

Maintaining a CLASP (Customer Leveraged Application Service Provision) on Application Service Providers: A Lesson from German SMEs to ASPs.

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Abstract

The decision to outsource business processes by outsourcing the supporting applications requires the consideration of critical factors within the areas of Delivery and Enablement; Integration; Management and Operations; Business Transformation and the customer/vendor relationship. This paper focuses on the ability of small and medium sized enterprises (SMEs) to evaluate whether their needs are being fulfilled as a result of using the application service provision (ASP) model, to facilitate technology outsourcing initiatives. Such levels of satisfaction are measured in terms of the customer's expectancy-disconfirmation (perceived performance against expectations (Johnson, Gustafsson, Andreassen, Lervik, and Cha, (2001)) of ASP services, including the significant importance of the extent to which services are 'customer leveraged' against traditional vendor driven methods (Kern, and Willcocks, (2000), Ovum (2000), Johnson, et al (2000)). The findings of this paper build on results from established outsourcing research (Yang, and Huang (2000)) (Johnson, et al. (2000)) and are based on a recent empirical study by the ALTERNATIVE project (IST 2000-28421), centred upon of German SMEs using ASP services across various industrial sectors. The research first describes the position of the European ASP market and then discusses why SMEs may choose to outsource via ASP and the importance of customer satisfaction within the outsourcing deal. The paper concludes with the findings from the SME study and their relationships in terms of the critical factors of outsourcing are described.

Keywords

Application Service Provision, Outsourcing, Small and Medium Enterprises, Germany

1. Introduction

The drivers of growth in the Information Systems (IS) outsourcing market have been recognised (Yang and Huang, (2000), Willcocks and Smith, (1995), Seltsikas (1999)) as a consequence of firms trying to reduce costs and increase productivity. 'Outsourcing' has made the transition from being an often *panic driven* need to reduce costs, to an accepted *tool* for *managing* competitive advantage (Busher, 2001). Rapid technological innovations place increasing pressure on small and medium sized enterprises (SMEs), to manage technological change, to sustain their competitive edge in the marketplace. A key concern facing many SMEs, involves their ability to utilise *tailored information communication technologies (ICT) solutions* that incorporate knowledge and collaborative capabilities for internal business processes. These market demands have led to the development of new business models and the growth of the outsourcing market. One such outsourcing model that has emerged is application service provision (ASP). An ASP *manages and delivers application capabilities to multiple entities from a data centre across a wide area network*. Typically, the ASP becomes an Internet-hosting outsourcer, performing the initial application implementation and integration, controlling the data centre management, and providing uninterrupted connectivity and support. The ASP often leads the client relationship and can act as a complete 'end-to-end solution provider' (Spider Fuel, 2002).

Research estimates (IDC, 2002) world-wide expenditure on ASP related outsourcing services will reach almost \$20 billion by 2006, with the forecast for Western European market expenditure on ASP to reach \$6.5 billion. Whilst the ASP industry has fared particularly well in the US, it has not had comparable success in Europe. Despite the intense hype generated around this mode of software delivery, Europe is estimated to be around 18 months behind the US in employing ASP services (Lehman Brothers, 2000). Research indicates (Busher, 2001) the UK has led Europe with regards to the adoption of outsourcing as a strategic tool, with European companies adopting sourcing strategies in all their major economies. Despite unrealised growth forecasts, the ASP model can succeed in Europe with the prerequisite that the current business proposition is modified to attract vendors with sufficient knowledge of the SME market and more importantly, the experience to manage the customer/vendor relationship (IDC, 2002). Other research (Cox, 2002) indicates that a failure to master the subtleties of the buying relationships can lead to significant business risks.

