Contractual and Accounting Controls in Outsourcing Agreements

By Suresh Cuganesan, Jim Rooney and Riccardo Silvi

Abstract

Growing evidence of failure amongst outsourcing arrangements has raised concerns about the mechanisms that govern and control inter-organisational networks and alliances. This paper investigates the use of contractual and accounting mechanisms in the governance of inter-organisational relationships. Despite both accounting and contracts forming part of the formal control mechanisms that parties can employ to govern inter-organisational relationships, there has been little research that has simultaneously examined both. The objectives of the paper are two-fold. The first objective of the paper is to re-examine the role of formal controls and specifically, contractual and accounting mechanisms. The second objective is to examine the utilisation of these mechanisms in practice. This is achieved through a content analysis of contracts governing outsourcing relationships in the Australian financial services industry. Thus the paper is exploratory in explicating the mix of formal controls comprising both contractual and accounting control mechanisms that is explicitly stipulated in contractual and supporting documentation.

Key Words:

Controls, Contracts, Accounting, Mechanisms

1. Introduction

Inter-organisational alliances and networks are promoted as a means of: accessing scarce resources; fast-tracking the development of new capabilities; sharing the costs and risks of innovation and responding to the emergence of new competitive threats. Within the variety of collaborative forms, outsourcing alliances continues to grow rapidly, with both the scope and depth of services increasing globally. Estimates of outsourcing industry size and growth vary, but include predictions of total global IT Outsource (ITO) value of $US200 billion by end 2005 and global demand for Business Process Outsource (BPO) services of approximately $US173 billion by end 2007.[1] In addition, offshoring is estimated to reach nearly $US18 Billion in 2005.[2]

However, there is also growing evidence of failure amongst these arrangements, initiating a renewed concern about the mechanisms that govern and control inter-organisational networks and alliances.[3] In relation to outsourcing alliances, there is significant customer dissatisfaction.[4] Major sources of this include: hidden costs of up to 18 percent of the value of the outsourcing agreement that may have "even cancelled out the… potential savings from outsourcing."[5]; the inability to deliver on promises where "over half of benefits rated as highly important had not been fully realised"[6]; and, increased risk.[7]

The efficacy of control and coordination of outsourcing alliances is thus of concern to practitioners and researchers alike. However, despite a significant amount of research on the topic, a number of gaps still exist in the literature. This paper investigates one of these gaps; specifically the use of contractual and accounting mechanisms in the governance of inter-organisational relationships.[8] The literature on inter-organisational control is both extensive and multi-disciplinary, spanning the areas of accounting, law, economics, organisational theory and sociology. However, this literature suffers from a lack of integration across the various disciplines, with each area advancing in separate fashion. In the area of economics and law, the operation of contractual mechanisms where flexibility and modification are required has been examined (for example[9]). Similarly, accounting researchers have focused on the effects of accounting controls (for example[10]). Despite both accounting and contracts forming part of the formal control mechanisms that parties can employ to govern inter-organisational relationships, there has been little research that has simultaneously examined both. This is especially problematic given the convergence of these mechanisms in practice, a prime example being the growing practice of developing key performance indicators and service level agreements, and incorporating these either in the contract document proper, or in schedules to contractual documentation.

Thus, the objectives of the paper are two-fold. The first objective of the paper is to re-examine the role of formal controls and specifically, contractual and accounting mechanisms. The second objective is to examine the utilisation of these mechanisms in practice. To date, little accounting research has focused specifically on empirically investigating the contractual controls utilised in managing inter-organisational control. This is achieved through a content analysis of contracts governing outsourcing relationships in the Australian financial services industry. Thus the paper is exploratory in explicating the mix of formal controls comprising both contractual and accounting control mechanisms that is explicitly stipulated in contractual and supporting documentation.

The next section of the paper overviews the phenomenon of interest: formal controls in inter-organisational alliances. The third section of the paper then outlines the research method utilised, with the results obtained are presented in the fourth section. The implications of the findings and avenues for future research are discussed in the final section of the paper.

2. The Role of Formal Controls in Inter-organisational Relationships

2.1 Contracts

Contracts specify the terms and arrangements for carrying out economic exchange. The contract "refers to a formal written contract between two or more competent parties, which creates obligations, whereby one party becomes bound to another to do or omit to do certain acts that are the subject of that contract".[11] Thus contracts provide the *'frame'* for the economic exchange, outlining the nature and term of the relationship, what is to be provided and the rights and obligations of parties to the contract.

