



**DRIVING AND RESTRAINING FORCES IN OUTSOURCING
RELATIONSHIPS – A VIEW THROUGH FORCE FIELD ANALYSIS**

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Abstract

The new world of work is marked by collaborations and partnering on both individual and interorganisational level. Companies are increasingly pursuing outsourcing as a means of obtaining access to resources and expert skills to perform specialised core and non-core functions on their behalf. This research was aimed at obtaining greater insight into the norms that become the driving and restraining forces within outsourced relationships, more specifically what drives outsourced service provider behaviours, expectations and perceptions. The role of power was evaluated in conjunction with these forces, as power is integral to all exchanges.

Kurt Lewin's Force Field Analysis model was utilised to identify the driving and restraining forces. This enabled categorisation into contractual and psychological aspects respectively as well as the identification of the respective power bases primarily based on the seminal work of Raven and French (1959).

The research showed that the outsourcer holds approximately two thirds of the power in the estimation of the service provider. The psychological elements of the relationship carry a substantially greater weighting with service providers than any of the legal or contractual requirements and the adequacy of processes and infrastructure as is the primary driving and restraining forces within the specific relationships. Reward power and legitimacy of position emerged as the primary sources of power.

Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Masters of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University.

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14 November 2007

Dedication

I would like to dedicate this degree and research paper to my mother, Rouxané, who is an inspiration and who has always led by example. Thank you for being this always.

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1 Chapter 1: Introduction to Research Problem

1.1 Introduction

We are finding ourselves within a new employment context – the new world of work is an environment increasingly marked by collaborations and partnering on both an individual and interorganisational level. Companies are increasingly pursuing outsourcing as a means to obtain access to resources and expert skills to perform specialised core and non-core functions on their behalf, whilst managing expenditure as efficiently as possible. Cardon (2003) supports this statement by positioning the utilisation of contingent skills as a means of acquiring specific knowledge or expertise, as well as of achieving flexibility and potential cost control.

Brown (2005) confirms that careers have become “protean” in nature – individuals are no longer tied to a single organisation or industry but are becoming adaptive to the flexibility of the labour market – mobility across employers and industries are expected and reflected (Pfeffer in Brown, 2005). Individuals, and more specifically knowledge workers, are seeking freedom and the professional space to contribute to the working community whilst maintaining their desired quality of life.

As mentioned above, this not only relates to individuals but also to professional firms. Arditi and Chotibhongs (2005, p. 873) define partnering quite widely as “a long term commitment between two or more organizations for the purposes of achieving specific business objectives by maximizing the effectiveness of each

participant's resources". They add that it is based on trust, a dedication to common goals as well as an understanding of individual goals and values (Arditi and Chotibhongs, 2005).

Organisations are equally striving towards this flexibility – aiming to maintain a balance between the best possible skills and the ability to capitalise on opportunities to enable them to achieve optimum efficiencies. Alignment between the goals and objectives of contingent skill sets and the organisation, and subsequently also collaborating organisations, are therefore imperative as a contingent workforce may be more inclined towards a transactional type psychological contract (Cardon, 2003). It is clear from the theory reviewed in Chapter 2 that transactional leaning increases where there is greater uncertainty within the relationship. A distinction between the legal- and psychological expectations, as well as service level relevance, is therefore necessary.

In an environment where organisations are increasingly relying on contractors or outsourced providers, it has become very important to understand the impact of the authority exchange, as well as how relationships can be optimised by increasing the enabling forces. Outsourcing implies a certain degree of risk within the authority parameters and when such relationships end, it is often difficult to make a seamless transition from one outsourced provider to the next (Appleton, 1996). Understanding the driving and restraining forces, which maintain the equilibrium within a relationship, can provide the outsourcer with insight into why these

relationships potentially fail, as well as how to optimise them to ensure that both parties benefit from such collaboration.

1.2 Differentiation between Legal and Psychological contracts

The traditional psychological contract is defined as a construct that refers to the beliefs regarding the terms of exchange between the parties (Roehling and Boswell, 2004). Although it traditionally refers to employer/employee relationships, Clutterbuck (2005) is of the opinion that the same principles, which apply to these relationships can also successfully be extended to other stakeholders. It is evident from the discussion in Chapter 2 that many of the elements within an employer/employee authority of exchange relationship are also applicable to an outsourced service provider relationship. Such close collaborations are often formed that service providers easily become regarded as part of the organisational team.

Although legal contracts and service level agreements are crucial to the effective management of any professional or outsourced relationship, cognisance must also be taken of the psychological contract and the role it plays within organisations and relationships. In outsourced relationships performance often becomes a primary driver, resulting in legal contracts and documented service level agreements becoming the key yardstick in measuring the general wellbeing of the relationship – ironically often to the detriment of the relationship over the long term.

Roehling and Boswell (2004) contrast the psychological contract to the traditional legal contract but classify the perceptions around the psychological contract as being more subjective in nature – a distinction which becomes quite relevant when assessing the driving and restraining forces within a relationship. Depending on the action or the resultant force, a party may or may not elect to act in a certain manner.

Pate, Martin and McGoldrick (2003) maintain that attitude depicts behaviour and that a planned approach to understand attitude can enable another party to predict the behaviour. An argument can however be made that behaviour is not the result of attitude but actually an indicator of the underlying attitude. By understanding these attitudes and behaviours, the outsourcer will be empowered to better manage and optimise its outsourced relationships.

Research concluded by Stiles, Gratton, Truss, Hope-Hailey and McGovern (1997); McDonald and Makin (2000), as well as Lee and Fuller (2005), distinguish between transactional and relational psychological contracts and concludes that these descriptions represents two ends of a continuum, transactional being characterised by obligations more economic in nature and relational by perceived obligations of loyalty and a long term relationship (McDonald and Makin, 2000). It is concluded that the psychological contract therefore often only becomes relevant when it becomes salient (i.e. when there is evidence of violation or perceived breach), which results in the nature of the contract changing and subsequently a transition from relational to transactional (McDonald and Makin, 2000). Stiles *et al* (1997)

hold that the psychological contract will be reinforced by interactions – contribution and reciprocity, over time and agree with Rousseau (in Stiles *et al*, 1997) that this will lead to convergence concerning the understanding of the psychological contract over time. By analysing and understanding behavioural patterns over time, the outsourcer is enabled to act timeously and take mitigating actions where negative patterns are identified.

1.3 Scope

The scope of this research is limited to Attorney- and registered Debt Collector firms who perform professional services in terms of outsourced agreements within the legal collections environment. The firms were all selected from the total list of firms who have outsourced service provider agreements with Maravedi Credit Solutions (Pty) Ltd. Maravedi is a financial services company specialising in the collection of low value personal debt.

These specific relationships are greatly built on trust and limitation of reputational risk. The nature of legal processes applied makes it difficult and expensive to seamlessly change service providers. Maintaining the applicable legislative and governance standards, as well as effectively managing these relationships and related performance, thereby becomes imperative. Because of the professional nature of the relationship, the outsourcer and the service provider need to maintain a close knit relationship to ensure effective communication information exchange.

1.4 Research Problem and Aims

Outsourcing is rapidly becoming part of the strategic landscape of the organisation. The implied authority exchange and resultant rights and obligations point towards the importance of understanding the dynamics that govern this landscape, as well as the quality of the relationships that form such an integral part of this dynamic (Paquin and Kopyay, 2007).

This purpose of this research is to gain greater insight into the norms that become the driving and restraining forces within outsourced relationships, more specifically insight into what drives professional outsourced service provider behaviours, expectations and perceptions. The role of power and rebalancing activities by the targeted party will be evaluated in conjunction with these forces, as power is an integral part to all exchanges.

Organisations, and relationships within it, are not static but rather a dynamic balance of forces working in opposite directions (Value Based Management.net, 2007). To identify and analyse the forces that create the equilibrium within a relationship, the research will apply Kurt Lewin's Force Field Analysis model. Change is only effected when driving forces outweigh restraining forces and Lewin's model is based on the concept that all forces – persons, habits, customs, attitudes (Value Based Management.net, 2007), both drive and restrain change.

By isolating these individual forces, the outsourcer will be empowered to actively mitigate the restraining forces and leverage on the driving forces to achieve optimum efficiency, trust and shared goals.

2 Chapter 2: Literature Review

2.1 Introduction

It is argued that the employment relationship, in its very essence, is one of authority exchange (Visser in Sels, Janssens and Van den Brande, 2004). This research will explore the ideas and concepts around outsourced service provider relationships specifically within the context of an employment type relationship between the outsourcer and service provider.

The first aspect is outsourcing as an element within the new world of work and the increased drive by companies to outsource certain business activities. Every relationship operates at a certain equilibrium, which is determined by driving and restraining forces. Within the scope of this research is it important to understand how these forces enable and/or inhibit relationships, as well as how they can be identified.

Contracting and service level agreements also become central to the concept of outsourcing. The research makes a distinction between the legal and psychological contracting aspects of the relationship and looks at the extension of the traditional employer/employee psychological contract to the outsourcer/service provider domain. It also addresses the respective power bases and the balance of power in conjunction with these contracts.

2.2 Outsourcing – A New World of Work

Outsourcing can be defined as a management strategy that transfers non-core organisational activities to service providers who specialise in such activities and who are able to execute them in a more economical, reliable and efficient manner (Karisen and Gottschalck, 2006). Over and above these advantages it also allows the outsourcer access to a professional skill set that it itself does not necessarily possess. This leads to the possible extension of the above definition to include *core-*, as well as *non-core* activities. The definition proposed by Levina and Ross support this in that they define outsourcing as a practice through which an organisation transfers certain rights to an outsourced service provider (Levina and Ross, 2003).

Outsourcing has become central to the new world of work. Not only are companies outsourcing more activities, but employees are also exchanging secure employment for employment opportunities which are more aligned with their needs in terms of autonomy, time and locus of control. In his paper on the new employment contract, Brown (2005) supports the view that a new employment contract, quite different to the traditional contract of the past, is emerging. Employee loyalty and secured lifelong employment in return, are no longer the norm (Brown, 2005).

Academics supporting the functionalist approach, define collaborations as a means of enhancing the efficiency and effectiveness of participating organisations (Hazen in Lotia, 2004) whilst Lotia (2004) draws on the definition of Lawrence, Phillips and

Hardy who define collaborations as cooperative interorganisational relationships negotiated through dialogue and communication. Companies align themselves with other organisations with the sole purpose of facilitating some form of benefit to increase value. Collaborations are therefor integral to the outsourced relationship. The number of collaborations has grown rapidly over the past two decades as it enables knowledge and resource sharing, as well as competitive advantage through greater access to talent and intellectual capital (Lotia, 2004). Lotia identifies several forms of collaborations – networks, strategic alliances, coalitions and bridging organisations, which all involve a specific set of organisational relationships with other organisations such as customers, suppliers and competitors.

Benniger (in Brown, 2005) describes a cycle – from an agricultural era, where people were self employed, through the Industrial Revolution and the emergence of a manufacturing era and the subsequent creation of bureaucratic management structures. This creation of corporate capital (Brown, 2005) has shifted the power relationship between employer and employee significantly resulting in new adaptive ways of work (Beck in Brown, 2005). Consequently this expression is decreasing trust and increasing risk, resulting in labour market flexibility and the overall redistribution of risk (Beck in Brown, 2005).

One of the imminent risks associated with outsourcing is the fact that outsourcers are indeed relying on third parties to efficiently execute certain functions or render services or its behalf. These may vary in magnitude with variable impacts

depending on the type of functionality being outsourced. It is therefore imperative for an outsourcer to clearly understand the driving and restraining forces within these relationships, as terminations may become costly. Although Lewis and Weltevreden (in Karisen and Gottschalck, 2006) encourage the setting of clear and upfront obligations upon the service provider to ensure for a smooth transition in the event of termination, practical experience shows that this is not always the case. It therefore becomes critical for the outsourcer to make the right selection in terms of service providers at the outset, as well as to manage performance and termination issues with minimum disruption to the business.

Business to Business alignments do not exist in isolation – they involve people who make it happen. The question must be posed whether the new world of work creates a climate which is conducive to teamwork as businesses and relationships are continuously evolving. Rabey (2003) suggests that this requires a change in management thinking. Managers must now not only be results- and performance driven, but also relationship orientated. It is therefore evident that relationships are critical within an outsourced environment.

2.3 Relationships – Driving and Restraining Forces

Relationships are sensitive constructs that always exist at some equilibrium attained by means of a set of dynamic driving (enabling) and restraining (inhibiting) forces, which causes the equilibrium to shift up or down.

Kern and Blois (2002) argue that companies often fail to recognise that underlying formal contracts are the result of informal and interpersonal dynamics which are often not visible or explicitly written into the contract and make reference to Ring and Van de Ven who emphasise the value of personal relationships and their role in supplementing formal relationships to minimise the likelihood of conflict developing and escalating over time (Kern and Blois, 2002).

Kern and Blois (2002) raise the issue of norm development as a contributing factor to the possible success or failure of an outsourced relationship. It both creates the environment within which the relationship potentially exists and the manner in which it functionally operates (Kern and Blois, 2002).

