# IT Multisourcing in International Insurance Companies

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<thead>
<tr>
<th><strong>Journal:</strong></th>
<th>18th Americas Conference on Information Systems</th>
</tr>
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<tbody>
<tr>
<td><strong>Manuscript ID:</strong></td>
<td>AMCIS-1253-2012.R1</td>
</tr>
<tr>
<td><strong>Submission Type:</strong></td>
<td>Paper</td>
</tr>
<tr>
<td><strong>Track:</strong></td>
<td>Management of IT Outsourcing Projects in a Global Economy &lt; IT Project Management (SIGITProjMgmt)</td>
</tr>
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IT Multisourcing in International Insurance Companies

Thomas Ph. Herz  
University of St.Gallen  
thomas.herz@unisg.ch

Florian Hamel  
University of St.Gallen  
florian.hamel@unisg.ch

Falk Uebernickel  
University of St.Gallen  
falk.uebernickel@unisg.ch

Walter Brenner  
University of St.Gallen  
walter.brenner@unisg.ch

ABSTRACT

Today's information technology (IT) sourcing endeavors have moved beyond outsourcing through the implementation of multisourcing. Multisourcing can be defined as the blending of services from multiple company-internal and company-external suppliers. The increasing importance of multisourcing is acknowledged by both practitioners and researchers. However, multisourcing has not been sufficiently covered by scholarly investigation. This paper aims to fill this research gap by presenting the findings from a multiple case study of four leading insurance companies. The authors provide insights into real-life examples of the implementation of IT multisourcing in the insurance sector. The findings reveal particularly why, and how, insurance companies implement IT multisourcing. Through the identification of major objectives, significant challenges, and key success factors, the authors give explicit answers to these questions. The findings of this case study contribute to the existing literature on IT outsourcing and provide helpful advice for practitioners using an IT multisourcing approach.

Keywords

IT multisourcing, IT outsourcing, offshoring, insurance companies, multiple case study

INTRODUCTION

Current practitioner-related and scholarly literature confirm that IT multisourcing is an emerging key strategy in IT outsourcing (Bapna, Barua, Mani and Mehra, 2010; Cohen and Young, 2006; Hakkenberg, Himmelreich, Ketterer and Woelders, 2011; Janischowsky and Schonenbach, 2009; Levina and Su, 2008; Oshri, Kotlarsky, Rottman and Willcocks, 2009; Oshri, Kotlarsky and Willcocks, 2011; Su and Levina, 2011). This development is due mainly to companies' need for increased cost efficiency, flexibility, and quality in a dynamic and global business environment (Levina and Su, 2008). Multisourcing is defined as the blending of services from multiple company-internal (such as captive offshore centers), and company-external suppliers in the pursuit of business goals (Cohen and Young, 2006).

Dibbern et al., (2004) identify two phases of IT outsourcing: the decision process phase, and the implementation phase. This article investigates both phases of IT outsourcing. In the decision process phase Dibbern et al., (2004) highlight, in addition to other aspects, the question of why to outsource. In the second phase, addressing the implementation of the sourcing decision, Dibbern et al., (2004) define determinates of success as one aspect describing this phase. A deeper investigation into IT multisourcing is necessary, as most existing IT outsourcing studies in this area provide findings examining dyadic client-vendor IT outsourcing relationships. Of particular importance in this context is, as Bapna et al., (2010, p.749) state, that “linear extensions of dyadic client-vendor IT outsourcing relationships are insufficient to capture the nuances of the multisourced environment”. Consequently, there is a research gap on the objectives, challenges and success factors of IT multisourcing strategies in large, multinational organizations.

