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> *"[Conflict] is inevitable in outsourcing arrangements due to technology complexities, dynamic and fast-paced business environment, and disparate goals of the two parties. Given that a certain amount of conflict is expected, how such conflict is managed is important because the impact of conflict resolution on the relationship can be productive or destructive."* (Goo et al., 2009, p. 125)

> *"Sooner or later, some conflicts arise in inter-organizational relationships, and the way conflicts are settled has great implications for future collaboration. Given the complexity and interdependence of business processes, conflict resolution is particularly important in BPO ventures."* (Rai et al., 2012, p. 223-224)

> *"How organizations handle conflict can affect the strength and future of the outsourcing relationship, yet there is a serious shortage of research on conflict handling in outsourcing relationships and its consequences."* (Ndubisi, 2011, p.109)

Business services outsourcing (BSO) is the sourcing of services like information technology, human resources, procurement, legal, logistics, financial and accounting services through external service providers. Growing from about a $150 billion global market in 2000 to over $1 trillion by 2016, BSO 2015-20 growth estimates vary across sources between 2.2 and 4.9 percent per year (e.g., Avasant 2013; Fersht and Snowdon 2016).

Increasingly clients have been reducing external service provision to a small group of strategic suppliers. At the same time, clients demand much more from these providers, expecting them to co-deliver innovation, impact on business outcomes, contribute to strategic direction, provide scarce skills, be closer to the business, and invest in their sourcing relationships (Cullen et al. 2015; Fersht and Snowden 2016). The change is most noticeable with the issue of innovation. Lacity and Willcocks (2013) point to business innovation through outsourcing being rare until recently, but cite many cases where it has become a requirement that is delivered on. Aubert et al. (2015), suggest a similar development, as do Kotlarsky et al. (2015) in a recent *JSIS* special issue Editorial on the subject. Meanwhile, Cao et al. (2014), pointed to the rising strategic importance of contractual and relational governance. They found that conflicts between the two forms of governance can be addressed by ambidextrous ITO governance processes. On another issue, Jain and Thietart (2013) point to the potentially strategic dimensions of knowledge based transactions costs in IT outsourcing. Moreover, knowledge loss can lead to serious over-reliance on the service provider that can be grounds for subsequent conflicts with strategic implications. Outsourcing can also be part of strategic intent, as Sandeep and Ravishankar (2015) demonstrate in their work on impact sourcing companies in India. In all this, it is easy to underestimate how all three forms of conflict we identify in this paper – commercial, service, and relationship – can have strategic repercussions. Even operational conflicts that seem quite small—typically over contracts and service—can lead to underperformance, damage relationships, and in a highly connected business eco-system, disable strategy. Recent bank

cybersecurity issues and software failures in air transport systems, for example, seriously harmed corporate reputation and customer confidence in the organizations involved (Rayner 2014; Shirbon 2016). There is also now considerable evidence of large-scale outsourcing both enabling and also disabling the execution of business strategies (Lacity, Khan and Yan, 2016; Willcocks, Lacity and Sauer, 2017).

BSO becomes concerning because—like all inter-organizational relationships—BSO has a mixed report card. Some sources estimate the failure rate for inter-organizational relationships to be as high as 70 percent (Barringer and Harrison 2000; Hughes and Weiss 2007). In the specific context of BSO relationships, a review of 1,304 empirical findings from 20 years of academic research found 30 percent of client-reported BSO outcomes were negative or unbeneficial (such as poor service quality, significant hidden costs and/or poor customer satisfaction) and 21 percent of client-reported findings resulted in no demonstrable impact on BSO outcomes as a consequence of outsourcing (Lacity et al. 2016). BSO failure rates as high as 50 percent have been reported (e.g., Gefen et al. 2008; Mani et al. 2012). The inability to resolve conflicts that arise in BSO relationships is a major cause of poor BSO outcomes (Goo et al. 2009; Lacity and Willcocks 2015; Rai et al. 2012).

The topic of ***BSO conflicts,*** defined as serious disputes between clients and service providers (e.g., Lee and Kim, 1999), remains an important yet under-researched issue. While prior research has examined the types of inter-organizational conflicts and conflict resolution styles in joint ventures, networks, consortia, alliances, and trade associations (Barringer and Harrison 2000; Cropper et al. 2008) and in various inter-organizational contexts such as natural resource rights, labor relations, international relations, volunteering and manufacturing alliance networks (e.g., Dyer and Nobeoka 2000; Mandell and Keast 2008; Molnar and Rogers 1979; Renner 2007), relatively little research has examined inter-organizational conflicts in the BSO context (Ndubisi 2011).

Concerning BSO conflict research, the review mentioned above of empirical business process outsourcing (BPO) studies revealed only six findings that examined conflicts or conflict resolution (Lacity et al. 2016). In general, prior studies found that the ability to resolve conflicts in BSO relationships was significantly correlated with BSO outcomes (Goo et al. 2009; Ndubisi 2011; 2012; Rai et al. 2012; Swar et al. 2012; Winkler et al. (2008); Wüllenweber et al. 2008). Only two of these papers examined specifically how conflict resolution styles (integrating, accommodating and compromising) affected trust and commitment in human resource outsourcing (HRO) relationships using a survey of 122 Chinese and Indian providers (Ndubisi 2011; 2012). The author found interesting cultural and gender differences: The compromising style had a significantly greater effect on commitment for the Chinese service providers than the Indian service providers (Ndubisi 2011) and a “compromising conflict handling/trust relationship” had a significantly stronger effect for females than for males (Ndubisi 2012, p. 26). Finally, from a qualitative study of 12 ITO relationships, Kern and Willcocks (2002) identified two types of BSO conflicts: (1) day-to-day problems and (2) operational, cultural and contractual problems. They found that the conflicts were either resolved by the operational managers or escalated to senior managers as specified by contractual procedures. While these BSO-specific studies

established a link between conflict resolution and better BPO outcomes, it is clear that more research is needed to better understand BSO conflict types and the most effective conflict resolution processes.

This paper addresses this gap. It is based on research that initially asked a broad research question about the practices associated with top performing BSO relationships. During the process of inquiry, comprising interviews about 32 BSO relationships, it became evident that resolving conflicts to the satisfaction of both parties was an important process to realize the strategic benefits of outsourcing. In this sense we see the research as making an important contribution to the strategy as practice literature as represented in Jarzabkowski and Spee (2009), Golsorkhi, D., Rouleau, et al. (2012), and Whittington (1996, 2014). Our research question and mode of research reflects our intent to contribute to our understanding of strategy as practice, and also how it can be researched. On the latter point, we also intend to show the relevance of a type of research that adopts theories of the problem, and theories of the solution as suggested by (2013) Markus (2014). On one account strategy as practice research has developed due to the marginalization of the *actor 'attributed to the dominant micro-economic foundations of mainstream strategy research….the developing field of stategy-as-practice research has taken this concern seriously, bringing human actors and their actions and interactions to the centre stage of strategy research.*' (Jarzabkowski and Spee, 2009). Our own research is consistent with this objective, focusing, as it does, on the enactment of strategy, and the issue of human conflicts and their resolution in inter-organizational relationships. Our research also recognises what the strategy-as-practice literature describes as the 'imbeddedness of strategy' and its need to go further than providing rich descriptions of phenomena, but also substantiating performance outcomes (Whittington, 2007).

Turning to the research, among the interviews, interviewees from 41 percent of the BSO relationships reported significant conflicts, yielding qualitative data on 13 conflict cases. As a result, we realized that we had enough interesting qualitative data to answer the question, ***"What types of inter-organizational conflicts arise in BSO relationships and how do partners resolve them?"*** We then reviewed the existing academic literature on inter-organizational conflicts and conflict resolution styles to see if we could make theoretical sense of the qualitative data. Using the literature as a guide, we initially developed a coding scheme for conflict resolution styles from Thomas and Kilmann (1974) – "competing", "avoiding", "accommodating", "compromising", and "collaborative" styles – and added a "switched" category as suggested by Khun and Poole (2000). Prior academic literature on inter-organizational *conflict types* was not as robust as the literature on *conflict resolution styles*, so we conceptualized a new typology of three conflict types specific to the BSO context: "commercial" conflicts, "service" conflicts and "relationship" conflicts. We coded the 13 BSO conflict cases using the coding scheme and compared findings to theory.

The remainder of the paper is structured as follows. First, we explain the initial research method used to collect data as part of a multi-year project on 'best practices' associated with top performing BSO relationships. We describe how the 13 conflict stories emerged from this research project and why the rich data warranted further focused attention. For this reason, the paper is structured unconventionally in that the data collection method precedes the academic

literature review section to reflect the sequence of inquiry. We next explain the codes we appropriated and extended from prior theory to categorize the BSO conflicts and conflict resolution styles. We then present the findings, discuss the contribution to theory and practice, and lastly recognize the limitations of the research.

Research Method: Unfolding the Design

Researchers can choose many research methods (Galliers et al. 2007), and in practice, research methods can evolve over time. Lincoln and Guba (1985) used the term "unfolding the design" to distinguish emergent and naturalistic inquiry from conventional methodological descriptions. The authors write, *"The final appearance of an inquiry is shaped by a large number of interactions unfolding over time"* (Lincoln and Guba, 1985, p. 259).

Research Program Background

This research on BSO conflicts and conflict resolution emerged from a larger research program aimed to uncover the practices that distinguish BSO outcomes. The research was sponsored by four organizations—Accenture, BPeSA, Everest Group and The Source. The research program began in 2011 with an Everest survey of 263 BSO clients. The Everest survey found that eight practices were significantly correlated with BSO outcomes. These eight practices were:

1. Outsourcing Strategy: Focus on benefits beyond cost reduction
2. Contractual Governance: Target strategic outcomes
3. Relational Governance: Adopt a partnership-based approach to governance
4. Transition of Work: Drive strong transition and change management capabilities
5. Client Capabilities: Align the retained organization with the outsourced processes
6. Client Capabilities: Take a holistic approach to the scope of the relationship
7. Provider Capability: Contextualize data through domain expertise and analytics
8. Provider Capability: Emphasize the benefits of technology in the relationship.