The role of norms within relationships and society in general, is to create certain expectations by one party from another, as well as certain implied behaviours by the other party (Kern and Blois, 2002). Because of norms, however varying within societies, it has become necessary to include explicit statements within the legal contracts that govern relationships. Kern and Blois (2002) however stress the importance of adaptability to ensure that relationships are not stymied by the contractual terms.

There are three chronological stages through which all dynamic transactions follow: *negotiation*, *agreement* and *execution*. Governance-, structural- and procedural safeguards are evident in the agreement stage whilst the execution stage allows for renegotiation and adaptation of these safeguards as the

relationships evolves or as existing safeguards prove to be inadequate (Kern and Blois, 2002). It is important for relationships to allow for this renegotiation as it often becomes an implicit expectation by one or both parties.

Renegotiation by definition implies negotiating anew, which requires equal participation by both parties. Ring and Van de Ven (in Kern and Blois, 2002) suggest that negotiation appears to be more efficacious where the counterparts play the same role. Negotiation may therefore also be affected by the balance of power between individuals and within relationships. The nature of the exchange within the negotiation, as well as within the respective roles is influenced by the respective personalities and all exchanges are therefore unique to the situation and individuals.

This said exchanges are not static and therefore likely to change as relationships evolve. Individuals may selectively recognise or operate inside certain norm sets based on the specific exchange to achieve a specific outcome – Kern and Blois (2002) use the example of a salesperson and buyer ‘bending’ the rules in order to maintain an efficient relationship. The same sales person or buyer may not do this under similar, but other, conditions.

Business to business relationships are categorised by the willingness of both parties to adapt, which may require an investment leading to the creation of relationship specific assets. The recognition of established norms typically then become the driving and restraining forces within relationships. Selznick (in Kern

and Blois, 2002) argues that a relationship may only be deemed as established once the norms and values have been recognised in a sufficient manner to enable the relationship to continue beyond the founding parties. This may however require some time to happen.

MacMillan (1978) suggests that there may be a number of ways to view interorganisational action – one of which is deliberately taking a political perspective. He stresses that political strategy is ultimately concerned with reinforcement of the economic strategy of the organisation, which is required to gather environmental support over time and to ensure such support and capability, a firm will therefore attempt to consolidate or expand these bases (MacMillan, 1978).

Such attempts to consolidate or expand may include *joint commitment* with another organisation in respect of future behaviour, *co-optation* of a more powerful organisation with the purpose of mutually conferring and receiving authority and by *coalescence* – the formal combination of resources within or against a specific environment (MacMillan, 1978).

All of the above may be present within outsourced service provider relationships. Specific strategies might however include (MacMillan, 1978):

- (i) Attempting to create a legal or pseudo-legal system to strengthen the position of both organisations.

- (ii) Merging with other closely associated, but not interdependent, organisations (commensals).
- (iii) Attempting to reduce disruptive conflict between commensals.
- (iv) Formulating a strategy to erode, rather than directly attack, the power base of the commensal.
- (v) Developing new relationships to enhance the power and influence of the organisation or reduce dependency of organisation on current situation.
- (vi) Using a power position to secure favourable contracts.

The questions, within interorganisational relationships, that need to be answered therefore remain – What are the norms that drive or restrain these relationships; who are the dominant organisations or coalitions and what are the sources of power and influence?

2.4 Force Field Analysis

What framework do we apply to identify and assess these driving and restraining forces? A force field analysis is suggested.

Wilkinson (1970) depicts a community as a social system which is established either as a result of a natural phenomenon with structures, functions and alignment, governed by an “order-producing” force; or through an emergent dynamic process with contrived, rather than inherent, bases of order. The latter is continuously affected by change as a result of the interaction of varying independent forces at a particular in time (Wilkinson, 1970). A field is defined by

Lewin (in Wilkinson, 1970, p.313) as “a totality of coexisting facts which are conceived of as mutually interdependent” whilst Yinger (in Wilkinson, 1970) describes field theory as a parsimonious way of organising the facts known about behaviour.

Force field analysis is described by Brager and Holloway (1992) as a tool for assessing the prospects of organisational change whilst Lewin, who is credited for the force field analysis model, describes it as a method of analysing causal relationships (Wilkinson, 1970). Brager and Holloway (1992) point out that the concept of stability within a social system is central to the field theory and that this is a dynamic, rather than a static process. They continue to explain that stability is the result of opposing and countervailing forces continuously in play to produce what we perceive to be stability. The two variable forces that are responsible for producing this equilibrium are depicted as driving and restraining forces (Levinger, 1957).

A driving force is defined by Levinger (1957) as being a force that leads to a change in an individual's life space, whilst a restraining force is defined as a force which emanates from a barrier or resistance to change. The model depicts the tension between the two types of forces within a specific context. The purpose of this framework is however not to eliminate tension, but to achieve equalisation of the respective tensions (Levinger, 1957) to achieve and maintain an acceptable equilibrium.

Force field analysis entails the systematic identification of opposing forces (Wilkinson, 1970) which will serve as a model for determining the driving and restraining forces within outsourced relationships in respect of this research. This framework provides a tool for assessing the balance of power within the specific context, as well as for identifying the most important stakeholders and the best manner in which to target specific groups (Value Based Management.net, 2007).

2.5 The Legal versus the Psychological Contract

The traditional employer/employee psychological contract can be defined as a construct that refers to the beliefs regarding the terms of exchange between the parties (Roehling and Boswell, 2004). Argyris, who first used the term 'psychological contract', defines it as a unilateral implicit unwritten agreement between parties to respect each other's norms (Sels, Janssens and Van den Brande, 2004).

Rousseau, who is credited for reviving and reinvigorating the psychological contract construct as far back as 1989, emphasises the obligatory nature of beliefs that make up a psychological contract and that conceptualises it at individual level (Roehling and Boswell, 2004). Morris and Robinson extend this to *perceived promises*, not merely generalised expectations (Johnson and O'Leary-Kelly, 2003). Psychological contract breach is therefore best defined as being an employee's perception that that one of more obligations by the employer is unfulfilled (Johnson and O'Leary-Kelly, 2003).

Roehling and Boswell (2004) contrast the psychological contract to the traditional legal contract and classify the perceptions around the psychological contract as being more subjective. The psychological contract however often only gains relevance when it becomes salient (i.e. when there is evidence of violation or perceived breach) which results in the nature of the contract changing (McDonald and Makin, 2000).

A legal contract on the other hand clearly stipulates the terms of the arrangement that the respective parties are entering into. Spindler (1994) effectively makes the distinction between psychological and legal contracts. He defines the psychological contract as the sum total of the individual's conscious and unconscious expectations (Spindler, 1994). When these often unexpressed expectations are not fulfilled, the wronged party has no direct source of relief, whereas legal contract breached allows the wronged party to appeal to a court of law for enforcement of the terms of the agreement, in which case the court should make every effort to interpret the specific provisions (Spindler, 1994). Cognisance is however not taken of the respective personalities or the perceived obligations of the contracting parties.

A service level agreement (SLA) is an agreement between two parties, which serves to define the minimum quality of service that meets the business requirement (Hiles, 1994). Quan and Kao (2005) define it further as an explicit statement of expectations and obligations in a business relationship between a provider and a customer. Some writers (Dan, Davis, Kearney, Keller, Ring,

Kuebler, Ludwig, Polan, Spreitzer and Youssef, 2004) view it as an integral part of the original service contract whilst writers such as Bartram and Wolfendale (1999) view it as a means of obtaining greater clarity and understanding in respect of service entitlement.

Hiles (1994) cautions that although the definition may seem deceptively simple, all of the key words are in actual fact significant:

- It is *an agreement* which is based on a *negotiated outcome* and which involves a growing understanding of the needs and constraints on each side.
- It quantifies the level of service together with certain *metrics* to measure the service.
- Delivered quality is deemed to be the *minimum acceptable* whilst anything above the minimum may result in unnecessary costs.

In conclusion it is required to include a number of service components and to specify the measurement, evaluation and reporting criteria for an agreed service standard (Bucu, Chang, Luan, Ward, Wolf and Yu, 2004).

These three types of agreements, psychological-, legal and service level, are often all present in outsourced relationships and may equally impact, or be impacted by, the driving and restraining forces within the relationship. As already discussed above, the legal contract and SLA seem to gain increased relevance as soon as there is some form of uncertainty within the relationship. This is supported by the research concluded by Stiles, Gratton and Truss (1997); McDonald and Makin

(2000), as well as Lee and Fuller (2005), who distinguish between transactional and relational psychological contracts and concludes that these descriptions represents two ends of a continuum, transactional being characterised by obligations more economic in nature whilst relational contracts are characterised by perceived obligations of loyalty and a long term relationship (McDonald and Makin, 2000). The conclusion is thus reached that parties will attach greater importance to explicit legal agreements where there exists a greater degree of uncertainty within the relationship.

2.6 Extension of the psychological contract to other stakeholders

Although most of the literature makes reference to the employer/employee relationship and specifically the impact and the perception on/of the individual employee, some academics do extend the construct to include other stakeholders. Tekleab and Taylor (2003) are of the opinion that the psychological contract cannot be fully understood without a comprehensive understanding of the perceptions and reactions of the employer. Clutterbuck (2005), whose research is more qualitative in nature and who focuses on communication as a core concept to the success of the psychological contract, is of the opinion that the same principles, which apply to employer/employee relationships, can also successfully be extended to other stakeholders.

Arditi and Chotibhongs (2005) define partnering quite widely as a longer term commitment between two or more organisations with the implicit purpose of achieving specific business objectives by maximising the effectiveness of their

respective resources. They continue to add that it is based on trust, a dedication to common goals, as well as an understanding of individual goals and values (Arditi and Chotibhongs, 2005). Although this definition is made independently of reference to the psychological contract it is evident that it is based on the same factors that influence the psychological contract. Outsourcing is in effect nothing other than a partnership between companies to achieve a common goal, which is beneficial to both parties. It therefore seems only natural that the psychological contract can be extended to service providers.

Johnson and O'Leary-Kelly (2003) maintain that psychological contract breach is specific to the individual in that (a) the employee believes that the promise has been made to him/her personally and that (b) the individual employee monitors the realisation of the promise on an individual level. It is therefore clear that perceptions and beliefs around psychological contract and breach or violation are based upon personal assumptions of the individual.

Clutterbuck (2005) however supports the idea that the psychological contract must be managed on team level, which is supported by Johnson and O'Leary-Kelly (2003). They state that cynicism within the psychological contract construct is not only developed as a result of personal experiences but also as a result of observation of the experiences of others (Johnson and O'Leary-Kelly, 2003). The concepts of collectivism and group treatment are therefore key in influencing an individual's perception of how much the organisation values their contribution and participation (Aselage and Eisenberger, 2003). Where companies make use of

multiple outsourced service providers it becomes imperative to be sensitive to the perceptions that may be established with some service providers as a result of individual interactions with others.

2.7 The Power Balance within Relationships

Drea, Bruner and Hensel (1993) view the measurement of power as central to the understanding of behaviour within organisations and by individuals. They support Hunt and Nevin's definition of power as the ability of a group or individuals to influence or control the behaviours of others (Hunt and Nevin in Drea, Bruner and Hensel, 1993).

Sels, Janssens and Van den Brande (2004) raise the aspect of power and collective bargaining in relation to the psychological contract. They highlight the assumption, which is often made in respect of psychological contract research, that contracting parties always have equal bargaining power. Contracts are generally seen as a product of free societies where parties have the freedom of choosing who they want to contract with (Sels, Janssens and Van den Brande, 2004). Within such a society, Rousseau argues that the psychological construct comes into being when parties voluntarily surrender certain freedoms in exchange for a similar surrender by the counter party (Sels, Janssens and Van den Brande, 2004).

This assumption of equal bargaining power ignores the possibility that one party, such as an employer – or in this case the outsourcer, may be in a position to dictate the terms of the agreement (Sels, Janssens and Van den Brande, 2004).

Visser (in Sels, Janssens and Van den Brande, 2004) argues that the employment relationship, in its very essence, is one of authority exchange.

Koslowsky and Stashevsky (2005) discuss the roles of *social power* and *influence* as two separate concepts utilised to potentially influence individuals to comply or behave in a certain manner. They define the actual exercise of power tactics as “influence” whereas the potential to exercise power is defined as “power” (Koslowsky and Stashevsky, 2005).

French and Raven whose earliest work appeared in 1959 identified five power bases or categories of tactics, as viewed by Koslowsky and Stashevsky (2005).

- (i) *Coercive Power* or threat of punishment.
- (ii) *Reward Power* or promise of monetary or non-monetary reward.
- (iii) *Legitimate Power* or drawing on the right to influence.
- (iv) *Expert Power* or relying on superior knowledge.
- (v) *Referent Power* or identification with a party of influence.

Some academics (Podsakoff and Schriesheim, 1985) however felt that these categories were not sufficiently distinct from one another as they did not allow for combinations or power such as expert and referent power (Koslowsky and Stashevsky, 2005). The construct was therefore expanded by Yuki and Tracy in 1992 to a nine factor taxonomy including *rational persuasion*, *inspirational appeal*,

consultation, negotiation, exchange, personal appeal, collusion, legitimating and pressure (Koslowsky and Stashevsky, 2005).