Financial services providers, such as banks and insurance companies, are of high relevance for experience-based research in the field of IT outsourcing, because they are early adopters of both IT and business process outsourcing and offshoring strategies (Levina and Su, 2008). Whilst some works on multisourcing have investigated large banks (Levina and Su, 2008; Su and Levina, 2011), insurance companies have not undergone adequate investigation. Large insurance companies are in the forefront of multisourcing (see Da Rold and Karamouzis (2009) or Sinss and Schneider (2011)) and face numerous business
challenges, including: the increasing price competition, new competitors, mergers and acquisitions, or changing customer behavior, in all of which IT in general plays an important role (Martinotti, Schein and Torrisi, 2011).

Thus, the authors aim to address the identified research gap by an in-depth analysis of why, and how, large insurance companies implement multisourcing. Thereby, three research questions shall be answered:

[RQ1] Why are leading insurance companies implementing IT multisourcing?

[RQ2] What are the challenges leading insurance companies face when implementing IT multisourcing?

[RQ3] Which key success factors support the implementation of IT multisourcing for leading insurance companies?

A qualitative research study on multisourcing at leading insurance companies builds the basis for answering these research questions. By presenting selected findings of this study the authors contribute to the existing literature on IT multisourcing in three ways. Firstly, the article provides different IT multisourcing objectives (why); secondly, it reveals the multiple challenges and key success factors a company needs to consider when implementing IT multisourcing (how); and, thirdly, it offers insights into the multisourcing approaches of four leading insurance companies. The practical contribution of this paper comprises the identification of relevant aspects of IT multisourcing that practitioners should be aware of.

To explore IT multisourcing in insurance companies we structured the paper into six sections. In the next section the authors provide an overview on fundamental terms. The research methodology is presented in section three. Section four elucidates the IT multisourcing approach of each of the insurance companies investigated. Section five outlines the main case study findings. Finally, in section six, a discussion of these findings is presented, and the authors summarize the article and give an outlook for further research possibilities.

FOUNDATION

In any field of research it is important to have a common understanding of basic terms (Zorn and Campbell, 2006). Thus, based on a literature review, the researchers provide accepted definitions of the key terms used in this article.

Multisourcing has received great attention over recent years following the publication of a practitioner book by Linda Cohen and Allie Young of Gartner Research (Charles, 2006). However, explicit or implicit definitions of the term multisourcing can be found across various research domains (e.g., management, information systems (IS), and operations management (OM) literature (Levina and Su, 2008)). For this study, the authors apply the definition of Cohen and Young (2006, p.1), as suggested by other authors (see, inter alia, Levina and Su (2008)), that describes multisourcing as “the disciplined provisioning and blending of business and IT services from the optimal set of internal and external providers in the pursuit of business goals”, while focusing on aspects of IT. This multisourcing definition covers an optimal set of company-internal, and company-external suppliers that are frequently referred to as geographically dispersed (Bapna et al., 2010), and encompassing both domestic and offshore service delivery (Cohen and Young, 2006; Levina and Su, 2008). As regards the four major sourcing options of the make-buy matrix (in-house, captive center, onshore outsourcing, and offshore outsourcing), as described by Oshri (2011), any combination, which Cohen and Young (2006) refer to as the “optimal set”, could be possible. In extreme examples, a client company may apply all four options. In their recent work on multisourcing, Su and Levina (2011) describe four archetypes of multisourcing supply base (Figure 1) by distinguishing the breadth and depth of client-supplier relationships. The breadth describes the number of suppliers, while the depth specifies the level of investment in a specific client-supplier relationship (Su and Levina, 2011). We build upon this model and use it to classify the four cases that are the subject of this research study. Therefore, we have selected two out of five IS functions as described by Grover et al., (1996) namely: application development and maintenance (ADM), and systems operations (in the following infrastructure). We chose these two because previous interviews with experts suggested this approach, mainly because of practical reasons. On the one hand, ADM and infrastructure are well known terms for practitioners, and on the other hand, ADM represents a project-driven IS function, whereas infrastructure represents an operations-driven IS function (Beulen, Fenema and Currie, 2005). Both, the project-driven and the operations-driven dimension cover the two essential aspects of IS functions.
This research focuses on the insurance industry and covers both primary insurance and reinsurance companies. Insurance, in general, encompasses the transfer of risk from the insured to the insurance company in exchange for payment of a premium (Farny, 2006). In this context, primary insurance companies insure individuals or corporations that are not insurance companies (Farny, 2006), whereas the participants of the reinsurance market are insurance companies that redistribute risk (Borch, 1962). Therefore, the reinsurance market can be described as a secondary market (Plantin, 2006). In the following, we combine both primary insurance, and reinsurance companies under the global term insurance company. We concentrate our research on leading insurance companies, which act on a global scale, and are profitable in terms of business. These constraints limit the potential number of insurance companies for consideration, to just a few.