Data Collection Method

Key informant interview method. The Everest survey revealed *which* eight practices were associated with BSO outcomes in its sample, but the survey could not explain *how* practices influenced outcomes. Our initial research question, *How do practices associated with top performing BSO relationships influence outcomes?*, sought to elicit rich evidence that could corroborate, challenge, and/or extend the survey findings. To answer the initial research question, we selected a key informant interview method. Interviews with key informants were an appropriate method for understanding key stakeholder perspectives (Kvale, 1996; Klein & Myers, 1999), when seeking participation from busy or high-status respondents and when

seeking answers to questions in which the subject matter is sensitive (like outsourcing) (Mahoney, 1997). Interviewees were "key" in that they provided particularly rich knowledge and insights of the BSO relationships through their seniority and through their specialist roles as client and provider leads in the setting (Bloor & Wood, 2013; Parsons, 2013).

Interview guide development. Based on the Everest survey results and on prior BSO literature, we designed two semi-structured interview guides, one for the client key informants and one for provider key informants. For client participants, the interview guide consisted of questions on outsourcing strategy, provider/partner selection, contractual governance, transition of work, ongoing delivery, relational governance, client and provider capabilities, decision outcomes, and overall lessons learned. The provider interview guide included a similar set of questions, but worded to assess the provider's perspective. The interview guides were four pages long. One specific set of questions about outsourcing conflicts generated the main data for this paper. These questions were:

- Please provide one detailed example of a significant conflict that arose in the relationship and how it was resolved.
- How would you characterize your organization's approach to resolving this conflict?
- How would you characterize the provider's approach to resolving this conflict? (client interviewees only)
- How would you characterize the client's approach to resolving this conflict? (provider interviewees only)

Research sponsors reviewed the interview guides for clarity, comprehensiveness and understand-ability.

Key informant selection criteria. The main selection criterion was to target participants with full knowledge of the phenomenon under study to answer the questions on the interview guides (Creswell, 1998; Ponterotto & Casas, 1991; Seidler, 1974). To be sure we included both stakeholder perspectives, we interviewed the client and the provider leaders in charge of *established* BSO relationships. We needed *established* BSO relationships so that participants could assess BSO outcomes. We also sought a variety of BSO contexts.

Data collection. The research sponsors solicited participation from among their networks of clients and providers based on the targeted participants' knowledge of the issues and organizational positions (Creswell 1998; Elmendorf and Luloff 2006; Fontana and Frey 1994; Ponterotto and Casas 1991; Seidler 1974) as well as the client and provider leads' willingness to participate. The sample is opportunistic. The research sponsors provided us with client and provider names and contact information for 32 BSO relationships. We were in charge of contacting them and scheduling interviews. Participants were interviewed by phone because they were globally dispersed on four Continents. Among the 65 people from 32 BSO relationships we interviewed, 27 participants from 13 BSO relationships identified a conflict that they considered to be significant. This subset of data is the focus of this paper.

Table 1 describes in more detail the attributes of 13 BSO relationships that had experienced significant conflicts. The 27 participants were interviewed from October 2011 to first quarter 2014. For a given outsourcing relationship, we interviewed the client lead and the provider lead in charge of the account. Client interviewees were in charge of a BSO relationship in addition to their duties as shared service center, procurement, legal, operations, or human resource directors. The provider interviewees were the account delivery managers in charge of the BSO relationship. The interviews were conducted separately and confidentially. The interviews were typically 45 to 75 minutes in length. All interviews were tape recorded and transcribed.

We interviewed people in charge of different types of BSO relationships, including financial and accounting outsourcing (FAO), FAO/ITO, procurement outsourcing, legal services outsourcing (LSO), human resource outsourcing (HRO), customer care/call centers outsourcing and supply chain outsourcing. The BSO contract start dates ranged from 1991 to 2011. Some of the older contracts have been renewed at least once. The 13 BSO relationships ranged in size from small (equal to 10 full time equivalents[1] for one procurement deal) to large (equal to 425 full time equivalents for one call center deal). The geographic scope of the deals ranged from a single country (Spain or Canada), to a Continent (like North America), to global delivery. As an example of global delivery, the provider from story #1 in Table 1 supports a client's operations located in 50 countries. The provider's 300 employees dedicated to this account primarily work out of the provider's delivery centers in the Philippines, China, the US, and Slovakia.

Table 1: Data Collected on 13 Conflict Stories

	BPO Context				Interviewees		
Story #	**Business Services Outsourced**	**Contract Start Date**	**Contract Size**	**Geographic Scope**	**C=client P=provider**	**Interviewee Title/Role**	**Interviewee Location**
1	Financial and accounting services	2005 (renewed in 2008)	300 FTEs	Global	C	VP of Global Financial Shared Services	US
					P	Outsourcing Account Delivery Manager	US
2	Financial, accounting, and information technology services	2008 (7 years)	235 FTEs	Global	C	Client VP of Global Business Services	US
					P	Outsourcing Account Delivery Manager	US
3	Procurement services	2001 (10 years, renewed)	40 FTEs	Europe and US	C	Procurement Director	UK
					P	Category Director	UK
4	Financial and	1991	330	North	C	Head of the Americas	US

[1] A full time equivalent (FTE) is a unit of measure that estimates how many provider employees are needed to perform the clients' services, assuming all employees work a full-time schedule. An FTE of 1.0 means that the person is equivalent to one full-time worker.

	accounting services	(renewed and extended many times)	FTEs	America		Business Shared Services	
					C	Director, Americas Business Shared Services	US
					P	Outsourcing Account Delivery Manager	US
5	Procurement services	2006 (5 years, renewed in 2011)	10 FTEs	Western Europe and North America	C	VP of Operations	UK
					P	Senior VP for Sourcing	UK
6	Legal services	2010	18 FTEs	United Kingdom	C	General Counsel	UK
					P	Senior VP of Global Services	India
7	Financial and accounting services	2010	115 FTEs	Global	C	Senior VP of Global Business Services	US
					P	Outsourcing Account Delivery Manager	US
8	Financial and accounting services	2007 (7 years)	n/a	Global	C	Global Services Director	UK
					P	Outsourcing Account Delivery Manager	UK
9	Human resource services	2007 (7 years)	100 FTEs	Global	C	VP of Talent Management	US
					P	Outsourcing Account Delivery Manager	US
10	Human resource services	2006 (renewed in 2011)	200 FTEs	Australia	C	Director of Learning	Australia
					P	Senior Director for BPO Services	Australia
11	Customer care and call center	2011	425 FTEs	United Kingdom	C	General Manager	UK
					P	Managing Director	South Africa
12	Financial and accounting services	2006	35 FTEs	Spain	C	Operational Director	Spain
					P	Outsourcing Account Delivery Manager	Spain
13	Supply chain outsourcing	2007	240 FTEs	Canada	C	Manager of Global Workshare	Canada
					P	Outsourcing Account Delivery Manager	Canada

Data Analysis Methods

Data analysis: making practical sense of the data. The data analysis effort for the larger research program was immense, involving multiple iterations of reading the transcripts, coding the initial eight practices and outcomes, identifying emerging themes, debating ideas among

coauthors, discussing findings with research sponsors and seeking input, review and approval from research participants. We collapsed the initial eight practices identified on the Everest survey to six. We also identified three additional emergent practices that differentiated performance. One of those three emergent practices[2] was "resolving conflicts fairly." We identified five behaviors practitioners used to resolve conflicts to the satisfaction of both parties. These behaviors are presented in the discussion section. Based on positive feedback from research sponsors and participants, we were confident that we did a good job making *practical* sense of BSO conflicts and how to resolve them. However, we continued to reflect on those conflict stories and were inspired to make *theoretical* sense of the data.

Data analysis: making theoretical sense of the data. The remainder of this section describes the data analysis method used to make theoretical sense of the conflict stories. First, we wrote the 13 conflict examples as encapsulated stories. Storytelling provides the "content" of research (Klein et al. 2007) and is an effective method for understanding and communicating how an intervention like a conflict resolution strategy affects outcomes (Pidd 1995). We gave each story a title to easily distinguish it among the 13 stories, such as "a poor pricing model caused the provider to lose money on the deal" or "a client overestimated demand". Second, we looked to understand the BSO stories from a theoretical perspective. It was at this stage we took a deep dive into the academic literature; specifically, we were looking for a way to theoretically code BSO conflict types and conflict resolution styles.

Literature Review. Table 2 summarizes the prior research on inter-organizational conflicts in BSO relationships. This body of research provides general insights on BSO conflicts. The research shows that conflicts directly harmed or moderated BSO outcomes (e.g., Cahill et al. 2010; Goo et al. 2009; Winkler et al. 2008; Wickramasinghe and Nandula 2015). The research also shows that at a general level, resolving conflicts improved BSO outcomes (e.g., Kern and Willcocks 2001; Ndubisi 2011; Rai et al. 2012; Rhodes et al. 2016; Swar et al. 2012). These studies are valuable, but most did not aim to identify specific BSO conflict types or to assess specific conflict resolution styles, with the following exceptions:

Table 2. Research on Inter-organizational Conflicts in BSO Relationships

Authors	Study Method	BSO Conflict Types	BSO Conflict Resolution Styles	Details	General Insights on BSO Conflicts
Cahill et al. (2010)	Survey	Not investigated	Not investigated	Authors examined the moderating effect of "conflict frequency" on the relationship between outsourcing satisfaction (price satisfaction, relationship satisfaction and service satisfaction) and customer loyalty. The authors surveyed 263	Frequency of conflicts between BSO client and provider moderates "Customer Loyalty"

[2] The other two practices were "assign an effective leadership pair" and "prioritize and incentivize innovation".