In response to these criticisms Raven later included *information power* (Dapiran and Hogarth-Scott, 2003) as an additional base and also proposed an Interpersonal Power Interaction Model (IPIM) shortly thereafter (Koslowsky and Stashevsky, 2005). This model allowed for the expansion of both coercion and reward to make provision for a distinction between personal and impersonal.

The expansion of these original two power bases, namely coercive- and reward power, as well as the expansion of legitimate power are depicted table 1 below.

Power of Coercion		Legitimate Power	
Power Base	Description	Power Base	Description
Personal Coercion	Threat of disapproval / dislike.	Reciprocity	Based on Agent doing something positive for target.
Impersonal Coercion	Threat of punishment	Equity	Based on compensation for hard work or sufferance.
Personal Reward	Promise to like or approve.	Dependence	Based on social responsibility to assist another in need.
Impersonal Reward	Promise of monetary and non-monetary compensation.	Position	Based on certain rights because of status or position.

Table 1: Raven's extension of Coercive- and Reward Power
(Koslowsky and Stashevsky, 2005).

Raven then further expanded the model to an *Interpersonal Power Inventory* which indicates that power bases are not independent but reliant on two underlying factors namely *soft* and *harsh* exercise of power (Koslowsky and Stashevsky,

2005). The soft factor includes expert, referent, information and legitimacy (of dependence); whilst the harsh factor includes coercion (personal and impersonal), reward (personal and impersonal), legitimacy (of position), equity and reciprocity (Koslowsky and Stashevsky, 2005). Koslowsky and Stashevsky (2005) argue that individuals exercise the choice between soft and harsh power tactics based on their personal power status – electing to apply harsh tactics over soft tactics enables the individual to elevate his- or herself.

It is suggested that there may be another previously unidentified power base, namely that of *resource power* (Lotia, 2004). This is specifically relevant to the outsourcing relationship where the Outsourcer makes use of outsourcing as a strategy specifically to thwart lack of resources. Lotia (2004) further presents the central argument that the process of collaboration and collaborative learning are inherently influenced by power dynamics within collaborative contexts. Alter and Hage are clear that collaborative relationships, although lateral and not hierarchical linkages, cannot be apolitical as different organisations always come with different positions of power (Lotia, 2004).

Values within the new world of work context can be divided between values associated with specific jobs (or employee moods and attitudes) and values focussing on the organisation (or management goals) Koslowsky and Stashevsky, (2005). The authors argue that achievement of these goals by either party requires the exercise of social power (Koslowsky and Stashevsky, 2005). If this thinking is accepted, it will be true that outsourced relationships are subject to the same

power and influence struggles. Where the outsourcer wants to protect certain values or achieve specific goals, he or she will naturally make use of influence and power to attain them. At the same time an outsourced service provider with a strong internal locus of control will similarly exercise its power to ensure that its interests are protected. They would typically be able to leverage off their expert and legitimacy (of position) power bases. Expert power may stem from experience, competence and expert ability within a specific field of work whilst possession of critical information can similarly help to build and enhance an organisation's expert power base (Lotia, 2004).

Dapiran and Hogarth-Scott (2003) classify the power element as being present in all relationships, irrespective of 'activation'. They disagree with its positioning by some (Kumar, Barnes et al and Schroder et al in Dapiran and Hogarth-Scott, 2003) that it is necessarily the polar opposite of cooperation, as they deem this to be based on power as a purely negative force. They however agree with Emmerson that a party will carry out the necessary rebalancing activities in response to another party exercising its power (Emmerson in Dapiran and Hogarth-Scott, 2003). Reference to power does not only include actual power, but also perceived power – an individual may be influenced to act in a certain manner based on another's perceived power (Dapiran and Hogarth-Scott, 2003). Emmerson (in Dapiran and Hogarth-Scott, 2003) suggest that there are four types of balancing activities that parties may revert to:

- (i) Motivational withdrawal by the controlled party;
- (ii) Cultivation of alternative sources of gratification by the controlled party;
- (iii) Increased motivational investment by the controlling party by offering increased status & recognition; and
- (iv) The formation of coalitions.

Kumar (in Dapiran and Hogarth-Scott, 2003) suggests that trust is the antithesis of power and that trust therefor leads to cooperation. Trust can however be viewed as both an outcome and explanation for certain behaviours within a relationship (Dapiran and Hogarth-Scott, 2003). Husted (in Dapiran and Hogarth-Scott, 2003) identifies another perspective, namely as a descriptor of the type of cooperation observed so as differentiate between high-trust and low-trust relationships. This distinction gains increased relevance once established that a feature of low-trust cooperation is the tendency of parties to appeal to contractual remedies to resolve conflict. In power language this is referred to as a resort to legitimate power (Dapiran and Hogarth-Scott, 2003). Trust is conventionally perceived as a coordinating mechanism based on shared norms and collaboration within uncertain environments but also contains elements of calculation and dependency (Reed in Dapiran and Hogarth-Scott, 2003)

Organisational structure and procedural rules also serve as a power construct to enable the legitimisation of decisions and actions (Lotia, 2004) and can serve as both driving and restraining forces in terms of collaborative action (Clegg in Lotia,

2004). Lotia (2004) links this to *symbolic power* which is referred to as the ability to secure favoured outcomes by preventing conflict from arising (Hardy in Lotia, 2004). As a collaborative relationship becomes more established and norms are formed, these rules and procedures ultimately also become more entrenched and eventually becomes the reality giving meaning to the events and actions and influencing perceptions (Lotia, 2004).

Foucault (in Lotia, 2004) views power as a machine in which everyone is wedged, those who exercise power and those over whom it is exercised. Lotia (2004) defines this as a web of power relations where collaborating organisations are both exercising power and being influenced. Power is therefore clearly a reciprocal and unilateral process where there exists interdependency between parties and hence mutual measures of power (Dapiran and Hogarth-Scott, 2003). Shared vision towards common goals and sets of values can yield immense power as members within the collaboration become a solid front in supporting the vision (Lotia, 2004).

What is however unavoidable is that as the collaboration develops and new organisations join, they bring with them their own unique bases of power, which impacts the power relationships. Power is a dynamic construct which this research will attempt to analyse. It will aim to differentiate between soft and harsh power tactics within the specific relationships as well to identify the various power bases based on this distinction. Potential rebalancing activities as well as the role of trust within the relationships will also be analysed.

2.8 The Credit Industry

South Africa has an estimated population of 48 million people (The South African Reserve Bank, 2007) and whilst the consumer credit industry is seen as a mechanism for unlocking significant economic benefits to enable individuals to accumulate assets and to create new jobs, it also requires regulation to manage debt levels to ensure that potential consumer abuses are minimised (Consumer Credit Law Reform, 2004). In 2004, just prior to the conceptualisation of the new National Credit Act (34 of 2005), this market was estimated to be at R 362 billion, providing credit to an estimated 15 million people – approximately 32% of the population (Consumer Credit Law Reform, 2004).

In a potentially over indebted market (Fin24) there are a few primary role players within the collections arena. These include Maravedi Credit Solutions, Creditworx (previously known as Snyman & Vennote), Norman Bissett & Associates, Munnik Basson Da Gama, Anthony Richards and Blake & Associates. The bigger credit providers include the major retail banks, micro finance institutions (such as Capitec Bank and African Bank), retailers (furniture and clothing), as well as educational and other services institutions. Collection offerings range from softer telephonic collections to harder legal collections which may include the summons, warrant of execution and emolument attachment process.

2.9 Conclusion

The new world of work is impacted by exchange of authority within relationships and exchanges on a daily basis. Outsourcing as a core activity, brings with it new

and unique collaborations and interorganisational exchanges, where both relationships and risk need to be managed.

Kurt Lewin's force field analysis model will be applied to systematically identify the enabling and inhibiting forces within the specific relationships. The research will aim to identify and assess the norms which create these implicit expectations and implied behaviours, as well as their resultant effect to identify whether there is a greater leaning towards the transactional or relational type contracts.

Bargaining power, the power bases on which it rests, and potential rebalancing activities will be analysed within the greater context to reach a conclusion in respect of authority exchange and the potential ramifications thereof within the outsourced service provider domain.

3 Chapter 3: Research Questions

Daft (1983, p. 540) quotes Lewis Thomas as stating that “. . . good basic research needs a high degree of uncertainty at the outset otherwise the investigator has not chosen an important problem.” (Daft, 1983). He continues that it is acceptable to ask research questions without having the answers in advance and concludes this argument by stating that the goal of good research simply is to gain greater insight into a small part of a specific organisational reality (Daft, 1983).

For purposes of this paper, the problem statements are therefore phrased as research questions and not as propositions.

Research Question 1:

Which factors, as identified by the outsourced service providers, determine the equilibrium within an outsourced relationship?

Research Question 2:

Do the contractual and psychological elements governing the relationship have equal weighting in the level of effectiveness of the relationship?

Research Question 3:

Are the different elements identified as being the primary forces governing the relationship by the two respective classification groups – Attorney- and Debt Collection firms, deemed to have the same relative importance?

Research Question 4:

Which individuals and/or groups hold the balance of power within this specific relationship and how are these types of power classified?

4 Chapter 4: Research Methodology

4.1 Rationale for Proposed Method

Organisations are assumed to be immensely complex social systems, which cannot effectively be studied by means of traditional quantitative analysis techniques (Daft, 1983). Srnka and Koeszegi (2007) support this statement by arguing that success in the modern business arena requires a better understanding of human behaviour in complex contexts and that qualitative research contributes to discovery and theory building.

Earlier support is also found in Daft (1983) who states that significant new knowledge about organisations are the result of qualitative analysis and that qualitative techniques are therefore better suited to identify the 'projection of human imagination' (Morgan and Smircich in Daft, 1983, p. 539) as organisational realities are not concrete. Although organisational facts and realities may be objective, we as researchers cannot obtain knowledge hereof independent of our own judgement (Morgan and Smircich in Daft, 1983). In this respect Daft (1983) sees research as storytelling – an explanation of what the data means and effectively how these complex social organisational systems work.

Clutterbuck (2003) suggests that a qualitative approach, rather than a quantitative approach such as structured questionnaires, is less likely to elicit expected responses, but rather identify the genuine underlying issues.

The purpose of this study, as Clutterbuck (2003) suggests, was to delve into the genuine underlying issues that govern the complex relationships between organisations and the outsourced service providers with whom they contract. A qualitative research technique was therefore applied to identify these driving and restraining forces that impact on the equilibrium of the respective relationships. Data was gathered by means of survey and structured in depth interviews.

4.2 Population & Unit of Analysis

The population are individuals from registered Attorney- and Debt Collector firms, which are governed by similar statutory requirements and who provide professional services to Maravedi Credit Solutions (Pty) Ltd.

Maravedi Credit Solutions is a commercialised entity specialising in the collection of low value personal debt. The business model is primarily an outsourced collections model whereby Maravedi has a national footprint of approximately 80 accredited outsourced service providers, of which approximately only 50% is actively outsourced to (Maravedi Credit Solutions Management Information, 28/08/2007). They currently outsource two types of debt – third party collections (approximately R 3.8 billion or 462,000 accounts), which is debt collected on behalf of contracted third party clients, as well as procured debt (R 281 million or 110,000 accounts), which is debt procured and collected for its own balance sheet (Maravedi Credit Solutions Management Information, 28/08/2007).

This being the core of the business model it is imperative to understand the relevance of the driving and restraining forces that impact these relationships to effectively manage performance and relationships within this context. Due to the time constraints in conducting individual in depth interviews, Maravedi was selected as the sole source for this research.

4.3 Size and Nature of Sample

Zikmund (2003) explains that sampling makes use of a small number of or items or portion of the population to reach a conclusion about the entire population. For purposes of this study quota sampling was applied to ensure that the various subgroups of the population, namely Attorneys and Debt Collectors, were more or less equally represented in the sample (Zikmund, 2003). Principals and senior managers from ten Attorney- and nine Debt Collection firms, which Maravedi wanted to continue doing business with, were therefor selected. A detailed list of the sample interviewed is attached as Appendix A hereto.

4.4 The Research Process

Zikmund (2003) explains that the survey technique is a means of gathering information from a sample of people by way of questionnaires or interviews. This technique was well suited to this research as it is a data collection method based on communication with the sample of individuals and is ideally suited to determining the characteristics of a particular group, as well as attitudes and behavioural patterns. The personal interviews allowed to be complemented by probing, encouraging respondents to clarify or explain certain answers (Zikmund,

2003). The data collected through the responses were then subjected to content analysis and subsequent categorisation.

This research was conducted through Kurt Lewin's Force Field Analysis (Levinger, 1957) framework which provides a means of establishing causal relations within specific contexts. It allows the researcher to describe the unique psychological and social situations within the context by constructing their essential structural and dynamic qualities (Levinger, 1957).

4.5 Unit of Analysis

The unit of analysis is the individual perceptions of individuals within Attorney- and Debt Collector firms regarding the driving and restraining forces, as well as the sources of power affecting the relationship between outsourced service providers and the companies which they contract with.

4.6 Questionnaire Design

The questionnaire was designed to meet the research questions as set out in Chapter 3, as well as to provide a guideline in respect of the in depth interviews. It was designed to take approximately one hour, the detail of which is discussed below. An example of the actual questionnaire is attached in Appendix B hereto.