The mastering of core relationships between vendor's and customer's, can be a driving force behind the SMEs decision to employ ASP services and more specifically, the maintenance and renewal of contracts by existing customers (Ovum, 2000). By 2005, as much as 40% of Europe's IT and business process expenditure may be based on outsourced services as firms use this as a strategy for focussing on their core capabilities (IDC, (2002), Ovum, (2000)). This prediction has the potential to drive further outsourcing activities and to shrink in-house IT departments forever. Investigations support the view that SMEs are interested in *ASP models associated with software delivery*, as it is believed that this 'levels the playing field' for them and provides opportunities to access big company, world-class applications that could not normally be afforded. In comparison the research revealed (Ovum, 2000), that very small companies do not foresee any use for these shrink wrapped versions of 'world-class' software, such as human resource or customer relationship management packages, as small companies often lack the resources and business practices to utilise such products.

Considerable literature exists concerning the outsourcing of information technology (Kern and Willcocks, (2000), Pinnington and Woolcock, (1997) Willcocks, Lacity, and Fitzgerald (1995)). Although the majority of this outsourcing research focuses on the organisation *as a*

whole, there is limited focus upon those SMEs using ASP services and the evaluation of their levels of satisfaction with the service they receive. This paper satisfies this lapse in the research and evaluates the SME's viewpoint and satisfaction levels both *before and after (expectation/perception) undertaking an ASP outsourcing initiative*. The main goal of this study is to investigate the importance of the various aspects of the ASP service being received by the SME, in relation to the critical factors of outsourcing: Delivery and Enablement; Integration; Management and Operations; Business Transformation and the customer/vendor relationship.

This study was executed in Germany, which was deemed an appropriate research environment as former research suggests (Total Romtec, 2001), that in 2001, 86% of German SMEs (up to 250 employees), were connected to the Internet whilst 23% of these were trading on-line. Hence the uptake of the Internet in Germany compared to other European countries is relatively high, which suggests a sound infrastructure for ASP penetration. The ASP organisation investigated in this study was originally formed with the aim of providing German SMEs access to the ASP market. The company's main partner is a leading German Telecommunications Provider. Currently the organisation is the largest supplier of Navision, in Germany which is a Microsoft, based modular end-to-end software solution, designed specially for fast growing mid-sized organisations and includes accounting, distribution, manufacturing and e-business management software for SMEs in addition to enterprise resource planning modules (ERP). The formation of a strategic alliance to deliver ASP solutions has brought together a variety of partners who as a result, have direct access to the German SME market. This is appealing for the partners, as individually they lack access to SMEs and do not have the internal capability, time or the complete solution to provide communication services to this market. Nevertheless, they are powerful associates to the ASP model; together they encompass the specific skill set and capabilities to liaise with SME customers. Outsourcing with this ASP organisation forms an individual/customised combination of Internet hosting and software services; hence the ASP solutions are deployed to meet the *specific* needs of the small and medium-size enterprise.

2. Customer satisfaction guaranteed?

Customer satisfaction may be defined as 'determining the degree to which a company's products or services meet the requirements of the end user' (CIRAS, 2002). The need to determine customer satisfaction may vary due to the competitive circumstances of a given industry for example, in intense consumer-focused activities, measuring customer satisfaction is deemed to be critical. Areas where improvement may be expected from the measurement of customer satisfaction include; [i] Better determination of customer uses and needs [ii] Identification of problems with customer services [iii] A sharper focus on areas having the greatest need for improvement [iv] Gaining insight for new products and/or service offerings (CIRAS, 2002). Such methods of measurement not only help the vendor to assess their product positioning, but can provide the customer with an additional means of ensuring that the vendor is delivering their promised service provision under the service offering agreement.

2.1 The customer satisfaction concept

Figure 1.0 (Armstrong (2002), Rust, Zeithaml, and Lemon, (2000)) describes the customer satisfaction cycle, which illustrates those customers who are dis-satisfied, and are associated with unmet expectations. This realisation should therefore, prompt the vendors to evaluate the customer's expectations, which is not always the case in real world scenarios. The ability

of both sides to verbalise and agree upon the expectations envisaged is paramount, so that parties do not under promise or over deliver within the relationship. Customer satisfaction research (Johnson et al. (2001), Johnson, Hermann and Gustafsson, (2002)) has evolved around two methods of evaluation, these being; transaction-specific and cumulative satisfaction. Transaction specific evaluation focuses on the relationship between the perceived quality and satisfaction. In comparison, cumulative satisfaction focuses on the customers overall experience to date with a product or service provider, which reflects what is being measured within this study.