				logistics professionals.	
Chang and Chen (2016)	Case study	Not investigated	Not investigated	Authors used a case study of a Chinese manufacturer and its outsourcing provider to study how the parties resolved	Organizational structure affected conflict resolution effectiveness.
Goo et al. (2009)	Survey	Not investigated	Not investigated	Authors argued that ITO relationships are characterized by uncertainty and information asymmetry which makes ITO relationships "rife with potential disputes and opportunism" (p. 126). The authors surveyed 92 South Korean IT executives.	"Harmonious Conflict Resolution" positively and directly affects "Trust"
Gregory et al. (2009)	Case study	Not investigated	Not investigated	Authors conducted 31 qualitative interviews in a single case study, focusing on interpersonal relationships between client-side team members and IT offshore supplier-side team members. "Conflict resolution" considered part of a negotiated culture.	"Cultural intelligence" leads to a "negotiated culture" characterized by trust, shared understanding and conflict resolution.
Kern and Willcocks (2001)	Case studies	Identified two types of ITO conflicts: (1) day-to-day problems; (2) operational, cultural and contractual problems	Not investigated	Authors used 12 ITO cases to study relational governance.	Conflicts were resolved by operational managers or escalated to senior management
Ndubisi (2011)	Survey	Not investigated	Integrating Accommodating Compromising	The author surveyed 122 Chinese and Indian service providers to examine the effects of three types of conflict handling styles (integrating, accommodating and compromising) on trust and commitment in HRO relationships	Integrating, Accommodating, and Compromising approaches all positively and directly affected "Trust" and "Commitment"
Rai et al. (2012)	Survey	Not investigated	Not investigated	Authors viewed "conflict resolution" as a factor of relational governance. They hypothesized that conflict resolution would substitute for goal expectations in positively influencing BPO satisfaction. They surveyed 335 people from 215 German banks about four BPO services--settlement of securities, consumer	"Conflict Resolution" (and other relational governance factors) substitutes for contractually specified goal expectations

				credit, credit cards and domestic payments.	
Rhodes et al. (2016)	Survey	Not investigated	Not investigated	Authors surveyed 234 Singaporean managers to assess the associations among outsourcing motives, relationship interactions (which includes conflict resolution) and customer perceived value.	"Relationship Interaction" (which included "conflict resolution") positively affected customer preceived outcomes.
Swar et al. (2012)	Survey	Not investigated	Not investigated	Authors used a survey to examine the determinants of relationship factors (cooperation, trust and mutual understanding) in South Korean public sector organizations. One of their independent variables was based on a construct called "conflict handling capabilities".	"Conflict Handling Capability" positively effected "Mutual Understanding", but it had no significant effect on "Cooperation" and only marginal effect on "Trust" ($p<.10$)
Winkler et al. (2008)	Five case studies	Not investigated	Not investigated	Authors conceptualized "conflict" as an aspect of relationship quality that affects outsourcing success. Based on case studies of ITO offshoring, the authors found that power distance can lead to conflicts which adversely affect success.	"Conflict" adversely affects "Offshoring Success"
Wickramasinghe and Nandula (2015)	Survey	Not investigated	Not investigated	Authors collected surveys from 216 team members working in globally dispersed teams.	Diversity in global teams leads to conflicts that adversely affected team performance.
Wüllenweber et al. (2008)	Survey	Not investigated	Not investigated	Authors examined a construct they called "consensus" that was measured with three items related to conflict resolution. Based on a survey of 335 BPO projects in German banks, the authors found that consensus was related to BPO success.	"Consensus" marginal effects "BPO Sucess" ($p<.10$)

From an exploratory study of 12 ITO relationships, Kern and Willcocks (2002) identified two types of BSO conflicts: (1) day-to-day problems and (2) operational, cultural and contractual problems. They found that the conflicts were either resolved by the operational managers or escalated to senior managers as specified by contractual procedures.

Ndubisi (2011) surveyed 122 Chinese and Indian service providers to examine the effects of three types of conflict handling styles (integrating, accommodating and compromising) on trust and commitment in HRO relationships. All three conflict resolution styles positively, directly and

significantly affected trust and commitment. The author found an interesting cultural difference: The compromising style had a significantly greater effect on commitment for the Chinese service providers. Ndubisi (2012) used this same data set to see if the answers differed by gender and found that an "integrating conflict handling/trust relationship" is significantly stronger for males than for females. Furthermore, a "compromising conflict handling/trust relationship" is significantly stronger for females than for males.

Codes for BSO conflict types. To code the 13 conflict stories by conflict type, we initially searched the literature for existing conflict frameworks specific to BSO conflicts. Finding only the typology mentioned above (Ndubisi 2011), we expanded the literature search to the general management literature. We found several typologies that differentiated between work conflicts and interpersonal conflicts (e.g., DeChurch and Marks 2001; Molnar and Rogers 1979; Yitshaki 2008). DeChurch and Marks (2001) differentiated between *task-related* conflicts and *relationship* conflicts. They defined task-related conflicts as disagreements about work to be done or work performance. Relationship conflicts were defined as disagreements that arose from interpersonal relationships not directly related to the task. Using a similar dyad, Yitshaki (2008) differentiated between *cognitive* conflicts and *affective* conflicts. Cognitive conflicts are based on disagreements about achieving objectives whereas affective conflicts are based on interpersonal incompatibilities. DeChurch and Marks (2001) and Yitshaki (2008) illuminate an interesting distinction relevant to the BSO context because some of the BSO conflict stories seemed to be more about personalities (relationship; affective) than about the work (task-related/cognitive). However, the BSO work conflicts in our sample seemed to fall into two further types—conflicts over finances and conflicts over services. Therefore, we ultimately extended the conflict type coding scheme into three types: **commercial conflicts, service conflicts, and relationship conflicts:**

- **Commercial conflicts** are financial disputes that threaten economic outcomes for the client, provider, or both. For clients, higher than expected cost outlays can prompt a commercial conflict (e.g., Lacity and Willcocks 1998; Saunders et al. 1997). For providers, failure to earn a profit on an account can lead to a commercial conflict (Kern et al. 2002).
- **Service conflicts** are disputes over service(s) that threaten the quality of the service(s) provided to a client. Many researchers have examined the importance of service delivery and performance in outsourcing relationships (e.g., Chakrabarty et al. 2008; Deng et al. 2013; Gopal and Koka 2012; Gorla and Somers 2014; Grover et al. 1996). Service conflicts over issues like slow service, error-prone service, or changing service requirements may be caused by many things and by many parties, even parties or factors external to the BSO relationship (Lacity and Willcocks 2015).
- **Relationship conflicts** are people-related disputes that threaten the quality of the BSO relationship in which the parties disagree about how people should behave. For example, should the client direct provider employees or should the provider direct its own employees (Kern and Willcocks 2002)?

Codes for conflict resolution styles. In contrast to the sparse research on inter-organizational conflict types, many typologies of conflict resolution approaches have been proposed (Blake and Mouton 1964; Deutsch 1949; 1990; Gounaris et al. 2016; Hardy and Phillips 1998; Khun and Poole 2000; McKenna and Richardson 1995; Pruitt 1983; Putnam and Wilson 1982; Rahim 2000; 2002; Thomas and Kilmann 1974; Walton and McKersie 1965; Yitshaki 2008).

The early research on conflict resolution styles focused on dyads. Deutsch (1949) was one of the first authors to describe different individual approaches to conflict resolution. The author differentiated between only two styles: *cooperation* or *competition*. Simple dichotomies raised doubts about their ability to capture human complexity, so more complex typologies were created (Copley 2008; Ruble and Thomas 1976; Smith 1987). Blake and Mouton (1964), Thomas and Kilmann (1974) and Rahim (2002) developed the richest typologies. All of these models were based on mapping two dimensions. Blake and Mouton (1964) initially proposed a five-style model of *leadership* (Country Club Leader, Team Leader, Impoverished Leader, Produce or Perish Leader and Middle of the Road Leader) that arose from two dimensions: concern for people and concern for production. Using the same dimensions, Nicotera (1993) adapted Blake and Mouton (1964)'s framework to identify five styles of conflict approaches: *Problem-solving, Smoothing, Withdrawal, Forcing* and *Sharing*. Similarly, Thomas and Kilmann (1974) developed a five-style model (*avoiding, accommodating, compromising, collaborating* and *competing*) that arises from mapping two dimensions: degree of assertiveness and degree of cooperativeness. Rahim (2002) has yet another version of a five-style model (*integrating, obliging, dominating, avoiding* and *compromising*) that emerges from mapping two dimensions: concern for self and concern for others. Although the dimensions are slightly different, one can see great overlap among the typologies proposed by Blake and Mouton (1964), Thomas and Kilmann (1974) and Rahim (2002). The authors also predict conflict resolution outcomes for each style:

1. **Avoiding/Withdrawal**: one side delays, postpones, or ignores the conflict, hoping it will just go away. Theory suggests the outcome will result in both parties losing because the conflict is never resolved (Friedman et al. 2000; Nicotera 1993; Thomas and Kilmann 1974).
2. **Accommodating/Smoothing/Obliging**: one side gives in to please the other side (Blake and Mouton 1964; Rahim 2002; Thomas and Kilmann 1974). The reasons why one party accommodates another party are complex, including power differences, high desire to avoid stress caused by conflict, kindness and strong focus on preserving the relationship rather than "winning" the conflict (Pruitt 1983). Theory suggests the outcome will result in a "winner" and a loser."
3. **Competing/Dominating/Forcing**: one or both sides aggressively defend(s) its own interests with little concern for the other side's interests. With a competing style, a party is "tough" by placing extreme initial demands, by having small concession rates and by being generally unyielding. This strategy can be effectively deployed by the more powerful party (Lewicki et al. 1992) and results, theory predicts, with a "winner" and a "loser."

4. **Collaborating/Problem-solving/Integrating**: both parties work together to develop a solution that benefits both sides. Theory suggests the outcome will result in both parties winning (Blake and Mouton 1964; Rahim 2002; Thomas and Kilmann 1974).
5. **Compromising/Sharing**: each side seeks to balance wins and losses (Thomas and Kilmann 1974; Nicotera 1993).

Khun and Poole (2000) also included a "mixed" category because some conflicts started off with one conflict resolution style (e.g., avoiding, accommodating or competing) and then the partners **switched** to another style.

6. **Switching:** one or both parties change from one conflict resolution style to another (Khun and Poole (2000).

Thus, by considering prior literature and by reflecting on the conflict stories shared by participants, we decided to code five conflict resolution styles from Thomas and Kilmann (1974) and added the switched category from Khun and Poole (2000): competing, avoiding, accommodating, collaborative, compromising, and switching.

