CLASSIFICATION OF BUSINESS SERVICE TRIADS

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ABSTRACT

The purpose of this study is to classify third party direct services in triadic relationships, based on their characteristics and derive valuable business insights. Service triads till date have been studied in a generalized form. This study is an attempt to present the need for a more situation specific study of triads and its related problems. The article is conceptual and exploratory in nature, with the intent to develop further empirically.

Keywords: Business services, service triads, classification

INTRODUCTION

In the present era of globalization and liberalization, businesses around the world are facing extreme challenges due to the growing global competitiveness and outsourcing is one such approach that can lead businesses to greater competitiveness (Weston, 1996). The strategic movement towards outsourcing of services began with information technology function, while today it has headed far beyond knowledge-intensive services to include a plethora of other services. Over 90 percent of the major corporations in United States have outsourced some services or the other (Allen and Chandrashekar, 2000). Services account for between 39% and nearly 90% of total purchasing spends in the US (Ellram et al., 2007; 2008).

Given the wide range of services outsourced, Wynstra et al., (2006) classified business services based on how the buying company applies the service with respect to its own business processes and presented four types of services, component services, semi-manufactured service, instrumental service, and consumption services. Component services are delivered by the supplier to subsequent customers without transformation by the buying firm; semi-manufactured services are transformed by the buying firm before being delivered to customers; instrumental services represent major investments in intangible assets to execute the buying firm’s operations;
consumption services are the ones consumed by and within the buying organization. Dobler and Burt (1996) argued that the service sourcing activity has a high impact on the success of the business as the service provider’s performance may substantially affect business performance. The impact is even stronger for the component services because the suppliers directly deliver services to the customer without the intervention of the buying firm. The focus of the present study is the component services, which we refer to as third party direct (TPD) services. Component services as referred in the literature, tends to convey the intended meaning partially. Whether the entire service is outsourced or only a component of the service is outsourced is not very clear from the defined terminology. ‘Third party direct (TPD) services’ provides a more complete terminology to express the intended meaning of such services. In contrast to TPD services, we call the semi-manufactured services referred in the literature as Third Party Indirect (TPID) Services (Figure 1).

Some examples of TPD services are event management services bought by FMCG companies, maintenance services bought by manufacturing companies and security services bought by art galleries where the services are delivered by the suppliers directly to the customers without any intervention of the buying companies. Simultaneous production and consumption of services thus occurs between the service provider and the customer, outside the direct control of the buying company (Client). Such sourcing of services establishes a very interesting triadic structure between the Client, Supplier and the Customer which is often referred as a business service triad in the literature (Niranjan and Metri, 2008; van der Valk and van Weele, 2011) and which is distinct from a service supply chain (Figure 2).

A buying organization operating in a service triad has no control over service delivery whereas in service supply chains the buying organization has complete control over the final service delivery to the customer. In a Triad, the direct link between service provider and customer, in absence of the buying organization, leads to the shift of power (van der Valk and van Weele, 2011) resulting from having direct customer contact from buying organization to service provider. The buying organization in the long run needs continuous feedback from the customers to innovate its products which in a triad is dependent on the third party service supplier. The supplier if not efficiently regulated and monitored may not be inclined to propagate such crucial customer information back to the buying company. A continuous relationship between the supplier and the customer may as well lead to triadic disruptions where the buying organization may be sidelined completely. Even the supplier may tend to perform inefficiently and inappropriately, thus leading to customer dissatisfaction. Such events may have high impact on customer loyalty (Ruyter and Bloemer, 1999) and brand image of the buying organization. In service supply chain, such challenges do not arise as the supplier has no direct contact with the customers and the buying organization has absolute power to control service delivery to the end customer.

One more issue that complicates the triadic phenomenon is that in a service triad, there may be a contract between buying organization and supplier and another between the buying organization and the customer, but no contract exists between the supplier and the customer. Thus the actual
service provider is not under any legal obligations with the actual service receiver. This may lead to ignorance and inefficiency if not monitored carefully by the buying organization (Eisenhardt, 1989; Li and Choi, 2009).

