources of evidence which are available through the use of a case study method.

4.3 Data collection

The data consists of two different sources: secondary data and primary data. The secondary data will give information from before the transition period ended, whereas the primary data will be collected five months later. Using both data will provide the study with more objective perspective, and help to understand both the feelings during and after the transition. The opinions of people may change over time and therefore it is good to have data from both the transition period and after it. It also increases the validity of this study to have several sources of information.

The process of collecting these data is depicted in Figure 2. The secondary data is mainly quantitative, and it was gathered through online-questionnaires halfway through the transition phase by the case organization. This data will be analysed to find trends, contributors and possible problems. Also, analysing first the secondary data will give indication of what to focus on in the collection of primary data. The primary data will be collected after this by interviewing. All the interviews will be taped and also notes will be taken during the interviews. There will be five personal interviews with the staff from different levels and functions involved in the outsourcing process. This way the

data provides a rich view on all the aspects. The interviews will be conducted five months after the official transition phase is over, and the transcribing and analysing will be done immediately after this. The people to be interviewed are from different organizational levels in the IT organization which was going through outsourcing. They will therefore have direct knowledge on what happened and experience on the change itself, which makes them the best informants for the purpose of this study. The interviewees include two top level managers (HR and IT), two middle level managers, and one outsourced operational level manager.

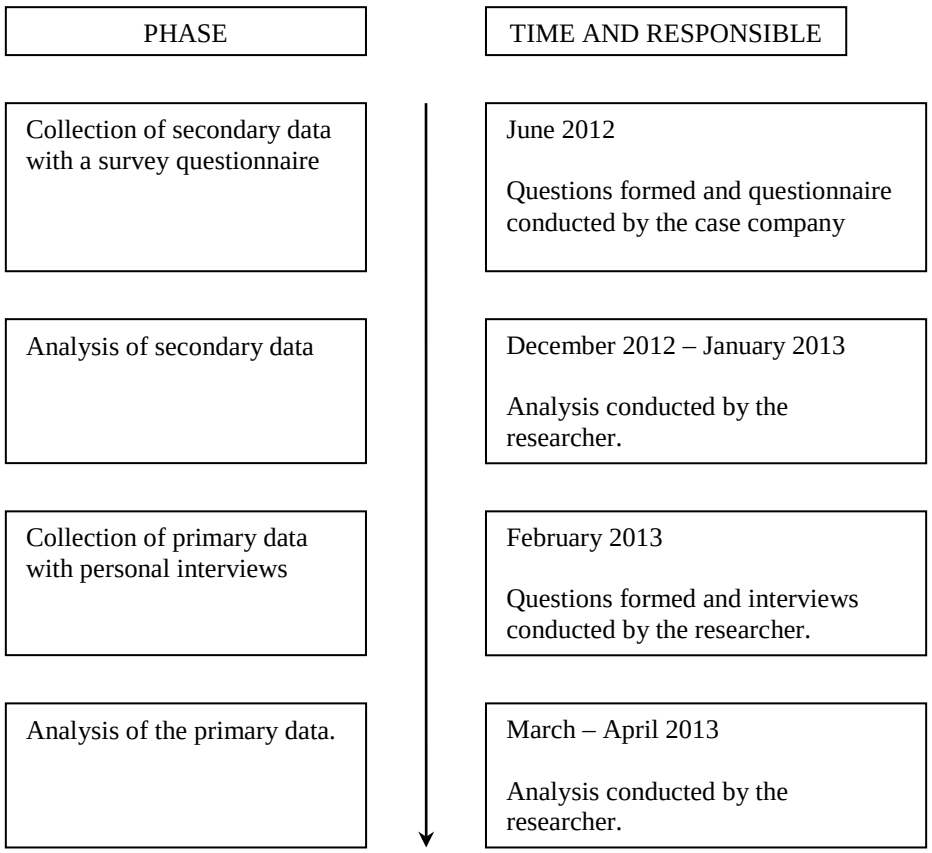

Figure 4. *The process of collecting and analysing the data*

For primary data the interview is deemed to be the best approach, because as a data collection method it provides a broader perspective and more in-depth answers (Eriksson and Kovalainen 2008, 81). In addition it gives the interviewees the possibility to clarify their answers and the interviewer to ask further questions (Hirsjärvi and Hurme 2011, 35). The idea with qualitative research and interviewing is to gain an understanding of an individual's experience towards a situation, the features of which

are already known to the researcher (Hirsjärvi and Hurme 2011, 47-48). Interviewing also acknowledges that each people experience this situation differently, and these perceptions are the frame around which I hope to build the measurement system.