Coding conflict outcomes. Because each conflict story had a key informant from the client organization and a key informant from the provider organization, we were able to assess the conflict outcomes from each perspective. We coded "satisfied", "somewhat satisfied" or "dissatisfied" for client and provider views on a given BSO conflict outcome:

- Conflict outcomes were rated as "satisfied" when the participant was clearly pleased with the outcome.
- Conflict outcomes were rated as "somewhat satisfied" when participants said things like they could "accept" or "live with" the solutions.
- Conflict outcomes were rated as "dissatisfied" when participants were clearly annoyed, hostile or hopeless about the outcomes.

Table 3 provides examples of how conflict outcomes were coded.

Table 3: Sample Codes for Conflict Outcomes

	Satisfied	**Somewhat Satisfied**	**Dissatisfied**
Client View	*"It created a far more collaborative environment and a far healthier environment for the account where we're happy to be straightforward and honest with each other."* -- Client Lead, Case 1	Not applicable—clients were either satisfied or dissatisfied.	*"So it was disappointing, it was embarrassing and it was probably the largest proof of the source of everything was for them, nothing was for us."* – Client Lead, Case 5

Provider View	*"We have a very good relationship with them now. They have the transparency and there's been good collaboration. There are good behaviors."* Provider Lead, Case 4	"*That was a bit of a constant battle we had because, philosophically, we were opposed. We couldn't really seem to resolve that. But in the end, we sort of came to a compromise…We sort of set up some guidelines we could live with and move forward from there."*– Provider Lead, Case 10	"*If we have a fault, we bend over backwards, sometimes a little too much for the client. Sometimes to our detriment, actually. We try and help them out and sometimes we can't."* – Provider Lead, Case 6

Figure 1 summarizes the the coding scheme were used to categorize the 13 BSO conflicts:

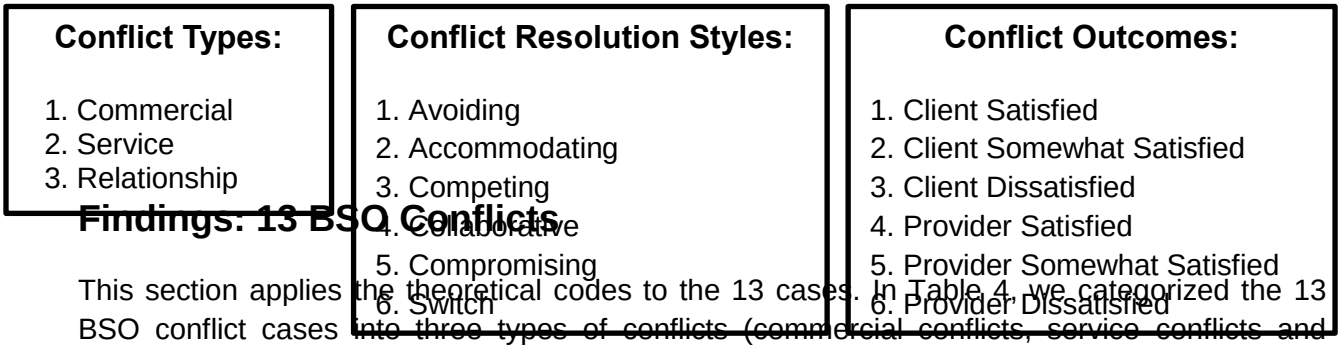


Figure 1: Coding Scheme

Findings: 13 BSO Conflicts

This section applies the theoretical codes to the 13 cases. In Table 4, we categorized the 13 BSO conflict cases into three types of conflicts (commercial conflicts, service conflicts and relationship conflicts), five of the six types of conflict resolution styles (competing, avoiding, accommodating, collaborative and switching), and three types of outcomes (satisfied, somewhat satisfied, and dissatisfied).

Table 4: Thirteen Conflict Case Stories

Case Story	Conflict Type	Conflict Resolution Style	Conflict Outcome (Client View/Provider View)
1. A poor pricing model caused the provider to lose money on the deal.	Commercial Conflict	Switch to Collaborative	Satisfied/Satisfied
2. A poor pricing model caused the client to spend more money than anticipated.	Commercial Conflict	Collaborative	Satisfied/Satisfied
3. A client overestimated demand.	Commercial Conflict	Collaborative	Satisfied/Satisfied
4. A client paid for bloated provider	Commercial Conflict	Switch to Collaborative	Satisfied/

staffing.			Somewhat Satisfied
5. Partners fought over gainshare.	Commercial Conflict	Competing	Dissatisfied/ Dissatisfied
6. Provider overpromised and under-delivered on its foreign language capabilities.	Service Conflict	Avoiding	Dissatisfied/ Dissatisfied
7. A call center service had a rocky transition.	Service Conflict	Collaborative	Satisfied/Satisfied
8. Third-party software caused service performance to plummet.	Service Conflict	Collaborative	Satisfied/Satisfied
9. A client wanted a slicker tool.	Service Conflict	Switch to Collaborative	Satisfied/Somewhat Satisfied
10. A client and provider clashed over the provider's work habits.	Relationship Conflict	Accommodating	Satisfied/Somewhat Satisfied
11. A client and provider clashed over the provider's work habits.	Relationship Conflict	Accommodating	Satisfied/Somewhat Satisfied
12. A client and provider clashed over the provider's work habits.	Relationship Conflict	Switch to Collaborative	Satisfied/Satisfied
13. A client lead made much ado about nothing.	Relationship Conflict	Switch to Collaborative	Satisfied/Satisfied

Conflict Types

Commercial conflicts are disputes over financials, such as pricing and profit margins. Among the 13 conflict cases in our study, five were commercial conflict cases. Case 1 involved a pricing model that caused the provider to lose money on the deal. Case 2, also involving a pricing model, caused the client to spend more money than anticipated, thus eroding its business case to a negative return on investment. The third commercial conflict, Case 3, consisted of a client overestimating demand during contract negotiations, then giving the provider a much smaller piece of business than expected, resulting in a poor economic outcome for the provider. Case 4 entailed a client paying for bloated provider staffing because the provider lead kept his transition team in place too long after the transition. The last commercial conflict case, Case 5, involved partners fighting over a gainsharing clause that was designed to

incentivize the provider to excel at performance. It backfired, resulting in a multi-million dollar dispute.

Service conflicts are disputes over services. Among our BSO cases, four service conflicts threatened service delivery. One service conflict case, Case 6, involved a provider telling its client it could support a foreign language service when it could not. Case 7 involved a rocky call center transition from the client to the provider, resulting in a surge in call volumes from users needing assistance. In Case 8, third-party software caused service performance to plummet. In the last service conflict case, Case 9, a client lead was not satisfied with one of the provider's tools used to deliver an HRO service.

Relationship conflicts are disputes in which the parties disagree about how people should behave. We have four cases of relationship conflicts. Case 10 involved the client lead escalating every small issue to the client's Chief Financial Officer (CFO), a storyline we call "much ado about nothing". Case 11, Case 12, and Case 13 were about clients and providers clashing over the providers' work habits. Clients from these last three stories wanted to dictate how provider employees should spend their time.

Conflict Resolution Styles

A **competing style** is characterized by a party's hard-lined defense of its own interests. We found only one example. In Case 5, both parties assumed a competing style and maintained this approach throughout.

An **avoiding style** is characterized by a party's hope that by delaying, postponing or ignoring the conflict for a while, the conflict will be resolved without a confrontation. Case 6 exemplified this approach. As mentioned above, the case involved a provider telling its client it could support a foreign language service when it could not. The provider delayed telling the client it could not perform the foreign language service because it hoped to build up the capability.

An **accommodating style** is characterized by one party largely acquiescing to the demands or needs of the other party. In two BSO conflict cases—Case 10 and Case 11—the providers largely accommodated their clients' requests.

A **collaborative style** is characterized by partners who seek a solution that balances the needs of both parties. Four of the BSO cases adopted a collaborative style from the start to resolve conflicts—Case 2, Case 3, Case 7, and Case 8.

A switch-to-collaborative style starts off with one conflict resolution style and then the partners switch to another style. Five of the BSO cases switched from a competing or avoiding strategy to a collaborative style—Case 1, Case 4, Case 9, Case 12, and Case 13. This

switching style is epitomized in the quote from a provider lead who said: *"I think all our conflicts tend to start off quite aggressive, where we're defending our position. And then in order to actually get any resolution, it has to become collaborative."*

Conflict Resolution Outcomes

Among these 13 conflicts, seven cases—Case 1, Case 2, Case 3, Case 7, Case 8, Case 12, and Case 13—were resolved with both parties "satisfied." Four cases—Case 4, Case 9, Case 10, and Case 11—were resolved with the client "satisfied" and the provider "somewhat satisfied" and two (Case 5 and Case 6) resulted in both parties being dissatisfied (see Table 4).

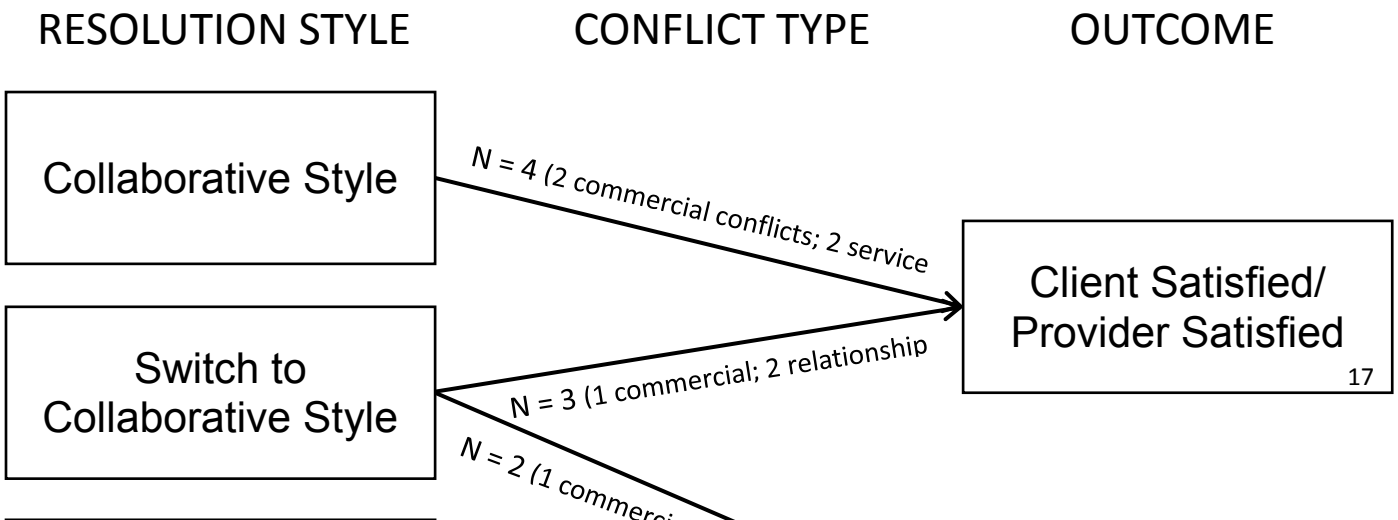
Tying Conflict Types, Resolution Styles to BSO Outcomes