It is argued (Johnson et al. (2001)) that viewing satisfaction as a cumulative construct also dictates how one treats measures of expectancy-disconfirmation (perceived performance against expectations). It is suggested that cumulative satisfaction should reveal broad-based differences in performance across different industries and countries, where the focus is to find a theoretical basis for expecting differences in satisfaction that can be empirically tested and supported. A means to formulate this theoretical basis entails a focus on the prevailing levels of 'motivation and ability'. Firms therefore have to provide customers with a differentiated set of alternatives (Johnson et al. (2001), Johnson, et al. (2002)). This approach will be explored further within the findings of this study.

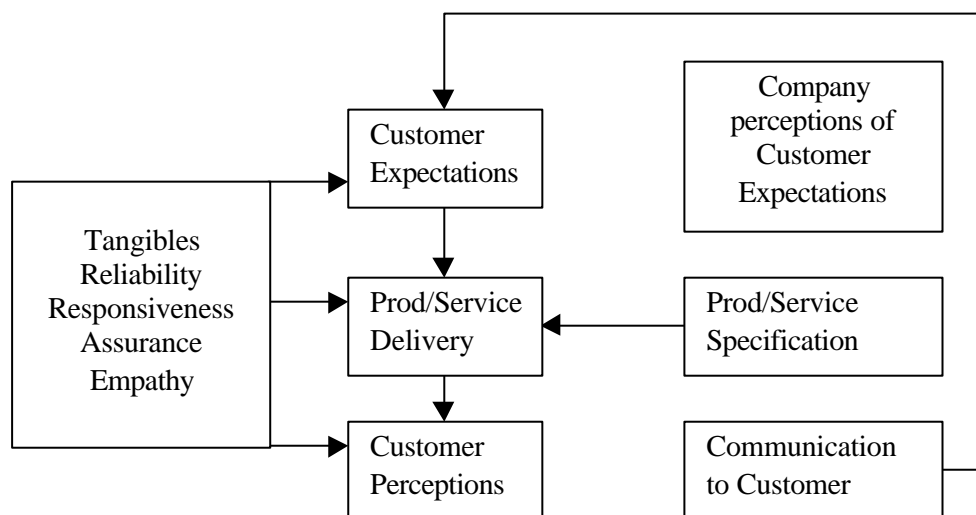


Figure 1.0: Cycle of Customer satisfaction (Armstrong, (2002), Rust et al., (2000))

When discussing this 'motivation', Johnson et al. (2002) suggests that satisfaction is higher within those industries and countries where competition is greater, this is because the limited competition provides less of an incentive to meet different market segmentation needs. Overall it is suggested that satisfaction should be highest for competitive products, lower for competitive services and retailers and even lower for public and government agencies (as these are heavily regulated). When discussing the nature of competitive services, Johnson et al. [ibid.] advocate that a major feature of 'services' are their intangibility, as they can not be touched or felt in the same way as physical products (tangible). Therefore it becomes increasingly difficult to display or communicate differentiated service offerings to customers.

Research in the US, Sweden and Germany (Johnson et al. [ibid.]) investigated whether there were systematic differences across these countries. The research concluded there was an

increased incentive to provide higher customer satisfaction in the US in comparison to the other two countries studied. The differences amongst the countries are cited as being founded on the multiple socio-political, cultural and structural factors that affect the incentives to participate in entrepreneurial activities, for example the tax rates in each country and the associated language barriers.

3. ‘Leveraging’ – The role of the Service Level Agreement (SLA)

Once the decision to outsource has been made and the contractual negotiations agreed, then the concerns of the customer and vendor should progress towards the optimum method of managing the outsourcing venture to achieve a win-win situation for all, in a manner that is congruent with the outsourcing contract. A tool for such ‘leveraging’ is the Service Level Agreement (SLA) that exists between the customer and the outsourcing vendor, which is defined as:

“A service level agreement (SLA) defines the responsibilities of a service provider and the users of that service. It also identifies and defines the services provided as well as the supported products, measurement criteria, reporting criteria, and quality standards for the service.” (ASP Consortium (2001))

ASP outsourcing is a process that requires both parties to circumvent traditional buyer-supplier arrangements and proceed towards a closer relationship (Kern and Willcocks, 2000). Often the success of the SLA and the overall client/vendor relationship is underpinned by the decisions and contractual negotiations, that take place in the initial formation of the outsourcing decision making process.

