

Foreword

“Make or buy?” The question about optimal sourcing is one of the oldest and most central questions of managerial economics. Consequently, the question about IT outsourcing has been an important research topic of the Information Systems discipline for the past two decades. The financial services industry also has a long tradition in IT outsourcing (ITO) with IT representing, besides people, the only “production facility” of banks. The cost structure of non-physical products and services in the financial services sector relies heavily on fixed costs and, thus, holds high potential for the inter-organizational bundling of processes and achieving cost savings from economies of scale and skill.

In this book, Dr. Beimborn advances the traditional academic view on IT outsourcing towards a *sourcing network* perspective. The complexity in this paradigm, which adds to the complexity of the traditional outsourcing research perspective and, furthermore, generalizes it to a business process outsourcing (BPO) perspective, consists in the fact that typically more than two parties will negotiate and that the roles of insourcer and outsourcer are not necessarily pre-defined in advance. It is striking that in the otherwise generally mature outsourcing literature the sourcing network issue has been almost completely ignored so far. The potential impact becomes clear when realizing that both transaction volumes in similar processes and process competencies are likely to be prevalent in many firms of an outsourcer’s industry as well, raising the old co-opetition question of who really is a competitor and who should rather be seen as a partner. The research challenge thus is to explain and guide decision making from this *multilateral* perspective and to disclose the market effects resulting from those decisions.

Daniel Beimborn gives a thorough conceptualization and foundation for cooperative sourcing research by addressing a triad of research questions: *why* to source cooperatively, *how* to source cooperatively, and what are the resulting *consequences* from cooperative sourcing? To answer these challenging questions, Dr. Beimborn makes use of a multi-theoretical foundation and a comprehensive multi-method approach. The core of his work consists in developing a mathematical agent-based model which is applied to both analytical game-theoretical analyses and simulation studies. Moreover, the author carried out extensive empirical research which enabled him both to empirically test his arguments and to feed the simulation studies with real world data.

The author makes an important theoretical contribution by applying network effect theory to the cooperative sourcing phenomenon and investigating how externalities – decision interdependencies between the cooperatively sourcing firms – affect the sourcing decision and the resulting outcomes of sourcing coalitions. He identifies and distinguishes different structural inefficiency sources, such as individual vs. system lock-in, which can emerge on account of this interdependence. This not only has a theoretical impact but also contributes directly to the manager's sourcing decision calculus. As we can see from the dynamic markets for securities handling or payments processing in Germany, where changing the provider or coalition is not unusual, decisions of sourcing partners leaving a coalition can significantly affect the others' cost situation of others and therefore must be anticipated and included in the sourcing decision. If a firm cannot trust in the long-term stability of a cooperative sourcing venture, a start-up dilemma will emerge.

Another important part of this work shows how coalition stability can be enforced. By applying a game-theoretical cost analysis, the author shows how coalition costs have to be allocated to the cooperative sourcing partners in order to form a stable coalition which ensures a lasting cooperative behavior of all parties. Overall, Dr. Beimborn provides a first theoretical foundation for the analysis of the existence and efficiency of cooperative sourcing equilibria.

Although this work shows that cooperative sourcing is a complex issue, it also illustrates that it has tremendous potential benefits. Building on and extending advancing outsourcing research, the author develops important building blocks towards a theory of cooperative sourcing, which addresses the complex mutual feedback between microbehavior and macrobehavior as discussed by Nobel laureate Thomas Schelling (1978).

The work is impressive on account of its methodologically elaborate structure and analysis. The sound combination and integration of developing a formal model and conducting analytical studies, simulations, and empirical research is very remarkable and rare in the literature, contributing to a new perspective on the sourcing phenomenon and providing the community with great opportunities for future research.

The results of Daniel Beimborn, who has also published several articles in scientific top journals of the Information Systems community, provide a solid foundation for future cooperative sourcing research and should be read by anyone who intends to further investigate multilateral sourcing networks.

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