In addition to specifying the nature and rules of exchange, contracts also fulfil another important role in minimising potential opportunistic behaviour. This can occur through ex ante mechanisms that bind the parties together, such as requiring parties to undertake transaction-specific investments or credible commitments to the relationship.[12] Alternatively, ex post mechanisms may be incorporated which provide parties with rights and sanctions over others in the event of non-performance or other pre-specified situations. Thus contracts involve parties binding themselves to carry out the actions necessary to achieve the goals of the contract. Finally, both the body of contract law and the institution of courts that underpin contracts provide an avenue for contract parties to seek external dispute resolution. Thus, important elements of contractual controls comprise:

- Terms of appointment and nature of responsibilities
- Arbitration and termination processes
- Governance mechanisms such as reporting and audit procedures

Despite affording the above benefits, contracting becomes increasingly problematic in inter-organisational relationships. Given both bounded rationality of parties and possibilities of opportunism, the costs of both describing possible future states of the economic exchange in the contract, and verifying realised ex post states leads to incomplete contracting.[13] Furthermore, flexibility-creating mechanisms such as 'agreements to agree' may be intentionally designed into the contract. Thus, classical contracting law, which is based upon the presumption of discrete contracts, becomes insufficient in the face of contracting gaps and uncertainties. Either contracts are incomplete or are overly rigid in the face of uncertainty. While the contract is advantageous in that the institution of 'contracts' is generalisable throughout the economy, readily available and understood by the counterparties, and is supported by the possibility of legal actions, its lack of flexibility and richness is seen as a major disadvantage, especially when partner roles and obligations change over time (see, for example[14]).

In light of this, alternative contracting systems have been proposed. Indeed, as far back as[15], alternative systems such as neoclassical and relational contracting have been proposed. However, even neoclassical contract law, whereby the duration and complexity of contracts and their incompleteness are recognised, and more transaction specific adjustment processes (such as third party arbitration) are utilised, is seen as inadequate for dealing with situations such as inter-organisational alliances. In contrast, accounting controls are seen as a useful complement to contractual controls[16], and these are discussed next.

2.2 Accounting Controls

Accounting controls as a subset of formal control mechanisms can take the form of outcome controls and behaviour controls, whereby the behaviours or the outcomes of these behaviours are respectively measured.[17] Behaviour controls in inter-organisational relationships both specify how the partners should act and monitor whether actual behaviour is in accordance with that pre-specified. Examples of behaviour controls include: planning, defining rules and regulations, developing standard operating procedures and dispute resolution procedures. In contrast, outcome control mechanisms specify outcomes to be realised by the alliance and its partners and monitors the achievement of performance targets. Importantly, both of these have ex ante and ex post influences, with the process of specification and implementation reducing goal divergence amongst partners at the start of the relationship, and the monitoring of behaviours and outcomes coupled with reward provision acting to provide information about compliance with these controls and helping to mitigate unresolved control problems.[18]

Accounting controls, through the provision of information about the performance of exchange partners, can confirm existing expectations about the capacity to fulfil contractual obligations and perform to agreed-upon service levels. Thus, in comparison to anecdotal evidence or 'gut feel' perceptions, accounting controls provide objective representations of the performance levels of counterparties to inter-organisational relationships. Furthermore, outcome measures enable a level of flexibility and innovation to be preserved in the relationship as they do not require adherence to pre-specified procedures or behaviours but only specify the end results required from the alliance. Importantly, specifying these end-results in objective in quantified fashion through the use of outcome controls can enable communication, understanding and alignment amongst partners to the alliance.[19]

3. Research Method

3.1 Content Analysis Framework

Content analysis is an instrument to measure comparative positions and trends in the composition of documents and has been used extensively to assess reporting patterns and disclosures.[20] It focuses on the semantic contact of key documents (such as Outsourcing Agreements used to articulate the intent and governance of such arrangements) in order to derive inferences and/or gain understanding or draw conclusions from such documents. According to[21], "content analysis research is motivated by the search for techniques to infer from symbolic data that which would be either too costly, no longer possible or too obtrusive by the use of other (research) techniques".

