

**TENDERING FOR OUTSOURCED SERVICES IN A LARGE
AUSTRALIAN BANK: THE DRIVERS OF SUCCESS**

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SOUTHERN CROSS UNIVERSITY
CANDIDATE'S DECLARATION

I hereby declare that this thesis entitled 'Tendering for Outsourced Services in a Large Australian Bank: the Drivers of Success', submitted in partial fulfillment of the requirements for the degree of Doctor of Business Administration, is my own original work and that, to the best of my knowledge and belief, contains no material previously published except where due acknowledgement is made in the thesis.

I certify that the substance of this thesis has not, either in whole or in part already been or is not currently being submitted for any other degree at this or any other university.

I also certify that any help received in preparing this thesis and all sources used have been acknowledged.

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Dedicated to the memory of George Albert Moore

ABSTRACT

The practice of outsourcing is widespread throughout the global economy. Having antecedents in contracting-out practices developed during the industrial revolution of seventeenth century England, outsourcing developed as a byproduct of post World War II business efficiencies. Outsourcing gained traction in the 1980's and 1990's as a result of economic recession in the USA, and in Australia, outsourcing appeared on a large scale during the 1990's, its introduction facilitated by the emergence of web based technologies.

Within Australia, the financial services industry is unique in that there is government regulation of the outsourcing activities conducted by organisations within that industry segment (Australian Prudential Standard APS 231 - Outsourcing). Banks in Australia have outsourced substantial elements of their business processes and information technology operations.

Typically in Australia, when seeking providers of significant outsourced services, organisations engage in a competitive tender process. Tendering is a time consuming and costly exercise for both the organisation seeking providers of outsourced services and the organisations seeking to provide those services.

It was the contention of the researcher that, if the characteristics that contribute to the successful conduct of the tendering activity were identified and applied, then savings, in terms of cost (both financial and opportunity) and time, would accrue to the organisations engaged in the outsourcing tender activity.

This contention led to the formulation of the research problem that is addressed by this thesis:

When tendering for outsourced services within a large Australian bank, what are the drivers of success?

In resolving this research problem, several contributions have been made to knowledge, as this is the first known research conducted into the tendering activities of Australian banks, as they seek providers of outsourced services.

Specifically, this research has made three significant advances in knowledge: i) the development of a conceptual framework for outsourcing in the Australian banking industry; ii) the development of a conceptual framework for tendering for outsourced services in the Australian banking industry; and iii) formulation of a practitioners' checklist for successful tendering within the Australian banking industry.

In addition, knowledge has been either advanced, added to or confirmed, by the identification of the individual drivers of success in tendering for outsourced services, in the following categories:

1. organisational drivers of success;
2. supplier market drivers of success;
3. customer/vendor relationship drivers of success;
4. tender process drivers of success;
5. regulatory environment drivers of success; and
6. other drivers of success.

KEY WORDS: APRA
 APS 231
 Australian banking industry
 Financial services industry
 Offshore / Offshoring
 Outsource / Outsourcing
 Request for Tender
 Tender / Tendering

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DEFINITIONS

Business Process Outsourcing (BPO)

The outsourcing of non-information technology business processes (refer Outsourcing and Information Technology Outsourcing).

Business Process Re-engineering (BPR)

A process of achieving improvements in a business activity by effecting changes that increase the levels of efficiency and effectiveness of the business activity.

Captive Offshoring

Offshoring a business activity to a service provider that is a subsidiary company of the offshoring client (refer Offshoring).

Competitive Tender

The activity an organisation undertakes in engaging with the external supplier market for the supply of goods and/or services. A competitive tender is a process of selecting a preferred supplier from a range of potential suppliers in a competitive environment. Characteristics of a competitive tender include: formal documentation; detailed statement of requirements; and evaluation of responses based on one or more selection criteria. Competitive tendering is not the only method for engaging with the external supplier market for the supply of goods and/or services.

Due Diligence

The investigation of an individual or company that assesses the risks and opportunities of engaging in a commercial transaction with that person or company.

Expression of Interest (EOI)

The process whereby a customer seeks to establish the nature, scope, indicative cost and source of available solutions based on a broad and informal statement of its requirements. The EOI is a preliminary ‘test the marketplace’ process and should be followed by one or more of Request for Proposal or Request for Tender (Department of Commerce 2002, p. 28).

Information Technology Outsourcing (ITO)

The outsourcing of information technology services (refer Outsourcing and Business Process Outsourcing)

Offshoring

Offshoring is an outsourcing arrangement in which the outsourced services are performed outside of the country in which they were originally performed. Offshoring is also referred to in the literature as: offshore outsourcing; global outsourcing; global sourcing; and global resourcing (refer Outsourcing).

Opportunity Cost

The cost of undertaking an activity in terms of the opportunity foregone.

Outsourcing

The process whereby an organisation transfers activities, that were previously undertaken in-house, to an external service provider, allowing the organisation to divest itself of operational responsibility, but not accountability, for the conduct of that activity (Quinn & Hilmer, 1994).

Outsourcing is also referred to in the literature as: contract manufacturing; contract services; contracting-out; contract programming; employee leasing; facilities maintenance or management; flexible staffing; professional services; sub-contracting; and staff augmentation (refer Offshoring).

Request for Proposal (RFP)

The process whereby a customer will have a well-developed understanding of its requirements documented in a manner to facilitate a supplier proposal. Through competing proposals the customer will narrow the supplier options without necessarily binding either supplier or customer (Department of Commerce 2002, p. 28).

Request for Tender (RFT)

The process whereby a customer documents its detailed requirements and associated conditions of purchase which are then used to elicit comprehensive and binding responses from suppliers (Department of Commerce 2002, p. 28).

Service Specification

A statement, usually tabulated, of a customer's service requirements. Typically, a service specification would contain detailed descriptions of the service requirements, with required service standards defined.

Stakeholder

Any individual or business unit that is impacted by the outsourcing or the outsourcing tendering activity.

Stakeholders may be either internal to the organisation or external to the organisation.

Tender

See Competitive Tender.

ABBREVIATIONS

ABS	Australian Bureau of Statistics
ADI	Authorised Deposit-taking Institution
ANZ	ANZ Banking Group
APRA	Australian Prudential Regulation Authority
APS 231	Australian Prudential Standard APS 231- Outsourcing
BPO	Business process outsourcing (refer definitions)
BPR	Business process re-engineering (refer definitions)
EOI	Expression of interest (refer definitions)
GDP	Gross Domestic Product
ITO	Information technology outsourcing (refer definitions)
RFP	Request for proposal (refer definitions)
RFT	Request for tender (refer definitions)

1 INTRODUCTION

This chapter provides background information on the research topic: outsourcing and tendering for outsourced services, and outlines the framework of the thesis. The research problem is introduced and its genesis, through the identification of gaps in the literature, is explained. A justification for the research is provided, and the contributions that this research has made to knowledge are summarised. The overall research methodology of the thesis is outlined, and a précis of each of the five chapters of the thesis: i) introduction; ii) literature review; iii) justification of research methodology; iv) data analysis; and v) conclusions and recommendations, is provided, along with the key limitations of the research.

1.1 Background to research

Outsourcing is the process whereby an organisation transfers activities, that were previously undertaken in-house, to an external service provider, allowing the organisation to divest itself of operational responsibility, but not accountability, for the conduct of that activity (Quinn & Hilmer 1994). Examples of business activities that may be outsourced include: accounting functions; call centres; help desks; mortgage approvals and documentation; payroll; recruitment; statement printing; and training. Outsourcing has been widely adopted by organisations as a key corporate strategy (Corbett 2004; Doyle 2003), and the demand for outsourced goods and services is expected to grow dramatically in the foreseeable future (Brown & Wilson 2005; Willmott 2005). As a business tool, outsourcing has a relatively short history, emerging in the 1980's and 1990's via post World War II business improvement strategies and the nascent computer age of the 1950's (Factor 2002; Greaver 1999). Some commentators, however, believe that outsourcing can be traced as far back as the industrial revolution in England during the 1700's (Domberger & Hall 1995; Kakabadse & Kakabadse 2003).

In Australia, when seeking providers of outsourced services, it is usual for organisations to engage in a competitive tender. A competitive tender is a process of selecting a preferred supplier from a range of potential suppliers, in a competitive environment. Because of the costs and inherent risks involved in engaging an external agency to provide services that

were previously performed in-house (Quinn & Hilmer 1994), the conduct of a comprehensive tender process is a mandatory component of the overall outsourcing process at ANZ Banking Group (ANZ), the organisation from which the research data was collected.

The Australian banking industry is currently structured under the 'four pillars' policy, which was adopted by the federal government as a result of the Financial System Inquiry of 1997. The policy prohibits mergers between the four large banks unless evidence can be provided that such a merger could provide significant increased competition (FSU, 2005).

The four pillars comprise the large trading banks: ANZ Banking Group; Commonwealth Bank of Australia; National Australia Bank; and Westpac (Wright, 1999).

In addition to the four large banks, there are a range of smaller, Australian-owned banks: Adelaide Bank; AMP Bank; Bank of Queensland; Bendigo Bank; Elders Rural Bank; Macquarie Bank; Members Equity Bank; St George Bank; and Suncorp-Metway. In addition to the above domestic banks, there are ten foreign subsidiary banks located in Australia with another 34 foreign banks maintaining branches in Australia (APRA, 2008a).

The financial services sector is a major industry segment within Australia (ABS 2006, p. 8), and is unique, in that there is specific government legislation that regulates the outsourcing activities of elements of that sector. The Australian Prudential Regulation Authority (APRA), under section 11AF of the Banking Act 1959, introduced Prudential Standard APS 231- Outsourcing (APRA 2002a) and its accompanying guidance note (APRA 2002b) in May 2002.

The researcher is a Certified Practising Accountant with 25 years' industry experience, the majority of which was gained in the corporate finance sector. For the period 1998 to 2006, the researcher was employed by ANZ, and was responsible for managing outsourcing projects. This experience has formed the basis of his interest in and insights into the research topic.

1.2 Research problem

The problem addressed in this research is:

When tendering for outsourced services within a large Australian bank, what are the drivers of success?

I conclude that there are a range of characteristics associated with the outsourcing tendering activity, which if present, will promote the success of the activity.

The research problem was dissected into six research issues in order to facilitate its resolution (section 3.9.1). Each issue related to a class of driver of success in the outsourcing tendering activity, and comprised:

1. organisational drivers of success;
2. supplier market drivers of success;
3. customer/vendor relationship drivers of success;
4. tender process drivers of success;
5. regulatory environment drivers of success; and
6. other drivers of success.

The drivers of success were articulated as a result of this research, and incorporated on a macro level, into a conceptual framework for tendering for outsourced services in the Australian banking industry. On a micro level, the individual drivers of success were incorporated into a practitioners' checklist for successful tendering for outsourced services within the Australian banking industry.

Answering the research issues provided contributions to knowledge that will be presented in chapter five. In summary, this research has made three advances in knowledge: i) the development of a conceptual framework for outsourcing in the Australian banking industry; ii) the development of a conceptual framework for tendering for outsourced

services in the Australian banking industry; and iii) the formulation of a practitioners' checklist for successful tendering within the Australian banking industry. In addition, knowledge was either advanced, added to or confirmed, by the identification of the individual drivers of success in tendering for outsourced services.

1.3 Justification of the research

A review of the literature did not discover previous research relating to the factors that contributed to success when tendering for outsourced services, either within the financial services sector or in other industry segments. This neglect required rectification as there has been significant growth in outsourcing, both globally and domestically (Aulich, Halligan & Nutley 2001; Beasley, Bradford & Pagach 2004; Kim & Chung 2003). The financial services sector is a major segment of the Australian economy (ABS 2006, p. 8), and Australian banks view outsourcing as a key cost control strategy (Williams 2005, p. 1). Therefore, tendering for outsourced services, within the Australian banking industry, is an area of significant economic activity.

Additionally, Corbett (2004), noted that the outsourcing process, of which the tendering activity is a key component, would be expected to take from 9 to 24 months, and that the process was time consuming and resource hungry. At ANZ, the tender component of the outsourcing process would typically have an elapsed time of six to twelve months for significant projects (ANZ 2003a). Tendering for outsourced services is time consuming and expensive for both the organisation seeking the outsourced services and the organisations seeking to provide those services (Beaumont 2006; Holmes 1995).

This cost has a financial and an opportunity cost dimension, which is ultimately passed on to consumers. The cost of tendering is incurred by both the tendering organisation and the tender respondents whether the tender process results in a contract for the provision of services being signed or not.

Application of the identified drivers of success to the outsourcing tendering activity may

increase the incidence of successful tenders (according to the prevailing definition of success in the particular circumstance), and therefore result in significant savings to business and ultimately, consumers.

This research has advanced academic knowledge in an area of significant economic activity which has not been the subject of previous research. Additionally this research will assist outsourcing practitioners to conduct the activity more efficiently and effectively, resulting in time and cost savings.

1.4 Methodology

Due to the lack of prior academic investigation of the topic, little is known about the outsourcing tendering activity and the factors that drive its success, therefore this research is exploratory in nature (Sekaran 1992).

In investigating the research problem, individuals who had participated in the outsourcing tender process within a large Australian bank were interviewed in order to ascertain their opinions on which characteristics of the outsourcing tendering process contributed to the success of the activity.

In chapter three, a review and analysis was undertaken of the four scientific research paradigms and a justification presented as to why constructivism was the most suitable research paradigm within which to conduct this research. Additionally, qualitative, quantitative and mixed methods research methodologies were reviewed and analysed, and a justification provided as to why qualitative research methodology was most appropriate for this research activity. It was the conclusion of chapter three, that in order to allow participants to express their own perspectives and provide complex responses, the most suitable qualitative data gathering technique was the semi-structured interview, using open-ended questions (Mishler 1986; Patton 2002).

Prior to the commencement of the interviews, a semi-structured interview guide was

compiled, tested and refined. With the permission of the participants, the interviews were recorded electronically, and then transcribed verbatim. The transcriptions were forwarded to each participant to ensure they were comfortable with the transcription contents. No participants expressed concern with the contents of the transcriptions, and they remained unchanged. Sarantakos' (1998) five step approach to data analysis was adopted for this research. The five steps comprised: i) transcription; ii) checking and editing; iii) analysis and interpretation; iv) generalisation; and v) verification. In order to assist with the analysis and interpretation step, cross case analysis techniques were utilised (Patton 2002). An electronic spreadsheet was used to assist with analysis of the interview responses and to assist data reduction.

1.5 Thesis outline

This thesis was based on the five chapter approach to a DBA thesis (Perry 2002).

Chapter one (introduction) provides the background to the thesis topic and introduces the research problem. The research is justified and the methodology of the research study is summarised. A thesis outline is provided and the research limitations articulated.

Chapter two (literature review) introduces the concept of outsourcing. A detailed review of the literature relating to outsourcing was conducted, concentrating on: characteristics; history; metrics; objectives; and methodologies. The review of outsourcing methodologies comprised macro and detailed outsourcing methodologies from the literature and also a review of the methodological approach of ANZ. As tendering for outsourced services is the focus of this thesis, a review of the literature relating to tendering was conducted. Additionally, literature relating to the impact of project management methodology on the conduct of the outsourcing activity was reviewed.

The outputs of the literature review comprised models relating to: the key characteristics of outsourcing; the process of selecting business activity outsource candidates; and an outsourcing framework for the Australian banking industry. The primary output of the

literature review was the identification of three gaps in the outsourcing literature:

1. absence of detailed descriptions of the individual outsourcing methodology tasks;
2. absence of detailed descriptions of the outsourcing tendering sub-tasks; and
3. the drivers of success in tendering for outsourced services were not identified.

The third identified gap in the literature was selected as a suitable research topic, and provided the title of this thesis: 'Tendering for outsourced services in a large Australian bank: the drivers of success'.

Chapter three (methodology) reviews the four scientific research paradigms: i) positivism; ii) realism/post-positivism; iii) critical theory; and iv) constructivism, and provides a justification as to why constructivism was the most relevant research paradigm within which to conduct this research. The three key research methodologies are introduced: i) quantitative; ii) qualitative; and iii) mixed methods, and a rationale provided as to why qualitative was the most appropriate research method. A justification was also provided as to why the semi-structured interview technique was the most suitable data collection process. Chapter three also details the protocols and procedures that were developed for the conduct of the semi-structured interviews, as well as addressing issues relating to research validity and reliability, and ethical considerations. The characteristics of the interview subject population are discussed, and the data collection format introduced.

Chapter four (data analysis) presents the findings from the semi-structured interviews.

Chapter five (conclusions and recommendations) discusses the findings from the interviews in the context of the literature review. Conclusions about the research issues are detailed and a conceptual framework for tendering for outsourced services in the Australian banking industry (figure 5.2) is presented as a conclusion to the research problem. In addition, a revised conceptual framework for outsourcing in the Australian banking industry (figure 5.3) and a practitioners' checklist for successful tendering within the Australian banking industry (table 5.15) are presented. The limitations of the research study are discussed, and topics for additional research are proposed.

1.6 Limitations of research

This research concentrated on one Australian bank (ANZ) from which the data was gathered, and related to outsourcing activities conducted over the period 1999 to 2006, however, it is proposed that the findings from this research study are relevant to all four large Australian banks, with limited utility to non-bank organisations.

The research interviews were conducted with nine participants, which some authors considered a relatively small sample (Carson et al. 2001; de Ruyter & Scholl 1998; Perry 2001). A justification for the validity of sample size, referencing the work of Patton (2002), is provided in chapter three.

2 LITERATURE REVIEW

2.1 Introduction

Chapter one outlined the scope of this research by introducing outsourcing and providing a brief overview of its history and application. The Australian financial services industry, and its unique status with regard to outsourcing, was highlighted as the subject of the research.

The purpose of the literature review is to identify and engage with previously published research, which is relevant to the topic of interest, in order to identify issues which may require investigation (Ticehurst & Veal 2000). This chapter reports on a detailed review of the literature related to outsourcing.

2.1.1 Objective of the chapter

In this chapter, outsourcing is defined, the key characteristics of outsourcing articulated and the history of outsourcing reviewed. Metrics relating to the size, growth and composition of the outsourcing market are presented in order to demonstrate the growing importance and influence of outsourcing on the global economy. The objectives and strategic nature of outsourcing are discussed and the linkages between outsourcing objectives and corporate strategy explored. Various approaches to outsourcing methodology are introduced from the literature and reviewed, with the outsourcing tender process highlighted. The impact of project management discipline on the outcome of the outsourcing activity is explored.

In the course of this review of the literature, three conceptual models are proposed as a means of bringing together extant theory relating to outsourcing:

1. characteristics of outsourcing (figure 2.2);
2. business activity outsource candidate selection (figure 2.3); and
3. outsourcing framework - Australian banking industry (figure 2.6).

In addition, gaps in the literature are identified and articulated, and the research objectives,

that arise as a consequence of these knowledge gaps, are explicitly stated.

Figure 2.1 illustrates the framework within which this literature review was conducted.

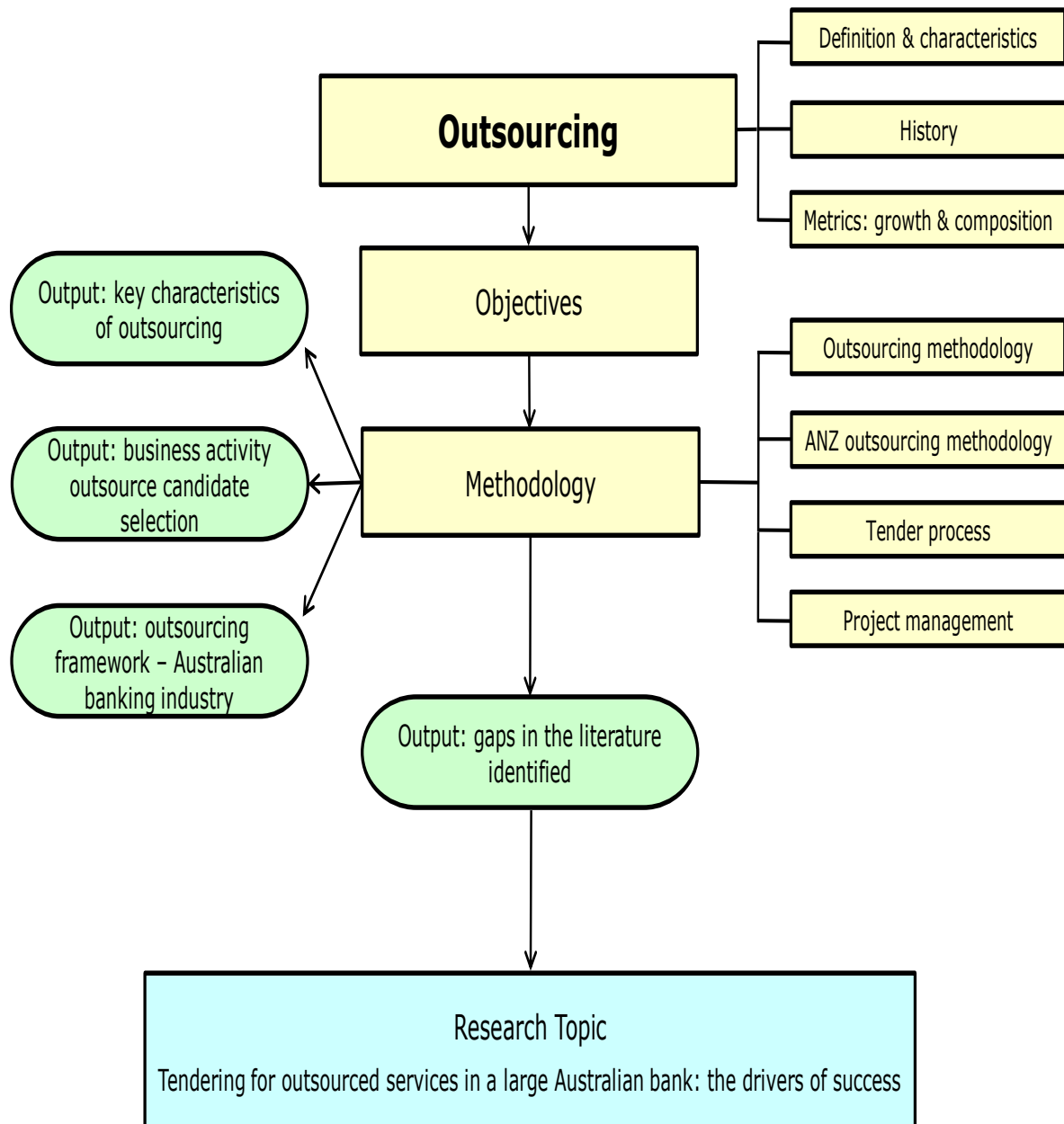


Figure 2.1: Structure of literature review

Source: developed for this research

2.2 Outsourcing

2.2.1 Definition and characteristics of outsourcing

Whilst ‘outsourcing has become an accepted feature of doing business in corporate Australia’ (Bieske & Cossetto 2003 p. 49), the term ‘outsourcing’ has also crept into the day-to-day usage of the average person. The word makes regular appearances in Australian newspapers, and not only in the business pages. Anecdotal evidence suggests that the concept of outsourcing is generally viewed with trepidation (Chiu 2003), and its conversational use is usually conducted within a negative context. For example, ‘I lost my job - it was outsourced’. OECD (1997) noted the inevitable concern the onset of the outsourcing process holds for staff, whilst Beasley, Bradford and Pagach (2004, p.28) warned that even ‘in-house survivors of outsourcing can also become demoralised’. It is reasonable to suggest that much of the discussion relating to the concept of outsourcing is undertaken within an emotionally charged environment. With the increasing use of outsourcing as a business tool (section 2.2.3), the impact of outsourcing will be increasingly felt within the community, both in a business and personal context.

Michael Corbett (Johnson 1997, p. 5) noted the difficulty in defining outsourcing, as there were many terms that were synonymous with outsourcing: ‘sub-contracting, contracting-out, staff augmentation, flexible staffing, employee leasing, professional services, contract programming, facilities maintenance or management, contract manufacturing and contract services’. Corbett added that the difficulty was compounded by each term possessing other meanings, aside from outsourcing.

To assist in understanding outsourcing, definitions are provided from the literature and discussed. The reader should note the evolution, over a relatively short timeframe, of the outsourcing concept. A broad range of definitions of outsourcing are provided for the purpose of completeness and a diagram that encapsulates the key characteristics of the outsourcing concept is distilled from these definitions and presented (figure 2.2). The definitions are grouped in terms of their dominant theme, and it should be noted that some definitions of outsourcing refer specifically to a particular industry type, for example,

information technology.

Regulatory perspective. As this research is limited to Australian banks, the Australian Prudential Regulation Authority's (APRA) perspective of what constitutes an outsourcing activity is a logical commencement point. APRA is the prudential regulator of the Australian financial services industry, including banks, (APRA 2008b) and is therefore a key stakeholder in any discussion concerning financial services outsourcing.

In 2002, APRA issued Australian Prudential Standard 231 - Outsourcing (APS 231) and its accompanying Guidance Note (APRA 2002a; 2002b). This prudential standard regulated the outsourcing activities of certain financial services organisations (including banks), and was updated in October 2006 (APRA 2006). APS 231 defined outsourcing as: 'entering into an agreement with another party (including a related party) to perform, on a continuing basis, a business activity which currently is, or could be, undertaken by the ADI itself' (APRA 2006, cl. 7).

APRA has adopted a relatively simple approach to defining outsourcing, focusing on the transfer of a current business activity to a service provider on an on-going basis. The definition was somewhat complicated by the inclusion of the words 'or could be' which suggested that in certain circumstances, an activity could be described as an outsourcing arrangement, and therefore be subject to the compliance requirements of the standard, even if the activity was never previously conducted in-house. The standard provided no indication of the reasoning behind such inclusion.

Legal perspective. The Australian Industry Commission (1996) introduced a legal dimension to the definition of outsourcing by noting that outsourcing is 'an arrangement whereby a contracting agency enters into a contract with a supplier from outside that agency for the provision of goods and/or services which typically have previously been provided internally' (p. xix). It would seem a prudent step to undertake an outsourcing arrangement, or any commercial arrangement for that matter, within the framework of a binding contract.

Time dimension. In terms of commercial arrangements, outsourcing is differentiated from other commercial contracts for the supply of goods and services on the basis of the time period over which the supply of the goods and services is contracted. Outsourcing was characterised as a long-term or even permanent arrangement, whereas subcontracting and contracting out were considered short term or temporary contractual arrangements (Firmbuilder 2003b; Lankford and Parsa 1999; White & James 1996).

Change from in-house service provision to external provision. In defining outsourcing, there was unanimous agreement in the literature that the key feature of an outsourcing arrangement was the change from in-house service provision to service provision by an external provider. That is, in a fundamental sense, outsourcing consists of the purchase of a good or service that was previously provided internally (Australian Industry Commission 1996; Domberger & Hall 1995; Embleton & Wright 1998; Kakabadse & Kakabadse 2003; Rothery & Robertson 1996).

ITO and BPO. There was a widely held belief (Brooks 2004; Brown & Wilson 2005; Corbett 2004; Factor 2002; Misra 2004; Reilly 2003; Willmott 2005) that outsourcing could be divided into two types: information technology outsourcing (ITO); and business process outsourcing (BPO). ITO typically involved contracting with a third party for the management of software applications and servers, whilst BPO involved contracting with a third party to manage an entire business process (for example, accounting services). The distinction between ITO and BPO appears logical, given the nature of each, and has been adopted for this research.

Make or buy. Given that a service is being provided internally, firms are faced with the choice to either continue to provide the service internally or elect to buy the service from external providers. Domberger and Hall (1995, p. 3) characterised this aspect of outsourcing as ‘a starkly simple choice: make or buy?’, whilst Embleton & Wright (1998, p. 94) in agreeing with Domberger and Hall, contended that outsourcing referred not only to the acquisition by firms of a make or buy philosophy, but the process of ‘looking for expertise to handle certain business functions’.

The decision to either make or buy a service may prove critical to the success or otherwise of the organisation. Kestigian (2004, p. 34), quoted Timothy Jackson, of consultants Booz Allen Hamilton, who emphasised the importance of organisations getting the make or buy decision correct: 'Outsourcing is not just a make-or-buy decision; it's a make-or-break decision ... whether they can do it better than someone from the outside or not?'

Transfer of responsibility. An inevitable outcome of the make to buy mindset change is the transfer of responsibility for the execution of a particular business activity to an external service provider. The service provider becomes responsible for recurrent internal activities, decision making capability, and in certain circumstances, the factors of production. Therefore, a key characteristic of an outsourcing arrangement was the situation whereby the supplier became responsible for managing service provision and had acquired functional responsibility for the day-to-day operations on behalf of the client (Alborz et al. 2004; Brown & Wilson 2005; Greaver 1999; McKenzie 2001). The responsibility for the management of specific business functions had therefore been transferred from employees to an external non-employee group (Zhu, Hsu & Lillie 2001).

Extension of value chain. In introducing the concept of service provider responsibility for the execution of a business process, the 'end-to-end value chain' had been extended from the customer to the outsourced service provider. The service provider had become a 'de facto' member of the client's organisation. Keen (2002) pondered the concept of the extended 'end-to-end business value chain', and the resultant requirement for intense collaboration between client and service provider, in providing an expanded definition of outsourcing:

the investment strategy for sourcing best practice process capabilities end-to-end along business value chains: the customer relationship chain, supply chain, organisational productivity chain, and the product and service innovation chain. It is intensively collaborative because it rests on meshing the Business Process Outsourcing (BPO) client's skills, technology base and processes with the BPO providers' distinctive offerings. It is additive - strengthening capabilities along the value chain (Keen 2002, p.3).

The concept of an outsourcing arrangement consisting of the extension of business value chains into service provider organisations was supported by Campbell, Docksey and Glasspiegal (2004, slide 7) who viewed outsourcing as ‘a value chain of inter-dependent participants cutting across multiple organisational boundaries’, and Kakabadse and Kakabadse (2000, p. 716) who noted that ‘some organisations have purposefully started building integrated value chains with their suppliers’ and that this process had been facilitated by the uptake of electronic commerce.

The act of integrating an external service provider into a firm’s value chain ensured that there would be a close relationship between the two organisations and possibly interaction between the supplier and the firm’s customers. The outsourcing relationship requires co-operation between the parties, and this co-operation is fundamental to the success of the outsourcing relationship. Parker and Russell (2004, p. 56) characterised outsourcing as ‘an arrangement of co-operative inter-firm relationships based on mutual trust, for improving performance of inter-firm transactions’.

Risks and rewards shared. Another outcome of the collaborative outsourcing relationship was that risks and rewards were shared by the client and the outsourced services provider. Firmbuilder (2003b) stressed the results-orientated nature of the outsourcing relationship and reinforced the concept that the service provider not only carried a significant degree of the control of the process, but also carried the risk of service provision. Department of Commerce NSW (2002, p. 6) noted that the defining characteristic of outsourcing was the ‘sharing [of] risks, liabilities and benefits with a business partnering style relationship’.

Specify ‘what’ not ‘how’. A service provider needs to understand the requirements of the outsourcing organisation in order to effectively deliver those requirements. Therefore, organisations that are seeking outsourced services need to specify their requirements to the service provider (Corbett 2004). In specifying outsourced services to a supplier, it is the outcome that is important, not the process for achieving that outcome. Stright and Candido (2000, p. 8) reinforced the concept of the result being paramount, with the issue of ‘how’ the result is achieved being of secondary importance:

In many outsourcing decisions today, it doesn't matter whether the vendor is producing the service on a PC, a mainframe, or a toaster oven. All that matters is whether the cheques are sent on a Thursday.

By specifying how to perform the task, the customer may lose the ability to leverage the service provider's specialist expertise in delivering the services.

Offshoring. A variation of outsourcing is 'offshoring'. Offshoring is also referred to in the literature as: offshore outsourcing; global outsourcing; global sourcing; and global resourcing (McKinsey & Company 2005). In effect, offshoring is the same as outsourcing, the only difference being that the services are being performed outside of the country in which they were originally performed in-house (Jennex & Adelakun 2003; Soliman 2003). Shiu (2004, p. 1) highlighted not only the recent advent of offshoring, but also reinforced the congruency with outsourcing when he defined offshoring as 'the recent term coined in reference to the outsourcing of software development tasks and, more lately, business process operations (BPO), such as call centres and claims processing, to lower cost countries'. McKinsey and Company (2005, p. 14) preferred the term 'global resourcing' in referring to offshoring and characterised the activity as 'the process a company goes through to decide which of its activities could be performed anywhere in the world, where to locate them, and who will do them'.

Comprehensive definition. In concluding the discussion on the definition of outsourcing, a comprehensive definition from the literature, that consolidated most elements of the foregoing definitions, is presented:

Outsourcing takes place when an organisation transfers the ownership of a business process to a supplier. The key to this definition is the aspect of transfer of control. This definition differentiates outsourcing from business relationships in which the buyer retains control of the process, or in other words, tells the supplier how to do the work. It is the transfer of ownership that defines outsourcing and often makes it such a challenging, painful process. In outsourcing, the buyer does not instruct the supplier how to perform its task but, instead, focuses on what results it wants to buy; it leaves the process of accomplishing those results to the supplier. (Bendor-Samuel 2005, p. 1).

The definitions of outsourcing from the literature had been reviewed to not only assist the understanding of the concept of outsourcing, but also to distill the key characteristics of outsourcing.

Figure 2.2 encapsulates the definition of outsourcing by integrating those characteristics into a three stage model and mapping the relationship between the stages.

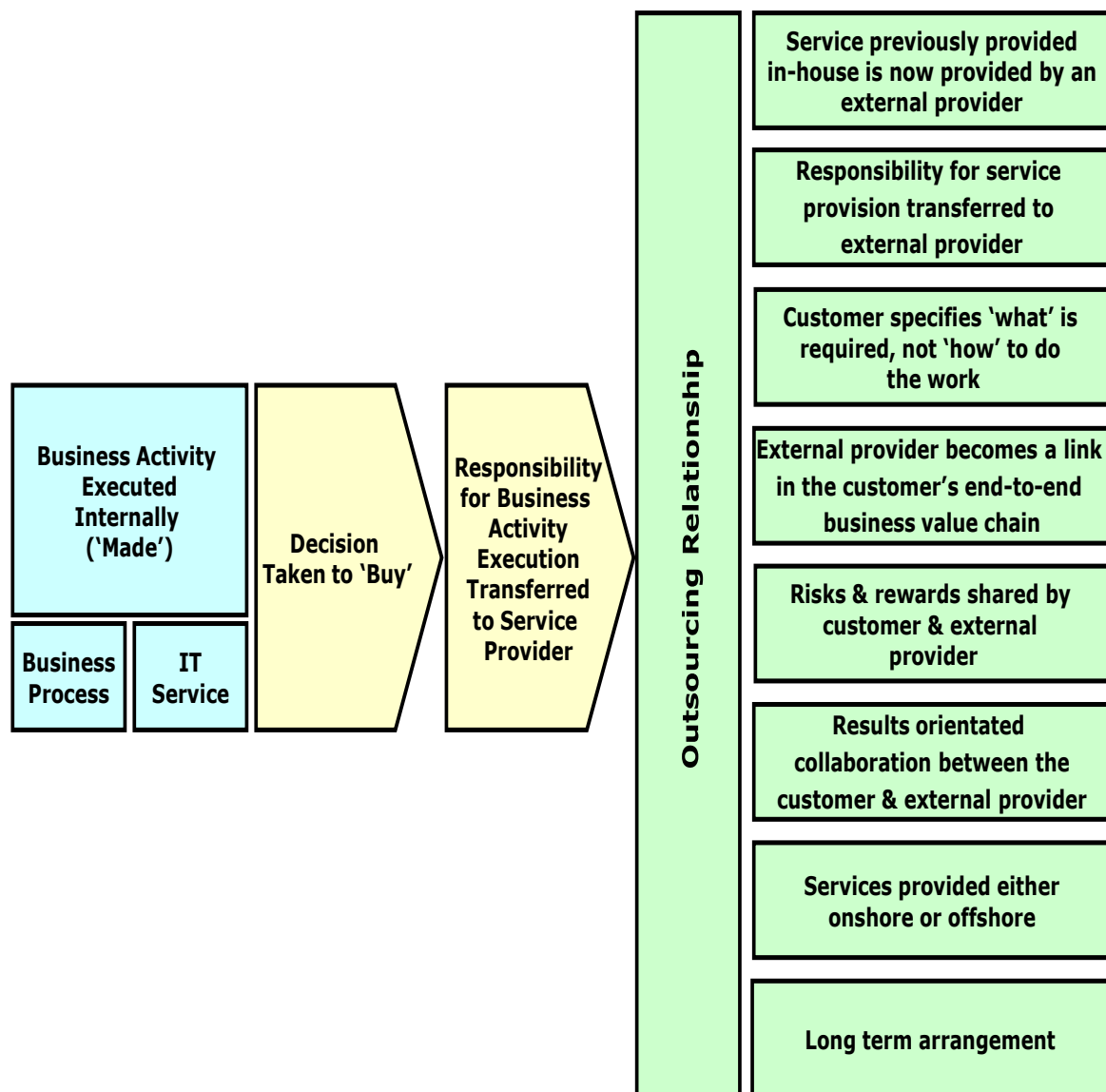


Figure 2.2: Characteristics of outsourcing

Source: developed for this research

In the 'made' stage (blue), an organisation is executing a business function in-house. This function consists of either a business process or an information technology activity. The organisation has concluded that it is more efficient and/or effective to buy the function rather than make it (yellow). That is, the organisation has decided to engage an external service provider to perform the business function. In buying the services, the organisation transfers the responsibility for the performance of the business function to the service provider, however, the organisation remains accountable for the performance of the business function. Typically, the outsourcing 'relationship' (green) is formed and documented by the execution of a legally binding contract for the provision of services.

The key characteristics of an outsourcing relationship (green), derived from the literature, are articulated in figure 2.2.

2.2.2 History of outsourcing

One could hypothesise that outsourcing has been practiced ever since a neanderthal hunter (possessing few artistic skills) gave a joint of meat to his artistic clansman (possessing few hunting skills) as reward for decorating the walls of his cave. However, the term 'outsourcing' is a relatively recent addition to the lexicon of business terminology, as evidenced by the publication dates of the outsourcing definitions in the previous section.

Outsourcing, or as it was then labelled 'contracting out', has been in use on an industrial or commercial scale since the advent of the industrial revolution in England during the 1700's (Brown & Wilson 2005; Kakabadse & Kakabadse 2003), with firms facing the 'make or buy' conundrum that resulted from the greater production efficiencies that characterised eighteenth century England (Domberger & Hall 1995). In support of this contention, Greaver (1999, p.10) wrote that 'outsourcing is similar to subcontracting, joint venturing, and strategic partnering concepts, which date back hundreds of years', citing the following examples: farmers hiring migrant workers; construction companies subcontracting electrical and plumbing activities; and governments subcontracting defence matériel production to private companies.

The first systematic use of outsourcing can be traced back to the 1940's, during World War II, when organisations provided systems facilities management services to the U.S. government (Greaver 1999). However, it was the growing dissatisfaction with the underperforming post World War II ideal of economy-of-scale driven conglomeration (Hunter & Cooksey 2004) and the introduction of timesharing mainframe computer services in the 1950's and 1960's (Factor 2002) that set the scene for the wider adoption of outsourcing methodologies.

Nelson, Moody and Stegner (2001) claimed the confluence of predictable, consistent quality with the increasing availability of technology to smaller companies, as occurred in the mid 1970's, initiated the move to outsourcing. Large computer manufacturers such as: Computervision; Data General; Digital; and IBM decided to outsource

bigger and bigger pieces of their products ...who wanted to be in the business of forecasting, stocking, sourcing, building, storing, shipping, and redesigning ... why not shift the burden to those that wanted to be in that high volume, custom business? (Nelson, Moody & Stegner 2001, p. 12).

The onset of global recession in the early 1980's, led to the development of a new strategic business model. This new strategic model 'promoted the notion that management must concentrate on the organisation's main purpose in order to focus time, effort and capital on value-creating activities that yield a competitive advantage' (Hunter & Cooksey 2004, p. 27). This focus on core activities drove firms to outsource non-core activities (Hunter & Cooksey 2004).

Chiu (2003) reinforced the concept of outsourcing as a recent discipline by arguing that the driver for the development of outsourcing, as a business solution, was the economic recession experienced by the USA in 1981, which led to General Motors relocating a number of factories from the USA to Mexico, in order to reduce operating costs. Once the positive benefits of outsourcing became known, it was, as Chiu noted, 'too late to put the genie back in the bottle (p. 1). Factor (2002), in charting the uptake of outsourcing, pointed to the outsourcing of information technology that emerged 'in the late 1980's [when] large

consulting firms ... invented remote management services' (pp. 4-5). He further noted that the outsourcing of business processes (BPO) appeared as services to clients around 1990. Greaver (1999) argued that the term 'outsourcing' was invented by the information systems trade press in the late 1980's and was coined to describe the trend towards companies transferring the management of their information systems to service providers.

As the 1990's arrived, outsourcing consolidated its position as a legitimate business management tool. Hemphill (2004) credited a specific business deal with providing the impetus for the general acceptance of outsourcing, noting that 'in 1990, in what was considered a daring concept, Kodak executives decided to outsource major components of its information systems function' (p. 62). Hemphill argued that this move was the precursor of the general acceptance of outsourcing as a means of 'maximising resource productivity, i.e. a functional strategy' (p. 62). The view that the Kodak outsourcing arrangement marked the broad acceptance of outsourcing was supported by Lacity and Willcocks (1998, p. 363) who described the deal as 'landmark'.

Corbett (2004) agreed that outsourcing, as a management idea and practice gained prominence in the early 1990's, when there was a severe recession in the economy of the USA. Corbett characterised this period as a time when the 'very competitiveness of its businesses was in question' (p. 4) and pointed to the extensive use of outsourcing to assist companies in streamlining their operations in order to boost their competitive position. Corbett (2004) credited the 'unprecedented period of economic growth in the latter half of the 1990's' (p.4) to outsourcing.

Outsourcing, on a large scale, within Australia did not appear until the 1990's (Beaumont 2006), and the uptake of outsourcing in Australia had paralleled and been enabled by the development of web based technologies 'that make it easy, quick, and cheap to transfer internal data (e.g. payrolls or delivery instructions) to a vendor' (Beaumont 2006, p. 2). Outsourcing was well established in Australia by 2000 (Bieske & Cossetto 2003), with a survey conducted by Melbourne University indicating that '90% of Australian organisations outsource IT to some degree' (Seddon 2000, p. 1).

In the mid 1990's, the public sector was an early adopter of outsourcing, with government organisations demonstrating a willingness to devolve activities, that were long considered sacrosanct, to external service providers. In 1998 a large scale outsourcing of employment services under the Job Network program was conducted (Webster & Harding 2000).

In the private sector, the Commonwealth Bank of Australia initiated a landmark financial services outsourcing deal when it signed a ten year contract with EDS for the provision of IT services in 1997. This deal was subsequently revamped in 2006 and extended until 2012 (Rossi 2007).

Over the period 1998 to 2008, all four major Australian banks had undertaken significant outsourcing arrangements. Australian banks 'view outsourcing as a key way of bringing their cost-to-income ratios ... in to line with overseas banks' and have also demonstrated a willingness to send domestic operations offshore (Williams 2005, p. 1).

2.2.3 Outsourcing growth

Having established that outsourcing was a relative newcomer to business practice, it is important to understand the rate of growth of outsourcing over its relatively short history. There was unanimous agreement in the literature that outsourcing, on a global basis, had grown at a rapid rate, particularly over the past ten years.

An early study into outsourcing growth in the USA (Kralovetz 1996), reported evidence of the significant uptake of outsourcing in the financial services sector (pension management; tax; payroll; leasing; etc.) and found that '90% of respondents reported satisfaction with their outsourcing experience' (p. 32). Shortly afterwards, Cant and Jeynes (1998) predicted that outsourcing would be one of the major growth areas in the coming decade. More recently, Corbett (2004, p. 90) estimated the world market for outsourcing to be around USD 6 trillion, with manufacturing accounting for about 50% of expenditure.

In Australia, there was a widespread belief that outsourcing had grown rapidly. Aulich, Halligan and Nutley (2001, p. 150) noted the significant growth of outsourcing and

competitive tendering in the public sector, observing that Australian governments are 'increasingly seeking external providers to deliver services which were once seen as their sole province'. Andrew Friars of Accenture Consulting estimated that BPO grew at a faster rate in Australia than in USA or Europe (Zampetakis 2003), whilst Ruthven (2004) noted the growth of outsourcing in Australia between the period 1960 and 2000 and drew a parallel between the growth of outsourcing since the 1960's and the increase in GDP in the same period (Real GDP grew from AUD 174 billion to AUD 805 billion in the period 1960 to 2000 (ABS 2008)).

As this research has adopted the approach of segmenting outsourcing activities into ITO and BPO, it is important to consider the metrics of each of these outsourcing segments, both in Australia and globally.

In Australia, it was estimated that, in 2000, the spend on ITO was AUD 4.3 billion, whilst BPO accounted for AUD 6.8 billion, providing a total spend on outsourcing of AUD 11.1 billion (Zampetakis 2003, p. 12). A survey on outsourcing KPMG (2004, p.11) found that 95% of respondents outsourced a component of either ITO or BPO, and a report into outsourcing trends in Australia (IT Newcom, 2003) concluded that ITO was widespread in the Australian market, and that this situation would continue with 96% of respondents planning to remain with their outsourced provider (p. 15).

In terms of BPO, IT Newcom (2003) found that there was increased activity in BPO between the period November 2000 and January 2003 (p.18). Due to the lack of statistical information on Australian outsourcing activities, it was difficult to provide information on the growth, or otherwise, of outsourcing over time, however, the above metrics confirm that outsourcing was a significant activity in the Australian economy.

On a global basis, there was ample statistical data in evidence to demonstrate that outsourcing, both BPO and ITO, had experienced significant growth from the mid 1990's to the early 2000's.

An example of the scale of ITO growth was provided by Lacity and Willcocks who noted the global market for ITO services grew from USD 76 billion in 1995 (Lacity & Willcocks 1998, p. 363) to an estimated USD 120 billion in 2002 to an estimated USD 150 billion by 2004 (Lacity & Willcocks 2001, p. xi). This estimate was supported by Kim and Chung (2003, p. 81) who predicted that the worldwide market for information systems outsourcing would grow from USD 100 billion in 1998 to USD 150 billion in 2003, noting that the USA market alone grew from USD 51 billion to USD 81 billion. Such assertions of global ITO growth were supported by Intellect (2005, p. 1), the trade body for the United Kingdom's information technology, communications and electronics industry, who noted that 'only one market sector continued to grow in 2003 - outsourcing'. This growth rate was calculated at an 8% increase over the level of activity in 2002. Claver et al. (2002, p. 294) also supported the assertion of global IT outsourcing growth, noting that 'in recent years, outsourcing has been one of the information services that has grown the most'.

