A Governance Mechanisms Framework for Multisourcing in Business Groups

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ABSTRACT

Many large corporations are adopting multisourcing strategies. Multisourcing is described as the blending of services from multiple company-internal and external suppliers in the pursuit of business goals. To date, governance-related aspects in terms of multisourcing have been scarcely covered in the academic literature. With this research study, the authors examine how business groups utilize governance mechanisms in a multisourced IT environment. This article contributes to the body of knowledge in three ways. First, it describes established IT governance mechanisms; second, it presents insights into three real-life examples of IT governance mechanisms at leading international insurance companies; and third, it extends current literature toward multisourcing in a group context by proposing and applying a framework of IT governance mechanisms targeting the different relationships of multisourcing in business groups. In addition, this research is useful for corporations facing similar challenges.

Keywords: Business Groups, Governance Mechanisms, International Insurance Companies, IT Outsourcing, Managing Relationships, Multisourcing

1. INTRODUCTION

Multisourcing has been identified by both practitioner-related and scholarly literature as an emerging key strategy in today’s IT outsourcing endeavors of many large corporations (e.g., Bapna, Barua, Mani, & Mehra, 2010; Cohen & Young, 2006; Janischowsky & Schonenbach, 2009; Levina & Su, 2008; Oshri, Kotlarsky, Rottman, & Willcocks, 2009). Cohen and Young describe multisourcing as the blending of services from multiple company-internal and external suppliers (Cohen & Young, 2006). The major part of current studies addresses dyadic IT outsourcing relationships; however, linear extensions of those are not sufficient to capture the details of multisourcing (Bapna et al., 2010).

Moreover, governance-related aspects in the context of implementing a sourcing decision (Dibbern, Goles, Hirschheim, & Jayatilaka,
2004) have scarcely been covered despite their
great relevance (Busi & Melior, 2008; Clark,
Zmud, & McCray, 1995; Davis, 1996; Dibbern
et al., 2004; Gottschalk & Solli-Sæther, 2005;
Klepper, 1995; McFarlan & Nolan, 1995;
Weimer & Seuring, 2009; Willcocks & Choi,
1995) and the extensive research that has been
carried out in general on IT governance (e.g., De
Haes & Van Grembergen, 2009; Henderson &
Venkatraman, 1993; ITGI, 2007; Loh & Ven-
katraman, 1992; Sambamurthy & Zmud, 1999;
Weill & Ross, 2004). This study builds upon
those findings and aims to extend current litera-
ture toward multisourcing in business groups.

Preliminary expert interviews with senior
IT management consultants have indicated that
governance aspects in multisourcing are of
great practical relevance. Serving as an example, one
interviewee stated:

In our clients’ frequently multi-sourced IT
function, governance is of high relevance, yet
the clients struggle to identify the right levers
to implement.

With this research study, we intend to
broaden understanding of how business groups
implement governance mechanisms in a multi-
sourced IT environment. Therefore, we have
defined one comprehensive research question:

[RQ] How do business groups apply governance
mechanisms in multisourcing?

This question has been further specified
into two detailed sub-research questions:

[RQ.1] What are relevant IT governance
mechanisms based on the current body of
knowledge?

[RQ.2] Which mechanisms could a multisourc-
ing governance framework in a business
group encompass?

To answer these research questions, we
conducted both a qualitative in-depth single case
study and a qualitative multiple case study to
investigate multisourcing relationships at lead-
ing international insurance groups providing
primary insurance, re-insurance, banking and
asset management services. We have chosen this
industry because financial services providers
such as banks and insurance companies are in
the forefront of outsourcing and offshoring both
IT and business processes (Levina & Su, 2008).

This article aims to contribute to research
on IT outsourcing in general and IT governance
mechanisms in a multisourcing context spe-
cifically, and is structured as follows. Section
2 outlines the research methodology. Section
3 provides an overview of fundamental terms
and related research. Section 4 considers the
single case of a leading insurance group. Sec-
tion 5 reveals the main case study findings and
discusses our proposal toward a framework of
IT governance mechanisms. In Section 6 we
apply the proposed framework in a multiple case
study in the insurance industry, and in Section
7 we highlight the lessons learned before we
conclude in Section 8.

2. RESEARCH METHODOLOGY

We have chosen a five-step research approach.
In order to validate our research questions with
regard to relevance, we interviewed sourcing
experts. Furthermore, we analyzed the current
body of knowledge and conducted an in-depth
single case study in order to investigate a
real-life example of governance mechanisms
in multisourcing. Based on those findings,
we synthesized and proposed a framework of
governance mechanisms targeting the different
relationships of multisourcing in a business
group. The framework has been evaluated
with experts. Finally, we conducted a multiple
case study in the insurance industry in order
to apply and further verify the governance
mechanisms framework.

2.1. Expert Interviews

In order to manifest the relevance of the research
questions, we conducted expert interviews. We
chose three senior experts from management
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