As opposed to survey questionnaires or unstructured interviews, semi-structured interviews will be used (Eriksson and Kovalainen 2008, 82) which enables the detection of issues that are not necessarily prevalent in the literature. In semi-structured interviews the importance is not in the questions but the themes which should be covered (Hirsjärvi and Hurme 2011, 48). The interview themes with preliminary questions will be formed by using the theoretical framework and the understanding gathered from the analysis of the secondary data. These themes are presented in the Appendix 1. After the interviews the respondents will be given the chance to read the written analysis so that they can check that their answers are correct.

4.4 Data analysis

The secondary data had thirteen questions which were analysed with SPSS system (version 20.0). There were also two open-ended questions, which were analysed with a coding method, where I first coded comments into descriptive codes, and organized those further into classes and then into themes. A factor analysis was conducted in order to see whether some of the thirteen questions could be grouped together. To ascertain that these factors are relevant, a reliability analysis was conducted. If Cronbach's alpha is over 0.7, the factors are internally consistent (Heikkilä 2010, 187). Because the data is at the ordinal level, non-parametric tests were used to assess the significance of the differences between the two groups. These groups which were available for comparison were the employees remaining in the company and the employees to be transferred. The null hypothesis was that there are no differences between these groups, which would be rejected if the $p<0.05$ (Heikkilä 2010, 195).

The primary data was analysed with a similar coding method as used with the open questions of secondary data. Regarding the primary data, there were two options in analysing: either to transcribe everything and then analyse the text, or analyse the

recordings (Hirsjärvi and Hurme 2011, 138). Here the latter option was used because of the limited time frame and long interviews. This meant that only the parts that were relevant and gave new information were transcribed. This approach was deemed possible in this study because the researcher was also the interviewer (Hirsjärvi and Hurme 2011, 142). The only risk in this option was that something might be left unnoticed in the transcription phase. This risk was mitigated by listening to the interviews two times: first time when simultaneously writing the summary transcriptions and second time with the analysis conducted. The second time allowed for checking and comparing the results.

1. Transcription	2. Explanation	3. Code	4. Theme
"The chance to meet locally and regularly was important, to grumble together… from that point the team was good."	Team grumbling helpful.	Venting.	Feelings.
"The questions were not surprising: how am going to get paid, I have holidays I haven't held, my pension, my new job title, can I take shower in the working place, can I take my bike? It was unbelievable the questions they were asking. But they were always very personal."	Lack of information about personal, work-related things.	Employee benefits.	Information

Figure 5. *Method used for analysing primary data*

The transcribed data was first coded into explanations, then into codes and then into themes (for coding, cf. Miles and Huberman 1994, 55-61). This method is illustrated with two examples in Figure 5. Naturally not all the transcriptions required both explanation and code, if they were the same.

4.5 Validity and reliability

Validity can be seen to consist of different kinds of things. Yin (2009, 40), for example, divides it to construct validity, external validity and internal validity. In this study I aim for construct validity by using two different kinds of sources of information, namely the

two sets of data. Internal validity is related to the data analysis, which was discussed in detail in the previous chapter. The only way this study is deficient is the external validity in the sense that it only describes one case.

One problem concerning internal validity is the fact that the primary data was collected through interviews, and is therefore subject to human errors from the side of both the interviewer and the interviewee. A person is always viewing the world through symbols and his or her own values and beliefs and is also subject to the socially constructed reality and culture (Hirsjärvi and Hurme 2011, 16-17). Hence, people can be biased, prone or conditioned to think in a specific way and they can also forget things. The concepts of reliability and validity suggest that there is an objective truth to be studied (Hirsjärvi and Hurme 2011, 185), whereas people rarely have an objective view on things. Therefore my perception of retrieving valid data was to capture the real essence of what people feel and get their truthful opinions and experiences concerning the object of this study. One way of ensuring the validity was to tape the recordings and have the interviewees read the analysis after it was done. Another issue which might be impeding validity is lying. What is noteworthy is that I was an outsider to the project and the unit in question which means that I could remain objective, and also the respondents did not feel any conflicts of interest in answering truthfully.