The global BPO market has also exhibited strong growth. Beasley, Bradford and Pagach (2004, p. 24) cited data from the Gartner Group and IDC Consulting Inc. that predicted 'business process outsourcing is expected to grow from USD 38.9 billion in 2003 to USD 1.2 trillion by 2006'. This represented growth of an extraordinary 3,000% during a three year period.

Supporting this, Beasley, Bradford and Pagach (2004, p. 24) highlighted a Deloitte Consulting report (dated June 2003) that predicted 'two million financial services jobs, such as brokerage transaction processing clerks, and USD 356 billion in core financial transaction operations will be outsourced by 2008' as evidence that outsourcing would exert significant impact on the economy. Additional indicators of the growth of outsourcing were provided by Brown and Wilson (2005, p. 9), who estimated that the global BPO market increased from USD 208 billion in 1999 to USD 543 billion in 2004. They further estimated that outsourcing deals would be valued globally at USD 1.2 trillion by 2007 (pp. 2 & 3). Willmott (2005, p. 6) observed this significant rise in the uptake of BPO during 2004, and quantified the increase as 38% globally. He calculated that BPO consisted of 34% of all global outsourcing activity for the year and predicted BPO would be the significant component of outsourcing activity during 2006.

A review of such volume and growth statistics revealed it was problematical attempting to reconcile the calculations and predictions of one author to those of another. For example, the estimate of Corbett (2004, p. 90) that the global outsourcing market, excluding manufacture, amounted to around USD three trillion is difficult to reconcile with the estimate of Brown and Wilson (2005, p. 9) that the global BPO market is around USD 543 billion for the same period. Does ITO account for the other 2.5 trillion US dollars?

Probably not.

Given the difficulty in reconciling and validating the estimates of various authors, the data has been accepted on face value, and the conclusion formed that the outsourcing industry had undergone substantial growth over the past ten years, in both ITO and BPO, and that this trend was expected to continue.

Hurley and Costa (2001, p. 165) noted that, as outsourcing becomes more commonplace, 'many would conclude that the low-hanging fruit of profitable offerings and strategic alignment has been plucked and the outsourcing trend has seen its day'. They concluded however, that the outsourcing market had not reached saturation point and that profitable relationships were still possible, emphasising the need for continuous innovation in the outsourcing space to ensure that organisations achieved the required benefits.

2.2.4 What is being outsourced?

Having established an understanding of outsourcing, its history and growth, it is now appropriate to consider which types of business activities are more suited to outsourcing. Drtina (1994) advised that 'some activities are eliminated immediately as candidates for outsourcing, either because the service cannot be contracted outside or because the firm must control the activity to maintain its competitive position'.

The dominant view within the outsourcing literature (Brown & Wilson 2005; Corbett 2004; Dearlove 2003; Doyle 2003; Greaver 1999; Hirst 1998; Johnson 1997; Quinn & Hilmer 1994) was that organisations should retain execution of those business activities that were 'core' to the organisation and seek to outsource those business activities that

were 'non-core'. Christensen (2001, p. 107) supported this view by highlighting the nexus between the core competence and the competitive advantage of a firm.

Only one reference was found that advocated outsourcing core activities. (Chamberland 2003 pp. 1-5) suggested that, in reviewing candidates for outsourcing, business activities should be allocated between core and strategic activities, and the core activities should be outsourced, with the strategic activities being managed internally.

If the philosophy of retaining core activities and outsourcing non-core activities is embraced, then a key task in considering which business activities are suitable for outsourcing is the identification of core and non-core activities. Many organisations had to generate 'new thinking and new ideas about what is core and what can be done better, cheaper and faster by outside suppliers' (Quinn, Cooke & Kris 2000, p. 108). Guidance was provided in the literature as to what constituted a core or non-core business activity.

Jathanna (1991, p. 2) suggested that, with regard to which business activities are best able to be outsourced, the question to be asked should be 'what are the real core requirements, and is any value added by having the internal staff do them?' Jathanna concluded that if there is no value added, then this activity is a candidate for outsourcing. Quinn (1999, p. 12) defined core competencies as 'those activities, usually intellectually based service activities or systems that a company performs better than any other enterprise'. Sislian and Satir (2000, pp. 4-5) provided three basic tests to identify a core competency of a firm: 'a core competence should provide potential access to a wide variety of markets ... should make a significant contribution to the perceived benefits as experienced by the customer ... and should be difficult to imitate by competitors'.

Accepting the view that the most appropriate candidates for outsourcing are characterised as non-core business activities, one needs to understand which business activities are included within this category. Examples of the types of business activities that were being outsourced were extensive. As a general guide however, Kakabadse and Kakabadse (2003, p. 61-62) suggested that 'firms should consider outsourcing when it is believed that certain support functions can be completed faster, cheaper, or better by an outside organisation'.

Insinga and Werle (2000, p.65), supported this contention and suggested a solution to the 'what to outsource' question: 'If competitive advantage is not likely, and only moderate internal capability exists, the activity should be bought in the marketplace to avoid any further drain on the enterprise's resources'.

In terms of the characteristics of business activities that were suitable for outsourcing, Getzewich (2004) felt that business areas comprising high volumes and simple tasks were suitable candidates. This view was supported by the Outsourcing Institute (2008) who nominated specific activities as suitable candidates for outsourcing: administration; distribution and logistics; finance; human resources; information technology; sales and marketing; and transportation.

Consistent with the theme of high volume activities combined with simple tasks, Beasley, Bradford and Pagach (2004) assessed the following business process activities as candidates for outsourcing: financial services; information technology; insurance claims management; and supply chain management. Additional characteristics of business processes that were suitable for outsourcing included: repetitive processing work such as loan processing (Danny Dale interviewed in Lawson 2002); and those jobs that were not confined to a particular location, including 'any task that requires no physical or complex interaction between an employee and customers or colleagues, and little or no local knowledge' (McKinsey & Company 2005, p. 10).

In order to assist the identification of types of business activities that are appropriate to outsource, Firmbuilder (2003a,) provided six characteristics of business activities that are prime candidates for outsourcing.

1. the business activity is an area of non-core competency within the organisation: this was consistent with the philosophy of outsourcing non-core activities and retaining areas of core competence;
2. within the business unit, resistance to change is low, and the need for change is the greatest: the best candidates for outsourcing are those where the resistance to change will be weakest i.e. elements of the organisation welcome the opportunity

to fundamentally change the way they work. Business activities that are consistently underperforming represent areas for increased managerial attention. Outsourcing is one viable change option;

3. the chances of successfully outsourcing the activity are high: a good place to start is with a limited and well-defined set of business activities that many organisations already outsource, e.g. payroll;
4. change is already afoot within the business unit: changing business conditions represent an opportunity for outsourcing as the need for change has already been recognised;
5. outsourcing the business activity will transform the organisation: focus outsourcing on activities where outside providers can provide the most leverage; and
6. the business activity contains work processes that are discrete and separable: these are areas where an outside agency can manage the process with their own staff and where a great deal of intertwined activities do not take place.

A broader, if rather blunt, perspective on which business activities are suitable to be outsourced or offshored, was provided by Frank Levy (interviewed in Wessel 2004, p. 1): 'If you can describe a job precisely, or write rules for doing it, it is unlikely to survive. Either we'll program a computer to do it, or we'll teach a foreigner to do it'.

Table 2.1 provides a perspective on the types of activity being outsourced and analyses the activities into: mature entrants - those activities that have the longest history of being outsourced; middle age entrants; and new wave entrants - those activities that have the shortest history of being outsourced. Quinn, Cooke and Kris (2000) noted that middle age entrants were the highest growth area in 2000.

Table 2.1: Types of activities outsourced

Mature Entrants	Middle Age Entrants	New Wave Entrants
Payroll	Information systems and IT	Logistics
Facilities	Disbursement accounting	Materials management
Food services	Human resources	Sales and marketing
Management services	Travel and expenses reporting	Accounting
Document processing	Mailroom services	Engineering
Pension and benefits admin.	Property management	Manufacturing
Travel services		Legal services
Telecommunications		Research

Source: Quinn, Cooke and Kris (2000, p. 100)

A review of table 2.1 shows that that all tasks shared the common characteristic of high volume and that the mature tasks were quite simple processes whilst the new wave tasks had become increasingly more complex, e.g. accounting; engineering; legal services; research; etc. This complexity reflected the increasing maturity and sophistication of the service provider market, and the growing ability of organisations to re-assess what was strategic to their operations (Quinn, Cooke & Kris 2000).

Table 2.2 illustrates the uptake and mix of business process activities outsourced over the period 1999 to 2004.

Table 2.2: Worldwide BPO market by process area

#	Business Activity	1999 (%)	2004 (%)
1	Administration	4	4
2	Distribution/logistics	15	15
3	Finance and accounting	6	7
4	Human resources	13	14
5	Manufacturing services	49	44
6	Payment services	8	9
7	Sales/marketing/customer care	5	7
TOTAL (\$)		USD 208 billion	USD 543 billion

Source: adapted from Brown and Wilson (2005, p. 9)

It is notable that, whilst over the five year period, the value of the global outsourcing arrangements increased by 160%, the mix of business process activities being outsourced remained virtually unchanged (table 2.2). However, the authors offered no explanation of this phenomenon.

To summarise the process for selecting suitable business activities for outsourcing, a model (figure 2.3), developed from the concepts discussed in the literature, is proposed.

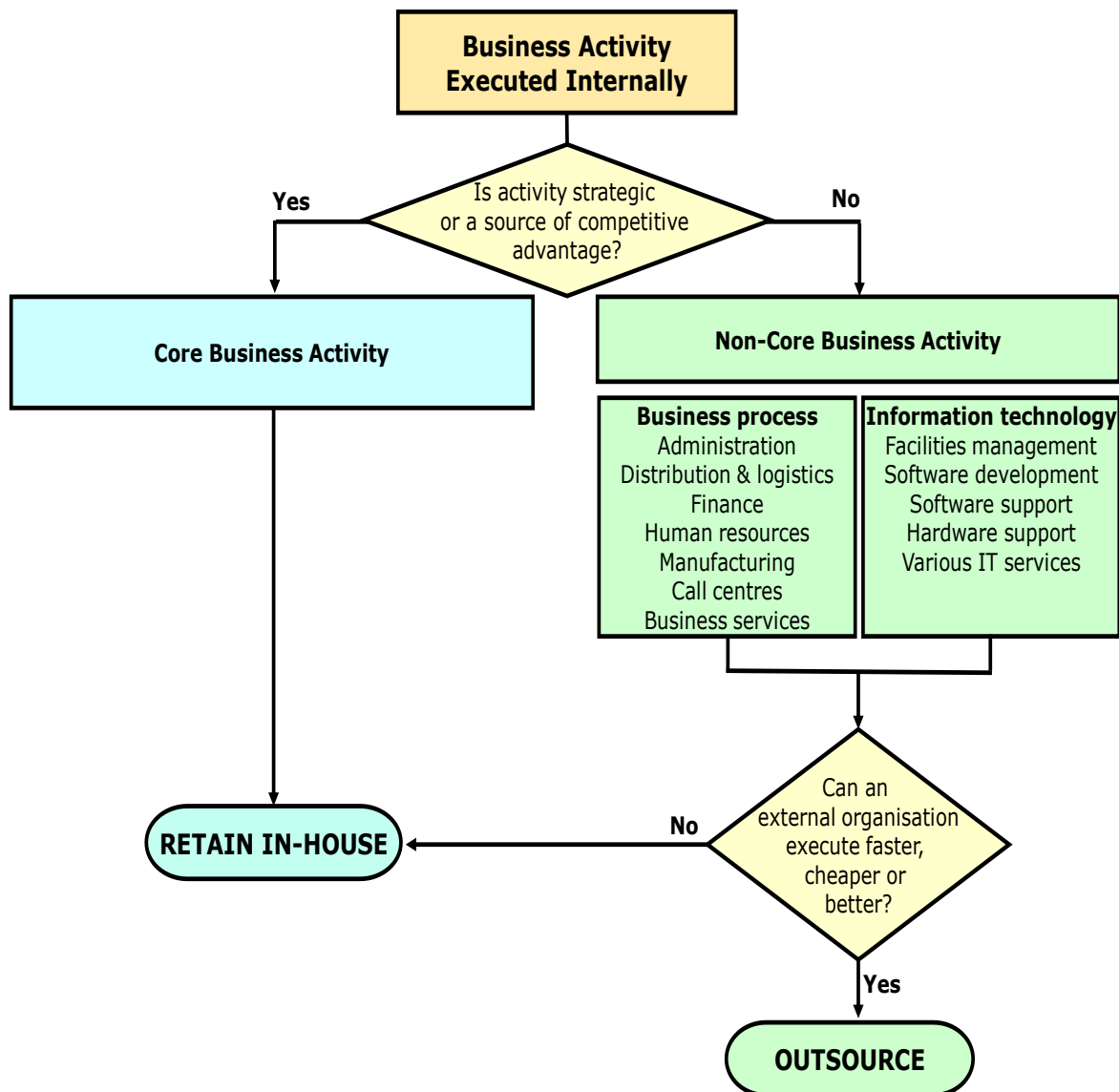


Figure 2.3: Business activity outsource candidate selection

Source: developed for this research

Figure 2.3 represents the macro decision process undertaken to decide whether a business activity is an appropriate candidate for outsourcing, and whether the candidate activity should be outsourced. The initial requirement for reviewing an activity's suitability for outsourcing is that the activity is currently conducted in-house. Having identified the in-house activity, the activity must be categorised as either a core activity, and therefore unsuitable for outsourcing or a non-core activity, and therefore suitable for outsourcing. In order to resolve the core/non-core issue, the business activity needs to be reviewed to

ascertain if it is strategic in nature or is a source of competitive advantage, in which case it is classified as 'core', otherwise the activity is considered 'non-core'.

Having established that a business activity is a candidate for outsourcing, an evaluation needs to be conducted in order to establish whether the required benefits are forthcoming from outsourcing the activity i.e. can an external service provider execute the activity faster, cheaper or better? If the required benefits are forthcoming, the business activity would usually be outsourced and conversely, if the required benefits were not forthcoming from the proposed outsourcing relationship, the activity would remain in-house.

2.2.5 Conclusion

A review of the literature relating to the definition; characteristics; history; and metrics of outsourcing revealed that there was a significant body of knowledge extant. The review assisted in understanding the concept of outsourcing and canvassing various authors' perspectives on the types of business activities that were suitable for outsourcing.

Out of this review, it was established that outsourcing, although possessing a relatively brief history as a business tool, had experienced major growth in recent years and had impacted the global economy. All writers agreed that this trend was expected to continue.

As a result of the comprehensive research previously undertaken into the definition; characteristics; history; and metrics of outsourcing, these topics are not considered suitable subjects for this research.

Having gained an understanding of outsourcing and the types of business activities that may be candidates for outsourcing, it is appropriate to now explore the motivation for outsourcing.

2.3 Objectives of outsourcing

2.3.1 Success

The identification and analysis of the drivers of success in the tendering task of outsourcing methodology, is central to this research. However, from an outsourcing perspective, what is meant by success? Depending on the perspective of the beholder, success may have many definitions, and often perspectives of success are developed in the absence of real data to support the conclusions (Watkins 2004).

Reference to the dictionary (Anon 1970) revealed that success referred to the attainment of one's objective. A more expansive perspective of success was provided by Nelson (2003, p. 1) who proposed that 'success is the accomplishment of goals and objectives necessary to achieve a particular task, realise a particular dream or satisfy a particular need or want, for a particular period of time'.

Young (2000, p. 7) noted that people have varying perceptions of what constitutes success, and that these perceptions are driven by individual beliefs about expected project outcomes. He further noted that this variation in perception of success could complicate the determination of whether a project was indeed successful. Shenhar, Renier and Wideman (1996) in pondering the meaning of success, noted that 'success means: gaining advantage, superiority, victory, accomplishment, achievement, added value. But all of these are perceptions, so how can they be related to project work?' (p. 1). They concluded that success in managing a project is a multi-dimensional concept and cannot be based on a single or even two dimensional measure, noting:

a project may provide an efficient solution to a customer's requirements, yet be considered a failure by the performing organisation in terms of business success. Similarly some projects may seem successful in the short-term, but may turn out to be less successful in the longer run, and vice versa (p. 8).

Rad and Levin (2002) discussed the challenge posed by the perception of success in a

project context, noting that ‘success is usually based on unspoken and personal indices, which is why two different people, with two different sets of values, would assess the success of the same project differently’ (p. 28). They concluded that, in order rectify the issue of the difference in perceptions of success, ‘there is the need for a set of performance indices that formalises the process and makes explicit what is implicit in these seemingly subjective evaluations’ (p. 28).

It follows, therefore, that any significant commercial endeavour requires carefully defined and explicitly stated objectives to guide its execution, and those objectives and the degree to which they were attained, form the basis of determining whether the activity was successful or not.

Although it is not the intent of this literature review to review corporate strategy in detail, it is valuable to consider how outsourcing, and the achievement of its objectives, reflects and supports the organisation’s corporate strategy.

Davis and Devinney (1997, pp. 7 & 63) defined strategy as the ‘whole pattern of decisions that sets the long term direction of the organisation’ adding that ‘at one level, strategy is about the firm’s positioning vis-à-vis its rivals’. Martin and Tate (2001, p. 30) concurred with this view and emphasised the importance of articulating how a particular project will ‘support the strategic objectives of the organisation’. Martin and Tate contended that it was critical that the benefits a particular project brings to an organisation and how the project supports the corporate strategy are clearly understood.

Brown and Wilson (2005, p. 36) argued that the outsourcing activity, if it is to be successful must occur within the framework of the corporate goals and that those ‘goals serve as a basis for determining project success’. Cleland (1998) and OECD (1997) supported this view. Brown and Wilson (2005) further suggested that outsourcing could enable the corporate strategy by providing ‘resources and access to best practices to support ... the client’s business objectives’ (p. 322), and that outsourcing freed up executives to allow them to focus on the more strategic aspects of the organisation.

Corbett (2004, p. 45) also noted that outsourcing, by its nature, was strategic as companies use it to seek both ‘a positive effect on its net costs and a positive effect on its net capabilities’.

The responsibility for ensuring that an outsourcing project is aligned with the organisation’s strategy rests with the outsourcing project team, and it is critical that the project team and senior management confirm such alignment prior to the outsourcing project progressing past the concept stage (Greaver 1999).

Such discussion did not provide the definitive statement of success in the outsourcing context. However, the definitions of success highlighted the critical nexus between the concept of success and the attainment of one’s objectives. The corollary of this is that failure, consisted of the non-attainment of one’s objectives. It follows therefore, that the central question to resolve, in determining whether the outsourcing activity was a success or failure, is: ‘Were the objectives of the outsourcing activity achieved?’ It further follows that the degree to which the activity has succeeded depends on the degree to which the individual objectives of the outsourcing tendering activity were or were not achieved.

2.3.2 Outsourcing objectives

In outsourcing, the formulation and articulation of objectives is critical to ensuring the outcome of the activity was successful. White and James (1996, p. 4) stressed the importance of setting objectives and the impact of objectives on the success of the outcome: ‘the skill with which objectives are set will affect the outcome of both an investigation into the appropriateness of outsourcing and, if judged to be relevant, the resultant outsourcing agreement itself’. For example, correctly set outsourcing objectives will: guide the assessment of business activity outsourcing candidates; assist with the formulation of the outsourcing contract; provide the basis of measuring benefit delivery; and facilitate testing proposed courses of action (White & James 1996).

Within the outsourcing literature there was broad consensus on the constitution of the objectives of outsourcing, and that those objectives should be set at the commencement of

the outsourcing project.

Common themes in the literature included: cost reduction; focus on core competency; sharing of risks; improved service standards; and access to world class skills (ANZ 2003a; Beasley, Bradford & Pagach 2004; Figg 2000; Gupta 2004; Hurley & Costa 2001; Quinn, Cooke & Kris 2000; Saunders, Gebelt & Qing 1997; White & James 1996). In addition to the common themes, Johnson (1997) added: free up capital resources; access to resources not available internally; acceleration of re-engineering benefits; free up resources for other purposes; cash infusion; and rectification of a business function that was difficult to manage in-house. Saunders, Gebelt and Qing (1997) also noted that outsourcing could occur because it was mandated by central office or purely for reasons of political expedience. For example, a firm may outsource an element of its business operations purely to send a signal to the market.

Table 2.5 categorises the primary reasons for outsourcing into tactical and strategic, and provides an explanation for each reason.

Table 2.3: Reasons for outsourcing

#	Tactical	#	Strategic
1	Reduce or control operating costs by accessing an outside provider's lower cost structures.	6	Improve business focus: outsourcing lets the company focus on broader issues while having operational details assumed by an outside expert.
2	Make capital funds available by reducing the need to invest capital funds in non-core business functions.	7	Access to world-class capabilities: by the very nature of their specialisation, outsourcing providers bring extensive, world-wide, world-class resources to bear in meeting their customers' requirements.
3	Cash infusion: outsourcing can involve the transfer of assets from the customer to the provider, with cash being provided in return.	8	Accelerated re-engineering benefits: outsourcing is often a by-product of another powerful management tool – Business Process Re-engineering (BPR). Outside organisations often are able to provide immediate access to re-engineered processes, and their benefits.
4	Resources not available internally: companies outsource because they do not have access to the required resources within.	9	Shared risks: there are significant risks associated with organisational investment. When companies outsource, they become more flexible, more dynamic and better able to adapt to changing opportunities.
5	Function difficult to manage or out of control: outsourcing is one option for addressing these types of problems. Outsourcing does not however mean abdication of management responsibility, nor does it work well as a knee jerk reaction by companies in trouble.	10	Free-up resources for other purposes: all organisations are subject to resource limitations. Outsourcing allows organisations to redirect their resources from non-core activities towards activities which give the greater return.

Source: adapted from Johnson (1997, pp. 9-11)

The objectives of outsourcing are linked by the common goal of improving business outcomes, primarily by addressing: profitability (revenue expansion and cost reduction); quality (focus on core capability; access to greater skill sets); risk reduction; management simplification; and human resources issues (skills access and career path management). As a result of this overarching business improvement objective, outsourcing creates value for shareholders (Hirst 1998; Nagel & Parker 2003).

With regard to the objective of cost reduction, organisations were warned against engaging in an outsourcing deal solely to save money (Hollands 2004; Parker 2005; Saunders, Gebelt & Qing 1997). A review of table 2.3 reveals that there are many possible positive outcomes, aside from cost reduction, that may justify the outsourcing of certain business processes.

2.3.3 Conclusion

The review of the literature relating to outsourcing objectives found that there had been much research undertaken by a broad range of authors on the topic, with a relatively high degree of congruence between the authors. The generic concept that success, although possessing many perspectives, comprised the attainment of one's objectives was also reflected in the literature relating specifically to outsourcing.

With regard to project objectives, there was agreement that it was necessary to explicitly set agreed objectives, that were consistent with the corporate objectives, at the commencement of the activity.

Success was then measured by the degree to which those objectives were achieved. In the literature relating to outsourcing, there was a high degree of consensus as to what constituted the objectives of outsourcing. The review of the literature relating to outsourcing objectives provided valuable information on the motivation to outsource certain business activities.

However, due to the significant amount of research already conducted on the objectives of outsourcing, this was not considered a suitable topic for this research.

Having reviewed the characteristics, history and metrics of outsourcing and the objectives of the outsourcing activity, it is now pertinent to review the literature relating to outsourcing methodologies.

2.4 Outsourcing methodology

In response to the significant growth in outsourcing, methodologies have evolved to ensure that the approach to outsourcing was both systematic and comprehensive, therefore providing the greatest likelihood of success for the activity. The importance of the application of an appropriate process to govern the outsourcing activity is a recurrent theme in the literature. Corbett (2004, pp. 105-106) noted that the application of an appropriate outsourcing methodology is a 'value-creation loop; done poorly it can be a value-destruction loop. A solid process and the right management leadership and teams are what make the difference between the two results'. Ptak and Noel (1998) argued that successful outsourcing depended on planning and process.

Hurley and Costa (2001) pointed out that, even though businesses have been using outsourcing strategies since the early 1960's, current outsourcing practices have become more complex in terms of the sophistication of vendors and the flexibility of their service offerings. In line with this increasing complexity, it was inevitable that the methodology involved in engaging with external service providers (both in terms of tendering for services and ongoing management of the relationship) had become, and would continue to become, increasingly complex.

The literature contained a number of references to outsourcing methodologies, and these methodologies shared many commonalities: strategy/planning; requirements analysis; analysis of current costs and service levels; interaction with the supplier market; evaluation of supplier propositions; execution of contract; transition to service provider; and ongoing contract management. Kakabadse and Kakabadse (2003) noted that, irrespective of the methodology adopted for the conduct of an outsourcing activity, the commencement and maintenance of a successful outsourcing relationship depended on: the establishment of measurable goals and objectives; the need to ensure that both parties benefit from the relationship; the willingness to maintain mutual respect and to learn from each other; and the involvement of senior management.

Whilst there is variation in the methodologies proposed by the various authors, the primary themes are common to, or implied in, all methodologies. In terms of approach, some

writers adopted a macro level methodology, i.e. the methodology described had five or less primary tasks, whilst other writers proposed more detailed outsourcing methodologies, comprising five to ten primary tasks. Detailed step-by-step methodologies for conducting the outsourcing process were not in evidence in the extant literature. However, ANZ's commercially confidential outsourcing documentation (ANZ 2003a; 2003b; 2004; 2005) prescribed the bank's outsourcing methodology in much detail, commencing with a macro framework, which was then broken down into sections and sub-sections. It would be reasonable to posit that other large banks, if not other large organisations, had similar detailed, commercially confidential methodologies for outsourcing.

In this section, the macro methodologies will be considered before discussion on the more detailed methodologies available in the literature. The outsourcing methodology of ANZ will then be reviewed. Based on a review of the methodologies, an outsourcing framework, applicable to Australian banks, will be proposed.

2.4.1 Macro outsourcing methodologies

Corbett (2004, p. 106) proposed a five stage outsourcing methodology: i) idea; ii) assessment; iii) implementation; iv) transition; and v) management. The first three stages of this methodology are 'pre-contract', that is, contract negotiation and execution is the final activity in stage three, whilst the final two stages comprise the 'post-contract' phase. With Corbett's approach, the stages are considered a series of gates that must be passed through and completed, before moving on to the next stage. Corbett noted that 'each stage has a clearly defined and straightforward question it seeks to answer, and that answer is the starting point for the next stage' (p. 106).

Garrett (2003, pp. 33-38) highlighted four steps that were necessary when outsourcing: i) risk analysis; ii) due diligence in vendor selection; iii) documentation of the vendor relationship and contractual issues; and iv) ongoing supervision and monitoring of vendors. Under Garrett's approach, the first three steps comprised the pre-contract phase with the final step categorised as post-contract.

Similarly, Zhu, Hsu and Lillie (2001, pp. 373-378) recommended a four stage outsourcing methodology: i) planning; ii) developing; iii) implementing; and iv) surviving the outsourcing, with the first two stages being pre-contract, and the final two stages being post-contract.

Figure 2.4 presents Corbett's five stage methodology, with the approaches of Garrett and Zhu, Hsu and Lillie overlaid for the purpose of comparison.

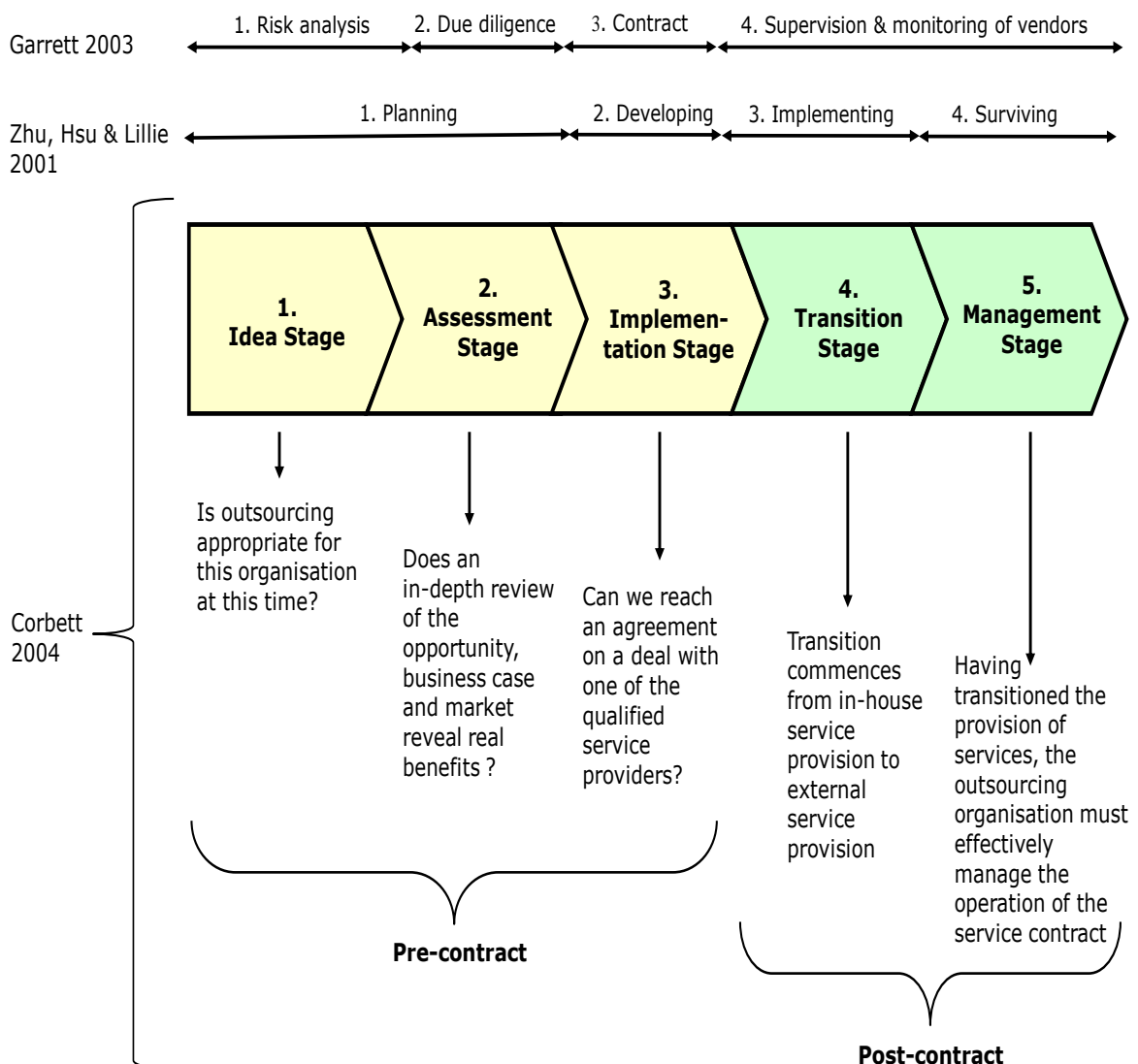


Figure 2.4: Comparison of macro outsourcing methodologies

Source: adapted from Corbett (2004, p. 106); Garret (2003, pp. 33-38); Zhu, Hsu and Lillie (2001, pp. 373-378)

Each of the three approaches highlighted the signing of a contract as a major milestone, and this is logical as, in a legal sense, there is no outsourcing arrangement until a contract is signed. To reflect this concept, the stages in the model have been grouped into 'pre' and 'post' contract phases. Pre-contract stages are those that are concerned with conceiving and executing an outsourcing arrangement, whilst post-contract stages are focused on transferring the in-house services to the external service provider and managing the outsource relationship.

A strong focus on understanding whether it was prudent to outsource a particular business activity was also a feature of each of the methodologies. Risk analysis, planning, and assessment stages were focused on understanding the benefits and the risks that were associated with outsourcing a business activity and selecting the most appropriate service provider. The transition of services to the selected service provider was highlighted in each approach as a high risk activity that required careful management. Finally, the 'steady state' was reached where the services had been transitioned to the service provider and the service provider was responsible for conducting the business process. Each of the three macro approaches acknowledged that the monitoring of service outputs and the management of the service provider were critical activities.

In terms of differences between the three macro outsourcing methodologies, there was nothing substantial. The variations between the methodologies were related to semantics and timing, rather than fundamental in nature.

2.4.2 Detailed outsourcing methodologies

In addition to the macro approaches to outsourcing, and perhaps in acknowledgement of the complexity and inherent risk of outsourcing (Beasley, Bradford & Pagach 2004; Bieske & Cossetto 2003; Brown & Wilson 2005; Delpachitra 2004; Figg 2000; Greaver 1999; Quinn & Hilmer 1994; Willcocks 2000), more detailed outsourcing methodologies were also described in the literature.

Brown and Wilson (2005); Glen (2002); Greaver (1999); and Pallesen (2005) outlined methodologies formulated around seven tasks, whilst TRG (2003) proposed an eight task outsourcing methodology, with Rothery and Robertson (1995) outlining a ten task outsourcing process. The terminology 'task' is analogous to Corbett's use of the term 'stage' in figure 2.4.

Table 2.4 lists the detailed outsourcing methodologies described in the literature, with the various tasks aligned for the purpose of comparison.

Table 2.4: Comparison of detailed outsourcing methodologies: tasks

Brown & Wilson (2005)	Glen (2002)	Pallesen (2005)	Greaver (1999)	TRG (2003)	Rothery and Robertson (1995)
PRE CONTRACT					Get commitment
Strategy	Identify requirements	Identify needs	Plan initiatives	Analysis and planning	Select project leader
	Vendor review		Strategic implications		Devise methodology
Request for proposal (RFP)	Tendering (RFT)	Request for proposal (RFP)	Analyse cost and performance	Request for tender (RFT)	Project plan
					Project team
					Assessment study
			Select providers (RFP)	Pre-bid preparation	Report findings
	Evaluation	Evaluation		Proposal evaluation	Select/plan specific outsource project
Negotiation		Selection		Negotiation	
	Negotiation	Contract	Negotiate terms	Contract	Select providers (RFT)
POST CONTRACT					
Implementation			Transition resources	Transition	Pass control to external service provider
Management	Implementation	Define administrative functions	Manage relationship		
Completion	Contract management				
Maintaining and supporting		Close out		Post award	

Source: adapted from: Brown and Wilson (2005, pp. 25-26); Glen (2002, p. 14); Greaver (1999, p. 17); Pallesen (2003, pp. 1-3); Rothery and Robertson (1995, p. 75); TRG (2003, p. 1)

These detailed methodologies provided the bridge between the macro framework for the conduct of the outsourcing activity (figure 2.4) and the detailed activities that must be undertaken if the outsourcing activity was to be completed satisfactorily.

Similar to the macro outsourcing methodologies (figure 2.4), the six detailed outsourcing methodologies outlined in table 2.4 have been designated either pre-contract phase or post contract phase and the differences between the detailed methodologies did not represent major philosophical dichotomies, but rather variations in terminology and timing.

However, the approach of Rothery and Robertson (1995) varies from the other five methodologies in that they recommended greater concentration on the pre-contract tasks (nine out of ten tasks), emphasising the importance of planning in the outsourcing activity.

The terminology adopted for each task in table 2.4 is self explanatory, with minor exceptions. For example the term ‘completion’ (Brown & Wilson 2005) referred to the decision, at the end of the outsourcing contract period to either renew the contract, seek an alternative provider, or bring the service back in-house. Pallesen (2005) in using the terminology ‘closeout’, was referencing a report, commissioned at the end of the outsourcing contract, that detailed the outsourcing contract and measured the progress and success of the outsourcing arrangement. The term ‘post award’ (TRG 2003) described the management of the outsourcing contract and the renewal process at the end of the contract.

All authors agreed that the logical starting point of the outsourcing process was the identification of what was required from the outsourcing arrangement, whether it be: cost savings; better quality; reduced risk; etc. Glen (2002, p.14) noted that once this was done, ‘you need to assess exactly what your current in-house operations do, and their true cost’. Glen stressed that this was the most important part of the process as ‘with this information, you can approach outsourcing organisations to obtain “true” comparable quotes’ (p. 14). All approaches noted the importance of a service provider selection process, with Glen (2002); Rothery and Robertson (1995); and TRG (2003); suggesting a tender process, whilst Brown and Wilson (2005); Greaver (1999); and Pallesen (2005) favoured requesting a proposal for supply of goods and services from interested vendors. Tendering for the supply of outsourced services is discussed later in this chapter.

In order to gain an insight into the next level of detail under the tasks listed in table 2.4, an example of outsourcing tasks and sub-tasks (TRG 2003) is provided in table 2.5.

Table 2.5: Outsourcing methodology: tasks and sub-tasks

Task	Sub-task
Pre-contract phase	
Analysis and planning	<ul style="list-style-type: none"> • establish project objectives • develop project schedule • evaluate options • make recommendations
Request for tender (RFT) development	<ul style="list-style-type: none"> • establish structure • define in-scope services • establish workload volumes • establish service levels • calculate costs
Pre-bid preparation	<ul style="list-style-type: none"> • establish: <ul style="list-style-type: none"> ○ single point of contact ○ response to supplier process ○ proposal review systems • conduct supplier conference • develop evaluation model
Proposal evaluation	<ul style="list-style-type: none"> • establish evaluation teams • evaluate proposals • conduct reference checks • down select
Negotiation	<ul style="list-style-type: none"> • establish initial meeting • review negotiation process • determine issues • develop negotiation strategy
Contract award	<ul style="list-style-type: none"> • sign contract • announce winner
Post-contract phase	
Transition	<ul style="list-style-type: none"> • establish transition team • develop transition plan • execute transition plan
Post award	<ul style="list-style-type: none"> • manage ongoing relationship • renegotiation • remediation

Source: adapted from TRG (2003, p. 1)

2.4.3 Regulatory perspective

As the scope of this research involves outsourcing activities within an Australian bank, it is appropriate, in reviewing outsourcing methodologies, to consider the regulatory perspective. Garrett (2003) noted the added scrutiny that banking industry regulators have been bringing to bear in recent years, and pointed to the increasing uptake of outsourcing of technology and business processes in recent years as a key driver of this scrutiny.

APRA, through the provisions of Australian Prudential Standard 231- Outsourcing (APS 231), regulates the outsourcing activities of Authorised Deposit-taking Institutions (ADI), which includes banks. The key requirements of APS 231 were that the ADI must: formulate a policy relating to outsourcing material business activities; have sufficient monitoring processes; execute a legally binding contract; consult with APRA when considering offshoring; and notify APRA after entering agreements to outsource material business activities (APRA 2006, p. 1).

With regard to outsourcing methodology, APS 231 required, among other things (APRA 2006, cl. 17), that organisations, when assessing the options for outsourcing a material business activity to a third party, were able to demonstrate that they had:

- a) prepared a business case;
- b) undertaken a tender or other selection process;
- c) undertaken a due diligence review of the chosen service provider;
- d) involved the board, or board committee or appropriately delegated senior manager;
- e) considered certain matters relating the contents of the contract;
- f) established procedures for monitoring performance under the outsourcing agreement;
- g) addressed the renewal process for outsourcing agreements; and
- h) developed contingency plans that would enable the outsourced business activity to be provided by an alternate supplier, or brought back in-house if required.

As with the macro and detailed outsourcing methodologies, the outsourcing tasks can be

divided into 'pre-contract' (a - e) and 'post-contract' (f - h) phases.

In considering the requirements of APS 231, it must be kept in mind that the perspective of APRA is that of a government regulator, rather than an agency offering robust commercial advice. APS 231 set minimum regulatory requirements, without providing guidance on how the requirements were to be achieved. It is difficult therefore to consider APS 231 a source of outsourcing best practice.

2.4.4 ANZ outsourcing methodology

Banks, in formulating their outsourcing methodologies, are required to consider and comply with the provisions of APS 231. ANZ (2004; 2005) prescribed a detailed policy and methodology for conducting outsourcing activities at ANZ in compliance with the relevant provisions of APS 231. The ANZ methodology was divided into nine tasks and, as in the previous methodologies reviewed, outsourcing tasks were allocated into pre-contract and post-contract phases. The ANZ methodology differed from the previous examples in that it had, pursuant to APS 231, a specific task relating to the notification to APRA of the signing of a material outsourcing arrangement. Table 2.6 outlines the ANZ outsourcing methodology.

Table 2.6: ANZ Banking Group outsourcing methodology: tasks and sub-tasks

Task	Pre-contract	Task	Post-contract
1	Confirm & scope candidate services <ul style="list-style-type: none"> • establish business unit needs • establish project team • develop service delivery model and confirm scope • prepare project plan 	6	Notification to APRA <ul style="list-style-type: none"> • materiality of outsourcing arrangement determined, and APRA notified if the arrangement is determined to be material
2	Feasibility study <ul style="list-style-type: none"> • establish base data (service level and cost baseline) • analyse market • assess benefits • risk analysis 	7	Service transition <ul style="list-style-type: none"> • transfer service provision to contracted service provider
3	Scope the market <ul style="list-style-type: none"> • prepare service specifications • determine performance measures • develop evaluation protocols 	8	Contract management <ul style="list-style-type: none"> • contract management • relationship monitoring • management reporting
4	Evaluation <ul style="list-style-type: none"> • request for tender (RFT) distributed • evaluation of RFT responses • vendor due diligence 	9	Performance monitoring <ul style="list-style-type: none"> • performance reporting • audit
5	Contract finalisation <ul style="list-style-type: none"> • contract negotiation 		

Source: adapted from ANZ (2004, pp. 5-22)

The notable features of the ANZ methodology were a focus on business unit requirements and the conduct of a feasibility study (or business case) to ascertain, at an early stage, the potential for success of the outsourcing project. The ANZ approach was similar to the various detailed outsourcing methodologies listed in table 2.4, particularly TRG (2003).

In ‘confirming and scoping the candidate services’, the objective was to define the business area that was the candidate for outsourcing, determine what the required outcomes of the outsourcing activity were and identify key stakeholders. Required outcomes may have included: cost savings; improved service standards; speed to market; access to new technologies; or any combination thereof. Once the candidate services had been confirmed and scoped, a team was established to manage the outsourcing project. This team would be typically led by an outsourcing specialist from the sourcing department. The first task of the project team was to confirm that the scope of the outsourcing activity was correct, and to then construct a service delivery model. A detailed plan for the conduct of the outsourcing activity was generated and confirmed with key stakeholders.

The next stage in the ANZ outsourcing activity was the conduct of a feasibility study. Also referred to as a ‘preliminary business case’. The purpose of the feasibility study was to review the market for the supply of the required services, assess the benefits and risks associated with the outsourcing, and to make a recommendation to the steering committee as to whether the project should proceed.

Having decided to proceed with the outsourcing project, the next task was to ‘scope the market’. The key outcome of this task was a service specification that detailed the required services, articulated required performance standards and defined performance measures. Another outcome of this task was the development of tender evaluation protocols and the establishment of a tender evaluation team.

The ‘evaluation’ task consisted of the preparation and dispatch to market of a request for tender (RFT) document. This comprehensive document contained the detailed service specification and

enables tenderers to clearly understand ANZ’s requirements and facilitates the lodgement of a fully considered tender and pricing structure ... [and] protects ANZ’s commercial and risk management through the use of appropriate and consistent terms and conditions (ANZ 2004, p. 14).

Upon receipt of the tender responses from the market, an evaluation process was conducted, a risk assessment undertaken and a detailed evaluation report forwarded to the steering committee for consideration.

Assuming that the steering committee accepted the recommendation of the outsourcing project team, a preferred tenderer was invited to engage in contract negotiations with ANZ ('contract finalisation'). If agreement on legal and commercial issues was reached, a service contract between ANZ and the service provider was executed.

If the outsourcing contract was designated 'material', ANZ was required, under the provisions of APS 231 to notify APRA of the existence of the contract within 20 working days (APRA 2006, cl. 27).

The next task, under the ANZ outsourcing methodology was the 'service transition' from in-house to the external service provider. It was a requirement that a detailed transition plan was produced by the outsourcing project team, and forwarded to the steering committee for approval.

In compliance with APS 231 'contract management' stipulations (APRA 2006, cl. 31), ANZ was required to devote sufficient resources to managing and monitoring the outsource relationship. Aspects of 'contract management' and 'performance monitoring' would have included: regular contact with the service provider; performance management (customer satisfaction, adherence to service specification, statutory compliance, etc) ; and issue management and escalation.

The ANZ outsourcing methodology, which is compliant with the requirements of APS 231, was conducted within a comprehensive framework consisting of: ANZ Outsourcing Framework (ANZ 2004); ANZ APS 231 Compliance Policy (ANZ 2005); detailed ANZ tender documentation (ANZ 2003a); and ANZ Tender Evaluation Plan (ANZ 2003b).

The ANZ approach was highly detailed, with each sub-task in table 2.6 being further divided into 'activities' (ANZ 2004). As certain activities constituted substantial work

packages, there was further division into ‘sub-activities’. An example of this division of tasks is provided below. The sub-task ‘establish base data’ is comprised of two activities: i) service level baseline; and ii) cost baseline. The example illustrates the cost baseline activity.

Task:	(2) Feasibility study
Sub-task:	Establish base data (service levels and cost baseline)
Activity:	Identify direct and indirect cost structure for current service
Sub Activities:	Construct baseline costing template; liaise with business unit finance personnel; populate baseline template; and validate findings

2.4.5 Conclusion

Although outsourcing methodologies were described in the literature, highly detailed descriptions of the outsourcing tasks were not sighted. However, it was likely that prudent organisations implemented detailed, commercially-confidential methodologies (as evidenced by the methodology adopted by ANZ).

The lack of literature relating to step-by-step methodologies for conducting the outsourcing process created an opportunity for additional research. Given the number and apparent complexity of the tasks in the outsourcing methodologies described (figure 2.4 and tables 2.4; 2.5; 2.6), each task could form the basis of a discrete research study.

As the focus for this research is the outsourcing tendering task, it is therefore appropriate to review previously published research on the topic.

2.5 Tendering for outsourced services

Within the context of this paper, the term ‘tender process’ relates to the activities that an organisation may choose to undertake in engaging with external service providers for the

provision of outsourced services. This process involves all activities relating to the dispatch of a request for tender (RFT) document to the service provider market and the evaluation of the service providers' responses to the RFT.

At ANZ, the tender process is typically the most time consuming and resource hungry task in the outsourcing methodology (ANZ 2003a; 2003b; 2004), and as the process involves significant interaction with third parties, it also contains a heightened element of commercial risk exposure (ANZ 2003a; 2004).

Tendering is not the only process of engagement with a service provider market. For example, one could find a supplier in the telephone directory; phone the supplier to provide a quote; and then authorise delivery of services. However, due to the inherent risks and complexity of the outsourcing relationship (Quinn & Hilmer 1994), the tender process is recommended when seeking providers of outsourced services, or in fact, any significant supply of goods or services (Aulich, Halligan & Nutley 2001; Australian Industry Commission 1996; Cant & Jeynes 1998; Department of Commerce NSW 2002; Domberger & Hall 1995; Frisch 2004; Hayes 1997).