As a technique for gathering data, content analysis involves codifying qualitative and quantified information into pre-defined categories in order to derive patterns in the presentation and reporting of information. Content analysis seeks to present information with a systematic, objective and reliable analysis.[22] For content analysis to be effective, certain technical requirements should be met.[23] State that the selection of analytical characteristics has four distinguishing aspects. The first requires the categories of classification to be clearly and operationally defined. The second is objectivity, in that each category is precisely defined, so an item may be judged readily as either belonging or not belonging to a particular category. Third, the information needs to be quantitative. Choices need to be made regarding ways of identifying data into quantitative form. Finally, a reliable coder (that is, the researcher) is necessary for consistency. Each of these requirements was met in the study.

Firstly, the content analysis categories were selected from well-grounded, relevant literature and were clearly defined. Second, a reliable coding instrument with well-specified decision categories and decision rules was established. Third, the coder underwent a sufficient period of training and the reliability of the coding decisions on a pilot sample were shown to have reached an acceptable level. Finally, each clause was categorised into the various categories of the coding framework.

In common with many of the Content Analysis research papers in this field of study (for example[24]), the source documents were either in or converted to a computerised word processing format and a three stage content analysis process was used:

- selection of search keyword categories, subcategories and descriptors that can be used to identify the themes within the source documents;
- automated identification of categories within the documents; and
- analysis of the themes identified in the above search.

The keyword categories used for the content analysis are presented in Table 1 with further detail in Appendix 1, with sub-categories identified from a review of the outsourcing literature that identified the elements of outsourcing agreements (for example, refer to[25]).

3.2 Data Sources

The Outsourcing Agreement and associated operational and financial data has been sourced on a non-attributable confidential basis from the following Financial Services institutions, offering the same residential mortgage loan products and services. The outsource service providers were chosen as representative of the entities operating in the Financial Services industry that have developed and implemented Performance Management Systems in consultation with their clients. Accordingly, the following outsource service providers were examined:

- **Medium-size Lender #1** – Business Process Outsource (BPO) and Information Technology Outsource (ITO) to a top 20 mortgage lender & deposit taking entity part of large listed & diversified Financial Services institution operating and headquartered in Australia.
- **Medium-size Lender #2** – BPO & ITO to a non-listed and specialised mortgage lender based in Australia and operating on a national basis.
- **Medium-size Lender #3** – BPO & ITO to a top 20 mortgage lender as part of a listed multinational listed and diversified Financial Services institution.
- **Medium-size Lender #4** – BPO & ITO to a specialty lender part-owned by a listed multinational listed and diversified Financial Services institution.
- **Medium-size Lender #5** – BPO & ITO to a specialty lender to both consumers and businesses as part of a listed multinational listed and diversified Financial Services institution.
- **Large-size Lender #1** – BPO & ITO to a top five mortgage lender as part of large Australian financial institution operating in the Australian market and overseas with data for the Australian mortgage operations only.

Keyword Categories	Keyword Subcategory	Subcategory Descriptors
Frame Controls	Appointment Terms	Qualified; Independent; Duration; Indemnify; Representations; Warranties; Counterparties; Rights; Collection of monies; Reconciliation; Security; Notification; Accounts; and Records.
	Termination	Termination Events; Material Clauses; Mediation/Arbitration; Escrow Processes.
	Governance	Reporting; Escalation; Reviews/Audits
Behavioural Controls	Responsibilities	Compliance; Policies; Procedures; Statement of Work; System Access; Confidentiality; and Materiality.
Outcome Controls	Service Levels	Response times; Error rates; Tolerances; and Penalties.
Price	Fees & Charges	Throughput/volumes; Payment Terms; Default; Set-off; Pass Through; Re-imbursement.

Table 1: Keyword Categories

- **Large-size Lender #2** – BPO & ITO to a top five loan servicer as part of Joint Services Company with key shareholders that include a large Bank operating and headquartered in Europe.

4. Results

The results of the content analysis for the specific keywords associated with the seven Outsourcing Agreements studied are summarised in Table 2 below. As Table 2 indicates, there is a variety of contractual lengths and spread of clause types. Overall 326 clauses were analysed, with the minimum contract comprising 24 clauses and the maximum comprising 81. Both of these occurred with medium sized lenders.

As Table 3 evidences, there is a significant variation in the weighting of contractual documentation to different clauses. For example, over half of the contractual clauses in relation to Medium Lender #2 are focused on termination clauses while only 4% of Medium Lender #3's contract is devoted to the same. The other area where there is significant variation in focus is in relation to appointment terms, which ranges from comprising 38% of the contract for Medium Lender #3 and only 6% of the contract for Large Lender #1.