The outsourcing difficulties in business service triads till date have been studied in a generalized form without consideration to the nature of the services and kind of relationship between the buyer, supplier and customer. The purpose of this article is to classify the TPD services based on their characteristics and present valuable insights to facilitate outsourcing decisions in a triad. In developing this classification, we draw on existing literature in the area of service management and service marketing and help future theory building efforts in business service triads.

![Figure 1: TPD Services Vs TPID Services](image-url)
BUSINESS SERVICE TRIADS: AN OVERVIEW OF LITERATURE

Outsourcing of services today is more ubiquitous than ever before (Grossman and Helpman, 2002; Amiti and Wei, 2005) and is expected to expand even more in future (Tate and Ellram, 2006). Its popularity does not guarantee consistent favorable results though. It carries severe threats and complexities in execution and continuation, especially when the services are being delivered by the suppliers directly to the customers without interference of the company hiring the suppliers (TPD Services).

The number of buyers prematurely terminating an outsourcing relationship has doubled to 51 percent while the number of buyers satisfied with their providers has “plummeted from 79 percent to 62 percent” as reported in Diamond Cluster, 2005 (Weakland 2005, p. 2). Dell Inc., in 2001, outsourced its technical support for business customers to a supplier in India but moved it back to US in 2003. There are several of such examples present in the business world today. A 2005 report published by Gartner estimated that about 60 percent of organizations that have outsourced some of their services functions would find a large number of their customers switching to their competitors (Li and Choi, 2009; Chon 2005). Thus basic question that comes up with such report is that, in spite of the various advantages of outsourcing services, why do so many attempts fail? Some clues lie in the literature: most of the literature deals with questions such as “should we outsource” and “what to outsource” ignoring the very basic question of how to manage the process of service outsourcing (Li and Choi, 2009). Thus on careful introspection, it could easily be realized that considerations in outsourcing services in a service supply chain tends to be different from service triads. A closer look into the scenario may further highlight various issues even within the service triads that may determine the success or failure of outsourcing services. A systematic classification of the TPD services can be considered as a starting point of the structured understanding of the critical considerations of outsourcing in a triadic relationship. A very complex phenomenon may be studied in a relatively simple fashion by classifying it into smaller groups (Mechanic, 1962; Lovelock,1980; Schmenner, 1986).
The following paragraphs present a brief overview of the literature in a chronological way to understand the genesis and recent developments in service triad research.

In the early 90’s, selection of a professional service supplier being one of the most crucial decision and often the costliest mistake a firm could make, process of professional service supplier selection had gained significant attention by the research fraternity (Day and Barksdale, 1994; Fitzsimmons, Noh and Thies, 1998). Relationship failures being the prime concern in outsourcing, the necessity of appropriate contract between buyer and supplier was realized (Logan, 2000).

Although the acquisition of business services for many organizations were becoming increasingly important, buying business services was not studied in much detail and the studies that were being conducted were either focused on one type of service or a specific stage of the purchasing process such as selection of suppliers. The gap was identified (van der Valk, et al., 2006) and the interface between service buyers and service providers, more specifically the Decision Making Unit (buying centre) was analyzed. The experimental results revealed that the Decision Making Unit for component services and consumption services differs. A classification of business services based on how the buying company applies the service with respect to its own business processes was developed (Wynstra et al., 2006). A series of semi structured interviews with supply management executives representing several companies in a variety of industries helped to understand the nature of service outsourcing and off-shoring (Ellram, Billington and Tate, 2006). The findings illustrated, that a number of firms that have been off-shoring for some time believe that they have outsourced too much responsibility for certain services, thereby increasing their operating risks. Strong relationship with customers to increase customer loyalty was the acceptable solution to remain competitive. Market being volatile in nature, firms had to be attentive and innovative in creating and delivering value. New and effective strategies came up for competing through services (Bolton, Grewal and Levy, 2007).

Balakrishnan, Mohan and Seshadri, (2008) in their work examined the recent supply chain phenomenon of outsourcing front-end business processes. The study revealed that the ability of the vendor to forecast the task environment without bias and to gain sophistication in interpreting contract terms might make the firm indifferent between outsourcing and retaining front-end processes in-house.