2.5.1 Characteristics of tendering

Tendering is an activity that necessarily involves significant interaction with the market place, and it was in this context, that Glen (2002, p. 15) noted the impact of the tender process and tender documentation as a public relations exercise, advising that the 'documentation should be professional, formal and comprehensive. This is the first impression suppliers have of your organisation'.

Anon (2000), defined the activity of tendering as 'making a formal offer or estimate' and, whilst this is correct, the meaning of the term has expanded. The Australian Industry Commission (1996, p. xix), defined competitive tendering as 'the process of selecting a preferred supplier from a range of potential contractors by seeking offers (tenders) and evaluating these on the basis of one or more selection criteria'.

Department of Commerce NSW (2002, p. 28) expanded on this concept with its observation that a tender is a statement of the purchaser's 'detailed requirements and associated conditions of purchase. This is then used to elicit comprehensive and binding responses from suppliers'. The binding nature of a tender is reinforced by Hayes (1997, p. 236) who noted, in discussing the legal nature of tendering, that 'a contract is formed when one party makes an offer which is accepted by the other party'.

Such definitions highlighted two dimensions of the tendering activity: i) the process undertaken by customers seeking the services (requesting, receiving and evaluating submissions from service providers); and ii) the process of service providers submitting a response to the prospective customer. This thesis investigates the former dimension, as the research scope was concerned with an Australian bank seeking outsourced services from external service providers.

Lewis (2003, p. 21) pointed out that competitive tendering was most prevalent in the public sector because of the 'need to demonstrate even-handedness and transparency in the award of public contracts'. Lewis noted that the private sector was largely free from the constraints of the public sector, however most businesses 'recognise the merits of competitive bidding as a means of identifying not just the contractor with the lowest price but those that can also provide the best all-round response to their needs' (p. 21). Additionally, Lewis (2003) articulated the benefits that arose from competitive tendering: consistent and methodical basis for selecting contractors; access to different ideas, approaches and solutions; opportunity to learn how well contractors understand the client's requirements; and opportunity to assess the quality of the working relationship likely to develop once the contract is awarded. Lewis' view that competitive tendering, once the sole domain of the public sector, was becoming more widely used in the private sector was reinforced by Tasso (2003) who also highlighted the importance of getting the tender process right.

In essence, competitive tendering is driven by the expectation that engaging in a process of competition between service providers, for a relatively standard product or service, will result in reduced pricing for the purchaser. Dearlove (2003, pp. 168-171), in discussing

Porter's Five Competitive Forces noted the 'bargaining power of buyers' and stated 'if customers have bargaining power they will use it. This will reduce profit margins and, as a result, affect profitability'. The corollary of this is that the customer, in creating the situation where providers are competing, will drive lower prices.

This competitive forum also provided the paradoxical situation whereby prices were reduced and quality was maintained or improved. Domberger, Hall and Ah Lik Li (1995) used a two equation econometric model, sourcing data from sixty one cleaning services contracts, to understand if lower prices achieved in competitive tendering arrangements led to poorer quality service outcomes. Their results indicated that 'while competition reduced price significantly, quality of service was maintained or enhanced' (p. 1,454). The Australian Industry Commission (1996) reported a similar finding in relation to the performance of Victorian Government outsourcing contracts noting that 'contracting out per se does not necessarily impact on the quality of services provided ... outsourcing has, at worst, a neutral impact on the quality of service' (p. 116).

Domberger and Hall (1995, p. 5) believed that the competitive aspect of tendering was critical to the success of the activity and cautioned organisations to reconsider continuing with the process if the question 'is competitive bidding likely between potential suppliers?' is answered in the negative. Likewise, OECD (1997, p. 5) reinforced the importance of the competitive nature of tendering noting that 'competitive markets are key to achieving the benefits of contracting out' and encouraged governments to foster competitive markets by recognising the importance that 'contracting out practices can play in the development of markets for the relevant services' (p. 5). The absence of a competitive process in seeking service providers was highlighted as one of the most common causes of the failure of outsourcing arrangements (Ackerman & Langley 2004).

Frisch (2004) noted that the tender process can deliver benefits to an organisation even if the activity does not result in a business process being outsourced: 'the evaluation process can be valuable because it helps an entity scrutinise the costs and benefits of its procurement function. The outsource evaluation, may ultimately improve procurement processes' (p. 6).

Based on the results of a review of competitive tendering and contracting by public sector agencies, the Australian Industry Commission (1996), provided a comprehensive listing of the key characteristics of a successful tendering model (table 2.7).

Table 2.7: Best practice guidelines for competitive tendering

#	Characteristic
a.	Specify the service in clear, accurate and easy-to-follow terms;
b.	Consult both the intended clients (or their representatives) and potential providers in preparing the specifications and other aspects of the tender documentation (such as draft requests for proposal, requests for tender and contracts);
c.	Adopt performance specifications wherever possible;
d.	Use industry-wide standard forms of tender documentation (including contracts) and standardised tender processes wherever possible;
e.	Select a type of contract appropriate to the characteristics of the service and nature of the market;
f.	Include an appropriate mix of incentives and penalties when specifying the service contract;
g.	Consider incorporating non-court dispute resolution procedures into service contracts;
h.	Identify the risks involved in any contractual arrangement and allocate these risks to the party best able to manage them;
i.	Use multi-stage tendering whenever feasible and shortlist as quickly as possible;
j.	Allow adequate time for bid preparation and between tender stages, taking into account the scope and difficulty of information requested from tenderers;
k.	Seek no more than the information required at each tendering stage;
l.	Publish tender evaluation schedules as early as possible, and adhere to them;
m.	Identify transition costs (including redundancy costs) and indicate in the tender documentation how they will be assessed at the tender evaluation phase;
n.	Specify the selection criteria to be used in the tender evaluation and rank them in order of importance in the tender documentation;
o.	Keep tenderers informed about the general progress of the tender process;
p.	Advise unsuccessful bidders in writing as soon as they are eliminated from the evaluation process and debrief them on request; and
q.	Consider employing, for major projects, an external audit of the costing of an in-house bid, an independent auditor on the evaluation panel and a probity audit of the tendering process overall.

Source: Australian Industry Commission (1996, recommendation C6.1, p. 349)

The tendering best practice guidelines proposed by the Australian Industry Commission appear commercially prudent and relatively simple to implement. Each of the best practice guidelines, or its equivalent, was in evidence in the ANZ tendering process (ANZ 2003a; 2003b; 2004).

2.5.2 Disadvantages of tendering

There are also disadvantages associated with tendering. Sidwell, Budiawan and Ma (2001, p. 107), noted that, as ‘the process was designed to produce direct price competition for a specified product’, price was typically the only basis for service providers to differentiate. They suggested that the tender process was confined by the customer’s specifications and therefore ‘the successful tenderer’s scope to be innovative is very limited’ (p. 107). For example, there is little scope for a service provider to respond with a service delivery model that is different to the customer’s specification. An outcome of this may be that the customer missed the opportunity to leverage the service provider’s expertise.

Spurgeon and Hicks (2003) believed that the tendering process may not always provide an optimal result, commenting that the process was ‘so enshrined in public sector culture that neither its very existence nor its effectiveness is ever questioned’ (p. 188) and concluded that ‘the manner in which the tendering procedure operates in reality militates against quality’ (p. 192). They proposed that the creation of a preferred list of providers, who would build a long term relationship, would address the question of quality.

Tendering is a time consuming and expensive process for both the customer and the prospective service providers (Beaumont 2006; Holmes 1995), with Holmes noting that ‘the cost of a tender can be as high as 10% of the cost of a given contract’ (p. 3).

2.5.3 Tendering in Australia

In Australia, the key tendering activities are: expression of interest (EOI); request for proposal (RFP); and request for tender (RFT) (Australian Industry Commission 1996; Department of Commerce 2002). These terms are explained in the definitions section of

this document (p. xiv).

These tendering activities are not necessarily mutually exclusive, as organisations may choose to undertake an EOI and/or RFP to narrow the range of suppliers or evaluate what the market is offering to meet the agency requirements, prior to commencing the RFT process.

There is potential for confusion in the cross-border application of the terminology as, in the USA, the term 'RFP' appears to be an amalgam of the Australian concepts of RFP and RFT, and the American practice appears to be to use the terminology Request for Information (RFI) instead of EOI. During the course of this literature review, no evidence was uncovered of the use of the term 'request for tender' in USA sourced literature.

2.5.4 Tender process

Power (2003, p. 26), in discussing tendering within the financial services industry, noted that there were standard steps involved in running any tender and provided the following tender process outline: identify needs; formulate selection criteria; draft an RFP [or RFT]; identify providers to invite to respond to the tender; shortlist providers; 'beauty parades' [presentations from providers]; and final decision. These 'standard steps' map directly to the ANZ tendering process (ANZ 2003a; 2003b; 2004).

2.5.5 Regulatory perspective

From a regulatory perspective, APS 231 provided little guidance on the subject of tendering for outsourced services. The standard does not compel organisations to conduct a tender process, requiring only that organisations, that are subject to the standard, 'are able to demonstrate that, in assessing options for outsourcing a material business activity to a third party, it has undertaken a tender or other selection process for service providers' (APRA 2006, cl. 17(b)).

ANZ included a draft outsourcing contract as part of its tender documentation (ANZ

2003a), and this contract was subject to the requirements of APS 231, which stipulated contract inclusions relating to: scope; pricing and fee structure; service levels; audit; business continuity management; dispute resolution; liability and indemnity; insurance; and review provisions (APRA 2006, cl. 20).

2.5.6 Tender evaluation

ANZ prescribed a comprehensive tender evaluation plan for the evaluation of outsourcing tenders (ANZ 2003a). The evaluation plan detailed the processes and documentation covering the phases of the evaluation: steering committee composition; evaluation team composition; tender lodgement and registration; communication protocols; evaluation process; and evaluation report.

The objective of the evaluation process is to identify the best-qualified service provider that meets the needs of the bank (ANZ 2003a). Tender evaluation is a complex process and can include: feasibility studies; fiscal impact studies; viability of operators; and financial projections (Mills & Vreeland 1997, p. 408). Sparke (1993, p. 20) recommended that the 'general criteria for evaluating tenders are that the company [service provider] is and will remain financially stable for at least the duration of the contract to be awarded and is technically competent'. He added that an opinion on the financial stability of the service provider should be the result of a professional interpretation of the service provider's accounts.

The complexity of the evaluation process notwithstanding, the evaluation should be cost effective, efficient, and appropriate for the nature of the activities that the bank is seeking to outsource (FDIC 2005).

APS 231 (APRA 2006) required that a due diligence review of the selected service provider should be undertaken during the vendor assessment stage of the outsourcing activity (cl. 17(b)), and this position was supported by Greaver (1999), who recommended that organisations ensure that they had validated the completeness and accuracy of service providers' proposals, by conducting a due diligence review. Andre Sole reinforced the

importance of such validation prior to contract signature:

once the customer does the handshake and signs the contract, they are in a very poor position to make any changes ... the things you don't define - or have defined poorly become very important after you sign the contract (Freeman 2004, p. 29).

2.5.7 Conclusion

A review of the literature relating to tendering for outsourced services revealed the absence of published research on the topic. Whilst there was information on tendering for services within Australia and best practice guidelines for competitive tendering in the literature, this was of a generic nature, and not related specifically to outsourcing. Characteristics of tendering for outsourced services, that drove success in the activity, were not in evidence.

Given the significant time, resources and risk associated with the tendering task (ANZ 2003a; 2003b; 2004), and the impact of the tendering activity on the success of the outsourcing process, the lack of published research on the topic represents a significant gap in the literature.

Tendering for outsourced services is considered an appropriate topic for this research.

2.6 Project management

Each of the outsourcing methodologies reviewed could be expressed as a series of tasks and sub-tasks (tables 2.4; 2.5; 2.6). In the case of the ANZ methodology, each sub-task was further divided into activities. This allocation of tasks was consistent with project management discipline (Lewis 2001; Martin & Tate 2001).

The outsourcing methodology is, by nature, a complex activity conducted over an extended time frame. The range of tasks and disciplines involved was so broad that Corbett (2004); Greaver (1999); Lacity and Willcocks (2001); Rothery and Robertson (1996); and White and James (1996), advised large organisations to adopt rigorous project management

methodologies to appropriately manage their outsourcing projects.

Cowie (2003, p. 257) stressed the importance of project management capability for organisations and noted 'project teams can often move faster than a traditional hierarchy structure, enabling organisations to react to change faster'. Lacity and Willcocks (2001, p. 246) were of the opinion that poor project management, in respect to outsourcing activities, could lead to implementation difficulties, whilst White and James (1996, p. 47) noted that 'the quality with which a project is managed represents a critical success factor, particularly given the long-term nature of most outsourcing agreements'.

One may conclude that, if the management of the outsourcing project was not undertaken appropriately, then the project may deliver a sub-optimal outcome. Project management discipline, therefore, is a driver of the success of outsourcing activities, and as such requires investigation.

2.6.1 Characteristics of projects

Cleland (1998, p. 8) defined a project as 'any undertaking that has a defined objective, a cost parameter, and a time element for its completion'. Similarly, Shenhar (2004, p. 570) defined a project as 'a temporary organisation and process set up to achieve a certain goal under the constraints of time, budget, and other resources'. Healy (1997, p. 9) agreed with this concept of a project, which he then expanded by adding the element of a 'time-ordered and interrelated set of tasks'.

Lock (2000, p. 4) whilst agreeing with the foregoing definitions, cited the key characteristic of a project as its novelty noting that 'no two projects are exactly alike, and even a repeated project will differ from its predecessor in one or more commercial, administrative, or physical aspects'.

Within the literature, there was widespread agreement that a project must be undertaken in a systematic and well planned manner, and there was a high level of consensus as to the key components of a successful project management methodology (Lewis 2001; Martin &

Tate 2001; White & James 1996; Young 2000).

Lewis (2001) provided the steps in managing a project (figure 2.5) and warned that, whilst the steps themselves might appear straightforward, the real challenge was the successful accomplishment of each step.

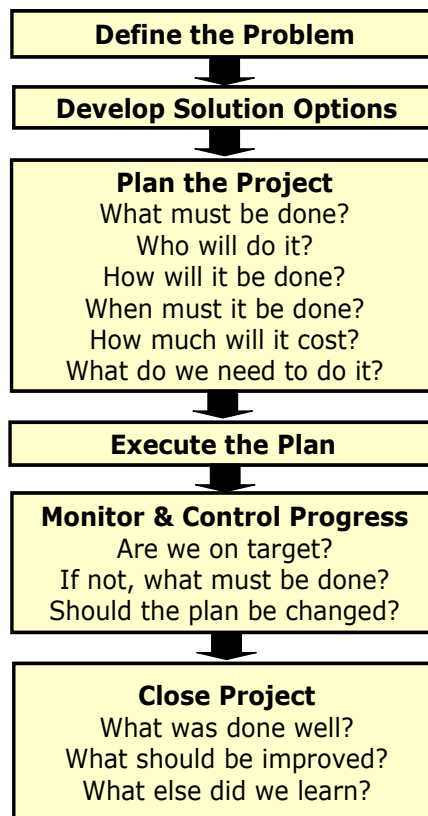


Figure 2.5 The steps in managing a project

Source: Lewis (2001, p. 15)

The steps in managing a project reflect the detailed outsourcing methodologies listed in table 2.4. For example, the first four steps in the project management methodology (define problem; develop solution options; plan the project; execute plan) could be categorised as ‘pre-contract’ phase whilst the last two steps (monitor & control progress; close project) could be categorised as ‘post-contract’ phase. Similarly each outsourcing task could be aligned with each of the project management steps.

Young (2000, pp. 57-64), consistent with the approach of Lewis, nominated six primary aspects of project definition: i) project organisation chart; ii) stakeholder list; iii) statement of requirements; iv) project objectives statement; v) scope of work statement; and vi) risk.

It should be noted, that all the key aspects of project definition, as articulated by Young, were a feature of ANZ's outsourcing approach (ANZ 2003a; 2003b; 2004; 2005). Additionally, ANZ (2004, p. 19) required the outsourcing activities of the bank to be conducted, utilising the comprehensive in-house project management tool, Project in a Box (PiaB).

As this research is concerned with identifying the drivers of success in the outsourcing tendering activity, it is of value to consider some general perspectives on project success and failure.

Cleland (1998) reflecting on why projects fail, believed that it was possible that the projects were either: ill-conceived; ill planned; out of alignment with the organisation's goals; or any combination thereof. For example, some projects failed because the organisation lacked suitable resources to support the project or lacked the funds to develop the project appropriately. In other cases, a project was not agile enough to respond adequately to competitor offerings, or changes in the market. Cleland also found that projects failed because the technology to support the project had not been developed or that the project was not aligned with the strategic direction of the organisation.

In measuring the success of a project, Pinto (1998) reinforced the importance of an established set of criteria against which success could be objectively measured. He proposed a ten-factor success model which listed the critical success factors for a project, and provided an explanation of each (table 2.8).

The success factors of table 2.8 provided a practical adjunct to the detailed outsourcing methodologies listed in table 2.5, and each of the success factors would be worthy of consideration when progressing through the selected outsourcing methodology. For example, the importance of outsourcing goals that are congruent with the organisational

goals and the criticality of management support for the outsourcing project was a constant theme in the outsourcing literature, as was the importance of planning and monitoring and feedback.

Table 2.8: Ten-factor project success model

#	Factor	Description
1	Project mission	Two key questions require resolution: Are the project goals clear to me and the rest of the organisation? Are the goals of the project in line with the general goals of the organisation?
2	Top-management support	Management support is extremely important for the success of any new project.
3	Project plans and schedules	Project planning refers to the importance of creating a detailed outline of the required stages in the implementation process, including work breakdown, resource scheduling, and activity sequencing. Scheduling refers to the tasks of creating specific time and task-interdependent structures such as critical path and Gantt charts.
4	Client consultation	The client is anyone who will ultimately use the final project. Project managers need to ensure the needs of the client are being met.
5	Personnel	Project managers need to recruit, select, and train members of the project team so they have the requisite skills and commitment to perform their functions.
6	Technical tasks	The decision to initiate a new project must be predicated on the organisation's ability to staff the team with competent individuals and to provide the technical means for the project to succeed.
7	Client acceptance	Project managers must be prepared to sell the project to clients.
8	Monitoring and feedback	At each stage of the project, key personnel should receive feedback on how the project is comparing with initial projections.
9	Communication	Adequate communication is extremely important in creating an atmosphere for successful system implementation.
10	Troubleshooting	The project manager should ensure that appropriate trouble shooting mechanisms are included in the implementation plan.

Source: Pinto, JK (1998, pp. 18-20)

2.6.2 Conclusion

A review of project management steps and characteristics indicated a high degree of commonality with outsourcing methodologies. ANZ had implemented rigorous project management disciplines to manage the outsourcing process, and various authors stated the necessity for such implementation (Greaver 1999; Rothery & Robertson 1996; White & James 1996). It may be concluded therefore, that in order for an outsourcing project to be successful, sound project management principles and practices must be adopted for the management of the outsourcing project.

2.7 Outsourcing framework - Australian banking industry

The review of the literature relating to outsourcing methodology revealed that the application of appropriate methodology was considered a key driver of success when outsourcing, and that as a result of the increasing complexity of outsourced service offerings, methodologies had become commensurately complex.

The methodologies reviewed ranged from macro (five or less key tasks), to detailed (six to ten key tasks), and included the requirements of the Australian government prudential regulator (APRA) and the comprehensive, but commercially confidential, outsourcing framework of ANZ. Irrespective of the number of tasks comprising the methodologies, it was possible, terminological differences aside, to map common themes across all methodologies. For example, all approaches were able to be analysed into 'pre' and 'post' contract phases, and all contained outsourcing relationship management tasks.

The literature relating to the sub-task of tendering for outsourced services was reviewed in detail, and it was ascertained that, whilst there was information relating to tendering, in a generic sense, there was no published detailed research on tendering for outsourced services in particular. Therefore, a potential research issue, which is relevant to the topic of interest had been identified.

The review of outsourcing methodologies highlighted the contribution that an appropriate project management regime made to the success of the activity. In response to this, literature relating to project management was reviewed in order to understand the characteristics of project management discipline that contributed to the success of the application of outsourcing methodology.

Having discussed the alignment of outsourcing objectives with corporate strategy; reviewed and compared the various outsourcing methodologies (macro; detailed; regulatory; ANZ); and reflected on prudential regulatory requirements and the contribution of an appropriate project management regime, a model (figure 2.6) is proposed that crystallises the framework within which the Australian banking industry conducts outsourcing activities. McIvor (2000) argued that promulgation of an outsourcing framework was an effective means of integrating the outsourcing activity into the overall strategy of an organisation.

The proposed outsourcing framework is comprised of four primary elements:

1. **Corporate imperatives** (blue): the corporate-level strategic and governance dictates of the organisation;
2. **Outsourcing methodology** (green & yellow): outsourcing methodology is comprised of tasks that occur up until the execution of an outsourcing agreement with a vendor (pre-contract: green), and tasks that occur after contract execution (post-contract: yellow);
3. **APS 231** (pink): the Australian prudential standard for outsourcing regulates the outsourcing activities of banks; and
4. **Project management regime** (grey): provides the planning and management framework within which the outsourcing methodology is implemented.

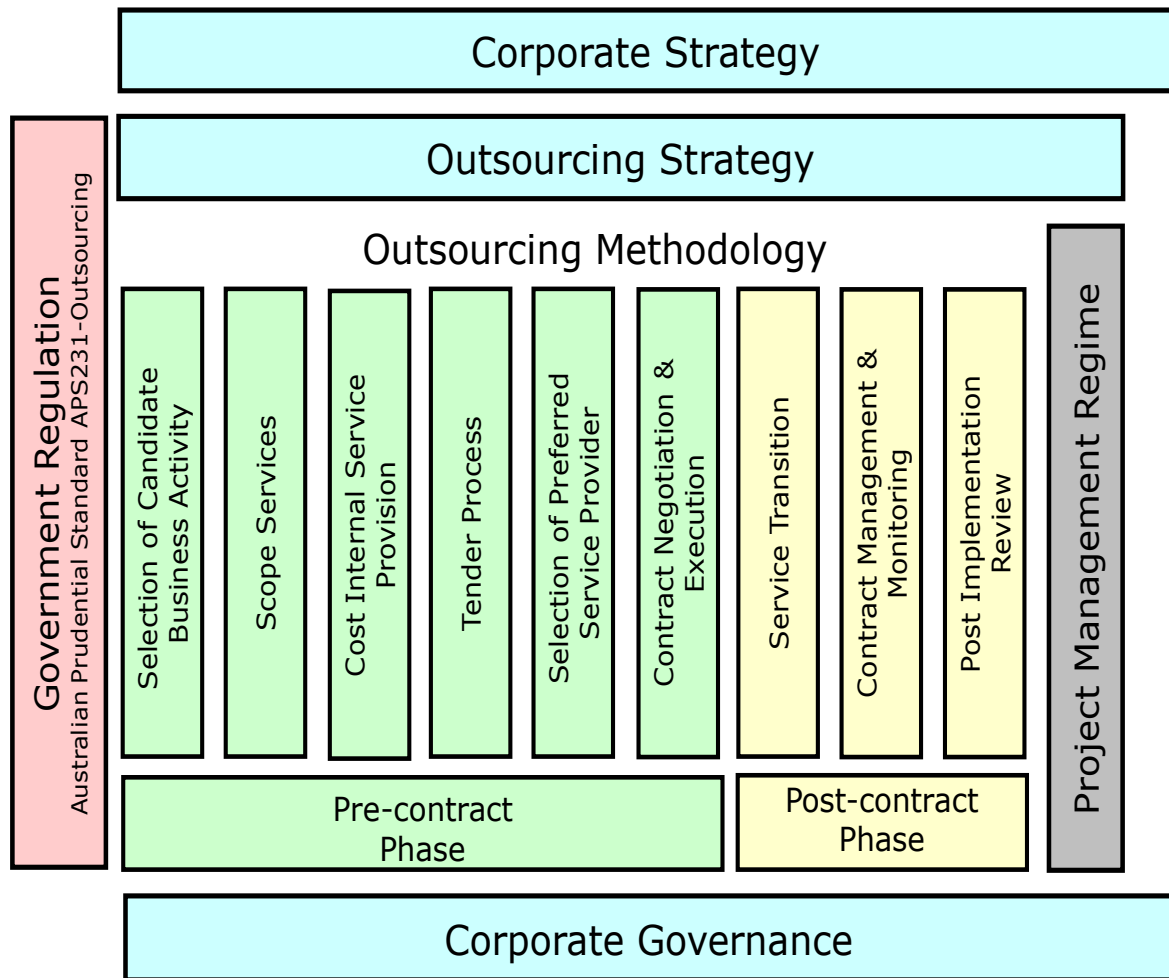


Figure 2.6: Outsourcing framework - Australian banking industry

Source: developed for this research

Corporate imperatives. The link between corporate strategy and outsourcing strategy has been explored (section 2.3), and it was determined that the corporate strategy of the organisation drove the outsourcing strategy of the organisation. The outsourcing activity of the organisation must take place within the corporate strategy if it is to be successful. Outsourcing has been characterised as an enabler of corporate strategy (Brown & Wilson 2005), whilst Corbett (2004) and Greaver (1999) argued that outsourcing, by its nature was strategic.

The outsourcing strategy of the organisation informs the outsourcing methodology that the

organisation implements. For example, the outsourcing strategy of ANZ was one of risk identification and minimisation (ANZ 2004), therefore a comprehensive outsourcing methodology, focused on the risk aspects of outsourcing, had been adopted. A less risk focused organisation may have been inclined to implement a less comprehensive, and therefore less time and resource hungry, outsourcing methodology.

Additionally, the outsourcing strategy, and the methodology that implemented that strategy, were subject to the corporate governance regime of the organisation.

Corporate governance mechanisms have the purpose of monitoring and controlling the management of corporations so as to result in more effective management ... [and] enables a corporation to balance the need for managerial risk-taking ... with the interests of shareholders and other interests in the community (Lipton & Herzberg 1999, p. 240).

The corporate governance framework regulated the outsourcing strategy by calibrating the level of risk and types of behaviours that were acceptable to the organisation, therefore impacting the type of outsourcing arrangements that may or may not have been acceptable to the organisation. In addition, corporate governance had a direct impact on the outsourcing methodology by dictating the expenditure discretions and approval processes that were required in order to transform the outsourcing activity from the idea stage to the operational stage. In regard to governance over the outsourcing process, Flannery and Heckathorn (2003, p. 8) recommended the establishment of two committees: i) a strategic committee charged with making policy decisions about key issues such as what functions to outsource or change; and ii) a tactical committee responsible for collecting and analysing data and making initial recommendations. ANZ 2004, adopted this approach, mandating the appointment of a steering committee (strategy and policy) and an outsourcing project team (tactical), to oversee outsourcing activities.

Outsourcing methodology. The outsourcing methodology proposed in this framework is comprehensive in nature and, consistent with the methodologies reviewed in section 2.4, is divided into pre and post contract phases. The pre-contract phase commences with the selection of the outsourcing business activity candidate, which was explicitly stated or implied in all the detailed outsourcing methodologies reviewed. Following the ANZ

approach, and consistent with the majority of the detailed methodologies reviewed, scope of services; internal service costing; tender process; and the evaluation of service providers' responses, are each considered significant tasks (the task of tendering for outsourced services was the focus of this research, and is discussed in detail in section 2.5).

Consistent with the approach suggested in the detailed methodologies reviewed, a process of selecting the preferred service provider is followed by the negotiation of a service contract with the service provider. If the contract negotiations are satisfactory to both parties, then a contract for the provision of outsourced services will be executed. As part of this task, the bank would be required to inform APRA of the outsourcing arrangement, if it was material in nature.

Having executed the contract, the next task is to transition the services from in-house provision to the external service provider. Once the services are transitioned, and a 'steady state' of external service provision reached, the outsource relationship must be managed and service performance, per the contract, monitored. The inclusion of these tasks is consistent with the outsourcing methodologies reviewed.

The final stage, 'post implementation review' was not recommended as a discrete task in the outsourcing methodologies reviewed, rather it was implied under the tasks associated with managing and monitoring contract performance. The approach adopted by ANZ was to conduct reviews of material outsourcing contracts between six and twelve months after contract execution (ANZ 2004). This appeared to be a prudent approach, and was consistent with the requirements of APS 231 (APRA 2006, cl. 31-35). As this important review process is undertaken independent of the contract management, and at a point distant from the execution of the outsourcing contract, it has been included in the proposed framework as a discrete task.

APS 231. The third element of the proposed outsourcing framework is government regulation of the outsourcing activities undertaken by Australian banks. The provisions of APS 231 (APRA 2006) directly impacted the outsourcing strategy of banks by requiring the development of an outsourcing policy (cl. 12-15) and consultation with APRA prior to

entering into any offshoring arrangement (cl. 29-30). Additionally, APS 231 impacted the outsourcing methodology of subject organisations by specifying requirements related to the assessment of outsourcing options (cl. 17-18) and listing mandatory outsourcing contract inclusions (cl. 19-23).

Project management. The fourth element of the proposed framework reflects the inclusion of a comprehensive project management regime within which to plan and execute the outsourcing methodology. Such a regime was an established driver of success in conducting the outsourcing process (section 2.6).

2.8 Knowledge gaps

As indicated in section 2.1, the objective of the literature review was to identify and engage with previously published research, relevant to the topic of interest, in order to uncover issues which may require investigation (Ticehurst & Veal 2000). As a result of the review of the literature relating to outsourcing, the following knowledge gaps have been identified:

2.8.1 Detailed description of the individual outsourcing methodology tasks

A review of the literature revealed that there were several outsourcing methodologies described. The methodologies were categorised as ‘macro’ (five or less primary tasks) and ‘detailed’ (five to ten primary tasks). In some methodologies, these primary tasks were further divided into sub-tasks and activities, however detailed analysis of each of the tasks was not in evidence. For example, detailed processes for conducting each task were not described, nor were detailed insights provided into the drivers of success for each of the tasks. It is important to note that this gap refers to published literature, and does not suggest that prudent organisations did not have comprehensive outsourcing methodologies and processes detailed within their commercially confidential policies and procedures.

Arising out of this lack of detailed description of the step-by-step application of outsourcing methodologies, it was proposed (section 2.4.5) that an opportunity for further

research existed, and that each task identified in the outsourcing methodologies reviewed (figure 2.5 and tables 2.4; 2.5; 2.6) could form the basis of a separate research study.

2.8.2 Detailed description of the outsourcing tendering sub-tasks

As a result of the knowledge gap highlighted in section 2.8.1, and due to the researcher's specific interest in the topic, the outsourcing tendering task was selected as the research area.

A review of the literature relating to tendering in general and tendering for outsourced services in particular (section 2.5) confirmed that, whilst there was a moderate amount of published information relating to tendering in general, there was no evidence of research having been conducted on the subject of tendering for outsourced services. Specifically, descriptions of detailed outsourcing tender processes were not in evidence.

2.8.3 Tendering for outsourced services: the drivers of success

The review of the literature associated with tendering for outsourced services also revealed that no research had been undertaken into the characteristics of the outsourcing tendering task that drove success.

2.9 Conclusion

In the course of this literature review, an understanding of the meaning of the term 'outsourcing' was gained. The relationship between outsourcing and corporate strategy was explored and outsourcing methodologies were reviewed at both the macro and detailed levels. The contribution that a pertinent project management regime can make to the success of the outsourcing activity was investigated.

Arising out of the conclusion that there was a deficiency in detailed knowledge relating to the application of outsourcing methodology, it was proposed that each of the key tasks listed in the outsourcing methodologies reviewed was a potential topic for research. Due to

the particular interest of the researcher in tendering for outsourced services, the literature associated with that outsourcing task was reviewed in detail. The conclusion of this review was that two additional knowledge gaps existed: i) absence of detailed descriptions of outsourcing tendering sub-tasks; and ii) absence of research into the characteristics of the outsourcing tendering activity that drove success.

The knowledge gap, relating to the drivers of success when tendering for outsourced services, was selected as the foundation of this thesis, and thus formed the basis of the research problem: ‘When tendering for outsourced services within a large Australian bank, what are the drivers of success?’

3 RESEARCH METHODOLOGY

3.1 Introduction

The focus of this research is the identification of the drivers of success in the tendering activities undertaken by a large Australian bank, as it sought providers of outsourced services.

Chapter one outlined the scope of this research by introducing outsourcing and providing a brief overview of its history and application. The Australian financial services industry, and its unique status in outsourcing in Australia, due to the requirement for compliance with prudential standard APS 231, was highlighted. The relative youth of outsourcing was noted.

In chapter two, a detailed review of the literature relating to outsourcing was undertaken, with the characteristics; history; growth; objectives; and methodologies of outsourcing examined. The process of tendering for outsourced services was analysed, as was the impact of Australian government regulation on the outsourcing activities of the financial services sector. Arising out of the review, a framework for outsourcing within the Australian banking industry was proposed (figure 2.6). It was noted that outsourcing methodologies proposed in the literature did not provide detailed analysis of each of the key tasks comprising the methodology. Rectification of this deficiency would not only provide a valuable addition to knowledge, but also assist practitioners in undertaking outsourcing activities. It was decided to concentrate on the outsourcing tendering task and to explore the characteristics of that activity that drove success, and from this, the research problem was formulated: ‘When tendering for outsourced services within a large Australian bank, what are the drivers of success?’

3.1.1 Objective of the chapter

Having finalised the research question, it is the purpose of this chapter to describe the methodology used to collect, analyse and interpret data relating to the outsourcing tendering activities undertaken by a large Australian bank.

3.1.2 Research approach and design

As this research is focused on resolving a problem that has not been the subject of previous research, the activity is exploratory by nature:

an exploratory study is undertaken when we do not know much about the situation at hand, or when we have no information on how similar problems or research have been solved in the past ... extensive interviews with many people might have to be undertaken to get a handle on the situation (Sekaran 1992, p. 95).

Exploratory research is undertaken in order to provide greater understanding of a concept or to clarify issues, and has three primary purposes: i) diagnosing a situation; ii) screening alternatives; and iii) discovering new ideas. Typically, exploratory research is conducted with the expectation that additional research will be undertaken in order to provide conclusive proof of the phenomenon, and is predominantly qualitative by nature (Zikmund 2003).

In this chapter, a review and analysis was undertaken of the four scientific research paradigms: i) positivism; ii) postpositivism/realism; iii) critical theory; and iv) constructivism. A justification is presented as to why constructivism was the most appropriate research paradigm within which to conduct this research. Additionally, qualitative, quantitative and mixed methods research methodologies were reviewed, and a justification provided as to why qualitative research methodology, utilising the data collection technique of semi-structured interviews, was most suitable for this research.

Figure 3.1 outlines the design of this research.

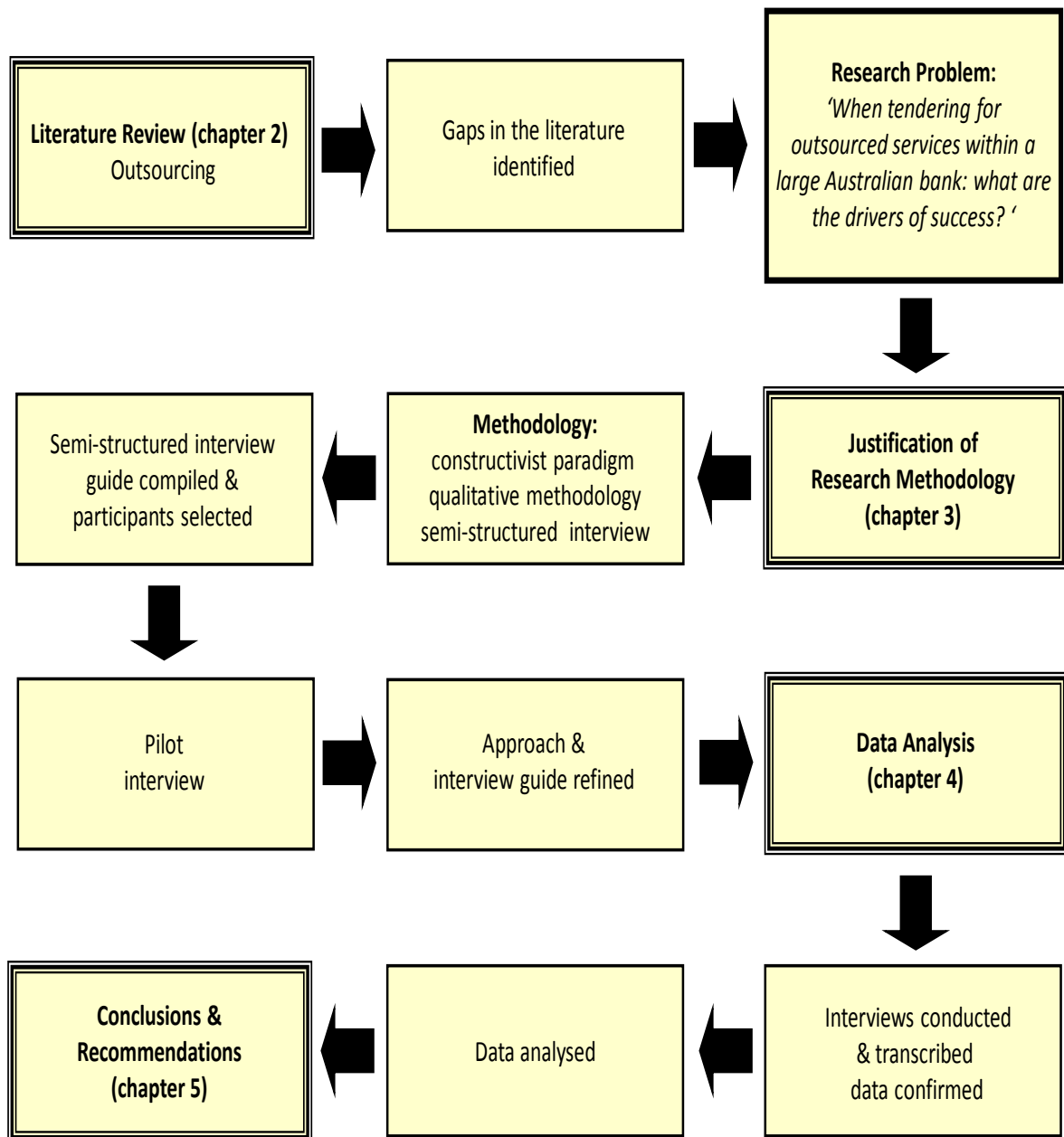


Figure 3.1: Research design

Source: developed for this research

3.2 Justification of research paradigm

This section introduces the concept of research paradigms and reviews the four primary scientific research paradigms. Linkages between the paradigms and quantitative and qualitative research methodologies are explored. A justification is provided as to why the constructivism paradigm is appropriate for this research.

3.2.1 Introduction

A critical step in undertaking research is the selection of an appropriate paradigm within which to conduct the research. A paradigm, or ‘view of the world’, is a conceptual framework comprising a basic set of beliefs or assumptions that act as a guide to the researcher (Creswell 1994; Healy & Perry 2000), providing a distillation of what the researcher thinks ‘about the world, but cannot prove’ (Lincoln & Guba 1985, p. 15).

Within the literature there were many perspectives when research paradigms and methodologies were discussed (Easterby, Thorpe & Lowe 1991; Hassard 1991; Sarantakos 1998). Much debate revolved around the actual number of research paradigms that existed or even whether the terminology of paradigm or methodology was interchangeable. What was certain, however, was that researchers have many choices when it comes to selecting an appropriate research approach (Creswell 2003).

In discussing research paradigms and methodologies, the exploration and resolution of semantics is far less critical than the selection of a research paradigm and attendant methodologies that are appropriate for the research activity. Sinclair and Hogan (1996, pp. 434-440) were of the view that the paradigm battle is a battle that is not worth fighting. Instead, researchers should focus their efforts on ‘selecting questions that we (a) can answer and (b) should bother to answer’.

3.2.2 Four scientific research paradigms

Guba and Lincoln (1994) and Perry, Reige and Brown (1999) contended that scientific

research is conducted within four key paradigms (although they differ in the terminology used to describe the second paradigm): i) positivism; ii) realism (Perry, Reige & Brown) or postpositivism (Guba & Lincoln); iii) critical theory; and iv) constructivism.

An illustration of the variations in approach to terminology in the literature was provided by Easterby, Thorpe and Lowe (1991) who combined the critical theory and constructivism paradigms into one paradigm referred to as the phenomenological paradigm, which in turn was also referred to in the literature as the qualitative or interpretive paradigm (Perry & Cavaye 2002, p. 2-3).

Table 3.1 illustrates the primary characteristics of each of the four scientific paradigms.

Table 3.1: Basic beliefs of alternative enquiry paradigms

Paradigm ‘World view’	Ontology What is the form and nature of reality and, therefore, what is there that can be known about it?	Epistemology What is the nature of the relationship between the knower or would-be knower and what can be known?	Methodology How can the inquirer go about finding out whatever he or she believes can be known?
Positivism	<i>Naïve realism:</i> Reality is real and apprehensible	<i>Dualist/Objectivist:</i> Findings true	<i>Experimental/ manipulative:</i> Verification of hypotheses: chiefly quantitative methods
Realism (Perry, Reige & Brown) or Postpositivism (Guba & Lincoln)	<i>Critical realism:</i> Reality is ‘real’ but only imperfectly and probabilistically apprehensible and so triangulation from many sources is required to try to know it	<i>Modified dualist /objectivist:</i> Critical tradition/ community. Findings probably true	<i>Case studies /convergent interviewing:</i> Triangulation, interpretation of research issues by qualitative and quantitative methods such as structural equation modelling. Modified experimental/ manipulative; critical multiplism; falsification of hypotheses
Critical Theory	<i>Historical realism:</i> ‘Virtual’ reality shaped by social, economic, ethnic, political, cultural, and gender values, crystalised over time	<i>Subjectivist:</i> Value mediated findings	<i>Dialogic/dialectical:</i> Researcher is a ‘transformative intellectual’ who changes the social world within which participants live
Constructivism	<i>Critical relativism:</i> Multiple local and specific ‘constructed’ realities	<i>Subjectivist:</i> Created findings	<i>Hermeneutical/ dialectical:</i> Researcher is a ‘passionate participant’ within the world being investigated.

Source: adapted from Perry, Reige and Brown (1999, p. 17) and Guba and Lincoln (1994, pp. 109 & 112)

3.2.3 Positivism

‘Positivists assume that natural and social sciences measure independent facts about a single apprehensible reality composed of discrete elements whose nature can be known and categorised’ (Perry, Reige & Brown 1999, p. 16). Within the positivist paradigm, questions and/or hypotheses are proposed by the researcher and subjected to empirical testing within a controlled environment that ensures the research outcomes are not influenced (Guba & Lincoln 1994). The research methodology is primarily quantitative and consists of controlled experiments and surveys conducted on representative samples of a population.

The positivist research paradigm was not considered an appropriate paradigm within which to conduct this research for three reasons. Firstly, the relatively small population of outsourcing practitioners engaged within the subject bank did not lend itself to quantitative research. Secondly, because the nature of this research was exploratory it was not ideally suited to quantification (Zikmund 2003). Thirdly, the research question was not posed in terms of verification of hypotheses, and the research was not conducted empirically, within a controlled environment.

3.2.4 Realism/postpositivism

Realists believe that it is impossible for researchers to avoid discretionary judgement when conducting scientific research and that, in explaining social phenomena, it is difficult to prove causality with certainty. Realists recognise all research methods as inherently imperfect and therefore believe that a combination of both qualitative and quantitative research methods are required to generate and test theory (Patton 2002).

The research methodology is primarily quantitative, but can include qualitative elements such as case studies and convergent interviewing. Due to the perceived inherent imperfection of any one research method, realist research will contain significant elements of triangulation of several perceptions of reality in order to gain an understanding of the phenomenon (Guba & Lincoln 1994). Perry, Reige and Brown (1999, p. 18) noted that ‘this type of research is searching, albeit necessarily imperfectly, towards an understanding

of the common reality of an economic system in which many people operate independently’.

Because the nature of this research was exploratory and therefore suited to the qualitative methodology (Zikmund 2003), which is a key methodology along with quantitative methodology, in the realism paradigm, and this research was attempting to understand the independent actions of practitioners within a single economic system (banking), realism was considered an appropriate paradigm within which to conduct this research.

However, the relatively small population of outsourcing practitioners engaged within the subject bank did not lend itself to quantitative research, which is also an appropriate methodology within the realist paradigm, particularly for purposes of triangulation. Therefore it was concluded that the realist paradigm was not an optimal paradigm within which to conduct research of this nature.

3.2.5 Critical theory

Within the critical theory paradigm, the ‘aim of the inquiry is the critique and transformation of the social, political, cultural, economic, ethnic and gender structures that constrain and exploit humankind, by engagement in confrontation, even conflict’ (Guba & Lincoln 1994, p. 113). Perry, Reige and Brown (1999, p. 17) noted that critical theory research studies ‘are often long-term ethnographic and historical studies of organisational processes and structures’, and provided the following examples of critical theory researchers: ‘marxists, feminists and action researchers’ (p. 17).

Because this research activity was neither long-term, nor an ethnographic and historical study of organisational processes and structures, and the researcher did not adopt the role of a ‘transformative intellectual who has expanded consciousness and so is in a position to confront ignorance and misapprehensions’ (Guba & Lincoln 1994, p. 115), critical theory was not considered an appropriate paradigm within which to conduct this research.

3.2.6 Constructivism

Constructivism was also referred to in the literature as naturalistic inquiry (Lincoln & Guba 1985). Constructivism was differentiated from the other research paradigms, particularly in terms of ontology. That is, constructivism had moved from ontological realism to ontological relativism (Denzin & Lincoln 2003). Constructivists

seek understanding of the world in which they live and work. They develop subjective meanings of their experiences-meanings directed toward certain objects or things. These meanings are varied and multiple, leading the researcher to look for the complexity of views rather than narrowing meanings into a few categories or ideas. The goal of research, then, is to rely as much as possible on the participants' views of the situation being studied ... Researchers recognise that their own background shapes their interpretation, and they 'position themselves' in the research to acknowledge how their interpretation flows from their own personal, cultural, and historical experiences (Creswell 2003, pp. 8-9).

Constructivist researchers are most interested in the participants' perspectives on a given situation and will therefore seek answers to broadly phrased or open-ended questions. This allows the participants to 'construct' the meaning of a situation. 'The researcher's intent, then, is to make sense (or interpret) the meanings others have about the world' (Creswell 2003, p. 8).

The nature of this research was exploratory, and involved seeking practitioners' perspectives from a relatively small population, making it well suited to the qualitative methodological focus of the constructivism paradigm. The research sought complex views and responses from participants, relating to the conduct of a complex business activity (outsourcing tendering). Finally, due to the researcher's background in the outsourcing tendering activity, he could be categorised as 'passionate participant' within the world being investigated (Guba & Lincoln (1994, p. 112) . Therefore, constructivism was considered the most appropriate paradigm within which to conduct this research.