Reliability means that the results would be the same even if the same study was conducted again (Hirsjärvi and Hurme 2011, 186). In order to ensure reliability, I have tried to describe the process of analysing the data as precisely as I could, so that the reader is able to follow every step and decision. Also having the interviewees read the analysis was also part of ensuring I had valid and reliable information.

5 CASE STUDY

Sivut 33-51 rajattu julkisuudelta 22.5.2016 asti.

6 DISCUSSION

The research question for this study was "How can change management in outsourcing be assessed?" In order to address this question the main factors of change management in outsourcing have to be examined. Change management has been studied quite extensively, but not in the context of outsourcing. It is therefore interesting to pay attention to especially those points which appear very strong in the outsourcing context in regards to the change. Outsourcing is a very unique situation from the point of view of change management because there are two organizations involved. In addition, outsourcing usually has a very negative connotation because it is easily perceived as one form of terminating the employment. Combining change management to this setting is therefore not an easy task, but still an important one.

The case in this study was an outsourcing project of an IT unit in a multinational company, here called Agile. Seven themes emerged from the results of the primary data: Information, Communication, Introduction phase, Participation, Support, Feelings and Culture. From the secondary data three factors were identified: Acceptance, Facilitation and Communication. These results can be compared to the theoretical framework which is summarized in Table 1 (see chapter 3), and included Introduction of change, Communication, Participation, Support, Feelings, Role of the service provider, Key capabilities and Cultural issues. Many of the results can be seen to reflect those things which are prevalent in the literature too. From the point of view of change management it is useful to condense these into factors which could offer managerial implications. These could be visioning, information, engaging the service provider to be an active partner in the transition phase, communication, participation of the employees, support, and identifying and motivating key capabilities. These factors will be discussed in more detail later in this chapter. The Feelings is not viewed as a factor at this stage because in itself it does not provide any operational help. However, acknowledging the employee's feelings should not be forgotten. Many of the seven factors actually have an effect on the feelings. For example, the lack of information affects the feeling of insecurity.

More importantly, feelings should be acknowledged on the time-axis. Based on the results it seems that the feelings in outsourcing follow the form of the personal change curve, although the dip and the negative feelings may be deep and long-lasting. In the case of Agile, the performance levels or the motivation level did not rise even to the starting stage, even at the end of transition. As Kotter (1995, 102) has noted, goals and milestones throughout the change are important. Similarly, Kets de Vries and Balazs (1999, 658) regard small wins as influential. Addressing the transition in smaller pieces could help in this, and hence it might be advisable to divide the transition process into smaller pieces. It is worth noting that the length of a transition might affect how this division can be done. Here a four-staged approach appeared to be the most functional. The Figure 12 presents the seven change managerial factors in outsourcing in regards to these four stages and the amount of attention they need.

Stage: Key factor:	Introduce	Engage	Occupy	Prepare
1. Visioning				
2. Information				
3. Engaging the outsourcing partner				
4. Communication				
5. Participation				
6. Support				
7. Key capabilities				

Figure 12. *Assessment of the key change management factors during transition. (Red = requires a lot of attention, Yellow = requires some attention, Green = requires little attention)*

The first stage of Introduce aims at presenting the change, creating the vision and addressing the feelings of the employees. At the stage of Engage the employees need most information, and should also be involved in planning the change in a way they can

experience control over the situation. Occupy mean keeping the employees busy with work, and also continuing to engage them in the change. The Prepare stage aims at directing the minds of employees to the transfer. Next the seven factors will be discussed.

