Forced coopetition in IT multi-sourcing

Martin Wiener\textsuperscript{a,b,1}, Carol Saunders\textsuperscript{c,b,*}

\textsuperscript{a}University of Erlangen-Nuremberg, Chair of Information Systems III, 90403 Nuremberg, Germany
\textsuperscript{b}Dr. Theo and Friedl Schoeller Research Center for Business and Society, Lange Gasse 20, 90403 Nuremberg, Germany
\textsuperscript{c}University of Central Florida, Department of Management, PO Box 161400, Orlando, FL 32816-1400, USA

\textbf{Article info}

\begin{tabular}{l}
Article history: \\
Received 29 August 2013 \\
Received in revised form 23 July 2014 \\
Accepted 13 August 2014 \\
Available online 22 September 2014
\end{tabular}

\textbf{Keywords:} 
IT multi-sourcing \\
Forced coopetition \\
Multi-sourcing models \\
Vendor competition \\
Vendor cooperation \\
Critical enablers

\section{1. Introduction}

In today’s global, dynamic business environment, client organizations increasingly engage in information technology (IT) multi-sourcing, that is, the delegation of IT projects and services in a managed way to multiple vendors who must (at least partly) work cooperatively to achieve the client’s business objectives (Bapna et al., 2010; Levina and Su, 2008; Su and Levina, 2011). The striking growth of IT multi-sourcing in terms of number of companies and contract size within the last fifteen years is driven by the multi-faceted benefits it has to offer. In particular, multi-sourcing helps mitigate the risks of failure associated with single-sourcing strategies (Berger et al., 2004; Bhattacharya et al., 2012; Currie, 1998). Reported key benefits include lower IT service costs due to competition among vendors, reduced opportunistic rent appropriations by any one vendor, improved quality through best-of-breed services, enhanced flexibility in adapting to changing market conditions, and easier access to specialized expertise and capabilities (e.g., Bapna et al., 2010; Cohen and Young, 2006; Levina and Su, 2008).
The rising IT multi-sourcing trend corresponds to Bapna et al.’s (2010) observation that the modus operandi of IT outsourcing has changed significantly during the last decade: While earlier deals typically involved long-term contracts with a single vendor frequently located in the same geographic region, more recent deals are shorter in contract duration and often involve multiple, geographically-dispersed vendors. Examples of client firms that recently entered into major IT multi-sourcing contracts include Dutch bank ABN AMRO and petroleum giant Royal Dutch Shell. In 2005, ABN AMRO announced a five-year multi-sourcing deal over 2.2 billion USD with IBM handling the IT infrastructure and overall coordination, Accenture being responsible for application development, and Indian vendors Infosys, Patni Computer Systems and Tata Consultancy Services (TCS) providing application support and maintenance (ValueNotes, 2008). It was estimated that the deal would involve more than 700 million USD in two years by shedding 1500 jobs and shifting 2000 jobs to the vendors. ABN AMRO renewed the contracts with three of its multiple vendors (IBM, Infosys, and TCS) in 2010 (Mishra and Shivapiya, 2010). In 2008, Shell signed a five-year, 4 billion USD multi-sourcing deal with three global IT vendors (AT&T for network and telecommunications, T-Systems for hosting and storage, and EDS for end-user computing services, as well as the integration of infrastructure services) to provide IT services to the client’s more than 150,000 employees worldwide (Chapman, 2008). Both deals have more than their large size in common. They both demonstrate how client firms turned to multiple vendors to obtain IT products and services.

Although earlier literature offers some examples of major IT multi-sourcing deals, theoretical insights into this important new phenomenon are still limited (Su and Levine, 2011). Scholars argue that multi-sourcing “represents the leading edge of modern organizational forms” (Bapna et al., 2010, p. 785; also Lacity et al., 2011) by leveraging both competition and cooperation among vendors (Poston et al., 2009). The coexistence of competitive and cooperative elements in a single relationship is generally referred to as coopetition (Brandenburger and Nalebuff, 1996) — a management concept that is already finding increasing application in industries other than IT such as the airline, automotive, beverage, and wood processing industries (Bengtsson and Kock, 2000; Chin et al., 2008; Osarenkhoe, 2010).

In this article, we introduce a new form of coopetition, namely the concept of forced coopetition, to characterize the relationships among vendors in IT multi-sourcing arrangements. In forced coopetition, we argue, an external actor (the client) “forces” competitors (the vendors) to cooperate. This is in clear contrast to traditional coopetition, where competitors freely decide to cooperate (e.g., Bengtsson and Kock, 2000; Osarenkhoe, 2010; Padula and Dagnino, 2007). We use the concept of forced coopetition to classify IT multi-sourcing models along two continua ranging from low to high levels of vendor competition and vendor cooperation, respectively (Bengtsson et al., 2010; Chin et al., 2008). On this basis, we present the case of a global sports company, which recently introduced a new IT multi-sourcing model that delicately balances intense competition among its vendors while simultaneously creating an environment that necessitated close vendor cooperation. To develop a deeper understanding of this model, our longitudinal case study aims to answer the following two research questions:

1. How can a client organization foster both competition and cooperation among its multiple vendors?
2. How can it manage the delicate balance between vendor competition and cooperation?

The article is structured as follows: We first review and synthesize prior literature on coopetition and IT multi-sourcing, and introduce the concept of forced coopetition. Next, we describe the research methodology and the context of our case study. We then present the case findings and conclude by discussing implications for theory and practice.

2. Theoretical background: IT multi-sourcing

Multi-sourcing is generally defined as “the disciplined provisioning and blending of business and IT services from the optimal set of internal and external providers” (Cohen and Young, 2006, p. 1). According to this original definition, multi-sourcing does not necessarily require the use of multiple external vendors. However, in line with our understanding of multi-sourcing, IT outsourcing practitioners typically refer to using two or more external vendors as multi-sourcing (Su and Levine, 2011). For this study, we therefore define IT multi-sourcing as the situation where a client firm delegates IT projects and services to multiple external vendors who must, at least partly, work cooperatively to achieve the client’s business objectives (Bapna et al., 2010; Currie, 1998; Gallivan and Oh, 1999).

The definition of IT multi-sourcing implies that the relationships among vendors involved in a multi-sourcing setup are characterized by both competition and cooperation (cf. Poston et al., 2009), i.e., coopetition. The notion of coopetition has been popularized by Brandenburger and Nalebuff (1996), and describes the “situation when competitors have both a competitive and a cooperative relationship with each other at the same time” (Osarenkhoe, 2010, p. 216). Coopetition can thus be seen as a synthesis of the competitive paradigm and the cooperative paradigm (Padula and Dagnino, 2007).

2.1. Competitive and cooperative paradigms

Coopetition can be broadly defined as “a dynamic situation that occurs when several actors in a specific area (market) […] produce and market very similar products or services” (Osarenkhoe, 2010, p. 203). In this context, the competitive paradigm, which traditionally has been emphasized in strategic management literature, suggests that inter-firm
interdependencies promote economic efficiency by allocating market resources to their most productive uses (Padula and Dagnino, 2007; Osarenkhoe, 2010). According to this paradigm, firms engage in competitive behavior to achieve above-average profits as well as to develop and sustain a competitive advantage over other firms (ibid). To do so, firms develop strategies that fit well with existing market structures, change existing structures to their own advantage (Porter, 1980), or nurture competences that are difficult to imitate, transfer, and substitute (Barney, 1986; Wernelfelt, 1984). Cooperation among firms is seen to hamper competition (Bengtsson and Kock, 2000). An important implication of the competitive paradigm is that the interdependencies among firms lead to a “zero-sum game”, where more efficient actors accrue economic rents at the expense of less efficient actors (Padula and Dagnino, 2007). Competitive ‘negative’ interdependencies arise from largely diverging or completely opposite interests (ibid).

