Mechanisms to Implement a Global Multisourcing Strategy

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Abstract. Many multinational enterprises apply multisourcing approaches and both practitioner-related and scholarly literature has identified multisourcing as an emerging key strategy. Multisourcing is described as the blending of services from multiple company-internal and company-external suppliers. Despite its relevance, current literature lacks depth in terms of implementing multisourcing and only a few articles describe multisourcing strategies in detail. Especially, multisourcing in a group-context is scarcely covered. This research study contributes to the body of knowledge by analyzing the case of a worldwide leading financial services provider. This article describes mechanisms that support the implementation of a global multisourcing strategy at a business group with a federal IT organization and provides insights into a real-life example of global multisourcing. Propositions on governance aspects for multisourcing are derived and a split of activities between the group center and the business entities is suggested. In particular, the organizational setup of a business group – with the numerous business entities and the federal governance model – determines the multisourcing strategy and the split of activities. Hence, this research also helps practitioners facing similar challenges.

Keywords: Global multisourcing strategy, IT outsourcing, offshoring, financial services provider, single case study.

1 Introduction

In recent times, it can be observed that IT outsourcing mega-deals – outsourcing deals with a volume greater than one billion USD – under a sole-sourcing approach are less frequent and companies have moved to a more selective outsourcing approach applying multisourcing strategies. The sourcing advisory firm TPI found that during the last years, whilst mega-deals have decreased both in size and prevalence, the number of outsourcing deals signed has increased [1]. Multisourcing has been identified as an emerging key strategy in today's IT outsourcing endeavors by both practitioner-related as well as scholarly literature [2,3,4,5,6,7,8]. Multisourcing is the blending of services from multiple company-internal and company-external suppliers [4]. The main drivers for the emergence

of multisourcing strategies are companies' increased needs for cost efficiency, flexibility, and quality in a dynamic and global business environment [5]. Companies face both opportunities and threats while applying multisourcing. On the one hand, companies, who are engaged in multisourcing, gain flexibility and quality, ensure access to specialized expertise and capabilities, foster the competition between the suppliers, mitigate strategic and operational risks and reduce costs [3,5,8,9,10,11,12,13]. But on the other hand, multisourcing may require adoption in the operational model and sets high prerequisites for managerial capabilities [4,5,14]. Moreover, Bapna et al. (2010) claim an increase in cooperation and coordination requirements due to the interdependence between the suppliers in multisourcing compared to single sourcing [3].

Dibbern et al. (2004) identify five major issues of IT outsourcing: (1) why to outsource, (2) what to outsource, (3) which decision process to take, (4) how to implement the sourcing decision, and (5) what is the outcome of the sourcing decision [15]. While the first three questions have been addressed intensively by researchers, the implementation process and the sourcing outcome require further research. Within the fourth area the larger part of IT outsourcing studies have addressed dyadic relationships and little experience-based research has investigated how multisourcing is implemented in large, multinational organizations. Bapna et al. (2010) stress in this context that "linear extensions of dyadic client-vendor IT outsourcing relationships are insufficient to capture the nuances of the multisourced environment" [3]. In addition, organizational aspects such as the group-context or the interplay between company-internal and company-external suppliers have been scarcely covered. Thereby, the group-context describes the organizational form of a business group that encompasses a systematic delegation of duties between the group center and the business entities [16,17]. The purpose of this study is to increase the understanding of how business groups implement multisourcing. Therefore, we have defined one major research question:

[RQ] Which mechanisms support the implementation of multisourcing in a business group?

To answer this research question, we conducted a qualitative single case study to investigate multisourcing at a leading, global financial services provider – in the following organization A. Financial services providers have been in the forefront of outsourcing and offshoring both IT and business processes [5]. This study contributes to research on global multisourcing in three ways. First, it illustrates an extreme and unique case of multisourcing at a financial services provider; second, it reveals mechanisms that support the implementation of multisourcing; and, third, it suggests propositions on governance and sourcing strategy related aspects. This research is also expected to help other organizations facing similar challenges.

The remainder of this paper consists of six sections. The next section provides an overview of fundamental terms. Section three outlines the research method. Section four presents the multisourcing journey of organization A. Section five reveals the main case study findings. In section six we discuss the findings before we conclude in the final section seven.

2   Foundation and Related Research

For a field of research it is important to have a common understanding of basic terms. For this reason, definitions of key terms should be provided [18]. Based on a literature review, we provide an overview about key terms applied in this study.