The decision making process for selecting an ASP service does not necessarily fall within the realm of the information technology/information systems (IT/IS) department and very often encompasses other line-of-business departments. Not all SME organisations have an IT/IS designated department, who are responsible for IT and outsourcing decisions, as this level of decision making is often governed by the owner or Managing Director of the organisation (Ovum, 2000). It is suggested (Yang and Huang, (2000)) that the outsourcing decision process (in particular the SLA) should consider various customer satisfaction factors (Armstrong, (2002), Johnson et al. (2001), Johnson, et al. (2002)) as stated in the prolegomena. These contractual negotiations should also include tangible (such as cost facilities, human resources) and intangible (such as strategy, quality) factors. The decision process envisaged by Yang et al. (2000) suggests clear coherent analytic steps can be taken to generate numerical results, to convince those involved in accepting the ideas of change.

The challenge for the ASP is to develop a concept that is adequately differentiated from the competition and that meets the needs of its customers and their expectations. The critical question is: *how can the ASP provider evaluate if its customers value their service and if they are satisfied?* An obvious solution for the ASP is to monitor and record customer behaviour, and their preferences. Such a review of the finer details of the outsourcing contract (SLA) would allow both parties to determine if the vendor is actually conforming to contractual specifications.

3.1 Leveraging through customer satisfaction and differentiation

Research indicates (Ovum, 2000) that customers are likely to expect more in terms of flexibility and functionality from an ASP than they would from their in-house IT department. They expect to receive regular feedback from ASPs regarding improvements needed, recurring support issues, and other matters that would normally be raised with an internal IT/IS department. However, such fine-tuned ‘account management’ and ‘performance measurement’ is not always possible, as customers often feel that their relationships with their outsourcer are troublesome, especially *after* the ‘deal’ has been completed. When a company employs an ASP, they expect reliability and the complete confidence that required applications will be available, whenever needed, regardless of the service levels stated within the negotiated SLA (Ovum, 2000). For vendors to ensure that their customers continue to value their ASP experience, they must work towards a collaborative relationship rather than a single party driven alliance.

A method of ensuring this collaborative customer/vendor relationship is to evaluate whether the performance criteria defined in the SLA are being maintained and whether customer satisfaction is *actually* being achieved. Important service levels can be measured in relation to the critical factors of outsourcing (Delivery and Enablement; Integration; Management and Operations; Business Transformation and the customer/vendors relationship). These critical factors need to be monitored and measured persistently in order to provide the evidence of contractual preservation and obligation. SLAs used by external and internal service providers should offer well managed structures and accountable services (Gilbert and Tobin, 1997). In addition to other contractual guides, SLAs should be *supportive* to SME’s wishing to use ASPs and should be accompanied by sufficient information to facilitate the customers’ understanding and evaluation of the SLA prior to deploying an ASP.

SLA’s need to provide assurance to customers, that the vendor will support the organisational, business and technical objectives (Shand, 2001). As a consequence, 60% of today’s ASPs offer SLAs to their customers (InterProm USA, 2001), as a *promise to deliver* commitment and continuity of the services they provide. Focus must be placed on the ability of the customer to address the ‘critical factors’, to be included in outsourcing arrangements and to achieve their objectives through clearly balanced contractual negotiations in collaboration with the ASP vendor. Larger firms with lucrative contracts and established industry presence may leverage their power against vendors until satisfaction is restored. This may not always be possible for SME’s who need to validate whether their outsourcing contracts are negotiable at any time (Auer, 1999).