On the other hand, the relatively recently emerging, alternative cooperative paradigm considers firms as a network of strategic relationships and collaborations (e.g., Contractor and Lorange, 1988; Powell et al., 1996; Bengtsson et al., 2010). In contrast to the competitive paradigm, the cooperative paradigm emphasizes collaborative inter-firm interdependencies, which assist firms in improving their performance by sharing capabilities and resources (Padula and Dagnino, 2007). In other words, instead of seeking advantages over others, firms seek and exploit mutual benefits by leveraging ‘positive’ interdependencies (Norman and Ramirez, 1993). For instance, Osarenkhoe (2010) defines cooperation as “a relationship in which individuals, groups, and organizations interact through the sharing of complementary capabilities and resources or leveraging these for the purpose of mutual benefit” (p. 205). A key implication of the cooperative paradigm is that the collaborative interdependencies define a “positive-sum game” (Padula and Dagnino, 2007), where firms accrue composite economic rents that at least partly depend on the resources of other firms (Hill, 1990; Marshall, 1961). This also implies that the performance of cooperating firms is positively related to each other and that rivalry and conflict should be avoided (Bengtsson and Kock, 2000). Furthermore, scholars argue that fostering and maintaining cooperative interdependencies promote social exchange (Hakansson and Ostberg, 1975), commitment and trust building (Griesinger, 1990), technology and capability transfers (Bengtsson and Kock, 2000; Chin et al., 2008; Osarenkhoe, 2010), as well as a sense of community and mutual orientation (Blau, 1964; Butler, 1983). Some scholars even argue that the cooperative paradigm implicitly assumes that, since firms hold convergent interests, they are part of a fully collaborative game structure (Padula and Dagnino, 2007).

Whereas the competitive paradigm and the cooperative paradigm cannot coexist together in the same context, coopetition is “an emerging paradigm that is primarily distinguished from cooperative and competitive paradigms by its focus on simultaneous competition and cooperation, rather than epistemological and ontological distinctions” (Bengtsson et al., 2010, p. 197). The coopetitive paradigm aims to leverage the ‘best’ of the other two paradigms: It values cooperation in competitive arenas (and vice versa). The coopetitive paradigm synthesizes the cooperative and competitive paradigms such that it operates in situations where the firms’ self-interests overlap and are partially congruent (Padula and Dagnino, 2007). Coopetition is said to create value when competing organizations cooperate and, in so doing, align their interests toward a common purpose, pool competencies, and remove external obstacles or neutralize threats (Chin et al., 2008).

2.2. IT multi-sourcing and (forced) coopetition

Many implications of both the competitive and the cooperative paradigms translate intact to the coopetitive vendor relationships in the IT multi-sourcing context. For example, consistent with the competitive paradigm, when vendors are part of a sourcing arrangement involving multiple, interdependent vendors, they act in ways to make their performance look better than their competitors’ and try to develop advantages over them (e.g., a vendor may seek to blame the other vendors for project or service delivery problems). Vendors must also bid for various project and service contracts. Winning a bid means that other vendors have lost this bid, which reflects a zero-sum game as postulated by the competitive paradigm. Concurrently, consistent with the cooperative paradigm, vendor performance often requires one vendor to work with another in order to satisfy client needs. This is common when an IT project or service interfaces with the responsibility areas of other vendors, or when a client is transitioning a service from one vendor to another (Chua et al., 2012).

However, there are some key differences between IT multi-sourcing and these other two paradigms. First, the competitive paradigm suggests that vendor interdependencies work as the invisible hand, which allocates resources to the vendors. However, in IT multi-sourcing, there is a focal actor, the client, who defines and shapes the marketplace as well as decides on the resource allocation on this marketplace and thus acts as a ‘visible hand’. For instance, the client firm can exert major influence over the ‘game structures’ by expanding the size of the internal market (i.e., by increasing the total volume of outsourced IT projects and services). Second, multi-sourcing vendors do not typically cooperate for their own mutual benefits, as suggested by the cooperative paradigm, but rather for the client’s benefit. The client determines vendor responsibilities and more or less forces them to cooperate with one another whenever needed. Vendor cooperation is not a strategic intent on the vendor’s part. Third, substantial alignment of vendor interests is a key risk for a multi-sourcing client since this could create a cartel-like structure and, thus, destroy competition among its vendors.

To help explain coopetition (i.e., the synthesis of the competitive and cooperative paradigms), Gnyawali et al. (2007) draw the analogy that coopetition is like cooperating to bake a pie and then competing to get the largest piece. But what if there is another element to this pie scenario: a third party that can influence the size of the pie and pay the competing parties to cooperate when baking the pie? To account for the differences between ‘traditional’ coopetition and vendor coopetition in IT multi-sourcing, we introduce the concept of forced coopetition. We define this concept as a situation where an external actor (the multi-sourcing client firm) creates and orchestrates a market-like environment, in which a set of interdependent
actors (the vendor firms) is required to compete and cooperate. In other words, in traditional coopetition, competitors freely decide to cooperate (e.g., Bengtsson and Kock, 2000; Osarenkhoe, 2010; Padula and Dagnino, 2007), whereas in forced coopetition, competitors are compelled to cooperate by another organization as well as to the benefit of this organization. (A direct comparison between the concepts of traditional and forced coopetition is provided in the Discussion section.)

2.3. IT multi-sourcing models used in practice

We contend that the concept of forced coopetition offers an insightful way of viewing the coopetitive vendor relationships that characterize different IT multi-sourcing models. To date, two basic IT multi-sourcing models have been described in the academic and practitioner literature: the mediated model and the direct model.

2.3.1. Mediated model

An IT multi-sourcing model frequently discussed in the literature is the mediated model, also referred to as guardian vendor model (e.g., Bapna et al., 2010; Deloitte, 2006). In this model, the multi-sourcing client selects vendors with complementary skill sets and assigns each of these vendors to a dedicated area of responsibility. Moreover, the client selects one of its multiple vendors as single point of contact. This so-called guardian vendor fulfills a double role in the multi-sourcing arrangement: Besides having operational, task-related responsibilities, the guardian vendor also coordinates the other vendors on client’s behalf. These two key characteristics of the mediated model, namely the inclusion of an intermediary vendor and the clear separation in vendor areas, force the vendors to cooperate with the guardian vendor and also to some extent with the other vendors at the interfaces between vendor areas (e.g., when the delivery of a project or service also concerns the responsibility area of another vendor). Naturally, the coexistence of multiple vendors also fosters competition. However, the assignment of distinct areas of vendor responsibility virtually limits vendor competition to the bidding phase (Aubert et al., 2003). This means that as soon as the client has assigned the tasks to its multiple vendors, each vendor focuses on fulfilling its tasks and cooperates with the other vendors if needed for task fulfillment.

The two IT multi-sourcing deals described in the introductory section are examples of the guardian vendor model. In particular, IBM (Value Notes, 2008) and EDS (Computer Weekly, 2008) serve as the guardian vendor for ABN AMRO and Royal Dutch Shell, respectively. Another example is Capgemini that served as the guardian vendor in an arrangement with General Motors (GM) and five other tier-1 outsourcing vendors (Schaffhauser, 2006).