With regard to constructivism, a word of caution was provided by Hunt (1991) who,

although specifically referring to marketing, believed that constructivism was an inappropriate paradigm within which to conduct business research as the constructivist approach did not engage with the economic and technological aspects of business.

However, given the cost reduction and business improvement objectives of outsourcing (table 2.3) and the detailed technical specification requirements of tender documents, economic and technological considerations will not be far from the minds of either participants or the researcher.

3.2.7 Conclusion

The objective of this section was to review and discuss the four scientific research paradigms and to select and justify the most appropriate paradigm within which to conduct the research.

Whilst the realism (or postpositivism) research paradigm was considered a possible approach for this research activity, it did not allow for a detailed exploration of the participants' perspectives on the research topic. Constructivism allowed for such exploration and was therefore selected as the most appropriate research paradigm for this research.

3.3 Justification of research methodology

Having selected the constructivism paradigm as the most appropriate framework for the conduct of this research, it was necessary to choose a methodology with which to conduct the research.

Research methodologies can be broadly classified as either 'quantitative' or 'qualitative' (Hakim 2000; Jackson 1995). Patton (1987, p. 9) compared the relative strengths of quantitative and qualitative data and concluded that whilst quantitative data had the advantage of providing a 'broad generalisable set of findings' about large data populations, qualitative data was able to produce 'detailed data about a much smaller number of people

and cases’(p. 9).

Historically, researchers have gravitated to either one or the other and there has been much debate over which methodology was superior. Johnson and Onwuegbuzie (2004, p. 14) noted that many researchers adhered to the incompatibility thesis ‘which posits that qualitative and quantitative research paradigms should not be mixed’. The depth of feeling on this issue was reinforced by Lincoln (1990, p. 81) who warned that ‘accommodation between paradigms is impossible ... we are led to vastly diverse, disparate and totally antithetical ends’.

However, not all researchers were convinced of the importance of polarising the two research methodologies. Gummesson (2003), argued that it was unimportant whether we used numbers (quantitative) or words (qualitative) in our research, noting that by differentiating between quantitative and qualitative research methodologies, ‘a red herring is introduced, and our attention is taken away from the real issue, namely the choice of research methodology and techniques that support access and validity’ (p. 486).

Additionally, there was support in the literature for utilising a combination of both quantitative and qualitative research methodologies - referred to as ‘mixed methods research’ or ‘mixed research’ (Creswell 2003; Hanson et al. 2005; Johnson & Onwuegbuzie 2004; Rank 2004).

The objective of this section is to review each of the three primary research methodologies: i) quantitative; ii) qualitative; and iii) mixed methods; and to justify why the qualitative methodology was considered most appropriate for this research.

Table 3.2 summarises and contrasts the three research methodologies.

Table 3.2: Quantitative, qualitative and mixed methods approaches

Tend to or typically	Quantitative	Qualitative	Mixed methods
Use these philosophical assumptions	<ul style="list-style-type: none"> • Postpositivist knowledge claims 	<ul style="list-style-type: none"> • Constructivist/advocacy/participatory knowledge claims 	<ul style="list-style-type: none"> • Pragmatic knowledge claims
Employ these strategies of inquiry	<ul style="list-style-type: none"> • Surveys and experiments 	<ul style="list-style-type: none"> • Phenomenology, grounded theory, case study, and narrative 	<ul style="list-style-type: none"> • Sequential, concurrent, and transformative
Employ these methods	<ul style="list-style-type: none"> • Closed-ended questions, predetermined approaches, numeric data 	<ul style="list-style-type: none"> • Open-ended questions, emerging approaches, text or image data 	<ul style="list-style-type: none"> • Both open and closed ended questions, both emerging and predetermined approaches, and both quantitative and qualitative data and analysis
Use these practices of research, as the researcher	<ul style="list-style-type: none"> • Tests or verifies theories or explanations • Identifies variables to study • Relates variables in questions or hypotheses • Uses standards of validity and reliability • Observes and measures information numerically • Uses unbiased approaches • Employs statistical procedures 	<ul style="list-style-type: none"> • Positions him/herself • Collects participant meanings • Focuses on a single concept or phenomenon • Brings personal values to the study • Studies the context or setting of the participants • Validates the accuracy of findings • Makes interpretations of the data • Creates an agenda for change or reform • Collaborates with the participants 	<ul style="list-style-type: none"> • Collects both quantitative and qualitative data • Develops a rationale for mixing • Integrates the data at different stages of inquiry • Presents visual pictures of the procedures in the study • Employs the practices of both qualitative and quantitative research

Source: Creswell (2003, p. 19)

3.3.1 Quantitative research

The quantitative approach was also referred to as the positivist approach, being primarily aligned to the positivist paradigm (Denzin & Lincoln 2003; Sarantakos 1998). It was also a recognised research methodology within the realism paradigm, particularly for the purposes of triangulation (table 3.1). The two primary strategies of inquiry within quantitative research are experiments and surveys (Creswell 2003).

As the name suggests, the primary concept behind quantitative methodologies was ‘quantity’. ‘Quantitative research seeks to quantify, or reflect with numbers, observations about human behaviour. It emphasises precise measurement, the testing of hypotheses ... and a statistical analysis of the data’ (Jackson 1995, p. 13). Typically, the results of quantitative research can be expressed in terms of relationships that can be tabulated or represented with graphs (Jackson 1995). Quantitative research was empiricist by nature and is well suited to studying large numbers of people (Johnson & Onwuegbuzie 2004).

Allan (1991) identified two broad types of quantitative research: i) primary research, where the researcher actively collects and analyses the data; and secondary research, where the researcher analyses data that has been obtained from a secondary source (for example, the Australian Bureau of Statistics). Because of its nature, secondary data is usually cheaper and quicker to acquire than primary data. Cavaye et al. (2002, p. 9-6) noted that secondary data was an acceptable and valid research method, with the main focus on ‘development of models and hypotheses. The secondary data is then used to confirm or deny the theories proposed’.

Typical quantitative data collection methods include: experiments; questionnaires; and surveys, however, quantitative methodology can consist of complex experiments involving multiple variables and techniques (e.g. factorial designs; identification of the collective strength of multiple variables; regression analysis; repeated measure designs; and structural equation modelling) (Ticehurst & Veal 2000).

Cavaye et al. (2002, p. 7-1) highlighted a potential shortcoming in the quantitative

approach to data gathering: ‘the reduction of what are essentially human processes in business to numbers may miss identifying the real forces at work surrounding the research problem’, and noted that this weakness can be addressed by adopting a qualitative approach to data gathering.

3.3.2 Qualitative research

The qualitative approach was also referred to as the interpretivist approach, and was differentiated from quantitative research in terms of its diversity, covering a wide range of epistemological positions and theoretical frameworks containing many distinct research methods. This allowed researchers to ask different questions to those posed by quantitative researchers (Nagy Hesse-Biber & Leavy 2004). Qualitative research methodology was considered the most appropriate research approach for the constructivist and critical theory paradigms, with a lesser degree of utility in the realism paradigm (Perry & Cavaye 2002).

Various perspectives on qualitative research were found in the literature. Leedy and Ormrod (2001) noted the diverse variety of qualitative research approaches but indicated that qualitative research methodologies share two commonalities: first they focus on phenomena that occur in the ‘real world’, and ‘second they involve studying these phenomena in all their complexity’ (p. 147). Silverman (1998) reinforced the ‘real world’ nature of qualitative research, noting that a major strength of qualitative methodologies was that they allowed the researcher to study actual business practices in situ. This view was also shared by Dooley (1990, p. 293) who wrote that ‘qualitative research is social research based on non-quantitative observations made “in the field” and analysed in non-statistical ways’. Donalek (2005, p. 124) provided perhaps the broadest perspective on qualitative research when he stated that ‘the purpose of all qualitative research is understanding some part of human experience.’

The perception that qualitative research, unlike quantitative research, focused on verbal descriptions, images and explanations of human behaviour, instead of numbers, was reinforced. Qualitative research demanded ‘detailed descriptions of social practices in an attempt to understand how the participants experience and explain their own world’

(Jackson 1995, p. 17). Denzin and Lincoln (1998) suggested that, in qualitative research, numeric measurement might be totally dispensed with when they characterised qualitative research as having the following traits: ‘an emphasis on processes and meanings that are not rigorously examined, or measured (if measured at all), in terms of quantity, amount, intensity or frequency’ (p. 8).

The detailed and descriptive nature of qualitative research was highlighted by the following examples of qualitative research techniques: interviews; intensive interviews; field notes; focus groups; oral histories; participant observations; and public cultural/archival texts (Nagy Hesse-Biber & Leavy 2004). These research techniques rely on either the spoken or written word, and convey a sense of richness of information that could not be extracted from a table of statistics. As Patton (2002, p. 47) noted:

Qualitative data describe. They take us ... into the time and place of the observation so that we know what it was like to have been there. They capture and communicate someone else’s experience of the world in his or her words. They tell a story.

In keeping with the theme of the richness of information, Ticehurst and Veal (2000) characterised the qualitative approach as being more interested in gaining a large amount of information from a small number of people or organisations (utilising qualitative data gathering techniques such as one-on-one interviews) than gathering a small amount of data from a large sample of people or organisations (utilising quantitative data gathering techniques such as phone surveys). They noted that the qualitative approach

is based on the belief that a full and rounded understanding of the organisational experiences and situations of a few individuals, however unrepresentative they may be, is of more value than a limited understanding of a large representative group (p. 21).

In attempting to convey a sense of the fundamental characteristics of qualitative research, Rossman and Rallis (1998) described the characteristics of both qualitative research and qualitative researchers (table 3.3).

Table 3.3: Characteristics of qualitative research

Qualitative research	Qualitative researcher
<ul style="list-style-type: none"> • Takes place in the natural world • Uses multiple methods that are interactive and humanistic • Is emergent rather than tightly prefigured • Is fundamentally interpretive 	<ul style="list-style-type: none"> • Views social phenomenon holistically • Systematically reflects on who he/she is in the inquiry • Is sensitive to his/her personal biography and how it shapes the study • Uses complex reasoning that is multifaceted and iterative

Source: adapted from Rossman and Rallis (1998, p. 9)

By combining the characteristics of the research methodology and the researcher, Rossman and Rallis allowed a clear picture of qualitative research to emerge. The words: humanistic; interactive; interpretive; natural world; reflects; reasoning; sensitive; and social; conveyed a sense that qualitative research is firmly positioned in the real, social world, and not in a laboratory. There was also a strong sense that, unlike the laboratory situation, the researcher interacts with the research subjects, and must therefore constantly pause to reflect on and calibrate his/her relationship with the research subjects. Unlike quantitative methodology, it is incumbent on the researcher not to impose a rigid data collection framework on the research subjects.

Patton (2002) nominated three kinds of qualitative data: i) interviews; ii) observations; and iii) documents. Creswell (1998), perhaps in recognition of the growing importance of electronic media, added a fourth data type, iv) audio visual materials.

Interviews typically consist of open-ended questions that elicit detailed responses relating to people's experiences, perceptions and feelings, whilst observations consist of fieldwork descriptions of any observable human activity or experience. Interview data comprises verbatim quotations, with data from observations consisting of field notes, containing detailed descriptions (Patton 2002). With documents, the data could include: diaries; journal entries; personal letters; photographs; public documents; and videos; whilst audio visual data collection might consist of: audiotape; videotape; or other digital media

(Creswell 1998, p. 121).

3.3.3 Mixed methods research

Since the 1980's, there has been a movement to resolve the quantitative/qualitative research methodology dichotomy by seeking to integrate both quantitative and qualitative research methods into a third approach (Creswell 2003; Hanson et al. 2005). This methodology was referred to as mixed methods research or mixed research. Creswell et al. (2003, p. 212) defined mixed methods research as

the collection or analysis of both quantitative and qualitative data in a single study in which the data are collected concurrently or sequentially, are given a priority, and involve the integration of the data at one or more stages in the process of research.

The fundamental principle behind mixed methods research was that, if a researcher understands the strengths and weaknesses of quantitative and qualitative research, then he or she was able to combine both methodologies in a manner such that the respective strengths of each paradigm were maximised and weaknesses minimised (Rank 2004). Johnson and Onwuegbuzie (2004, p. 18) noted that 'effective use of this principle is a major source of justification for mixed methods research because the product will be superior to monomethod studies'. The primary strength of mixed methods research was that unlike monomethod research, the research was less likely to be constrained by the research method chosen, therefore the research had a greater chance of developing as 'comprehensively and completely as possible' (Morse 2003, p. 195).

Creswell (2003, p. 211) listed four questions that required resolution in order to develop a robust mixed methods research strategy:

1. What is the implementation sequence of the quantitative and qualitative data collection in the proposed study?
2. What priority will be given to the quantitative and qualitative data collection and analysis?

3. At what stage in the research project will the quantitative and qualitative data and findings be integrated?
4. Will an overall theoretical perspective (e.g. gender, race/ethnicity, lifestyle, class) be used in the study?

By its nature, mixed methods research presents many challenges to a researcher, who is required to develop considerable expertise in both quantitative and qualitative methodologies. The combination of methodologies creates the need for extensive data collection and significant time to be devoted to the analysis of both the numeric and text based data. Additionally, the mixed methods approach compels the researcher to develop a research strategy that accommodates the inherent fundamental differences in quantitative and qualitative methods in a manner that allows for appropriate integration and positioning of the methodologies into the research study. This strategy development activity would create a significant time and effort overhead for the researcher.

Despite the arguments of mixed methods proponents (Creswell 2003; Hanson et al. 2005; Patton 2002) that mixed methods research was ‘a paradigm whose time has come’ (Johnson & Onwuegbuzie 2004, p. 14), mixed methods research had not yet achieved the level of acceptance in the research community that quantitative and qualitative research methods had. The methodology was relatively young (twenty to thirty years) and it was only in the past few years that texts devoted to mixed methods research had appeared (Creswell 2003).

Clark and Causer (1991) cautioned researchers to be pragmatic when choosing a research methodology and to be aware of what was feasible given limited time and resources. This warning was repeated by Rallis and Rossman (2003, p. 509) who, although promoting mixed methods research techniques, noted that ‘mixed methods designs are time-consuming to implement and demand a level of methodological sophistication not often found in one individual’.

3.3.4 Conclusion

Because this research was conducted ‘in the real world’ within the constructivism paradigm, which is qualitative by nature, qualitative research methodologies were considered the most appropriate data gathering approach. Qualitative research methodologies are well suited to research that involves collecting data in the form of detailed descriptions relating to complex business activities (outsourcing and tendering, in the case of this research). Additionally, the relatively small number of participants involved in the research was more suited to qualitative methodologies.

Quantitative research methodologies were not considered appropriate because they are ill-suited to the constructivist paradigm and the situation where there is a large amount of richly detailed data to be collected from a small number of participants.

Mixed methods research was also rejected as a research methodology because it had been established that quantitative methodology, a significant component of mixed methods research, is unsuited to this research. Additionally, there was no demonstrable advantage arising from the adoption of mixed methods research methodology that would have justified the significant time and resource overheads imposed by implementing both quantitative and qualitative approaches simultaneously.

3.4 Qualitative interview research techniques

In section 3.2, the concept and practice of the scientific research paradigms was reviewed. The characteristics of each paradigm were discussed, and it was concluded that, for the purposes of this research study, the constructivist research paradigm was the most appropriate approach. Having selected an appropriate research paradigm, the methodologies that were available for the conduct of research activities were reviewed (section 3.3), and it was concluded that qualitative research methodology was the most appropriate approach for this research.

It is the objective of this section to introduce and review qualitative interview techniques

and to justify why semi-structured interviewing, using open-ended questions is the most appropriate data collection technique for this research.

3.4.1 Qualitative interviewing

Interviewing allows the researcher to gather data on matters that cannot be observed, and to generate ‘empirical data from the social world by asking people to talk about themselves’ (Holstein & Gubrium 2003, p. 3). Interviewing is well suited to research situations where there is a requirement for complex inquiries generating complex responses (Shuy 2003). Marshall and Rossman (1999, p. 108) favoured the interview format as it was ‘a useful way to get large amounts of data quickly’.

Patton (2002, p. 341) stated the case for interviewing:

We cannot observe feelings, thoughts, and intentions. We cannot observe behaviours that took place at some previous point in time. We cannot observe situations that preclude the presence of an observer. We cannot observe how people have organised the world and the meanings they attach to what goes on in the world. We have to ask people questions about these things. The purpose of interviewing, then, is to allow us to enter the other person’s perspective. Qualitative interviewing begins with the assumption that the perspective of others is meaningful, knowable, and able to be made explicit. We interview to find out what is on someone else’s mind, to gather stories.

Interviewing is one of the four data collection techniques within the qualitative research methodology (section 3.3.2) and, it could be argued, is the most natural of all research data collection techniques. As human beings, going about our daily activities, we are constantly inquiring of others and ourselves being inquired of. Interviewing is the most extensively utilised technique for conducting systematic social inquiry (Holstein & Gubrium 2002).

Lazarsfeld (1935, p. 26) commented that ‘asking for reasons and giving answers are commonplace habits of everyday life’. Mishler (1986, p. 7) made the observation that the ‘ordinary practice of asking and answering questions has been formalised into a research method’ and dryly observed that ‘in the mainstream tradition, the nature of interviewing as

a form of discourse between speakers has been hidden from view by a dense screen of technical procedures' (p. 9).

The following definition, however, indicated that there is much more to qualitative interviewing, within the social research context, than simply asking questions of participants.

A specialised pattern of verbal interaction - initiated for a specific purpose, and focused on some specific content area, with consequent elimination of extraneous material. Moreover, the interview is a pattern of interaction in which the role relationship of interviewer and respondent is highly specialised, its specific characteristics depending somewhat on the purpose and character of the interview (Kahn & Cannell 1957, p. 16).

3.4.2 Types of interviews

In the literature, there was broad consensus as to the composition of the primary qualitative interview types: unstructured interviews; semi-structured interviews; and structured interviews (Leedy & Ormrod 2001; Patton 2002), although Farr and Timm (1994) described only two qualitative interview types: structured and unstructured.

Unstructured interviews were characterised as having no restrictions on the wording of questions and a flexible structure, whilst structured interviews consisted of a highly structured questionnaire, read by the interviewer, and used primarily in quantitative research. Semi-structured interviews contained elements of both structured and unstructured interviews. Typically, structured interviews were used in quantitative research, and unstructured interviews were a qualitative research technique, with semi-structured interviews being appropriate for both quantitative and qualitative research (Leedy & Ormrod 2001). Within qualitative research, unstructured interviews typically took place as an adjunct to the collection of additional observational data, whilst semi-structured and structured interviews were often the sole source of research data (Adams et al. 2002).

Table 3.4 provides Patton's summary of characteristics, strengths and weaknesses of each of the three qualitative interview approaches.

Table 3.4: Interview types

Type of interview	Characteristics	Strengths	Weaknesses
Informal conversational interview ‘Unstructured’	<ul style="list-style-type: none"> • questions emerge from the immediate context and are asked in the natural course of things • there is no pre-determination of question topics or wording • open-ended questions 	<ul style="list-style-type: none"> • increases the salience and relevance of questions • interviews are built on and emerge from observations • the interview can be matched to individuals and circumstances 	<ul style="list-style-type: none"> • different information collected from different people with different questions • less systematic and comprehensive if certain questions do not arise naturally • data organisation and analysis can be quite difficult
Interview guide approach ‘Semi-structured’	<ul style="list-style-type: none"> • topics and issues to be covered are specified in advance, in outline form • interviewer decides sequence and wording of questions in the course of interview • open-ended questions 	<ul style="list-style-type: none"> • the outline increases the comprehensiveness of the data and makes data collection somewhat systematic for each respondent • logical gaps in data can be anticipated and closed • interviews remain fairly conversational and situational 	<ul style="list-style-type: none"> • important and salient topics may be inadvertently omitted • interviewer flexibility in sequencing and wording questions can result in substantially different responses from different perspectives, thus reducing the comparability of responses
Standardised open-ended interview ‘Structured’	<ul style="list-style-type: none"> • the exact wording and sequence of questions are determined in advance • all interviewees are asked the same basic questions in the same order 	<ul style="list-style-type: none"> • respondents answer the same questions, thus increasing comparability of responses • data are complete for each person on the topics addressed in the interview • reduces interviewer effects and bias when several 	<ul style="list-style-type: none"> • little flexibility in relating the interview to particular individuals and circumstances • standardised wording of questions may constrain and limit naturalness and

Type of interview	Characteristics	Strengths	Weaknesses
	<ul style="list-style-type: none"> • questions are worded in a completely open-ended format 	interviewers are used <ul style="list-style-type: none"> • permits evaluation users to see and review the instrumentation use in the evaluations • facilitates organisation and analysis of data 	relevance of questions and answers

Source: adapted from Patton (2002, p. 349)

The common characteristic of each of the qualitative interview types was that the questions are ‘open-ended’. Jones (1991, p. 203) supported this view in noting that ‘qualitative interviews are distinguished from survey interviews in being less structured in their approach and in allowing individuals to expand on their responses to questions’. Open-ended questions are those questions that do not have response options or pre-set categories provided by the interviewer (Jackson 1995; Sarantakos 1998), and ‘offer the persons being interviewed the opportunity to respond in their own words and express their own personal perspectives’ (Patton 2002, p. 348). Typically, the interviewees provide complex responses to the open-ended questions (Mishler 1986). The advantage of open-ended questions is that they allow respondents to tailor their responses exactly to their own satisfaction rather than having to choose between options that may be less than satisfactory to them.

However, Judd, Smith and Kidder (1991, p. 239) noted that ‘open ended questions have disadvantages. The most important are the cost and difficulty of adequately coding the responses. They are frequently self-contradictory, incomprehensible, or irrelevant’.

3.4.3 Conclusion

In order to ensure that the direction of the interview was not inadvertently led by a pre-determined and tightly structured approach, and that data collection was systematic and comprehensive, the semi-structured interview format, utilising open-ended questions, was adopted for this research. Heeding the advice of Creswell (1998, p. 121), the semi-

structured interviews were ‘audio taped and transcribed’ verbatim.

3.5 Summary of research approach

Figure 3.2 illustrates the scientific research paradigms, research methodologies and data collection techniques available to researchers, and clarifies the relationship between them.

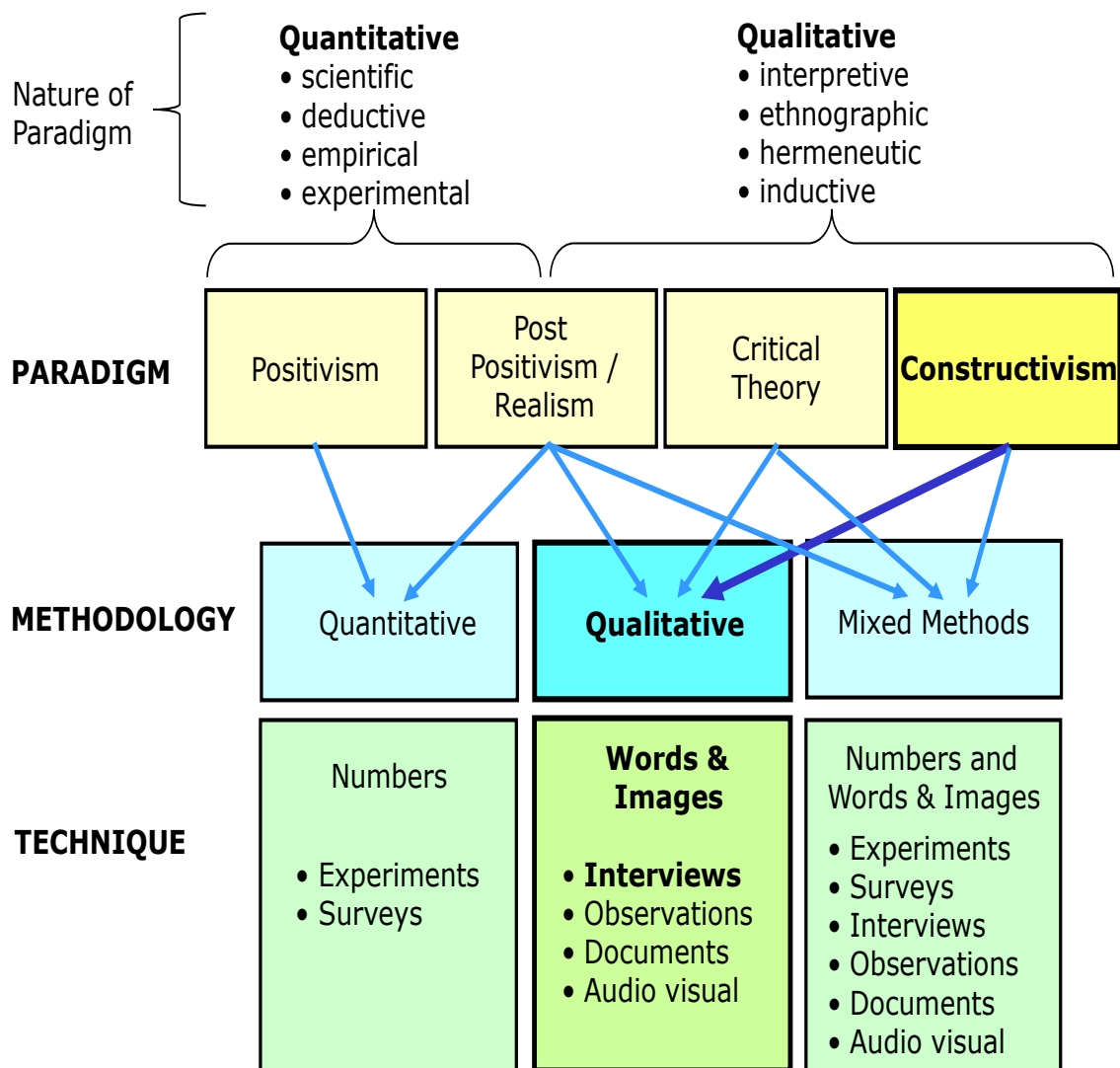


Figure 3.2: Research approach

Source: developed for this research

Each paradigm (yellow) is characterised as either ‘quantitative’ or ‘qualitative’ in nature (note that the post positivism/realism paradigm possesses both quantitative and qualitative characteristics), and words are provided that describe the nature of quantitative and qualitative paradigms. Arrows indicate the research methodology (blue) that is suitable for each paradigm. All paradigms, except for positivism, have more than one suitable research methodology. Data collection techniques (green) applicable to each research methodology are located below each methodology.

The approach adopted for this research (section 3.2; 3.3): constructivism paradigm, utilising the interview data collection technique, within the qualitative research methodology, is highlighted in figure 3.2.

3.6 Research validity and reliability

3.6.1 Research validity

Typically, within the constructivist paradigm, a significant challenge was posed by attempting to establish the validity of the research study. Zikmund (2000, p. 281) defined validity as

the ability of a scale or measuring instrument to measure what is intended to be measured ... validity addresses the problem of whether a measure (for example, an attitude measure) measures what it is supposed to measure.

Denzin and Lincoln (2003, p. 247) noted that in qualitative research, the ‘traditional positivist criteria of internal and external validity are replaced by such terms as trustworthiness and authenticity’. Within any setting, trustworthiness is indeed a difficult value to establish, and the researcher can offer no comfort to the reader other than his personal guarantee that, in this research, there are no reasons to doubt the trustworthiness of the activity. In terms of data collected in interviews, the information was accepted as authentic as there was no reason to doubt the trustworthiness of the participants. With regard to authenticity, the approach was ensure that an appropriate audit trail had been

provided.

Silverman (2000, p. 175) emphasised the critical nature of validity in research, stating that ‘unless you can show your audience the procedures you used to ensure that your methods were reliable, and your conclusions valid, there is little point in aiming to conclude a research dissertation’. Within the research environment, validity can have a variety of meanings. However, common to all meanings is the concept of correlation between the reality being studied for the research, and the reality reported as an output of the research (Punch 1998). The term ‘validity’ is much debated and many synonyms appeared in the literature: adequacy; authenticity; credibility; goodness; plausibility; truth; trustworthiness; and verisimilitude (Creswell 2003; Creswell & Miller 2000; Silverman 2000).

Jackson (1995) and Silverman (2000) suggested that, in qualitative research, ‘credibility’ was a more appropriate term than validity, agreeing that it was critical that a qualitative researcher established the credibility of his research in the eyes of his audience. Jackson (1995 p. 332) defined credibility as ‘the extent to which a measure reflects a concept, reflecting neither more nor less than what is implied by the conceptual definition’. Ochs and Capps (2002, p. 129) also adopted the term ‘credibility’ in favour of validity and noted that ‘credibility is in part dependent upon the plausibility of a chain of objective events and whether they can be corroborated’.

A major concern for qualitative researchers is how they can convince themselves and the consumers of their research that their findings are the result of genuine, critical investigations, and not the product of the selection of judiciously chosen examples (Silverman 2000).

There are three approaches to dealing with the issue of validity (Punch 1998; Silverman 2000; Skinner 1991): i) construct validity; ii) internal validity; and iii) external validity.

Construct validity is a concept particularly related to empirical/quantitative research (Sarantakos 1998; Yin 1994), given that it has hypothesis and prior theory confirmation as a key attribute. Zikmund (2000, p. 283) defined construct validity as:

the degree to which the measure confirms a network of hypotheses generated from a theory based on the concepts ... in its simplest form, if the measure behaves the way it is supposed to, in a pattern of inter-correlation with a variety of other variables, there is evidence for construct validity.

It was problematical to demonstrate construct validity within this research activity because construct validity is associated with quantitative research and, as demonstrated in the literature review, there was an absence of established theory relating to tendering for outsourced services.

Yin (1994) provided a series of tactics for establishing construct validity within case study research, including the use of multiple sources of evidence, and allowing key participants to view the draft study report. Neither of these strategies has been applied in this research study. Therefore, the issue of construct validity was not addressed, however, as this research is qualitative in nature, this was not considered a significant limitation.

Internal validity was defined by Yin (1994, p. 33) as the establishment of ‘a causal relationship, whereby certain conditions are shown to lead to other conditions, as distinguished from spurious relationships’. Internal validity related only to explanatory or causal studies and not to descriptive or exploratory studies (Yin 1994). As this research study is exploratory (section 3.1.2), the issue of internal validity did not require resolution.

External validity was characterised by Skinner (1991, p. 222) as being ‘concerned with the extent to which the findings can be generalised’. An additional perspective on external validity was provided by Sandelowski (1986, p. 31) who believed that the findings in a study could be declared externally valid if procedures of a study have not ‘produced conditions that are incomparable to conditions in the real world’. External validity therefore, related to the extent that the findings of a research study could be extrapolated to others outside the scope of the research area (Silverman 1993). For example, this research was conducted within the scope of a large Australian bank, due primarily to the specific prudential regulations governing outsourcing activities undertaken by Australian banks. What is the degree to which the findings of this research study may be applied to other banks and other industries?

Given that significant organisations in Australia (both government and non-government) undertake outsourcing tendering activities from time to time, and that the Australian prudential standard governing outsourcing undertaken by financial institutions was expanded to include general insurance companies in October 2006 (APRA 2006), it is reasonable to suggest that the findings of this research activity may be able to be judiciously applied to outsourcing tendering activities conducted by financial institutions that are not banks (for example general insurance companies and superannuation funds).

Jackson (1995), argued that qualitative studies have an advantage over quantitative studies in that the experimental environment of a quantitative study, by its nature (control of extraneous factors) actually reduces generalisability whilst the natural settings of qualitative studies reduce artificiality and therefore enhance external validity. However, the small sample sizes in qualitative studies may limit the ability to extrapolate findings to other populations.

Jackson (1995) suggested that, due to the typically small sample sizes within qualitative research, the researcher may need to view external validity differently to the approach taken by his quantitative research colleagues. Sandelowski (1986, p. 30) argued that a qualitative research study gains external credibility if it rings true:

A qualitative study is credible when it presents such faithful descriptions or interpretations of a human experience that the people having that experience would immediately recognise it from those descriptions or interpretations as their own. A study is also credible when other people (other researchers or readers) can recognise the experience when confronted with it after having only read about it in a study.

Perry (2001) noted that careful interviewee selection can assist the external validity of a research exercise.

Sandelowski (1986, pp. 337-338) offered advice to assist researchers in maintaining acceptable levels of external validity. These suggestions for maintaining external validity, and the actions undertaken by the researcher to implement the suggestions (table 3.5), were kept 'front of mind' throughout the data collection phase of this research study.

Table 3.5: Maintaining external validity in qualitative research

Issue	Suggestion/Caution	Action Taken By Researcher
1. Keep careful records	Keep a detailed record of all decisions that have been made and how they were made	<ul style="list-style-type: none"> Detailed records, including recordings of interviews and verbatim transcripts have been kept
2. Avoid holistic fallacy	Be careful not to report only those events and behaviours that are patterned; report the exceptions as well	<ul style="list-style-type: none"> Researcher committed to reporting exceptions
3. Guard against elite bias	Take care not to over-represent the views of the elite in one's research	<ul style="list-style-type: none"> Researcher conscious of issue Findings validated back to interview transcripts
4. Be wary of being taken over by the respondent	If the researcher identifies completely with the views of a respondent, it may be difficult to maintain a clear distinction between the researcher's experiences and those of the subject	<ul style="list-style-type: none"> Researcher conscious of issue Interview recordings reviewed for evidence of phenomenon
5. Selection effect	The researcher may select a site in which some factors may not be present. A study based on such a site may, therefore not allow testing of certain ideas	<ul style="list-style-type: none"> Interviews took place in location of subject's choice Lack of control over site
6. Setting effects	Studying a social situation may itself influence the results derived. The impact of the researcher's intrusion may vary from setting to setting, distorting the results more in	<ul style="list-style-type: none"> Interviews took place in location of subject's choice Lack of control over site

Issue	Suggestion/Caution	Action Taken By Researcher
	some areas than others	
7. History effects	Each group studied is subject to unique historical influences. When sites are studied at different times, some of the variations between the sites may be explained by history rather than the interaction of factors within the site	<ul style="list-style-type: none"> All interviews took place within a four month time period, reducing the impact of 'history effect'
8. Construct effects	Concepts may be regarded differently by both observers in different settings and those being observed	<ul style="list-style-type: none"> There was only one observer, and the interviews took place at the location of the participants' choice, thus reducing the impact of 'construct effect'

Source: adapted from Sandelowski (1986, pp. 337-338)

In addition to the suggestions and actions proposed in table 3.5, Sarantakos (1998) nominated tactics for assisting with validation of qualitative studies: support findings with other studies; subject respondents to additional questioning; present findings such that the conclusions can be tested; and carry out the research study in the natural environment of the subjects. These techniques for enhancing validity were adopted where appropriate.

Whilst it was not possible to support the findings of this research with other studies (as none existed) nor subject the respondents to additional questioning, the findings have been presented in a manner that can be tested. Additionally, the interviewees were offered a choice of interview venues which included their place of work. Because of this it is proposed that this research has acceptable levels of validity.

3.6.2 Research reliability

Zikmund (2000, p. 280) defined reliability as 'the degree to which measures are free from

error and therefore yield consistent results'. Reliability refers to the auditability of the research process (Perry 2001), and the methods to achieve acceptable levels of research reliability in qualitative research are fundamentally different to the methods employed by quantitative researchers. Qualitative researchers do not attempt to control the environment or the researcher/subject relationship, nor do they attempt to achieve high standardisation (Sarantakos 1998). Therefore, qualitative researchers prefer the concept of auditability over the concept of reliability.

By its nature, qualitative research presents a significant challenge with regard to reliability. Because qualitative research focuses on studying situations and individuals, the chances of exactly replicating findings is remote as, over time, the situations and the individuals change.

Additionally, the environment in which interviews take place may impact responses and therefore the researcher must fully and faithfully report the context within which observations were made if findings are to have any chance of being replicated (Jackson 1995).

LeCompte and Goetz (1982), suggested five strategies to assist the chances of replicating a qualitative research study. In order to increase the reliability of this research, these strategies have been implemented where practical. Details of LeCompte and Goetz's strategies and their implementation in this study are provided in table 3.6.

Table 3.6: Strategies for increasing consistency in qualitative research

Strategy	Action Taken by Researcher
1. Focus on verbatim reports - sticking to the facts	<ul style="list-style-type: none"> • All interview sessions were recorded and verbatim transcripts generated • Transcriptions were provided to interviewees to validate. No issues with transcriptions were reported
2. Use multiple researchers, as this allows the result of the researchers to be compared	<ul style="list-style-type: none"> • Limited resources did not allow for the involvement of additional researchers
3. Use participant researchers: this involves training individuals in observation techniques	<ul style="list-style-type: none"> • Limited resources did not allow for the involvement of additional researchers
4. Use peer examination: when careful descriptions have been made, researchers can check their results against the observations and experiences of fellow researchers	<ul style="list-style-type: none"> • As no research on tendering for outsourced services was in evidence, findings could not be compared with similar research
5. Use mechanical recording devices such as tapes and videos to allow others to check your observations independently at a later date	<ul style="list-style-type: none"> • All interview sessions were recorded and verbatim transcripts generated • Transcripts were provided to interviewees to validate • Verbatim transcripts are available if independent verification is required

Source: adapted from LeCompte and Goetz (1982, pp. 41-43)

Silverman (1993, pp. 148-149) addressed the issue of reliability in the interview context by reinforcing that, for reliability to be present in research studies that obtain their data

through interviews, it was critical that ‘answers be coded without the possibility of uncertainty’. In order to assist this, Silverman provided the following guidelines: interview schedules to be thoroughly tested; interviewers to be thoroughly trained; fixed-choice answers to be utilised, where possible; and inter-rater reliability review to be undertaken of coding of answers to open-ended questions. Silverman acknowledged the difficulty in ensuring each item was implemented. He suggested that, as a minimum, in order to preserve traditional concepts of reliability, interview questions should be pre-tested and that a comparison of two raters, using the same data, should occur.

In this research, significant pre-testing of interview questions and interview technique was undertaken as part of the pilot interview process. However, as there was only one interview rater (the researcher) in this study, reliability of data analysis between raters was not an issue that required attention. Silverman’s requirement that fixed-choice answers to be utilised was not appropriate as the interview format was ‘semi-structured’.

All interviews were recorded, transcribed verbatim and validated by each interview participant. Copies of the validated transcripts are securely held and are available should independent verification be required. This ensures the auditability of the data collection and analysis. Additionally, the interview process and the interview guide were thoroughly pre-tested to exclude the possibility of uncertainty. The interview guide ensures that ‘essentially the same information is obtained from a number of people by covering the same material’ (Patton 1987, p. 111). Where possible, the suggestions of LeCompte and Goetz (1982), relating to reliability, were followed.

3.7 Interview procedure

Researchers conduct interviews in order to find out ‘those things that we cannot directly observe ... The purpose of interviewing, then, is to allow us to enter into the other person’s perspective’ (Patton 2002, p. 341). The primary objective of interviewing, therefore, is the gathering of data relating to the respondents’ thoughts on a particular matter. This information forms ‘a solid base of fact from which conclusions can be drawn, interpretations made and on which further research can be based’ (Arthur 1999, p. 155).

The success of the interview procedure relies principally on the skill of the interviewer. Potter and Hepburn (2005) were of the view that interviewing is a highly skilled undertaking and commented that qualitative interviews, whilst relatively easy to perform, are difficult to perform well. Heeding this caution, and following the advice of Donalek (2005), practice interviews were conducted with individuals who did not participate in this study, in order to hone the researcher's interviewing skills.

The interview procedure, as outlined below, was designed to ensure that the perceptions of the respondents were captured completely and that those perceptions were analysed accurately and in terms of the respondents' view of the world rather than in terms of the researcher's perspective.

The semi-structured interview approach, using open ended questions that were composed prior to the interviews, was adopted for this research, and the interviews were the sole source of data collected from participants in this research. Each interviewee was interviewed once (DiCicco-Bloom & Crabtree 2006) and the format was face-to-face. Farr and Timm (1994,) articulated the advantages of face-to-face interviewing:

1. it is an effective approach for obtaining accurate data on sensitive issues;
2. there is a reduced incidence of premature termination of interview;
3. the questioning is usually more thorough;
4. a stronger rapport exists between interviewer and interviewee; and
5. the richness of the data is enhanced by the interviewer's ability to seek clarification through probing questions and to observe nonverbal behaviours.

Initially, a pilot interview was undertaken with one respondent, and the outcome of this interview was used to refine the interview approach and amend the interview guide (Appendix 7.1). In order to maintain an informal and conversational interaction with the interviewees, the interview guide was sparingly referred to during the interview (Charmaz 2003). Comprehensive preparation prior to each interview insured that this sparing reference to the interview guide did not result in incomplete inquiry.

The interview process and etiquette, perhaps due to the pervasive influence of television and radio, is well known to the general population. The interviewer is the active party, scheduling the interview, establishing the ground rules and asking the questions. The interviewee is the passive party, responding to those questions. The interviewee isn't obliged to raise questions, or contribute to the running of the interview (Holstein & Gubrium 2003).

Creswell (1998) provided a systematic procedure for the conduct of a qualitative research interview, recommending the following steps to researchers:

1. identify interviewees;
2. determine the interview type (face-to-face, semi-structured, open-ended questions);
3. utilise appropriate recording procedures;
4. design an appropriate interview guide (four to five open-ended questions);
5. determine the location of the interview;
6. obtain written interviewee consent;
7. explain the purpose of the interview with the interviewee;
8. during the interview, adhere to the interview guide; and
9. ensure that the interview is concluded within the allotted time.

Creswell's procedure was complied with for this research, with the exception of his suggestion to limit the interview guide to four or five questions. The interview guide (Appendix 7.1) contained 25 questions, within six categories of drivers of success: i) organisational; ii) supplier market; iii) customer/vendor relationship; iv) tender process; v) regulatory environment; and vi) other. The relatively large number of questions was a reflection of the breadth of data required.

3.7.1 Interview environment

Each interview was conducted in a formal environment, at the interviewee's office or at a well appointed business centre in the Melbourne CBD, to allow a level of familiarity and

comfort to the proceedings (Sarantakos 1998). The choice of interview location was left to the interview participant.

In conducting the interviews, particular attention was paid to interviewee comfort and the establishment of appropriate rapport with the interviewees (De Vaus 2002). The ability to develop trust and rapport with interviewees facilitated valid data collection (Ryen 2003). At all times, the interviewee was monitored for signs of discomfort, heeding the caution of Charmaz (2003, p. 315) who warned that ‘their comfort should be of higher priority than obtaining juicy data’. Particular attention was focused on ensuring that interviewees were comfortable with the presence of an electronic voice recorder, given the experience of Lount and Hargie (1997) who noted some reluctance by participants to permit tape recording of interviews, due to concerns relating to anonymity and confidentiality.

3.7.2 Participant numbers

Within the literature, there is much comment on how many interviews are required to ensure a credible research picture. De Ruyter and Scholl (1998) suggested a range of 15 to 40 interview participants, whilst Perry (2001, p. 313) noted that a PhD research project required ‘35 or so interviews’ and Carson et al. (2001, p. 104) advised that their ‘experience and anecdotal evidence suggests that 30 or so interviews are required to provide a credible picture in a reasonably sized research project’. A view contrary to de Ruyter and Scholl, Perry and Carson et al. was expressed by Patton (2002, p. 244) who emphasised that, in qualitative inquiry, ‘there are no rules for sample size’ and qualified this by noting that the sample size would depend on ‘what you want to know, the purpose of the inquiry, what’s at stake, what will be useful, what will have credibility, and what can be done with available resources’ (p. 244).

Lincoln and Guba (1985) recommended sampling to the point of redundancy. That is, the ‘sampling is terminated, when no new information is forthcoming from new sampled units’ (p. 202). The difficulty with this approach, according to Patton (2002 p. 246), was that sampling to redundancy ‘works best for basic research, unlimited timelines, and unconstrained resources’.

For this research, nine interviews were undertaken. The reason for this modest quantum of interviews (in light of the above quoted volumes) was that the number of practitioners engaged in the outsourcing activity at ANZ was quite small (no more than six staff at any one time), with the total number of staff employed in the outsourcing function, over the period 1999 to 2006, being eleven. From time to time, this group was augmented by consultants engaged on a project-by-project basis. The sample size therefore, is comprehensive and representative and complies with Patton's sample size tests of usefulness, credibility and availability of personnel (Patton 2002).

3.7.3 Interview subject population

In discussing the interview subject population ('the population'), the researcher has two primary objectives, firstly the absolute maintenance of subject anonymity and secondly the justification of the relevance of the population to the research being undertaken. In certain circumstances, the pursuit of these two objectives may cause difficulty. For example, providing certain information (e.g. job description) about an individual may strengthen the case for their inclusion in the population, and may, in certain circumstances, add greater authority to their comments. However, the inclusion of such information could identify the interview subject. The approach followed by the researcher was to provide greater priority to the objective of absolute maintenance of subject anonymity. Therefore, the objective of justifying the relevance of the population is secondary and will be undertaken only to the extent that each interview subject is effectively 'de-identified'.

The interview population consisted of nine individuals (section 3.7.2). All participants were engaged in tendering for outsourced services at ANZ, and their activities ranged from outsourcing strategy formulation through to tender process management and assistance with individual aspects of the tendering process. One participant was engaged in outsourcing tendering activities for a financial institution that is a competitor of ANZ. In order to preserve anonymity, the individual participants are referred to by the codes P1 to P9.

An individual profile of each participant has not been provided as, given the population is

relatively small, and the seniority and characteristics of participants varies, such a profile could provide several points of reference for the identification of individuals. Table 3.7 provides the characteristics of the participant group.

Table 3.7: Characteristics of interview subject population

Number of Participants	9
Job Level	2 General Manager 1 Chief Manager 2 Senior Manager 2 Project Manager 2 Principal Consultant
Job Role	3 Strategy/direction of outsourcing tendering activities 5 Management of outsourcing tendering activities 1 Assist outsourcing tendering activities
Status	7 Staff 1 Contractor 1 External organisation
Years experience in outsourcing	3 10+ years 5 8-10 years 1 5-7 years

Source: developed for this research

The nine interview participants were selected on the basis that they had either managed or been directly engaged in the outsourcing tender process at ANZ Banking Group during the period 1999 to 2006. One participant who has a background in outsourcing within a large Australian bank that is a competitor of the subject bank was also previously engaged in the outsourcing tender process with ANZ from the service provider perspective.

The outsourcing group, which was the focus of this research activity was a small organisation consisting, at any one time, of a maximum of six practitioners, including the

researcher, who did not provide interview data for the research. The interview subject population collectively has had detailed involvement across the complete outsourcing and outsourcing tendering activity. This involvement extended from outsourcing strategy formulation and implementation through to the project management of the outsourcing process, a key component of which was engaging with the service provider market via the outsourcing tendering process. All participants have had greater than five years involvement in the outsourcing tendering activity, with five participants having tendered for outsourced services in more than one organisation. Seniority ranged from the senior executive level to project manager level. In addition, five of the nine participants were actively engaged in the formulation of the ANZ policy for compliance with the Australian Prudential Regulation Authority standard for outsourcing (ANZ 2005).