### 2.1   The Evolution of the Term Multisourcing

The initial point for the overview on definitions of the term *multisourcing* was set by a practitioner book by Linda Cohen and Allie Young that received great attention during the last years [19]. Additional definitions – explicitly or implicitly – derived for the term multisourcing can be located in the management, information systems (IS) and operations management (OM) literature. Porter (1985) was one of the first authors who implicitly defined multisourcing by describing the competition between suppliers that fosters performance and reduces costs [9]. Sourcing strategies have a long track record in the OM literature; e.g. Treleven and Schweikhart (1988) described multisourcing explicitly in the late 1980's [20]. With IT outsourcing gaining momentum in the 1990's the IS literature has been dealing increasingly with multisourcing ideas. In a recent research study Su and Levina (2011) transfer knowledge of the manufacturing domain with multisourcing to IT outsourcing [8]. Lately, practitioner literature – e.g. provided by the IT research and advisory company Gartner – is expanding the concept to both business and IT services [4]. There seems to be an evolution in the definition of the term multisourcing developing from a management (see, inter alia, [9]) and OM (see, inter alia, [20]) to an IS perspective (see, inter alia, [13]) and finally covering both IT as well as business services (see, inter alia, [4]). Table 1 illustrates relevant definitions of the term multisourcing.

While the basic concept of multiple suppliers is not new [9] and focuses on economies of scale, the multisourcing concept – focusing on services rather than on goods – is beyond the scope of economies of scale mainly concerned with relationships [5]. For this study we apply the definition of Cohen and Young (2006) as suggested by other authors (please see, inter alia, [5]) that describes multisourcing as "the disciplined provisioning and blending of business and IT services from the optimal set of internal and external suppliers in the pursuit of business goals" and is very well in line with other recent definitions (please refer to Table 1) [4].

Table 1. Overview of multisourcing definitions

| Year	Author(s)	Definition
2010	Bapna, Barua, Mani and Mehra [3]	[...] the practice of stitching together best-of-breed IT services from multiple, geographically dispersed providers [...]
2009	Janischowsky and Schonenbach [6]	[...] optimizing business, information technology and infrastructure services across external suppliers and internal departments / companies [...]
2006	Cohen and Young [4]	[...] the disciplined provisioning and blending of business and IT services from the optimal set of internal and external suppliers in the pursuit of business goals [...]
2005	Cullen, Seddon and Willcocks [21]	[...] several suppliers are contracted under one contract without a lead supplier [...]
2002	Carmel and Agarwal [22]	[...] longer-term, deeper relationships with a small number of suppliers [...]
1999	Gallivan and Oh [23]	[...] a one-to-many relationship indicates that one client uses multiple outsourcing suppliers to achieve its objectives [...]
1998	Currie [24]	[...] a company signs outsourcing contracts with more than one IT supplier [...]
1998	Currie and Willcocks [25]	[...] a strategy that intends to create an alliance of suppliers who compete with each other [...]
1998	Lacity and Willcocks [13]	[...] one outsourcing contract but multiple suppliers of services [...]
1995	Cross [12]	[...] buy IT services from multiple suppliers and have the pieces delivered as if they came from a single supplier [...]
1988	Treleven and Schweikhart [20]	[...] multiple sourcing refers to a vendee purchasing an identical part from two or more suppliers [...]
1985	Porter [9]	[...] keep the number of sources sufficient to ensure competition [...]

The multisourcing definition covers an optimal set of company-internal and company-external suppliers that are frequently referred to as geographically disperse [3] encompassing both domestic and offshore service delivery [4,5]. While referring to the four major sourcing options of the make-buy matrix as described by Oshri (2011) any combination (Cohen and Young are referring to as the "optimal set") would be possible [26]. In the extreme, a client company applies all four options.
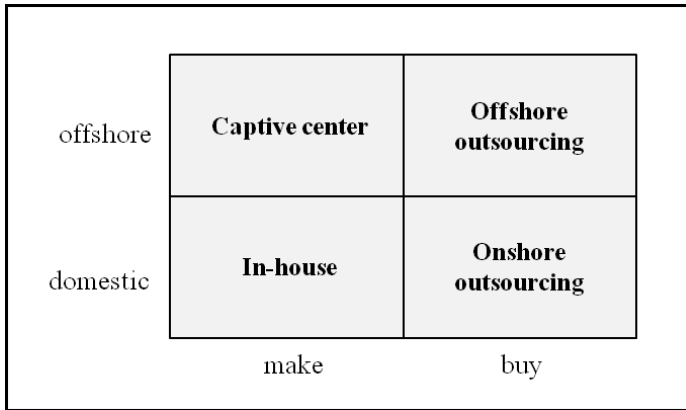
Fig. 1. Sourcing options in the make-buy matrix (according to Oshri (2011) [26])