2.3.2. Direct model

Eastman Kodak originally employed a second IT multi-sourcing model in 1989 in its landmark deal with three vendors: Businessland, Digital Equipment Corporation (DEC), and IBM. As in the mediated (guardian vendor) model, Kodak contracted each vendor for a specific IT function: Businessland provided support for personal computers; DEC provided telecommunications support; and IBM took over multiple Kodak data centers. However, in contrast to the mediated model, Kodak decided to directly interface with each of its multiple vendors. We thus refer to the multi-sourcing model applied by Kodak as a direct model.

Kodak’s outsourcing arrangement captured the attention of the ‘IT world’ because the financially-strapped client firm generated huge cost savings and did away with virtually all of its IT staff. In subsequent years, several major companies followed Kodak’s example: British Petroleum (Cross, 1995; Willcocks and Choi, 1995), Chevron (Gallivan and Oh, 1999), and Wessex Water (Currie, 1998).

As a consequence of the non-mediated client-vendor relationships and the separate vendor areas, the direct IT multi-sourcing model entails even lower levels of vendor cooperation than the mediated model, with cooperation being limited to the interfaces between the distinct vendor areas. As in the mediated model, the assignment of clearly separated areas of responsibility to each vendor also constrains the level of ongoing competition among the vendors in the direct model. However, because of the direct interaction between the client firm and its multiple vendors, the direct multi-sourcing model is likely to exhibit a slightly higher level of vendor competition than the mediated model (see Table 1 below). For example, one can expect vendor firms to leverage their direct interactions with the client organization to enhance their reputations and, ultimately, to improve their competitive positions in future bidding processes.

3. Summary

Vendor relationships in IT multi-sourcing arrangements, we argue, can be best described by the above-introduced concept of forced coopetition. In contrast to the traditional coopetition concept, this novel concept accounts for the peculiarities of the multi-sourcing context where vendor competition and cooperation is induced and orchestrated by an external actor, namely, the client organization. The concept of forced coopetition can also be used to classify existing IT multi-sourcing models along two continua ranging from low to high levels of (forced) vendor competition and cooperation, respectively (Bengtsson et al., 2010; Chin et al., 2008). For example, even though both multi-sourcing models described in earlier literature (i.e., the mediated model and the direct model) involve forced coopetition, the level of vendor competition and cooperation varies across these models. Specifically, the inclusion of a guardian vendor suggests a higher level of vendor...
cooperation in the mediated model as compared to the direct model, while the non-mediated client-vendor relationships in the direct model entail a higher level of vendor competition than the mediated model (see Table 1).

Given the limited competitive and cooperative character of prevalent IT multi-sourcing models, client firms are currently looking for new ways to bring their multi-sourcing initiatives to a higher level of both vendor competition and cooperation in order to maximize the value of their sourcing strategy (Poston et al., 2009). Against this backdrop, we present the case of GlobalSports (pseudonym; original firm name not disclosed for confidentiality reasons). GlobalSports, a multinational corporation in the athletic footwear and apparel industry, recently introduced a novel IT multi-sourcing model that delicately balances high levels of both competition and cooperation among its vendors. Based on a longitudinal case study of GlobalSports’ multi-sourcing strategy, we extract the organizational decisions and mechanisms that enabled the client firm to (1) foster both competition and cooperation among its multiple vendors, as well as (2) manage the delicate balance between vendor competition and cooperation.

4. Research methodology

In this section, we describe the data collection and analysis process as well as the case context.

4.1. Data collection and analysis

Since 2010, we have observed GlobalSports’ IT sourcing activities and engaged in regular exchanges with key managers. The case study at hand is thus part of a larger research collaboration on the sourcing of IT. Information about GlobalSports’ IT multi-sourcing model was primarily derived from an exploratory, qualitative case study that originated in the summer of 2012, shortly after GlobalSports initiated its new multi-sourcing strategy. The study lasted approximately two years. The case study approach allowed us to conduct an in-depth longitudinal investigation of IT multi-sourcing in a complex organizational context (Yin, 1994). The study time period was adequate to explore how GlobalSports set up and implemented its new multi-sourcing strategy.

First, we conducted a series of information meetings, which were followed by two workshops with key client managers at GlobalSports. We also reviewed internal documentation, steering board presentations and meeting minutes that were provided by the managers. Between November 2012 and November 2013, we carried out two rounds with a total of twenty semi-structured interviews with employees from the client (eleven interviews) and all three of its vendors (nine interviews) (see Table 2). One follow-up interview was conducted with two client managers at the same time.

The interviews were carried out in accordance with Myers and Newman’s (2007) guidelines for qualitative interviews. They lasted between 45 min and three hours and were conducted by at least one, but usually two researchers. One researcher used the interview guidelines to run the interview, while the other researcher listened, took notes, and requested clarification when necessary. All interviews were tape-recorded and most were transcribed immediately after the interview. Follow-up e-mails and phone calls were used to clear up any questions that arose during the transcription. The interview transcripts totaled 386 pages (220,144 words).

Our theoretical sampling suggested that the individuals we interviewed would allow us gather the data needed to answer our research questions. All informants held key positions in either the client or vendor organizations. The client informants included the CIO and the Senior Vice President IT who made the actual decision to switch to an IT multi-sourcing strategy. In

<table>
<thead>
<tr>
<th>Model</th>
<th>Mediated (guardian vendor)</th>
<th>Direct</th>
</tr>
</thead>
<tbody>
<tr>
<td>Graphical illustration</td>
<td><img src="image1.png" alt="Image" /></td>
<td><img src="image2.png" alt="Image" /></td>
</tr>
<tr>
<td>Exemplary client firms</td>
<td>ABN AMRO, General Motors, Royal Dutch Shell</td>
<td>British Petroleum, Chevron, Eastman Kodak, Wessex Water</td>
</tr>
<tr>
<td>Vendor competition</td>
<td>Low (mediated client-vendor relationships and separate vendor areas)</td>
<td>Moderate (direct client-vendor relationships but separate vendor areas)</td>
</tr>
</tbody>
</table>
| Vendor cooperation     | Moderate (cooperation with guardian vendor and cooperation with other vendors at area interfaces) | Low (cooperation with other vendors at area interfaces only)
addition, we also interviewed key client representatives from the global IT procurement department and the IT sourcing team who were jointly responsible for the implementation and governance of GlobalSports' new IT multi-sourcing strategy. These representatives had job titles such as Director Corporate Marketing, Head of Group Procurement IT, and Senior Manager Offshore Service Center Operations. The vendor informants acted as primary interfaces into the client organization and were responsible for the management of the client relationship. They held job titles such as Account Manager, Group Project Manager, and Regional Director.

To analyze the collected case data, we used the coding approach described by Glaser (1978). This approach involves three coding procedures: open, selective, and theoretical coding. In the first step of our analysis process, we tried to make sense of the collected data by attaching labels to individual data slices (open coding). By comparatively analyzing the interview data, categories and their properties started to emerge from our line-by-line coding. We used this open coding approach until we reached theoretical saturation, which occurred when no new categories and properties emerged. In the second step, we delimited further data analysis and interpretation to the most relevant categories emerging from our data (selective coding). As recommended by Glaser (1978), we also wrote memos, which allowed us to "connect the data and final analysis explicitly by conceptually raising the analytic formulation of the codes" (p. 84). It was at this point that we sought theories to help us analyze the data (theoretical coding). Specifically, we drew on the concept of coopetition (Brandenburger and Nalebuff, 1996) to develop a parsimonious list of categories, which were used in conceptualizing forced coopetition, characterizing the IT multi-sourcing model employed by GlobalSports, as well as describing the factors that enabled the client firm to successfully introduce and implement this model. Each coding procedure was carried out by at least two members of the research team independently from one another. We repeated each procedure until a stable set of categories was reached. In this process, the authors alternated between constructive and critical positions.