4. Research Model/Methodology

The research method that was deployed to conduct this study involved case studies. These support the “investigation of contemporary phenomenon within its real life context, especially when the boundaries between the phenomenon and context are not clearly evident,” (Yin, 1993). Several researchers (Eisenhardt, 1989) state that an ‘appropriate’ number of cases to study ranges from 4 to 10, in order to gain substantial new emerging information. However, others (Creswell, 1998), believe there should be no more than four case studies to be researched. We have taken a post-positive perspective (Lincoln and Guba, 1985) and collected as many cases as necessary to reach a situation of *data saturation* where the researchers feel that nothing new is being learned with case n+1. In this study, the number of cases reached seven before the researchers experienced saturated data categories.

The data collection techniques employed were both quantitative and qualitative. The objective of using a mixed approach was felt to be appropriate in this study as the quantitative research enabled large amounts of data to be summarised and provided generalisation of the results based on statistical extrapolations.

The qualitative data provides an in-depth account, from the participant's viewpoint, which provides the rich descriptive detail to set the quantitative results into context.

Questionnaires were chosen as the main vehicle for the collection of data. These are convenient to use, efficient (with respect to time), and allowed an adequate sample of geographically dispersed cases to be studied. The characteristics of the seven cases that were analysed are summarised in table 1.0. Four of the case studies were conducted using the questionnaire in a face to face interview-like environment. Three were sent by electronic mail. The use of 'graded' questions enabled the questionnaire to have a qualitative dimension rather than being purely quantitative. Several sections allowed the respondents to provide personal data with respect to key issues, thus providing rich qualitative data.

IT professionals within each organisation completed the *strategic* sections of the questionnaires, as they were in a position to reflect upon the organisational outsourcing strategy and had the relevant knowledge and skills of outsourcing related activities within the organisation. All participants were ensured confidentiality in order to encourage accurate and honest feedback. The results were tabulated into spreadsheets that have been processed and summarised in the following section where the cases have been disguised for the purposes of confidentiality. The qualitative data was codified into distinct categories to enable cross comparison of results and is summarised in section 5.

Client Company & Interviewee	Industry	Annual Turnover	Functions Outsourced	Start of Deal	Length of Deal	No. of People using service
Client A	Accountants	4.5 Mio €	Office, Communication, ERP	May 1 st , 01	Min. of 36 Months	70
Client B	Accountants	8 Moi €	Office, Communication, ERP	July 1 st , 1st, 01	Min. of 36 Months	80
Client C	Financial Services	N/A	Office, Communication, ERP	January 1st, 02	Min. of 36 Months	25, 120 planned.
Client D	Real estate	N/A	Office, Communication, ERP	January 1st, 02	Min. of 36 Months	3
Client E	Retail	N/A	Office, Communication	December 1st, 01	Min. of 36 Months	45
Client F	Fast Food	N/A	Office, ERP	February 1 st , 02	Min. of 36 Months	50
Client G	Financial Services	N/A	Office, Communication	February 1 st , 01	Min. of 36 Months	7

Table 1.0: Summary of Case studies (adapted from Johnson et al (2002))

5. Discussion of the Results

The research study examined the five critical areas of outsourcing as introduced in the previous section, and the importance of such factors to SMEs when undertaking an outsourcing decision making process. The case characteristics are summarised in table 1.0. Table 2.0 represents the researchers' evaluation of the significant results of the German study which accentuates the importance of specific elements that should be considered within the outsourcing decision making process by the SME. The critical factors that were investigated in this study included the following:

- *Delivery and Enablement*: availability, scalability, migration of existing data and complete software solutions (end to end).
- *I.T Integration*: the synergy of applications, seamless integration of ASP into the organisation, cost and speed of integration and management of organisational business processes.
- *Management and Operations*: ability to concentrate on core business, ease of access, reduction in cost, flexibility, the cost transparency for IT, optimisation of the e-business strategy and improvements in customer service.
- *Business Transformation*: organisational intent to increase IT outsourcing, improved support for IT, availability of new software technology and to treat IT outsourcing as a service and a holistic solution for the organisation.
- *Relations between Outsourcing and ASP Vendors and Customer*: the core relationship between customer and vendor, financial situation and trust in the partnership to deliver contractual obligations, importance of account management in addition to well structured and defined SLA's.