Despite this variation, there are commonalities. Stipulating rights and responsibilities ranked in the Top 3 in terms of contract proportion (or equal second in the case of Medium Lender #2) across all outsourcing agreements. Similarly, the stipulation of governance mechanisms across all agreements was prominent. With the exception of Medium Lender #2, it ranked in the Top 3 in terms of contract proportion for Medium Lender #1 and in the Top 2 for all other agreements. Specifying of termination and arbitration mechanisms was also important, ranking in the Top 3 for five out of the seven agreements in terms of contract proportion (exceptions being Medium Lender #3 and Large Lender #1).

Finally, the results were analysed in terms of control type across all contracts, with the number of clauses that pertained to the different control types examined as a proportion of the total number of clauses analysed.

Aggregating across the various outsourcing agreements indicates the focus on detailing the legal aspects of the relationship. Given the legal nature of the document, this is to be expected. Interestingly, more weighting was placed on stipulating responsibilities in terms of policies, procedures and

Keyword Subcategories	**SubCategory Descriptors**	**Lender #1 Medium**	**Lender #2 Medium**	**Lender #3 Medium**	**Lender #4 Medium**	**Lender #5 Medium**	**Lender #1 Large**	**Lender #2 Large**	**TOTAL**
Appointment	Collection of Monies	3	1	1	5	2	1	8	21
	Reconciliation	1	1	2	2	1	1	1	9
	Records	8	2	7	1	1	1	2	22
Termination	Termination Events	19	21	1	8	3	11	6	69
	Material Clauses	0	0	0	7	1	0	0	8
Governance	Reporting	2	1	3	4	2	7	6	25
	Escalation	1	1	1	1	3	2	3	12
	Reviews/ Audits	13	1	3	5	3	6	7	38
Responsibilities	Compliance	22	3	5	9	6	11	11	67
	Materiality	1	1	1	1	1	2	2	9
Service Levels	Response Times	3	1	1	3	1	4	2	15
	Error Rates	1	1	0	0	0	1	1	4
	Tolerances	1	1	0	0	0	1	0	3
	Penalties	3	1	0	0	0	5	6	15
Fees & Charges	Throughput/ Volumes	2	1	0	0	0	0	1	4
	Set Off	1	1	1	0	0	1	1	5
	Total	**81**	**38**	**26**	**46**	**24**	**54**	**57**	**326**

Table 2: Clause Analysis Results (Count of total clauses by category)

Keyword Subcategories	Lender #1 Medium	Lender #2 Medium	Lender #3 Medium	Lender #4 Medium	Lender #5 Medium	Lender #1 Large	Lender #2 Large
Appointment	15%	11%	38%	17%	17%	6%	19%
Termination	23%	55%	4%	33%	17%	20%	11%
Governance	20%	8%	27%	22%	33%	28%	28%
Responsibilities	28%	11%	23%	22%	29%	24%	23%
Service Levels	10%	11%	4%	7%	4%	20%	16%
Fees & Charges	4%	5%	4%	0%	0%	2%	4%

Table 3: Clause Analysis Results (% of total clauses by category)

Control Type	Keyword	Number of Clauses	% of Total
Frame Controls	Appointment; Termination; Governance	204	63%
Behavioural Controls	Responsibilities	76	23%
Outcome Controls	Service Levels	37	11%
Price	Fees and Charges	9	3%

Table 4: Results by Control Type

compliance with these than outcomes in terms of service levels and penalties for non-compliance with this. In addition, There was little or no specification of supporting terms to fees and charges. The implications of this are discussed more fully in the next section.

5. Discussion and Conclusions

Overall, most of the sample of outsourcing agreements sought to clarify the relative roles, responsibilities and consequences of non-performance of the Outsource service provider and their client. A number of observations can be drawn from the preceding analysis.