The questionnaire was pre-tested on an individual matching the sample profile to ensure the validity and usability of the questions and responses received. Both

quantitative, in respect of the scale, and qualitative techniques, in respect of all other responses, were used to gather the data.

4.7 Data Collection

As previously stated the sensitivity of relationship and the construct examined lent itself towards a more qualitative approach and the data collection was therefore done by means of semi structured in-depth and personal interviews.

Despite support in favour of qualitative research (Daft, 1983; Clutterbuck, 2003 and Srnka and Koeszegi, 2007), Zikmund (2003) warns that qualitative research can never take the place of more conclusive quantitative research. Because of this research not being followed up by rigorous quantitative analysis, the data was analysed on an ongoing basis to ensure consistency in the quality of the responses received.

Principals and senior managers from ten Attorney- and nine Debt Collection Firms were selected and interviewed. Twenty four firms were approached but only nineteen were willing to participate in the research. The data was gathered through semi structured in-depth interviews conducted over the period of a few weeks.

The following process with regards to data collection was followed (refer to Appendix A for a detailed interview guideline):

1. With the exception of three interviews, which were conducted telephonically due to geographical location, the balance of the interviews was conducted at the office / workplace of the interviewee. An interview lasted between forty five minutes and one hour.
2. The context and the purpose of the research, as well as the technique to be followed were explained to the respondents.
3. Respondents were requested to draw a line on a scale indicating their perception of the quality of the relationship (scale ranging from Excellent to Poor).
4. Respondents were then requested to list six positive (driving) and six negative (restraining) forces that impact the relationship.
5. The respondents were asked to indicate their perception of the power distribution within the relationship as well, as the sources and actual distribution (e.g. 50/50).
6. Where the indication given in respect of the first scale was unusually high or low, the respondent was requested to contrast it to another outsourced relationship that was opposite to that with Maravedi.

7. The respondents were then requested to list the contrasting driving and restraining forces in respect of the other outsourced relationship.
8. Finally they were requested to comment on potential changes that might improve the relationship, as well as any other issue that they may have felt relevant to the interview.

4.8 Data Analysis and Management

The objective of the research process was to identify of the underlying issues between outsourcer and service provider within the outsourced service provider context with reference to the research questions stated in Chapter 3.

The responses were recorded during the interviews and subsequently categorised and captured into a database. A distinction was maintained between Attorney- and Debt Collection firms, with positive and negative attitudes respectively, throughout the analysis.

1. The forces were interrogated to determine validity, as well as their propensity to change. The individual responses in respect of driving and restraining forces were grouped and re-categorised to enhance the meaningfulness of the data.
2. The individual responses were subsequently unitised (Srnlka and Koeszegi, 2007) and categorised into psychological and contractual elements respectively to ensure effective systematic analysis of the qualitative responses.

Psychological elements were those based on an underlying expectation between the parties whereas contractual elements were explicit elements contained in the contract or service level agreement between the parties. The categorisation was checked by another expert to ensure consistency.

3. This was followed by categorisation and grouping in theoretical and insightful ways (Srnlka and Koeszegi, 2007) and the eyeball method of statistics was applied to identify the obvious correlations between Attorneys and Debt Collectors.
4. A weighting, based on the number of occurrences was taken into account to determine the relative importance of each of the respective forces and categories.
5. Finally the forces were visually charted on a force field diagram.
6. Responses in respect of power perceptions were captured and ranked.
7. The same process as described in respect of the driving and restraining forces above, were followed for the perceived sources of power.
8. Responses were then categorised by power base based on the theory.

4.9 Validity and Reliability

Qualitative research allows for the definition of the measurement process through the discretion of the researcher as it does not require rigorous statistical analysis

(Zikmund, 2003). Because of the subjective nature of this process the role of the researcher and interviewer is therefore extremely important. Srnka and Koeszegi (2007) warn that the quality of qualitative outcomes are often difficult to measure and therefore depends greatly on the systematic approach of the researcher in analysing the data.

To ensure consistency in the coding of the data, Srnka and Koeszegi (2007) suggest an *intercoder consistency matrix* after the preliminary categorisations and coding of the data has taken place. This matrix allowed for the cross tabulation of the respective coders and subsequently confirmed consistency by means of outlining the correspondence rate for all of the defined categories.

4.10 Research Limitations

The following research limitations were identified:

1. This study was limited to Attorney Firms and Debt Collection companies supplying services to a specific organisation and within one specific industry. The results of the study can therefore not necessarily be generalised to other companies or industries.
2. The researcher was previously employed by the company contracting with many of the service providers, which were included in the sample. The risk of potential bias on the part of the researcher, as well as on behalf of the interviewee therefore existed. Great care was however taken to eliminate this as far as possible.

5 Chapter 5: Results

The objective of the research process was to identify the underlying norms, which over time manifest themselves as driving and restraining forces within the relationship between the outsourcer and the service provider, in the outsourced context. The balance of power and prominent power bases were also identified. The research questions stated in Chapter 3 provided the framework for this analysis.

5.1 Service Provider Perception regarding the State of the Relationship.

Question 1 of the interview guideline prompted interviewees to physically indicate their perception of the relationship on a scale ranging between excellent at the top end and poor at the bottom end. A line was drawn to scale and the interviewee indicated his / her perception by marking a point on this line by free hand (see Appendix A).

These points were then researched and quantitatively converted to a scale ranging from one (being poor) to ten (being excellent). All responses above five were classified as being positive perceptions of the state of the relationship and all responses below five as being negative perceptions. A distinction was also made between Attorneys and Debt Collectors. These perceptions are tabulated in table 2 below.

It is noteworthy that the average means for Attorney firms and Debt Collector firms with a positive perception of the relationship are exactly the same, whereas Attorney firms with a negative perception lean slightly more towards the higher end of the scale compared to Debt Collection firms within that same category (4.83 versus 3.00). On average Attorney firms seem to be more positive regarding the specific outsourced relationships than Debt Collection firms in the same relationship. The overall mean of 5.91 is also indicative of a marginally positive perception.

Positive Perceptions		Negative Perceptions		
Attorney Firms		Attorney Firms		Total
Respondent 1	9.00	Respondent 8	5.00	
Respondent 4	9.00	Respondent 5	5.00	
Respondent 3	8.00	Respondent 6	4.50	
Respondent 4	8.00			
Respondent 5	8.00			
Respondent 6	7.50			
Respondent 7	6.00			
Mean	7.90	Mean	4.83	6.37

Debt Collection Firms		Debt Collection Firms		Total
Respondent 11	8.50	Respondent 7	5.00	
Respondent 12	8.00	Respondents 3	3.50	
Respondent 13	8.00	Respondent 2	2.00	
Respondent 14	8.00	Respondent 1	1.50	
Respondent 15	7.00			
Mean	7.90	Mean	3.00	5.45

Overall Mean	7.90	Overall Mean	3.92	5.91
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Table 2: Service Provider Categorisation based on Perception.

These perceptions are graphically depicted in figure 1 below.

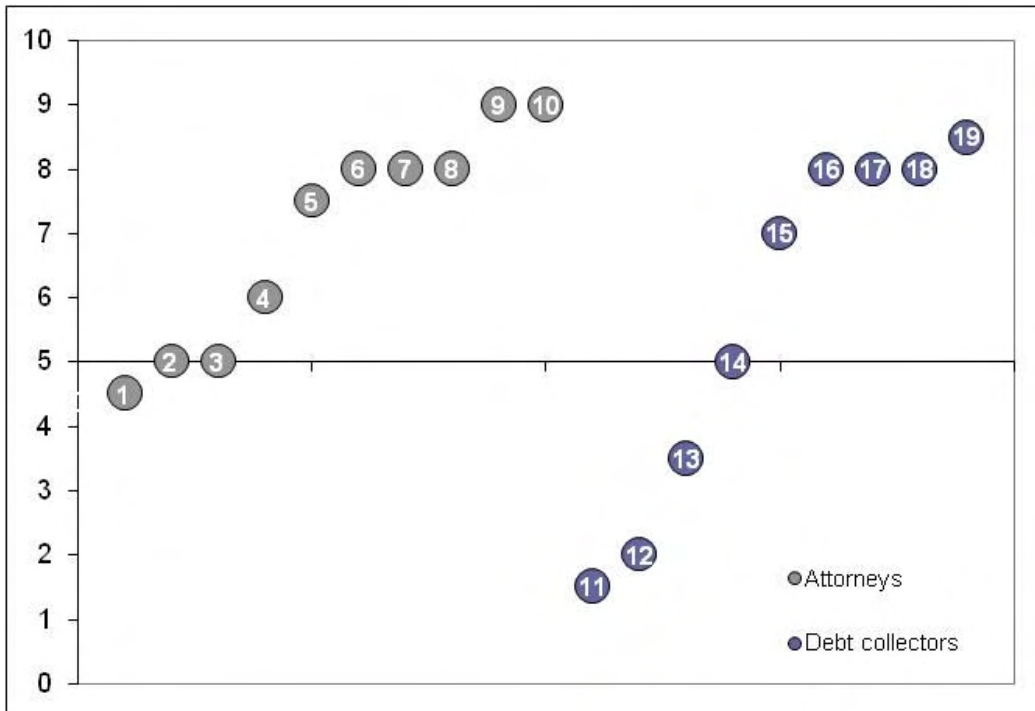


Figure 1: Perceptions of Attorney and Debt Collection Firms.

5.2 Data in respect of specific Research Questions

The data in respect of the specific research questions were analysed and tabulated as follows.

5.2.1 Research Question 1

Which forces, as identified by the outsourced service providers, determine the equilibrium within an outsourced relationship?

The forces referred to relate to the driving and the restraining forces within the respective relationships. Driving forces are seen as enabling forces, which positively contribute to the success and/or wellbeing of the relationship, whereas

restraining forces inhibit the relationship and need to be analysed to identify potential actions to improve the relationship.

To identify the driving and restraining forces, which carry the most weighting for the service provider, open ended questions 2 and 5 of the interview guideline requested the interviewee to list the driving and restraining forces in respect of both the outsourced relationship and a similar relationship with another outsourcer requiring the same or similar services from the service provider. These responses were tabulated and categorised as contractual and psychological. Responses were grouped and re-categorised to enhance the meaningfulness of the data, thereafter ranked and all responses with a sub total of one only disregarded. The results are shown in table 3 below.

Driving Forces - in respect of the Outsourced Relationship	Positive Perceptions		Negative Perceptions		Total
	Attorneys	Debt Collectors	Attorneys	Debt Collectors	
Contractual					
Efficient processes & infrastructure	6	6	3	6	21
Effective support & service delivery to SP	6				6
Adequate fee structures	2			2	4
Effective MIS & Performance Management Tools	2	1			3
Psychological					
Relationship - personal, stable, professional, ethical	8	9	3	4	24
Reciprocal Trust & Commitment	5	4		2	11
Open communication channels	4	2	2		8
Instructions - Adequate volumes & quality	3	3	1	1	8
SP ability to negotiate without being penalised	3	3			6
Outsourcer reputation through association with shareholders	2			3	5
Growth opportunities for SPs	1	1		2	4
Co-operation on all levels within the organisation	1	1			2
Goal oriented & target driven	2				2
No / limited uncertainty in respect of relationship & future	1	1			2
Enables sense of accomplishment for SP	2				2
Strategic Alliance between Outsourcer & SP	1			1	2
Totals	49	31	9	21	110

Table 3: Driving forces in respect of the Outsourced Relationship.

The detailed list of responses is shown in Appendix C (table 14–17).

Responses categorised as contractual refer to actual codified contractual obligations, whereas the psychological classification refers to statements based on an underlying (sometimes implicit) expectation from the service provider. Positive perceptions are perceptions ranked above five and negative perceptions those ranked below 5 (see 5.1 above). The detailed classification is shown in Appendix C (table 18-21).

Restraining Forces - in respect of the Outsourced Relationship	Positive Perceptions		Negative Perceptions		Total
	Attorneys	Debt Collectors	Attorneys	Debt Collectors	
Contractual					
Inefficient processes / -infrastructure	4	8	4	3	19
Fees - inadequate / limited room for negotiation	3	1		3	7
Work Allocation / retraction not based on performance	1	1	2	2	6
Absence of updated formal contract	1	2		1	4
Inflexible MIS & Performance management Tools	1	1		1	3
Targets - Not transparent / defined	1	1			2
Psychological					
Inadequate instructions (volumes, quality, frequency)	7	4	3	3	17
Change in Structures & Management - Loss of Expertise		4		5	9
Lack of joint decision making / strategising	2	4			6
Ltd insight into legal process / not leveraging off specialised SP skills	2		1	1	4
Uncertainty re Outsourcer relationships with own Clients(3rd Parties)	3				3
Inconsistency & lack of communication		1		2	3
Unilateral decision making by Outsourcer / No mandate to SP	2			1	3
Personal Interaction minimal / current interaction does not add value	1			2	3
Lack of acknowledgement of SP performance, ideas etc.	2				2
Lack of physical ranking / benchmarking of SPs	1			1	2
High Risk taken by SP for annuity income only	2				2
Outsourcer not open to negotiation - dictative	1			1	2
Lack of networking opportunities with other SPs	2				2
Unclear / non-transparent strategy				2	2
Totals	36	27	10	28	101

Table 4: Restraining forces in respect of the Outsourced Relationship.