RESEARCH METHODOLOGY

In order to gather in-depth data on why, and how, leading insurance companies implement IT multisourcing, the authors conducted a cross-case study following the guidelines set down by Yin (2003), Miles and Huberman (1994), and Patton (2002). Case studies are used to investigate complex phenomena, such as IT multisourcing, and are an established research design for qualitative research in IS (Benbasat, Goldstein and Mead, 1987; Palvia, Pinjani and Sibley, 2007). In addition, explorative case studies are described as appropriate research methods for theory-building (Eisenhardt, 1989). In accordance with Eisenhardt (1989), who recommends using four to seven cases, the authors conducted a cross-case study of four leading insurance companies based in Europe. Three are primary insurance companies and among the top five primary insurance companies, based on operating profit in 2010. The fourth is a reinsurance company and is one of the two leading reinsurance companies based on terms of revenue and operating profit. All have implemented global IT multisourcing; yet, within different organizational contexts and with different approaches in implementation.

Levina and Su (2008) argue that financial services providers, such as banks and insurance companies, tend to be more proactive in outsourcing and offshoring, IT and business processes. In order to gather detailed information about their approaches, the authors conducted multiple interviews with senior managers of the insurance companies (Table 1).

<table>
<thead>
<tr>
<th>Case</th>
<th>Number of interviews</th>
<th>Total duration (hours)</th>
<th>Role of interviewee(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurer ONE</td>
<td>9</td>
<td>21</td>
<td>Multisourcing program / project manager, transition manager, vendor manager, multisourcing controller, captive center manager</td>
</tr>
<tr>
<td>Insurer TWO</td>
<td>2</td>
<td>5</td>
<td>Sourcing executive</td>
</tr>
<tr>
<td>Insurer THREE</td>
<td>5</td>
<td>8</td>
<td>CIO, sourcing executive</td>
</tr>
<tr>
<td>Insurer FOUR</td>
<td>3</td>
<td>6</td>
<td>CIO, senior sourcing governance manager</td>
</tr>
</tbody>
</table>

Table 1: Overview of case study interviews
The data collection process was carried out over a four-month period in 2011. Each interview lasted between two and three hours. The interview guidelines were based on expert interviews conducted in 2010, and comprised general questions on the insurance companies and the IT multisourcing approach applied, as well as specific questions on vendor selection, governance, and performance management in terms of IT multisourcing.

The authors applied cross-case analysis and traditional open coding (Corbin and Strauss, 1990; Miles and Huberman, 1994; Patton, 2002) with two additional independent researchers not present during the interviews. The qualitative data was organized along the questions of the interview guidelines. Answers from different interviewees were grouped together as suggested by Patton (2002). In order to identify coding categories, specific attention was given to the objectives, challenges, and key success factors of all four cases. In addition to the interview transcripts, the authors were granted access to key documents describing the IT multisourcing approach. This supplementary data enabled the use of triangulation (Denzin, 2009; Patton, 2002). The authors applied both triangulation of sources, and of analysts in order to ensure consistency (Patton, 2002). By triangulating the interview transcripts with supplementary key documents, the authors were able to triangulate sources. By using two additional independent researchers to review the transcripts and documents, analyst triangulation was utilized. For validation, the case study findings were presented by the authors during an expert workshop with sourcing practitioners (focus group approach). Additionally, two follow-up expert discussions further validated the findings.