2.2 Organizational Perspective: Business Groups

For the term *business group* a wide range of definitions exists in scientific literature [16,17,27,28,29,30,31]. Granovetter (1995) considers as business groups "those collection of firms bound together in some formal and/or informal ways, characterized by an intermediate level of binding" [17]. For our research study we follow the suggestion by Granovetter (1994) that also encompasses management
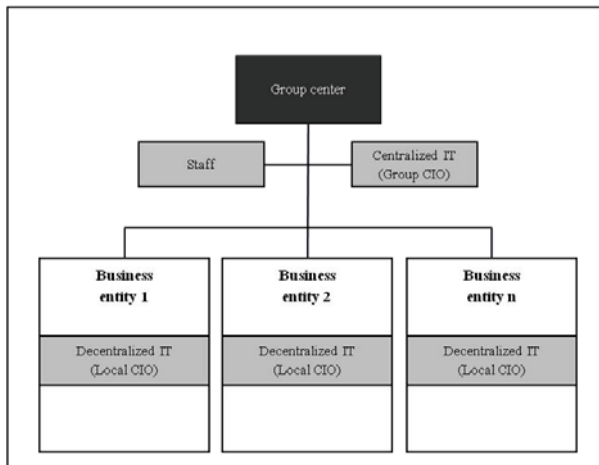
Fig. 2. Illustration of a business group (based on Janssen and Joha (2006)[34])

holdings in which a parent company "confines itself to strategy and finance, and owns operational subsidiaries that are legally separate" [16]. Business groups combine e.g., the advantages of smaller, local companies like flexibility and customer orientation with those of large companies like market presence and power as well as economies of scale [17,32,33].

While referring to Figure 2 (adopted from Janssen and Joha (2006)[34]), a business group can also be described by a systematic delegation of duties between the parent company (also referred to as group center, head office, center, holding, corporate function) and the subsidiaries (also referred to as business entities, business units, daughter company) [16,17,27,28,29,30,31,33]. In our study we apply the terms group center for the parent company and business entity for a subsidiary. The group center typically assumes at a minimum common administrative, financial and managerial coordination. Goold and Campbell (1987) developed a framework on corporate strategic management styles that provides a description of the value a group center can add to the whole group [35]. Three different styles are distinguished in the Goold and Campbell framework: strategic planning, strategic control, and financial control.

2.3   Multisourcing in a Group-Context

Zmud et al. (1986) applied the business group concept to the IT function, whereupon an IT function comprises a federation of several roles, found at the group center and at business entity level [36]. Frequently, a federal governance model is ascertained with the IT function in business groups [37,38,39]. Weill (2004) defines the federal model "as coordinated decision making involving both a center and its business units" and Handy (1992) emphasizes that responsibilities and accountabilities of multiple governing bodies span at least two hierarchical tiers [40,41]. Hodgkinson (1996) identifies four major areas of strategic IT management roles that can be found in a group center: formulation of the group-wide IT strategy and policy, strategic control, functional leadership, and promotion of synergies [38]. Further, Hodgkinson (1996) argues that the extent to which a role is exercised by the group center depends on the management style [38]. Based on the Goold and Campbell framework, Hodgkinson (1996) defines two federal IT management styles: the strategic leadership style and the strategic guidance style [38].

Lacity and Willcocks (2001) identify six phases that characterize the IT outsourcing life cycle: scoping, evaluation, negotiation, transition, middle, and mature phase [42]. In order to implement multisourcing successfully, management and governance related aspects are of vast importance [15,43,44,45]. In this context, certain mechanisms are used to implement and deploy IT governance into organizations [46]. According to Peterson (2004) three types of IT governance mechanisms exist and support the implementation: structures, processes, and

relational mechanism [46]. This is very much in line with the mechanisms described by Weill and Ross (2005): decision-making structures, alignment processes, and formal communications [47].

3   Research Method

In order to identify our research focus we conducted expert interviews with IT sourcing managers of seven multinational enterprises and thereby validated the relevance of our research idea. The identified areas of interest built the basis for our research question and the in-depth case study with organization A. In order to answer the research question a holistic single case study [48] was designed to examine the global multisourcing approach of organization A. Case studies facilitate a better understanding of complex phenomena and are preferably better research designs for qualitative research within the field of IS [49,50]. An explorative and qualitative case study research method is appropriate for theory-building [51,52,53]. Organization A was selected because of its complex situation and the enormous number of business entities in the context of its business group structure as well as the extensive, group-wide multisourcing approach. The situation at organization A can be described as an extreme and unique case because it represents a rare situation, where a single case is worth documenting it [48]. Furthermore, since the researchers had the chance to establish close relationships with key stakeholders at organization A [54] and were granted access to key documents the case can be characterized as revelatory because it was previously inaccessible to scientific investigation [48]. Yin (2003) further suggests that single case studies are appropriate if the objective of the research is to explore a previously un-researched area and that a full and rich description of a rare phenomenon contributes to knowledge [48]. In order to gather detailed information on multisourcing at organization A multiple in-depth interviews with representatives of organization A, the captive center of organization A, the preferred external suppliers, and the management consultants supporting organization A with the development of the multisourcing strategy have been conducted (please refer to Table 2).