4.2. Case context

GlobalSports is a large-scale, globally operating company in the athletic footwear and apparel industry. In 2013, it had annual revenues of almost 15 billion EUR and more than 48,000 employees worldwide, approximately 1000 of whom worked in the global IT division. Over the last decade, GlobalSports’ business model has swung dramatically from being a pure wholesaler to directly interacting with end consumers through its own retail stores and e-commerce platforms. The shift has created a need for more flexible and innovative IT solutions. Consequently, IT is no longer viewed solely as a driver of operational efficiency, but also as a strategic contributor to value creation.

GlobalSports’ IT division first started working with a tier-1 Indian vendor (called India1) in 1998. In 2007, India1 established a dedicated offshore service center (OSC) in Hyderabad on behalf of GlobalSports. The OSC was established as a profit center, and was designed to support the client’s anticipated growth in IT offshoring, create additional synergies and transparency, and facilitate vendor governance. Over time, however, GlobalSports started feeling vulnerable because it was locked into working with a single vendor. It became especially concerned with India1’s ‘take-it-or-leave-it’ attitude that was displayed when the vendor was unwilling to renegotiate cost rates. A senior manager noted that GlobalSports’ IT organization was locked in with its single vendor and that this vendor was feeling too comfortable:

"[India1] was becoming very complacent. They were getting very comfortable and they were not really going the extra mile. They were doing minimum things they were required to do because they were not really competing for their business – they automatically got everything. For example, we wanted to increase the quality of services and projects but at the same time reduce cost; we didn’t have any leverage at all. They simply refused to negotiate with us on cost."

(Senior Manager OSC Operations, GlobalSports)

Moreover, GlobalSports’ new CIO was displeased that India1’s senior management seemed to pay insufficient attention to the GlobalSports account. Consequently, in 2011, GlobalSports implemented an IT multi-sourcing strategy to increase IT productivity and gain back India1’s sorely missed management attention.

The CIO and his management team devised a multi-step process to implement their IT multi-sourcing strategy. First, they identified the characteristics of the desired vendors and defined a set of key selection criteria including vendor cost rates, location, size, skills, and innovativeness. Second, they hired a market research firm to identify and screen potential vendors. The market researcher developed an initial list of 100 vendors, which was gradually narrowed down to a list of 20 potential vendors. Third, two GlobalSports managers visited and reviewed all 20 vendors within a six-month time period and developed a short list of six vendors. These six vendors were then invited for a series of meetings and workshops at the client

Table 2
Overview of workshops and interviews.

<table>
<thead>
<tr>
<th></th>
<th>Client perspective</th>
<th>Vendor perspective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of workshops</td>
<td>1 full-day and 1 half-day</td>
<td>-</td>
</tr>
<tr>
<td>Number of interviews (total)</td>
<td>11</td>
<td>9</td>
</tr>
<tr>
<td>Interview duration (total)</td>
<td>18.5 h</td>
<td>12.5 h</td>
</tr>
<tr>
<td>Interview transcripts (total)</td>
<td>227 pages (128,779 words)</td>
<td>159 pages (91,365 words)</td>
</tr>
</tbody>
</table>
headquarters to pitch their companies. In the end, GlobalSports selected two companies: India2, a tier-2 Indian outsourcing vendor with CMMI level 5 capabilities, and Belarus, a CMMI level 4 firm from Eastern Europe with a record for innovation. These two new vendors knew that they were starting off at a disadvantage since they were competing with India1—a company that had been GlobalSports’ single offshore vendor for over a decade and had accumulated a significant share of the client’s total IT outsourcing business.

5. Fostering vendor competition and cooperation in IT multi-sourcing

The IT multi-sourcing model implemented by GlobalSports is characterized by intense competition on a level-playing field among the client’s three strategic IT vendors (India1, India2, and Belarus) as well as considerable cooperation among them. But what are the underlying factors that drive high levels of both vendor competition and vendor cooperation? In this section, we elaborate on the organizational decisions made and the mechanisms used by GlobalSports to foster sustained vendor competition and cooperation, respectively, within their multi-sourcing arrangement.

5.1. Vendor competition

5.1.1. Balanced mix in vendor set

To foster high levels of competition among the three vendors included in its multi-sourcing strategy, GlobalSports paid careful attention to the vendor selection process. Specifically, GlobalSports created a well-balanced vendor mix in terms of the number of (additional) vendors as well as the vendor cultures and skills. At first, GlobalSports was only going to add one more vendor to intensify competition and to ‘wake up’ India1. However, during the vendor selection process, the multi-sourcing strategy was honed by creating a more refined competitive environment using two additional vendors. Here was the thinking of the CIO about how many vendors they actually needed:

“We want three of them. We want A, B, and C. Now why is that? You want to manage as few as possible, but you need enough of them to create severe competition. If you have three, there are always two who are hungry. If you have two, it’s a little more difficult.” (CIO, GlobalSports)

To create an appropriate mix in vendor cultures, GlobalSports looked at a variety of offshore IT vendors in its systematic and diligent selection process. In particular, the client looked beyond the Indian vendor pool and deliberately investigated other geographic regions, especially Eastern Europe and the former Soviet Union states—regions that offered a very strong talent pool with regard to technical subjects, natural sciences, and mathematics. The CIO described the rationale behind considering bringing a nearshore vendor to the mix as follows:

“It’s always dangerous to generalize what you find in the nearshore context. Usually, it’s slightly higher rates, but you do find a higher productivity from two angles. Number one, you have more senior work force with less fluctuation. Usually with the Indian context you have a more junior workforce with a higher fluctuation. And secondly, for certain areas of development, where you don’t want to be 100% explicit in your specifications because you want to learn with your development partner as you go, you need the people who will challenge you and ask questions. That tends to work better in Eastern Europe and former Soviet Union countries. Maybe that’s cultural.” (CIO, GlobalSports)

Ultimately, GlobalSports added Belarus, a company from Eastern Europe, and India2, an Indian vendor, to its strategic IT vendor set. These additions enabled GlobalSports to create and leverage a refined mix of available vendor skills. More specifically, even though the skill sets of the two newly added vendors widely overlapped with those of India1, both vendors still added some unique skills to the mix. First, India2 was highly competitive in terms of price and thus in a strong position to challenge the other two vendors, especially when it came to ‘keep-systems-running’ business, which often entailed IT commodity services. Second, Belarus rated highly in terms of its innovativeness, which particularly helped increase vendor competition in project-related business. As a result, selecting India2 and Belarus enabled GlobalSports to foster a more competitive vendor environment and place more pressure on India1 with regard to both keep-systems-running and project-related business.

5.1.2. Wide overlap in vendor (skills and) areas

GlobalSports’ conscious selection of vendors with broad and widely overlapping skill sets enabled it to refrain from assigning dedicated areas to any of its three vendors. One vendor manager described the IT multi-sourcing model used by GlobalSports as...