Visioning

Visioning consists of both the vision of future and the need for change. Creating an uplifting vision in outsourcing is a challenge, because making people to change their work place involuntarily is hardly a nice prospect. It was no surprise that Agile had problems in this area. According to Elmuti and Kathawala (2000, 125), unclear expectations and objectives are indeed usually the biggest problems in outsourcing. Therefore winning over the hearts of the personnel, which Kotter (1995, 98-100) suggests, may not even be possible. In outsourcing the vision cannot be overly positive, but it should be in sound relation to the severity of the change. Vision is nonetheless an important thing. It provides an idea the employees can work towards to and to strive for. It means clarity about what is to come, because people need some direction where to go. At Agile the vision people would have needed seemed to be missing. The employees were scared and insecure for a very long time because they did not know what was going to happen or what the new way of working would be. They were told that the work they used to do was going to change, but not how. There were only pushing factors but no pulling factors (Aiken and Keller 2009).

But what kind of vision do the employees need then? The usual way of understanding a vision is to create an organization-wide vision. However, this is only one part, and not even the most important one in outsourcing. The organizational-level things and the business effects appeared to concern the employees less in this case study, whereas the local and personal level appeared much more important. This could also be interpreted so, that the organization-wide vision was communicated well. In this setting it might have been helpful to create also a local and a "personal vision". Creating a vision at any level should naturally happen before the introduction stage starts, as the vision should be communicated already at the early stages of the transition. By the time of the occupy stage the vision should be clear to everyone, and should not require more attention than reminders of it.

Providing clear reasons, in turn, is usually emphasized in the change management literature, because it is supposed to increase a person's acceptance. In Rashid's (2012, 449) case the employees were hugely concerned with the reasons, whereas in this case the reasons were not given such a big role. This could indicate that the communication of reasons was good at Agile. Also the difference in the time of the data collection might have some effect: here the primary data was collected over four months after the transition which might affect how important the reasons are perceived. What is more interesting is that although the employees at Agile were given reasons, the level of acceptance was still low. This can be due to two reasons. Firstly, the employees did not necessarily assimilate the reasons. This would be in line with Aiken and Keller's (2009) idea that often what the managers find motivating is not the same for the employees, but little indication of this was distinguishable from the results. The second reason is that there are other things which affect acceptance. After all, no matter what the reasons are they will never be good enough to compensate for the loss of a work place, as one top level manager noted in the interviews. At least in this case the lack of information in personal matters raised more emotions than what the reasons for the actual decision were. Even still, communicating the reasons should not be neglected in outsourcing. Reasons should be given a lot of attention in the introduction stage, although their communication does not automatically result in the acceptance. If a company fails in this, there is a risk that it will backfire in the later stages. To increase acceptance information should be provided and the employees should be given space to process their feelings.

Information

Although in the change management literature information is usually seen as part of communication, it was apparent in the case of Agile that both the content, i.e. information, and the way of communication had issues. For that reason information was separated into its own factor. This choice is supported with the outsourcing literature, where there are a lot of cases of information lacking (Rashid 2012, 458; Elmuti and Kathawala 2000, 125). Also Logan et al. (2004, 160) suggest that information about the future and employee roles are highly important for the motivation of the employees to do the knowledge transfer and move to the new employer. In this case study the information could be divided to concern either organizational level, local level or personal level. Although there was quite a lot of communication at Agile, the employees

deemed information too general, especially in regards to the local and personal level changes. This finding is in accordance with Liu and Perrewé (2005, 271), who found that the specific information should be distributed right after the initial stage of change. This is especially important because neglecting the detailed information can lead to a drop in performance. The problematic part for Agile was that even the managers did not seem to have had enough information. It was unclear when the information on these things was going to come in. It is interesting to consider that the managers at the top level felt all the possible information was given to the employees, but the employees did not share this view. Instead, the employees started to ask around and build the perception of things on what they heard from a variety of people instead of some formal channel. Concerning information it might be then advisable to ensure that everybody knows at least when this information will be published, and which the right source of information is.

Engaging the outsourcing partner

The success of a transition also relies on the outsourcing partner, which means that the cooperation between the two companies should be seamless. This notion is also prevalent in the outsourcing literature (Beulen et al. 2011, Nordin 2005). Although this study does not examine the relationship between the two companies, it is worth mentioning that the outsourcing partner got many, mostly negative comments in most of the interviews. It could be then said that the relationship had a big effect on the transition and how the employees perceived it. For example in this case much of the information was something that concerned the provider. Cullen et al. (2005, 240) note that the close visibility of the provider to the employees is a good thing. Similarly Aydin et al. (2010, 338) note that informal communication, with also face-to-face-communication, is very important, but also easily ignored. At Agile the one-to-one discussions that were supposed to be informative did not provide enough information or space for discussion in the end. Maybe due to this, Beeter was perceived as a big and scary monster by the employees at Agile.