In relation to *frame controls*, and in keeping with the legal nature of the documentation analysed, all agreements attempted to establish a frame within which the relationship was to operate. Interestingly, equal proportions were afforded to stipulating arbitration and termination processes as governance mechanisms, with les proportion to the actual appointment and nature of the relationship. Examples of termination clauses include:

> *"..Without prejudice to the indemnity contained in clause <Agreement Clause no.>, <client> may terminate this agreement (without any compensation to <service provider>) in relation to any or all .. (of the Services) immediately by notice in writing to <service provider> if .. ".*

And:

> *"… Without prejudice to any other rights or remedies it may have, <outsource client> may terminate this Agreement … if any of the following circumstances occur or exist: … (i) if <service provider> commits a material breach of this Agreement, which breach is not cured within thirty (30) days after notice .. "*

This finding provides some tentative support for claims made in the literature that a legalistic approach to managing inter-organisational relationships may hinder collaboration and trust.[26] Specifically, legal documentation weighted towards the specification of exit mechanisms and circumstances where the relationship fails may be pre-disposed towards such outcomes.

In relation to *behavioural controls*, outside of frame controls, the definition of relative responsibilities and obligations were present in all agreements and were the most prominent control type. An example for one medium size lender is the following clause:

> *"..<service provider> will inform <client> upon becoming aware of any event (actual or anticipated) or other development which will have a material impact upon <service provider> ability to comply with obligations .."*

Indeed, the specification of legal compliance obligations required of the service provider appeared to be a central construct in the definition of the Outsourcing client/provider relationship. This is true for both large and medium size outsourcing clients resulting in the inclusion of contractual cluses typified by the following:

> *"..<service provider> must comply with the Policies when performing the Services and shall ensure that all Personnel and subcontractors are aware of the Policies and comply with them when performing the Services. Policies must only be used to provide the Services to <client> who owns the Intellectual Property Rights in the Policies ..".*

Another example of this includes:

> *" .. <service provider> must keep accounting and other records relating to <client> which correctly record and explain .. ";*

While specific policies and procedures were required, there was no stipulation of whether audits of compliance were to be carried out. Although definitions of how the partners should act existed in these documents, there was no monitoring of whether actual behaviour is in accordance with that pre-specified

In relation to *outcome controls,* attempts to articulate the need to deliver service in a form required by the outsourcing client was consistently present in all agreements. An example of the types of contractual clauses used to articulate this comprised the following:

> *".. <service provider. and <client> agree to conduct a periodic Benchmarking exercise to ensure that <service provider> continues to be a leading provider of the Services .. during the Term of the Agreement ..";*

However, as a consequence of a significant proportion of the Agreements surveyed focusing on the specification of exchange of services for consideration and the resulting obligations associated with this economic exchange, outcome controls emphasised legal notions of business outcomes rather than notions of "soft" concepts like customer experience and quality. Thus, while all Agreements mentioned service levels, a number did not define performance expectations and, even when they did, there were no standard definitions for the achievement for expected service levels. Overall, this suggested suggesting that performance evaluation would be a complex and not an unambiguous task.

Finally, in relation to *pricing controls*, while price was stipulated in the contract, expected business volumes were rarely specified, Thus, a key influencing factor (with its associated relational performance risks) in the success of an Outsourcing arrangement does not appear to be considered in relation to its potential to impact negatively on the performance of the Outsource service provider. In addition, there did not appear to be a standard fee structure for outsourced services. While all agreements specified a fee schedule, the charging mechanism and the treatment of expenses were not consistently documented. Finally, opportunities to share the benefits of potential business initiatives was only identified in one of the Agreements analysed, suggesting limited use of reward-sharing arrangements.

In closing, the limitations of the paper need to be acknowledged. Firstly, only seven outsourcing agreements were examined for the purposes of this paper, placing limits on the generalisability of the above observations. Secondly, only the number of clauses were analysed and no attempt was made to factor in relative importance or the reliance placed on them in practice. Thirdly, in line with the focus on formal controls and the exploratory nature of this research, there was no consideration of the broader mix of controls used to govern such relationships (see[27]) or the performance implications of utilising different control mechanisms to govern inter-organisational relationships. Both of these remain opportunities for further research.

APPENDIX 1

CONTENT ANALYSIS FRAMEWORK

The following operational keywords address key business concepts associated with the establishment and governance of an Outsourcing Agreement at a descriptor level as listed in Table 1 above. These concepts were identified by both the outsourcing client and service provider as key themes considered important for the management and control such Agreements:

1. **Appointment Terms** – reflect the nature of the contractual relationship between the outsource service provider and the purchaser of such services. Thus, the keywords associated with this concept focus on the qualifications and competencies of the service provider in terms that address the key business risks of the purchaser of such services;
2. **Termination** – describes the circumstances under which the Agreement can be cancelled or voided;
3. **Governance** – describes the circumstances under which the management of the Agreement will be met.
4. **Responsibilities** – attempt to highlight the relative roles of the outsource service provider and the relevant governance and operational staff associated with the Outsourcing Agreement:
5. **Service Levels** – specify the operational measures to be addressed by the service provider in order to achieve agreed business objectives;
6. **Fees and Charges** – specify the relevant fees and charges applicable to the outcomes (or more commonly) the achievement of agreed operational measures;