“...a unique setup because [Belarus], [India1] and [India2] just about fight for everything.” (Account Manager, India1)

Because of the overlap in vendor skills and areas, GlobalSports knew that whenever it issued a request for proposals (RfP), at least two vendors, and often all three vendors, were qualified to respond to the request. As a consequence, the overlap in vendor skills and areas did not only reduce GlobalSports’ dependency on any one vendor but also forced the three vendors to constantly compete against each other:
“[India1, India2, and Belarus] compete with each other along GlobalSports’ entire IT portfolio. Through this, we experienced new quality in bidding processes since all three vendors are eager to win the deal, to expand or defend their business volume, ultimately resulting in a better quality-price ratio for GlobalSports.” (Manager Group Procurement IT, GlobalSports)

Despite the initial disadvantage of being the ‘newcomers’, the overlap in vendor areas also enabled Belarus and India2 to quickly develop a comprehensive and in-depth understanding of the client’s IT landscape and soon enabled them to compete with India1 at eye level. By this point, GlobalSports had constant cost and quality benchmarks contributing to a further increase in transparency and competition among its vendors.

5.1.3. Direct interaction with vendors
Another organizational decision that allowed GlobalSports to foster vendor competition within its IT multi-sourcing model was the decision to directly interact with all three strategic IT vendors. For example, given that GlobalSports itself monitored the individual performance of each vendor, the competitive rivalry among the vendors increased. Each vendor received direct client feedback on a regular basis and strived to use these feedback loops to enhance its reputation within the client organisation as well as to ‘outshine’ its competitors. The competition-enhancing effect of direct client-vendor interactions can also be observed in the direct multi-sourcing model described earlier, and represents a key distinguishing feature between this model and the mediated ‘guardian vendor’ model. The CIO commented on the rationale for not including a guardian vendor in GlobalSports’ IT multi-sourcing model:

“…the name ‘guardian’ vendor is a contradiction in itself – for sure they will guard their own profit, and there’s nothing wrong with that […] I think whatever a guardian vendor should do that should be internal. You should be the guardian of your own fortune, and you should be the guardian of your vendors.” (CIO, GlobalSports)

In addition, the overlap in vendor areas in GlobalSports’ multi-sourcing model also required the client to directly interface with its three vendors. Most importantly, the lack of pre-assigned vendor areas led to a further increase in vendor interdependencies since the vendors did not operate in silos but worked in the same areas. The CIO and his senior management team therefore concluded that, in this setup, ultimately only the client organization is in a position to drive intense, but fair, competition among the vendors.

5.1.4. High frequency in vendor bidding
To foster and maintain high levels of ongoing vendor competition, GlobalSports’ IT division published approximately 20 to 25 RfPs each month. This relatively high number of monthly RfPs was partly facilitated by the client’s decision to reduce the average contract duration when implementing its IT multi-sourcing strategy. A second facilitator of the high-frequency vendor bidding related to the vertical organization structure of GlobalSports’ IT division. For the managers of each vertical sub-division, the CIO set the clear target of having at least a second vendor in their areas, thereby pushing them to cut their IT portfolio into smaller ‘chunks’. The Senior Vice President of GlobalSports’ IT division commented:

“By running RfPs the way we do it [now], actually the amount of business we are giving to a vendor in one vertical [area] is becoming smaller and smaller.” (Senior Vice President IT, GlobalSports)

Consequently, most RfPs that GlobalSports issued were relatively small contracts in terms of business volume. However, one or two major ones were also put out for bid each month. Reducing the duration and size of the vendor contracts thus enabled GlobalSports to create a highly dynamic and competitive environment, in which all three vendors regularly bid against one another. While splitting the overall IT portfolio into more granular chunks had clearly intensified competition by providing the vendors with frequent opportunities to enter the ‘fray’, there was also an obvious drawback: shorter contract durations and smaller contract volumes sometimes made it difficult for the vendors to create synergies and leverage their economies of scale and scope.

5.2. Vendor cooperation

5.2.1. Assignment of interdependent vendor tasks
The wide overlap in vendor skills and areas also enabled GlobalSports to assign two or more vendors either to the same task or to highly interdependent tasks, thereby forcing the vendors to closely cooperate. For instance, GlobalSports sometimes felt that the vendor who won the formal RfP for a particular IT project did not have the adequate resources and skills for fulfilling a specific sub-aspect of the project. In such cases, GlobalSports also contracted one of the other two vendors for the same project to assist the primary vendor and fill the identified resource and skill gap. The decision to involve a second vendor was typically made by the client project manager without a formal RfP process. A vendor manager provided a concrete example:

“There was an RfP which was won by [Belarus]. They’re developing the project from the last one year. But at different stages of the project, [GlobalSports] felt that there were certain weaknesses in certain portions of the project team. So, the business analysis was something they were not able to do effectively. So, [GlobalSports] felt that […] we could do it much faster and much more effectively. So, to augment that particular area of the project they got in business analysts from [India2].” (Regional Director, India2)
Similarly, GlobalSports also enforced close vendor cooperation when it assigned software support services to a vendor that had not developed the concerned software system. Typically, while it was relatively easy for this vendor to acquire the knowledge required for handling the more basic 1st and 2nd level support (L1 and L2, respectively), it was far from easy to also develop the in-depth knowledge needed for fixing more severe problems with the system (e.g., problems that necessitate source code changes). Thus, GlobalSports tended to assign the 3rd level support (L3) to the vendor that originally developed the software system. Here, staff from both involved vendors was combined to form a mixed support team for the duration of the service contract. The Regional Director of India2 explained:

"...commercially and logically it makes sense to use the existing team from [India1] to give L1 and L2 support even for the new application. But what if there is a problem with L3? The system, they don't know how the system was built and it's a new system, so, it'll take time. They can't sit and go through the core, right? A huge effort. So, what we've done is put one person from our team into that existing team to provide that air cover. If there is an L3 problem in the system for some reason there is a guy who understands what's inside the engine to be able to fix it." (Regional Director, India2)

Against this backdrop, the way in which GlobalSports assigned project and service-related tasks to its three IT vendors represented a key mechanism to foster high levels of cooperation among these vendors.

5.2.2. Transition clause in vendor contracts

Another form of vendor cooperation in GlobalSports' IT multi-sourcing model occurred when one vendor took over an IT project or service that previously had been handled by another vendor (Chua et al., 2012; Sia et al., 2010). For example, India1 had developed a custom software application, which was then host and administered in a data center run by India2. Sometimes, GlobalSports also replaced a vendor that performed poorly on a given project or service. To ensure a smooth vendor transition in such cases, GlobalSports included a transition clause in all vendor contracts. This contractual clause obliged India1, India2, and Belarus to cooperate with each other whenever a project or service was transitioned out to one of the other vendors. Specifically, the transition clause required the former vendor to document and communicate earlier activities as well as to train the staff of the transferee vendor in an effort to avoid interruptions in project and service delivery. A vendor manager provided some insight:

"...there are some cases where we need to transition out services. We had won an RfP two years ago. Now it's a new RfP, somebody else won it [and], of course, we need, we are bound by sharing knowledge. So, in those cases we have gone far even to invite [India1] people to [India2] to make the transition. [...] Surprisingly it was not very hostile because typically there's a feeling that when you go to another company it is very hostile, at least a lot of holding back and no motivation to give away information, right? [...] So, [...] this kind of cooperation exists." (Regional Director, India2)

5.2.3. Long-term vendor partnerships

Apart from contract-based mechanisms that formally forced the vendors to cooperate with each other, GlobalSports also employed more informal mechanisms to foster vendor cooperation. Specifically, the CIO and his senior management clearly communicated the expectation to vendors and staff that all vendors should behave professionally and be willing to cooperate whenever needed. The CIO commented:

"...they have to cooperate, yes absolutely! [...] Again, for all of them, we are a long-term reliable partner, and they know if they want to stay a long-term reliable partner to us, they need to ‘arrange’ themselves with their competition.” (CIO, GlobalSports)

To encourage the vendors to engage in close cooperation and thus to behave in a manner consistent with client expectations, GlobalSports’ top management regularly stressed the intended long-term character of their IT multi-sourcing strategy. In return to fulfilling the client’s expectations, GlobalSports offered its three strategic IT vendors what one could call ‘protected space’ as highlighted by the CIO:

"...if one [vendor] doesn't perform the way we would like it, the first choice is not to replace [this vendor]. The first choice is to work it out together with them. That's all a part of our long term commitment – that's what we give to them in return...” (CIO, GlobalSports)

In summary, the above-described organizational decisions and mechanisms allowed GlobalSports to implement an IT multi-sourcing model that is characterized by high levels of both vendor competition and cooperation. But what are the factors that enabled GlobalSports’ IT strategy to balance intense vendor competition and strong vendor cooperation? These critical enablers are discussed next.

6. Managing the delicate balance between vendor competition and cooperation

After two years, GlobalSports considered its IT multi-sourcing strategy to be a success. As anticipated, the overlap in vendor skills and areas led to intense competition among the vendors and reduced GlobalSports’ dependency on a single vendor (India1). The direct–client vendor interactions allowed GlobalSports to develop a deep understanding of the individual
strengths and weaknesses of each vendor. This understanding increased the client’s ability to find the vendor(s) that fit best for a specific IT project or service (Levina and Su, 2008). Furthermore, the introduction of the multi-sourcing strategy had simplified the RfP process and made it far less time-consuming (Poston et al., 2009) since client managers could easily reach out to three competent vendors.

Nevertheless, the delicate balance between high vendor competition and cooperation characterizing GlobalSports’ IT multi-sourcing model also gave rise to several risks. Even though the applied multi-sourcing model simplified the RfP and contracting process, it still bore the risk of significantly increasing the client management overhead in terms of other transaction costs. Specifically, GlobalSports needed to coordinate the interface points between the vendor tasks during IT project and service delivery and vendor transitioning. Here, the wide overlap in vendor areas and the high interdependency of vendor tasks also required the client to resolve accountability issues (Bapna et al., 2010), especially when it assigned two or more vendors to the same IT project or service. In addition, while the switch to IT multi-sourcing had been excellent for reducing the strategic risk of being dependent on a single vendor, it still entailed the strategic risks of decreasing vendor commitments to invest in the client relationship (Levina and Su, 2008) and creating a vendor ecosystem that was decoupled from the marketplace.

As indicated above, GlobalSports’ IT multi-sourcing model had proved beneficial in the short run, but will it also prove beneficial in the long run? Can this model be useful to other client companies, too, or is it an idiosyncratic model that is only suited to GlobalSports’ unique circumstances? To determine if other companies could also apply GlobalSports’ IT multi-sourcing model, it is important to understand what made it possible for the client firm to successfully implement this model. Based on our longitudinal case study, we were able to identify four critical factors that enabled GlobalSports to balance intense vendor competition and close vendor cooperation, and in particular to mitigate the above-summarized risks associated with this delicate balance.

6.1. Critical enablers

6.1.1. Number and size of vendors

GlobalSports’ CIO knew that switching to a multi-sourcing strategy would increase the overall management overhead. Against this backdrop, the CIO paid careful attention to the number of vendors to be included in the IT multi-sourcing model. In GlobalSports’ case, three vendors provided the right equilibrium between competition and cooperation while also limiting the additional overhead for managing the vendors:

“...three [vendors] seemed the minimum number to get the competition we wanted without managing too many of them separately.” (CIO, GlobalSports)

Another critical aspect in managing the delicate balance between vendor competition and cooperation was the size of the newly-added offshore vendors (Belarus and India2). To ensure that the selected vendors were highly competitive and willing to cooperate, GlobalSports carefully orchestrated a balance between tier-1 and tier-2 vendors. The CIO of GlobalSports elaborated:

“...deliberately, we chose a company size that was significant enough to have the stability, quality and internal educational training processes that we need as a multinational company. Still we made sure that within just a couple years of the relationship—and with both new vendors, we have achieved that by now—we are in the top ten list of their clients. And with that again, naturally, you get excellent support.” (CIO, GlobalSports)

Both Belarus and India2 were highly motivated to work for GlobalSports and ‘hungry’ to challenge the former single vendor, India1. Nonetheless, recognizing that they were smaller and lacked a long history with GlobalSports, they were also willing to closely cooperate with India1.

6.1.2. Onboarding of new vendors

To create vendor competition on a level-playing field, the onboarding of Belarus and India2 was another critical enabler of the success of GlobalSports’ IT multi-sourcing model. A major challenge for GlobalSports was to help the two newly-added vendors overcome their ‘newcomer disadvantage’. Key to addressing this challenge was ensuring that both new vendors had sufficient scale of work to keep them motivated and convince them that they could establish a profitable, long-term relationship with GlobalSports. In the initial phase of its multi-sourcing strategy, GlobalSports therefore ensured that Belarus and India2 won enough RfPs to achieve a critical threshold in annual business volume, which was estimated to be around five million euros for each vendor:

“When you start from zero, it’s only fun if you are above a certain threshold. So what we did in the first 18 months then, and obviously from a client perspective we have obligation to go with the least cost vendor if they come in at a comparable quality. However, if we have a comparable cost at the same level of quality, we chose either Belarus or India2 over India1.” (CIO, GlobalSports)

In addition, the sourcing team together with the CIO set out the clear target that there had to be at least two vendors in all areas of GlobalSports’ IT division. Furthermore, as part of the onboarding process, GlobalSports directly interacted with Belarus and India2 to carefully manage their expectations and the viability of maintaining a long-term relationship:
...when we introduced the new vendors, we gave them an outlook what they could expect. And then during the road, again on this informal level, we constantly tried to coach them, tried to keep close to them, tried to sometimes manage the frustrations if there were any about losing a certain deal.” (Director Corporate Marketing, GlobalSports)

As a result, ‘losing’ an RfP was perceived by the new vendors as being part of the ‘game’, and seemed to have no negative effect on their continued commitment to invest into the relationship with GlobalSports. The latter was also facilitated by the high number of RfPs published each month.

6.1.3. Growth in vendor business volumes
A third critical enabler for GlobalSports in successfully balancing high levels of vendor competition and cooperation was offering business growth opportunities for all three involved vendors. GlobalSports’ overall IT budget, which was defined as a fixed percentage of the firm’s total revenues, was growing when it implemented its IT multi-sourcing model. Consequently, the client increased the total size of the ‘offshoring pie’ and each vendor thrived. Further, GlobalSports increased the pie in two additional ways: First, it reduced the outsourcing contracts to (domestic) vendors other than the three strategic offshore vendors. Second, it steadily decreased its onshore-offshore ratio. By shifting more work to (cheaper) offshore locations, GlobalSports freed up financial resources, which could be re-invested in strategic IT initiatives and thus be re-distributed among the vendors.