A number of factors with varying levels of importance were identified. It is noted that the primary driving and restraining force with regards to the outsourced relationship relate to the adequacy of processes and infrastructure. Driving and restraining forces in respect of a different but similar relationship between the service provider and another outsourced client is depicted in tables 5 and 6 below.

Driving Forces - in respect of Other relationship(s)	Positive Perceptions		Negative Perceptions		Total
	Attorneys	Debt Collectors	Attorneys	Debt Collectors	
Contractual					
Targets & Benchmarking - Clearly defined	2	1	1		4
Performance Evaluation - Regular & Transparent			2		2
Psychological					
Strategic Alliance between Outsourcer & Service Provider	4		3	1	8
SP ability to negotiate without being penalised	3			1	4
Relationship - stable, personal	1			3	4
Work allocation - more efficient	1	1	1	1	4
Efficient communication & data exchange	1			2	3
Less dictative / hierarchical & predefined SP mandate				3	3
Negotiable re Fee structures	1		1		2
Enhanced quality of instructions			1	1	2
More frequent social interaction	1			1	2
Support Systems enable efficiency		1		1	2
Totals	14	3	9	14	40

Table 5: Driving forces in respect of another outsourced service provider.

Restraining Forces - in respect of Other Relationship(s)	Positive Perceptions		Negative Perceptions		Total
	Attorneys	Debt Collectors	Attorneys	Debt Collectors	
Contractual					
Inefficient processes / -infrastructure	3	3		3	9
Less regulation / structure / support	3	1		1	5
Psychological					
IT / Data exchange - less efficient		1		2	3
Personal Interaction minimal / current interaction does not add value	1	2			3
Change in Structures & Management - Loss of Expertise			2		2
Fees - inadequate / limited room for negotiation				2	2
Bureaucratic & no equality		1	1		2
Totals	7	8	3	8	26

Table 6: Restraining forces in respect of another outsourced service provider.

The two primary restraining forces in respect of other outsourced relationships again relates to the adequacy of processes and infrastructure as well as lack of structure. Change management and the resultant loss of expertise also manifests itself as a restraining force in both relationships.

5.2.2 Research Question 2

Do the contractual and psychological elements governing the relationship have equal weighting in the level of effectiveness of the relationship?

Driving Forces - in respect of Outsourced relationship	Positive Perceptions		Negative Perceptions		Total
	Attorneys	Debt Collectors	Attorneys	Debt Collectors	
Psychological	33	24	6	13	76
Contractual	16	7	3	8	34
Totals	49	31	9	21	110

Restraining Forces - in respect of Other relationship	Positive Perceptions		Negative Perceptions		Total
	Attorneys	Debt Collectors	Attorneys	Debt Collectors	
Psychological	25	13	4	18	60
Contractual	11	14	6	10	41
Totals	36	27	10	28	101

Table 7: Categorisation of Driving & Restraining forces.

Contractual once again refers to explicit obligations which have been recorded between the parties, whilst psychological elements refer to the underlying or implicit expectations of the service providers based on the nature of exchange between the parties. This analysis does not relate to a specific question in the interview guideline but is derived from the data gathered through questions 2 and 5

The psychological elements clearly have a greater importance to the service providers than the contractual elements of the relationship (table 7 above).

The detailed list of driving and restraining forces in respect of both the outsourcer relationships and other comparable relationship(s), as categorised in terms of contractual or psychological elements, is shown in Appendix C (table 18-21) hereto.

5.2.3 Research Question 3

Are the different elements identified as being the primary forces governing the relationship by the two respective classification groups – Attorney- and Debt Collection firms, deemed to have the same relative importance?

Here reference is made to tables 3 to 7 as well as the related discussions above.

With regards to the driving forces, both Attorney- and Debt Collection firms seem to regard the psychological elements as being more important. The differences in importance between the two categories also seem similar if viewed from a ratio point of view – i.e. 39 psychological versus 19 contractual forces in the case of Attorney firms and 37 psychological versus 15 contractual forces in the case of Debt Collection firms.

In the case of the restraining forces, the psychological elements also seem to carry more weight. The perceptions of the respective groups are however not as similar as was shown above. The results indicate that the perception of Attorney firms seem to correspond more closely to the result in respect of the driving forces above (39 psychological versus 17 contractual). The differences in the perception of the Debt Collection firms are somewhat different. The differentiation between the psychological and contractual elements is far less than their differentiation between the two categories in the case of the driving forces (25 psychological versus 24 contractual).

5.2.4 Research Question 4

Which individuals and/or groups hold the balance of power within this specific relationship and how are these types of power classified?

This data refers to three open ended questions, namely questions 3 (a) to (c) in the interview guideline, where interviewees were requested to indicate their perceptions with regards to balance of power within the relationship as well as indicate the actual power relationship by assigning a weighting to it. The perception of the power split is tabulated below (table 8) with the first number indicating the power held by the outsourcer and the last number indicating the power held by the service provider. The responses were totalled per ratio and ranked ordered by total count. The average perception of power is 67/33 indicating that overall the outsourcer holds approximately two thirds of the power.

Power Split	Positive Perceptions		Negative Perceptions		Total
	Attorneys	Debt Collectors	Attorneys	Debt Collectors	
50 / 50	1	3	1		5
70 / 30	1	1		1	3
90 / 10	1		2		3
60 / 40	1	1		1	3
80 / 20				2	2
65 / 35	1	1			2
75 / 25	1				1
Total Responses	6	6	3	4	19
Mean: 67 / 33					

Table 8: Power Split in favour of the Outsourcer.

As discussed in the literature overview five power bases were initially identified by French and Raven (Koslowsky and Stashevsky, 2005), namely *coercive*, *reward*, *legitimate*, *expert* and *referent* power. These were subsequently extended to include *information* (Dapiran and Hogarth-Scott, 2003) and *resource* power (Lotia, 2003). This has been used as the basis for mapping the respective sources of power as indicated by the interviewees in question 3 of the interview guideline.

These responses were grouped by whether they are classified as soft or harsh power bases, based on the work done by Koslowsky and Stashevsky (2005). The harsh power bases have a bigger weighting than the softer power bases with reward power being the highest. Perceptions of Attorney- and Debt Collection firms with regards to the top two power bases, namely reward and legitimacy of position is more or less equal. With regards to the soft power bases there is however a distinct difference in perception with regards to referent power, with Debt Collection firms feeling more strongly (4 versus 1). The other three bases are

on par when compared. This is shown in table 9 above. The detailed classification is shown in Appendix C (table 22).

Sources of Power - Outsourcer	Positive Perceptions		Negative Perceptions		Total
	Attorneys	Debt Collectors	Attorneys	Debt Collectors	
Harsh					
Reward	4	3	3	3	13
Legitimate (position)	3	2		1	6
legitimate (reciprocity)			1		1
Coercive		1			1
Soft					
Referent	1	2		2	5
Expert	1	2	1		4
Communication / Information	2	2			4
Total Responses	11	12	5	6	34

Table 9: Power Bases – in favour of the Outsourcer.

To obtain a comprehensive picture of the power perceptions, service providers were also asked to indicate their own sources of power making up the other third of the power relationship. These are shown in table 10 below. The detailed data is shown in Appendix C (table 23).

Sources of Power - Service Provider	Positive Perceptions		Negative Perceptions		Total
	Attorneys	Debt Collectors	Attorneys	Debt Collectors	
Harsh					
Legitimate (position)	1	3	2	6	12
Legitimate (reciprocity)	1	1			2
Soft					
Expert	3	3		2	8
Information	1	1			2
Referent		1			1
Total Responses	6	9	2	8	25

Table 10: Power Bases – in favour of the Service Providers.

Legitimacy of position is once again identified, this time as the most prominent power base. Debt Collection firms however feel more strongly in this respect (9 versus 3). The soft power bases are lead by expert power with the Debt Collection firms once again feeling more strongly (5 versus 3). The balance of the soft power bases are again more or less on par. Table 11 presents a holistic view of the combined power bases leveraged in the outsourced relationship. It is shown that Debt Collection firms perceive themselves to be better positioned as a result of their legitimacy of position and expert power.

Combined Power Bases - Outsourcer & Service Provider	Positive		Negative		Total
	Attorneys	Debt Collectors	Attorneys	Debt Collectors	
Harsh					
Legitimate (position)	3	4	3	6	16
Reward	4	3	3	4	14
Legitimate (reciprocity)	2	2			4
Coercive		1			1
Totals	9	10	6	10	35
Soft					
Expert	4	5	1	2	12
Information	3	3			6
Referent	1	3		2	6
Totals	8	11	1	4	24

Table 11: Total Power Bases – Outsourcer & Service Providers combined.

5.3 Other Interesting Data.

The last two questions, question 6 & 7, prompted the interviewee to make suggestions with regards to possible improvement. This was posed as an open

ended question to solicit personal suggestions and general comments from the respective service providers in an uninhibited manner, after reflecting on the driving and restraining forces within both the outsourcer and other relationships.

These responses were tabulated, totalled and ranked by count. Once again all responses totalling only one were disregarded. The responses and comments are displayed in table 12 and 13 respectively. The detailed list of responses is included in Appendix C (table 24-25).

Service provider Suggestions to Improve the Relationship with the Outsourcer	Positive Perceptions		Negative Perceptions		Total
	Attorneys	Debt Collectors	Attorneys	Debt Collectors	
Enhanced communication	2	1		3	6
Joint decision making / strategising	4			1	5
Targets/Strategy - Realistic / Transparent / Clear	2	1		1	4
Alignment - Process vs. Capability	1		1	1	3
Consistency in terms of structure and people		1		2	3
IT System (I-Com) - Enhance integration	1		1		2
Enhance Information sharing	1		1		2
Less dictative / Open to negotiation				2	2
Quicker response times to queries, mails etc.	1			1	2
Total Responses	12	3	3	11	29

Table 12: Suggestions for Improvement

Enhanced communication, joint decision making and strategising are the most important areas for improvement (table 12). From the comments (table 13) it is also evident that service providers do not have such a great need with regards to networking and knowledge sharing and one might expect.

General Service Provider Comments	Positive Perceptions		Negative Perceptions		Total
	Attorneys	Debt Collectors	Attorneys	Debt Collectors	
Interaction with other SPs not NB	2	1	1		4
Type of work not a problem	1	1			2
Want to continue doing business going forward	1	1			2
Total Responses	4	3	1	0	8

Table 13: General Comments

5.4 Conclusion

The results of the above findings will be discussed in Chapter 6.

6 Chapter 6: Discussion of Results

The discussion of the results is based on the data shown in Chapter 5 and will follow the flow of the research questions set out in Chapter 3.

6.1 Research Question 1

Which forces, as identified by the outsourced service providers, determine the equilibrium within an outsourced relationship?

Kurt Lewin's Force Field Analysis framework based on his seminal work in done in 1959 was used to identify the driving and restraining forces within the specific outsourced context. He found that every relationship is a sensitive construct which always exists at some equilibrium and which is attained by means of a dynamic set of driving/enabling and restraining/inhibiting forces that constantly causes the equilibrium to shift up or down.

Figure 2 below shows the force field analysis in respect of the specific outsourced relationship. It is based on the data shown on tables 26 and 27 of Appendix C which shows the consolidated driving and restraining forces subsequent to them being ranked and all instances occurring three or less times being disregarded. A distinction is made between the elements which are contractual and psychological in nature – they are shown in red and blue respectively.

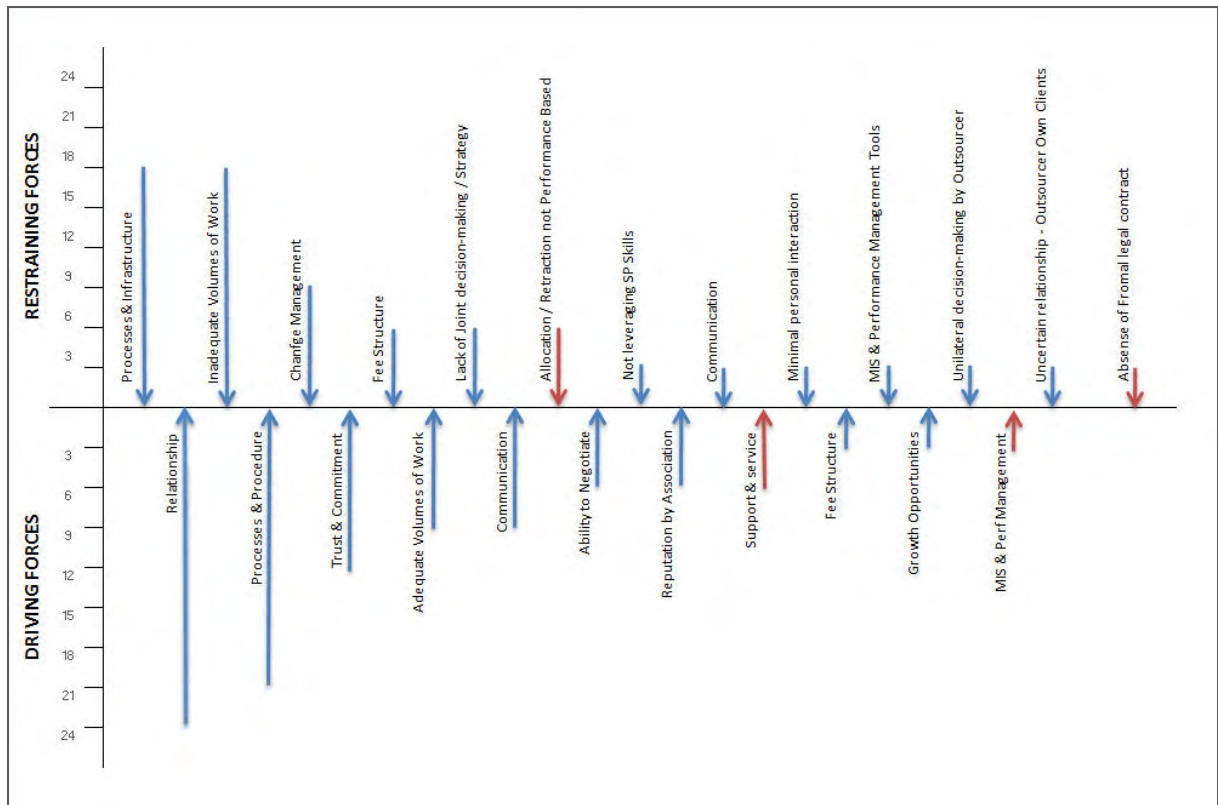


Figure 2: Force field Analysis in respect of the outsourced relationship.