Delivery and Enablement			
	Before Outsourcing	Today	Difference
Scalability	8.2	7.4	-0.8
Complete Software Solutions (End to End)	6.5	6.0	-0.5
Migration of existing data	8.9	9.4	0.5
IT – Integration			
Optimisation of IT for Management	8.4	8.0	-0.4
Speed of Integration of the applications	7.1	6.3	-0.8
Synergy of the combination of applications (e.g. MS Word)	6.4	8.0	1.6
The complete cost of IT integration of Management Information systems, Business Reporting etc.	5.3	6.4	1.1
Business Process Reengineering	2.5	5.6	3.1
Management and Operations			
Bridging Operations/ Reduction of restrictions of the old systems	8.7	8.6	-0.1
Reduction in Cost/ Savings	8.5	8.4	-0.1
Optimization of the e-Business Strategy	5.3	6.4	1.1
Improvements in customer service	4.3	6.3	2.0
Business Transformation			
Intention to increase IT Outsourcing	8.5	8.4	-0.1
Integration of IT in core business	7.1	7.9	0.8
Better support for the IT	5.6	6.4	0.8
Relationship with Outsourcing Vendor			
Irregularities and poor experience with the Service	9.7	9.1	-0.6
The financial situation with the vendor	9.0	8.5	-0.5
Trust in the Outsourcer to deliver promises	8.5	7.9	-0.5
Single Point of contact	6.6	7.1	0.5
The success of Outsourcing depending on good SLA's	6.2	6.2	0

Table 2.0 Key findings of the German ASP SME study in relation to the critical factors of outsourcing.

5.1 Lessons learned - Delivery and Enablement

The evaluation of the importance of delivery and enablement for customers highlighted the assessment of the vendor's product portfolio and the QoS (Quality of Service), which was not a primary issue for the SME. QoS was classified to the SME as being within the following parameters [i] QoS of the Product portfolio – this reflected the number of applications used, the ability to migrate existing customer data and the online availability of applications; and [ii] the QoS of Service Level Agreements (SLAs) - this concerns the availability and scalability of services as negotiated within the SLA contract.

The results indicate that delivery and enablement issues had a *medium* impact upon the SME outsourcing decision-making process and in particular, if they were to undertake the outsourcing process again. Nevertheless, the survey showed some *unexpected* results, which are discussed, in the following sections. Note that the results indicated are based on a scale of 0-10, where '10' represents strongly positive/important and '0' not important at all.

The product portfolio itself (end-to-end software solutions) was measured as only having an impact of 6.0 out of 10 on customers outsourcing decisions today whilst, before the project this was 6.5. An issue deemed of greater importance than offering end-to-end solutions, concerns the vendor's ability to migrate all existing customer data (before outsourcing 8.9 of 10 / today: 9.4). Interesting to note was that 24/7 availability of services, often perceived to be a highly important issue to customers and an integral part of the SLA, experienced only a minimal increase in terms of its importance to SME customers (expectation 7.1 before outsourcing/ 7.3 today).

5.2 Lessons learned -IT Integration

An area of greater concern for SMEs relates to the 'integration' of their data with their applications. This section of the study questioned customers about the integration of IT within the areas of: [i] applications and [ii] organisation. The results of the study exemplify that integration issues had the greatest impact upon the customers' outsourcing decisions. The SME assessment of integration issues revealed evidence of some fundamental changes that have occurred in relation to customer views and expectations both before and after outsourcing their IT:

- Before outsourcing, companies underrated the synergy between different applications (before outsourcing: 6.4/ today: 8.0) and the significance of integrating existing applications with hosted applications from an ASP (before outsourcing: 6.2/ today: 7.0).
- The *seamless integration* of IT into the organisation (via controlling in MIS, management support i.e. via ERP, process integration) shows a high impact for companies both before and after outsourcing. The results of the study indicated that prior to outsourcing IT initiatives, the majority of companies surveyed, were not fully aware of the necessity of having some level of understanding of their organisational business processes. This understanding is necessary in order to integrate IT capabilities within business functions to support the processes and to fully exploit the business opportunities that existed.