Engaging the service provider also entails addressing the cultural issues. The cultural aspect was salient in the findings of this case study, which was to be expected based on the previous literature (cf. Aydin et al. 2010, 344). Differences in both the national and the organizational cultures proved to be difficult for the employees in the case of Agile.

For example Blumenberg, Wagner and Beimborn (2009, 350) also assert that shared knowledge in an outsourcing relationship affects the performance. If this is so then engaging the service provider, and therewith enhancing the knowledge transfer and understanding, could alleviate the fears of another culture as well as improve performance.

Communication

The communication was not the biggest concern for the employees at Agile, which is in line with the findings of Elmuti and Kathawala (2000, 125). However, communication is not trivial either, and some issues emerged at Agile too. The communication did not appear to be packaged and targeted enough which made it easier to ignore. This appears to be a common problem in outsourcing situations as also Rashid (2012, 455) reports misunderstandings in the targeting of the messages. Another factor is the legislative side, for example the worker's councils in many European countries. Also Elmuti and Kathawala (2000, 125) and Aydin et al. (2010, 337) mention legal issues as a factor affecting outsourcing. Figure 13 depicts the different factors that affect the successful outcome of communication in outsourcing. Information quality and availability from both companies construct the communication content, whereas the progress of the project (as in between the buyer and the provider, such as the new structures) and worker's council or other such legal issues affect the timing of what information can be communicated and when.