From the mapping of the 13 BSO conflicts in Table 4 to Figure 2, the following patterns emerge regarding conflict types:

1. Commercial conflicts in our small sample clearly required a collaborative style to ensure both sides had fair economic outcomes. In contrast, the dogged adherence to a competing style to resolve a commercial conflict resulted in both parties being dissatisfied.
2. Service conflicts were also best resolved with a collaborative style.
3. As far as relationship conflicts, providers in two of our cases were willing to accommodate clients' wishes; parties in two other cases switched to a collaborative style. While both styles satisfactorily resolved relationship conflicts for clients, only the switch to a collaborative style fully satisfied providers

Concerning resolution styles:

1. Competing and avoiding conflict resolution styles resulted in both clients and providers being dissatisfied with the outcomes.
2. An accommodating conflict resolution style resulted in the accommodated party being satisfied and the accommodators being somewhat satisfied.
3. When adopted from the start, a collaborative conflict resolution style resulted in all parties being satisfied in all four cases.
4. A switch-to-collaborative conflict resolution style resulted in satisfied clients and either satisfied providers (three cases) or somewhat satisfied providers (two cases).



In the next sections, we describe each of the 13 BSO conflict cases. These rich stories were each given a name to capture the spirit of the narrative. The conflict stories themselves are interesting and valuable. These stories capture the myriad of BSO conflicts arising from pricing models, service volume predictions, incentivizing performance, culture clashes and obstinate people, to name but a few. They also convey coding credibility by bringing the data closer to the reader (Lincoln and Guba 1985).

BSO Commercial Conflict Stories

> *"The world fell apart [after the Global Financial crisis in 2008] and the foundation wasn't strong enough to withstand that because we did not have a lot of sophistication in our commercial arrangement… It's taken us awhile to come to terms with the fact that volume baselines were wrong, wildly wrong, because the forecast in growth on [the client's] part just wouldn't happen."* – Provider Lead

Of all the problem types, commercial conflicts are the most serious because outsourcing relationships are firstly commercial transactions—a provider MUST earn a profit and a client MUST meet its economic business case to be viable (Kern et al. 2002). From our data, five BSO cases involved commercial conflicts, of which two were successfully resolved to the satisfaction of both parties by using a collaborative style. One BSO conflict was resolved to the satisfaction of both parties when they switched to a collaborative style. One conflict was resolved to the satisfaction of the client when both sides switched to a collaborative approach, but left the provider "somewhat satisfied". The last example of a commercial conflict involved parties using a competing style, which did not satisfactorily resolve the conflict for either party.

Case 1: A poor pricing model caused the provider to lose money on the deal. This case involved a shaky launch of an FAO deal. Part of the problem was a faulty pricing mechanism that prevented the provider from recovering its costs. Initially, the contract used unit-based pricing.[3] After about two years, according to the provider—*"Our unit pricing started to not look right anymore*." The provider was losing money. From the client side, the relationship was not working for them either. The client lead said: *"Every time we had an idea, it was stopped in its tracks. We got to a point where we really weren't getting anywhere. They weren't bringing practical ideas to the table. The relationship was getting very, very strained between the two operational management groups."* The partners initially used avoiding and competing styles to resolve their problems and neither approach was working. Finally, the client lead demanded that the provider assign new leads. His request was granted. With new provider leads in place, both sides agreed to renegotiate the contract and ***switched to a collaborative style*** to find a solution that was economically viable for both parties. Both parties agreed to move to a different pricing model. The partners moved to FTE pricing. After the renegotiation, the BSO relationship operated effectively and ***both sides were satisfied*** with the solution.

Case 2: A poor pricing model caused the client to spend more money than anticipated. On one account, the initial contract was priced using different rate cards for different skill levels. Soon after the contract went into effect, the client came to the provider and explained that the client's business case was not being met because the client underestimated the number and complexity of skills needed to perform the work. The client asked to renegotiate the pricing mechanism. The provider agreed because it understood that the relationship would fail in the long run if the client's return on investment was negative. In turn, the client understood it needed to give the provider something valuable in exchange for a different pricing model. Both assumed a ***collaborative style*** to conflict resolution. The provider agreed to a flat rate card in exchange for a longer contract and an increased scope of work. Both parties negotiated a better deal, ***both sides were very satisfied***, and the relationship proved to be a high-performance one. Said the client: *"Our partner has performed very well. Put simply – they execute. We have found that if we set the bar high, they do all that they can to jump over it. In addition to providing transactional services that exceed service level agreements, they help us to think strategically about running our business."*

Case 3: A client overestimated demand. On this procurement deal, the provider's profits were tied to the size of the client's procurement spend. During negotiations, the client estimated it would transfer £80 million worth of spend across seven categories to the provider. Six months into the deal, only £30 million in spend had been transferred to the provider. (For example, the partners initially thought that £25 million worth of learning and development spend was going to be transferred, but the actual number was only about 30% of the estimate.) This underestimation threatened the provider's ability to meet its projected profitability targets. Rather than simply say "too bad" to the provider, the client recognized the threat to the provider's financial position and the effect that it would ultimately have on its service levels and BSO relationship. The partners committed to resolving the conflict ***collaboratively*** and held

[3] Unit-based pricing charges the client for each unit of service, such as paying per invoice processed or per laptop purchased by the provider on behalf of the client.

many strategic planning sessions to address the shortfall. The partners agreed that it was in both of their interests to transfer over the intended critical mass of spend to the provider. This would be achieved by adding eight more categories of spend, bringing the provider's controlled spend to nearly £100 million by year end. ***Both parties considered the solution a win-win***. The client saved money on the eight new categories it shifted to the provider, and the provider got a larger, more lucrative deal.

Case 4: A client pays for bloated provider staff. On this FAO deal, a new client lead came on the account several years after it had been in effect. He repeatedly questioned the provider lead why he was paying for provider employees in a high cost area when most of the other work was already re-located in a low cost area. The client lead wanted the provider to move these resources to a low cost area. After taking seven months to respond, the provider lead said the client could not request staff relocation until next year and the client would have to pay for the severance packages, as the contract specified. The client lead was very annoyed at this answer because at the same time, the provider was trying to sell the client additional consulting services. The client said: *"I told them that they are not getting the message of strategic relationship and this is not the way to start things off. I had one of them calling me to meet with me about consulting work and I said, 'Why would I give you more business in consulting if you're basically giving us a hard time about correcting our account elsewhere?'"* Eventually, the provider assigned a new provider lead and she immediately ***switched to a collaborative style.*** She investigated the work the onshore team was providing for her client. She determined that there was not enough work to occupy all the onshore resources anymore—they were imperative for the transition, but that was over long ago. She retained just half the staff to perform the client's work and she moved those roles offshore. Although no provider is happy to lose revenues, she was ***somewhat satisfied*** with the resolution because it paved the way for a revitalization of the relationship. ***The client was thrilled with the resolution*** and with the new provider lead. He said, *"[She] is fantastic. She's very action-oriented. She pushes back and can challenge things in the right way. That's the difference I think in terms of making it a more strategic approach."*

Case 5: Partners fight over gainshare. In this engagement for procurement services, the client and provider escalated the fight over gainshare allocations to a formal dispute.[4] The contract stipulated that the provider would get a percentage of any discount above a vendor's list price for any new products that the provider bought for the client. The provider renewed a hardware vendor contract on behalf of the client that was 55 percent lower than the hardware vendor's list price. The provider calculated a multi-million dollar gainshare, claiming the contract was for new products as evidenced by new material codes. The client refused to pay. The client claimed that its previous contract with the hardware vendor already had a 50 percent discount and the client was purchasing the same material, it was just that the vendor's newer models used different codes. The client allocated about 150 hours of in-house legal counsel to the dispute and brought back the advisory firm that helped negotiate the original contract into the deliberations. The client said: *"It went all the way to the dispute process, and it left an incredibly*

[4] Gainsharing is an incentive used by BSO clients to motivate providers to improve their performance by sharing financially in the gain (Lacity and Willcocks 2013).

bitter taste with our executive team." Eventually the provider's procurement services division was bought by another provider. The client thought, "*Good riddance*!" The style was ***competing*** throughout and ***both sides were dissatisfied*** with the process and outcome.

BSO Service Conflict Stories

> *"If the work we're getting back is not what we expect, that's as much our fault as the service provider's because we're not being clear in telling them what we want, and tooling them up to deliver it."* – Client Lead

This section highlights service conflicts that disrupted service performance. The examples cover several contexts including LSO, FAO and HRO. In the first service conflict example, the avoiding strategy resulted in an unsuccessful conflict resolution. In the next two examples, the service conflicts were successfully resolved using a collaborative style. The parties in the last service conflict case switched to a collaborative style, resulting in a satisfied client and a somewhat satisfied provider.

Case 6: A provider overpromised and under-delivered on its foreign language capabilities. On one LSO account, the client asked the provider if it could support foreign languages. The provider indicated that it could support foreign languages from its Indian delivery center. After a trial period, it became apparent that the provider had never supported foreign languages from this location before, and the result—according to the client—was "*quite disastrous*". The provider assumed an ***avoid style*** of conflict resolution by not telling the client it lacked French language capabilities. The client lead was more annoyed that the provider was not forthright about its capabilities than he was about the provider's lack of capabilities. From the provider lead's perspective, he thought a delay strategy would work because he intended to quickly build the capabilities in India to delight his prestigious client. ***The client was not delighted*** and took back foreign language support from the provider. ***The provider was also disappointed*** with the outcome (see Table 4 for quote).