The primary driving force in the figure 2 above is shown as being the relationship aspect with its related elements such as its stability, the ethical and professional nature and the personal interaction. These findings support the view of Ring and van der Ven (in Kern and Blois, 2002) who hold the value of personal relationships as a key compliment to the formal relationship – both in managing the general wellbeing of the exchange and in eliminating potential conflict. The interpersonal dynamics, which are often not explicit or visible, are therefore integral to the relationship. The absence of a formally concluded legal contract, which traditionally governs these types of relationships, is highlighted by the research but does not rank very high on the total list of restraining forces, indicating the

perception of service providers that the softer elements within the outsourced relationship carry more importance than the actual legal agreement.

Figure 2 also indicates that the adequacy of effective processes and infrastructure are viewed by the outsourced service providers to be both primary driving and restraining forces. Kern and Blois (2002) state that governance; structural safeguards and procedural safeguards are key elements of the agreement stage whilst the execution stage allows for renegotiation and adaptation. Where the agreement stage is flawed it potentially poses a risk in terms of the effective execution of the agreement. Table 26 and 27 indicate that the adequacy of effective processes and infrastructure are raised as both an enabling and inhibiting aspects. The fact that the variation is so close (21 enabling versus 19 restraining) is potentially a cause for concern and should evoke caution on the part of the outsourcer. There is clearly conflicting views amongst the service providers which may negatively impact effective execution of agreements in future.

Organisational structure and procedural rules often also serve as a power construct to enable the legitimisation of decisions and actions (Lotia, 2004). This is potentially negatively impacted by the service provider perceptions shown in table 27 which indicate that potential continuous change and ineffective change management within the organisational- and management structure is resulting in a loss of expertise. The outsourcer's perceived inability to leverage off specialised service provider skills and expertise also potentially exacerbates this restraining impact.

Room for negotiation, subsequent to the initial negotiation and after execution has commenced, often becomes an implicit expectation by parties. The emergent driving force shown in table 26, indicating the ability of the service provider to negotiate with the outsourcer or to initiate negotiation without being penalised, supports the above statement. Concurrent perceptions regarding unilateral decision making and limited mandates extended to service providers however potentially inhibits the effectiveness of the positive driving impact (table 27).

Trust can be viewed as either an outcome or an explanation of certain behaviours. Dapiran and Hogarth-Scott (2003) state that low-trust relationships have a tendency for parties to appeal to contractual remedies to resolve conflict. The research findings tabulated in table 26 show that the reciprocal trust and commitment are perceived to be a major driving force within the relationship. This is supported by the fact that the absence of contractual remedies is not highly ranked as an inhibiting factor in table 27. It is potentially also supported by the perception of open communication channels as shown in table 26. The high estimation of trust and commitment positively contributes to risk mitigation and management. Outsourcing is often viewed as being a high risk business activity due to the outsourcer heavily relying on a third party to render or perform key services on its behalf.

Lewis and Weltevreden (in Karisen and Gottschalck, 2006) encourage the setting of clear and upfront obligations between the outsourcer and service provider as

imperative for maintaining and optimal relationship. Although this is not evident in the force field analysis (figure 2), it is raised and a primary driving force in respect of other relationships indicating that the service providers have an implicit expectation in terms of clear goals and targets. This is supported by the strategic alliances existing between service providers and other clients. The research findings in respect of driving forces of other relationships are shown in Appendix C (table 16).

Brager and Holloway (1992) suggest the Force Field analysis model as a tool for assessing prospective organisational change within a dynamic social construct. The above force field analysis model (figure 2) therefore enables the outsourcer to isolate and address the inhibiting aspects whilst still maintaining an acceptable equilibrium.

All relationships are dynamic social constructs irrespective of whether they are driven by psychological or contractual aspects. Figure 2 clearly shows the relationship aspect as being a core driving or enabling aspect, indicating that there is a willingness to continue the relationship and to improve its efficiency. By leveraging off the positive aspects such as the good relationship and established infrastructure, the outsourcer should continue to engage with service providers on these aspects and focus on correcting the potential restraining aspects.

6.2 Research Question 2

Do the contractual and psychological elements governing the relationship have equal weighting in the level of effectiveness of the relationship?

It is quite evident from the research findings shown in table 26 and 27 that the importance of the psychological elements within the relationship far outweigh the contractual or legal aspects. By its nature the psychological contract is a unilateral implicit and unwritten agreement (Agyris in Sels, Janssens and Van den Brande, 2004) which in practical terms may be best described as the perception that one or more obligations by the other party has been unfulfilled (Johnson and O’Leary-Kelly, 2003).

The summarised categorisation (table 7) of driving and restraining forces into psychological and contractual respectively, as well as the graphical depiction in the form of the force field analysis in figure 2 above, supports the views in the literature that the psychological contract often only gains relevance when it becomes salient (MacDonald and Makin, 2000) (i.e. where there is some evidence of violation or breach) or where some form of uncertainty with regards to the future of the relationship exists.

The psychological aspects of the outsourced service provider relationship substantially outweigh the contractual aspects in terms of both driving and restraining forces. The detailed data in table 26 and 27 clearly indicate this – 91 psychological versus 9 contractual in the case of the driving forces and 77

psychological versus 10 contractual in case of restraining forces. As previously discussed, reference to the relevance and absence of a formalised legal agreement is found to be a restraining force, but actually ranks quite low – only 4 mentions out of a total of 87 restraining force mentions.

Stiles, Gratton and Truss (1997), as well as others (MacDonald and Makin, 2000 and Lee and Fuller, 2005), distinguish between relational and transactional contracts – the latter being characterised as being more economic in nature whilst the former is characterised by perceptions of loyalty and long term relationships. Although the research findings does indicate that the ability to negotiate is potentially restraining, trust and commitment, as well as the stability of the relationship and adequate fee structures are all perceived to be positive driving forces (table 26) which potentially negates the negative effect of the restraining forces. It is clear from the research study that in this particular case the service providers do not attach a great importance to the explicit contractual agreements.

The research shows no evidence of the concept of collectivism and/or group treatment emerging as primary driving or restraining forces. Johnson and O’Leary-Kelly do suggest that psychological contracting on an individual level may be influenced by observing the treatment of others as well as the perception (through this observation) of how highly the organisation values their individual contribution. The research did however find that interaction and networking opportunities with other service providers are not perceived to be pivotal to the success or efficiency

of the relationships. This is ascertained from the general comments that were observed during the research process and is shown in table 13.

It can therefore be concluded beyond any doubt that the psychological aspects of an outsourced relationship have a far greater importance to service providers than the formally concluded legal agreement which traditionally governs these professional outsourced relationship.

6.3 Research Question 3

Are the different elements identified as being the primary forces governing the relationship by the two respective classification groups – Attorney- and Debt Collection firms, deemed to have the same relative importance?

In respect of the *contractual driving* forces only, the research (shown in table 26) indicate that Attorney firms attach greater importance to the contractual aspects as being driving and/or enabling forces, whilst Debt Collections firms make no significant mention of these contractual aspects. There are in actual fact 8 mentions by Attorney firms versus only 1 mention by Debt Collection firms.

In terms of the *psychological driving* forces, the Debt Collection firms however attach a greater importance to the psychological aspects than the Attorney firms (47 Debt Collection firm mentions versus 43 Attorney firm mentions). By nature of their trade it does make logical sense that Attorney firms would be more sensitive to the explicit contractual obligations and requirements within any agreement. The

absence of an explicit contractual agreement is furthermore also only raised by Attorney firms.

With regards to the service provider perceptions around the *restraining forces*, table 27 show the research findings which indicate that Debt Collection firms only attach a marginally greater importance to the contractual aspects (6 Debt Collection firm mentions versus 4 Attorney firm, mentions). Debt Collection firms however attach substantially more value to the psychological aspects of the relationship when compared to their Attorney firm counterparts (44 Debt Collection firm mentions versus 33 Attorney firm mentions).

6.4 Research Question 4

Which individuals and/or groups hold the balance of power within this specific relationship and how are these types of power classified?

Sells Janssens and Van den Brande (2004) make the assumption that parties whose relationship are predominantly governed by a psychological contract have equal bargaining power. The research findings however show that although the relationship is predominantly influenced by psychological expectations (presented in table 26 and 27), a perception in actual fact exists that the parties do not have equal bargaining power. This is presented in table 8 and shows that the power split is on average perceived to be two thirds in favour of the outsourcer and one third in favour of the service provider. Exactly calculated it is shown to be 67% in favour of the outsourcer and 33% in favour of the service providers.

Although not explicitly tested by the research, this may then very well be a case where the parties voluntarily surrender certain freedoms in exchange for a similar surrender or reward by/from the other party. This view is supported by Rousseau in Janssens, Sels and Van den Brande (2004). It is however evident from the research findings that the perception exists that the outsourcer, by nature of its position, dictates the terms of the agreement (Table 8) – the primary power base being legitimacy of position.

The five original power bases as identified by French and Raven (Koslowsky and Stashevsky, 2005) later extended by Raven to include information power (Dapiran and Hogarth-Scott, 2003), as well as by Lotia (2003) to include resource power, were used as a basis for power analysis. The responses were subsequently also classified as either soft or harsh power bases, based on the research of Koslowsky and Stashevsky (2005).

The harsh power bases emerged as the dominant power tactic perceived by service providers to be employed by both themselves and the outsourcer. The research findings presented in table 11 indicate harsh tactic occurrences as being 35 in contrast to the 24 soft tactic occurrences.

Koslowsky and Stashevsky (2005) argue that individuals exercise the choice between harsh and soft power tactics based on personal power status – electing to apply harsh tactics as a means of elevating themselves or their personal position.

The research did not test individual power bases but the fact that harsh power tactics outweigh soft tactics may be indicative of insecurity on an individual level.

Interestingly enough resource power does not emerge as could have been expected within the outsourced context. Table 10 shows that service providers tend to view this rather as power based on legitimacy of position. Attorney- and Debt Collection firms with positive perceptions of the relationship both view expert power as the primary soft power base to their disposal (table 10). The research indicates that service providers with a strong internal locus of control will often make use of its expert power to assert itself and to ensure that its interests are protected.

Table 9 indicates that referent power emerges as power base in favour of the outsourcer in view of its strong ties with listed shareholders. Table 10 shows that this is not really viewed by service providers as a power base that they can leverage off. Referent power is often not actual power, but perceived power indicating that service providers perceive the outsourcer to be powerful based on its association with its shareholders – in this case its listed shareholders.

In summary it is evident from the data presented in table 8 that the outsourcer is perceived to have significantly more power than the service providers within the outsourced relationship. This is primarily due to perceived reward, legitimacy (of position and referent power). Rebalancing activities in response to the exercise of power tactics by the respective groups did not emerge in the data and can

therefore not be commented on. It is however evident that power is a reciprocal interdependent process where both parties can successfully leverage off their respective power bases.

7 Chapter 7: Conclusion

7.1 Main Findings

Outsourcing has become an integral aspect of the new world of work. Individuals and organisations are increasingly seeking to outsource certain activities to enable them to focus their energy on what they do best, as well as to achieve the same results in the most cost effective manner. Unsuccessful outsourced relationships and continuous re-contracting therefore not only reduces efficiency but also poses a potential reputational risk – especially in an environment where companies are increasingly relying on outsourced services. Fully understanding the enabling and inhibiting forces which drive these relationships are therefore critical to its success.

To enable the success of these relationships, as well as to optimise them, change needs to be implemented in a very strategic manner. Organisations need to continue and increase their leverage in respect of the positive or driving factors whilst addressing the restraining factors in a way which does not impact the equilibrium of the relationship in a negative manner and which still allows the exchange to yield the required results.

The research shows the value of the force field analysis in determining these factors in a manner which is objective and which allows the parties to contribute in an anonymous manner should they so wish. By understanding service provider attitude and behaviour, the outsourcer is better able to predict the outcome of

same and similar relationships. This enables the outsourcer to intelligently recruit service providers when outsourcing key business activities.