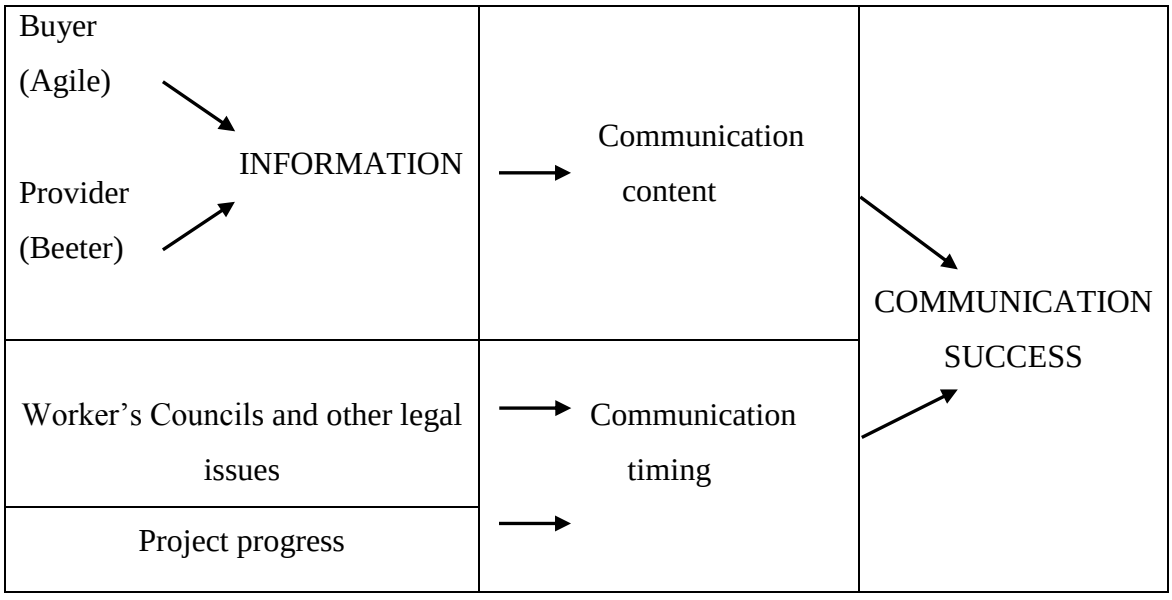

Figure 13. *Factors of communication success in outsourcing*

It should be remembered that communication is also behaviour and actions (Kotter 1995, 100). At Agile it was communicated that there were going to be interesting and challenging new tasks, that people were valued, and that things would go smoothly. However, the actions and the reality did not completely support this view: the employees did not know what their new job would be, their questions were not always answered and there appeared many small problems on the way. The situation in the transition stage was controversial to the promises of the beginning at least to some extent. It is no surprise that in a situation such as outsourcing communication is difficult. Making people orient themselves towards the future without sounding overly positive is challenging. However, it might help to openly admit in the beginning that the transition might entail problems along the way. Also, to gain the trust of the employees it could be advisable for the management to admit if there appear mistakes or problems. This might help in giving the impression that at least this miscommunication was not intended.

Participation

Participation was deemed important at Agile, especially when it was lacking at parts. This is consistent with the literature. For example Khosrowpour et al. (1996, 94) suggest that the employees should be engaged as much as possible after the announcement. Interestingly some managers at Agile noted that not all the right people were involved even at the decision stage, where it was decided how the outsourcing was to be done and which functions of the IT department would be included in the scope.

In addition, employee participation is highly important for the planning of the new service (cf. Rashid 2012, 450; Beulen et al. 2011, 217). According to Marks (2007, 728), employees should also be involved for the sake of sharing things that inhibit the change, which did not happen at Agile. Motivating employees to share their knowledge in such a situation might be hard, especially when they feel they have not been heard in the decision-making stage. Based on the results, however, it would seem that giving the employees the possibility to participate would be appreciated. On top of this, engaging the employees and asking their opinions is also a way of processing the change too. Having goal-oriented work seemed to be beneficial at least to some at Agile.

Support to supervisors

Support appeared to be a factor in both the results of this case as well as the literature on change management of outsourcing. This case study further corroborated the notion of Elmuti and Kathawala (2000, 125) that appropriate control systems and infrastructure is needed. At Agile there was good support in HR-related matters and communications was provided. Support in technical matters, such as project tools, was deemed important but lacking. In addition, the managers hoped for more change managerial support at the local level. Those who did not have a strong team or a supervisor to help clearly struggled with their negative feelings longer which also seemed to affect the productivity. It seemed that there should be someone to facilitate the sharing of feelings within the team, and at best that would be the supervisor. An outsider to the group probably does not help. This is in accordance with the result of Kets de Vries and Balazs (1999, 663) that social support is crucial. At least at Agile the support for supervisors is then crucial because they are the ones who at best act as change agents and support their team members.

Key capabilities

Agile realized the importance of the key persons, but did not completely succeed in identifying them. Some key persons were recognised only late in the process, and this required adjustments from Agile's part. In the outsourcing literature a lot of emphasis is put on identifying and motivating the key informants to firstly share their knowledge and secondly to transfer to the provider willingly (Handley 2012, 162-163). Beulen et al. (2011, 221), for example, suggest additional compensation to ensure proper knowledge transfer. But what was happening at Agile was that people were loyal and happy to work for the company, and now felt the company was betraying them. This resulted in a decrease in loyalty. Logan et al. (2004, 160) suggests that employees who are highly involved or successful in their work feel more threatened by the change in employers, and are therefore also more prone to quit instead of transferring. Although their study is done in the trucking industry, it seems to apply to the situation at Agile too. A contrary suggestion to paying compensation is then to reduce this fear by providing information on the future employer and the career paths available (Logan et al. 2004, 160). This is also in line with the information provision mentioned earlier.

There is one thing which appeared in the results of this case study which was not mentioned in the extant literature. This was the significance of the supervisors who will be transferred. They are representing the company while at the same time confronting the change and feelings themselves for the first time. These managers are at a crucial point, because they are the ones who can motivate and support their teams, but also bring them down. They also have an effect on how people perceive the transfer to the new employer. Therefore additional support for these supervisors is needed. One to-be-transferred supervisor at Agile, for example, mentioned he would have needed help and information on how to convey the messages to teams.