The data collection process was commenced over a four month period in spring 2010. Each in-depth interview lasted between one and two hours. The interview guidelines for the semi-structured interviews were based on the expert interviews conducted before the single case study and covered the multisourcing approach chosen with a special focus on the group-context as well as the implementation. This encompassed e.g., the objectives of organization A, the sourcing dimensions, the contractual framework, levers of implementation, and governance and performance management related aspects.

Table 2. Overview interview partners

No.	Role	Affiliation	Responsibility
1	Program manager	Group center of organization A	Overall program responsibility
2	Project manager	Group center of organization A	Project responsibility
3	Transition manager A	Group center of organization A	Transition to business entities
4	Transition manager B	Group center of organization A	Transition to business entities
5	Transition manager C	Group center of organization A	Transition to business entities
6	Supplier relationship manager	Group center of organization A	Supplier management, contract management and deals tracking
7	Multisourcing financial controller	Group center of organization A	Financial and multisourcing controlling
8	External supplier representative A	Preferred external supplier	Management of relationship with organization A
9	External supplier representative B	Preferred external supplier	Management of relationship with organization A
10	External supplier representative C	Preferred external supplier	Management of relationship with organization A
11	Representative of organization A's captive	Captive center of organization A	Management of relationship with organization A
12	Multisourcing manager of leading business entity	Large business entity of organization A	Implementation of multisourcing at business entity
13	Management consultant	External management consulting firm	Support for strategy development

For data collection and analysis, guidelines suggested by grounded theory [55] were followed. On the one hand, we intertwined data collection and analysis by evolving the interview guidelines based on previous interviews (theoretical sampling). And, on the other hand, we proceeded with interviews until we reached theoretical saturation. For data analysis we used an open coding approach [56]. All interviews have been transcribed and subsequently challenged in an iterative process between the researchers and the interview partners. The interview transcripts have been analyzed to extract mechanisms that support the implementation of multisourcing. Besides the semi-structured interviews, internal documents of organization A (please refer to Table 3) were examined and the data have been triangulated with the findings from the case study [57,58]. In order to validate our case study findings we presented and discussed them during an expert workshop with sourcing practitioners and IT management consultants. Additionally we performed three follow-up expert discussions to validate selected aspects of our findings.

Table 3. Overview key documents

| No.	Type of material	Purpose	Exemplary content
1	Strategic documents	Development of multisourcing strategy	Multisourcing approach of organization A
2	Contractual framework	Comprehensive legal framework on group-level as well as coverage of local laws and regulations on business entity-level	Individual contracts on three levels (group, business entity, and project) with respective external suppliers
3	Transition documents	Support of local implementation	Multisourcing approach, contractual framework, best-practice sharing, etc.
4	Board reports	Top management reporting	Periodical reporting of a few agreed strategic KPIs to steer the initiative
5	Deals reports	Tracking of signed deals and deals under negotiation	Number and size of deals
6	Performance and supplier relationship management reports	Monitoring of the external suppliers	Periodical reporting of operational KPIs and supplier performance
7	General documents on organization A	Identify context parameters of research subject	Historical development, organizational charts, governance bodies, strategy process

4   Case Description

In this section we describe the general setup of organization A as well as organization A's journey towards multisourcing.

4.1   General Setup of Organization A

Organization A is one of the leading financial services providers worldwide. It serves more than 75 million clients in about 70 countries and is active in the insurance, banking, and asset management business. Organization A is a multinational enterprise with a group center and more than 100 business entities. It can be described best as a business group with a group center and legally independent business entities where the group center does not assume any operational responsibility but rather manages the group. In the IT function, organization A can be characterized through a more decentralized form of organization with both a Group Chief Information Officer (Group CIO) and local CIOs at business entity level and a federal model in regards of IT governance. This is e.g. reflected in an IT committee that is headed by the Group CIO and encompasses local CIOs of the main business entities.