An interesting study on service quality model for IS/ITES outsourcing came up with a client-vendor-end user triad model (Niranjan and Metri, 2008). The study analyzed the service quality in triads consisting of a buyer, a service provider and consumers. A vertically inverted triad with the service provider at the bottom apex and the buying organization and business customer on the other two vertices demonstrating the balancing act of the service provider helped to understand the buyer-supplier-customer interdependence and triadic stability. Madhavan et al. (2004), defined triad as “subsets of three network actors and the possible ties among them” while later Peng et al. (2010) extended the definition by stating, multiple links need to exist between all three actors. The dynamics in triadic relationships were also studied in context of two buyer and
one supplier relationship. The study investigated how relationship with one buyer affected relationship with another buyer in a buyer-supplier-buyer triad (Choi and Kim, 2008).

Tate and Van der Valk (2008) derived propositions on how to manage customer contact service suppliers. Another significant study in the realm of service triad was on understanding the performance risk associated with the transfer of the bridge position from the buyer to the service provider in service triads (Li and Choi, 2009). Van der Valk and Rozemeijer (2009) uncovered some specific difficulties associated with buying services and proposed a structured purchasing process to help organizational buyers in services purchasing. A similar study presented an effective buyer-seller interaction theory (Van der Valk et al., 2009) for different types of business services. Choi and Wu, (2009) identified nine buyer-supplier-supplier archetypes using balance theory. The performance of supplier-supplier relationship and how buyers actively manage the relationships between the suppliers in a triad was studied (Wu, Choi and Rungtusanatham, 2010). The buyer’s structural position in the triad affects perceived cooperative performance as well as the adopted management mechanisms. (Peng et al. 2010). A confirmatory factor analysis helped to identify the different service quality dimensions that lead to customer satisfaction and in turn lead to customer’s loyalty (Dhandabani, 2010). An information processing view of the firm was developed to understand the performance heterogeneity across business process outsourcing (BPO) exchanges which is a function of the design of information capabilities (IC) that fit the unique information requirements (IR) of the exchange (Mani et al., 2010).

A case study based analysis on relationship development in business triads revealed that triads’ structure reinforced long-term development, despite short-term degenerative development in the dyads. Tate et al., (2010) used the term Agency Triad to denote a service triad consisting of three individuals, namely a marketer, a supply manager and a marketing supplier representative and further, Agency Theory was used to understand the contractual arrangements and monitoring activities in a buyer–subcontractor–end customer triad (Van der Valk and Iwaarden, 2011).

**NEED FOR CLASSIFICATION**

Over the years, researchers have tried to classify goods and services to help managers obtain better understanding of its nature and business implications. One of the most well known work on classification of convenience, shopping, and specialty goods was presented by Copeland (1923) and revised by Bucklin (1963), helped managers understand consumer needs and behavior and further provided insights and strategic guidelines to the retail distribution management. Hunt (1976) accentuated usefulness of marketing classification. Hill (1977) classified services emphasizing nature of service benefits and service delivery and consumption environment. Thomas (1978) classified service based on equipment and people. Chase (1978) studied the extent of customer contact necessary in delivery of services and categorized them into high and low contact services. Kotler (1980) classified services based on differences in purpose of service organization while Lovelock (1980) classified services based on demand.
characteristics, content and benefits and delivery procedures and concluded that valuable insights could be derived from such classification of services, often by combining two or more classification schemes in a matrix.

Services can be clustered and classified into specific groups based on certain operational, marketing and strategic characteristics. Classification of services, thus have immense managerial value as it offers strategic insight to managers. It helps to deal with extremely complex phenomenon in a relatively simple fashion (Mechanic, 1962). Development of superior sophistication in services result from (Lovelock, 1983) new ways to group services emphasizing more on the nature of the relationship than on the type of industries. It helps to establish order of the research, manage complexity by highlighting common characteristics and support the development of specific activities (Cook et al., 1999; Baida et al., 2005). It is within this context that a classification of the characteristics of TPD services is presented to emphasize the complicacies in a business service triad and to derive managerial insights from the conceptualized classification. The characteristics of TPD services are classified into six schemes (figure 3). The classification tries to highlight the peculiarity of triadic relationships, to identify the managerial considerations therein.