All interview participants had the experience and technical proficiency to provide meaningful insights into the drivers of success in tendering for outsourced services.

3.7.4 Data collection process

After the semi-structured interview questions were compiled and participants selected, a pilot interview was conducted in order to validate the qualitative interview approach and to test the usability of the interview guide. The purpose of the pilot interview was to test the level of understanding of the interview questions by the interviewee (Ghauri, Grønhaug & Kristianslund 1995). Data from the pilot interview was utilised to refine the interview guide and was not included in the research findings. The process for collecting data is provided in figure 3.3.

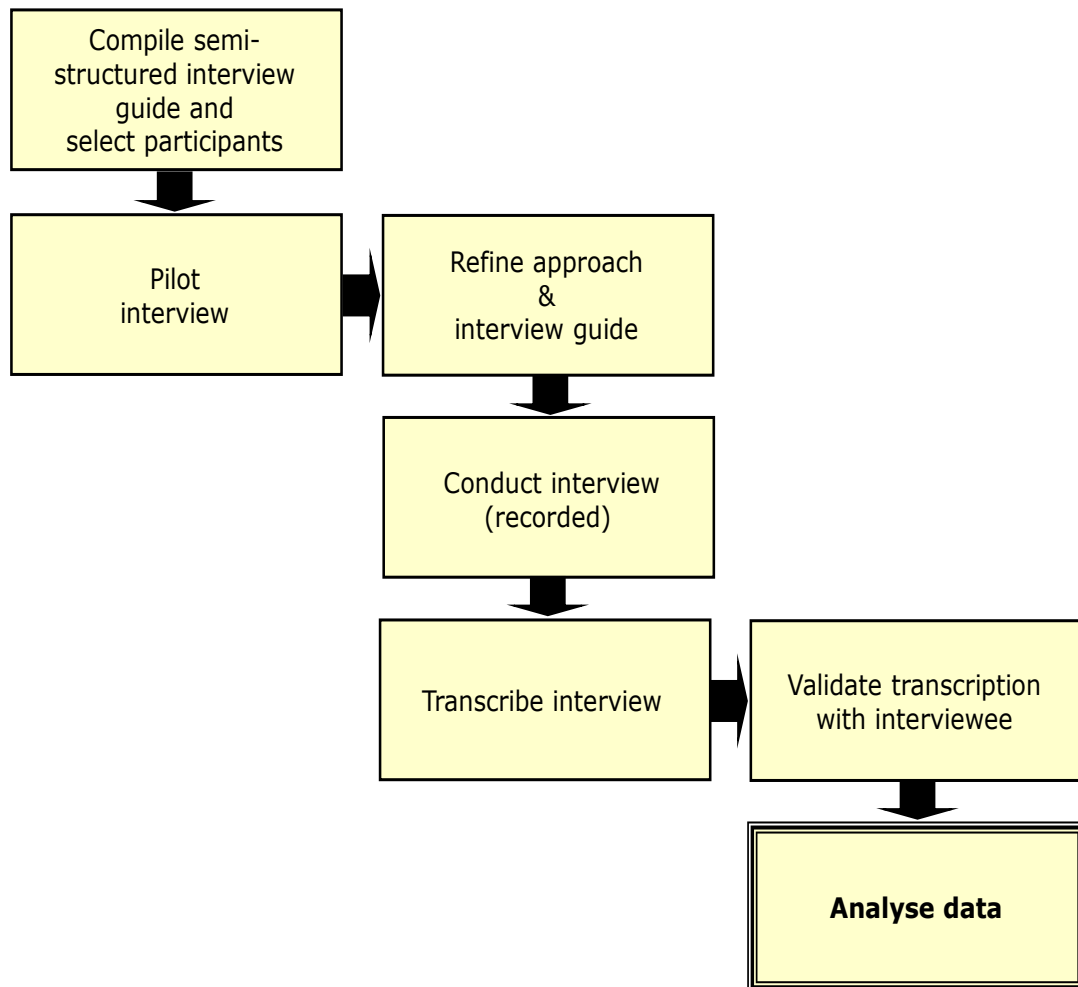


Figure 3.3: Data collection process

Source: developed for this research

All interviews were recorded, transcribed verbatim and the transcripts retained. Prior to the transcription, each interview was evaluated, ‘to ensure the overall quality of the interview, and the assessment of ulterior motives, possible distortions, and surprises’ (Miller & Crabtree 2004, pp. 199-200). Transcripts of the interviews were forwarded to interview participants for validation. No participants expressed concern with the contents of the transcription, and therefore no changes were made to the transcripts. Upon validation of the transcripts, data analysis commenced. The original electronic recordings were destroyed following data analysis.

3.7.5 Interview length

The average time taken for the nine interviews was 85 minutes, and the interviews yielded an average count of 13,000 words.

3.8 Limitations of qualitative interviewing

Marshall and Rossman (1999, p. 10) summarised the limitations of qualitative interviewing, noting that

Interviews involve personal interaction; cooperation is essential. Interviewees may be unwilling or may be uncomfortable sharing all that the interviewer hopes to explore, or they may be unaware of recurring patterns in their lives. The interviewer might not properly comprehend responses to the questions or various elements of the conversation. And at times, interviewees might have good reason not to be truthful.

Interviewing, as a key technique in qualitative research, is subject to the general limitations of qualitative research. Qualitative research is considered, by its detractors, ill equipped to address the issues of reliability and validity (Silverman 2000). Issues of reliability and validity relating to this research were addressed in section 3.6.

It is incumbent on a researcher to ensure that he or she is aware of the inherent limitations that exist within the chosen research methodology, and to adopt techniques and methods that will overcome or reduce the impact of such limitations. Below are listed criticisms that are commonly directed towards the qualitative interviewing technique (Adler & Adler 2003; Briggs 2003; Dooley 1990; Ghauri, Grønhaug & Kristianslund 1995; Sarantakos 1998; Silverman 2000) and mitigating actions taken by the researcher to address them.

The first limitation relates to the cost and time impost associated with qualitative interviewing. Qualitative interviewing was generally held to be more resource hungry than other data collection techniques (e.g. mail surveys). This aspect was not a weakness in this research as a relatively modest number of interviews (nine) had been undertaken, with the

researcher being the sole interviewer, therefore there was a minimal cost and time overheard.

The second limitation was the concern that a skilled and cautious interviewer is required to undertake the research study. This researcher has had extensive experience in conducting corporate change management projects (involving interviews with a broad range of staff at all organisational levels). The skills acquired in this activity have been positively leveraged in this research. Additionally, extensive reading on and rehearsal of interview technique was conducted prior to the pilot interview, to ensure that the appropriate interview skills were present.

The third limitation related to ‘the difficulty associated with organising research interviews with corporate executives, often due to the desire to insulate themselves from disturbance, or, in extreme cases, the prospect of litigation’ (Adler & Adler 2003, p. 159). This limitation had minimal impact as all personnel that were requested to assist with interviews enthusiastically participated.

A fourth criticism routinely leveled at qualitative interviewing was that the interviewer may exert bias throughout the course of the interview. ‘An interviewer may ask certain questions differently or probe more intensively with some respondents than with others’ (Dooley 1990, pp. 148-149). Prior to and after each interview, the researcher focused on the issue of interviewer bias in order to reduce the likelihood of such bias occurring. A standardised, comprehensive interview guide was also of assistance in reducing the impact of interviewer bias.

The final limitation related to the inherent difficulty associated with the analysis and interpretation of qualitative data. This limitation was addressed by the adoption of a robust data collection and analysis regime, as evidenced by:

1. appropriate research design (section 3.1.2);
2. cohesive research approach: constructivism paradigm and qualitative research methodology utilising interview techniques (section 3.5);

3. establishment of appropriate levels of research validity and reliability (section 3.6);
4. utilisation of a proven data collection process (section 3.7); and
5. utilisation of a proven qualitative interview data analysis processes (section 3.9).

3.9 Qualitative data analysis

The analysis of qualitative data has, as its goal, the organisation of a multitude of ‘pages of raw observational notes into a meaningful pattern’ (Dooley 1990, p. 288), and as qualitative data is comprised of words rather than numbers, the analysis of the data is challenging. Ghauri, Grønhaug & Kristianslund (1995, p. 95) summarised the primary problem of qualitative data analysis as:

on one hand, the number of observations is so low, and on the other hand, the information on the case or cases so in-depth that it is very easy for the researcher to be drawn into the sheer volume of cases.

The very richness of qualitative data can provide a barrier to its analysis. Such analysis therefore requires care and the application of appropriate and proven methodologies.

There was general agreement in the literature that qualitative data analysis should occur as soon as possible, even as early as the first observation (Dooley 1990; Marshall & Rossman 1999; Miles & Huberman 1994), and as with most aspects of social research, there were many perspectives on the appropriate process for qualitative data analysis.

Miles and Huberman (1994, pp. 10-11) believed there were three separate phases of qualitative data analysis: i) data reduction; ii) data display; and iii) conclusion drawing and verification. Data reduction consists of transforming field notes or transcriptions into a focused, simplified form, with the data then being organised and compressed in the data display phase. Miles and Huberman (1994) noted that the most common form of data display for qualitative data was extended text. The data is then in a form that facilitates the

verification of the data and the drawing of conclusions. Expanding on this approach, Marshall and Rossman (1999, p. 152) outlined a six step qualitative data analysis model: i) organising the data; ii) generating categories, themes, and patterns; iii) coding the data iv) testing the emergent understandings; v) searching for alternate explanations; and vi) writing the report.

Sarantakos (1998, p. 321) proposed a five step qualitative data analysis methodology that was consistent with the approaches espoused by Marshall and Rossman and Miles and Huberman, yet was designed specifically for the analysis of qualitative interview data.

Table 3.8 summarises Sarantakos' five step approach to data qualitative analysis, and notes actions taken in this research to implement the approach.

Table 3.8: Data analysis process - Sarantakos' five step approach

Step	Implementation
i) Transcription	<ul style="list-style-type: none"> digital audio files of interviews, transcribed verbatim
ii) Checking and editing	<ul style="list-style-type: none"> researcher checked transcriptions against audio files and amended as applicable preliminary relationships in data identified verbatim transcripts of each interview returned to the participant for verification. No issues with transcriptions raised by participants and therefore no changes made to transcripts
iii) Analysis and interpretation	<ul style="list-style-type: none"> relevant sections of transcripts 'cut and pasted' into Excel spreadsheet to aid with cross-case comparison of participants' responses to questions
iv) Generalisation	<ul style="list-style-type: none"> findings of individual interviews generalised differences and similarities identified
v) Verification	<ul style="list-style-type: none"> validity of interpretations checked by reviewing transcripts

Source: adapted from Sarantakos (1998, p. 321)

In chapter four, Sarantakos' five step approach was adopted to analyse the interview transcripts, with cross case analysis used to assist with the 'analysis and interpretation' step. 'Cross-case analysis means grouping together answers from different people to common questions, or analysing different perspectives on central issues' (Patton 2002, p. 440).

For data presentation, Miles and Huberman's data reduction and data display phases were employed in chapter four to present the participants' comments in extended text form and summarised tabulated form, respectively.

3.9.1 Research issues

In order to assist in the resolution of the research problem: ‘When tendering for outsourced services within a large Australian bank, what are the drivers of success?’, the problem was dissected into six research issues. Research issues are specific questions that the researcher must satisfactorily answer in order to solve the research problem (Emory & Cooper 1991).

The research issues arose out of the literature review undertaken in chapter two and provided the basis of the semi-structured interview questions (Appendix 7.1), and therefore the structure of the data analysis activity. Each research issue was related to a class of driver of success in the outsourcing tendering activity:

When tendering for outsourced services in a large Australian bank, what are the:

1. **organisational drivers of success?** (the characteristics of the organisation that was seeking suppliers of outsourced services);
2. **supplier market drivers of success?** (the characteristics of the market for outsourced services);
3. **customer/vendor relationship drivers of success?** (the characteristics of the relationship between the customer and the vendor at the time of the outsourcing tender activity);
4. **tender process drivers of success?** (the characteristics and components of the methodology employed to conduct the tender activity);
5. **regulatory environment drivers of success?** (the characteristics of government regulation of the outsourcing and outsourcing tendering activities undertaken by Australian banks, with particular focus on the level of engagement by the regulator); and
6. **other drivers of success?** (residual characteristics other than those canvassed in research issues 1-5).

Following the advice of Emory and Cooper (1991), each research issue was further broken down ‘into more specific questions [research sub-issues] about which we need to gather data’ (p. 79). Table 3.9 lists the research issues (drivers of success in tendering for outsourced services) and research sub-issues (subsidiary drivers of success in tendering for outsourced services) and indicates the basis of the inclusion of each driver.

Table 3.9: Research issues: drivers of success in tendering for outsourced services

Research issue / Driver of success	Research sub-issue / Subsidiary driver of success	Basis of inclusion
1. Organisational drivers of success	<ul style="list-style-type: none"> • definition of success • strategy • governance • culture • structure • stakeholders • risk profile • other 	<ul style="list-style-type: none"> • section 2.3 • figure 2.6
2. Supplier market drivers of success	<ul style="list-style-type: none"> • characteristics of supplier market • number of suppliers • composition and capability of market • other 	<ul style="list-style-type: none"> • ANZ (2004)
3. Customer/vendor relationship drivers of success	<ul style="list-style-type: none"> • characteristics of relationship • other 	<ul style="list-style-type: none"> • ANZ (2004)
4. Tender process drivers of success	<ul style="list-style-type: none"> • baseline (cost and service levels) • specification of services • tender documentation • tender evaluation • other 	<ul style="list-style-type: none"> • section 2.4.3 • ANZ (2004)
5. Regulatory environment drivers of success	<ul style="list-style-type: none"> • impact of APS 231 • level of engagement by regulator • other 	<ul style="list-style-type: none"> • figure 2.6
6. Other drivers of success	<ul style="list-style-type: none"> • other 	<ul style="list-style-type: none"> • completeness

Source: developed for this research

Two weeks before each interview, the participant was provided with the Interview Information Document (Appendix 7.3). Among other things, this document detailed the interview structure and the categories of drivers of success.

Prior to the commencement of the interview, each participant was asked if they believed the driver categories were appropriate and comprehensive. In all cases, the participants were comfortable with the categories. In addition, they were asked, in the course of the interview, to confirm they were comfortable with the subsidiary organisational drivers. Again, in all cases the participants were comfortable with the categorisation, and therefore no changes were made to the categories of drivers of success.

Figure 3.4 illustrates the relationship between the research problem, research issues and research sub-issues. In order to facilitate the resolution of the research problem, it was dissected into six research issues which were further dissected into research sub-issues. The research sub-issues represent questions posed to the interview participants (section 4.2).

Data received in response to the interview questions, and information discovered in the course of the literature review, formed the basis of the conclusions reached and recommendations made as a result of this research.

Research sub-issue	Research issue	Research problem
Definition of success Strategy Governance Culture Structure Stakeholders Risk profile	Organisational drivers of success	<p>When tendering for outsourced services within a large Australian bank, what are the drivers of success?</p>
Characteristics of supplier market Number of suppliers Composition & capability of market	Supplier market drivers of success	
Characteristics of relationship	Customer / vendor relationship drivers of success	
Baseline (cost & service levels) Specification of services Tender documentation Tender evaluation	Tender process drivers of success	
Impact of APS 231 Level of engagement by regulator	Regulatory environment drivers of success	
Other	Other drivers of success	

Figure 3.4: Relationship between research issues and research problem

Source: developed for this research

3.10 Ethical considerations

This section discusses the various ethical considerations relating to this research, commencing with general ethical considerations, and then reviewing the ethics framework that was designed to provide maximum protection to the interview subjects who participated in this research.

3.10.1 General research ethics issues

There are a series of ethical obligations that relate to the actions or competencies of the researcher. Ticehurst and Veal (2000, p. 55) highlighted the following considerations and noted that they might be considered ‘obvious’ to a moral person:

Competence. A researcher should not embark on research involving the use of skills in which they may not have been adequately trained ... Literature review. Any research should be preceded by a thorough review of the literature to ensure, as far as possible, that the proposed research has not already been done elsewhere. Plagiarism. The use of others’ data or ideas without due acknowledgement and permission, where appropriate, is unethical. Falsification of results. The falsification of research results or the misleading reporting of results is unethical.

Within the context of the relationship between the researcher and the research subjects, Ticehurst and Veal (2000, p. 51) contended that there were two primary principles with regard to research ethics, ‘first, that no harm should befall the research subjects, and second, that subjects take part freely, based on informed consent’.

3.10.2 Ethics framework

Patton (2002) reinforced the need for an interviewer to have an ethical framework, within which to conduct the data collection activity. Table 3.10 outlines the ethics framework within which the data collection interviews were conducted. The framework is comprised of the key ethical issues, using the Southern Cross University Human Research Ethics Committee (HREC) guidelines for low and negligible risk research (SCU 2008) as a point

of reference, and the mitigating action taken in response to each issue. Where applicable, relevant documents are referenced.

Table 3.10: Ethics framework: data collection interviews

Issue	Mitigating Action Taken by Researcher	Reference
<ul style="list-style-type: none"> Legitimacy of research activity 	<ul style="list-style-type: none"> Contact details of Southern Cross University (SCU), research supervisor, and Ethics Committee representative provided to interview subject. 	<ul style="list-style-type: none"> Informed Consent to Participate (Appendix 7.2)
<ul style="list-style-type: none"> Interview subjects fully informed 	<ul style="list-style-type: none"> Interview subjects were provided with the interview information document, which detailed: <ul style="list-style-type: none"> background to the research; procedures to be followed; possible discomforts and risks; responsibilities of the researcher; responsibilities of the interview subject; freedom of consent; and SCU contact details. 	<ul style="list-style-type: none"> Interview Information Document (Appendix 7.3)
<ul style="list-style-type: none"> Informed consent 	<ul style="list-style-type: none"> Interview subjects were informed they were under no compulsion to participate initially or to remain in the research activity if they chose to withdraw. Subjects were provided with a copy of the informed consent to participate in advance of the interview date. 	<ul style="list-style-type: none"> Informed Consent to Participate and Interview Information Document (Appendix 7.2 & Appendix 7.3)
<ul style="list-style-type: none"> Accuracy of reporting of information 	<ul style="list-style-type: none"> Interviews were digitally recorded and transcribed verbatim. A copy of the transcription was provided to each interview subject for validation. Subjects were advised to contact the researcher if they had any issues with the content of the transcription. Subjects were offered a copy of the digital audio of the interview if they required. No subject availed themselves of this offer. 	Not Applicable

Issue	Mitigating Action Taken by Researcher	Reference
<ul style="list-style-type: none"> Anonymity of subject and confidentiality of information 	<ul style="list-style-type: none"> All data ‘de-identified’ in the research paper, and all source documents and digital media kept in secure location. 	<ul style="list-style-type: none"> Informed Consent to Participate and Interview Information Document (Appendix 7.2 & 7.3)
<ul style="list-style-type: none"> Interview subject comfort 	<ul style="list-style-type: none"> Interview subjects offered the choice of choosing the interview location or using the CBD business centre location organised by the researcher. 	<ul style="list-style-type: none"> Interview Information Document (Appendix 7.3)
<ul style="list-style-type: none"> Research to be conducted within accepted academic research protocols 	<ul style="list-style-type: none"> Ethical approval granted by Southern Cross Human Research Ethics Committee (HREC). 	<ul style="list-style-type: none"> Approval reference number: ECN-07-123 (Appendix 7.4)

Source: developed for this research, adapting elements of SCU (2008) and Ticehurst and Veal (2000)

3.10.3 Ethics committee approval

This research and its data collection approach has been approved, subject to the standard conditions of approval, by the Southern Cross University Human Research Ethics Committee (HREC). The approval reference number is ECN-07-123.

All reasonable steps have been taken to ensure that interview subjects were fully informed about the data collection process and the rationale behind the research. At no stage, were the interview subjects engaged in the data collection activity against their will, and the interviews were conducted in an environment of the subject’s choice, to ensure their comfort. The transcripts of interview were validated by the interview subjects, and the data collection activity was conducted within accepted academic research protocols and with the approval of an authorised ethics committee.

3.11 Conclusion

It was established in chapter two that the use of outsourcing, as a business tool, was widespread. This had been reflected in the Australian banking sector, with large Australian banks having outsourced significant elements of their operations.

When seeking providers of outsourced services, the usual practice in Australia is for organisations to submit a request for tender to qualified suppliers. The tendering process is expensive in terms of time and cost, yet there has been a demonstrable lack of research, within the outsourcing sector, into the factors that lead to the success or failure of the tendering activity. This finding led to the development of the central research problem proposed in chapter two: ‘When tendering for outsourced services within a large Australian bank, what are the drivers of success?’

This chapter has reviewed the major research paradigms, methodologies and data collection techniques. An appropriate research paradigm (constructivism) and associated methodology (qualitative) has been selected and justified. The semi-structured interview technique was proposed as the most suitable data collection process. Protocols and procedures have been developed for the conduct of the semi-structured interviews, ethical issues addressed and an appropriate data analysis approach has been proposed.

Therefore, a robust and rigorous research methodology, sufficiently addressing issues relating to methodology, validity, reliability, and ethical considerations, had been developed.

Chapter four contains the findings of the data analysis phase of this research study.

4 DATA ANALYSIS

4.1 Introduction

Chapter one outlined the scope of this research by introducing outsourcing. The Australian financial services industry, and its unique status in outsourcing in Australia, due to the requirement for compliance with prudential standard APS 231, was highlighted as the setting for the research.

In chapter two, a detailed review and analysis of the literature relating to outsourcing was undertaken. This review concluded that significant research on outsourcing had been undertaken (characteristics; history; metrics; objectives; methodology), however, it was found that there was a lack of detailed research relating to the individual tasks in the outsourcing methodology. The outsourcing tendering task and the characteristics that drove success in the activity was selected as the focus of this research.

A review and analysis was undertaken of the four scientific research paradigms in chapter three. Additionally, the three primary research methodologies and their respective data gathering techniques were reviewed. It was concluded that the constructivism paradigm, utilising the semi-structured interview data collection technique, within the qualitative research methodology, was the most appropriate approach for this research. Interview techniques were discussed and research validity and reliability issues reviewed. Chapter three concluded with the introduction of the interview subject population and discussion on the data analysis approach and ethical issues.

4.1.1 Objective of the chapter

It is the objective of chapter four to present the outputs of the semi-structured interviews and to provide an analysis of their relevance to the research question.

The findings that are presented in chapter four will be discussed, within the context of the literature review in chapter five.

4.1.2 Approach to presentation of data

As indicated in section 3.7.5, there was a significant amount of data collected in the course of conducting the interviews (in excess of 200 close typed pages). In presenting the interview data in this chapter, the first two phases of the approach of Miles and Huberman (1994, pp. 10-11) have been adopted:

- i) **data reduction:** responses to interview questions were generalised by the researcher, and then representative response samples provided. In cases where there was a multiplicity of responses, each perspective was represented. Response samples were presented in extended text format; and
- ii) **data display:** the responses to each interview question were then organised and compressed into a table that summarised the findings for each research issue. The table listed the drivers of success by category, along with the researcher's perception, gleaned from the interviews, of the criticality of each driver. Categories of perceived criticality were: high; medium; low; or not rated.

Each research issue forms a sub-section of this chapter and was further divided into research sub-issues. Questions were posed to participants at the research sub-issue level, in order to facilitate data gathering at the research issue level. This data was the basis of resolving the research problem (Emory & Cooper 1991).

4.1.3 Interview environment

It is possible that the environment in which the interviews took place may have impacted responses. Therefore the context within which observations were made must be reported if findings are to have any chance of being replicated (Jackson 1995).

Each interview was conducted in a formal environment at the venue of the participant's choice, and consisted of either the interviewee's workplace or a well appointed business centre in the Melbourne CBD. This allowed a level of familiarity and comfort to the proceedings (Sarantakos 1998). If the interviews took place at the business centre,

interviewees were met at reception by the researcher, shown where facilities were located, and offered light refreshments. If the interviews took place at the participant's workplace, the participant typically met the researcher at reception, and organised light refreshments.

Once the researcher and the participant were seated, there was usually a few minutes of light discussion, as in all cases, the participant and the researcher were known to each other. The participant was thanked for agreeing to take part in the interview, and his/her uninterrupted availability for the next two hours was confirmed.

The participant was then asked if he/she was comfortable in proceeding with the interview. No participants expressed the desire to exempt themselves from the interview. The Informed Consent to Participate form (Appendix 7.2) was reviewed by the participant and signed. The digital voice recorder was then placed on the table, and the participant was asked if he/she had any concerns with the interview being recorded. No participants expressed concern with the interview being recorded.

The Interview Guide (Appendix 7.1) was then jointly reviewed by both interviewer and interviewee, and the participant was asked if he/she was comfortable with the research topic and categories of drivers of success. All participants expressed the opinion that they were comfortable with the interview topic and the categories of drivers of success. Later in the course of the interview, participants were again asked if they were comfortable with the categories of drivers of success, and all participants responded in the affirmative. Therefore, no changes were made to the interview guide.

Prior to and throughout the interview, the comfort of the interviewee was monitored, and efforts were made to ensure rapport and trust was established and maintained between interviewer and interviewee (Charmaz 2003; De Vaus 2002; Ryen 2003).

When interviewees appeared comfortable and prepared to commence the interview, the voice recorder was switched on and the interviewee was asked to provide a summary of his/her professional background and experience, particularly in relation to outsourcing and tendering for outsourced services.

Once the participant (Pn) completed his/her response, the formal interview session commenced. The interview questions are contained in the Interview Guide (Appendix 7.1).

4.2 Analysis of research issues

4.2.1 Organisational drivers of success

4.2.1.1 Definition of success

Research sub-issue: What does success mean in tendering for outsourced services, and how critical is its definition?

Amongst the participants, there was broad agreement on the criticality of actually defining what success meant, and the importance of defining success at the commencement of the project was reinforced. However, there was some variation as to what, in the context of outsourcing tendering, was actually meant by ‘success’.

It’s not whether or not you actually outsource a function. It’s making sure that you make an evaluation on a fair basis ... It’s got to be an apples for apples comparison ... as long as you’ve provided the steering committee and the key stakeholders with that valid comparison on which they can make the decision, I think that’s the key to it (P1).

Making sure that you go through a fairly rigorous process of developing a scope of work, which is a document that basically outlines what you’re looking for out of the tender process (P3).

It [the resulting outsourcing deal] has to be a sustainable proposition for both parties (P5).

The tender process should deliver an outcome which is a defensible position in terms of selection. It enables a clear assessment of the capability of the providers in terms of absolute capability. That is, can they actually deliver or not and then secondly, a comparative outcome in terms of the providers who are capable delivering the outcomes (P6).

I think the definition of success would be that the outcome is a more efficient and more effective delivery of the particular service (P7).

Delivering a more cost competitive operating base (P8).

I think success, to business [units], has got implied continuity and improvement. So whatever activity you undertake with respect to change, it needs to be done seamlessly ... if you're outsourcing purely to reduce labour costs, in other words offshoring, you're doomed to failure (P9).

Some participants suggested that there was no fixed definition of success and that, according to requirements and stakeholder perception, the definition of success may vary.

I think people define success differently. And I think that's one of the most important things that needs to be determined prior to going into the tendering process is how the key stakeholders define success (P2).

The definition of success will vary depending on where in the process you are but also from the angle you're coming from ... What do they [ANZ management] see as success? ... What do the people that actually have to use the service see as success? ... What would the contract manager see as success? ... What do the providers see as being successful? (P4).

4.2.1.2 Strategy

Research sub-issue: How does the strategy of the organisation impact on the success of the outsourcing tendering activity?

Amongst the participants there was a consensus that the strategy of the organisation drove the outsourcing strategy, and therefore the level and direction of the outsourcing tendering activity.

You've got to make sure that you are meeting the requirements set within the organisation as to where the organisation wants to go. So you understand the organisation's road map (P3).

Strategy is the foundation stone that the organisation lays down. This is the direction we're taking. The outsourcing activities have got to support the achievement of that strategy so it's fundamental. I think the strategy is fundamental to identify where the opportunities are for any outsourcing activity (P6).

The success [of the outsourcing activity] has got to support the strategy, otherwise why do it? ... And it's demonstrating a commitment to your strategy (P8).

Reference was made to the 'core versus context' strategy for selecting candidate business areas for outsourcing, whereby activities that were not core to ANZ's activities (i.e. support activities) were considered prime candidates for outsourcing.

The organisation is very much focused on cutting cost and outsourcing is clearly one of the methods that you would use to drive that ... we were keen to look at what was termed core versus context. So those activities that were core to the bank, we wouldn't consider outsourcing (P1).

When you have a strategy of outsourcing that's about getting rid of non-core activities to more suitable people to do it than you, then that's actually the most logical (P4).

We have an approach that says we will outsource some things and we'll offshore some things but there are other things that are absolutely sacrosanct ... we won't outsource customer data for example and we certainly won't offshore it (P5).

One of the participants (P7) expressed the view that it was not critical that the outsourcing activity aligned with the corporate strategy, however it was necessary to ensure that the outsourcing activity and the corporate strategy were 'not misaligned'. P7 offered insight into how the outsourcing strategy of ANZ changed from a cost focus to an organisational transformation focus:

You go back a few years and you'd say part of the strategy was to substantially reduce the cost to income ratio, so there's a cost component. Another aspect of ANZ's strategy has been in parts of the organisation to substantially improve technology systems and that can actually be a transformation in itself. Outsourcing can be a useful tool to bring about that transformation, particularly in support functions in a banking institution (P7).

Amongst the participants there was consensus that, over the course of the past five years, the organisation had moved away from a domestic outsourcing focus towards a captive offshoring (refer definitions) strategy, and this had reduced the level of outsourcing, and therefore tendering for outsourced services, undertaken by the organisation.

We have a well articulated and defined offshoring strategy where we're looking to put as many back office functions as we can into our captive offshoring unit. So in terms of outsourcing [domestic], there's very little activity going on at the moment and the activity that is happening is confined very much to those functions that don't lend themselves to being performed offshore (P1).

[We] are actually comfortable more with offshoring than outsourcing (P2).

With regard to outsourcing/offshoring as a means of implementing corporate strategy, there was general acceptance that the process had become an accepted tool within the banking industry:

I think it's nearly moving into BAU [business as usual]. I think you'll find that if I was to look at everyone's plans into next year, there'd be an element of outsourcing/offshoring in nearly everyone's plans (P8).

4.2.1.3 Governance

Research sub-issue: How does governance contribute to the success of the outsourcing tendering activity?

The significance of the governance aspect had been heightened over the past five years 'given the amount of legislation and issues around risk'(P3), whilst the importance of holding personnel accountable in order to maximise the chances of success of the outsourcing tendering activity was noted. The aspect of accountability as the critical component of governance was articulated.

Accountability is quite important because the fundamental of outsourcing is you can never outsource accountability. You can never outsource responsibility or accountability for work that's being undertaken on behalf of our organisation (P7).

Accountability has got to rest with the business unit that's going to derive the business benefit. The accountability for an outsource arrangement can't be with a shared service division (P9).

Perspectives were offered on the ANZ outsourcing project governance structure.

In terms of structure, you'd have a project team led by someone from the outsourcing unit, who is basically independent of the business [outsourcing candidate]. Their role is to get as close as possible as they can to understanding what the business is all about but ultimately to make an informed judgement as to whether or not something should be outsourced to a third party to try and take some of the emotion out of some of the issues. There'll always be a steering committee sitting above that team which would be comprised of the key business stakeholders. Typically, the head of the area that's been impacted by the outsourcing would sit on that. You'd probably have a representative from risk. Perhaps People Capital [human resources] depending on the nature of the project and generally, the steering committee would be chaired by the general manager in charge of the outsourcing area (P1).

The steering committee generally meets monthly, where all aspects of the outsourcing process, which includes the tendering process, are presented to the steering committee: how the tendering process is conducted; who has responded; and the evaluation of those responses. It would generally be up to the steering committee to ratify anything that the evaluation team had decided upon. So they really act as a governance group (P2).

Governance starts off with identifying who are the appropriate people to be involved. It's very important that you get the decision-makers involved in the governance structure and in terms of decision-makers, these are the people who ultimately have to sign off on moving to a tender (P6).

It was noted that, unlike government organisations, companies were able to apply a more flexible approach to governance.

When you come to that final decision-making, you need to be able to bring in some factors that weren't able to be brought in during the tendering ... Exercising commercial reality at the decision stage (P4).

4.2.1.4 Culture

Research sub-issue: How does the culture of an organisation impact on the success of the outsourcing tendering activity?

Exploring corporate culture is inherently difficult, given the manifold attributes attached to the word 'culture' (Davis & Devinney 1997). In asking the question on the impact of corporate culture, a common response from participants was 'What do you mean by culture?'. Rather than digress into a philosophical discussion on the meaning of corporate culture, the researcher responded to the query as follows: 'Please respond to the question in the context of your understanding of the term "corporate culture"'. All participants appeared comfortable with this approach.

Participants (with the exception of P1 and P6) believed that corporate culture was a key driver of success in outsourcing tendering.

We have a very open and honest culture but in terms of its impact on the tendering process, I don't believe that does have an impact (P1).

How does that have an impact on the success of the process? I see it's almost like the reverse in that the success of the process is not necessarily driven by the culture. The success of the process is driven by the people involved who are reflecting the culture as it's intended to be, longer term (P6).

Whilst the majority of participants believed that corporate culture was an important driver of success in outsourcing tendering, the participants provided a broad range of perspectives on the impact of corporate culture.

A culture of change was considered to be an important success driver:

in order to have a successful tendering process, you really need to have an area that embraces change, because otherwise it's going to be a fight the whole way (P2).

A corporate culture whereby different stakeholders within the organisation had differing expectations of what was required out of the activity can be an impediment to success. This concept is linked to section 4.2.1.1, as different parts of the organisation may have differing definitions of success.

It's a challenge because you try to manage people's expectations of outcomes versus timelines versus costs versus speed to market (P3).

The biggest obstacle to success and in my experience the major reason for failure, is the culture. And it's the culture ... the differential in culture between the different levels of the organisation. ... you've got the culture of the people that are actually trying to do the tendering process and quite often people get roped into it and don't want to be there and they don't want it outsourced anyway because they don't think anyone can do it as well... And that's either because it's a forced activity or the people who are doing it ... don't have the same definition of success that everyone else does (P4).

There's often not one culture. There's often lots of different subcultures ... and they vary according to where you are in the organisation (P5).

Corporate culture helped formulate the strategy of the organisation, and this in turn drove the outsourcing tendering activity.

I think the culture is important because it will play a part in the broad thinking about whether the organisation has to do everything for itself (P7).

I think culture's linked a little bit to strategy in the context of outsource arrangements ... So I think strategy, to a large extent, the overall business strategy, drives the culture of an organisation ... Obviously if you've got an arrangement for our own outsourcing that is in conflict with your strategy, you're going to be in conflict with your culture and you're going to have difficulty actually making a success of that program ... So they've got to be aligned (P9).

4.2.1.5 Structure

Research sub-issue: How does the structure of an organisation impact on the success of tendering for outsourced services?

The structure of an organisation, in this case, refers to how ANZ was organised into divisions, and whether the organisation, was by nature, centralised (divisions are tightly controlled from the centre) or whether the individual divisions had a significant amount of autonomy of action. ANZ could be described as highly decentralised, with each of the major divisions possessing a significant degree of autonomy. 'Business units work alone, almost like separate businesses' (P2).

All participants, except P9, attached significant importance to the structure of the organisation, indicating that the more business units that are involved in the outsourcing tendering process, the less chance there is of success in the endeavour.

It's probably one of the most important elements because in my experience ... once you cross more than one business unit, your chances of success diminish accordingly (P1).

That [particular deal] went across a number of different business units ... That actually makes it a lot more difficult (P2).

Where you've got a centralised division that is solely responsible and accountable for the outcomes of this process, it makes it a lot easier (P3).

An extra layer or layers increases the chances of the activity becoming unsuccessful (P4).

Absolutely ... there are several lines of business and each has an absolutely different culture ... and then inevitably it creates tensions amongst business units ... and often comes into conflict with a group approach to doing things (P5).

If you've got one single business unit and it [outsourcing/tendering] fits within that business unit then it makes it easier from a structural perspective (P6).

Perspectives were provided on why the number of business units engaged in the outsourcing tendering activity impacted the success of the activity.

If the function is contained to one business unit, you have a far greater chance of success and the reason for that is that trying to get everybody on board to agree to a particular outsourcing, it just becomes too difficult ... You have competing business agendas. For one business unit, it may make perfect sense to outsource a function but the impact on another one may not be nearly as great, or in fact, it may be much greater. So once you've got those divergent views, it becomes very difficult (P1).

Because you're actually dealing with two distinct businesses and trying to actually manage both of their interests and their needs, it is a lot more difficult because they have different drivers (P2).

I believe it [involving multiple business units] sends differing messages to the markets because external providers always want to know ... who are the key players here, who has responsibility for sign off, who has the discretion? (P3).

Again the definition of success will change with each of the different organisations [business units]. If you're trying to represent a number of silos [business units] then you've got less chance of actually representing them. It's like design, the old joke about, if the committee designed an elephant, it wouldn't look like an elephant (P4).

In an area where they're driven to keep their profitability up ... they aren't interested in something that's going to take nine months to map properly ... and that often comes into conflict with a group approach (P5).

If you've got multiple business units, it becomes more complex in the sense of responsibility, balancing the competing demands or requirements across those different business units. That has an impact on and really focuses the attention up-front in terms of defining what success is and whether you need to actually differentiate service levels across different business units (P6).

One participant believed that the structure of the organisation was not a key driver of success in tendering for outsourcing services, and provided the following explanation.

No, I don't know if the structure of an organisation should impact the process at all ... if it's a multi BU [business unit] arrangement, in other words multiple business units are deriving benefit, the complexity really comes around to decision making. But I don't believe it actually detracts from the ability to be successful in outsourcing, or to have a successful tendering process. It may just add a level of complexity which could have conflicting business drivers (P9).

4.2.1.6 Stakeholders

Research sub-issue: What is the impact of stakeholders on the success of tendering for outsourced services? What are your insights into stakeholder management?

Within the context of this research activity, the term ‘stakeholders’ was used in its broadest sense, and meant any individual or business unit that was impacted by the outsourcing or the outsourcing tendering activity. Stakeholders may be both internal to the organisation and external to the organisation. ‘A stakeholder is somebody who is directly affected by the service you're going to outsource’ (P4).

There was broad consensus amongst participants that stakeholders, and the management thereof, were a key driver of success in tendering for outsourcing activities.

I think that stakeholder management is a key to all of this, to the success of the outsourcing process (P1).

Yes, it is of critical importance because the stakeholders have a major say in the whole process and in all cases, you would make sure that the stakeholders are represented in the governance structures (P3).

The early engagement of stakeholders, in terms of articulating what the strategy is, what success looks like and how we’re going to operate, is fundamental to it. You need to get them onboard at that point in time so that you can run the process (P6).

If you’ve got conflict at the stakeholder level, you’re going to have a challenge in your project. So the role of stakeholder engagement and management, especially during the tendering process, regardless of whether it’s outsourcing or not, is critical to an outcome (P9).

Various reasons were offered as to why stakeholders and the management of them impacted the success of the outsourcing tendering activity, along with insights into appropriate stakeholder management.

It's very important that you are able to communicate effectively and often with them [external stakeholders/vendors] to keep them involved in the process. With the internal stakeholders ... in most projects, there'll be quite a number of key stakeholders that you'll have to manage and they'll come with a different perspective on it. So there could be a business perspective, there could be risk, people capital, whatever. It's important that you communicate with them often and bring them along with you from the start to the end (P1).

In regard to general stakeholder management within an organisation, communication is key ... we may decide when we go through the tendering process that we're not too keen on one particular vendor but they may be one of ANZ's biggest customers. The way we communicate to that vendor, whether they're successful or not, can have huge consequences for ANZ, not only the outsourcing activity, but also their general banking (P2).

The person who is responsible for running the tender process has got to demonstrate an ability to listen and an ability to be co-operative and collaborate with stakeholders. Can't be seen as taking sides in that sort of environment and stakeholder management can make or break the tender process (P3).

Making sure that their [stakeholder's] views are weighted as in those that will be directly affected should have the most say. Those that will be affected but only as part of their normal organisational requirements, for example finance or risk or whatever, that they are represented but they don't drive the process. I've seen too many processes being taken over by legal and risk management who have been able to push the process or the outcome in a certain direction because it suits their purposes ... The stakeholder representative role is to make sure that the outcomes that are defined as being successful do actually suit them and they need to be able to be fairly forceful and say 'no, I have serious doubts that this is going to work' (P4).

You've got your different management groups and divisions, there's external people that are tendering for the work but then now under APRA [Australian Prudential Regulation Authority] as well you've got the board and our operational risk committee and the internal auditors. So under APRA all of those have to be informed; they have to be kept in the loop. And they have to agree the board has to be informed of any outsourcing and

offshoring (P5).

So I'd say that you've got to identify them [stakeholders] up-front, you've got to engage them. You've got to engage them in the process, that's the key area there and then you manage them through the process. If you don't identify them up-front then you run the risk of pushing down a path that [was not appropriate] ... It's early engagement and being very clear as to why you're doing what you're doing and how it will be done (P6).

In terms of stakeholders, you know the highest authority in this place is obviously the board ... and has quite a great deal of visibility around the outsourcing activities going on (P8).

The key stakeholders have much greater line of sight of the opportunities and understand that there are some gains to be achieved quite quickly (P8).

Managing stakeholders I think is one of the key competencies that we've identified and we try to develop in line with ANZ's overall competency listing, of outsourcing managers. Because, at the end of the day, you're managing ambiguity and you're managing senior people and their expectations, pushing their own agendas and trying to blend those agendas into the outcomes (P9).

4.2.1.7 Risk profile

Research sub-issue: How does the risk profile of an organisation impact on the success of tendering for outsourced services?

The risk profile of an organisation, in this case, referred to the risk appetite of ANZ, that is, whether the organisation was by nature, 'conservative' with regard to exposure to risk, or whether the organisation was 'aggressive' with regard to the level of risk it was prepared to expose itself to. It should be noted that, within the two risk profiles, there is a continuum along which the organisation may be placed. The risk profile of ANZ could be described as 'conservative' (P5).

All participants attached significant importance to the risk profile of the organisation.

It is an important element because if you have a low risk appetite, you're probably not going to be outsourcing too much. There has to be a desire within the organisation to be open to putting out some functions [outsourcing] that perhaps have some critical impacts or critical links back into your business. There has to be a desire to actually allow them to be managed by a third party (P1).

It really starts again with the executives. If they have an appetite for outsourcing, then it will happen (P2).

In tender processes, depending on the nature, depending on the size of the deal, organisations set their risk profiles accordingly (P3).

I think that as part of discussing the culture, the risk appetite of the organisation does influence the ability to have a successful process that meets everybody's definition of success. You'll get a process that will meet maybe the organisational definitions of success but not necessarily the stakeholders' definitions of success (P4).

The whole process is about managing risk - identifying and managing risk (P6).

Obviously, there is a framework, a risk framework that we have to comply with, both from an internal bank risk governance point of view, but also from an APRA point of view (P8).

Risk adds an element and a level of complexity to the tendering process (P9).

Various insights were offered as to how the risk profile of the organisation impacted the outsourcing tendering activity.

Often that's where some of these deals fall over. Once people realise that they're handing control of a particular function that is a critical link in the chain to a third party, they're not prepared to do that and often it's only after you've been through the tendering process that the true risk elements are understood by the organisation. Some of these functions have been in-house for 40 to 50 years and it's only when you start to disaggregate them and break them up into manageable chunks that people really understand the 'spaghetti like' nature of some of the functions (P1).

If they [executives] have a high tolerance [for risk], then the likelihood is your organisation will probably seek and investigate more options for outsourcing. Whereas if they have a low tolerance, they may not even look at it (P2).

Obviously if you're going out to market for a five million dollar deal for the bank, you know the risk will be minimal ... You could run that in a very constrained and restricted manner but still making sure you had the right processes and probity in place, as against running a 60 to 100 million dollar deal (P3).

If you're in a risk averse organisation you'll stick to the tried and true tendering structure. You'll stick to the templates. You won't want to change anything. You'll evaluate it the same way you've evaluated every other tender for the last 15 years whether it's suitable for the activity that you are tendering or not (P4).

Some organisations are prepared to do things that we wouldn't ... So I think we've been reasonably conservative in the kind of approach we've taken (P5).

Let's understand what the risk profile is of the arrangements that we're likely to enter into and what are the mitigants, what mitigants need to be in place and to be able to represent that to the steering committee as to what those risks are and whether that's acceptable (P6).

Certainly from a reputation point of view, certainly from having a level of confidence that the service is still going to be delivered in a timely and efficient manner, and more recently the whole question of privacy around data and ensuring that data is protected, that our customers' interests are protected and therefore, ANZ's interests are protected in terms of our accountability around privacy (P7).

The credibility of that partner [vendor], the financial operational stability of that partner, the financial operational stability of the countries that we choose to outsource to, the transmission of data, right down to data security, data encryption ... Project management, transition, people. We need to be particular about how people are going to be dealt with under the EBA [Enterprise Bargaining Agreement] that we have as well as the unions we have to deal with (P8).

You could say because you're doing more work and the process is a result of understanding your risk and trying to mitigate that during the process, it could extend the duration of the process somewhat ... I don't think it detracts from the process per se, but ... as the appetite for accepting or not accepting risk increases, it probably impacts more the contract negotiation side ultimately because that's where the real rubber hits the road (P9).

4.2.1.8 Other organisational characteristics

Research sub-issue: How do other organisational characteristics impact on the success of tendering for outsourced services?

To ensure completeness of coverage of the section on the organisational drivers of success in tendering for outsourced services, each participant was asked for any additional comments they might like to make with regard to organisational characteristics that may impact the success of tendering for outsourced services.

Four participants (P1; P2; P3; P7) indicated that they had no additional comments to add, whilst five participants offered additional insights into the drivers of success.

One of the biggest failings, is people get to certain decision points and they believe they can't not proceed ... and there's too many egos involved normally to admit an error. But I think you need to have a process that allows you to say 'we've changed our minds' (P4).

Skill set ... you do need people with a great attention to detail and that have good analytical and financial skills do this kind of work in the tendering process ... so I think one of the drivers for success is to have skilled people (P5).

Understand, investigate, articulate up-front because what it does is actually provide a credible process. Credible in the sense that it's understood where we want to get to. Therefore, it is run with absolute transparency, and that gives a lot of confidence to the supplier market in terms of dealing with the organisation. [The individual suppliers] know they have every opportunity to be successful ... Secondly, internal business units have the confidence in the process to deliver the outcome knowing that it is well thought out up-

front so that gives them confidence about the credibility of the process. Bottom line is that this is about ensuring that you know where we want to get to (P6).

It's taken us a while for people within the organisation to see this [outsourcing] as being a strategy and we're not there yet (P8).