Case 7: A call center service had a rocky transition. Soon after one client transitioned its help line for its accounts payable function to a provider, the volume of calls surged. The client suspected the increase in volume was due to repeat callers, which would mean that the provider was not resolving the callers' issues during the first calls. Rather than just beat up the provider, the client took the calls back in-house to give the provider time to analyze the calls and to develop a plan on improving the service. The provider discovered that some of the "repeat callers" were the same people calling up with a completely different question, but the provider employee ticketed the new call as a repeat call. Thus, some of the repeat volumes were caused by insufficient training on how to tag calls. Some of the call volume issues were caused by the fact that it was year-end and people were scrambling to pay their invoices and complete expense reports. The client and provider agreed to an immediate plan and then developed a long-term plan to get service back on track. The provider praised the client's behavior, *"They absolutely pitched in to help… They stepped in when they didn't have to. They could have just said, 'Tough luck, you just missed your service level agreement.'"* The client explained his ***collaborative*** approach: *"Other clients might have said [to the provider]: 'This is your problem,*

don't bother me. It's your issue.' What I try and do is say: 'We are in this together.'" ***Both parties were clearly satisfied*** with the result.

Case 8: Third-party software caused service performance to plummet. On one large account, the client implemented one software vendor's Enterprise Resource Planning (ERP) system and outsourced support of this system to another service provider. After the go live day, user complaints skyrocketed. The users immediately blamed the service provider, not the ERP vendor. The provider lead recalled, *"So there was a lot of emails and a lot of yelling and screaming about, 'What the hell is going on?'"* The client and provider leads worked together to investigate the problem. They each assigned senior level managers to oversee the resolution. The provider lead recalled, "*We absolutely threw resources at it from consulting, from operations, from analytics to figure out what it is and lower the backlog and fix the root causes while, at the same time, putting Band-Aids on all the places that it was bleeding."* It took four months to get service issues completely resolved, but the ***collaborative*** style worked to the ***satisfaction of both parties***.

Case 9: A client wanted a slicker tool. A client from a consumer products company was very market-focused and valued slick user interfaces on all of its software products. One of the provider's tools did not have a glitzy interface. The provider was willing to customize the interface for an additional fee. The client did not think it should pay to improve the provider's tool. This debate went back and forth for quite a while without resolution. Finally, the provider agreed to find a cloud-based alternative that could replace its proprietary system. The provider lead said: *"We are looking at how we can make a swap out in a manner that commercially will work for each party with minimal to no investment on the part of [the client] and that isn't a huge margin eroding thing on our end. We are working very collaboratively on that."* This story demonstrates the value of ***switching to a collaborative style.*** Rather than focus on the tool at hand, the partners stepped back and focused on the features that the client wanted. The collaboration spawned "outside the box" thinking to find a solution that worked to ***satisfy the client*** and a solution with which the ***provider could live (somewhat satisfied)***.

BSO Relationship Conflict Stories

> *"The provider appointed a delivery account manager and through the initial period, the relationship did not work. I don't know whether it was chemistry or what; He may have been a very good person but I couldn't work with him."* – Client Lead

This section presents four cases about relationship conflicts. The examples cover multiple contexts including HRO, call centers, ITO and supply chain management outsourcing. The first three relationship conflicts all involve clients and providers clashing over the providers' work habits. The providers accommodated the clients' wishes in the first two cases, while the third case used a switch to collaborative style to renegotiate the terms. The fourth relationship conflict case was resolved when a client leader was replaced and the new leaders switched to a collaborative style.

Case 10: A client and provider clashed over the provider's work habits. On this HRO deal, some of the provider's staff was located at the client site. Although the client was paying the provider based on outcomes, it still wanted to dictate how the provider's employees should behave. The client lead expected the provider's staff to maintain the same work hours as the client's staff. He constantly questioned how the provider's staff was spending its time. The client lead did not want the provider's staff in training or in meetings during "the client's time". The provider lead countered that his company was meeting its service levels, so the client lead should not be micromanaging the provider's staff. In the end, the provider acquiesced by ***accommodating*** the client's wishes so that the ***client was satisfied***. He said, *"We set up some guidelines that we wouldn't do team building activities until 4:00 in the afternoon. There would only be so many training days per year, per person. We sort of set up some guidelines* ***we could live with*** *and move forward from there."*

Case 11: A client and provider clashed over the provider's work habits. In this example, a client and provider disagreed on the role of middle managers. The context is an offshore customer care deal where the South African-based provider answers calls from the client's UK-based customers. The client felt that the provider's middle managers were too "hands off". The client was accustomed to middle managers who listen to calls daily and who coach call center agents. Conversely, in South Africa, middle managers are accustomed to delegating work to the teams. To resolve the conflict, the provider ***accommodated*** the client by doing what the client asked. ***The client was very satisfied*** and the ***provider was somewhat satisfied*** with the agreement.

Case 12: A client and provider clashed over the provider's work habits. In a nearly identical storyline as Case 10, on an account halfway around the world, a client lead wanted a refund because the client claimed that the provider employees only worked six hours per day instead of eight. The provider lead felt the client should not be meddling with his staff. He said: *"I said it was my own responsibility to organize my team. If I'm able to meet service level agreements by having half of the staff that was expected, it's my decision. The same as if I have a problem and I have to duplicate the number of people, it's my problem."* Thus, the initial style was competing on both sides, but soon the parties realized that they needed a better approach and ***switched to a collaborative style.*** The parties recognized that both sides would be more comfortable with an outcome-based pricing mechanism. The provider lead concluded the story, "*We are now billing the client the proper price for the service, not related to the time the people are spending on the contract*." ***Both sides are satisfied*** with the solution.

Case 13: A client lead made much ado about nothing. On one supply chain outsourcing account, the client lead escalated every small issue to the client's CFO. The provider lead tried working with the client lead, telling her: *"Let's work together to get this resolved."* She continued to escalate every small issue and made it a big problem at the client end. The client CFO finally intervened. He sent a scout to the provider's delivery center to investigate. When the scout returned with a good report on the provider's performance, the CFO replaced the original client lead. The new client lead reported that since the replacement, there had not been any major problems. The new leaders ***switched to a collaborative style*** to resolve problems and ***both***

sides are satisfied. He said: *"Both parties work hard at it to ensure there are no conflicts. We have had a few bumps on the road but those are normal in marriages as well."*

Discussion

In this section, we first recognize the research limitations then discuss the contributions this research makes to theory and practice.

Limitations

Although this study contributes to the theory and practice of conflict and conflict resolution in BSO relationships, it has several limitations. The sample of BSO relationships was small and opportunistic, restricting our ability to generalize (Kuhn and Poole 2000). The BSO relationships do not represent a random sample, but rather a convenience sample facilitated by our research sponsors (see acknowledgements). The disadvantage of a convenience sample is that it includes sampling bias and findings may not necessarily represent the population of BSO relationships. In particular, the BSO relationships are likely to represent better than average performing relationships. In our sample, participants from 59 percent of the BSO relationships reported no significant conflicts. We conjecture that this under-represents conflict frequency in the larger BSO population given prior failure rates (Barringer and Harrison 2000; Gefen et al. 2008; Hughes and Weiss 2007; Lacity et al. 2016; Mani et al. 2012). On the other hand, a major advantage of this convenience sample was that we were able to obtain paired data that included both client and provider inputs, thus considering "multiple witness accounts" (Klein and Myers 1999). Moreover, we were also able to get rich stories on a sensitive subject that is rarely studied (Ndubisi 2011).

Interviewing by telephone introduces another limitation. Compared to face-to-face interviews, telephone interviews limit social cues and can result in the interviewee being interrupted at the workplace without the interviewer's knowledge (Opdenakker 2006). These limitations were acceptable trade-offs given the advantages of telephone interviews: convenient access to people world-wide and lower cost of data collection compared to face-to-face (Mann and Stewart 2000).

Contribution to Theory

ITO researchers (and more recently BPO researchers) have largely relied on reference disciplines to theorectically guide outsourcing research. Of late, researchers have questioned such theorecical appropriations (e.g., Karimi-Alaghehband et al. 2011; Schermann et al. 2016) and offered criteria for fair appropriations from other disciplines (Aubert and Rivard 2016), such as juridical and structural–cultural frames of faithful theorical appropriations (Lee 2016). Still other researchers have called for domain specific, engodengous theories of IT (Lacity et al. 2011). One contribution to an endogenous theory is that we offer a richer typology of conflict types than the dyads previously used to study inter-organizational conflicts that are specific to

BSO (DeChurch and Marks 2001; Kern and Willcocks 2002; Molnar and Rogers 1979; Yitshaki 2008).

Prior literature distinguished between work conflicts (task/cognitive) and relationship conflicts (relationship/affective). We distinguished among **commercial conflicts, service conflicts**, and **relationship conflicts**.

Rather than just aggregate all the non-relationship conflicts under one type such as "task/cognitive", the BSO context can be more richly described by articulating two typical types of work conflicts—commercial and service. We observed that commercial conflicts threatened economic outcomes for the clients, providers, or both. For the clients in Case 2, Case 4, and Case 5, higher than expected cost outlays threatened their economic interests and prompted serious commercial conflicts. For the providers in Case 1, Case 3, and Case 5, failure to generate their expected profit margins caused commercial conflicts.

Service conflicts threatened service quality. In Case 5 and Case 6 service conflicts arose over the providers' lack of capabilities, resulting in poor service quality. In Case 7, a service conflict arose from a third-party provider's software, resulting in poor service quality. In Case 8, the client and provider argued over a tool used to provide a service.

The relationship conflicts threatened the relationship quality. Relationship quality is often used as an outcome measure of BSO relationships (e.g., Babin et al. 2011; Lioliou et al. 2014; Palvia et al. 2000). When people fight, the quality of the relationship suffered.

Do the three BSO conflict types apply more generally to other types of inter-organizational conflicts in joint ventures, networks, consortia, alliances, and trade associations (Barringer and Harrison 2000; Cropper et al. 2008)? This is an empirical question that needs further investigation. While the three conflict types are distinctive, we do note that the consequences of one type of conflict can have ripple effects on economic outcomes, service quality, and relationship quality; Poor performance in one dimension can spill over to another dimension as depicted in Figure 3.