The research findings highlight the central role which relationships fulfil within an outsourced service provider context. This, together with the necessary infrastructure and efficient processes serves as the primary driving forces within the outsourced service provider context. This is supported by the perception of reciprocal trust, long term commitment and loyalty which exists between the outsourcer and the service provider. The view presented in the literature that a contingent or outsourced labour force is more inclined toward the transactional aspects of the relationships is refuted by the research. It is clear from the findings that outsourced service providers attach substantially more value to the psychological aspects of the relationship and that the explicit legal agreements are of lesser importance in respect of the governance of the outsourced agreement.

The contrast between the power balance in favour of the outsourcer and the positive perception of service providers of the quality of the relationship – despite their lack of power, is indicative of the delicate role which power fulfils within any social construct. Both the outsourcer and the service provider need to understand their power bases and exercise power tactics in such a manner as to still maintain the dynamic equilibrium within the relationship.

7.2 Recommendations

Recommendations to *outsourcers* based on the research findings include:

1. The psychological elements of a relationship are often disregarded as a being critical to the efficacy of the any professional relationship. Outsourcers specifically need to understand these psychological factors, which include knowing and understanding the implicit expectations and perceptions prevalent amongst their outsourced service providers.
2. Despite the great importance which is attached to the psychological aspects, service providers have an expectation in respect of clearly defined targets, goals and / or benchmarks. It is imperative for the Outsourcer to set these – clearly and at the outset.
3. Communication is important within any social exchange and it would be beneficial for outsourcers to encourage this as a means to understanding what the underlying beliefs and expectations on the part of the service providers are. This is specifically important in light of the fact that the perception exists that service providers cannot openly initiate negotiation with regards to their requirements without being penalised by the outsourcer. The perceived power balance in favour of the outsourcer may also discourage service providers from raising true concerns.

Recommendations to *service providers* based on the research findings:

It is important for any party within a dynamic relationship to develop and maintain an internal locus of control. In a relationship where the power balance is clearly in favour of the contracting or outsourcing party, the risks exist that the service provider can develop a victim-like attitude and submit or succumb to the outsourcers demands because they are reliant on the work. Alternatively the service provider may employ rebalancing activities which may negatively impact on the levels of loyalty and trust within the relationship. These may be avoided through open and honest communication.

7.3 Suggestions for Future Research

1. To fully understand the efficacy of outsourced relationships, it is important to understand the perspectives of both parties. To obtain a holistic view, it is suggested that the force field analysis tool be utilised to identify the norms and explicit expectations present from both perspectives – outsourcer and service provider.
2. The research did not expressly find evidence of rebalancing activities in respect of the exercise of power tactics. Future research could investigate the presence of specific tactics employed by the parties, as well as the contrasting

rebalancing activity. This would provide a comprehensive understanding of the impact of power, as well as its role within the relationship.

3. Future research could also focus on the power held by specific individuals or roles within the outsourced relationship context, as well as the type of power tactics employed by such individuals or roles. Distinguishing between the soft and the harsh power tactics will add an interesting view to the existing findings in respect of the perceived power balance which exists within these relationships.
4. It is clear from the research that the psychological aspects of the relationship far outweigh the contractual aspects. The role of power and power tactics in specific contrast to the psychological elements which govern the relationship is however not clear from this research. Future research can enhance the efficacy of these exchanges by understanding the specific perceived expectations and behaviours in contrast to the role of power.

7.4 Conclusion

This research provides evidence of the importance of distinguishing between enabling and inhibiting forces within any relationship or social construct. Without understanding the impact of these, no outsourcer will be able to effectively optimise their outsourced service provider relationships. It is also equally important for service providers to develop and harness their internal locus of control and to articulate their expectations despite the perceived power imbalance. It is hoped

that this research and the related findings will contribute to the efficacy of outsources relationships and that it will provide a basis for future research to further expand on this.

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9 Appendices

9.1 Appendix A: Interview Guideline

Introduction

Thank you for making the time to meet with me. As you already know I am currently busy with a research project as requirement for a Master in Business Administration (MBA) with GIBS. This research therefor serves a dual purpose in that it is a compulsory requirement for the fulfilment of the degree, as well as that I wanted to make use of the opportunity to conduct research in an area that would enable Maravedi to be more efficient in the execution of their chosen business model.

Confidentiality

The study will be done with utmost confidentiality and except for indicating whether the response is received from an Attorney- or Debt Collection firm, no other details regarding yourself or your firm will be disclosed. All notes made during this interview are merely to enable me to accurately analyse the results once all the interviews are completed. Are you comfortable with this?

Background

The purpose of this research is to determine the driving and restraining forces that influence outsourced service provider relationships. As an EDC (External Debt

Collector) you are aware that Maravedi's business model is primarily and outsourced collections model and that they have a substantial number of EDCs on their panel. The aim of this interview is therefor to try and understand these forces in your perception, to enable Maravedi to better manage and improve these pivotal relationships.

The model applied is called Kurt Lewin's Force Field Analysis. It is an established technique, which focuses on identifying the forces that drive or enhance a relationship, as well as the forces that restrain or impede the relationship. These forces are determined by identifying what your perception of the positive and negative qualities of the relationship are. Once all of the data is collected, the responses are collated, categorised and analysed by means of both quantitative content analysis and qualitative analysis techniques.

Are you comfortable to proceed with the interview process? Should I explain anything in more detail?

No.

EDC Name:

Attorney / Debt Collector:

Date of Interview:

Geographic Location:

1. Scale

This vertical line represents a scale ranging from *Excellent* at the top to *Poor* at the bottom. Please indicate, by drawing a horizontal line, where you consider your relationship with Maravedi to be.

excellent



poor

2. Driving and Restraining Forces

a. Please list at least six positive / driving / enabling forces.

1.

2.

3.

4.

5.

6.

b. Please list at least six negative / inhibiting / restraining forces.

1.

2.

3.

4.

5.

6.

3. Balance of Power

a. Who, in your perception, holds the power within this relationship? (e.g. Maravedi or EDC)

b. How would you weight that balance – e.g. 50/50; 60/40 etc?

c. Please name (at least three) sources of power within the relationship.

1.

2.

3.

4. How does this relationship contrast to relationships that you have with one of your other Outsourcers?

5. How does this relationship contrast to relationships that you have with one of your other Outsourcers?

Please list at least six positive / driving forces.

1.

2.

3.

4.

5.

6.

Please list at least six negative / restraining forces.

1.

2.

3.

4.

5.

6.

6. What can be done to improve this relationship?

7. Is there anything else which you would like to add?

9.2 Appendix B: Sample

	External Debt Collector	Designation	Interviewee	Classification	Location
1	Coombe & Associates	Principal	C Coombe	Attorney	Gauteng
2	Lombard Attorneys	Principal	M Lombard	Attorney	Gauteng
3	Van der Merwe du Toit	Manager	D Claasse	Attorney	Gauteng
4	VVM Inc	Manager	L Woznika	Attorney	Gauteng
5	Koegelenberg Attorneys	Manager	P Nagel	Attorney	Western Cape
6	Marais Muller Attorneys	Principal	E de Wet	Attorney	Western Cape
7	Mostert & Bosman Attorneys	Principal	R Dixon	Attorney	Western Cape
8	Bornman & Hayward	Principal	D du Toit	Attorney	Western Cape
9	O'Connor Attorneys	Principal	Denis O Connor	Attorney	Eastern Cape
10	A van der Walt Attorneys	Principal	A van der Walt	Attorney	Mpumalanga
11	Leppens & Associates	Principal	V Leppens	Debt Collector	Gauteng
12	Lubbe Botha Slabbert	Principal	J Botha	Debt Collector	Gauteng
13	National Debt Connection	Principal	A van Emmenis	Debt Collector	Gauteng
14	Sonveld Investments	Principal	J Grove	Debt Collector	Gauteng
15	Timrisk	Principal	C du Pisani	Debt Collector	Gauteng
16	DM Debt Services	Principal	R van der Nest	Debt Collector	North West
17	Dos Reis & Associates	Principal	V dos Reis	Debt Collector	North West
18	Onro	Principal	R Slabbert	Debt Collector	Western Cape
19	Helikon Tracers	Principal	Sarel Theron	Debt Collector	KZN

9.3 Appendix C: Additional Data

- Detailed Data in respect of Driving and Restraining forces – Outsourced Relationship.

Driving Forces in respect of the Outsourced Relationship	Positive Perceptions		Negative Perceptions		Total
	Attorneys	Debt Collectors	Attorneys	Debt Collectors	
Service Delivery - Effective	6	1	1	2	10
Trust	4	3		1	8
Payment Processes - Efficient	3	1	1	3	8
Communication - Open Channels	4	2	2		8
Unilateral Negotiation (no penalty)	3	3			6
IT System (I-Com) enables efficiency	2	2	1	1	6
Reputation through Association	2			3	5
RSM interaction & feedback	1	2		2	5
Growth Opportunities	1	1		2	4
Instructions - Sufficient (volumes)	2	1		1	4
Fee Structure - Adequate	2			2	4
Instructions - improved Quality	1	2	1		4
Professional relationship	1	2	1		4
Relationship - Personal	2	1	1		4
MIS / Tools - Good	2	1			3
Relationship - Long term	1	1		1	3
Relationship - Honest	1	1	1		3
Commitment & Loyalty - Reciprocal	1	1		1	3
Sense of Accomplishment	2				2
Limited Uncertainty	1	1			2
Co-operation (all levels)	1	1			2
Stable Relationship	1	1			2
Strategic Alliance	1			1	2
Profitability	1				1
Goal / Deadline driven	1				1
Ethical relationship		1			1
Targets - Clearly defined	1				1
Performance Evaluation - Regular	1				1
Personal Interaction - Adequate	1				1
Structures - established and stable		1			1
Decision Making - efficient		1			1
Feedback (reciprocal)		1			1
Process - Driven Approach	1				1
Like working with the Outsourcer				1	1
Total Responses	51	32	9	21	113

Table 14: Driving Forces in respect of the Outsourced Relationship – Full List

Restraining Forces in respect of the Outsourced Relationship	Positive Perceptions		Negative Perceptions		Total
	Attorneys	Debt Collectors	Attorneys	Debt Collectors	
Instructions - Unstable / Varied Quality	5	4	1	2	12
IT System (I-Com) is restraining	2	1	2	2	7
Joint decision making / strategising	2	4			6
Change - Structures & Management		3		3	6
Contract - Absence Thereof	1	2	1	1	5
Fee Structure - Negotiate Revised Fees	1	1		2	4
Type of Work - not ideal / inflexible	1	1	1	1	4
Fee Structure - Long term Profit Inhibited	1		2	1	4
Instructions - Insufficient (volumes)	1	1	1		3
Fee Structure - Want Option to Tender	1		1	1	3
Communication - Inconsistent /lack of		1		2	3
MIS / Tools - Inflexible / lacking	1	1		1	3
Change - Loss of Expertise		1		2	3
No mandate / Unilateral decision making	2			1	3
3rd Party Relationships - Uncertain		3			3
Service Delivery - Not Efficient		3			3
Trust - retractions by 3rd Party via the Outsourcer	1		1	1	3
Resolution takes long		1	1	1	3
Work Allocation /retraction not based on Performance		1	1	1	3
Targets - not transparent / defined	1	1			2
Personal Interaction – Minimal	1			1	2
Networking with Other SPs	2				2
Benchmarking - Rank SPs	1			1	2
Process - Detail enhancements inhibit	1		1		2
Acknowledgement - Lack of	2				2
Outsourcer insight into Legal Process - limited	1			1	2
Leveraging off SP skills - insufficient	1		1		2
IT System (I-Com) - Enhance integration	1		1		2
Negotiation - Unilateral (Outsourcer not open)	1			1	2
Strategy – unclear				2	2
Contract – Breach				2	2
Risk - High: recouping overheads	1				1
Risk - High: non-collectable matters	1				1
Inability to plan - infrastructure requirements	1				1
Payment Process – Inefficient		1			1
Interest Calculations on Statements		1			1
Performance Evaluation - Quick to judge	1				1
Execution - no end-to-end completion				1	1
RSM - does not add value			1		1
Total Responses	35	31	16	31	113

Table 15: Restraining Forces in respect of the Outsourced Relationship – Full List

- Detailed Data in respect of Driving and Restraining forces – Other Relationship(s).