Leaving costs out of it, it's a given that all organisations need to control their costs. So I don't think it needs to be incorporated. You've got to look for the continuous improvement which is ultimately going to get the cost right (P9).

4.2.1.9 Summary of organisational drivers of success

Table 4.1: Organisational drivers of success in tendering for outsourced services

Organisational Category	Perceived Criticality	Driver
1. Definition of success	High	<ul style="list-style-type: none"> • success must be defined at commencement of tendering activity • definition of success can vary depending on stakeholder and motivation for activity • perspectives on what success means <ul style="list-style-type: none"> ○ evaluation must be fair and valid ○ rigorous process that is defensible ○ clear assessment of provider capacity and capability ○ proposition must be sustainable for both parties ○ more efficient and effective service delivery ○ reduced operating cost base ○ business continuity and improvement
2. Strategy	High	<ul style="list-style-type: none"> • organisational strategy drives outsourcing strategy which drives tender activity • outsourcing strategy must support organisational strategy • tender for 'core' activities, retain 'non-core' activities • outsourcing strategy should not be mis-aligned with corporate strategy • perspectives on strategy <ul style="list-style-type: none"> ○ change from cost reduction focus to business transformation focus ○ change from domestic outsourcing focus to captive offshore focus - less requirement to tender for services

Organisational Category	Perceived Criticality	Driver
3. Governance	High	<ul style="list-style-type: none"> • comprehensive governance policies and procedures in place • high levels of probity of process • accountability for activity cannot be outsourced • steering committee, comprised of senior executives/decision makers/key stakeholders, reviews tender progress and approach • perspectives on governance <ul style="list-style-type: none"> ○ importance of governance has increased over past five years due to heightened risk culture ○ governance in private enterprise can be more flexible than in government ○ decision makers need to be involved in the governance structure ○ the board is ultimately accountable
4. Culture	High / Medium	<ul style="list-style-type: none"> • difficulty in defining ‘corporate culture’ • culture is a key driver of corporate strategy • an organisation can have many ‘business unit’ cultures and therefore differing definitions of success • ‘culture of change’ necessary • perspectives on culture <ul style="list-style-type: none"> ○ success driven by people who reflect the corporate culture ○ the culture has moved towards greater acceptance of outsourcing and offshoring
5. Structure	Medium	<ul style="list-style-type: none"> • ANZ is highly decentralised with relatively autonomous business units • outsourcing/tendering across business unit boundaries significantly reduces chances of success

Organisational Category	Perceived Criticality	Driver
		<ul style="list-style-type: none"> • perspectives on structure <ul style="list-style-type: none"> ○ outsourcing/tendering within a business unit has a greater chance of success because of singularity of culture and agreement on definition of success ○ outsourcing/tendering across business units should not impact the actual process, rather it adds a level of complexity to the process
6. Stakeholders	High	<ul style="list-style-type: none"> • stakeholders are both internal and external • stakeholders must be identified and engaged early in the process • effective management of stakeholders is critical • stakeholder communication must be effective and frequent • stakeholders must be represented in governance structures, with the board as the ultimate stakeholder • perspectives on stakeholders <ul style="list-style-type: none"> ○ different stakeholders may have varying definitions of success ○ stakeholder conflicts of interest need to be effectively managed during tender process ○ the leader of the outsourcing/tendering process needs to co-operate and collaborate with stakeholders ○ stakeholder input/influence needs to be weighted according to the impact of the outsourcing activity on each stakeholder ○ stakeholder management in all activities is a key employee competency identified by ANZ

Organisational Category	Perceived Criticality	Driver
7. Risk profile	Medium	<ul style="list-style-type: none"> • risk profile will assist in determining which business activities may be tendered: a higher risk appetite will lead to more business activities being tendered to third parties • the rigour of the tendering activity must be tailored to the perceived risk of the exercise • perspectives on risk profile <ul style="list-style-type: none"> ○ service provider credibility, reputational risk and privacy maintenance are important considerations in the tendering process ○ understanding risk appetite assists in defining success ○ the entire outsourcing process (including tendering) is concerned with identifying and managing risk ○ the tender process will identify risks to ongoing service provision
8. Other	Not rated	<ul style="list-style-type: none"> • the organisation needs to have processes in place that allow the tender process to be terminated, if it is the 'right' decision • outsourcing/tendering requires specific and highly developed skill-sets. The organisation should ensure that people with the appropriate skills are conducting this activity • the tendering process needs to be credible and transparent, with organisational drivers defined and articulated early in the process • continuous improvement is the key outcome in tendering for services from a third party

Source: developed for this research

4.2.2 Supplier market drivers of success

4.2.2.1 Characteristics of the supplier market

Research sub-issue: what characteristics of the supplier market impact the success of the outsourcing tendering activity?

All respondents believed that the level of maturity of the market (age of the market, sophistication and number of suppliers), impacted the chances of a successful outcome.

Clearly, if you've got more than one supplier in there, in terms of a competitive process, then it makes a big difference (P1).

Maturity of the market ... it's a lot riskier to go with a vendor that's only quite new to the market or hasn't had a number of years experience in actually performing these services (P2).

Some of the typical characteristics would be around competition, around size, maturity of the vendor market (P3).

The biggest driver of success with outsourcing and tendering for outsourcing is the size of the supplier market (P4).

The number of suppliers in the market, the maturity of the market (P5).

The maturity of the market and the depth of market in terms of the number of players. Because often in Australia, we're dealing with, in some areas, evolving markets ... You need to understand the maturity and the sophistication of the supplier such that you actually can manage internal stakeholders appropriately and that you can manage the expectation of the external providers as to what you want from them (P6).

I think that the drivers need to be first and foremost more than one supplier in the market who can do this work and secondly, those in the market need to have the breadth of capability to be a partner to an organisation like the bank (P7).

A large number of suppliers is better than a small number (P8).

The market has matured (P9).

The participants offered the following insights into market maturity:

[Regarding absence of market maturity] ... but that's not to say that you couldn't encourage someone to set up a new business if you thought their existing skill base was such that you could actually drive them to a slightly different direction and you might end up either developing a partnership sort of arrangement with them or becoming an initial customer and enabling them to establish a business (P1).

If they're not a mature organisation that's had extensive experience in actually doing the services, then a number of things can go wrong and you may not even be able to perform those services for some time (P2).

In a mature market there is the opportunity that you're going to get competition in pricing, best of breed services, innovation, opportunity to scale, possibly leveraging global support areas (P3).

If you only have three providers that are capable of doing the job, one would have to say 'why tender'?, given the fact that there are other methodologies to retain the competitiveness ... I think if you've got a very limited market you can use more interactive processes (P4).

If you have good relationships with particular suppliers and there is no-one else in the marketplace, then I also think it's possible, provided you've got this trusted partnership approach, for you to create with them the possibility of doing a piece of work for you (P5).

You need to understand the maturity and the sophistication of the supplier such that you actually can manage internal stakeholders appropriately and that you can manage the expectation of the external providers as to what you want from them (P6).

One of the issues that we had in ANZ is 'who's out there in the market who can do X?'

and you might notionally come up with three or four organisations who at a desktop assessment do this sort of work but then you might find when you go a bit deeper that really there's only one who is big enough to deal with the size and the dimension of ANZ and what ANZ is requesting. Because you don't want to end up in a situation where the contract you're about to give to a third party provider in and of itself is fifty percent or more of their total business. So size is really important and one of the issues we've had at ANZ is the Australian outsourcing market is relatively small. There are not that many really big organisations who are out there wanting to outsource their services and what that means is that it doesn't drive a large number of third party providers there waiting for it. We've looked at US organisations wanting to come into the Asia/Pacific market and using Australia as their base but they're coming to us as their first customer and they don't always have all of the capability that you need anyway, and if you've only got one then how do you actually understand whether you're getting a good [competitive] outcome or not? (P7).

In all outsourcing cases, there's probably not a huge spread of suppliers that you've got to choose from, and what we've found is when it comes to operational outsourcing, we tend to be more focused domestically on accessing those services. So for things like statement printing, credit card production, credit card embossing and distribution, we focus very much on the domestic. When it comes to the more labour intensive, more business process outsourcing, it's difficult to see the Australian supplier market supporting that because one of the biggest motives you've got is access to the labour arbitrage opportunity (P8).

4.2.2.2 Optimal number of service providers to tender to

Research sub-issue: when seeking suppliers of outsourced services, what is the optimal number of suppliers to issue a tender to?

The participants agreed that the ideal number of service providers to tender to was in the range of three to six, as any less than three restricted the competitive tension, whilst any more than six tenderers was difficult to manage, given the level of detail that is required in an ANZ tender.

I think five is a number that is manageable from a cost, time and expectation management perspective. If you're looking at a specific and unique service then you would get more specialised. You would want to make sure that the participants are specialised in that area that's their core competency and again ... in that instance you would definitely want to have at least three (P3).

I think that if you do a good market analysis first you can go out to a maximum of six companies. If you've got a good marketplace you can go out to a maximum of six because I think once you get over that many it is very hard to do an apples with apples comparison (P4).

I'm of the view that you operate between three and five ... You need to have a number of credible providers but the reverse of it is that it's an enormous impact on all parties to go through the process ... If you go more than five, I just don't think that you've actually done enough research up-front to actually narrow down the field (P6).

It's probably somewhere of the order of five or six that you would like to see that you've got viable bids [from which you can] short list. You know, anything more than five or six becomes problematic for the organisation because of the amount of work that goes into this, you've got to take it seriously. It's very time consuming but importantly, if you're trying to create an outsourcing market and engagement of an outsourcing market, you have to be very conscious of the fact that this is very expensive for each of the providers who bid. So the last thing you want to do is to have a credibility problem with the supplier market. Anybody who's putting in a bid wants to be assured that they've got a fair crack at this and you're not just playing a game (P7).

The evaluation itself is complex and time consuming, if you're trying to do that with more than three, four tops, suppliers in detail, you're going to drown, you're going to swamp and you're going to be confused at the end of that process. So you've got to get the numbers down to two preferably, no more than three in that final bit. You'll need some process to whittle the numbers down and it's probably a focus on the weakest as opposed to a focus on the strongest - who're the less likely candidates as opposed to who're the strong candidates? (P9).

4.2.2.3 Ascertaining market capability

Research sub-issue: when seeking suppliers of outsourced services, how is the capability of the service provider market ascertained?

It was considered prudent to understand the capability of the supplier market prior to engaging in the tender activity.

Rather than putting everyone through a fairly expensive and lengthy tender process, you'd like to have an understanding of what capability exists in the market already. So a quick way of doing that is to either engage someone externally [a consultant] to give you a view as to who some of the players might be or else to put out an expression of interest [EOI] where people can very simply demonstrate whether or not they have any capability within this area (P1).

One of the key things we do within ANZ, before really going too far down the process, is to send a request for information [RFI] out to the market to determine what the market actually is and determine how many suppliers are out there, how mature they are, whether this is something they do with as their core business or it's just one component of that, the cost of these sort of activities and whether it is even worthwhile spending the time and effort to actually go to market and perform this tendering activity. Obviously it is an expensive activity, going out to tender, so we want to make sure that there is actually a market out there before we put the money into it (P2).

You can go to the market with a request for information. The other way is you could use intelligence agencies [consultants] to do the research for you and come back with the information based on some high level generic specifications (P3).

You really do need to leverage contacts from organisations that have outsourced ... You can get all that informal feedback. You can go to industry specialists. There are people that can assist you with understanding any particular industry - travel for example (P4).

In the sourcing area [ANZ] they've got a full time market researcher who scans the market. If we want to look at outsourcing something then they do the analysis of what

else is happening in the marketplace, who the main suppliers are, who's using them, what's their reputation (P5).

We operate a research arm which looks at what are the industry trends and what's happening out there. So that's at the broadest level and that's globally. Secondly, you actually look at the market trends within Australia and the players within that market. So you're actually looking and we're gathering information with respect to the various players. Often, we come up with a service that we hadn't contemplated which basically takes you back to do some original research (P6).

We use consulting firms ... We had some idea of some suppliers but we didn't have a broad perspective so we've used third party provider consultants to give us more data. We're pretty comfortable with the domestic market ... Offshoring is a different thing ... So we tend to use third party providers to top up that knowledge where we don't have it or we talk to other banks or other customers ... so three or four different sources are available to us to get that (P8).

We have used third parties and we've done work ourselves. So certainly in our experience, we tend to use third parties where there's a time constraint and we've got to do things quicker and our capacity prevents us from doing things quicker. So that's where we do use third parties. Or if it's in a particular area where there's a known competency with a third party (P9).

4.2.2.4 Other supplier market drivers

Research sub-issue: what other characteristics of the supplier market impact the success of the outsourcing tendering activity?

To ensure completeness of coverage of the section on the supplier market drivers of success in tendering for outsourced services, each participant was asked if they had any additional comments to make with regard to supplier market drivers, and their impact on the success of tendering for outsourced services.

Three respondents (P1, P2 and P7) indicated that they had no additional comments to

make, whilst the other participants offered these insights:

Large organisations always have a large, reasonably sized panel of vendors that should be providing information and a centre of excellence back to the customers. A panel of vendors would be a group of key suppliers to the organisation that you see as your strategic partners. Pre-qualified, they would have existing relationships in the short to medium term and they would be [involved] in key aspects of the organisation's development and strategy (P3).

You really have to understand the capability of the providers but also understand whether their current workloads are now at the point where they are stretched (P4).

People think globally and it's getting more complex ... if you want to outsource something you do have to think about some of the international players ... and they're setting up in the Asia Pacific region and they're not cheap anymore ... I suppose instead of thinking of just tendering to the people in Australia, you might be tendering to people around the globe (P5).

The suppliers that the organisation selects are an extension of the organisation itself and therefore, it goes back to credibility because we need to be comfortable with each other because poor, inappropriate actions on behalf of supplier can potentially impact ANZ ... it's very important that you think long and hard about who you go to in terms of the credibility of the external organisations (P6).

It's more an industry thing. I still find some industries are extremely proactive in this space and other industries aren't (P8).

The key with tendering is to identify the supplier who has actually got demonstrated competency (P9).

4.2.2.5 Summary of supplier market drivers of success

Table 4.2: Supplier market drivers of success in tendering for outsourced services

Supplier Market Category	Perceived Criticality	Driver
1. Characteristics	High	<ul style="list-style-type: none"> market maturity is a key driver of success: the more mature the market (age of the market, sophistication and number of suppliers), the greater the chances of success perspectives on market maturity <ul style="list-style-type: none"> mature markets provide access to: competitive pricing; best of breed services; innovation; and economies of scale given ANZ's size, the outsourcing market for ANZ is relatively small, as few Australian organisations can cope with ANZ volumes if there are no suppliers of a required service, it is possible to encourage an organisation to enter that market, however the risk of service provision failure will be higher global suppliers should be considered
2. Optimal number of providers to tender to	Medium	<ul style="list-style-type: none"> ideal number of suppliers to tender to is three to six. This allows competitive tension, and a manageable number of suppliers to deal with the number of tenders should be kept to the practical minimum as responding to a tender is expensive and time consuming for suppliers
3. Ascertaining market capability	High	<ul style="list-style-type: none"> critical to understand what the market can supply - if there is no organisation prepared to supply the services, there is no use going through a tender process

Supplier Market Category	Perceived Criticality	Driver
		<ul style="list-style-type: none"> • perspectives on ascertaining market capability <ul style="list-style-type: none"> ○ external consultants with expert market knowledge can be engaged to provide market intelligence ○ request for information (RFI) can be sent out to the market to gauge market capability prior to tendering ○ peer organisations can provide informal feedback ○ ANZ has a sourcing analyst on staff who reviews market capability, trends and intelligence
4. Other supplier market drivers	Not rated	<ul style="list-style-type: none"> • organisations can maintain a panel of ‘pre-qualified’ vendors who understand the organisation and its requirements. This can reduce tendering activity and timelines • capability and capacity of suppliers needs to be understood • when tendering, the global market should be considered, not just the domestic market • suppliers that are engaged to provide outsourced services become an extension of the organisation - the credibility of suppliers is a key consideration • in understanding the capability of the market, competency must be demonstrated by suppliers

Source: developed for this research

4.2.3 Customer/vendor relationship drivers of success

4.2.3.1 Characteristics of relationship

Research sub-issue: what characteristics of the customer/vendor relationship impact the success of the outsourcing tendering activity?

On this issue, all participants were of the opinion that the relationship between the customer and the vendor was a critical driver of the success of the outsourcing tendering activity. A number of key themes arose, and those themes could be summarised as: partnership; transparency; fairness; and an agreed engagement protocol. In managing the relationship, all participants were of the opinion that there needed to be a sole point of contact between the vendor and the customer.

A very clearly defined engagement model with the external market ... It is important for them to know that there is an engagement model and a way of them interacting with the organisation and the organisation interacting with them. I think typically, the relationship works best if it is more of a partnership model ... It's got to be seen to be an equitable process, a fair process so that no one party is being given favouritism compared to another ... it's a probity issue. You just need to make sure that everything is done in terms of the probity around the process (P1).

A collaborative relationship [is preferable] ... the boundaries sometimes can become blurred and it's very different to a 'master-servant' relationship (P2).

Because they [vendors] see it as a very structured approach and you have the right protocols in place, then they see you're serious about it. So that's an important characteristic (P3).

It [engagement protocol] should talk about point of contact, method of communication ... what the communication subjects should be about ... and the understanding that if I tell you one thing I have to tell all the other tenderers as well. If you ask a question I will give your question and my response to all of the tenderers so it's all fair and equitable all the way ... Obviously rules about 'don't try approaching anybody else in the organisation to

influence this process'. You know the nominated person to talk to ... don't go outside these parameters (P4).

All information goes through one party; the rest of the bank butts out of the process. You're [vendors and unauthorised ANZ staff] not allowed to be talking about these issues with anyone out there. I mean otherwise it's not fair to any particular party and, if someone were investing \$100,000 in a tender response, then the best thing we can do is give them an equal chance at it and if there's a suggestion that one of the other tenderers is getting 'inside' information then it really reflects badly on the bank (P5).

Fairness, openness and commitment to the process as well. The fact that the providers have got to be confident that they're getting all the information that everybody else is getting where it's not commercial in confidence ... and can be satisfied that, when responding, have got every opportunity to be successful and that their response is going to be treated with the consideration that would be expected (P6).

Transparency, getting information on time, both [parties] understanding there's got to be a win/win (P8).

It needs to be professional ... and the only way they're going to get to understand your business is by getting closer to them, not again on a personal basis, but from a business perspective. So you've got to bring them in, you've got to feel comfortable that you can pass them confidential information and that you'll respect confidentiality, suppliers expect confidentiality, and that's paramount (P9).

4.2.3.2 Summary of customer/vendor relationship drivers of success

Table 4.3: Customer/vendor relationship drivers of success in tendering for outsourced services

Supplier Market Category	Perceived Criticality	Driver
1. Characteristics of relationship	High	<ul style="list-style-type: none"> • partnership/collaborative approach • both parties committed to the process • transparency of process • fairness and equality in treatment of all tenderers • agreed engagement/communication protocol • single point of contact between customer and tenderers • perspectives on customer/tender relationship <ul style="list-style-type: none"> ○ win/win ○ confidentiality must be respected

Source: developed for this research

4.2.4 Tender process drivers of success

The ANZ bank has a structured, comprehensive and documented process for conducting outsourcing tendering activities. The tendering process is broken down into the following four phases (ANZ 2004):

1. baseline (cost and service levels);
2. specification of services;
3. tender documentation; and
4. tender evaluation.

Each of the participants was asked if they were comfortable with the categories. All participants indicated that they were comfortable with the categories. The participants were asked to discuss the characteristics of each of the above activities that promoted success (or otherwise) in the outsourcing tendering activity.

4.2.4.1 Baseline - cost and service levels

Research sub-issue: what characteristics of the baseline activity impact the success of the outsourcing tendering activity?

The baseline activity was seen as crucial to understanding current cost and performance standards, which then allowed comparison with the cost and services levels of external service providers.

Unless you understand the cost, the service levels, the customer satisfaction, the whole box of what you've got there, you can't actually know if someone else can provide a similar or better service and you can't understand whether or not you're actually getting a good deal unless you have some detail around that baseline. So the baseline is very important in understanding where you are today and what value you're getting out of the outsourcing process (P1).

It's again critical, if you don't do a thorough baseline on how much it costs to perform those services in house, and quality levels that are currently occurring in house. What are you comparing it to? (P2).

Also so you understand the standards to which things are done internally. Because there's no point outsourcing something if it's going to cost you more but also if the service standards aren't the same [or better] (P5).

That provides a basis for comparison ... So you need to understand exactly what that baseline is in terms of cost service levels so that you can compare at the end of the day (P6).

The baselining activity must be managed by a group that is independent of the business unit under review.

Having an independent group running the process, that sits outside of the business [unit outsourcing candidate], is very important ... It's only when you start actually pulling apart some of the numbers and the interaction and so on that you actually get to the bottom of how a particular function is operating and perceived within the group (P1).

You have an independent person go and determine those costs for them and ensure that all those costs are included within the baseline (P2).

Sometimes it might even help to get an independent consultant to come in and undertake that piece of work for you ... This would have that level of independence and it will demonstrate back to the business and the steering committee that the work has been undertaken solely by an independent person that has no connection to the overall project or the initiative (P3).

4.2.4.2 Specification of services

Research sub-issue: what characteristics of specifying services impact the success of the outsourcing tendering activity?

The preferred approach for constructing the service specification was for members of the sourcing group to work closely with subject matter experts from the business unit under review.

Working closely with some subject matter experts within the business to understand their existing or their current processes and procedures; the interactions they have with other parts of the organisation; the service levels to which they perform those functions; and what the key outputs are (P1).

It's difficult to gather this data because it's from the people that are the ones that are potentially losing their jobs (P5).

In specifying services, it is important that the required outputs are specified, not how to perform the services:

In specifying the services, what you don't want to end up with is telling the service provider how to actually perform the service because you would be constrained by the way in which the current business operates ... It's got to be detailed enough that both parties understand what's going to be produced but it should be just focused around what the key outputs are. What you should be trying to do is to tell them these are the things that I need produced by this time and to this quality, and try and keep it as open as possible as to how they actually produce those outputs (P1).

Be prescriptive as much as you can. But also keep the flexibility that service providers can have a different approach that is probably not down to the way that you see it. It's then a question of a service provider being able to demonstrate the 'how' to you (P3).

If I'm writing a specification that's outcomes driven, it's 'I want this product at the end of it or this service' ... it's a bit like saying 'well does it really matter if we've got a room full

of people with abacuses or a computer'? As long as they get the answer to the calculation at the end of it within the time period I want it, I don't care if you use ten thousand people to add it up for me. All I want is the answer and I want it within my time frame (P4).

So where it's mandatory, you specify, but otherwise it should be outcome focused (P6).

Additional insights into specifying services included:

Before specifying your services, undertake an RFI [request for information] in order to come to a conclusion as to what services in total you'll be specifying ... unless you actually do an analysis of the market and have a look at what vendors are proposing and what they could do for you, you really don't know what would be the best areas to outsource (P2).

Sometimes we don't even know [formally] how we do things currently and so critical bits of processes aren't conveyed to the provider, particularly interactions (P5).

The specification - there needs to be something there around current service levels. There should be something around current performance data because you might then be wanting to articulate the new performance levels you want but it needs to be out in the open as to whether that's a substantial change from the current service levels. Are you asking for a quantum shift in service levels? and if so, to what extent do you take that into account ultimately in assessing the price? (P7).

4.2.4.3 Tender documentation

Research sub-issue: what characteristics of tender documentation impact the success of the outsourcing tendering activity?

In the course of the interviews, the importance of each section of the ANZ tender documentation was emphasised by the participants. The overriding theme appeared to be that the more comprehensive the information that was provided to the tendering organisation, the more chance there was of the tenderer providing a comprehensive response that was based on a state approaching 'full knowledge'. Additionally, it was

agreed that the standardised response formats allowed for a much easier evaluation of the tenderers' responses, particularly the ability to compare one tenderer's response to another's.

We seek financial information of the tendering organisation so we can do financial viability. This is the accounts of the company so that we can assess and satisfy ourselves as to their [financial] viability. We want to be contracting with organisations who will be here for the longer term and we would like to understand the financial risk (P6).

Clearly the specification ... is a key component of that, the tender documentation ... The other key element to the documentation is the tender data requests, which are targeted questions that are designed to enable the vendor to demonstrate their capability and to give the evaluation panel a valid basis on which to compare different vendors. So each vendor responds to the same questions around various aspects of their capability and their organisation, and it provides a common basis on which we can make an evaluation ... We would provide, as part of the documentation, a proposed approach to pricing. All vendors would respond to that model but you might be open to then submitting an alternative model if they thought there was a better way of pricing those services. But to get a valid comparison across the different vendors, it's important that you actually have a structured approach to pricing (P1).

I think initially a very well constructed, easy to interpret document on the scope of services required, with an intent both short and long term, some indications on the service levels required, saving profile, pricing dynamic. Again, a process that articulates the series of events that you want to go on. I don't think there should be too much flexibility on those series of events. I think the timeline in getting to a decision point should be short, not long. As in it shouldn't take six months, it should take us three (P8).

We will also have the tender data requests ... and this is really important because really at the end of the day what you're trying to compare is 'apples with apples'. So if you've got a lot of responses coming in and they all look different, and they're all responding in a different way, how do you compare one against the other? (P2).

Inclusion of draft contract takes away any potential show stoppers. If the tenderer has come back with comments around those terms and conditions you can make an

assessment as to the materiality of those comments or rejections of your terms and conditions. In some instances vendors might just refuse to operate under those terms and conditions - especially things like IP [intellectual property] (P3).

You have strict rules that say during the tendering process if you don't point out a clause in that tender or in the contract that you're not willing to agree with then we won't negotiate it [later] (P4).

Again, no surprises. It goes to credibility. If we put that [draft contract] out there to them, they understand what they'll be required to sign up to. Therefore, from an transparency/openness perspective and credibility perspective, we're saying this is a contract you will need to sign up to and that then ensures our behaviours all the way through have been consistent. We've been open, transparent and honest in terms of where we want it to end up (P6).

If you're outsourcing a service for the first time you really do have to be prepared to provide a fair amount of statistics, work flows, anything that will enable a tenderer to price the service. Because the vaguer you are with the information about projected workloads, number of activities, the vaguer their price has to be (P4).

Hopefully it [electronic spreadsheet pricing model] helps them because then they just plug the figures into the pricing model ... it's easier to evaluate but also it makes it easier for vendors to actually know that they're not missing key components of the services (P5).

From a pricing perspective, we want to be able to compare 'like with like' (P6).

If you ask open-ended questions, you're going to get open ended answers and you won't be able to do a comparative analysis ... the questions you're asking must have merit, have meaning, and tie in to what it is you're trying to achieve. The business [unit] has recognised and agreed what is important to them. So for example if you've got mandatory questions, that means they're mandatory. That, theoretically if there's one question that has not been responded to, you could expel the tenderer [from the tender process] because he hasn't answered that question, if it's mandatory (P9).

4.2.4.4 Evaluation of tender responses

Research sub-issue: what characteristics of the tender evaluation process impact the success of the outsourcing tendering activity?

Participants were unanimous in the belief that the evaluation of the tender responses was a critical phase in the tendering process, and that a robust evaluation process made a significant contribution to the success of the outsourcing tendering activity. Desirable characteristics of a robust evaluation process included: competency; thorough documentation; transparency; credibility; probity; and independence.

It's important to have a documented process, not detracting from that, but don't stifle creativity because you're driving it like a production line. It's just not a production line (P9).

A robust and documented evaluation process is critical to the success of the tendering activity It's about transparency and credibility. It's about the credibility of the process ... It helps you demonstrate that it's actually been well planned, well considered and totally defensible (P6).

Open and transparent as much as you possibly can and being able to declare any conflict of interests or any issues that you see along the way (P8).

When you're doing tender evaluation it should be done full time. None of this part time 'I'm dashing away from my job half an hour here, half an hour there'. If you're evaluating a \$100m tender, I want your complete and undivided attention (P4).

You need to have a strong lead on the evaluation process, someone that can keep the evaluation on track and make sure that it's conducted with probity. The outsourcing team would always provide that role and make sure that the members of the evaluation panel understood their responsibilities (P1).

The aim of the tender evaluation process is to form an opinion on, and a recommendation on who the company should go for. And that may be a recommendation to stay in house.

So that's a key area. When you are doing an outsourcing, you're not just comparing vendors, you are also comparing vendors to the current state of play. So the evaluation team need to be strong enough that if their recommendation is for the outsourcing activity [candidate] to stay in house, even if there are very strong partners within the business that would like the service to go out externally, if their belief is that it should stay in house, they need to be able to clearly justify why it should stay in house and why. And the same thing if they are recommending a particular vendor, they have to be very clear in regards to why they are recommending that vendor (P2).

[Evaluation] team selection is very important. An independent [evaluation team member] really helps. Somebody who doesn't know all that much about the nitty gritty of the subject and can really be a good devil's advocate. They don't come in with a mindset and they can ask really hard questions like 'why did you score them like that? What didn't you like?' And then they have to be able to explain (P4).

I think it's really helpful if the people that are going to manage the outsource provider are involved in the tender evaluation. So they get a very clear picture about what is being offered by this provider and that they understand what our base model is (P5).

Is everything well documented? ... The tender evaluation plan - in that it would be clearly defined who's included within the evaluation team, the criteria of the evaluation (P2).

The first step in the evaluation process is making sure that you have set the evaluation criteria prior to the issuing of the tender documents to the market. The reason for that is you want to make sure that the criteria that are set do not change or get altered to adjust to the responses that you receive, and it's also very important that your tender evaluation [protocol] forms part of the [information] pack that is reviewed and signed off by the steering committee (P3).

Or potentially if you've got someone trying to change [evaluation] weightings because they don't like the answers that they've got. That doesn't demonstrate probity, you've got to ensure that this is done in a way that's equitable for all and reflects what you want up front (P9).

You make sure that people [evaluation team members] sign off on confidentiality and

also that they don't have any conflicts of interest with the vendors to ensure probity ... also, lock time out within people's calendars to ensure that a sufficient focus occurs on the evaluation (P2).

You should have an evaluation room that you have booked out for those full two weeks [of the evaluation]. The documentation doesn't leave the room, no discussions are held outside that room regarding the evaluation process to ensure fairness [to tenderers] (P2).

With respect to the commercial [service provision] and the pricing, we will separate the pricing from the written responses in the tender data request section. The reason why we do that is that we don't want the pricing to influence the outcome [of the evaluation of capability]. People aren't making a value judgment, they're looking purely at capability (P6).

I don't necessarily believe that you always have to go for the cheapest ... cost has got to be a big factor, but it's relative to many other considerations (P9).

Quality will be the initial determinant. Price is then considered after that (P1).

4.2.4.5 Summary of tender process drivers of success

Table 4.4: Tender process drivers of success in tendering for outsourced services

Tender Process Category	Perceived Criticality	Driver
1. Baseline (cost and service levels)	High	<ul style="list-style-type: none"> • baseline activity crucial to understanding of current cost and performance standards • baseline activity must be managed by a group that is independent of the business activity being reviewed • the baseline must be undertaken collaboratively with the business unit being reviewed • perspectives on the baseline activity <ul style="list-style-type: none"> ○ unless a baseline activity is undertaken, there will be no basis of comparing the organisation's cost and service performance with that offered by the market ○ in certain circumstances, it may be appropriate for the baseline activity to be undertaken by an external consultant to demonstrate independence
2. Specification of services	High	<ul style="list-style-type: none"> • the specification should be managed by the sourcing group, but undertaken in collaboration with subject matter experts from the business area being reviewed • in specifying services, required 'outputs' are specified, not 'how' to perform the tasks • perspectives on service specification <ul style="list-style-type: none"> ○ if a service provider is told how to perform the activity, the opportunity to leverage the service provider's expertise may be lost

Tender Process Category	Perceived Criticality	Driver
		<ul style="list-style-type: none"> ○ issuing a request for information (RFI) prior to specifying may assist in understanding which business areas may be included in the specification ○ the service specification should include current workload volumes and service levels
3. Tender documentation	High	<ul style="list-style-type: none"> ● ANZ tender documentation is standardised and comprehensive - easily customisable to requirements of the particular outsourcing activity. ● key inclusions <ul style="list-style-type: none"> ○ background information on ANZ ○ ANZ outsourcing principles and objectives ○ contact details and timetable ○ terms and conditions of tendering ○ service specification/scope of services ○ tender data requests (information schedules) ○ pricing guidelines and electronic model ○ draft service provision contract ● perspectives on tender documentation <ul style="list-style-type: none"> ○ the more comprehensive the tender documentation, the more chance that a tenderer would provide a comprehensive and complete response ○ information on tenderer financial viability essential ○ tenderers must respond to the ANZ pricing model, but additionally could submit an alternative pricing model for analysis by ANZ

Tender Process Category	Perceived Criticality	Driver
		<ul style="list-style-type: none"> ○ inclusion of contract provides early warning of ‘show stoppers’ ○ strict compliance with tender data request format allows ‘apples with apples’ comparison ○ a ‘no surprises’ approach drives high levels of credibility
4. Tender evaluation	High	<ul style="list-style-type: none"> • objective of evaluation process is to evaluate tender responses and make a recommendation to the steering committee • evaluation team led by sourcing personnel to ensure process followed correctly and probity maintained • comprehensive, documented evaluation protocols and processes required • conflicts of interest (actual and potential) must be canvassed, declared and appropriately dealt with • confidentiality statements to be signed by team members • evaluation team must be dedicated to the task on a full time basis • evaluation criteria and weightings to be signed off by the steering committee prior to commencement of evaluation • tender evaluation documentation (particularly confidential tender responses from vendors) to remain in a secure evaluation room • pricing information to be removed from tender responses prior to commencement of evaluation • perspectives on tender evaluation

Tender Process Category	Perceived Criticality	Driver
		<ul style="list-style-type: none">○ evaluation process must be transparent and defensible○ evaluation team must consider the option to retain the services in-house

Source: developed for this research

4.2.5 Regulatory environment drivers of success

4.2.5.1 APS 231 as a driver of success

Research sub-issue: what is the impact of APS 231 on the success of the outsourcing tendering activity?

It was the general view of the participants that whilst compliance with APS 231 was a key driver of success of the outsourcing activity at ANZ, the standard did not impact the outsourcing tendering activity. There was however, acknowledgement that certain benefits accrued to the tendering process as a result of compliance with the standard.

From a business perspective, APRA is sort of a secondary consideration. If you've conducted the process appropriately, it would meet all the APRA requirements anyway and I don't see APRA's involvement in this as a critical part of the process (P1).

I think it's a good thing, this standard [APS 231], and particularly how it's prescribed at the moment because it's actually assisting with maturing the outsourcing market and providing some consistency (P2).

I think what they've tried to do is say you have to have a selection process and you have to be able to fully justify it. If somebody asks you a question you have to be able to put your hand on your heart and say I selected these people because of this, and it was fair and equitable to everybody (P3).

I think the requirement to go through a [selection] process is important ... It has a requirement for the work that we do with outsourcing to be overseen by the auditors as well (P5).

The way in which they exert their influence is by basically making the board responsible for ensuring that due consideration of risk in any outsourcing activity is undertaken (P6).

There are some levels of stipulation about ensuring that the board has particular oversight but ... there's nothing in it that concerns me that would take us over and above what we

would ordinarily have done (P7).

So value to a certain extent, lies in the mind of the individual who is actually paying. And I don't think it's going to necessarily be driven out of APRA (P9).

4.2.5.2 Appropriateness of current level of engagement by APRA

Research issue: is the current level of engagement by APRA appropriate?

All participants were comfortable with the current level of engagement by APRA. It was believed that the requirements of the ANZ Outsourcing Framework (ANZ 2004) exceeded the regulatory requirements of APS 231.

It's an appropriate level of engagement ... I think organisations are well suited to develop their own guidelines and it will be based on their risk profile as an organisation (P3).

It probably is, and the reason why I say that is that the regulator is not there to dictate. The regulator just wants to ensure that the appropriate consideration of risk is undertaken with any activity associated with outsourcing (P6).

I'm pretty relaxed about APS 231. We had direct involvement in the draft of APS 231 and when we first had the opportunity of looking at what APRA were proposing, there was nothing in there that was either a surprise to us or caused us to make any substantial changes in what we were already doing, so most of it from my point of view was common sense (P7).

APRA to me is evolving. As this industry evolves so will APRA. So I think what APRA does for us today is alright. It might be minimal but it will grow (P8).

What APRA is trying to secure is that things are done equitably and that there's fair consideration for a number of factors and that the industry is protected overall. So it's about understanding what APRA is trying to achieve and how can you support that? And what do we need to do differently otherwise to support that? (P9).

4.2.5.3 Additional perspectives on APS 231

Participants offered these additional insights:

I don't think APRA is foremost in anyone's mind when they're looking to outsource an activity and I would think that we could clearly demonstrate that we're more than meeting ... we exceed their requirements (P1).

APS 231, if you look at the standard ... It's basic common sense. It's really common sense. You look at it and say 'yes, I do that' ... It's the application of the robust process and the people running it and the experience that sits behind that helps drive some of the success ... So I think that APS 231 is just common sense you'd expect to see in any process (P6).

4.2.5.4 Summary of regulatory environment drivers of success

Table 4.5: Regulatory environment drivers of success in tendering for outsourced services

Regulatory Environment Category	Perceived Criticality	Driver
1. Characteristics	Low	<ul style="list-style-type: none"> • Compliance with the Australian Prudential Regulation Authority (APRA) outsourcing standard (APS 231) is a key driver of the outsourcing activities of ANZ, but has minimal impact on the tendering activity • APS 231 does not require ANZ to undertake a tender process • the requirements of the ANZ outsourcing framework exceeded those of APS 231 • current level of engagement by APRA seen as appropriate • perspectives on regulatory environment <ul style="list-style-type: none"> ○ APS 231 reflects 'common sense' ○ ANZ contributed to APS 231 in its draft form and is comfortable with the contents and intent of the standard

Source: developed for this research

4.2.6 Other drivers of success

Research sub-issue: what are the other drivers of success in tendering for outsourced services?

To ensure completeness of coverage of the section relating to the drivers of success in tendering for outsourced services, each participant was asked if there were any additional factors they believed contributed to the success of the outsourcing tendering activity.

Steering committees must be at an appropriate level within the organisation so that they can make that decision once you get to that point and shouldn't be in the position of necessarily having to justify [in detail] the recommendation, because the work that you've done should support that recommendation (P1).

These are big projects so clearly, they have to be able to be audited (P1).

I think it's really important that if an organisation is going to go down the track of outsourcing or even looking to outsource, they need to make sure that the key sponsors, particularly at the executive level, are completely on board and understand not just the benefits of outsourcing, but also the benefits of undertaking the process correctly (P2).

We've had executives that are very keen on outsourcing and when they've held the reins in specific areas, you note that there is a lot more focus on outsourcing and a lot more activity in regards to that ... which therefore makes the whole outsourcing tendering activity much more successful because they really believe in it (P2).

I think organisations need to be very mindful of their reputation. They need to be mindful of their credibility in the marketplace ... for them to take it seriously, for them to provide the right level of people that have the expertise and that can hold the organisation's reputation and credibility up at any stage through the process (P3).

Outsourcing is not an activity you should enter lightly. It should be entered with a philosophy, a clear philosophy of where you want to go. A clear reasoning behind it and then once you've made the decision to outsource, you should give it the respect it

deserves by having a thorough analysis of what you want. Benchmarking, costing, understanding the market, understanding what actually happens down in the coalface, what is it you're actually putting to the market ... have clear philosophies on strategy, approach, philosophy of tendering (P4).

The reason that things fail in tendering and outsourcing are an inconsistency of process, an inconsistency of philosophy or no philosophy and no planning and no thorough research. People just want to pick that pen up and start writing and get that tender out the door (P4).

The quality of management ... outsourcing is not easy, it needs to be done well and you need to invest in time, good quality people, good quality processes and good governance to do it properly (P5).

When you do go to market you are genuine in your attempt ... Absolute commitment by the organisation putting the tender out that they are prepared to go out to outsource the activity ... don't go out to market without an absolutely genuine attempt to outsource subject to demonstrating value of going out. An outsourcing activity should never be used as a means of gathering information from tenderers for internal consumption and use only ... it goes back to credibility of the organisation. Every time you step into the market, you are signaling to the market and your behaviour is on watch, and that lasts for a long time and will be there longer term and if you manage that inappropriately, you will diminish your opportunity longer term. It's a short term gain for long term loss (P6).

I think in Australia, there probably hasn't been enough people with the courage to pursue it as a real opportunity. There was a substantial amount of outsourcing being investigated probably from 1998 through to about 2004/2005 and I'm not sure that a lot of it was done very well and I think that's a bit of a disappointment because the size of Australia has meant that we haven't created that market. I still think that it's a viable tool that could be used and used better than it has been. I think some people have made some awful mistakes and that hasn't helped (P7).

The experience, from our point of view over probably the last three or four years, again one of the successes is the relationship dynamic. Too often, we're unable to get to decision-making points because the relationship dynamic is wrong ... you've just got to

have a really good working relationship [with the vendors] and they've got to feel that they're part of it (P8).

We have a framework to outsourcing ... ANZ at this stage has been quite clear on our mandate to manage outsource deals. But where it gets a little bit confused is the definition of outsourcing and again, APRA doesn't provide exact definition. Once you determine it is outsourcing, then obviously the whole materiality of it needs to be assessed against APRA guidelines from a reporting point of view. I've no problem with materiality of it. But it's actually reaching agreement with our internal governance people as to what actually is an outsourcing agreement. Because once you've determined it's outsourcing arrangements, there is extra work to be done. I'd prefer ... a bit more guidance from APRA - 'What is outsourcing'? (P9).

4.2.6.1 Summary of other drivers of success

Table 4.6: Other drivers of success in tendering for outsourced services

Category	Drivers/Additional Insights
1. Other drivers of success in tendering for outsourced services	<ul style="list-style-type: none"> steering committees must have the appropriate level of authority the organisation must ensure that sponsors of the outsourcing activity are committed to the activity and not only understand the benefits of outsourcing, but also the benefits of undertaking the process correctly the organisation's reputation and credibility in the marketplace must be a key consideration during the tender process organisations should have clear and consistent philosophies on outsourcing strategy, approach and tendering appropriate personnel, resources, processes and governance must be applied to the tender activity the organisation should be genuine in its desire to outsource when it releases a tender to the market, not tender merely as an information gathering exercise <p>Additional insights</p> <ul style="list-style-type: none"> the relationship dynamic, post tender, is critical to the ongoing success of the outsourcing activity in Australia, outsourcing has not been pursued as aggressively as it could be, and therefore supplier markets are underdeveloped. there is confusion, particularly with regard to APRA, as to what actually constitutes an outsourcing activity

Source: developed for this research

4.3 Conclusion

Chapter four has presented the outputs of the semi-structured interviews relating to the tendering activities that ANZ undertakes when seeking providers of outsourced services. The opinions and insights of each of the participants have been articulated and tabulated.

In chapter five (conclusions and implications) the findings presented in chapter four will be discussed within the context of the literature review.

5 CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The focus of this research was the identification of the drivers of success in the tendering activities undertaken by a large Australian bank (ANZ), as it sought providers of outsourced services.

Chapter one outlined the scope of this research by introducing outsourcing and providing an overview of its history and application. The Australian financial services industry, and its unique status in outsourcing in Australia, due to the requirement for compliance with prudential standard APS 231, was highlighted as the setting of the research. The research problem was introduced and the research justification and methodology were summarised. A thesis outline was provided and research limitations reviewed.

In chapter two a review and analysis of the literature relating to outsourcing was undertaken. Aspects of outsourcing reviewed included: definition; characteristics; history; metrics; objectives; and methodology. It was concluded that significant research had been undertaken on the topic of outsourcing.

In proposing outsourcing methodologies, various authors outlined models that comprised a range of five to ten primary outsourcing tasks, and there was much congruence between the approaches of the authors. However, detailed step-by-step descriptions of each of the primary outsourcing tasks was not in evidence in the extant literature. This lack of detailed description of each primary outsourcing task was highlighted as a deficiency in the literature, with each primary outsourcing task nominated as a potential research area.

The tendering task was selected as the focus of this research, resulting in the formulation of the research problem:

‘What are the drivers of success in tendering for outsourced services within a large Australian bank?’

In chapter three, a review and analysis was undertaken of the four scientific research

paradigms and the three research methods associated with the paradigms. A justification was provided as to why the constructivism paradigm, utilising qualitative research methodology was most appropriate for this research. It was further concluded that the most suitable qualitative research technique for this research was the semi-structured interview. Qualitative data analysis techniques were discussed and the limitations of qualitative interviewing were articulated. Research validity and reliability issues were analysed and their incorporation into this thesis explained. The ethical aspects of this research were discussed and ethics committee approval noted. Chapter three concluded with the introduction of the interview subject population and discussion on the data analysis approach.

In chapter four, the findings of the semi-structured interviews, relating to the drivers of success in tendering for outsourced services, were presented. The responses of participants were allocated into research issue and sub-issue categories and the opinions and insights of the interview participants were articulated and tabulated.

5.1.1 Objective of the chapter

The objective of this chapter is to discuss the findings, that have been presented in chapter four, within the context of the literature review.

The contributions to knowledge of this research will be articulated and discussed and a conceptual framework for tendering for outsourced services in the Australian banking industry (figure 5.2) will be presented, along with a practitioners' checklist for successful tendering within the Australian banking industry (table 5.15).

Additionally, a revised conceptual framework for outsourcing in the Australian banking industry (figure 5.3) is presented. This framework updates the conceptual framework originally presented as an outcome of the literature review (figure 2.6).

The limitations of this research will be articulated, and recommendations for further investigation in the area of outsourcing and outsourcing tendering will be proposed.

5.1.2 Summary of contribution to knowledge

Table 5.1 summarises the contributions to knowledge, that have been achieved as a result of this research.

In classifying the contribution to knowledge of this research, the following approach has been adopted:

- if a research issue did not have a counterpart in the extant literature, the finding is classified as ‘advance in current knowledge’;
- if there was a similarity with the literature, the research issue has been classified as either ‘addition to current knowledge’ or ‘confirmation of current knowledge’, depending on the degree of similarity to the literature; and
- in the circumstance where the research issue was similar to the contents of ANZ’s commercially confidential documentation, the research issues have been classified ‘confirmation of ANZ’s commercially confidential policies and procedures relating to tendering for outsourced services’.