OVERVIEW OF CASES

In this section, the authors give an overview on the four leading insurance companies that have been analyzed. The selected primary insurance companies (insurer ONE, TWO and THREE) are among the top five primary insurance companies based on operating profit for 2010 (Table 2).

<table>
<thead>
<tr>
<th>Case</th>
<th>Business segment</th>
<th>Revenues (EUR bn)</th>
<th>Operating profit (EUR bn)</th>
<th>Country presence (number)</th>
<th>IT multisourcing strategy</th>
<th>IT governance mode according to Sambamurthy and Zmud (1999)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurer ONE</td>
<td>Primary insurance</td>
<td>&gt;90</td>
<td>&gt;5</td>
<td>&gt;70</td>
<td>Since 2009</td>
<td>Moved recently from decentralized to federal</td>
</tr>
<tr>
<td>Insurer TWO</td>
<td>Primary insurance</td>
<td>&gt;90</td>
<td>&gt;5</td>
<td>&gt;50</td>
<td>Since 2007</td>
<td>Federal</td>
</tr>
<tr>
<td>Insurer THREE</td>
<td>Primary insurance</td>
<td>&gt;45</td>
<td>&gt;5</td>
<td>&gt;150</td>
<td>Since 2004</td>
<td>Federal</td>
</tr>
<tr>
<td>Insurer FOUR</td>
<td>Reinsurance</td>
<td>&gt;45</td>
<td>&gt;4</td>
<td>&gt;150</td>
<td>Since 2000</td>
<td>Centralized</td>
</tr>
</tbody>
</table>

Table 2: Overview of cases

The case of insurer FOUR describes one of the top two worldwide reinsurance companies based on both revenue and operating profit. Taking into account the limited number of large, global primary insurance companies, and the small number of truly global reinsurance companies, this sample selection represents the leading insurance companies and their IT multisourcing approaches.

In column six we indicate the year in which each insurance company introduced IT multisourcing. Insurer ONE started with ADM in 2009 and recently extended its multisourcing approach to infrastructure. Insurer TWO started in 2007 and currently refines its multisourcing approach. Insurer THREE approached IT multisourcing with a radical change of the sourcing strategy in 2004. In contrast, insurer FOUR adopted a step-by-step approach to IT multisourcing, and re-shaped the IT organization as early as 2000, whilst utilizing real IT multisourcing in 2005. Column seven represents the IT governance mode according to Sambamurthy and Zmud (1999). We distinguish between a centralized, decentralized, and federal governance mode. All three primary insurance companies follow a federal IT governance mode, while insurer ONE has just recently moved from a decentralized, to a federal mode. For all three primary insurance companies, this is based on many mergers and acquisitions that has characterized the insurance market during recent years. Insurer FOUR follows a centralized IT governance mode.

In order to characterize the different cases, we created a matrix applying the selected IS functions of Grover et al., (1996) to the IT multisourcing archetypes of Su and Levina (2011) (Table 3).
In this context, it is remarkable that the supplier relationships in the infrastructure IS function of all four insurance companies, though having different IT governance modes, can be characterized as concentrated partnerships. This encompasses a high “depth” of supplier relationship, while only dealing with a limited number of suppliers (low “breadth”). In contrast, the ADM IS function is more heterogeneous across the four cases. Insurers ONE and FOUR entered into diversified partnerships involving numerous suppliers (high “breadth”), requiring a high level of investment (high “depth”). Insurer ONE, for example, entered into strategic relationships with eight ADM service providers. Similarly, insurer THREE has an intensive relationship with a high level of “depth”, but restricts the number of suppliers to two (concentrated partnerships with a small number of suppliers; low “breadth”). Insurer TWO, in contrast, utilizes diversified transactions for the ADM IS function (low “depth”, high “breadth”). This is based on the high level of in-house responsibilities for ADM; only pure coding activities are sourced externally, whereas, requirements definition and all insurance business and application knowledge are retained internally.