A poor economic outcome can erode relationship quality (who likes a partner who is draining his or her wallet?) and service quality (who wants to invest in services on a losing account?). For example, in Case 1 (called "a poor pricing model caused the provider to lose money on the deal") the commercial conflict eroded economic performance but it also eroded the quality of the relationship (see arrow "a" in Figure 3). The provider did not want to invest more time and resources into the account while it was losing money, so it stopped responding to the client, thus eroding service quality (see arrow "b" in Figure 3). As the client lead said, "*The relationship was getting very, very strained."* Once the commercial conflict was resolved, economic performance, service quality, and relationship quality improved.

Poor service quality can erode the provider's profit margins and/or escalate the client's costs when resources are diverted to fix service performance. In Case 9 (called "a client wanted a slicker tool") the main conflict was with the quality of the tool, but fixing it had economic

consequences (see arrow “c” in Figure 3). Poor service quality also eroded good feelings between the client and partner (see arrow “d” in Figure 3).

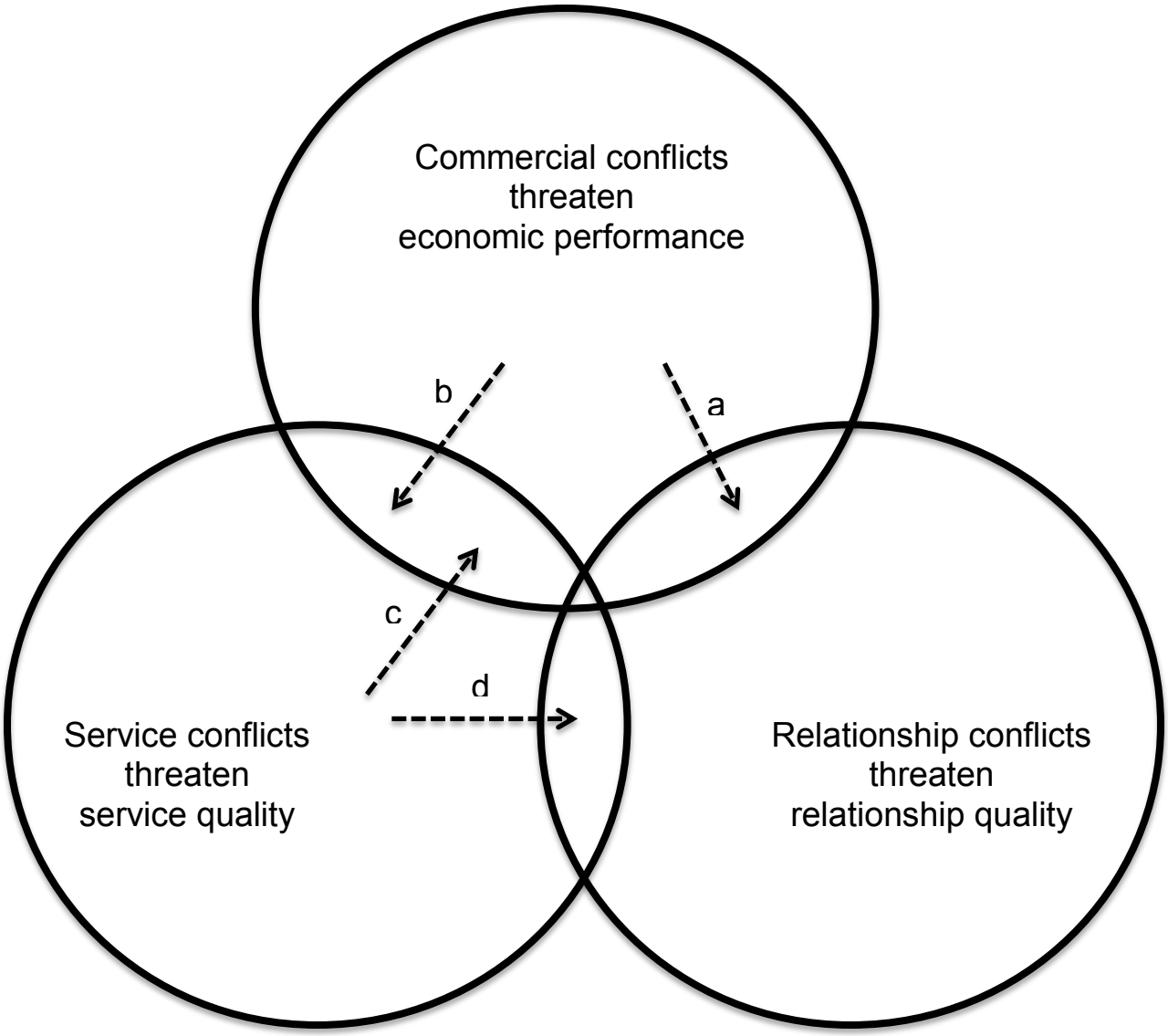


Figure 3: Spillover Effects of BSO Conflict Types

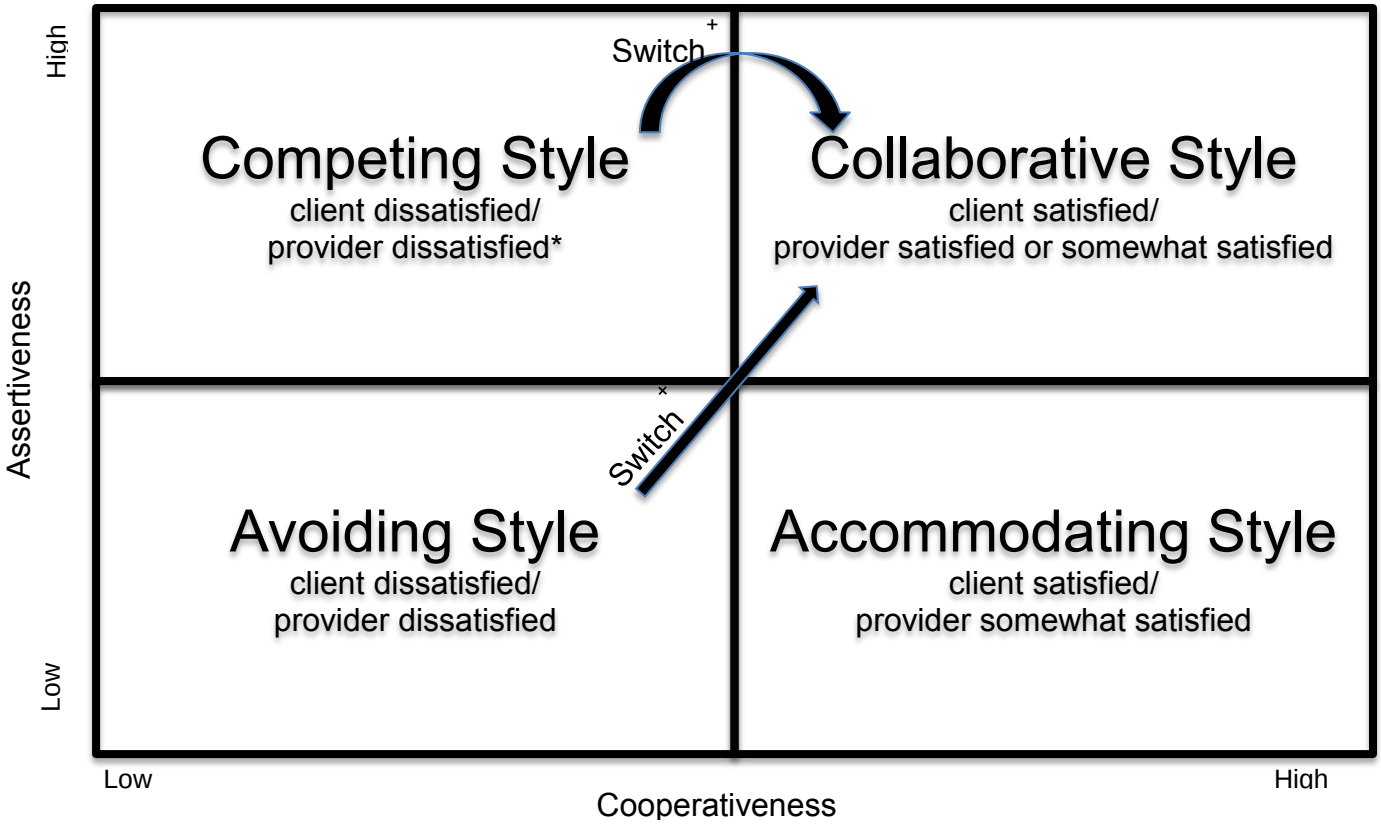
In our data set, poor relationship quality seemed to have the weakest spillover effects. In our three cases involving clients and providers clashing over the providers' work habits, the service level agreements were being met (service quality was good) and the economic outcomes were not affected. As these spillover effects are novel to this study, more research is needed to understand them.

Theoretically, we found that five-factor frameworks like Thomas and Kilmann's typology of conflict resolution styles were robust enough to characterize the 13 BSO conflict cases, provided a switched category was added. Furthermore, most of the outcomes in the BSO case studies aligned with prior theory (e.g., Kuhn and Poole 2000; Ndubisi 2011; Thomas and Kilmann 1974) on the following points:

1. Consistent with prior theory, the collaborative and switch-to-collaborative styles resulted in satisfied clients and satisfied or somewhat satisfied providers (see Figure 4).

2. Consistent with prior theory, an avoiding style resulted in dissatisfied clients and providers.

3. Theory suggests an accommodating style will result in one winner (i.e., satisfied) and one loser (i.e., dissatisfied). The BSO data had slightly better outcomes in that the clients (the accommodated) were satisfied and the providers (the accommodators) were somewhat satisfied. While not a perfect alignment, the fact that the accommodated was more satisfied than the accommodator is consistent with theory.