The following concept subcategories provide key measures that clarify and give some operational definition to the keyword categories outlined above. As expected, the tendency is that they generally focus on providing greater legal clarity and thus, as we discuss later in this Paper, may contribute to confusion or, at least, increased compliance risk at a business operation level due to less clarity on operational intent:

Sub-Category	Description
Qualified	Refers to the prior experience of the Outsourcing vendor as it applies to the current Agreement
Independent	Identifies the need for vendors that are not related entities to the purchaser of outsourced services.
Duration	Specifies the timeframe within which the Agreement operates.
Indemnify	Attempts to clarify the impact of transfer of business risk for operational performance from the purchaser to the vendor.
Representations	Outlines the basis on which the parties are willing to transact based on the skills they are able to provide.
Warranties	Outlines the extent to which the parties are willing to support the representations of each party.
Counterparties	Identifies the external entities and responsibilities of these third parties for the establishment of the Agreement.
Rights	Lists the entitlements of the affected parties to the Outsourcing Agreement.
Collection of Monies	Highlights the responsibility for and treatment of cash receipts associated with the outsourcing Agreement.
Reconciliation	Highlights the accounting treatment and responsibilities for bank account reconciliation.
Security	Terms and conditions associated with integrity of information considered important to the Agreement.
Notification	Dictates the period of notice for key events associated with the Agreement.
Accounts	Discusses access to financial information directly associated with the agreed services.
Records	Discusses storage and access to financial information directly associated with the agreed services.

Table A1.1: Concepts associated with the Appointment of an outsource provider

Sub-Category	Description
Termination Events	Describes the specific events that can lead to termination of the Agreement by either party.
Material Clauses	Specifies the key terms in the Agreement.
Mediation/Arbitration	Outlines the steps where parties are in dispute.
Escrow Processes	Outlines the processes to protect key Intellectual Property.

Table A1.2: Concepts associated with Termination

Sub-Category	Description
Reporting	Defines the reporting requirements for management of the Agreement.
Escalation	Defines the processes where contractual or service issues can be highlighted.
Reviews/Audits	Defines the processes associated with regular reviews.

Table A1.3: Concepts associated with Governance

Sub-Category	Description
Compliance	Specifies the requirement for the service provider to comply with agreed business procedures.
Policies	As above for business policies.
Procedures	As above.
Statement of Work	An overview of the tasks and functions to be performed by the outsource service provider.
System Access	Specifies the extent of systems access afforded the purchaser of outsourcing services.
Confidentiality	Re-enforces the need to respect the commercial nature of some of the operations of the purchase of outsourced services.
Materiality	Outlines the test for determining the impact of events associated with the Agreement.

Table A1.4: Concepts associated with Responsibilities of Outsource Provider

Sub-Category	Description
Response times	Definitions of operational measures.
Error Rates	Definitions of operational error rates.
Tolerances	Tolerances for operational measures.
Penalties	Penalties for non-achievement of operational measures.

Table A1.5: Concepts associated with Service Levels

Sub-Category	Description
Throughput/volumes	Definition of expected business volumes.
Payment Terms	Definition of payments terms for outsourcing services.
Default	Definition of fee payment default.
Set-off	Definition of circumstances where fees can be offset against other financial obligations.
Pass Through	Definition of treatment of third party charges.
Re-imbursement	Definition of treatment of unforeseen expenses.

Table A1.6: Concepts associated with Fees and Charges

Notes

1 Gartner. (2004). Outsourcing Market View, What the Future Holds.

2 Qu, Z. H. and M. Brocklehurst, "What Will It Take for China to Become a Competitive Force in Offshore Outsourcing? An Analysis of the Role of Transaction Costs in Supplier Selection" Journal of Information Technology, (2003) 18(1), pp.53-67, p53.

3 Langfield-Smith, Kim., and Smith, D, "Management control systems and trust in outsourcing relationships" Management Accounting Research, (2003) 14(3), pp.281-307; Dekker, H.C.. "Control of inter-organizational relationships: evidence on appropriation concerns and coordination requirements" Accounting, Organizations and Society, (2004), pp. 27-49.