All investigated insurance companies follow a business group structure according to Granovetter (1994) with a group center and numerous business entities (BE). Typically, a business group is characterized by a systematic delegation of duties between the group center and BE. The group center is associated with a minimum of common administrative, financial, and managerial coordination; whilst the BE focus on operational activities (Granovetter, 1994). In the context of IS, the group center “provides group-wide IT services and exerts some degree of central leadership and control of IT activities” (Hodgkinson, 1996, p.248). Those characteristics can be identified throughout the cases.

CASE ANALYSIS

The authors analyze the cases of the four leading insurance companies and aim to answer three research questions in this section. By identifying the objectives for multisourcing, the authors target research question one (RQ1), and by describing the major challenges and key success factors we intend to answer research questions two and three (RQ2, RQ3).

Objectives of IT multisourcing

As regards research question one, we identified four major objectives as to why insurance companies pursue IT multisourcing. The investigated companies follow an IT multisourcing approach in order to: (1) reduce factor costs and optimize the overall cost structure, (2) increase organizational flexibility and scalability of services, (3) facilitate access to specialized resources and know-how, and (4) generate added value through improved quality of services. This is very much in line with the existing literature on the objectives of IT multisourcing, which describes flexibility and quality, as well as increased competition between the suppliers. As a consequence, an IT multisourcing strategy allows for risk mitigation and cost reduction (Bapna et al., 2010; Cross, 1995; Lacity and Willcocks, 1998; Levine and Su, 2008; McMillan, 1990; Porter, 1985; Richardson, 1993).

All case study participants indicate consensus that cost reduction is an important driver of IT multisourcing, accompanied by optimizing the overall cost structure. For example, one interviewee stated:

[…] By utilizing IT multisourcing we move fixed costs to variable costs. By doing so, we aim to buy IT infrastructure in units from best-of-breed supplies […]
Through the possibility to acquire for example, IT infrastructure units on-demand, an organization increases its flexibility and provides the basis for scalability of IT services. This in turn, enables the business to pursue growth strategies through both new business, and by merger and acquisitions, as another insurance company stated:

[…] Our IT multisourcing strategy is aligned with our business strategy of growth and enables the business to achieve respective goals through flexible and scalable IT services […]

Moreover, we also subsume under the objective “flexibility and scalability” accelerating the time-to-market of applications and insurance products. According to the research participants, flexibility also implies the freedom of business entities to choose from a pre-defined list of preferred suppliers in order to cope, e.g., with local market specifics. It further mitigates the risk of a lock-in effect with one single supplier, and thereby prevents the occurrence of a dominant supplier.

Furthermore, flexibility in combination with access to specialized resources and know-how (e.g., for the claims process) reduces the time-to-market of applications by picking specialized providers, and thereby enabling the business site of an insurance company to provide products more rapidly (primary insurance), or to be more customized (reinsurance). One participant acknowledged:

[…] With ADM multisourcing, we ensure to get the best knowledgeable people of the suppliers for dedicated ADM areas […]

Besides issues of cost, flexibility and know-how, the case study participants implement IT multisourcing in order to add value through the improved quality of services. According to the four insurance companies, the respective multisourcing suppliers are able to help the insurance companies to improve their service quality by the advanced maturity and knowledge of the suppliers, with regard to the methods and processes as well as by the expertise and skills of suppliers’ staff.

Seven challenges to overcome

In this section the authors highlight seven challenges derived from the four cases in the insurance industry. Table 4 illustrates the challenges and respective cases.