CLASSIFICATION OF THIRD PARTY DIRECT SERVICES

A conceptual classification of TPD service is presented below. The classification presented in the article is the first attempt intended to understand service triads in a more case specific manner instead of studying as a generalized phenomenon. The TPD services are classified into six dimensions, each having explicit consequences and considerations in a service triad. The classification is based on the degree of customer contact involved in service delivery between external service supplier and customer; possibility of supplier development by the buying firms; Mode of interaction between the customer and the supplier; business impact of particular services; kind of motivation the supplier have; continuity of relationship between the customer and the supplier. The classification is primarily based on buying firms perspective and its considerations in sourcing services in a triad. Each of the classification dimensions has been drawn from prior literature (Chase,1978; Monczka and Trent, 1991; Lovelock, 1983; Bryce and Useem, 1998; Calder and Staw 1975; Osterloh and Frey, 2000; Gummesson, 1987 ) in diverse contexts. In this study we re-interpret these dimensions and establish their relevance in the context of service triads and triadic relationships. The six identified dimensions categorize the decision making concerns of the buying firms and facilitate appropriate strategies in different situations for successful outsourcing.
Figure 3: Classification of TPD Services
Classification based on customer contact

TPD service can be classified on the basis of the degree of contact or direct interaction between the supplier and the customer in the process of service delivery following Chase (1978). The extent of contact may be defined as the percentage of time the customer must be in the system relative to the total time it takes to serve him (Chase 2010). Service systems with low customer contact are easier to control than those with high customer contact. In high contact services, the customer may affect the time of demand, the nature of service, and the quality of service since the customer tends to be engaged in the process itself, whereas in low contact services, customer interaction being infrequent or of short duration, there is a very low impact during the production process (Chase 2010). In addition to the concerns of customer influencing the service delivery process in services, in case of service triads the supplier-customer contact, has a significant effect on the buying organization (client)’s growth and success as explained below.

In contrast to service supply chains, where the services are delivered by the client themselves, in service triads the services are directly delivered by the suppliers to the customers and for services that demands high customer contact, the client has to be active in defining the supplier-customer interaction process. Suppliers if not regulated properly may either utilize the opportunity to build up personal relationship with the customer thus sidelining the client in long run or develop ignorant behavior towards delivery of quality services to the customers. The high contact services require much more skilled suppliers as they directly interact with the customers. Their warm behavior, unambiguous communication and prompt service delivery may help develop customer loyalty. For service with high degree of supplier-customer contact, client firms need to be more careful and active to ensure business growth through complete customer satisfaction. It is not only the service that is being delivered that matters, but also the way it is being delivered.

Services with low customer contact may not have such severe impact over the client firm as supplier-customer direct interaction is limited, their personal behavior and attitudinal factors do not reflect on the service delivery and thus, not a serious concern for the client firm. Maintenance and repair services when outsourced by a manufacturing company or services delivered by the Call centre executives on behalf of their client firm may come under the category of such high contact services, whereas, services such as baggage handling for Air Lines may come under the category of low customer contact services as the supplier although directly deals with the customers baggage (figure 4), does not have much interaction with the customers. The complexity of services with high customer contact is much more compared to those with low customer contact.