Table 5.1: Contribution to knowledge of this research - summary

Output	Description	Contribution
1. Conceptual framework for tendering for outsourced services in the Australian banking industry (figure 5.2)	The primary output of this research is a model that combines the findings of the literature review, on tendering for outsourced services, with the insights gained from practitioners, relating to the characteristics of a successful outsourcing tendering activity. The conceptual framework, that is the product of these two inputs, outlines the elements necessary to conduct a successful tender for outsourced services, within the Australian banking industry.	Advance in current knowledge

Output	Description	Contribution
2. Conceptual framework for outsourcing in the Australian banking industry (figure 5.3)	<p>During the course of the literature review, the extant knowledge on outsourcing was reviewed. This included a specific review of outsourcing in the context of the Australian banking industry. From this review, a 'state of the art' framework for outsourcing within the Australian banking industry was developed (figure 2.6).</p> <p>As a result of the insights gathered during the interview stage of this research, the framework has been revised (figure 5.3).</p>	Advance in current knowledge
3. Practitioners' checklist for successful tendering within the Australian banking industry (table 5.15)	Leveraging the insights of interview participants, a checklist for the conduct of a tender for outsourced services was developed.	Advance in current knowledge
4. Organisational drivers of success in tendering for outsourced services (tables 5.2 - 5.9) <ul style="list-style-type: none"> ○ definition of success ○ strategy ○ governance ○ culture ○ structure ○ stakeholders ○ risk profile ○ other 	In the context of tendering for outsourced services in Australian banks, no references to organisational drivers of success were present in the extant literature. This was also the case for tendering for outsourced services in a broader sense.	Advance in knowledge and confirmation of current knowledge

Output	Description	Contribution
<p>5. Supplier market drivers of success in tendering for outsourced services (table 5.10)</p> <ul style="list-style-type: none"> ○ characteristics of supplier market ○ optimal number of suppliers to issue a tender to ○ composition and capability of market 	<p>In the context of tendering for outsourced services in Australian banks, no references to supplier market drivers of success were present in the extant literature. In a general sense, engagement with supplier markets for outsourced services is discussed in the literature, but not specifically in the context of tendering.</p>	<p>Confirmation of and addition to current knowledge</p>
<p>6. Customer/vendor relationship drivers of success in tendering for outsourced services (table 5.11)</p> <ul style="list-style-type: none"> ○ characteristics of relationship ○ interaction ○ structure of relationship ○ management of relationship ○ other 	<p>In the context of tendering for outsourced services in Australian banks, there are references to the management of the customer/vendor relationship during the outsourcing tendering process. These references appear in ANZ's commercially confidential outsourcing tender documentation. There is also guidance provided by the Australian Prudential Regulation Authority (APRA).</p>	<p>Confirmation of ANZ's commercially confidential policies and procedures relating to tendering for outsourced services</p>

Output	Description	Contribution
<p>7. Tender process drivers of success in tendering for outsourced services (table 5.12)</p> <ul style="list-style-type: none"> ○ baseline (cost and service levels) ○ specification of services ○ tender documentation ○ tender evaluation 	<p>In the context of tendering for outsourced services in Australian banks, there are references to drivers of success when conducting the outsourcing tendering process. These references appear in ANZ's commercially confidential outsourcing tender documentation, but not the extant literature.</p> <p>Practitioners' insights into the tender process, gained in the course of this research, have confirmed and augmented current knowledge.</p>	<p>Confirmation of ANZ's commercially confidential policies and procedures relating to tendering for outsourced services</p>
<p>8. Regulatory environment drivers of success in tendering for outsourced services (table 5.13)</p>	<p>The APRA Prudential Standard APS 231- Outsourcing does not require approved deposit taking institutions to undertake a tender process when conducting an outsourcing review.</p> <p>Practitioners did not believe that the regulatory environment was a driver of success in tendering for outsourced services. This insight is aligned with the prudential regulator.</p>	<p>Confirmation of current knowledge</p>
<p>9. Additional insights provided by participants (table 5.14)</p>	<p>The organisation must implement the tender process with appropriate strategy, methodology, governance and resources. It must understand how the conduct of tendering activity may impact its reputation and credibility in the market place.</p>	<p>Addition to current knowledge</p>

Source: developed for this research

5.2 Conclusions about research issues

This section discusses the findings of the interviews for each research issue in the context of the literature reviewed in chapter two.

The objective of this section is to provide the basis for making conclusions about the research problem (section 5.3) by discussing the similarities and differences between the findings for each research issue and the extant literature. Conclusions about each research issue are summarised and tabulated at the end of each section. The contribution to knowledge of each conclusion is classified.

5.2.1 Organisational drivers of success

With regard to the organisational drivers of success of the outsourcing tendering activity, the extant literature can be characterised as scarce. Whilst such areas as: definition of success; strategy; governance; culture; structure; and stakeholders, made appearances in the literature, little, if anything, had been written about their impact on the outsourcing tendering activity. Therefore, the research findings about the organisational drivers of success in tendering for outsourced services, represent an advance in knowledge.

5.2.1.1 Definition of success

The concept of what constitutes success, in a general sense, hardly required a review of the literature in order to achieve understanding. The dictionary definition of the term seemed sufficient: ‘the attainment of one’s object ...’ (Anon 1970). This concept was expanded by Nelson (2003) who suggested that ‘success is the accomplishment of goals and objectives necessary to achieve a particular task’. It was a short step therefore to suggest that success in tendering for outsourced services consisted of the achievement of the objectives of the tender activity.

Within the literature review, no references relating to the objectives of tendering for outsourced services were discovered.

Whilst the interview participants each had their own perspective on what constituted the objectives in tendering for outsourced services, they were unanimous in stating that it was important that objectives for each outsourcing tendering activity were defined and that this definition took place at the very commencement of the activity (section 4.2.1.1). This finding confirmed aspects of the literature relating to project management discipline (section 2.6) which reinforced the benefit of having defined objectives (Lewis 2001; White & James 1996; Young 2000), and that those objectives must be defined at the commencement of the project (Pinto 1998).

Interview participants believed that there could be many definitions of success, depending on the particular stakeholder and their motivation for engaging in the process. This finding confirmed the belief of Young (2000) that people have varying perceptions of what constitutes success, and that these perceptions are driven by individual beliefs about what are the expected outcomes of a project.

Whilst participants' perspectives on the definition of success, in a general sense, confirmed current knowledge, their perspectives, on what the primary objectives of tendering for outsourced services, were considered an advance in knowledge.

**Table 5.2: Conclusions about research issues:
Organisational drivers of success - definition of success**

Research Issue	Conclusion	Contribution of this Research
Definition of success in tendering for outsourced services (section 4.2.1.1)	<ul style="list-style-type: none"> • Success is defined as the achievement of the objectives of the outsourcing tender (examples of objectives are contained in table 4.1 - 1. Definition of success). 	Confirmation of current knowledge
	<ul style="list-style-type: none"> • Objectives of the tender process must be articulated and agreed as early in the outsourcing tender process as possible. 	Confirmation of current knowledge
	<ul style="list-style-type: none"> • Definition of success can vary depending on individual stakeholders and their motivation for engaging in the activity. 	Confirmation of current knowledge
	<ul style="list-style-type: none"> • Participant perspectives on what success means when tendering for outsourced services: <ul style="list-style-type: none"> ○ evaluation must be fair and valid; ○ rigorous process that is defensible; ○ clear assessment of provider capacity and capability; ○ proposition must be sustainable for both parties; ○ more efficient and effective service delivery; ○ reduced operating cost base; and ○ business continuity and improvement. 	Advance in current knowledge

Source: developed for this research

5.2.1.2 Strategy

The strategic nature of outsourcing was emphasised in the literature (Corbett 2004; Brown & Wilson 2005) along with the advice that the outsourcing activity must, in order to be successful, occur within the framework of the organisation's strategy. The perspectives of the participants with regard to how the strategy of the organisation impacted the success of the tendering activity (section 4.2.1.2) supported these views.

You've got to be sure that you are meeting the requirements of the organisation as to where the organisation wants to go (P3).

Strategy is the foundation stone that the organisation lays down. This is the direction we are taking. The outsourcing activities have got to support the achievement of that strategy (P6).

It's demonstrating a commitment to your strategy (P8).

In terms of which areas of the organisation were best suited to being outsourced (and therefore tendered to the market), the literature (section 2.2.4) had many suggestions as to what were the business areas most suited to outsourcing (Beasley, Bradford & Pagach 2004; Drtina 1994; Firmbuilder 2003a; Getzewich 2004; Lawson 2002; McKinsey & Company 2005; Outsourcing Institute 2005).

Additionally authors (Getzewich 2004; Hunter & Cooksey 2004; Hurley & Costa 2001; Jathanna 1991; Kakabadse & Kakabadse 2003; Quinn, Cook & Kris 2000) discussed the suitability of a business area for outsourcing in terms of 'core versus non-core', characterising non-core business activities as most suitable for outsourcing (section 2.2.4). The opinions of the participants with regard to which business areas are most suitable for tendering for outsourced services, and their use of the terms 'core' and 'non-core' are considered a confirmation of the literature relating to business areas most suitable for outsourcing.

The organisation is very much focused on cutting cost and outsourcing is clearly one of

the methods that you would use to drive that ... we were keen to look at what was termed core versus context. So those activities that were core to the bank, we wouldn't consider outsourcing (P1).

When you have a strategy of outsourcing that's about getting rid of non-core activities to more suitable people to do it than you, then that's actually the most logical (P4).

**Table 5.3: Conclusions about research issues
Organisational drivers of success - strategy**

Research Issue	Conclusion	Contribution of this Research
Relationship between organisational strategy and success of the outsourcing tendering activity (section 4.2.1.2)	<ul style="list-style-type: none"> Organisational strategy drives the outsourcing strategy and therefore the level and direction of the outsourcing tendering activity. The outsourcing strategy must support the organisational strategy if it is to be successful. Business areas that are not 'core' activities of the organisation (i.e. support activities) are prime candidates for outsourcing. 	<p>Confirmation of current knowledge</p> <p>Confirmation of current knowledge</p>

Source: developed for this research

5.2.1.3 Governance

In the course of the literature review, no material on governance procedures and policies relating to tendering for outsourced services was uncovered. However, the Australian Industry Commission (1996, table 2.8) advised any organisation undertaking a competitive tendering process to ‘consider employing, for major projects, an external audit of the costing of an in-house bid, an independent auditor on the evaluation panel and a probity audit of the tendering process overall’.

ANZ’s commercially confidential documents (ANZ 2004; 2005) prescribed comprehensive governance procedures and policies for the conduct of outsourcing and outsourcing tendering activities.

The interview participants reinforced the importance of maintaining high levels of governance and probity if the outsourcing tendering process was to be successful (section 4.2.1.3), and emphasised the importance of accountability in maintaining good governance.

Accountability is quite important because the fundamental of outsourcing is you can never outsource accountability. You can never outsource responsibility or accountability for work that’s being undertaken on behalf of our organisation (P7).

Accountability has got to rest with the business unit that’s going to derive the business benefit. The accountability for an outsource arrangement can’t be with a shared service division (P9).

The literature supported the view of participants that, whilst an organisation can outsource the responsibility for the operation of a business activity, it cannot outsource accountability for the performance of that activity (Quinn & Hilmer 1994).

The perspectives of the participants with regard to how governance drove the success of the outsourcing tendering activity were considered a confirmation of ANZ’s policies and procedures that related to the governance of the outsourcing tendering activity.

**Table 5.4: Conclusions about research issues
Organisational drivers of success - governance**

Research Issue	Conclusion	Contribution of this Research
Relationship between governance and the success of the outsourcing tendering activity (section 4.2.1.3)	<ul style="list-style-type: none"> Comprehensive governance policies and procedures must be in place. Maintenance of high levels of governance and probity are critical in order for the outsourcing tendering activity to be successful. Accountability for the business activity cannot be outsourced along with the activity. The steering committee must be comprised of senior executives/decision makers/key stakeholders and must oversee the complete outsourcing process, which includes the tendering activity. 	Confirmation of ANZ's commercially confidential policies and procedures relating to tendering for outsourced services

Source: developed for this research

5.2.1.4 Culture

Corporate culture, because of the many meanings and attributes attached to the term, is a difficult area to explore (Davis & Devinney, 1997). This was confirmed by the participants (section 4.2.1.4).

In the course of the literature review no references to the impact of corporate culture on the success of the outsource tendering activity were discovered. Therefore, the findings with regard to the impact of corporate culture on the success of the outsourcing tendering activity are considered an addition to knowledge.

The majority of participants believed that corporate culture was a key driver of success in tendering for outsourced services (section 4.2.1.4). The primary manifestation of this view was the perspective that, in order for the outsourcing tendering activity to be successful, the organisation and its members had to embrace, or at the very least accept, change. The issue of culture was made more complex by the observation that there were many cultures and sub-cultures within the organisation, each with their own particular definition of success.

Table 5.5: Conclusions about research issues
Organisational drivers of success - corporate culture

Research Issue	Conclusion	Contribution of this Research
Relationship between corporate culture and the success of the outsourcing tendering activity (section 4.2.1.4)	<ul style="list-style-type: none"> An organisation may have many differing business unit cultures and therefore differing definitions of success. Corporate culture was a driver of corporate strategy which in turn drives the outsourcing tendering activity. A ‘culture of change’ was necessary if the outsourcing tendering activity was to be successful. 	<p>Confirmation of current knowledge</p> <p>Addition to current knowledge</p> <p>Addition to current knowledge</p>

Source: developed for this research

5.2.1.5 Structure

The structure of the organisation, for the purposes of this research, refers to how ANZ was organised into divisions. ANZ was highly decentralised, with several autonomous business divisions that ‘work alone almost like separate businesses’ (P2).

In the course of the literature review no references to the impact of corporate structure on the success of the outsource tendering activity were discovered. Therefore, the findings with regard to the impact of corporate structure on the success of the outsourcing tendering activity are considered an advance in knowledge.

The majority of participants believed that the structure of the organisation impacted success when tendering for outsourced services (section 4.2.1.5), suggesting that, if the tendering activity was confined to one business unit, then the process had more chance of success than if multiple business units were involved. The reasons for this were a combination of: greater spread of decision making; variations in culture between business units; differing priorities between business units; and differing definitions of success.

A centralised division that is solely responsible and accountable for the outcome of the process, makes it a lot easier (P3).

An extra layer or layers increases the chances of the activity becoming unsuccessful (P4).

There are several lines of business and each has an absolutely different culture ... and then inevitably it creates tensions amongst business units ... and often comes into conflict with a group approach to doing things (P5).

The definition of success will change with each of the different organisations [business units] (P4).

**Table 5.6: Conclusions about research issues
Organisational drivers of success - corporate structure**

Research Issue	Conclusion	Contribution of this Research
Relationship between the number of business units involved in the outsourcing tendering activity and the success of the activity (section 4.2.1.5)	<ul style="list-style-type: none"> The outsourcing tendering activity has more chance of success if it is contained within one business unit. 	Advance in current knowledge

Source: developed for this research

5.2.1.6 Stakeholders

In the context of this research, the term ‘stakeholders’ was used in its broadest sense, and meant any individual or business unit that was impacted by the outsourcing or the outsourcing tendering activity. Stakeholders may be both internal to the organisation and external to the organisation.

In the course of the literature review no references to the impact of stakeholders, and the management thereof, on the success of the outsource tendering activity were discovered. Therefore, the findings with regard to the impact of stakeholders on the success of the outsourcing tendering activity are considered an advance in knowledge.

All participants believed that the stakeholders to the outsourcing tendering activity, and the management thereof, were a key driver of success in the outsourcing tendering activity (section 4.2.1.6). One participant (P9) noted that the effective management of stakeholders was recognised at ANZ as a key competency requirement of managers involved in outsourcing.

Table 5.7: Conclusions about research issues
Organisational drivers of success - stakeholders

Research Issue	Conclusion	Contribution of this Research
Impact of stakeholders on the success of the outsourcing tendering activity (section 4.2.1.6)	<ul style="list-style-type: none"> Stakeholders need to be identified and engaged early in the outsourcing process, and effectively managed throughout the tender activity. Keep stakeholders informed utilising effective and frequent communication. Ensure stakeholders are appropriately represented on the steering committee. Understand that different stakeholders may have different definitions of success. 	Advance in current knowledge

Source: developed for this research

5.2.1.7 Risk profile

In the context of this research, the term ‘risk profile’ referred to the level of risk that the organisation was prepared to expose itself to. ANZ was characterised as ‘conservative’ with regard to its risk profile (section 4.2.1.7).

In the course of the literature review no references to the impact of risk profile on the success of the outsource tendering activity were discovered. Therefore, the findings with regard to the impact of stakeholders on the success of the outsourcing tendering activity are considered an advance in knowledge.

All participants attached significant importance to the risk profile of the organisation, as a driver of success in the outsourcing tendering activity (section 4.2.1.7). It was noted that the risk appetite of the organisation, and of the executives within a particular business unit, set the parameters for the outsourcing project, in terms of which areas might be outsourced, and the extent to which they would be outsourced.

If they [executives] have a high tolerance [for risk], then the likelihood is your organisation will probably seek and investigate more options for outsourcing. Whereas if they have a low tolerance, they may not even look at it (P2).

Apart from the base risk of engaging an external firm to perform tasks on behalf of your customers, the risks that appeared to concern the participants were concentrated around: protection of reputation; ongoing service provision; and customer privacy.

Some organisations are prepared to do things that we wouldn't ... So I think we've been reasonably conservative in the kind of approach we've taken (P5).

Certainly from a reputation point of view, certainly from having a level of confidence that the service is still going to be delivered in a timely and efficient manner, and more recently the whole question of privacy around data and ensuring that data is protected, that our customers' interests are protected and therefore, ANZ's interests are protected in terms of our accountability around privacy (P7).

One participant (P6) commented, in reference to the outsourcing tender process, that ‘the whole process is about managing risk - identifying and managing risk’, the implication being that if the tender process was conducted with sufficient diligence, then risk exposure would be reduced.

**Table 5.8: Conclusions about research issues
Organisational drivers of success - risk profile**

Research Issue	Conclusion	Contribution of this Research
Impact of the risk profile of the organisation on the success of the outsourcing tendering activity (section 4.2.1.7)	<ul style="list-style-type: none"> Understanding the risk profile of the organisation and business unit outsourcing candidate will assist in understanding which business areas may be tendered for outsourcing. The rigour of the tender process must be tailored to the perceived level of risk of the exercise. 	Advance in current knowledge

Source: developed for this research

5.2.1.8 Other organisational drivers

Some participants offered additional insights into organisational drivers of success in tendering for outsourced services that, for the sake of completeness, are included in the research findings (section 4.2.1.8). These insights related to the need for the organisation to regularly review the progress of the tender activity and the need for skilled staff to undertake the tender activity.

In the course of the literature review no references to these additional insights were discovered, however they are more in the nature of prudent business practice and are therefore categorised as a confirmation of current knowledge.

Table 5.9: Conclusions about research issues
Organisational drivers of success - additional organisational drivers

Research Issue	Conclusion	Contribution of this Research
Additional insights related to corporate drivers of success in tendering for outsourced services (section 4.2.1.8)	<ul style="list-style-type: none"> Regularly assess the progress of the tender exercise at appropriate decision points and be prepared to discontinue the process if that is the appropriate course of action. Ensure appropriately skilled staff are conducting the process. 	Confirmation of current knowledge

Source: developed for this research

5.2.2 Supplier market drivers of success

The concept that the tender activity, by its nature, is a process of interaction with the supplier market was well catalogued in the literature (Anon 2000; Australian Industry Commission 1996; Department of Commerce NSW 2003; Glen 2002). The benefits of engaging with supplier markets, via tendering, were well reported (Dearlove 2003; Domberger & Hall 1995; Lewis 2003; OECD 1997). Department of Commerce (2002) reinforced the importance of understanding the broad market capability by issuing either an EOI or an RFP.

However, in the course of the literature review, no references to characteristics of the supplier market that drove success in tendering for outsourced services were discovered. The possible exception to this was the discussion (section 2.5.1) of the ‘competitive’ nature of the tender process, which implied there was competition between more than one supplier and that such competition was desirable (Australian Industry Commission 1996; Department of Commerce NSW 2002; Tasso 2003). Domberger and Hall (1995) supported this view noting that, if there was not a competitive bidding situation, the tender process should be discontinued. With regard to the optimal number of suppliers to tender to, only one reference was discovered (Brown & Wilson 2005).

5.2.2.1 Market maturity

All respondents believed that market maturity (the age of the market and the number and sophistication of suppliers in that market) was a critical driver of success in the outsourcing tender activity (section 4.2.2.1). A mature market provided not only a competitive environment (with its downward pressure on pricing), but also ‘best of breed’ services and access to economies of scale that may deliver increased cost savings.

Notwithstanding that a mature market was the much preferred option, one participant suggested that, if there was not a market for certain required services, the customer could partner with an organisation setting up a new business, and assist them with its establishment.

5.2.2.2 Optimal number of suppliers to tender to

Although there was little guidance provided in the literature as to the optimal number of suppliers to tender to, the participants were in agreement that a range of three to six was appropriate (section 4.2.2.2). Brown and Wilson (2005, p. 351) supported this position suggesting ‘a limited number of potential providers, around three to five’.

This suggested range provided sufficient competition at the bottom end of the scale (three suppliers) and yet, given the large amounts of detail required to be submitted in an ANZ outsourcing tender, allowed the number of tenders to be kept to a manageable number (six suppliers).

Interview participants acknowledged that the tender process was time consuming and expensive for both the company issuing the tender and the suppliers responding to the tender (section 4.2.2.2), and the literature review supported this finding (Beaumont 2006; Holmes 1995). Therefore, issuing a limited number of suppliers with a tender results in the overall cost of responding to a particular tender being limited.

5.2.2.3 Assessment of supplier market capability

Participants considered it prudent to gain an understanding of the market capability prior to committing both parties to the expense of tendering. This served the dual purpose of: i) understanding if the required service was indeed offered in the market place; and ii) allowing the organisation seeking outsourced services to tailor their service specification to the market offering.

One of the key things we do within ANZ, before really going too far down the process, is to send an RFI [request for information] out to the market to determine what the market actually is and determine how many suppliers are out there, how mature they are, whether this is something they do with as their core business or it's just one component of that, the cost of these sort of activities and whether it is even worthwhile spending the time and effort to actually go to market and perform this tendering activity. Obviously it is an expensive activity, going out to tender, so we want to make sure that there is actually a

market out there before we put the money into it (P2).

Department of Commerce (2002) agreed that determining market capability prior to tendering was prudent practice, and suggested that an organisation could ascertain the capability of the market by issuing either an EOI or a RFP. This approach was used by ANZ (refer above quote from P2). In addition, ANZ utilised other methods for gaining market intelligence (section 4.2.2.3). These methods included: engaging external consultants with expertise in the required market segment; releasing a request for information (RFI); discussion with colleagues in other banks who have outsourced a particular service; and employing of a full-time sourcing market specialist researcher.

5.2.2.4 Other supplier market drivers

Some participants offered additional insights into supplier market drivers of success in tendering for outsourced services that, for the sake of completeness, have been included in the research findings (section 4.2.2.4).

It was considered important to understand not only the capability of suppliers, but to also understand their capacity. That is, to understand the level when a particular supplier's workload capacity would be stretched to the point that they might cease to offer acceptable service standards.

It was suggested that the process of selecting service providers could be facilitated by pre-qualifying panels of providers. For example. An organisation could pre-qualify a panel of consulting service providers, and as they had already had aspects of their operations reviewed and approved, the tender process could then be simplified.

A panel of vendors would be a group of key suppliers to the organisation that you see as your strategic partners. Pre-qualified, they would have existing relationships in the short to medium term and they would be [involved] in key aspects of the organisation's development and strategy (P3).

Because of the globalised nature of outsourcing, it was suggested that organisations should think outside of Australia when considering service providers:

I suppose instead of thinking of just tendering to the people in Australia, you might be tendering to people around the globe (P5).

Table 5.10: Conclusions about research issues
Supplier market drivers of success - characteristics of supplier market

Research Issue	Conclusion	Contribution of this Research
Impact of the supplier market on the success of the outsourcing tendering activity (section 4.2.2.1)	<ul style="list-style-type: none"> Market maturity is the primary driver of success when tendering for outsourced services. The greater the number of experienced suppliers in the market, and the greater the competition, the greater the chance of a successful tender. 	Confirmation of current knowledge
	<ul style="list-style-type: none"> In the absence of market maturity, it is still possible to achieve success by the customer ‘partnering’ with a service provider. 	Addition to current knowledge
Optimal number of suppliers to tender to (section 4.2.2.2)	<ul style="list-style-type: none"> The optimal number of suppliers to tender to is in the range three to six. 	Confirmation of current knowledge
Ascertaining market capability (section 4.2.2.3)	<ul style="list-style-type: none"> Critical to ascertain market capability early in the tender process, to ensure that, if there is no supplier or suppliers of the required service, then no time or resources are wasted in putting together a tender document. This can be 	Confirmation of current knowledge

Research Issue	Conclusion	Contribution of this Research
	achieved by sending a request for information (RFI) to the market or by use of external consultants with expertise in the particular market. (ANZ employed an in-house sourcing research specialist).	
Additional insights into market capability (section 4.2.2.4)	<ul style="list-style-type: none"> Organisations need to understand current workloads of suppliers to ensure the suppliers can service the organisation's requirements without exceeding effective capacity. The tender process can be streamlined by the use of pre-qualified panels of suppliers. The supplier market should be considered from a global perspective, not just local or domestic. 	

Source: developed for this research

5.2.3 Customer/vendor relationship drivers of success

The literature review yielded no information on the desirable characteristics of the relationship between the tendering party and suppliers throughout the outsourcing tender process, although it could be assumed that the standard commercial mores of honesty and ethical behaviour in business were primary requirements.

In the course of the interviews, all participants were of the opinion that the relationship between the tendering party and the supplier, and its management, was of critical importance to the success of the tendering activity. Even though no literature was discovered relating to the management of the outsourcing tender relationship, the insights provided by the participants were not considered an advance in knowledge, but rather a validation of ANZ's current commercially confidential policies and procedures relating to the conduct of an outsourcing tender.

5.2.3.1 Characteristics of relationship

In researching the desirable characteristics of the relationship, two key themes arose: i) partnership (with its associated traits of transparency and fairness); and ii) an agreed engagement protocol (section 4.2.3.1). It was also stressed that, in managing the relationship, a key requirement was that there was a single point of contact between the tenderer and the suppliers.

5.2.3.1.1 Partnership/collaboration

The participants believed that the 'master-servant' relationship was not appropriate for promoting optimal outcomes (section 4.2.3.1). Rather, a model that could be described as a 'partnership' or a 'collaboration' was seen to engender the best result. The concept of a partnership model implied a range of positive behaviours: honesty; integrity; sharing of risks and rewards; transparency; and fairness.

5.2.3.1.2 Engagement protocol

Participants agreed that, in order for the relationship to be workable, it was necessary to have a process for engaging with suppliers that detailed the mechanisms and rules for interaction throughout the outsourcing tender process (section 4.2.3.1). This process for engagement between the tenderer and supplier was a standard component of ANZ commercially confidential tender documentation. Typically, this engagement protocol would detail: information session details; contact details; tender timetable; interviews with tenders; and ANZ's rights upon conducting the evaluation (ANZ 2003).

A very clearly defined engagement model with the external market ... It is important for them to know that there is an engagement model and a way of them interacting with the organisation and the organisation interacting with them (P1).

Because they [vendors] see it as a very structured approach and you have the right protocols in place, then they see you're serious about it. So that's an important characteristic (P3).

It [engagement protocol] should talk about point of contact, method of communication ... what the communication subjects should be about (P4).

5.2.3.1.3 Single point of contact

A single point of contact was considered key to the management of the relationship during the tender process (section 4.2.3.1), and this issue was reinforced within ANZ tender documentation (ANZ 2003). Under ANZ's terms of tendering, tenderers were warned 'not to direct enquiries to any other member of staff or management. The making of such unauthorised enquiries may result in the disqualification of the tenderer from the process' (ANZ 2003, para. 1.10).

Participants saw the single point of contact approach as important in controlling the flow of information between ANZ and the tendering organisations and ensuring that all tenderers are treated fairly by receiving the same information.

It's got to be seen to be an equitable process, a fair process so that no one party is being given favouritism compared to another (P1).

All information goes through one party; the rest of the bank butts out of the process ... if there's a suggestion that one of the other tenderers is getting 'inside' information then it really reflects badly on the bank (P5).

The fact that the providers have got to be confident that they're getting all the information that everybody else is getting where it's not commercial in confidence (P6).

**Table 5.11: Conclusions about research issues
Customer/vendor relationship drivers of success**

Research Issue	Conclusion	Contribution of this Research
Characteristics of relationship between the customer and vendor that drive success in tendering for outsourced services (section 4.2.3.1)	<ul style="list-style-type: none"> The relationship should follow a partnership / collaboration model. An engagement protocol, detailing the rules for interaction between tenderer and tender respondents, should be included in the tender documentation. All interaction between the tenderer and the tender respondents should be conducted through a single point of contact. 	Confirmation of ANZ's commercially confidential policies and procedures relating to tendering for outsourced services

Source: developed for this research

5.2.4 Tender process drivers of success

It was not the intention of this research to exhaustively research a tender process that was appropriate for seeking outsourced services from the market, as each organisation would have their own particular approach to the conduct of a tender. Rather the aim of the research was to understand the characteristics of the outsourcing tender activity that drive the success of the process.

Whilst the extant literature did not contain detailed information on the conduct of an outsourcing tender, ANZ's tender documentation was both comprehensive and extensive. The tender documentation was standardised, and was easily customisable to the requirements of the particular outsourcing activity.

ANZ policy required that a detailed process be followed when conducting a tender for outsourced services (ANZ 2004), and each step of the tender activity was detailed. ANZ's process contained the following steps, which can be mapped back to the outsourcing methodologies noted in the literature (section 2.4.4):

1. baseline (cost and service levels);
2. specification of services;
3. tender documentation; and
4. tender evaluation.

Additionally, there was information in the literature as to the appropriate components of general (not necessarily outsourcing related) tender processes (Australian Industry Commission 1996; Power 2003). Power identified a series of standard steps, whilst the Australian Industry Commission provided best practice guidelines for competitive tendering.

5.2.4.1 Characteristics of the tender process that drive success

The insights of the participants in discussing the characteristics of the tender process that

drive success in outsourcing tendering were considered a confirmation of current knowledge, contained within ANZ's commercially confidential policies and procedures.

5.2.4.1.1 Baseline

The baseline activity consisted of reviewing the status quo in-house service provision, and was seen as crucial to understanding current cost and performance standards, which then allowed comparison with the cost and service levels of external service providers (section 4.2.4.1). Insights offered by the participants were considered a confirmation of current knowledge.

Participants believed that the preparation of a baseline was a critical driver of success in tendering for outsourced services (section 4.2.4.1):

Also so you understand the standards to which things are done internally. Because there's no point outsourcing something if it's going to cost you more but also if the service standards aren't the same [or better] (P5).

That provides a basis for comparison ... So you need to understand exactly what that baseline is in terms of cost service levels so that you can compare (P6).

Participants believed that a critical element of the baseline was that of independence (section 4.2.4.1):

Having an independent group running the process, that sits outside of the business [unit], is very important (P1).

You have an independent person go and determine those costs for them and ensure that all those costs are included within the baseline (P2).

5.2.4.1.2 Specification of services

The service specification was an element of the tender documentation that provided a detailed statement of the service requirements and the standard to which those services

were required to be performed. Typically, a service specification would contain current service volumes which allowed service providers to price the services according to the quantity required and also to understand if they had the capacity to deliver the required service volumes (ANZ 2004).

Participants believed that it was critical, when generating a service specification, to work closely with subject matter experts from the business that was the outsourcing candidate, to ensure that all issues were fully understood (section 4.2.4.2).

Working closely with some subject matter experts within the business to understand their current processes and procedures, the interactions they have with other parts of the organisation, the service levels to which they perform those functions and what the key outputs are (P1).

It was also noted that care should be taken when collecting data as:

It's difficult to gather this data because it's from the people that are the ones that are potentially losing their jobs (P5).

Participants agreed that services should be specified by required output, rather than by a series of instructions to the service provider detailing how to perform a particular task.

In specifying the services, what you don't want to end up with is telling the service provider how to actually perform the service because you would be constrained by the way in which the current business operates if you try to do that ... It's got to be detailed enough that both parties understand what's going to be produced but it should be just focused around what the key outputs are. What you should be trying to do is to tell them these are the things that I need produced by this time and to this quality, and try and keep it as open as possible as to how they actually produce those outputs (P1).

The theme of specifying required outputs rather than how to perform the services was consistent in the outsourcing literature: (Bendor-Samuel 2003; Brown & Wilson 2005; Corbett 2004; Greaver 1999; OECD 1997; Stright & Candido 2000).

5.2.4.1.3 Tender documentation

In the course of the literature review no information was discovered in relation to tender documentation except for the Australian Industry Commission's (1996, table 2.8) advice on the contents of the various components of tender documentation. A review of an ANZ tender (ANZ 2003a) revealed a comprehensive listing of the various components of ANZ's standard tender documentation (section 4.2.4.3).

The interview participants confirmed the ANZ approach to tender documentation (section 4.2.4.3), and added to knowledge on the subject with the following insights:

- seek information that allows a review of the tender respondent's financial viability;
- include a tender events timetable in the tender documentation;
- provide a standardised response format for all data requirements;
- provide a pricing model, in electronic spreadsheet format. This provides not only a checklist for tenders when responding with their pricing components, but also a standard format that allows easy comparison between tenderers;
- enclose a copy of the draft service provision contract, this allows tenderers to understand the complete commercial arrangement and to price accordingly. Additionally, the inclusion of a draft contract will highlight any 'deal-breaker' clauses up-front; and
- enclose as many statistics about current work rate volumes. If possible, forecast volumes for the proposed service period.

5.2.4.1.4 Tender evaluation

In the course of the literature review no information was discovered in relation to tender evaluation processes, however, ANZ's commercially confidential documentation contained a detailed tender evaluation plan (ANZ 2003b).

Within the outsourcing framework (ANZ 2004) and tender evaluation plan (ANZ 2003b), ANZ prescribed a comprehensive protocol for the evaluation of tenderers' responses. Compliance with this protocol was compulsory, as was the requirement that the evaluation criteria were approved and signed off by the steering committee prior to the commencement of the evaluation of tenders.

The interview participants confirmed the ANZ approach to tender evaluation (section 4.2.4.4), and added to knowledge on the subject with the following insights:

- a documented and detailed tender evaluation process was mandatory;
- the tender evaluation process must be credible and transparent;
- evaluation criteria must be signed off by the steering committee prior to the commencement of the evaluation;
- conflicts of interest must be sought, declared and rectified appropriately at the commencement of the process;
- service provision and pricing must be evaluated separately; and
- evaluation team
 - team members should be dedicated to the tender evaluation process - it is not a part-time endeavour;
 - the team must have a leader who is trained in the evaluation process. The leader must ensure the probity of the evaluation process is not compromised; and
 - the team should include those personnel charged with implementing and managing the outsourced contract, should the outsourcing proceed.

Table 5.12: Conclusions about research issues
Tender process drivers of success

Research Issue	Conclusion	Contribution of this Research
Baseline (section 4.2.4.1)	<ul style="list-style-type: none"> Preparation of a baseline that details current cost and service level performance is a key driver of success in tendering for outsourced services. The baseline activity must be managed by personnel who are independent of the business unit under review. 	Confirmation of ANZ's commercially confidential policies and procedures relating to tendering for outsourced services
Specification of services (section 4.2.4.2)	<ul style="list-style-type: none"> The service specification must be prepared in collaboration with subject matter experts from the business unit under review. Specify required outputs, not a detailed explanation of how to perform the services. 	
Tender documentation (section 4.2.4.3)	<ul style="list-style-type: none"> Ensure the tender documentation contains: <ul style="list-style-type: none"> request for service provider financial viability information; timetable of tender events; standardised response formats; electronic pricing model; draft service contract; and statistics on current workload volumes. 	
Tender evaluation (section 4.2.4.4)	<ul style="list-style-type: none"> Evaluation process to be documented. Evaluation process must be credible and transparent, with high levels of probity maintained. Evaluation criteria to be finalised prior to 	

Research Issue	Conclusion	Contribution of this Research
	<p>commencement of evaluation.</p> <ul style="list-style-type: none">• Service provision and pricing should be evaluated separately.• The tender evaluation team should be led by an evaluation process expert and include personnel charged with implementing and managing the subsequent outsourcing contract.• Involvement in the evaluation of tenders to be on a full-time basis for team members for the duration of the evaluation activity.	

Source: developed for this research

5.2.5 Regulatory environment drivers of success

A review of the APRA Prudential Standard APS 231 - Outsourcing (APRA 2006) revealed that APRA did not require a tender process to be undertaken. Rather, organisations that the standard applied to, must in assessing outsourcing options, ‘undertake a tender or other selection process for services providers’ (cl. 17b). For this reason alone, it can be concluded that compliance with the APRA outsourcing standard, whilst a driver of success in outsourcing, was not a driver of success in tendering for outsourced services.

The participants in the interview were also of the opinion that, whilst compliance with APS 231 was a key driver of success of the outsourcing activity at ANZ, the standard did not impact the tendering component of the outsourcing activity. There was however, acknowledgement that certain benefits accrued to the tendering process as a result of compliance with the standard. For example, the standard placed the board of ANZ in the position of ultimate oversight of the tendering activity (section 4.2.5.1)

In addition, all participants stated they were comfortable with the current level of engagement by APRA in the overall outsourcing process (section 4.2.5.2). No participants expressed a view that they would welcome further regulation from APRA relating to the outsourcing tender process.

The findings related to the regulatory environment represent a confirmation of current knowledge.

**Table 5.13: Conclusions about research issues
Regulatory drivers of success**

Research Issue	Conclusion	Contribution of this Research
APS 231 as a driver of success in tendering for outsourced services (section 4.2.5.1)	<ul style="list-style-type: none"> The APRA Prudential Standard APS 231-Outsourcing does not require approved deposit taking institutions to undertake a tender process when conducting an outsourcing review. Therefore APS 231 is not a driver of success in tendering for outsourced services. 	Confirmation of current knowledge
Appropriateness of level of engagement by regulator (section 4.2.5.2)	<ul style="list-style-type: none"> Practitioners believed the current level of engagement by APRA was appropriate. 	

Source: developed for this research

5.2.6 Other drivers of success

In the course of the interviews, participants provided the following insights into drivers of success in tendering for outsourced services that were in addition to the categories already discussed (section 4.2.6):

- the organisation must ensure that sponsors of the outsourcing activity are committed to the activity and not only understand the benefits of outsourcing, but also the benefits of undertaking the process correctly;
- the organisation's reputation and credibility in the marketplace must be a key consideration during the tender process;
- appropriate personnel, resources, processes and governance must be applied to the tender activity; and
- the organisation should be genuine in its desire to outsource when it releases a tender to the market, not tender merely as an information gathering exercise.

As no references relating to the above observations were discovered in the course of the literature review, the observations are considered an addition to current knowledge.

**Table 5.14: Conclusions about research issues
Other drivers of success**

Research Issue	Conclusion	Contribution of this Research
Additional insights provided by participants (section 4.2.6)	<p>When tendering, the organisation must:</p> <ul style="list-style-type: none"> • ensure that it is committed to the correct implementation of the outsourcing tendering process; • be mindful of its reputation and credibility in the marketplace; • apply appropriate resources to the tender activity; and • be genuine in its desire to outsource when it releases a tender to the market. 	Addition to current knowledge

Source: developed for this research

5.2.7 Conclusion

The purpose of section 5.2 was to discuss the findings for each research issue investigated in chapter four in the context of the literature reviewed in chapter two. The object of comparison with the literature was to discuss similarities and differences between the research findings and the extant literature and to therefore categorise the contribution to knowledge of each research issue.

Having discussed the research issues in the context of the extant literature and categorised each of the research issues in terms of their contribution to knowledge, it is now appropriate to articulate the conclusions related to the research problem: ‘Tendering for outsourced services in a large Australian bank: the drivers of success’.

5.3 Conclusions about the research problem

An output of the literature review was a model titled: ‘Outsourcing Framework - Australian Banking Industry’ (figure 2.6), which described the key components of the outsourcing process, the primary inputs into that process and their relationship to each other.

An additional output of the literature review was the realisation that, within the literature on outsourcing, there were several gaps in knowledge (section 2.8). As a result, the identification of the drivers of success in tendering for outsourced services became the focus of this research.

5.3.1 Conceptual framework for tendering for outsourced services

The primary output of this research is the Conceptual Framework for Tendering for Outsourced Services (figure 5.2). This model combines the findings of the literature review relating to outsourcing and tendering for outsourced services, with insights gained from practitioners relating to the drivers of a successful outsourcing tendering activity, and articulates the elements of a successful tender process for outsourced services within the Australian banking industry. The framework is directly related to the Outsourcing Framework - Australian Banking Industry (figure 2.6), representing the pre-contract task ‘Tender Process’, as illustrated in figure 5.1.

As a review of the literature discovered neither a conceptual framework for tendering for outsourced services within any industry, nor a conceptual framework for tendering for non-outsourced services and goods, this model represents an advance in current knowledge.

It should be noted that ANZ’s commercially confidential policies and procedures relating to tendering for outsourced services, whilst containing step-by-step instructions for the tender process, did not contain a conceptual framework for tendering for outsourced services.

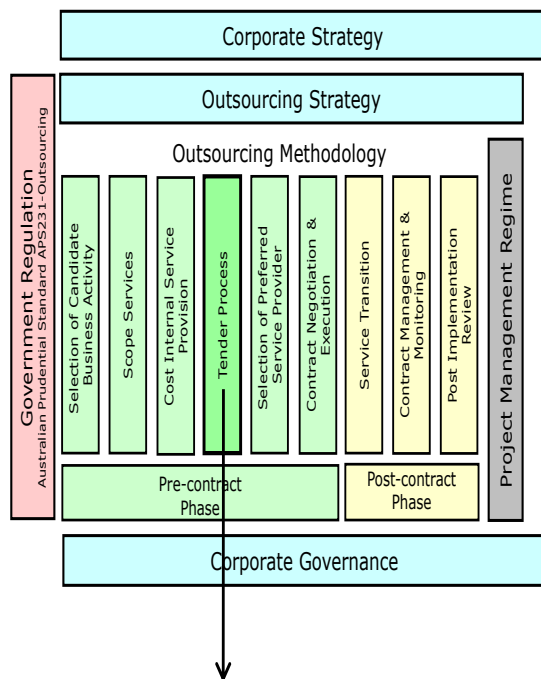


Figure 2.6: Outsourcing framework Australian banking industry

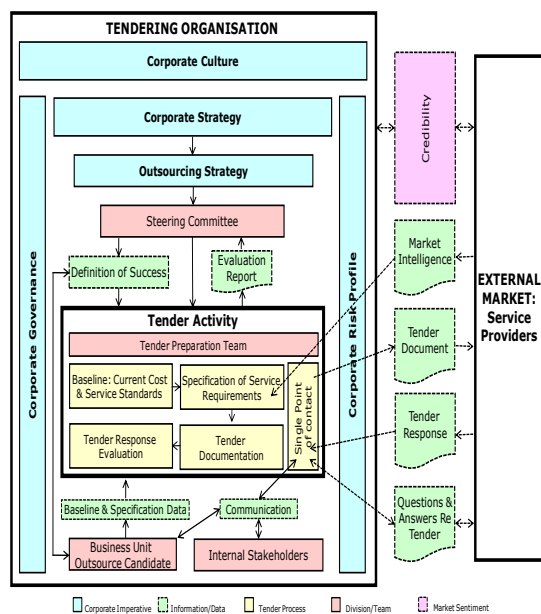


Figure 5.2: Conceptual framework for tendering for outsourced services in the Australian banking industry

Figure 5.1: Relationship between outsourcing framework and tendering framework
Source: developed for this research

5.3.1.1 Conceptual framework for tendering for outsourced services

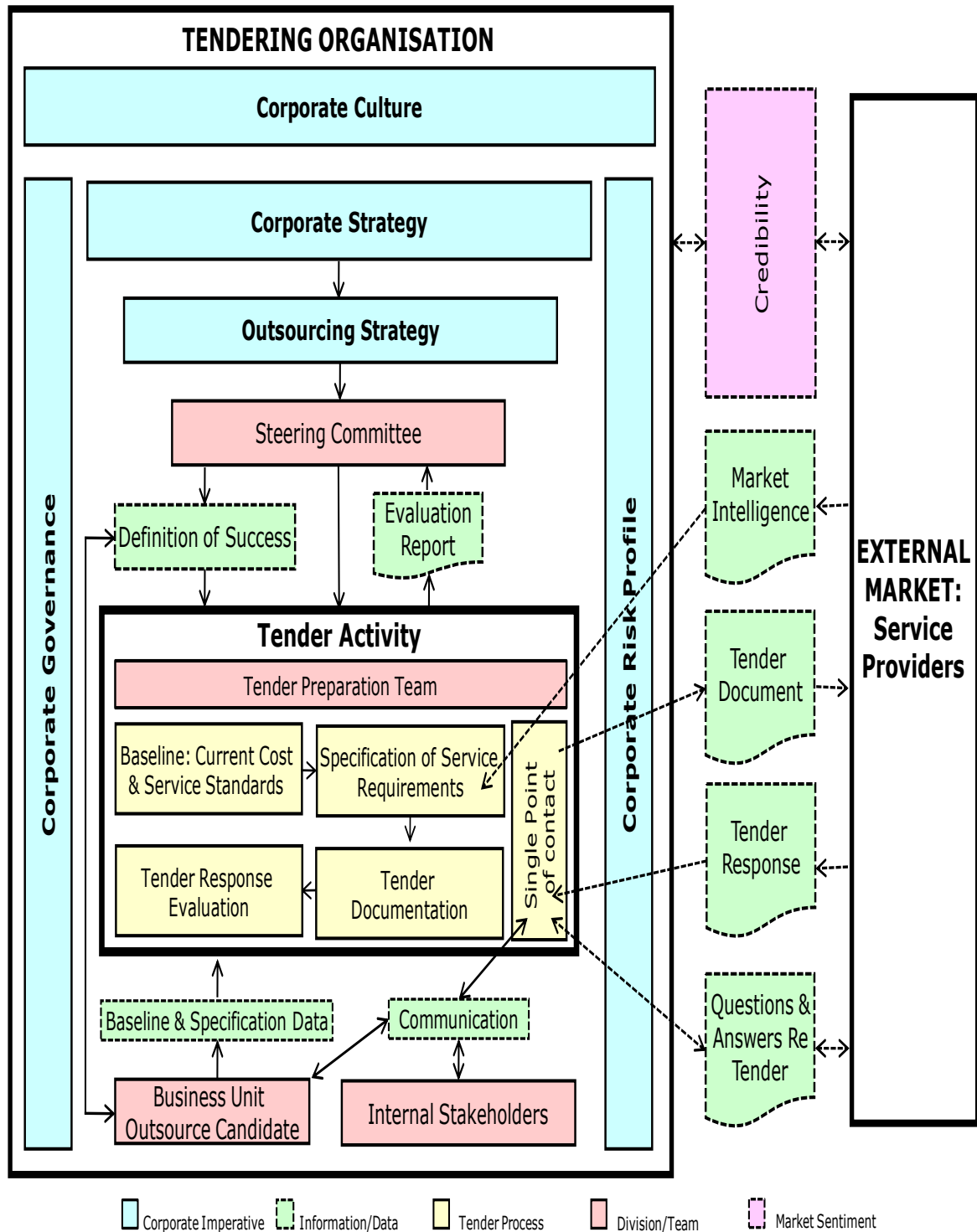


Figure 5.2: Conceptual framework for tendering for outsourced services in the Australian banking industry

Source: developed for this research

5.3.1.2 Guidance notes for the conceptual framework for tendering for outsourced services

The Conceptual Framework for Tendering for Outsourced Services has been developed utilising using two primary sources of input:

1. information discovered in the course of a literature review relating to outsourcing (chapter two); and
2. insights provided by practitioners of outsourcing within a large Australian bank (chapter four).