The existence of business growth opportunities also enabled GlobalSports to maintain its trustful, long-term partnership with the original single vendor, India1. The India1 account manager explained:

“[GlobalSports] took another step thanks to the CIO [who said]: ‘I will not even look at the existing portfolio by taking away from [India1] and giving it to another vendor. I will increase the overall offshoring pie and make sure to give space for [Belarus and India2], and also let [India1] step up in this whole thing.’” (Account Manager, India1)

The top management of GlobalSports’ IT division highlighted that the overall IT budget was expected to grow for the foreseeable future, enabling them to provide India1, India2, and Belarus with additional business growth opportunities. While offering such opportunities represented a critical enabler for the successful implementation of GlobalSports’ multi-sourcing model, it also bore the risk that, at some point, the vendors may feel too ‘cozy’ in this environment and cooperate ‘too much’ (e.g., by price fixing). Such vendor behaviors would create an ecosystem decoupled from the marketplace. To mitigate this strategic risk, GlobalSports periodically brought in other IT vendors for benchmarking (Poston et al., 2009), thereby ensuring that its vendor ecosystem remained ‘connected’ to the market.

6.1.4. Opportunities for vendor learning
The fourth enabler was the way in which GlobalSports created manifold opportunities for vendor learning, that helped the vendors strengthen their competitive position and at the same time facilitated vendor cooperation. For instance, the intense competition inherent to GlobalSports’ IT multi-sourcing model helped India1 improve its internal processes. The client CIO recalled:

“In 2012, we did a very open and critical review with [India1]. And initially we thought they would not be overly happy because we have introduced competition. But the opposite was true. […] they were open enough to say: ‘Thanks for challenging us, we are getting better.’ And indeed, they came down in pricing, and went up in quality.” (CIO, GlobalSports)

Moreover, on several occasions, GlobalSports subsidized the learning of its tier-2 vendors by, in essence, paying for their learning on the job as they transitioned into new services:

“If you transition a service you need a one-time investment. And if you had [India1] for so long, they know your organization very well and there’s just less of transition cost. […] there’s no easy answer how you fund that transition cost, either on your side or the vendor’s side.” (CIO, GlobalSports)

By subsidizing transition costs, GlobalSports accelerated the learning curve of Belarus and India2 and enabled them to quickly gain a deep understanding of the client’s business domain and IT landscape. This understanding not only helped the two new vendors deliver better projects and services to GlobalSports and compete at eye level with India1, but it also allowed them to develop competences that they could then market to other clients.

Finally, vendor learning was also undertaken across the involved parties (Osarenkhoe, 2010). The three vendors learned from one another as they cooperated in project and service delivery or transition. They also learned informally from each other in so called “BMW² sessions”, where vendor account managers met and talked about lost deals or common problems.

7. Discussion and implications
In this article, we describe how IT multi-sourcing client firms can create an environment where vendors are forced to simultaneously engage in intense competition and close cooperation, as well as how clients can successfully manage such high levels of forced coopetition. Based on our longitudinal case study of GlobalSports’ IT multi-sourcing model, we identify

² “Bitching, Moaning and Whining” – a term coined by one of the vendor account managers.
a total of seven factors that enable the client to foster both high vendor competition and cooperation. In addition, our case study reveals four critical factors that enabled GlobalSports to manage the delicate balance between intense vendor competition and close vendor cooperation (see Fig. 1).

The organizational decisions and mechanisms that helped GlobalSports foster high vendor competition and cooperation in its IT multi-sourcing model are partly consistent with the competitive or cooperative paradigms. For instance, the client’s decision to not assign dedicated areas to any of its multiple vendors (as is the case in the mediated and direct model) but let the vendor areas overlap is at the core of what constitutes a competitive environment, where several actors “produce or market very similar products or services” (Osarenkhoe, 2010, p. 203). The wide overlap in vendor areas therefore increased inter-firm interdependencies and promoted economic efficiency as postulated by the competitive paradigm (Padula and Dagnino, 2007). At the same time, the decision to purposefully assign closely related tasks to two or more vendors fostered ‘positive’ inter-firm interdependencies (as postulated by the cooperative paradigm), which allowed the vendors to improve their performance by sharing capabilities and resources (Bengtsson and Kock, 2000; Padula and Dagnino, 2007). In addition, GlobalSports’ emphasis on the intended long-term partnership with the three vendors promoted social exchange (Hakansson and Ostberg, 1975) as well as capability and technology transfers (Bengtsson and Kock, 2000; Chin et al., 2008; Osarenkhoe, 2010) among the vendors.

However, our case study also uncovered several mechanisms seemingly unique to simultaneously driving vendor competition and cooperation in the IT multi-sourcing context. Specifically, GlobalSports’ decision to leverage tensions between different vendor (national) cultures, to directly interact with all three vendors, and to increase the frequency in vendor bidding played a focal role in fostering vendor competition. On the other hand, signaling the expectation of a long-term relationship, assigning interdependent tasks, and including a transition clause in the vendor contracts were important mechanisms to foster vendor cooperation and, ultimately, to avoid interruptions in IT project and service delivery.

Turning to the critical factors that enabled GlobalSports to successfully implement its IT multi-sourcing model, we find some support for the identified factors in the literature. Specifically, GlobalSports’ decision to incorporate three IT vendors in its multi-sourcing strategy (instead of two or a larger number of vendors) is in line with Poston et al.’s (2009) idea of a vendor set, which they define as a small set of highly qualified, knowledgeable vendors. The importance of the number of vendors to be included in IT multi-sourcing is also highlighted by Berger et al. (2004).

Furthermore, the critical enablers we identified clearly mitigate strategic risks and relate to the benefits and motives highlighted in the cooperation literature. For instance, Tsai (2002) suggests that coopetitors can benefit from multi-directional learning. Bengtsson and Kock (2000) and Ritala (2012) find that “increasing the size of the current market” (p. 309) represents a key motive for entering coopetitive relationships. The coopetition literature has also identified several critical success factors for managing a coopetition strategy including management leadership, long-term commitment, organizational learning, development of trust, knowledge and risk sharing, information system support, and conflict management (Chin et al., 2008). Although some of these factors seem to relate to the critical enablers identified in our study (e.g., vendor onboarding and learning), there is one key difference between our study and earlier studies: While we focused on the critical enablers from the perspective of the actor forcing other actors to engage in coopetitive behaviors (i.e., the multi-sourcing client firm), prior literature (e.g., Chin et al., 2008; Ritala, 2012) focused on the perspective of the coopetitors (i.e., the vendors in our case).

In the following, we illustrate how forced coopetition is conceptually different from traditional coopetition. This distinction has important theoretical implications for both the strategic management literature and the IT multi-sourcing literature. In addition, we use the concept of forced coopetition to develop a classification framework of IT multi-sourcing models. IT managers may use this framework to inform their decision on which multi-sourcing model to implement.

7.1. Theoretical implications: Traditional coopetition vs. forced coopetition

The literature provides a vast number of examples for coopetition from the brewery, diary, wood processing, and manufacturing industries (Bengtsson and Kock, 2000; Osarenkhoe, 2010; Chin et al., 2008). In this traditional form of coopetition, competitors freely decided to also cooperate (Padula and Dagnino, 2007). However, unlike traditional coopetition, our longitudinal case study of GlobalSports’ IT multi-sourcing model exemplifies a situation, where firms (the vendors) did not decide themselves to enter into coopetition, but rather were forced by a third party (the client) to do so. This specific form of coopetition, referred to as forced coopetition, entails several unique characteristics that distinguish it from traditional coopetition (see Table 3).