To conclude, it could be said that the first half of the transition at Agile was confusing to most of the employees. The findings are in line with the change management literature where the introduction and start of a change project are presented as the most crucial phases, due to the emotional confusion and uncertainty the employees will be experiencing. The feelings of employees at Agile were found similar to the ones Kiefer (2005, 890-892) has identified: feeling that you cannot work efficiently; to feel a threat to personal situation and future; and a lack of fairness. In the results of this case study there was also another prominent feeling: the feeling of being betrayed. This is to be distinguished from the lack of fairness, because betrayal can affect the loyalty of the employees. Questions of loyalty and betrayal also appear in the literature of outsourcing (cf. Rashid 2012), so this could suggest that it might emerge in other outsourcing situations too.

It was not evident from the results what could have made people feel better, but then again, as Rashid (2012, 448) noted, accepting change does not mean that people have to be happy with it. A company who is outsourcing should maybe not aim for positive feelings as much as for acceptance. Also processing the negative feelings should be facilitated. This can be accomplished by venting the feelings, for example among the team. Based on the results of this case, engaging people in productive work is assumed to have a positive effect in dealing with feelings. It should be also insured that there is no specific discomfort or obstacles at work which cause these negative feelings. At Agile, the lack of detailed information and other inconsistencies in the relationship with Beeter were definitely inducing negativity amongst the employees.

Lastly, an interesting notion emerging from the findings of this study is the nature of change in outsourcing. An outsourcing equals one change for the company. However, from the individual's side an outsourcing includes many changes at the same time. An individual faces the change of a work place, change of team mates, change of organizational culture, change of systems, working methods and so on. If possible, change management should take these things into consideration. On the other hand, the fact that many of these changes happen at different times makes change management ever the more challenging. It is then not surprising that the overwhelming feelings are unavoidable in such a change.

7 CONCLUSIONS

This study focused on finding a suitable assessment method for the change management of outsourcing. The change management of outsourcing has so far not been researched in a systematic manner, and therefore the purpose of this study was also to identify the major factors of outsourcing, both negative and positive. This chapter aims at presenting the central findings and answering the research questions, as well as reviewing the validity of this study and suggesting future directions for research.

This study contributes to the discussion of the transition phase in outsourcing literature in a novel way, by examining the outsourcing as a change. Moreover, it provides an operational tool for using change management in an outsourcing situation. The findings of this case study support the notions of previous literature that there is a significant drop in motivation and productivity of the employees in the beginning of a transition phase. They further suggest that the feelings of the employees in outsourcing reflect the personal change curve. It can then be assumed that a company outsourcing its services can benefit from change management.

Based on the findings, there seem to be seven factors which require attention in change management of outsourcing. These are visioning, information in three different levels, communication, engaging the outsourcing partner in the transition, participation of the employees in outsourcing activities, identifying and managing the key capabilities and providing support by providing appropriate tools, infrastructure and trainings. Also supervisory support was found important, and if there is a way for an organization to facilitate this, it is highly recommendable. Furthermore, the findings suggest that a transition phase could be divided into smaller stages. Here it was divided into four stages named Introduce, Engage, Occupy and Prepare. Especially the first two stages require a lot of attention in many aspects, due to the emotional turmoil the employees are experiencing in these stages. The practical implications of this study are collected as an assessment tool for a company (Table 3). To help in the assessment it is advisable to conduct and analyse questionnaires at the end of each stage.