+ Added to the Thomas and Kilmann framework (1974)
* Inconsistent with prior theory

Figure 4: BSO Conflict Resolution Styles and Outcomes Compared to Thomas and Kilmann (1974)

One conflict resolution style from Thomas and Kilmann (1974) is missing from Figure 4, namely, a compromising strategy. None of the 13 BSO conflict cases used the "compromise" strategy. There is some anecdotal evidence among the 19 BSO cases that reported NO serious conflicts that a spirit of compromise may help to *prevent* a serious dispute (see Behavior 4 in Practitioner

Contribution section below). More research on BSO conflicts is needed to understand if this is a common phenomenon.

One finding, however, is inconsistent with prior theory. In Case 5, the partners both assumed a competing style throughout negotiations and both were dissatisfied with the outcome. In contrast, theory predicts a competing style will result in a winner (i.e., satisfied) and a loser (i.e., dissatisfied). While this finding is interesting, further investigation is needed to assess whether this is an isolated anomaly or something systematic and particular to BSO conflicts.

Contribution to Practice

Consistent with Markus (2014), we offer an important contribution to practice by identifying effective conflict resolution behaviors that managers can now adopt. In reading the transcripts of all 32 BSO relationships closely, five behaviors for avoiding conflicts or collaboratively solving BSO conflicts emerged. Although based on descriptive behaviors of what participants described as helpful behaviors as well as unhelpful behaviors, they are presented as normative behaviors of what clients and providers *should* do:

(1) never assign blame, but instead co-own all problems,
(2) be transparent about all relevant data,
(3) seek solutions that work for both partners,
(4) actively protect each other's commercial interests,
(5) ensure people behave appropriately or replace them.

These behaviors were reviewed and confirmed by research sponsors. Research participants reviewed and confirmed only the specific behaviors discussed by them during their interviews.

Behavior 1: Never assign blame, but instead co-own all problems. We found this behavior evident in several of the BSO relationships. Case 8 (called "third-party software causes service performance to plummet") provides strong evidence of this behavior. The leaders in this story did not assign blame but instead co-owned the problem. During the ERP problem resolution process, the provider lead described the approach, *"We did a pretty good job of putting the right structure and the right resources in place to simultaneously mitigate the pain and fix the root cause. Both parties were pretty good at not blaming each other."* More impressive was the time, energy and resources the provider allocated to a problem for which they were not the primary cause.

Evidence from some of the BSO relationships who claim they never experienced serous conflicts also mentioned this theme of not assigning blame. This quote from a provider lead illustrates this principle well: *"Throughout the process, we don't look at who performed the step that failed but what can we improve in the end-to-end processes so we can avoid that kind of problem in the future?"* One client lead from another BSO relationship described the behavior this way: *"Do not point your finger at the provider because when you do, four fingers point back to yourself."*

Behavior 2: Be transparent about all relevant data. Transparency was frequently one of the top things interviewees talked about as a key to successfully resolving conflicts. One provider lead aptly captured this behavior in this quote: *"I'm committed to transparency with my counterpart. We try to be very open about what the interests are on each side so that when we're negotiating, we can negotiate commercial relationships that are good for the interests of both parties."* Transparency was evident on all the successfully resolved commercial and service conflicts. In contrast, Case 6 (called "a provider overpromised and under-delivered on its foreign language capabilities") illustrates the problems caused by a lack of transparency. The provider was quite reticent to expose its inabilities to clients, but the client eventually discovered them. This storyline is most common in offshore outsourcing, particularly when the provider is in a culture characterized by greater power distance and lower individualism compared to the client (Carmel and Tjia 2005; Prikladnicki and Audy 2012; Sakolnakorn 2010).

Behavior 3: Seek solutions that work for both parties. Ideally, a resolution will improve the circumstances for both parties, the so-called win-win solution. In several of the commercial conflict cases, solutions benefited both parties. In Case 3, (called "a client overestimated demand"), for example, the solution was to add more categories of procurement spend to the deal to make the volumes large enough for the provider to be satisfied. The client was satisfied because they were guaranteed cost savings on all the additional categories. In many cases, mutually acceptable solutions result from tough but fair negotiations and compromises. One provider lead who reported no serious BSO conflicts on his account captured the idea of tough but fair negotiations when he said: "*I'd like to say we follow a collaborative, win-win approach to conflict resolution. We do butt heads quite a lot on small things. We both want to win. So what I try and do, and what I counsel my managers to do, is to find a win-win and trade something off. We can get this and you can get that."* This example provides some evidence that a ***comprising strategy*** may serve to prevent serious BSO conflicts.

Behavior 4: Actively protect each other's commercial interests. Collaborative partners care about the other party's commercial interests. Caring about a partner's commercial well-being is not altruism; it is actually in the client's best interest to care about and protect the provider's commercial interests and vice-versa because client outcomes are tied to provider outcomes. If the provider fails to make a profit on an account, chances are the client will experience negative outcomes in terms of higher costs and lower service levels. Kern et al. (2002) have data on 85 outsourcing relationships that shows when a provider experiences a "winner's curse" (loss of profitability on an account), there is a high likelihood of it also affecting the client negatively. The aim is to create a new commercial deal that benefits both parties. This behavior was certainly true for both parties in Case 2, (called "a poor pricing model caused the client to spend more money than anticipated"), when the partners renegotiated the contract to, in effect, give the client lower prices and the provider a much larger volume of work.

Behavior 5: Ensure all people behave appropriately--or replace them! Prior research discussed the importance of the right leadership pair as a key to world-class performance and innovation (Davis and Eisenhardt 2011; Lacity and Willcocks 2013). In the cases, the right leadership pair resolved conflicts together and fairly. In several of the BSO conflict cases, the problem sometimes could not be resolved until a leader was changed, as evident in Cases 1, 4,

and 13. Case 13, (called “a client lead made much ado about nothing”) offers a great moral: Beware of the problem-solver who becomes the problem. In this story, the client lead was not acting appropriately, she blamed the provider for everything and she would not resolve problems with the provider. She became a bigger problem than the operational ones that needed to be solved. The CFO investigated the situation and then replaced her.

We also feel compelled to comment on the three cases where the clients and providers clashed over the providers’ work habits (Cases 10, 11 and 12). Research finds that clients need to learn to manage the inputs and outputs to and from service providers rather than try to micromanage the provider’s resources (Carmel and Tjia 2005). If clients want complete control over the human resources that deliver a service, then perhaps they should bring the service back in-house (Natasha et al. 2008; Bhagwatwar et al. 2011). We understand the client’s reasoning. Client’s think*: “I am paying for the provider’s dedicated staff so I better be sure they are productive.”* However, a better way to ensure that provider employees are productive is to require yearly mandatory productivity improvement clauses (Lacity and Willcocks 2013). Turning to the providers’ behaviors in these cases, they were diplomatic; they worked with their clients to develop compromises that both sides could accept.

Conclusion

Relationships and conflicts in inter-organizational types such as strategic alliances, joint ventures, and inter-firm collaborations for specific products and markets have been fertile ground for study in the strategic management literature. This has been less true in the Information Systems literature in general, and with the outsourcing phenomena in particular, despite the increasing size and strategic implications of much contemporary outsourcing practice. This paper fills that research gap.

Here we used qualitative data to answer the research question, *What types of inter-organizational conflicts arise in BSO relationships and how do partners resolve them?* Consistent with prior research, we found that a colloborative style resulted in the best outcomes for both parties. Findings related to avoiding styles and accomodating styles were also consident with prior research. Specifically, avoiding styles failed to resolve the conflicts in our cases satisfactorily. Accommodating styles were successful in resolving conflicts but led to the accommodators being less satisfied with the solution than the accommodated. However, we also found that a competing style resulted in both parties being dissatisfied with the outcome; This finding is counter to prior theory which predicts that competing styles lead to one satisfied party and one dissatisfied party. The 13 BSO conflicts mapped well to the new typology on BSO conflict types. In addition, findings suggest that there are spillover effects among commercial, service, and relationship conflicts. For example, one commercial conflict affected economic performance, service quality, and relationship quality.

In line with Jarzabkowski and Spee (2009), Golsorkhi, D., Rouleau, et al. (2012) and Whittington (2014), this research aims to offer several important contributions to the development of strategy-as-practice research in Information Systems and other fields. The subject of conflict has been neglected but is a rich field for strategy-as-practice researchers to investigate. The 13 conflict stories in and of themselves are valuable (Barker and Gower 2010; Sandelowski 1991). Stories are a means to communicate experience, to help people make sense of complex situations, and to help build consensus during deliberations (Buttler and Lukosch 2012). The subject of conflict in outsourcing relationships is often viewed as highly sensitive, indecorous and secretive; consequently, clients may not have access to prior experiences. By sharing the positive and negative stories of the participants in our study, we provide a deeper understanding into the emotionally-charged topic of conflicts that arise in business services outsourcing. For practitioners facing these problems or similar ones, the research offers guidance by identifying five effective conflict resolution behaviors. Our study has also shown how to develop theories of the problem and theories of the solution to address specific settings. We would argue that increasing adoption of such theories will make a valuable contribution to the toolbox for strategy-as-practice research. Our study may also be an indicator to other researchers that strategy cannot be a separate field of study isolated from its enactment, its execution. How strategy is executed by actors in organizations *becomes* the strategy. Examining what Jarzabkowski and Spee (2009) call *'micro-strategy making events, as they arise through the interaction between individual practitioners*' becomes, in our view, an important part of the on-going research agenda. Our research also demonstrates to a degree the usefulness - reiterated by many strategy-as-practice commentators – of establishiing much stronger connections betweem macro and micro phenomena, and the need to focus more strategy-as-practice research on substantiating outcomes. Finally, as suggested by Whiitington (2014), we would argue that our study hopefully will encourage Information Systems researchers themselves to undertake more strategy-as-pratice studies, not least because now and in the future, digitial technologies have never had so much impact on strategy making and its execution.

Focusing on the findings on iner-organizational conflict, this study gives rise to some additional research questions. The generalizability of the three BSO conflict types to other inter-organizational conflicts is uncertain and needs examination. The novel findings about spillover effects, the finding that a compromising strategy may prevent serious BSO conflicts, and the finding that a competing conflict resolution style resulted in two losers (rather than a winner and loser as prior theory suggests) also all need further investigation. A comparison of findings on conflict, looking across different types of inter-organizational collaborations, including strategic outsourcing relationships, is also long overdue.

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