Driving Forces in respect of Other Relationship	Positive Perceptions		Negative Perceptions		Total
	Attorneys	Debt Collectors	Attorneys	Debt Collectors	
Negotiation - Unilateral (open)	3			1	4
Strategic Goal Sharing	2		1	1	4
Work allocation - more efficient	1	1	1	1	4
Joint decision making / strategising	1		2		3
Targets - Clearly defined	1		1		2
Social Interaction (more regular)	1			1	2
Instructions - Better Quality			1	1	2
Communication - Open Channels				2	2
Fees - negotiable	1		1		2
Relationship - Honest & Transparent	1				1
Strategic Alliance	1				1
Acknowledgement - good performance	1				1
Data exchange / IT - more efficient	1				1
Contract - in place	1				1
Access to Supporting Docs		1			1
Performance Evaluation - Regular			1		1
Transparent performance measurement			1		1
Professional relationship				1	1
Stable Relationship				1	1
Relationship - Personal				1	1
Mandate - Recognise expertise				1	1
Benchmarking - Rank SPs				1	1
Less Dictative				1	1
Not Hierarchical				1	1
Environment/Office Space - relaxed				1	1
Support Systems enable efficiency				1	1
Total Responses	15	2	9	16	42

Table 16: Driving Forces in respect of Other Relationship(s) – Full List

Restraining Forces in respect of Other Relationship	Positive Perceptions		Negative Perceptions		Total
	Attorneys	Debt Collectors	Attorneys	Debt Collectors	
Payment Processes - Less efficient	2	1			3
Service Delivery - Less Efficient	1	2			3
Less structures		1		1	2
RSM interaction & feedback	1	1			2
Data exchange / IT - less efficient		1		1	2
Benchmarking - Rank SPs	1				1
Less Control - re Processes & Performance etc.	1				1
Trust at Outset - launched EDC success	1				1
Conservative decision making etc	1				1
Relationship - too regulated	1				1
Less regulation	1				1
Info - consistency & quality	1				1
Instructions - Sufficient (Vol + Freq)		1			1
Insight into Legal Process - limited		1			1
Interaction with Senior Mgt- Minimal		1			1
Smaller clients - fragmented		1			1
Less Professional		1			1
No Equality		1			1
Change - Structures & Management			1		1
Change - Loss of Expertise			1		1
Bureaucratic			1		1
Fee Structure - Want Option to Tender				1	1
IT System / Lack off				1	1
Fee Structure - less accommodating				1	1
Retraction Process - less efficient				1	1
Invoicing process - complicated				1	1
Client doesn't Act like a King				1	1
Total Responses	11	12	3	8	34

Table 17: Restraining Forces in respect of Other Relationship(s) – Full List

- Detailed Data in respect of classification – Contractual (legal) vs. Psychological

Driving Forces - in respect of Outsourced Relationship	Categorisation	Positive Perceptions		Negative Perceptions		Total
		Attorneys	Debt Collectors	Attorneys	Debt Collectors	
Relationship - personal, stable, professional, ethical	Psychological	8	9	3	4	24
Efficient processes & infrastructure	Psychological	6	6	3	6	21
Reciprocal Trust & Commitment	Psychological	5	4		2	11
Open communication channels	Psychological	4	2	2		8
Instructions - Adequate volumes & quality	Psychological	3	3	1	1	8
Effective support & service delivery to SP	Contractual	6				6
SP ability to negotiate without being penalised	Psychological	3	3			6
THE OUTSOURCER reputation through association with shareholders	Psychological	2			3	5
Adequate fee structures	Psychological	2			2	4
Growth opportunities for SPs	Psychological	1	1		2	4
Effective MIS & Performance Management Tools	Contractual	2	1			3
Co-operation on all levels within the organisation	Psychological	1	1			2
Goal oriented & target driven	Psychological	2				2
No / limited uncertainty in respect of relationship & future	Psychological	1	1			2
Enables sense of accomplishment for SP	Psychological	2				2
Strategic Alliance between THE OUTSOURCER & SP	Psychological	1			1	2
Totals		49	31	9	21	110

Table 18: Detailed classification (Contractual vs. Psychological): Driving Forces - Outsourcer

Restraining Forces - in respect of Outsourced Relationship	Categorisation	Positive Perceptions		Negative Perceptions		Total
		Attorneys	Debt Collectors	Attorneys	Debt Collectors	
Inefficient processes / -infrastructure	Psychological	4	8	4	3	19
Inadequate instructions (volumes, quality, frequency)	Psychological	7	4	3	3	17
Change in Structures & Management - Loss of Expertise	Psychological		4		5	9
Fees - inadequate / limited room for negotiation	Psychological	3	1		3	7
Lack of joint decision making / strategising	Psychological	2	4			6
Work Allocation / retraction not based on performance	Contractual	1	1	2	2	6
Absence of updated formal contract	Contractual	1	2		1	4
Not leveraging off specialised SP knowledge & skills	Psychological	2		1	1	4
Uncertainty re Outsourcer relationships with their own Clients(3rd Parties)	Psychological	3				3
Inconsistency & lack of communication	Psychological		1		2	3
Inflexible MIS & Performance management Tools	Psychological	1	1		1	3
Unilateral decision making by Outsourcer / No mandate to SP	Psychological	2			1	3
Personal Interaction minimal / current interaction does not add value	Psychological	1			2	3
Lack of acknowledgement of SP performance, ideas etc.	Psychological	2				2
Lack of physical ranking / benchmarking of SPs	Psychological	1			1	2
High Risk taken by SP for annuity income only	Psychological	2				2
THE OUTSOURCER not open to negotiation - dictative	Psychological	1			1	2
Lack of networking opportunities with other SPs	Psychological	2				2
Unclear / non-transparent strategy	Psychological				2	2
Targets - Not transparent / defined	Psychological	1	1			2
Totals		36	27	10	28	101

Table 19: Detailed classification (Contractual vs. Psychological): Restraining Forces – Outsourcer

Driving Forces - in respect of Other relationship(s)	Categorisation	Positive Perceptions		Negative Perceptions		Total
		Attorneys	Debt Collectors	Attorneys	Debt Collectors	
Strategic Alliance between THE OUTSOURCER & SP	Psychological	4		3	1	8
SP ability to negotiate without being penalised	Psychological	3			1	4
Relationship - stable, personal	Psychological	1			3	4
Targets & Benchmarking - Clearly defined	Contractual	2	1	1		4
Work allocation - more efficient	Psychological	1	1	1	1	4
Efficient communication & data exchange	Psychological	1			2	3
Less dictative / hierarchical & predefined SP mandate	Psychological				3	3
Negotiable re Fee structures	Psychological	1		1		2
Enhanced quality of instructions	Psychological			1	1	2
Performance Evaluation - Regular & Transparent	Contractual			2		2
More frequent social interaction	Psychological	1			1	2
Support Systems enable efficiency	Psychological		1		1	2
Totals		14	3	9	14	40

Table 20: Detailed classification (Contractual vs. Psychological): Driving Forces - Other

Restraining Forces - in respect of Other relationship(s)	Categorisation	Positive Perceptions		Negative Perceptions		Total
		Attorneys	Debt Collectors	Attorneys	Debt Collectors	
Inefficient processes / -infrastructure	Psychological	3	3		3	9
Less regulation / structure / support	Contractual	3	1		1	5
IT / Data exchange - less efficient	Psychological		1		2	3
Personal Interaction minimal / interaction does not add value	Psychological	1	2			3
Change in Structures & Mgmt - Loss of Expertise	Psychological			2		2
Fees - inadequate / limited room for negotiation	Psychological				2	2
Bureaucratic & no equality	Psychological		1	1		2
Totals		7	8	3	8	26

Table 21: Detailed classification (Contractual vs. Psychological): Restraining Forces - Other

- **Sources of Power – in favour of the Outsourcer**

Sources of Power - Outsourcer	Power Base	Positive Perceptions		Negative Perceptions		Total
		Attorneys	Debt Collectors	Attorneys	Debt Collectors	
Power to allocate work/instructions	Reward	1	3	3	3	10
Communication / Information	Information	2	2			4
Dictate Fees	Reward	2			1	3
Dictative	Expert	1		1		2
Service / Support structures to EDC	Legitimate (reciprocity)	1	1			2
Prominent Shareholders	Referent		1		1	2
Individuals have power	Referent	1			1	2
Aggressive Approach	Coercive		1			1
Management Information	Expert		1			1
Strong Management Skills	Expert		1			1
<i>Ex Contracto</i>	Legitimate (position)	1				1
Power to determine process	Legitimate (position)	1				1
Outsourcer has Choice - not dependant	Legitimate (position)		1			1
Power to retract work/instructions	Legitimate (position)			1		1
Outsourcer as "Client"	Referent		1			1
Calculation of Commission	Reward	1				1
Total Responses		11	12	5	6	34

Table 22: Sources of Power in favour of Maravedi.

- Sources of Power – in favour of Service Provider

Sources of Power – Service Provider	Power Base	Positive Perceptions		Negative Perceptions		Total
		Attorneys	Debt Collectors	Attorneys	Debt Collectors	
Performance / Expertise	Expert	3	2		2	7
Access to Other Sources of Work	Legitimate (position)		1	1	1	3
Protections against reputational risk	Legitimate (position)		1		2	3
Communication / Information	Information	1	1			2
Power to Dispute - possession 9/10	Legitimate (position)			1	1	2
Ownership - Trust Account	Legitimate (position)				2	2
Capacity to do volume work	Legitimate (position)	1	1			2
Own empowerment	Expert		1			1
Commitment	Legitimate (reciprocity)	1				1
Low Demands	Legitimate (reciprocity)		1			1
Individual relationships	Referent		1			1
Total Responses		6	9	2	8	25

Table 23: Sources of Power in favour of Service Provider.

- **Suggestions for improvement by Service Provider**

Service provider Suggestions to improve the relationship with Outsourcer.	Positive Perceptions		Negative Perceptions		Total
	Attorneys	Debt Collectors	Attorneys	Debt Collectors	
Enhanced communication	2	1		3	6
Joint decision making / strategising	4			1	5
Targets/Strategy - Realistic / Transparent / Clear	2	1		1	4
Alignment - Process vs. Capability	1		1	1	3
Consistency in terms of structure and people		1		2	3
IT System (I-Com) - Enhance integration	1		1		2
Enhance Information sharing	1		1		2
Less dictative / Open to negotiation				2	2
Quicker response times to queries, mails etc.	1			1	2
Local representative	1				1
Greater Mandate	1				1
More social engagements				1	1
Acknowledge performance	1				1
Be more sensitivity to resource constraints	1				1
More ready access to supporting documentation		1			1
Relook applicability of MIS (e.g. Matrix as tool)		1			1
Don't change things that worked				1	1
Personalise relationships				1	1
Quality of Instructions must improve		1			1
More lenient fees			1		1
Total Responses	16	6	4	14	40

Table 24: Suggestions for improvement by Service Provider.

- **General Comments by Service Provider**

General Service Provider Comments	Positive Perceptions		Negative Perceptions		Total
	Attorneys	Debt Collectors	Attorneys	Debt Collectors	
Interaction with other SPs not NB	2	1	1		4
Type of work not a problem	1	1			2
Want to continue doing business going forward	1	1			2
RSM - neutral re benefits		1			1
Still makes reference to the "bank"	1				1
Near ideal relationship		1			1
Reputation = NB		1			1
Risk / Reward compares well with other clients	1				1
Personal loyalty towards individuals				1	1
Wellbeing of the Outsourcer directly related to wellbeing of SP				1	1
Industry looking for leadership				1	1
Total Responses	6	6	1	3	16

Table 25: Suggestions for improvement by Service Provider.

- Driving and Restraining Forces to determine Relationship Equilibrium

Driving Forces - in respect of Outsourced relationship	Categorisation	Positive Responses		Negative Responses		Total
		Attorneys	Debt Collectors	Attorneys	Debt Collectors	
Relationship - personal, stable, professional, ethical	Psychological	8	9	3	4	24
Efficient processes & infrastructure	Psychological	6	6	3	6	21
Reciprocal Trust & Commitment	Psychological	5	4		2	11
Open communication channels	Psychological	4	2	2		8
Instructions - Adequate volumes & quality	Psychological	3	3	1	1	8
SP ability to negotiate without being penalised	Psychological	3	3			6
Outsourcer reputation / association with shareholders	Psychological	2			3	5
Adequate fee structures	Psychological	2			2	4
Growth opportunities for SPs	Psychological	1	1		2	4
Effective support & service delivery to SP	Contractual	6				6
Effective MIS & Performance Management Tools	Contractual	2	1			3
Totals		42	29	9	20	100

Table 26: Driving Forces determining Equilibrium – Outsourced relationship.

Restraining Forces - in respect of Outsourced relationship	Categorisation	Positive Responses		Negative Responses		Total
		Attorneys	Debt Collectors	Attorneys	Debt Collectors	
Inefficient processes / -infrastructure	Psychological	4	8	4	3	19
Inadequate instructions (volumes, quality, frequency)	Psychological	7	4	3	3	17
Change in Structures & Management - Loss of Expertise	Psychological		4		5	9
Fees - inadequate / limited room for negotiation	Psychological	3	1		3	7
Lack of joint decision-making / strategising	Psychological	2	4			6
Not leveraging off specialised SP knowledge & skills	Psychological	2		1	1	4
Inconsistency & lack of communication	Psychological		1		2	3
Personal Interaction minimal / interaction doesn't add value	Psychological	1			2	3
Inflexible MIS & Performance management Tools	Psychological	1	1		1	3
Unilateral decision making by Outsourcer / No mandate to Service Provider	Psychological	2			1	3
Uncertainty re Outsourcer relationships with own Clients (3rd Parties)	Psychological	3				3
Work Allocation / retraction not based on performance	Contractual	1	1	2	2	6
Absence of updated formal contract	Contractual	1	2		1	4
Totals		27	26	10	24	87

Table 27: Restraining Forces determining Equilibrium – Outsourced relationship.