4.2   Organization A's Journey towards Multisourcing

Up to two years ago, organization A had neither a coherent, group-wide sourcing strategy in the IT function, nor a high degree of offshoring. The supplier base was largely unconsolidated and the costs were not competitive with best-in-class market players. Organization A therefore developed a global sourcing strategy in order to achieve three objectives. First, reduce factor costs; second, increase service quality; and, third, reduce complexity in the application landscape. These aims were to be achieved by leveraging organization A's own offshore center and by consolidating the remaining sourcing activities to a few preferred external suppliers with whom organization A entered into a strategic relationship. Figure 3 illustrates the journey of organization A towards multisourcing by increasing the offshore activities and by consolidating the heterogeneous external supplier base to a few preferred external suppliers with a strong emphasis on offshore service delivery (size of boxes indicates volume). The multisourcing approach of organization A encompasses all four sourcing options of the make-buy matrix of Oshri (2011) and thus builds an extreme case of multisourcing [26].
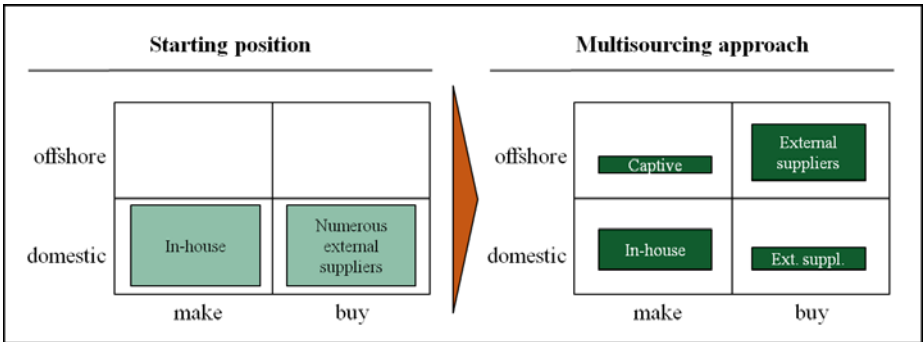
Fig. 3. Journey towards multisourcing (based on Oshri (2011)[26])

In a first step organization A focused its multisourcing strategy on application development and application maintenance services in order to create an early success case and to subsequently roll out the concept to other domains such as further IT functions and business processes.

The development of the multisourcing concept at organization A has been driven by a central multisourcing team at the group center and was rolled-out in several waves to the business entities. The business entities' CIOs were responsible for implementing the multisourcing concept at business entity level. The central multisourcing team supported the local CIOs with the implementation.

The strategic relationship with a few preferred external suppliers encompassed a contractual framework that comprises:

- The multisourcing master service agreement (MMSA) at group level
- The multisourcing business entity specific service agreement (MBSA) at business entity level
- The multisourcing project specific service agreement (MPSA) at project level

Figure 4 illustrates the contractual framework with its components based on three levels and the involved parties. The MMSA is a comprehensive legal framework covering the global strategic relationship between organization A as a group and each of the preferred external suppliers (group level). Each individual business entity enters into a MBSA with the respective local subsidiary of the preferred external suppliers. This aims to cover local laws and regulations (e.g., country specific laws) at a business entity level. For each project a MPSA is signed between the business entity and the respective subsidiary of the preferred external supplier. The MPSA is strictly project related and does not cover legal topics.
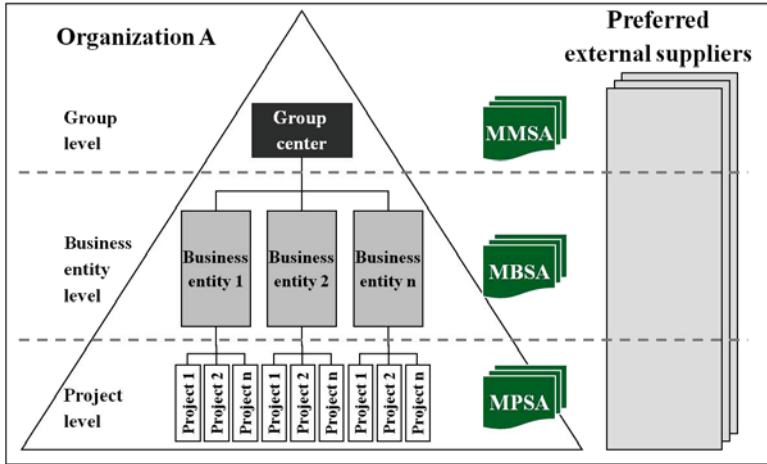

Fig. 4. Contractual framework

5   Case Analysis

We have analyzed the case of organization A and identified six mechanisms that are applied in order to support the implementation of global multisourcing in a business group along the outsourcing life cycle. Thereby we aim to answer our main research question:

[RQ] Which mechanisms support the implementation of multisourcing in a business group?

The six mechanisms that we identified are opportunity assessment, supplier preselection, contractual framework, captive center development, transition to business entities, and governance instruments. The mechanisms follow the phases of the IT outsourcing life cycle as suggested by Lacity and Willcocks (2001)[42].