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Insurer ONE</th>
<th>Insurer TWO</th>
<th>Insurer THREE</th>
<th>Insurer FOUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change resistance</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Operational adjustments</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Retained organization</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Estimation issues</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Sourcing experience</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Integrated governance</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Vendor selection</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 4: Challenges and respective cases

The internal change resistance (1) is one of the most significant challenges to overcome in order to successfully implement IT multisourcing. Internal change resistance, due to uncertainty of their own position in the future, or to a different interpretation of the new strategy, can inhibit commitment to, and acceptance of such an approach. All research study participants are confronted with resistance either at the management level or the employee level. The implementation of multisourcing is in general accompanied by operational adjustments to new requirements (2). The client company must meet the challenge of adjustments to processes in order to collaborate with multiple suppliers. Typically, the multisourcing of application development to offshore locations results in modified working mechanisms for both the client company and the multiple suppliers. The challenges of internal change resistance and of operational adjustments are relevant for all research study participants. The following five challenges were mentioned by at least half of the research study participants.

Besides the adjustment of processes, the research study indicates that the shaping of the retained organizational structure (3) is another challenge. It seems to be challenging for a large company to create an organizational structure that copes with the
complexity of multiple suppliers. Additionally, the required time and effort for the management of numerous suppliers is likely to be underestimated (4). Companies need to meet the challenge of adjusting their management resources from internal service delivery, or dyadic outsourcing relationships to multiple client-supplier relationships. A fifth challenge relates to the demand for a certain experience and maturity level of the client organization (5). The level of maturity has a direct impact on the time and effort required to manage multiple suppliers and the risk of selecting a wrong supplier. The introduction and execution of integrated multisourcing governance (6) is the sixth identified challenge. The research study participants indicate that integrated multisourcing governance, including tracking suppliers, and internal governance aspects in a federal organization is a hurdle to overcome. The selection of appropriate multisourcing suppliers (7) is the last major challenge identified by the research study. Insurance companies need to take and mitigate the risk of choosing a wrong partner, and not being able to collaborate as intended.

### Seven key success factors

This section provides an overview of seven key success factors of implementing IT multisourcing as indicated by the case study participants (Table 5). All study participants noted three drivers in particular, which are of utmost importance in ensuring the success of multisourcing. One notable success factor is the establishment and composition of a central multisourcing instance (1) that is in charge of coordination across the insurance company. Two decisive factors in the composition of such a central instance are the diversity of the team and the skills of the members. A multisourcing team should be interdisciplinary and characterized by internationality. Moreover, the interviewed managers indicated that the methodic and strategic skills of the multisourcing team members are important in guaranteeing the success of this approach.

#### Key success factors

<table>
<thead>
<tr>
<th>Key success factors</th>
<th>Insurer ONE</th>
<th>Insurer TWO</th>
<th>Insurer THREE</th>
<th>Insurer FOUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multisourcing instance</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Stakeholder involvement</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>IT/ sourcing governance</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Proactive change management</td>
<td>X</td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Vendor management</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Rollout</td>
<td>X</td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Transparency</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

Table 5: Key success factors and respective cases

The involvement of all key stakeholders (2), which includes internal and external stakeholders, is another important factor. The best approach involves stakeholders at an early stage of multisourcing, e.g., at the stage of strategy definition or supplier selection. The third key success factor confirmed by all research study participants, is the alignment of (internal) IT and (external) sourcing governance (3). In terms of sourcing governance, it is both important to govern the suppliers on a daily basis (operational level) and a strategic level, as indicated by the participants.

The four following key success factors were mentioned by at least half of the research study participants. For three of the four participating insurance companies, it is decisive for the success of multisourcing to manage change proactively (4), and to foster active collaboration and establish clear communication with all multisourcing suppliers (5). A proactive change management satisfies the new organizational requirements, adjusts the employee structure, and addresses the resistance to change posed by the management and the employees. Additionally, the supplier relationship must be managed proactively by clear communication, a central multisourcing instance, and a common course of action. A sixth success factor, as identified in the case study, is the elaboration of a systematic multisourcing rollout (6). A research study participant described a systematic rollout as a step-by-step process comprising clearly defined and achievable tasks. In contrast to one case study participant that applied a “big bang” approach, the step-by-step process aims to minimize change resistance. Finally, successful multisourcing initiatives depend on professional and transparent processes (7). In this context, transparency in the supplier selection criteria, in the supplier selection process, and in the contractual agreements is necessary. Furthermore, it should involve all affected departments of the company at a very early stage.
DISCUSSION AND CONCLUSION