Table 3. *Checklist for the transition phase*

Factor/Stage	Introduction	Engage	Occupy	Prepare
Visioning	Have the reasons been communicated? Are there clear objectives and expectation for the project?	Have people understood the reasons and objectives?	Are people being reminded of the objectives?	Are people being reminded of the objectives?
Information	Is there information about 1) organization level changes 2) local level changes 3) personal level changes?	Are there still unclear things and when will they be resolved? Who is responsible for solving them?	Has new questions emerged on 1) organizational level 2) local level or 3) personal level? Who will resolve these and when? Is there information about the transfer and the new service?	Is there information about the transfer and the new service?
Engaging the outsourcing partner	Is the partner involved in the introduction? Is there a plan with the partner how to do change management and knowledge transfer? Have the cultural differences been identified in 1) national level 2) Are there one or few contact persons named for the project at the partner organization?	Are the new services being planned with the partner? Is the partner active in 1) planning the new service 2) engaging the transferring employees? Are there ways to improve the cooperation with the partner?	Is the outsourcing partner active? Are there problems in the partnering relationship that could hurt the outsourcing effort?	
Communic-ation	Have legal issues (e.g. worker's councils) been handled? Has all possible information been distributed? Is communication 1) consistent in all channels 2) targeted (how)?	Are there any problems in the communications and who will resolve them? Are the messages consistent and regular?	Are the messages consistent and regular?	Are the messages consistent and regular?
Participat-ion	Do employees at the lower level have a possibility to contribute to the planning of the new service?	Do the employees participate in the outsourcing activities?	Do the employees participate in the outsourcing activities?	
Support	Is there support for immediate supervisors to provide team support? Is there HR and Communication support? Is there support on sourcing practices?	Is the support given up to now sufficient? If not, what should be added and who is responsible?	Is the support given up to now sufficient? If not, what should be added and who is responsible?	Is there support to help with the transfer?
Key capabilities	Have the key players been identified and engaged? Is there a compensation or other incentive for them?	Are the key capabilities engaged enough? Is there a risk they might leave or not transfer?		

This study has some limitations. Firstly, the focus was solely on the transition period of an outsourcing project. Although the findings indicate that the preparation for the transition period is required before its start, the planning period was not examined. In the findings it was also clear that the transfer did not mark the end of the change. If comparing to the change curve of an individual, the point of transfer seems to be situated in the depression stage. Adaption cannot be expected at this stage, because the employees have not faced all the possible changes, such as new team and new working methods. Unfortunately these things were beyond the scope of this study, but are no less important.

Secondly, due to the fact that this study was conducted as a case study research the generalizability of the results is limited. However, the results are useful in two ways. Firstly, they give indications about the best practices which practitioners can use when benchmarking their change management. The findings are most useful to those companies which find themselves in similar situation as described in the Case study chapter. Secondly, the results enrich the existing literature on the subject of outsourcing transition, and the academics can elaborate and build on this model in the future.

Further study in different settings is needed to apply this model to a broader context. I would suggest a longitudinal case study to be conducted with this model, with companies from different industries. Another suggestion for validating the model would be to conduct a statistical analysis, in order to study the importance of each factor at different times during a transition process. The effect of the outsourcing partner, i.e. the provider, on the change management of outsourcing would also be worth studying in wider extent.

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APPENDIX 1: Interview themes

Interview themes with example of questions (not an exhaustive list of the questions).

Understanding

Could you tell me about the first time you heard about this change?
What were the reasons for this outsourcing project?

Information availability

What kind of information did you get?

Dialogue and Communication

Could you tell me about the communication during this transition?
How did employees contribute to this change in your opinion

Support

What kind of resources was provided during this transition?

Feelings

What things made you feel angry, frustrated or sad?
What made you feel better about the change?

Overall estimation of the project

What was done well/poorly in the project?

APPENDIX 2: The questionnaire

	Mean (Total)	Mean (Remaining)	Mean (Transferred)	Cronbach's alpha
ACCEPTANCE	**2.89**	**3.24**	**2.39**	**0.878**
I understand why the changes are needed	2.90	3.24	2.37	
Message about the targeted outcome is consistent and clear	2.85	3.28	2.23	
IT top management is committed to this change	3.43	3.70	3.02	
IT managers are committed to this change and are active in supporting their teams	2.96	3.23	2.57	
I am confident that the change will be implemented successfully	2.46	2.80	1.93	
FACILITATION	**2.95**	**3.21**	**2.56**	**0.777**
I am aware of the key phases in the change plan and when they will happen	3.26	3.42	3.03	
There is enough information available about TransIT and I know where to find it	3.07	3.42	2.54	
I have been given enough opportunities to discuss the change and ask questions	2.99	3.41	2.41	
I have sufficient time and energy to adapt to this change	2.50	2.67	2.26	
COMMUNICATION	**2.46**	**2.80**	**2.23**	**0.823**
I have received enough information from the Agile's HR about HR topics related to the transfer	2.36	2.70	2.16	
townhall meetings	2.53	3.12	2.37	
I found the HR one-to-one discussions useful and informative	2.33	2.54	2.28	
I found the job discussions with Beeter useful and I was given the opportunity to share my expectations	2.21	2.83	2.15	