– *Opportunity assessment:* Usually, the opportunity assessment builds the starting point of a multisourcing strategy and aims to identify core IT capabilities to remain internal and IT activities for potential outsourcing by applying business, economic and technical criteria [42]. Based on the given organizational structure, the current sourcing environment, the business strategy, and best-in-class benchmarks in terms of prices, process standardization, and quality, organization A quantified their multisourcing objectives. Therefore, organization A performed a broad benchmarking initiative with an external consulting company. In addition, a global business case was calculated and localized for each individual business entity. In general, a business case builds the financial baseline, gives orientation for future development, and is used to identify business entities that are suitable for multisourcing. Furthermore, a balanced set of key performance indicators (KPIs) in conjunction with the business case is recommended to be used to monitor and analyze the implementation ex-post on a strategic (group-wide) and operational (business entity) level.

– *Supplier pre-selection:* In order to derive a list of preferred suppliers a vendor selection process has to be initiated. It usually starts with a request for information (RFI) that is followed by a request for proposal (RFP) and results in a list of preferred suppliers with whom the client will enter into contractual agreements [42]. The due diligence of organization A was accomplished by the group center involving some of the business entities in a joined process of evaluation. A cross-functional team of purchasing, legal, sourcing, business, and IT specialists prepared and issued the RFP as well as evaluated the responses of the potential suppliers. Within the evaluation model of organization A monetary aspects build a major criterion in the supplier pre-selection since one of the most relevant objectives of organization A was to achieve factor cost savings by leveraging the company's own captive offshore center and by consolidating the remaining sourcing activities to a few strategic external suppliers with strong offshore delivery capabilities. However, not only monetary aspects were taken into account at organization A, but also soft facts played an important role. Execution quality, ability for process standardization, a global footprint, strong offshore delivery capabilities of the potential suppliers, and the track record with organization A as well as with comparable organizations were important dimensions in the supplier pre-selection. Above this, one should consider potential value add brought in by suppliers, improvements in time-to-market, and scalability [59,60,61]. Since multisourcing is also characterized by interdependencies of suppliers [3] we further recommend to evaluate and select the potential suppliers based on their willingness and capability to cooperate with each other.

– *Contractual framework:* Some researchers place emphasis on the important role of framework agreements in multisourcing (see, inter alia, [12,25]). In accordance with these we have also observed that the contractual framework builds the central piece of global multisourcing at organization A. As described above, it comprises contracts on three levels: group, business entity and project. Accordingly, three major types of documents have been established: the MMSA

on group level, MBSA at business entity level and the MPSA at project level. Within the contractual framework, supplier specific rate cards have been negotiated for each country where organization A is represented with business entities. Thereby, organization A bundles sourcing activities and participates in economies of scale. Additionally, organization A and the suppliers agreed on pre-defined standard skill pyramids that build the basis for the staffing of each project. Therefore, all parties established a standard project process model that was agreed on by each party and is applied for all projects. As a result, the duration of project-specific RFPs could be reduced. Furthermore, the efforts that have to be invested into the agreement on the project process as well as legal and commercial conditions could be reduced substantially. As for the supplier pre-selection an interdisciplinary team consisting of experts in the areas of purchasing, legal, sourcing, business, and IT collaborated in order to implement this holistic contractual framework.

– *Captive center development:* As widely applied in the financial services industry [26] a captive center was one major lever to achieve the defined multisourcing objectives in the sourcing strategy of organization A. Originally, this internal service supplier, located in India, was a subsidiary of one of the business entities. At this time the services were only provided to the parent business entity. While implementing global multisourcing, the services were also offered to all other business entities within the group. The decision for a captive center in addition to external suppliers is based on the fact that organization A aimed to retain key knowledge and core applications internally. In addition, an internal supplier allows for more vertical control [34,62]. However, the challenges related with the development of a captive offshore center are numerous. First, some business entities feared to offshore work to India because of the possible loss of knowledge. Second, the cultural differences appeared to some business entities as another hurdle, e.g. in terms of communication. And, third, the captive offshore center faced enormous competition for talents in India. It was difficult to hire and retain skilled people. According to Oshri (2011) captive centers follow a life cycle with four stages that consist of start-up, value-addition, competence accumulation, and third-party services [26]. The captive center at organization A is currently moving towards the second stage.

– *Transition to business entities:* In the transition phase the contract details are dispensed in the group and post-contract management processes are established [42]. The multisourcing concept at organization A was rolled out to the globally distributed business entities in several waves. It can be observed that two layers of transition were of importance: the strategic and the operational layer. On the strategic layer, aspects related to governance as well as to performance are covered. Organization A decided for low central multisourcing governance. This is based on the federal organizational model. In terms of performance management, a few group-wide agreed KPIs have been selected to steer the multisourcing approach. On the operational layer, the central multisourcing team at the group center supported the business entities with the

implementation on business entity level. Therefore, a number of workshops were organized in order to provide details about the contractual framework as well as governance instruments and performance management.