Probably the most striking difference between traditional and forced coopetition relates to the coopetition decision and governance. In traditional coopetition, it is the coopetitors themselves who decide to enter into coopetitive relationships and who govern these relationships (e.g., Bengtsson and Kock, 2000; Osarenkhoe, 2010; Walley, 2007). In contrast, in forced coopetition, an external actor creates and orchestrates a market-like environment, in which a set of interdependent actors is required to compete and cooperate.

Another key difference between traditional and forced coopetition is the relational orientation of the coopetitive relationships. In traditional coopetition, the relationships among the coopetitors are typically characterized by a mutual interest in strategic cooperation, such as running joint R&D development projects or delivering shared services, which can benefit all participating companies (Bengtsson and Kock, 2000; Osarenkhoe, 2010). In contrast, the coopetitive relationships in forced
coopetition are more transactional or task-related in nature with a clear focus on delivering benefits to the external actor who orchestrates the coopetitive environment.

Finally, the combination of cooperative and competitive elements in a single relationship is generally complicated by the “fundamentally different and contradictory logics of interaction that competition and cooperation are built on” (Bengtsson and Kock, 2000, p. 411). To manage a coopetitive relationship, it is crucial to separate the two different elements of such a relationship along the transformation process (ibid). In traditional coopetition, each competitor wants to stay in close contact with its customers. Thus, competition is typically on the output end where efforts are the most visible. Where there is less visibility to the customer, such as with inputs, cooperation is more likely. For example, Bengtsson and Kock (2000) describe Swedish breweries that provide joint pickup of empty bottles (input activities), but distribute their products on their own (output activities) because the direct contact with the customer is so important for competitive differentiation.

In forced coopetition, however, there is intense competition on input activities (e.g., when vendors are competing in the bidding process), while there is close cooperation on output activities (e.g., when vendors are cooperating in project and service delivery).

Clearly, the concept of forced coopetition is relevant to not just the IT multi-sourcing context. For example, forced coopetition seems to resemble intra-firm coopetition, where the relationships between different strategic business units, departments, or task groups within a single company are characterized by both competitive and cooperative elements

Table 3
Traditional vs. forced coopetition.

<table>
<thead>
<tr>
<th>Model</th>
<th>Traditional coopetition</th>
<th>Forced coopetition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Graphical illustration</td>
<td><img src="image1" alt="Graphical Illustration" /></td>
<td><img src="image2" alt="Graphical Illustration" /></td>
</tr>
<tr>
<td>Examples</td>
<td>Finnish diaries(^a), Swedish breweries(^a), Kosovan wood processing companies(^b), Hong Kong manufacturing firms(^c), etc.</td>
<td>GlobalSports' IT multi-sourcing model (with India1, India2, and Belarus)</td>
</tr>
<tr>
<td>Decision</td>
<td>Competitors (vendors)</td>
<td>Client</td>
</tr>
<tr>
<td>Governance</td>
<td>Competitors (vendors)</td>
<td>Client</td>
</tr>
<tr>
<td>Relational orientation</td>
<td>Strategic (mutual benefits)</td>
<td>Transactional (client benefits)</td>
</tr>
<tr>
<td>Process</td>
<td>Input (activities distant to customer)</td>
<td>Output</td>
</tr>
<tr>
<td>Cooperation</td>
<td>Output (activities close to customer)</td>
<td>Input</td>
</tr>
</tbody>
</table>

\(^a\) Bengtsson and Kock (2000).
\(^b\) Osarenkhoe (2010).
\(^c\) Chin et al. (2008).
Similarly, the forced coopetition concept may also be relevant to sourcing contexts outside IT, e.g., Toyota’s use of redundant suppliers to mitigate the risk of supply-chain breakdown (Chopra and Sodhi, 2004), as well as strategic alliances where one partner has the upper hand (e.g., Das and Teng, 2000).

### 7.2. Practical implications: Classification of IT multi-sourcing models

Previous literature widely lacks a systematic classification of different IT multi-sourcing models. One exception is the typology proposed by Su and Levina (2011) who classify multi-sourcing archetypes along two major dimensions: (1) supply base breadth defined as the “number of suppliers the [client] firm uses within a given business function”; and (2) supply base depth, i.e., the “[client] firm’s level of investment in a particular supply relationship for a given function” (p. 719). However, when applying this typology to the three IT multi-sourcing models identified in this article, it does not clearly differentiate these models. For example, in terms of supply base breadth, all of the identified models can actually be implemented with any number of vendors.

Against this backdrop, we propose an alternative classification framework of IT multi-sourcing models (see Table 4 below), which builds on the concept of forced coopetition to classify multi-sourcing models along two continua ranging from low to high levels of (forced) vendor competition and cooperation, respectively (Bengtsson et al., 2010; Chin et al., 2008). The practical relevance of this classification approach is supported by Poston et al. (2009) who argue that multi-sourcing clients “need to establish the appropriate balance between building strong collaborative relationships and encouraging market competition among vendors to ensure best price and service quality” (p. 45).

Table 4 shows that the levels of vendor competition and cooperation, and thus the level of forced coopetition, vary significantly across the different IT multi-sourcing models. This variance can be primarily ascribed to two central structural differences between the models: (1) the client-vendor relationships (mediated vs. direct) and (2) the vendor areas (separate vs. overlapping). More specifically, from a client perspective, the mediated model resembles a conventional, dyadic client-vendor relationship (with the guardian vendor), whereas the two direct models are characterized by direct interactions between the client and its multiple vendors. Similarly, in the mediated and direct model, the client assigns each vendor to a separate area, whereas in the direct-overlapping model used by GlobalSports, the vendor areas overlap.

By systematically classifying existing IT multi-sourcing models, the presented framework may help IT decision-makers structure the solution space and, ultimately, make ‘better’ multi-sourcing decisions. Moreover, researchers may use the classification framework as a basis for more in-depth case studies on IT multi-sourcing, which take into account the nuances of different models, and thus contribute to further our current theoretical understanding of the phenomenon.

### 8. Conclusions

The study’s main contributions are threefold: First, based on a longitudinal case study of GlobalSports’ IT multi-sourcing model, we contribute to the multi-sourcing literature by extracting organizational decisions and mechanisms that helped GlobalSports foster high levels of both vendor competition and vendor cooperation, as well as manage the delicate balance between the two. Second, drawing on the coopetition and multi-sourcing literatures, we introduce the concept of forced coopetition as a relevant phenomenon in IT sourcing contexts. This concept is used to propose an alternative classification framework of IT multi-sourcing models, which we argue may help IT decision-makers better navigate the solution space.
cooperation (i.e., the situation where a third party forces competitors to cooperate) and show how this specific form of cooperation is conceptually different from traditional cooperation. We thus also contribute to the strategic management literature by expanding the theoretical basis of traditional cooperation to include situations of forced cooperation. Third, we use the forced cooperation concept to describe the vendor relationships in IT multi-sourcing arrangements and derive a framework for classifying multi-sourcing models used in practice.

Acknowledgements

We gratefully acknowledge the funding we received from the Dr. Theo and Friedl Schoeller Research Center for Business and Society at the University of Erlangen-Nuremberg, Germany. The generous funding underwrote the co-authors' efforts to gather the data and work collaboratively in preparing this article. We also appreciate the many helpful comments we received from ICOIS participants in Mannheim, Germany in June 2013, and T&I seminar participants at the Stockholm School of Economics, Sweden in May 2014 on many of the ideas and concepts underlying this research. Finally, we wish to thank the Senior Editor, Christina Soh, and two anonymous reviewers who provided valuable insights to help us refine our paper.

References