This article presents selected findings of a larger research project. These findings seem promising as the cases encompass a relevant set of leading insurance companies and the data is rich in detail. Our research is in response to the assertion by Bapna et al., (2010) that the linear extension of dyadic IT outsourcing relationships is insufficient in the context of multisourcing. We aim to extend the current literature on IT outsourcing by describing the objectives, challenges, and key success factors observed in a multiple case study in the insurance industry.

The four identified objectives (cost reduction, flexibility, access to resources/ know-how, and quality) confirm the research of Su and Levina (2011) who identified key drivers for IT multisourcing in the IS and manufacturing literature from an empirical perspective. Beyond the scope of IT, those multisourcing objectives are also in line with business initiatives to cope with overall insurance business challenges, such as price competition, or mergers and acquisitions. For example, the multisourcing objective cost reduction supports the business initiatives that tackle the increasing price competition. Another example is flexibility through scalable IT services that enable the business to grow by for instance, mergers and acquisitions or by divesting business entities that are not profitable.

With regard to the challenges and key success factors of implementing multisourcing some are rather generic, such as change resistance, estimation issues and governance (challenges), or stakeholder involvement, proactive change management and transparency (key success factors). However, some challenges and key success factors seem to be more specific in the context of IT multisourcing. In terms of challenges, operational adjustments are referring to processes while the retained organization is concerned with people. In a broader context, both can be illustrated as the multisourcing maturity indicating the level of an organization to utilize and collaborate with multiple suppliers. In terms of key success factors, a central multisourcing instance seems to be advantageous in two aspects. Internally, this instance coordinates and bundles the sourcing activities across the group in order to ensure economies of scope. Externally, it communicates with the multiple suppliers and ensures alignment amongst them, for example by standardizing processes and collaboration methods. In comparison to dyadic IT outsourcing relationships, governance and vendor management proves to be more complex with multiple suppliers, according to case study participants. In addition, the prevailing business group structure adds another dimension to be considered whilst considering the bigger picture (business group level).

We concede that this research study has certain limitations. The analysis is based on only four case studies in the insurance industry. Nevertheless, the authors were able to conduct at least two interviews with each insurance company and cover three of the top five primary insurers based on operating profits. In the case of insurer ONE, the authors had the opportunity to observe the implementation of IT multisourcing over several months, and to gain in-depth insights into the chosen approach and related challenges and drivers (Golden-Biddle and Locke, 2007). The analyzed cases focus mainly on IT multisourcing. Business processes however, have been scarcely subject to sourcing considerations. In order to extend this research strand, the researchers suggest including different industries, as well as business processes to reflect the findings of this study.

Beyond the theoretical contribution to “why”, and “how”, insurance companies implement IT multisourcing, this research study also provides contributions to practitioners. Due to a close collaboration with four leading insurance companies that have already implemented IT multisourcing, this study reveals detailed insights into real-life examples of IT multisourcing. Thereby, it can support practitioners and other organizations facing similar challenges when implementing an IT multisourcing approach.

In the context of implementing IT multisourcing and based on these findings, future research should target governance and performance management aspects of IT multisourcing in order to develop this research strand further. Our intended research efforts will target both IT governance and sourcing governance aspects of IT multisourcing. A deeper investigation will follow in the area of vendor selection criteria of IT multisourcing, in order to assess differences in single versus multisourcing vendor selection.

ACKNOWLEDGMENTS

The authors would like to thank all corporations who supported this research study. Furthermore, we would like to thank Michael Zaech and Stephanie Lingemann for their support as well as the track chair, the mini-track chair and the anonymous reviewers for the valuable feedback.
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