– *Governance instruments:* Governance is deployed into an organization by applying various governance instruments on a day-by-day basis [46,47]. We ascertained a set of governance instruments that aim to safeguard the implementation of multisourcing in a business group both while deploying multisourcing and also during later phases (middle and mature phase) of the IT outsourcing life cycle [42]. The governance instruments encountered cover two relationship-dimensions: a company-internal dimension that targets the relationship between the group center and the business entities and a supplier-related dimension that focuses on the relationship between the client organization and the multiple external suppliers.

Table 4. Governance instruments

Relationship dimension	Instruments
Company-internal	Business entity sourcing plan, group-wide and business entity specific multisourcing business case, multisourcing deals tracking, multisourcing maturity model, CIO committee reporting, multisourcing specific KPIs in financial IT reporting
Supplier-related	Regular supplier meetings, customer satisfaction survey, operational multisourcing KPIs

We could deduct four major areas that are covered by the instruments: baselining and forecasting sourcing opportunities, implementation progress monitoring, management reporting, and supplier management. The first three areas are related to the company-internal relationship dimension and the latter to the supplier-related relationship dimension. In case of the captive center all four areas apply since the captive center is on the one hand an internal business entity and on the other hand comparable to the external suppliers. Table 4 gives an overview of the identified instruments and the allied dimensions. Moreover, we observed that the point of time to define and adjust respectively agree upon governance instruments with all involved stakeholders is crucial. The case of organization A suggests that the definition of governance instruments – in particular the supplier-related once – ideally takes place before issuing the RFP in order to cover governance instruments already in the RFP phase and to contractually agree on them during contract negotiations.

6   Discussion

While there is a growing body of literature on outsourcing and offshoring, there is hardly any account on the implementation of multisourcing in a business group. In addition, in-depth case studies are scarcely published in this research area (see, inter alia, [8,24,25]). This in turn classifies the case study an important finding

itself. With this article, we provide not only insights into a real-life example of one of the worldwide leading financial services providers implementing global multisourcing, we also reveal mechanisms that are applied to safeguard the implementation. Based on our findings, we could further deploy propositions in three major areas:

– *Governance:* Organization A has chosen a low central governance approach based on the federal organizational model. This inherits that no strict central governance rules have been put into place and that the group center does not assume the authority to force the business entities to implement the global multisourcing approach. Thus, according to our interview partners, the global multisourcing strategy did not exploit its full potential. Therefore we propose that *clear governance rules should be in place before the implementation.* This proposition is supported by one of our follow-up discussions with sourcing experts. The expert summarizes it as follows:

> *It is important to define multisourcing governance. Yet, the point of time is crucial. I [the expert] recommend defining the governance even before the RFP is issued. However, I [the expert] observe that many companies define it in a later phase which is one major reason for outsourcing failures.*

This timely definition of governance is also reflected in the need defined by some researchers that multisourcing requires adoption in the operational model and sets high prerequisites for managerial capabilities [4,5,14].

– *Implementation mechanisms:* Besides our proposition that governance should be in place before the implementation, we suggest that *a balanced set of mechanisms supports the implementation of multisourcing in a business group.* The context of a business group sourcing from multiple company-internal and company-external suppliers inherits a number of specifics to consider. Frequently in a business group, a federal governance model is in place that prohibits central authority of the group center over the globally dispersed business entities. Moreover, the fact of sourcing from multiple suppliers enfolds complexity, might require adoptions in the operational model, sets high prerequisites for managerial capabilities, and increases the requirements for cooperation and coordination due to the interdependence between the suppliers. A balanced set of implementation mechanisms covering the whole sourcing lifecycle – as described above – safeguards the acceptance and utilization of global multisourcing in a business group.