4 Barthelemy, J. "The Hidden Costs of IT Outsourcing" MIT Sloan Management Review. (2001) 42(3), pp.60-69; PA Consulting Group, "Outsourcing: mindset switch moving from cost control to managing for flexibility and benefits realization", (2004) (https:// www.paconsulting.com/services/it_services/publications)

5 Barthelemy, op cit, p60.

6 PA Consulting Group, op cit, p6.

7 Willcocks, L., Lacity, M. & Kern, T., "Risk in IT Outsourcing Strategy Revisited: Longitudinal Case Research at LISA," Journal Of Strategic Information Systems, (1999) 8, pp.285-314.

8 Cuganesan, Suresh., "Re-examining the role of Accounting, Contracts and Trust in Inter-Organisational Networks" Journal of Law and Financial Management, (2005) 4(2).

9 Collins, H., *Quality Assurance and contractual practice*. In Deakin, S., Michie, J., (eds), Contracts, co-operation and competitions: studies in economics, management and law, (1997) Oxford University Press, UK; Schwartz, A and Watson, J., "The Law and Economics of Costly Contracting" The Journal of Law, Economics and Organization, (2004) 20(1), pp.2-31.

10 Tomkins, C, "Interdependencies, trust and information in relationships, alliances and networks" Accounting, Organisations and Society, (2001) 26(2), pp.161-191; Kim Langfield-Smith and Smith, op cit; Dekker, op cit.

11 Blomqvist, K., Hurmelinna, P., Seppanen, R.., "Playing the collaboration game right – balancing trust and contracting" Technovation, (2005) 25, pp.497-504, at p 498.

12 Williamson, O., "Credible Commitments: Using Hostages to Support Exchange," American Economic Review, (1983) 73, September, pp.519-540.

13 Williamson, O.E. *The Economic Institutions of Capitalism: Firms, Markets, Relational*

Contracting, (1985) Free Press New York.

14 Borys, B., and Jemison, D.B., "Hybrid Arrangements as Strategic Alliances: Theoretical Issues in Organisational Combinations" Academy of Management Review, (1989) 14(2), pp.234-249.

15 MacNeil, I., "Contracts: Adjustments of Long-term Economic Relations Under Classical, Neoclassical and Relational Contract Law", Northwestern University Law Review, (1978) 72(6), pp.854-905.

16 Cuganesan, Suresh., Briers, Michael. and Chua, W.F., *Controls in Strategic Supplier Relationships*, (1999) UNSW Press, Sydney.

17 Dekker, op cit.

18 Ibid.

19 Cuganesan, Suresh., Briers, Michael. and Chua, W.F., op cit.

20 Guthrie, J, Petty, R, Yongvanich, K & Ricceri, F, "Using Content Analysis as a research method to inquire into intellectual capital reporting" Journal of Intellectual Capital, (2004) 5(2), pp.282-293.

21 Krippendroff, K, Content Analysis: An Introduction to its Methodology (1980) SAGE, Newbury Park CA, at p.51.

22 Guthrie, J & Parker, LD, "Corporate Social Disclosure Practice: A Comparative International Analysis", Advances in Public Interest Accounting, (1990) 3 pp.159-76; Krippendroff, op cit.

23 Guthrie, J & Mathews, R, "Corporate Social Accounting in Australasia", Research in Corporate Social Performance and Policy, (1985) 7, pp.251-277.

24 Kaouthar, L. & Zeghal, D, "A Content Analysis of Risk Management Disclosures in Canadian Annual Reports", Canadian Journal of Administrative Sciences, (2005) 22(2), pp.125-142; Sullivan, W.E. & Ngwenyama, O.K, "How are Public Service Organisations Managing I.S. Outsourcing Risks? An Analysis of Outsourcing Guidelines from Three Jurisdictions" Journal of Computer Information Systems, (2005) Spring, p.73-87.

25 Cheong, M.J., Grover, V. & Teng, J.T.C. "Theoretical perspectives on the outsourcing of information systems" Journal of Information Technology, (1995) 10, pp.209-219.

26 Das, T. K., & Teng, B. S. "Between trust and control: developing confidence in partner cooperation alliances", Academy of Management Review (1998) 23, pp.491–512.

27 Cuganesan, Suresh., Briers, Michael. and Chua, W.F., op cit.