The focus of this research has been to understand the drivers of success in tendering for outsourced services within the Australian banking industry, and to apply the identified drivers of success (section 5.2) to a model that, if implemented, would increase the probability of success when tendering for outsourced services.

This framework is targeted at outsourcing practitioners within the Australian banking industry, however it may have wider application (section 5.3.1.3).

The following guidance notes are provided to assist in understanding the framework. ANZ's commercially confidential policies and procedures (ANZ 2003a; ANZ 2003b; ANZ 2004) have been referenced in the preparation of the guidance notes.

Corporate imperatives (highlighted in blue) are the top-down directions from the board and senior management of the organisation and in the model are represented by: corporate culture; corporate governance; corporate risk profile; corporate strategy; and outsourcing strategy. These corporate imperatives provide the framework within which the outsourcing and outsourcing tendering activities are conducted.

In the model, corporate culture is the key imperative, driving corporate strategy, governance and risk profile. Davis and Devinney (1997, p. 60) noted that corporate culture

defined ‘the way business is carried out and defines the nature of conduct with external publics.’

The culture of the organisation:

- sets the strategy of the organisation (e.g. organic growth strategy, cost reduction strategy);
- calibrates the risk appetite of the organisation (e.g. the organisation may be aggressive or conservative in its willingness to accept risks); and
- dictates the degree of corporate governance that will be implemented within the organisation (e.g. it may do the minimum required by regulators or it may implement a higher degree of governance than the minimum requirement).

Strategy, governance and risk impact the outsourcing strategy, which in turn impacts the conduct of the outsourcing tender activity.

Information/data (highlighted in green with dotted border) represents the key items of information that are input into and output from the tender activity.

Tender activity refers to the four primary tender activity tasks (section 5.2.5): i) baseline; ii) specification of service requirements; iii) tender documentation; and iv) tender response evaluation. The tender activity is conducted by the tender preparation team, which is typically led by a specialist from the sourcing group and comprises sourcing specialists and subject matter experts from the business unit that is the outsourcing candidate.

The tender preparation team would typically undertake: the baseline activity; preparation of the service specifications; and production of the tender documentation. The team would liaise with financial, legal and subject matter experts as appropriate.

The tender response evaluation would be conducted by a team that was a subset of the tender preparation team. For example, the leader of the tender preparation team would typically lead the tender response evaluation team, and a subject matter expert from the

outsource candidate business unit would typically be a member of both teams.

Internal participants (division/team) are highlighted in light pink, and consist of: the steering committee; the tender preparation team, the outsource candidate business unit; and other internal stakeholders.

The steering committee is charged with insuring that the outsourcing strategy is appropriately implemented and that it supports and is aligned to the corporate strategy. Additionally, the steering committee must insure that the success criteria of the tender activity and the broader outsourcing project are defined prior to the tender document being distributed to the external market, and certainly before the tender response evaluation commences. The tender evaluation report is forwarded to the steering committee for review and approval, with the steering committee responsible for accepting the recommendations of the evaluation team or not.

The tender preparation team and the tender response evaluation team, who conduct the tender activity, report to the steering committee. The leader of the tender preparation team is the sole point of contact for all communications with the external market, internal stakeholders and the business unit outsource candidate.

The business unit outsource candidate is the business area in which the service that is being tendered for outsourcing is located. The head of this area would typically be a member of the steering committee, whilst subject matter experts from this area would participate on both the tender preparation team and the tender response evaluation team.

Market sentiment (highlighted in pink with a dotted border) represents the attitude of the market to the tendering organisation with regard to the tendering activity. The interview participants were of the opinion the maintenance of a high degree of credibility in the market place was a key driver of success in tendering for outsourced services (section 4.2.6).

5.3.1.3 Model may have non-banking and non-outsourcing application

It should be noted that, as APS 231 does not compel Australian banks to undertake a tender process when seeking to outsource services (APRA 2006, cl.17b), and as interview participants did not believe that APS 231 was a driver of successful tendering for outsourced services, the outsourcing standard has not been included in the tendering framework. Therefore, this framework for tendering for outsourced services may be also applied to organisations that are not subject to the provisions of APS 231 (that is, organisations that do not operate within the financial services industry).

Additionally, by removing the references to outsourcing from the model, the model may be customised for use as a framework for successful tendering, outside of outsourcing.

5.3.2 Conclusion

In section 5.3 the findings of the interviews with outsourcing practitioners were combined with the information discovered in the course of the literature review relating to outsourcing (sections 2.2; 2.3; 2.4) and the tender process (section 2.5) in order to develop a Conceptual Framework for Tendering for Outsourced Services in the Australian Banking Industry (figure 5.2). This framework contains the key issues to be considered in order to maximise the possibility of conducting a successful outsourcing tender process.

It was the finding of this research (section 5.2.6) that whilst APS 231 was a key driver of success in financial services outsourcing, it was not a driver of success in tendering for outsourced services. The absence of the provisions of APS 231 from the Conceptual Framework for Tendering for Outsourced Services in the Australian Banking Industry (figure 5.2) allows the model broader application into non-financial services outsourcing tendering and general tendering, unrelated to outsourcing.

Additionally, the findings of this research have implications for outsourcing theory. Specifically, the Outsourcing Framework - Australian Banking Industry (figure 2.6), that was derived from descriptions of outsourcing contained in the literature, requires amendment. The amendments to figure 2.6 will be detailed in the next section.

5.4 Implications for theory

5.4.1 Amendment to outsourcing framework – Australian banking industry

As result of the findings of this research, particularly with regard to the impact of corporate culture and corporate risk profile on both the tendering activity and the outsourcing activity (chapter four), amendments have been made to the Outsourcing Framework - Australian Banking Industry (figure 2.6), that was an output of the literature review.

5.4.1.1 Corporate culture

It is appropriate, when outsourcing, to consider the impact of corporate culture on the outsourcing activity. Corporate culture not only drives the way that organisations conduct their activities (Davis & Devinney 1997), but corporate culture is also a key component of success in outsourcing and tendering, to the extent that corporate culture may be instrumental in deciding whether the organisation can consider outsourcing certain business activities:

The biggest obstacle to success and in my experience the major reason for failure, is the culture (P4).

I think the culture is important because it will play a part in the broad thinking about whether the organisation has to do everything for itself (P7).

It is necessary, therefore to amend the original Outsourcing Framework - Australian Banking Industry (figure 2.6) in order to include the impact of corporate culture on the framework, consistent with the manner in which corporate culture was included in the Conceptual Framework for Tendering for Outsourced Services in the Australian Banking Industry (figure 5.2).

5.4.1.2 Corporate risk profile

It is appropriate, when outsourcing, to consider the impact of corporate risk profile on the outsourcing activity. It could be said that ‘the whole process is about managing risk - identifying and managing risk’ (P6). The corporate risk profile not only drives the outsourcing process, but sets the extent to which outsourcing may or may not be undertaken in an organisation:

It is an important element because if you have a low risk appetite, you’re probably not going to be outsourcing too much. There has to be a desire within the organisation to be open to putting out some functions [outsourcing] that perhaps have some critical impacts or critical links back into your business. There has to be a desire to actually allow them to be managed by a third party (P1).

The risk appetite of the organisation can also be influential in defining success in outsourcing:

... the risk appetite of the organisation does influence the ability to have a successful process that meets everybody’s definition of success (P4).

It is appropriate therefore, to amend the original Outsourcing Framework - Australian Banking Industry (figure 2.6) in order to include the impact of the corporate risk profile on the outsourcing framework, consistent with the manner in which corporate risk profile was included in the Conceptual Framework for Tendering for Outsourced Services in the Australian Banking Industry (figure 5.2).

5.4.1.3 Amended outsourcing framework – Australian banking industry

The amended outsourcing framework, incorporating the changes discussed in sections 5.4.1.1 and 5.4.1.2, is provided below:

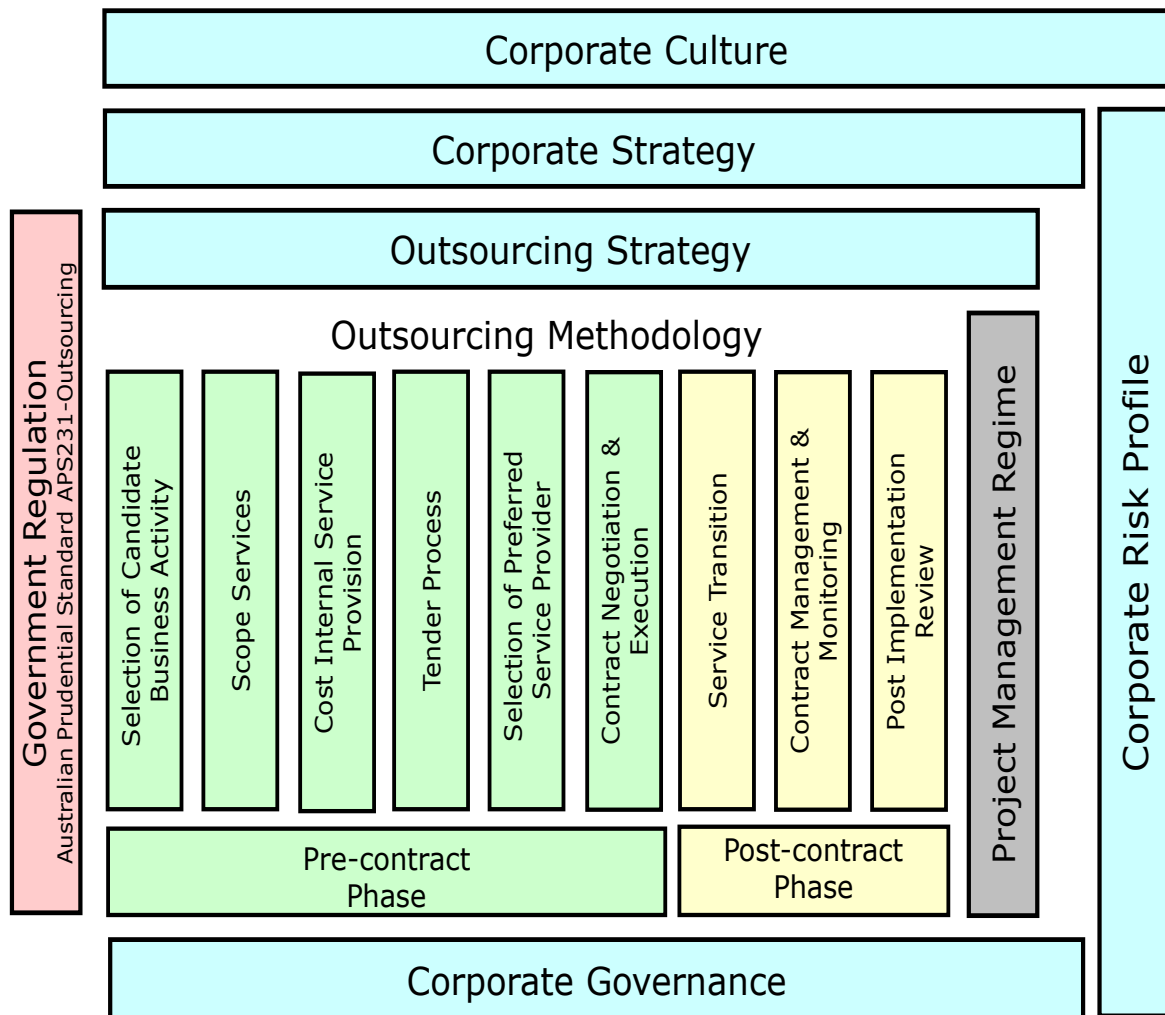


Figure 5.3: Outsourcing framework - Australian banking industry

Source: developed for this research

5.5 Implications for policy and practice

The revised Outsourcing Framework - Australian Banking Industry (figure 5.3) and the Conceptual Framework for Tendering for Outsourced Services in the Australian Banking Industry (figure 5.2) provide a theoretical foundation for practitioners engaged in the outsourcing activity, within the Australian banking industry. By the exclusion of references to prudential regulation (APS 231), these models may also provide a framework for practitioners engaged in outsourcing activities outside the Australian banking industry.

5.5.1 Implications for private sector practitioners

A key required outcome of this research was greater understanding of why outsourcing tendering activities succeed or fail, in order to assist practitioners to perform their outsourcing tendering tasks with a greater degree of success (section 1.3). In order to achieve this, a more detailed statement of the identified drivers of success in tendering for outsourced services was required.

5.5.2 Practitioners' tendering checklist

A checklist of procedures for tendering for outsourced services (table 5.15), targeted at outsourcing practitioners in organisations that are either engaged in outsourcing or considering outsourcing, is provided. This checklist details the specific issues that need to be addressed in order to maximise the possibility of a successful outsourcing tender process. It has been derived from insights provided by practitioners interviewed in the course of this research (section 5.2).

The checklist is purposefully concise and not proposed as a detailed step-by-step instruction on how to tender, rather it is intended to provide practitioners with a tool that will, if combined with a robust tender process, maximise the opportunity for success. The checklist is intended to influence the application of an organisation's particular tender process to ensure that the identified drivers of success are addressed during the tender process.

Table 5.15: Practitioner's tendering checklist

<p>Practitioner's Checklist for Tendering for Outsourced Services</p> <p>Within the Australian Banking Industry</p>

Note 1: This checklist is not intended to provide a detailed outsourcing or tendering process, rather it provides a listing of issues that, in the opinion of experienced practitioners, are instrumental in contributing to the success of the outsourcing tendering activity.

Note 2: In applying the checklist, practitioners are advised to customise the application of the checklist to the outsourcing and tendering frameworks, processes, policies, procedures and mores of their respective organisations.

-
1. Prior to commencement of the tender activity, the tendering organisation to ensure it has comprehensive and up-to-date market intelligence, which details the level of maturity of the supplier market for the required services
-
2. Prior to commencement of the tender activity, the steering committee to authorise the issue of a tender to the market place. Such authorisation to include a broad scope of services and the objectives of the tender. This will ensure that:
 - a. there is harmony between the outsourcing strategy and corporate culture, corporate strategy and corporate risk profile;
 - b. appropriate stakeholders have been identified, engaged and have demonstrated commitment to the activity;
 - c. the corporate governance mechanism of the organisation has been engaged; and
 - d. 'success' has been defined in macro terms.
-

Practitioner's Checklist for Tendering for Outsourced Services
Within the Australian Banking Industry

3. Prior to commencement of the tender activity, the macro definition of success to be refined by the tender preparation team into a detailed set of required tender outcomes. This detailed definition of success to be validated with the steering committee, business unit outsource candidate/s and appropriate internal stakeholders.
 4. Partner with the business unit outsource candidate/s throughout the tender process.
 5. Seek to identify additional stakeholders throughout the process.
 6. The tender preparation team to maintain regular communication with the steering committee, the business unit outsource candidate/s and other internal stakeholders.
 7. The tender document to be issued to a manageable number of recipients (a range of three to six is recommended).
 8. Contact with the external market must be through one single point (generally the leader of the tender preparation team), and the contact must be subject to an engagement protocol, which contains contact details and the process for the exchange of information between the tendering organisation and the tender recipients.
-

Practitioner's Checklist for Tendering for Outsourced Services
Within the Australian Banking Industry

9. Tender activity to be conducted within a detailed and documented tender process. This process should include the following characteristics:
- a. maintenance of high levels of probity throughout the tender and tender evaluation processes;
 - b. team leader to be expert in the application and management of the tender activity;
 - c. tender preparation team and tender response evaluation team members to include: subject matter experts from the business unit outsource candidate/s; accounting/finance personnel; and sourcing personnel. Team membership is a full-time occupation throughout the tender activity;
 - d. a detailed and independently managed baseline of current costs, service levels and service volumes, to be prepared in partnership with the business unit outsource candidate/s. The baseline is to be managed by a person independent of the business unit outsource candidate/s but the contents of the baseline must be signed off by the head of the outsource candidate business unit, prior to the issue of the tender documents to the external market;
 - e. a detailed service specification to be constructed in partnership with subject matter experts from the business unit outsource candidate/s
 - f. tender documentation to include:
 - i. request for information relating to suppliers' financial viability;
 - ii. tender events timetable;
 - iii. standardised response format for all data requirements ;
 - iv. pricing model, preferably in electronic spreadsheet format;
 - v. draft service provider contract;
 - vi. statistics about current in-house work rate volumes; and
 - vii. if available, forecast volumes for the proposed service period.

Practitioner's Checklist for Tendering for Outsourced Services
Within the Australian Banking Industry

10. Tender response evaluation to be conducted within a detailed and documented process, with evaluation criteria approved by the steering committee prior to the commencement of the evaluation process.

 11. The tender response evaluation report to be signed by all evaluation team members and forwarded to steering committee for review.

 12. At all times the tendering organisation to be committed to maintaining credibility with the external market.
-

Source: developed for this research

5.6 Implications for public sector regulators

The finding of this research, relating to the current level of involvement by the Australian Prudential Regulation Authority (APRA) was that:

1. APRA does not require a tender process to be undertaken, rather, in assessing outsourcing options, organisations to which the standard applies are required to ‘undertake a tender or other selection process for services providers’ (APRA 2006, cl. 17); and
2. all participants in the research activity stated they were comfortable with the current level of engagement by APRA in the overall outsourcing process (section 4.2.5.2).

On the basis of these findings, there appear to be no implications for APRA other than confirmation that APRA’s current level of involvement in the outsourcing activity of Australian banks is appropriate.

5.7 Limitations

In undertaking this research, it is appropriate to acknowledge the limitations of the research. This section provides an overview of such limitations.

5.7.1 Limited number of interview participants

The interviews for this research were conducted with nine participants which, according to some authors (Carson et al. 2001; de Ruyter & Scholl 1998; Perry 2001) was a relatively modest sample. An alternative opinion was provided by Patton (2002, p. 244) who noted ‘there are no rules for sample size’.

This potential limitation is not considered significant, as the scope of research consisted of one organisation (ANZ), and the outsourcing group, which was the source of the research

data was a very small department, consisting, at any one time, of a maximum of six practitioners.

A justification of the sample size used in this research is provided in section 3.7.2.

5.7.2 Study limited to one bank

The researcher was employed as a senior manager by ANZ at the time of commencement of the research study and, due to the confidential nature of the activity, was unable to seek the perspectives of staff engaged in the outsourcing activity in other Australian banks.

This is not considered a significant limitation of the research as, in focusing on one organisation, the research was able to be conducted at a greater degree of depth than if the study was inclusive of an additional bank or banks.

5.7.3 Maintenance of interview participant confidentiality

Maintenance of strict interview participant confidentiality was a pre-condition of this research activity proceeding. As the sample size was relatively small and the identity of the subject organisation was known (ANZ), it may be possible identify a participant by a reported comment. Where this was a possibility in the opinion of the researcher, such comment has not been reported in the data analysis.

Where a comment has not been reported, the impact on the research findings has been minimal.

5.8 Implications for methodology

No implications for methodology arose over the course of this research.

5.9 Implications for further research

This research found that, within the disciplines of outsourcing and tendering, there are areas that would benefit from further research. These areas are identified below.

5.9.1 Detailed description of the individual outsourcing methodology tasks

This knowledge gap was identified as a result of the literature review (section 2.8.1).

A review of the literature revealed that there were several outsourcing methodologies described. The methodologies were categorised as ‘macro’ (five or less primary tasks) and ‘detailed’ (five to ten primary tasks). In some methodologies, these primary tasks were further divided into sub-tasks and activities, however detailed analysis of each of the tasks was not in evidence. For example, detailed processes for conducting each task were not described, nor were detailed insights provided into the drivers of success for each of the tasks.

It is important to note that this gap refers to published literature, and does not suggest that prudent organisations did not have comprehensive outsourcing methodologies and processes detailed within their commercially confidential policies and procedures. For example, detailed descriptions of the outsourcing tasks and sub-tasks were contained in ANZ’s commercially confidential documentation (ANZ 2003a; 2003b; 2004). However, such documentation is not available for public consumption.

Detailed descriptions of the individual tasks that comprise outsourcing methodology (for example: selecting the business activity outsourcing candidate; scoping the services; costing internal service provision; tendering; selecting the preferred service provider; negotiating and executing the service contract; transitioning the services to the provider; managing and monitoring the contract; and conducting a post implementation review) would be a valuable addition to business knowledge. Additionally, the identification of the drivers of success of each of the tasks, other than tendering, would complement this research.

5.9.2 Detailed description of the outsourcing tendering sub-tasks

This knowledge gap was identified as a result of the literature review (section 2.8.2).

A review of the literature relating to tendering in general and tendering for outsourced services in particular (section 2.5) confirmed that, whilst there was a moderate amount of published information relating to tendering in general, there was no evidence of research having been conducted on the subject of tendering for outsourced services. Specifically, descriptions of detailed outsourcing tender processes were not in evidence. Detailed descriptions of the outsourcing tendering sub-tasks were contained in ANZ commercially confidential documentation (ANZ 2003a; 2003b; 2004), however, such documentation is not available for public consumption.

A detailed review of outsourcing tendering methodologies would represent a valuable contribution to business knowledge.

5.9.3 Cost of conducting the outsourcing process

Corbett (2004) noted that the outsourcing process was a time and resource hungry activity. Presumably, this cost took two forms: financial cost; and opportunity cost, and was incurred by both the organisation seeking services and the service provider .

A study of the cost of conducting the outsourcing process would provide valuable data to organisations that are considering outsourcing. This data would allow them to make a more informed decision as to whether to engage in the process or not. Information about the cost of running an outsourcing process may drive organisations to seek different means of satisfying their service requirements.

5.9.4 The cost of responding to a tender

In this research, participants indicated that there was a significant cost incurred when a service provider responds to a tender: ‘you have to be very conscious of the fact that this is

very expensive for each of the providers who bid.'(P7), however, this cost was not quantified (section 4.2.2.2). Holmes (1995, p. 3), believed that 'the cost of a tender can be as high as 10% of the cost of a given contract'. Presumably this cost comprises both financial costs and opportunity cost dimensions, and the financial cost is passed on to the customer, and ultimately the consumer, by being incorporated into the service charges.

To the knowledge of the researcher, no study has been conducted on the cost of responding to a tender, however, individual companies may have tracked the costs through activity based costing techniques.

Research about the cost of responding to a tender would be a valuable addition to business knowledge and may assist service providers in deciding whether to respond to a particular tender or not.

Additionally, intelligence about the cost of tendering may cause organisations that issue tenders for the supply of services to change their approach. For example, if the cost of responding to a tender was found to be prohibitive, the organisation issuing the tender may shortlist a more targeted, reduced number of service providers. This would prevent service providers, who have less chance of successfully tendering, from incurring the cost unnecessarily.

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7 APPENDICES

7.1 Interview guide

INTERVIEW GUIDE

Topic: *“Tendering for outsourced services within a large Australian bank: the drivers of success”*

Participants: Paul McMahon – DBA Candidate (Interviewer)

Px (Interviewee)

Date: xxrd xxxx, 2007 x.xxpm

Format: Semi-structured, in-depth interview.

BACKGROUND (5 mins)

Q1.1 Px, could we start this interview by you summarising your business background, and in particular your exposure to outsourcing, please?

ORGANISATIONAL DRIVERS (20 mins)

Px, the first area I would like to explore are the organisational drivers of success of the outsourcing tendering process. I have allocated the organisational drivers into the following categories

- Definition of success
- Strategy
- Governance
- Culture
- Structure
- Stakeholders
- Risk profile of the organisation

Q2.1 Px, are you comfortable with the categories?

Q2.2 Px, Would you like to talk about what success means, with regard to the outsourcing tendering activity, and how critical its definition is to the success of the outsourcing tendering activity?

Q2.3 Next, Px, I'd to talk about how the strategy of the organisation may impact on the success of the outsourcing tendering activity?

Q2.4 Thank you, Px. I wonder if we might now talk about the governance structures of an organisation and how governance contributes to the success of the outsourcing tendering activity. In particular, I would like you to cover off drivers such as: accountability; probity of process; and the various oversight committees that are involved in this activity and how they may contribute to the success or otherwise of the outsourcing tendering activity.

Q2.5 Px, the next driver I'd like to discuss with you is how the culture of an organisation impacts on the success of the outsourcing tendering activity?

Q2.6 The next driver I'd like to discuss is one concerning the structure of an organisation. Can we talk about how the structure of an organisation impacts on the tendering process in outsourcing?

Q2.7 Px, the next driver I would like to raise is the impact of stakeholders, both internal and external stakeholders, on the success of the outsourcing tendering process. I would also be very interested in hearing your views on stakeholder management.

Q2.8 The next driver related to organisational drivers is how the risk profile and the risk appetite of the organisation impacts on the success of the outsourcing tendering process. Would you please share your thoughts, Px?

Q2.9 Thank you Px, are there any additional comments you would like to make with regard to organisational drivers, as they relate to the success, or otherwise, of tendering for outsourced services?

SUPPLIER MARKET DRIVERS (10 mins)

Thank you, Px, The next drivers I'd like to talk about are the supplier market drivers and how they impact on the outsourcing tendering process.

Q3.1 What characteristics of the supplier market are required to maximise the chances of success in the outsourcing tendering activity?

Q3.2 One would imagine that you would need at least one supplier if you're going to outsource an activity. Is that the case?

Q3.3 Is there an optimal number of suppliers to tender to?

Q3.4 How do you ascertain the composition and capability of the supplier market?

Q3.5 Thank you, Px. Are there any additional comments you would like to make with regard to the issue of supplier market drivers and their impact on the success, or otherwise, of the outsourcing tendering process?

CUSTOMER / VENDOR RELATIONSHIP (10 mins)

We'll move on now to the relationship between the customer and the vendor, and in keeping with the scope of this research, I'd like to focus on the relationship of the parties during the tender activity.

Q4.1 What characteristics of the relationship contribute to the success of the tender process?

Q4.2 How you interact with vendors throughout the tender process?

Q4.3 Do you believe that the structure of the relationship between the customer and the vendor is critical to the success or failure of the tendering activity?

Q4.4 Looking at how the relationship is managed throughout the tendering process, should there be a protocol for engaging with the vendors, if so, what should it consist of ?

Q4.5 Thank you Px. Are there any additional comments you would like to make with regard to customer / relationship and its impact on the success, or otherwise, of the outsourcing tendering process?

TENDERING PROCESS

(35 mins)

Px, I'd like to now explore the outsourcing tendering process. Based on the literature available to date, the outsourcing tendering process typically comprises the following key phases:

- Baseline (Cost & Service Levels)
- Specification of Services
- Tender Documentation (spec, contract, etc.)
- Tender Evaluation
- Vendor Selection

Q5.1 Are you comfortable with the categories?

Q5.2 I would like to explore how each of the phases of the tendering process contributes to the success of the tendering activity. Let's start with:

- Baseline (Cost & Service Levels);
- Specification of Services; and
- Tender Documentation (specification, contract, etc.)

Q5.3 Can we talk about the evaluation of the tender responses and the elements you believe should be present in order to have a successful evaluation of the tender responses?

Q5.4 Can we talk about the selection of vendors and its impact on the success of the outsourcing tendering process?

Q5.5 Do you believe that a robust and documented process is critical to the success of the tendering activity? Why?

Thank you Px. Are there any additional comments you would like to make with regard to the outsourcing tendering process and its impact on the success, or otherwise, of the activity?

REGULATORY ENVIRONMENT (10 mins)

The Australian Prudential Regulation Authority (APRA) released a Prudential Standard governing Outsourcing activities conducted by Approved Deposit-taking Institutions (ADI's) – APS 231.

This standard, among other things, requires “the ADI to demonstrate that, in assessing the options for outsourcing to a third party, it has undertaken a tender or other selection process for services providers”(Sect 17 (b)).

APRA does not prescribe the tender process, nor provide guidelines for the conduct of the activity.

Q6.1 Do you feel that this is an appropriate level of engagement by the regulator? Why?

Q6.2 Thank you, Px. Do you have any further comments to make about the impact of APS 231 on the success, or otherwise, of the outsourcing tendering activity

OTHER DRIVERS OF SUCCESS & FAILURE (10 mins)

Thank you Px, do you believe that there are other factors that contribute to the success, or otherwise, of the outsourcing tendering activity?

CONCLUSION

Px, thank you very much for participating in this interview. I shall forward a written transcript of this interview for your review, and, if you wish, I shall make the audio recording of this interview available to you.

Interview conclusion [x:xx:x]

7.2 Informed consent to participate



**Informed Consent to Participate
in the following research project**

This consent form is based on Guidelines from the National Statement on Ethical Conduct Involving Human Participants as issued by the NHMRC.

Name of Project: **“Tendering for outsourced services within a large Australian bank: the drivers of success”**

Researchers:

Researcher

Paul Anthony McMahon
Postgraduate Student (DBA)
Graduate College of Management
Southern Cross University (NSW)
24 Dent Street
Glen Iris VIC 3146

Email: mcmahon1@bigpond.net.au
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Supervisor (Person Responsible)

Dr David Arthur
Senior Lecturer in Sports Management
Graduate College of Management
Southern Cross University (NSW)
PO Box 157
Lismore NSW 2480

Email: darthur@scu.edu.au
Phone: (02) 6620-3233

☐ I have been provided with information at my level of comprehension about the purpose, methods, demands, risks, inconveniences, and possible outcomes of this research (including any likelihood and form of publication of results).

☐ I agree to participate in the above research project. I have read and understand the details contained in the Information Sheet. I have had the opportunity to ask questions about the study and I am satisfied with the answers received.

☐ I agree to an interview and to my interview being recorded electronically.

OR

☐ I do not agree to my interview being recorded electronically and prefer the researcher to take hand written notes.



☐ I understand that if I withdraw from participation in this research, that any tapes or handwritten notes about my contribution will be destroyed.

☐ I understand that participation in this research will be anonymous or confidential. (Delete which is not appropriate)

OR

☐ I understand that any personal information which may identify me will be de-identified at the time of analysis of any data. Therefore, I, or information I have provided, cannot be linked to my person/or company. (*Privacy Act 1988 (Cth)*)

☐ I understand that neither my name nor any identifying information will be disclosed or published, except with my permission.

OR

☐ I give permission for identifying information to be published or disclosed.

☐ I understand that all information gathered in this research is confidential. It is kept securely and confidentially for 5 years, at the University.

☐ I understand that I am free to discontinue participation at any time. I have been informed that prior to data analysis, any data that has been gathered before withdrawal of this consent will be destroyed.

☐ I am aware that I can contact the Supervisor or other researchers at any time with further inquiries, if necessary.

☐ The ethical aspects of this study have been approved by the Southern Cross University Human Research Ethics Committee (HREC). The Approval Number is **ECN-07-123**.



If you have any complaints or reservations about any ethical aspect of your participation in this research, you may contact the Committee through the Ethics Complaints Officer:

Ms Sue Kelly
Ethics Complaints Officer and Secretary
HREC
Southern Cross University
PO Box 157
Lismore, NSW, 2480
Telephone (02) 6626-9139 or fax (02) 6626-9145
Email: sue.kelly@scu.edu.au

All complaints, in the first instance, should be in writing to the above address. All complaints are investigated fully and according to due process under the National Statement on Ethical Conduct in Research Involving Humans and this University. Any complaint you make will be treated in confidence and you will be informed of the outcome.

☐ I understand that I will be given a copy of this consent form for my records. The researcher will also keep a copy in safe storage at the University.

I have read the information above and agree to participate in this study. I am over the age of 18 years.

Name of Participant:

Signature of Participant:

Date:

I certify that the terms of the Consent Form have been verbally explained to the participant and that the participant appears to understand the terms prior to signing the form. Proper arrangements have been made for an interpreter where English is not the participant's first language.

Name & Contact Detail of Witness:.....

.....

Signature of Witness:

Date:



NOTE:

The witness should be independent of the research, where possible. If this is not possible at the place of consent, please inform the researcher and state a reason below.

Reason:.....

.....

.....

Name and signature of the researcher:

.....

Date:

7.3 Interview information document



INFORMATION SHEET

‘Tendering for outsourced services within a large Australian bank: the drivers of success’

You are invited to participate in an interview that seeks to investigate the drivers of success of the outsourcing tender process within a large Australian bank. This interview forms part of a major research study conducted by Paul Anthony McMahon (Doctor of Business Administration candidate, Southern Cross University) and supervised by Dr David Arthur (Senior Lecturer in Sports Management, Southern Cross University).

Background

Arising out a review of the research literature relating to the outsourcing activity, both within and outside Australia, the researcher identified certain areas of the outsourcing activity that had not been the subject of significant research activity. The activity of tendering for outsourced services was one of these identified research ‘gaps’.

The outsourcing tender process involves significant cost, both in terms of time and expense, to both the organisation conducting the tender process and the organisations responding to the tender.

It is the researcher’s contention that, if the drivers of success and failure of the outsourcing tender process were understood, and such knowledge of those drivers was incorporated into the outsourcing tender process, there would be a greater probability of a successful outcome. It is the researcher’s further contention that, if there was the means of accurately identifying those business activity candidates that were unlikely to be successfully tendered, and the decision was taken not to proceed with the outsourcing tender process, significant time and cost savings would accrue to both the outsourcing organisation and potential service providers.

The scope of this research exercise is outlined on page 6 of this document.

Procedures to be followed

The interview should take approximately two hours in total to complete and you will be required for one interview session. Information relating to your professional experience will be collected. No other personal information will be collected by the researcher.

You are free to select an interview location that is convenient to you, however the location must be free from background noise and the possibility of interruption. If you prefer, the researcher can organise a Melbourne CBD location (RACV Club Business Centre) for the interview.

Prior to commencing the interview, you will be asked for your permission that the interview be recorded. If permission to record the interview is not given, the researcher will take written notes. If permission to record the interview is given, the interview will be recorded on a high quality digital recorder. After the interview, the recorded interview will be transcribed verbatim, analysed



and flow-charted. In the case of interviews for which written notes are taken, the written notes will be analysed and flowcharted. In both cases, the flow-chart will be forwarded to the interviewee for validation. An electronic audio file of the interview and the verbatim transcription will be provided to the interviewee, if requested.

Participation is purely voluntary and no financial remuneration or incentive will be offered for taking part in this research. There are no travel expenses, nor are there any costs associated with participation in this research. There is no cost to you apart from your time.

An Interview Agenda and an Interview Structure are included in this document (pages 4 & 5).

Possible Discomforts and Risks

It is possible that commercially confidential information may be inadvertently passed on during the interview session. It is not the intention of this research activity to record commercially confidential information, and such information will, at the request of the participant, be erased from all records.

There is the risk that, participants may feel obligated to participate in the research study. If, for any reason, participants are uncomfortable taking part in the research study, they are encouraged to say so.

Apart from the foregoing, there are no risks or discomforts foreseen.

Responsibilities of the Researcher

It is our duty to make sure that any information given by you is protected. Your name and other identifying information will not be attached to data collected. Your name will only be used to facilitate an appointment for the experiment. Any identifying information will be destroyed after your participation in the study.

It is essential that you sign an Informed Consent form (copy attached) before you participate in this experiment. Due to this necessity, a procedure has been set in place to ensure that your personal details can at no time be matched, identified or tracked back to the data collected on your performance in this project.

All signed consent forms will be held in safe storage at the University for a period of five years before being destroyed. The information will be presented as overall data. The research findings may be submitted for publication.

Responsibilities of the Subject

If there is anything that might impact upon your ability to participate in the interview, such as medications/drugs, health or problems with eyesight, you are asked not to participate. You may leave the interview voluntarily without explanation of such factors. If you feel there are any safety



concerns or matters relating to commercial confidentiality, also let us know.

Freedom of Consent

If you decide to participate, you are free to withdraw your consent and to discontinue participation at any time. However, we would appreciate you letting us know your decision.

Inquiries

This form is yours to keep for future reference. If you have any questions, we expect you to ask us. If you have any additional questions at any time please ask:

Researcher

Paul Anthony McMahon

Postgraduate Student (DBA)
Graduate College of Management
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Glen Iris VIC 3146

Email: mcmahon1@bigpond.net.au
Phone: 0419-566755

Supervisor

Dr David Arthur

Senior Lecturer in Sports Management
Graduate College of Management
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PO Box 157
Lismore NSW 2480

Email: darthur@scu.edu.au
Phone: (02) 6620-3233

Ethical aspects

The ethical aspects of this study have been approved by the Southern Cross University Human Research Ethics Committee. The Approval Number is ECN-07-123. If you have any complaints or reservations about any ethical aspect of your participation in this research, you may contact the Committee through the Ethics Complaints Officer:

Ms Sue Kelly
Ethics Complaints Officer and Secretary
HREC
Southern Cross University
PO Box 157
Lismore, NSW, 2480

Telephone (02) 6626-9139 or fax (02) 6626-9145
Email: sue.kelly@scu.edu.au

All complaints, in the first instance, should be in writing to the above address. All complaints are investigated fully and according to due process under the National Statement and this University. Any complaint you make will be treated in confidence and you will be informed of the outcome.



INTERVIEW AGENDA

Anticipated Duration: 2 hours

- | | | |
|----|---|-------------------|
| 1. | Introductions | (3 mins) |
| 2. | Interview Process | (2 mins) |
| | ○ Data collection process (recorded or note-taking) | |
| | ○ Semi-structured interview | |
| | ○ Interview response framework | |
| 3. | Informed Consent Form | (2 mins) |
| 4. | Research Topic & Methodology | (3 mins) |
| | ○ Introduction/background/thesis topic | |
| | ○ Research design | |
| 5. | Interview (recorded - refer Interview Structure) | (100 mins) |
| 6. | Closing Comments | (10 mins) |

Total Anticipated Time: 2 Hours

INTERVIEW STRUCTURE

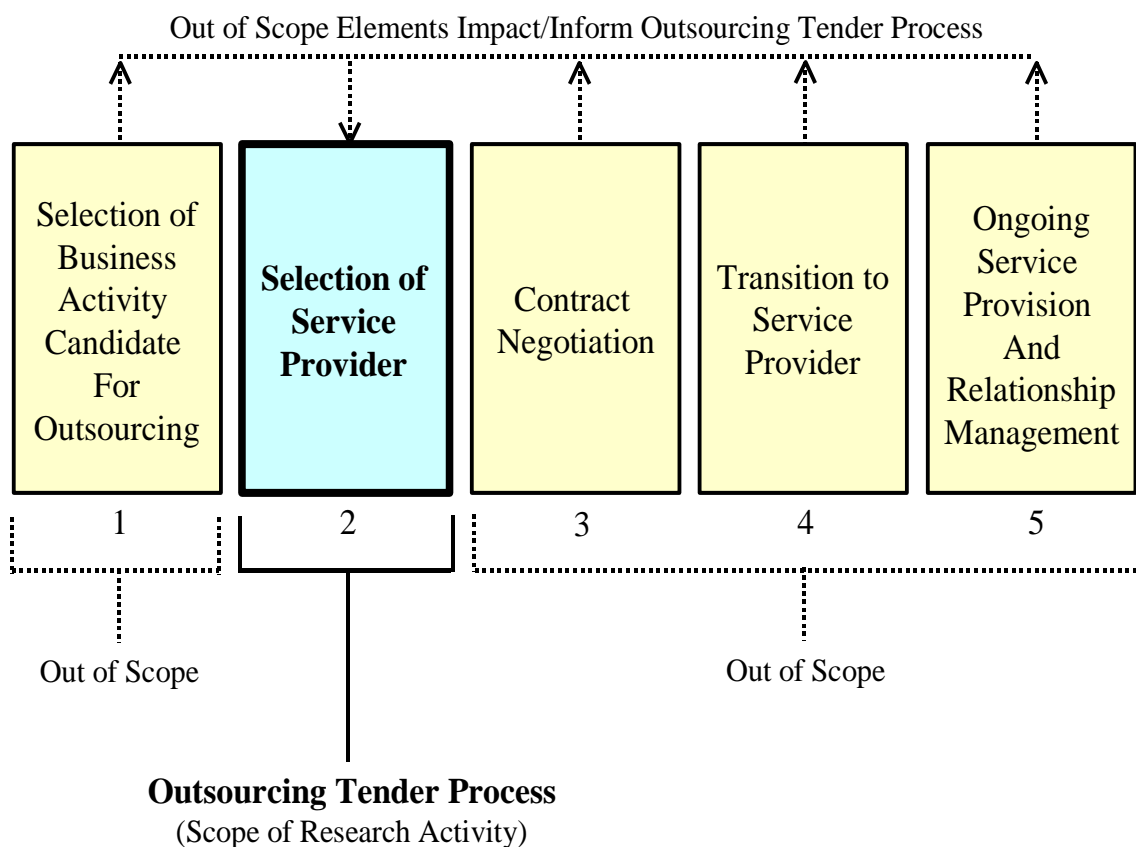
Introduction (incl. interviewee professional background)	(5 mins)
Organisational Drivers	(20 mins)
Definition of success	
Strategy	
Governance	
Culture	
Structure	
Stakeholders	
Supplier Market Drivers	(10 mins)
Customer / Vendor Relationship Drivers	(10 mins)
Process Drivers	(35 mins)
Objectives of Process	
Specification of Services	
Tender Documentation (spec, contract, etc.)	
Tender Evaluation	
Vendor Selection	
Baseline (Cost & Service Levels)	
Regulatory Environment Drivers	(10 mins)
APS 231	
Other Drivers of Success and Failure	(10 mins)
Anticipated Total Interview Time:	100 mins

SCOPE OF RESEARCH

Within the context of this research, the term ‘*Outsourcing Process*’ relates to the activity that an organisation must undertake in engaging with external service providers for the provision of outsourced services. Simply put, this process involves all activities relating to the selection of the service provider. The *tendering process*, which is the subject of this research project is one element of the complete ‘end-to-end’ Outsourcing Process (refer diagram below: “Five Elements of the Outsourcing Process”). The objective of the tendering process is to determine whether the required improvements in cost and/or quality are available in the external market.

The other elements that comprise the Outsourcing Process (business activity selection, contract negotiation, transition to the service provider, and ongoing service provision and relationship management) are outside the scope of this research study, except to the extent that these elements may inform aspects of the outsourcing tender process.

FIVE ELEMENTS OF THE OUTSOURCING PROCESS



7.4 Ethics committee approval

**HUMAN RESEARCH ETHICS COMMITTEE (HREC)
NOTIFICATION**

To: Dr David Arthur/P. McMahon
School of Health and Human Services
Department of Exercise Science and Sport Management
david.arthur@scu.edu.au, mcmahon1@bigpond.net.au
cc. sue.white@scu.edu.au

From: Secretary, Human Research Ethics Committee
Graduate Research College, R. Block

Date: 6.9.07

Project: Tendering for Outsourced Services in a Large Australian Bank: The Drivers of Success

Status: **Approved subject to the standard conditions of approval.**
Approval Number **ECN-07-123**

HUMAN RESEARCH ETHICS COMMITTEE (HREC)

The Southern Cross University Human Research Ethics Committee has established, in accordance with the *National Statement on Ethical Conduct in Human Research – Section 5/Processes of Research Governance and Ethical Review*, a procedure for expedited review by a delegated authority.

This expedited ethics application was considered by the HREC sub-committee at the Tweed Heads Campus. It has now been approved.

This expedited approval will be ratified by the full HREC at the October meeting. If the full HREC has any further queries, the researchers are expected to answer these satisfactorily.

Please also note that the National Statement on Ethical Conduct in Human Research (National Statement or *NS*) has been reviewed and the following conditions adhere to the new National Statement.

Standard Conditions in accordance with the National Statement on Ethical Conduct in Human Research (National Statement) (*NS*).

1. Monitoring

NS 5.5.1 – 5.5.10

Responsibility for ensuring that research is reliably monitored lies with the institution under which the research is conducted. Mechanisms for monitoring can include:

- (a) reports from researchers;
- (b) reports from independent agencies (such as a data and safety monitoring board);
- (c) review of adverse event reports;
- (d) random inspections of research sites, data, or consent documentation; and
- (e) interviews with research participants or other forms of feedback from them.

The following should be noted:

- (a) All ethics approvals are valid for **12 months** unless specified otherwise. If research is continuing after 12 months, then the ethics approval **MUST** be renewed. Complete the Annual Report/Renewal form and send to the Secretary of the HREC.
- (b) *NS 5.5.5*
Generally, the researcher/s **provide a report every 12 months** on the progress to date or outcome in the case of completed research specifically including:
 - The maintenance and security of the records.
 - Compliance with the approved proposal
 - Compliance with any conditions of approval.
 - Any changes of protocol to the research.

Note: Compliance to the reporting is **mandatory** to the approval of this research.

- (c) Specifically, that the researchers **report immediately** and notify the HREC, in writing, for approval of **any change in protocol**. *NS 5.5.3*
- (d) That a report is sent to HREC when the **project has been completed**.
- (e) That the researchers **report immediately any circumstance** that might affect ethical acceptance of the research protocol. *NS 5.5.3*
- (f) That the researchers **report immediately any serious adverse events/effects** on participants. *NS 5.5.3*

2. Research conducted overseas

NS 4.8.1 – 4.8.21

That, if research is conducted in a country other than Australia, **all research protocols for that country** are followed ethically and with appropriate cultural sensitivity.

3. Complaints

NS 5.6.1 – 5.6.7

Institutions may receive complaints about researchers or the conduct of research, or about the conduct of a Human Research Ethics Committee (HREC) or other review body.

Complaints may be made by participants, researchers, staff of institutions, or others. All complaints should be handled promptly and sensitively.

Complaints, in the first instance, should be addressed in writing to the following:

Ms Sue Kelly
Ethics Complaints Officer and Secretary
HREC
Southern Cross University
PO Box 157
Lismore, NSW, 2480
Telephone (02) 6626-9139 or fax (02) 6626-9145
Email: sue.kelly@scu.edu.au

All complaints are investigated fully and according to due process under the National Statement on Ethical Conduct in Human Research and this University. Any complaint you make will be treated in confidence and you will be informed of the outcome.

All participants in research conducted by Southern Cross University should be advised of the above procedure and be given a copy of the contact details for the Complaints Officer. They should also be aware of the ethics approval number issued by the Human Research Ethics Committee.

Sue Kelly
Secretary & Ethics Complaints Officer
HREC
Ph: (02) 6626 9139
sue.kelly@scu.edu.au

Associate Professor Baden Offord
Chair, HREC
Ph: (02) 66203162
baden.offord@scu.edu.au