– *Sourcing strategy follows structure:* Overall, we conclude in our study that *the organizational setup with the numerous business entities and low central governance in the context of the federal IT organizational model determines the multisourcing approach* and the split of activities between the group center and the business entities. Therewith we follow the approach suggested by Peters (1984) that "strategy follows structure" since capabilities are the primary products of strategy [63,64]. Those capabilities are in a business group for example the proximity to customers derived from the decentralized organization that enables more efficient (sourcing) decisions based on the availability

of needed information [32]. This proposition is also in-line with the corporate strategic management styles defined by Goold and Campbell (1987) as well as the proposed role of a corporate IT function (group center) in a federal IT organization suggestion by Hodgkinson (1996) in terms of the strategic guidance style [35,38]. Furthermore, it supports the suggestion by Whittington et al. (1999) that the formulation of a strategy and its implementation should be closely interlinked [65]. Our proposed model represents this by a tight collaboration between the group center and the business entities in developing the strategy. Figure 5 illustrates the split of activities. The group center focuses on the implementation and execution support as well as on strategic monitoring and steering activities of the multisourcing approach. The development of the multisourcing approach should be accomplished jointly between the group center and the business entities following the suggestion of Whittington et al. (1999) [65]. Besides the development we suggest that the supplier pre-selection as well as the definition of the collaboration process with the suppliers is accomplished jointly between the group center and the business entities. The business entities are responsible for the execution of the multisourcing approach. They focus on operational aspects, like issuing RFPs and signing MBSAs for local adjustments of the contractual framework as well as MPSAs for individual projects. In addition, business entities measure operational performance of multisourcing suppliers and steer them via service-level-agreements (SLAs) and operating-level-agreements (OALs). In order to accomplish a high degree of acceptance and involvement within the business group we suggest that some activities have to be realized jointly. However, we also suggest that the major coordination of the joined activities remains in the group center in order to ensure effectiveness and efficiency.

Nevertheless, this research study also possesses some limitations. One major limitation of this study is that we have only investigated organization A. Although we interviewed thirteen experts, had access to key documents and validated our propositions in a workshop with sourcing experts as well as during follow-up
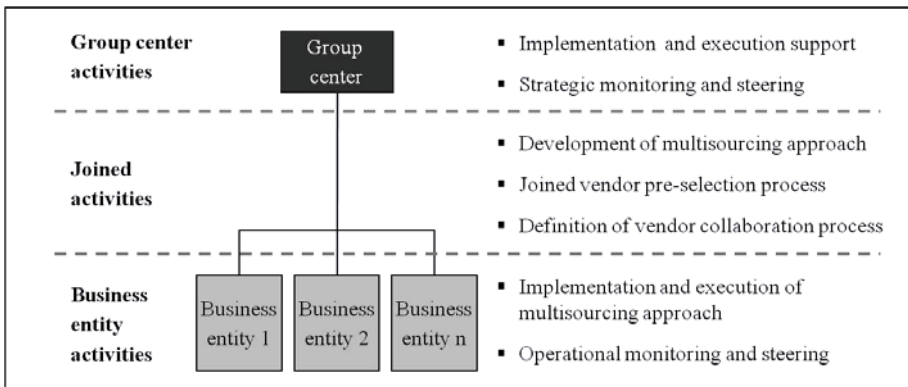

Fig. 5. Suggested split of activities

discussions, a broader sample would help to validate the findings further. Therefore, a multiple case study is planned and will be accomplished over the course of the next months. Another limitation is that the derived propositions are based on the organizational specifics of organization A. Even though the propositions have been generalized to business groups – that are frequently characterized by a federal organizational model – they might not apply to all business groups since the definitions for the term business group diverge.

7   Conclusion and Further Research

Multisourcing has been identified as an emerging key strategy in today's IT outsourcing endeavors [2,3,4,5,6,7,8]. However, existing literature provides only limited insights [8] and linear expansion of dyadic IT outsourcing relationships is insufficient to comprehend the nuances of multisourcing [3]. Notably, current literature lacks depth in terms of implementing multisourcing. With this article, we provide an in-depth single case study of a worldwide leading financial services provider and its journey towards multisourcing. Based on a detailed case analysis, we aim to answer the research question:

[RQ] Which mechanisms support the implementation of multisourcing in a business group?

This research study contributes to the body of knowledge in three ways. First, it illustrates and analyzes an extreme and unique case of global multisourcing at a leading financial services provider in a business group context; second, it reveals mechanisms that support the implementation of multisourcing in a business group; and, third, it suggests propositions on governance and sourcing strategy related aspects. In particular, we have observed that the organizational setup of a business group – with the numerous business entities and the federal governance model – determines the multisourcing strategy and we therefore support that "strategy follows structure" in this context. Based on the specifics of a business group we suggest a certain split of activities between the group center and the business entities when implementing multisourcing. Besides the theoretical contribution, this research is also expected to help organizations facing similar challenges.

We seek future research on multisourcing to test the derived propositions. For example, one might study the point of time when multisourcing governance is defined and agreed upon. First expert interviews have shown that a vast number of companies define and agree too late on governance and therefore are likely to fail in their multisourcing endeavors. The question in terms of *how* to implement a sourcing decision [15] requires further research. The present single case study builds the fundament for a multiple case study that we plan to accomplish during the next months in order to investigate governance and management related aspects that are important while implementing multisourcing.

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