5.3 Lessons learned -Management and Operations

The Management and operations of any technology infrastructure can impact a companies' daily performance. The study sought to evaluate the SME customers' assessment of the management and operational skills of their provider, with regards to; [i] Costs and [ii]

Quality. The vision to improve management and operations created an enormous impact on the companies outsourcing decision – where qualitative aspects created a greater impact than quantitative/ cost aspects:

- On average, qualitative aspects have the highest impact (concentration on the core business, reduction of the restrictions encountered with previous systems). The ability to achieve cost savings is nevertheless a highly targeted issue.
- Remarkably, strategic issues such as optimisation of the platform for the companies e-commerce strategy (before outsourcing: 5.3/ today: 6.4) and improvement of customer service through improved IT performance (before outsourcing: 4.3/ today: 6.3) established a much higher impact after the outsourcing service was implemented.

5.4 Lessons learned -Business Transformation

Outsourcing is an opportunity to transform and reengineer the business processes. Within this section of the study, the strategic and operational intentions to ‘leverage’ outsourcing deals were determined, which included the measurement of:

- [i] The plans the company had to increase IT outsourcing.
- [ii] Establish if there was a paradigm change in the perception of IT, such as a move away from a ‘disliked necessity’ towards the idea of ‘IT as a Service’ which could benefit the companies levels of productivity.
- [iii] Did companies expect to become more competitive by using the latest software technologies and would they be willing to implement enhanced support for the core business using IT?
- [iv] Did customers expect to receive operational advantages, such as professional support for the users?

The research conducted confirmed that issues relating to business transformation had a low impact on the company’s decision to outsource and in particular:

- Though the intention to increase outsourcing is quite high, companies did not assess ongoing business transformations facilities heavily (before outsourcing 8.5/today: 8.4).
- The highest importance was centred on the service concept and improved integration of IT within the company’s core business.
- Surprisingly typical ASP value propositions presented to SME’s (for example, the ability to gain some competitive advantages by using latest software technologies) only achieved a medium scale (6.1 of 10 today) of importance in terms of influencing the customer’s decision to outsource.

5.5 Lessons learned -Relationship with Outsourcing Vendor

Outsourcing and ASP ventures can often impose long-term relationships between vendors and customers. The rationale for this section of the study was to determine: [i] How customers assess their relationship with their outsourcer/service provider? [ii] Which issues are critical for maintaining a long-term relationship between the outsourcing vendor and the customer? And [iii] Which issues build trust in the vendor?

The study produced *unexpected* results:

- SLAs did not have the expected impact on the relationship between the customer and the vendor (before outsourcing 6.2 out of 10/today: 6.2). Although customers argued that well constructed SLAs are good bases for the initial decision to outsource but were not the essential components in constructing a solid relationship.
- Good cooperation (delivery of promised services, correctness and no irregularities, strategic partnerships) had a much higher impact (expectation before outsourcing 9.7/today 8.0) on the outsourcing decision before the project was undertaken.

6. Conclusion

The results indicate that delivery and enablement issues do not significantly impact the SME outsourcing decision-making process. An issue deemed more important than offering end-to-end solutions, concerns the vendor's ability to migrate all existing customer data. The results of the study exemplify that *integration issues had the greatest impact upon customers' outsourcing decisions*. Before outsourcing, companies underrated the synergy between different applications and the significance of integrating existing applications with hosted applications from an ASP.

Strategic issues such as optimisation of the platform for the company's e-commerce strategy and improvement of customer service through improved IT performance established a much higher impact after the outsourcing service was implemented. Outsourcing is an opportunity to transform and reengineer the business processes. This was relatively significant for some SMEs.

Outsourcing and ASP ventures can often impose long-term relationships between vendors and customers. Further research to understand more deeply the vendor-customer relationship would be beneficial, particularly as this alternative method of software use is likely to become increasingly significant in the SMEs technology and strategy portfolio.

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