Proposition 1: Supplier development program gains increasing importance for high customer contact services in a service triad.
Classification based on supplier development / training

In a service triad, TPD service suppliers in most cases have a dominant role in the success of the buying company as their performance is what influences the customer perception about the client firm. Client Firms may thus help their suppliers to develop capabilities to maximize performance by supplier development programs to improve supplier performance and remain competitive (Modi and Mabert, 2006). Krause et al. (2000) characterized four supplier development strategies. Supplier’s performance may vary and buying firms often emphasis the need for supplier improvements in the areas of quality, delivery and cost reduction (Monczka and Trent, 1991; Morgan, 1993). Although all suppliers do not exhibit such shortcomings, buying companies that experience supplier performance deficiencies are vulnerable to compete in the market. In a service triad, TPD service supplier development or training may have a positive impact on performance of the suppliers and may even improve the manner of supplier-customer interaction and delivery. But not all TPD services suppliers in a triad may be trained to perfection. Maintenance service suppliers of manufacturing company, outsourced Baggage handling service suppliers for airlines, external accountants in Tax preparation firms and suppliers of glass cleansing activities of facility service providers may be trained to improve their performance level by their client firm but suppliers such as product delivery service suppliers of an e-retail portal, outsourced event management service suppliers of the FMCG firm and specialist training service suppliers of a consultancy firms may not be subjected to such training or development programs. The client firm does not train TPD service suppliers such as specialist trainers who train customers for a short duration. Suppliers are expected to be specialized in their own core activity. Delivery services too do not need specific training to improve their performance. They are expected to have a well-distributed network and proven potential to deliver products on schedule. The same may be true for an event management firm, whose core competencies lie in such event organizing activities. Supplier development programs are even expensive and demands necessary interest on the supplier side as well to develop their skills.
based on the client requirements. Thus it is not an easy alternative and needs to be carried out only under crucial circumstances of absolute need.

Proposition 2: Since all TPD services cannot be subjected to supplier development program, supplier selection process should be careful and unbiased.

Classification based on mode of interaction

TPD services can be physically as well as electronically delivered to the customers based on the type of service and customer requirements. Lovelock, (1983) categorized services based on the mode of interaction, whether the service needs to be delivered physically or can be offered over voice processes. Haynes, (1990) categorized services on the basis of whether being delivered by humans or by machines (Meuter et al., 2005). Services when offered over electronic means, it limits the risk of the development of personal relationship between service supplier and the customer as there are limited scope for personal interactions and exchange of emotions. Further, the communication may be recorded for convenience (Bitner et al., 2000) of monitoring and effective analysis of the customer’s perceptions about the buying company, its product and services offered. In the realm of service triads, call centre services come under such category of supplier customer interaction based on electronic mode of communication. In such interactions, the call durations are kept to a minimum (Niranjan and Metri, 2008), and generally no personal talks are possible beyond the business lines. The communications may be recorded for future analysis or as a performance measure of the customer care executive. It provides a bare minimum chance of inappropriate use of the power of direct contact of the service supplier with the client firm’s customer. When services are offered physically, there lies a prominent chance of the development of personal interaction (Dolen et al., 2004) between the supplier and customer which may be difficult to monitor and regulate and thus leading to chances of power shift from the buying company to the service suppliers.

Physical interactions are difficult to monitor and the behavioral issues have severe impact on customer satisfaction (Metcalf et al., 1992). For example a company ‘X’ outsources its maintenance services to a company ‘Y’ who visits customer sites bi-monthly to provide routine services to the customer of ‘X’. The client firm ‘X’ may have an annual maintenance contract with the customer. Supplier ‘Y’ on regular physical interaction with the customer may develop good relation with the customers and depending on the supplier-customer relationship, the customer may opt out from the annual contract with ‘X’ and negotiate with ‘Y’ for a less expensive commitment to the same service, sideling the client firm ‘X’. Such scenarios may be commonplace where services are physically delivered, where the client has no knowledge about the personal interactions between supplier and the customer in the customer site. Suppliers as well have stronger chances of influencing the customers to detach from the client firm by offering assured quality performances and inexpensive service offerings (Crosby et al, 1990).
Proposition 3: Electronic mode of service delivery eases monitoring process and minimizes behavioral and emotional factors to influence business transactions.

Classification based on business impact

In the recent times, due to the ever-increasing global competition, companies are often forced to look for new alternatives to sustain its growth and the world has acknowledged outsourcing as one way to help companies expand and excel (Bender 1999). Strategic management of outsourcing is perhaps the most powerful tool in management, and outsourcing of innovation is its frontier (Elmuti, 2003; Quinn 2000). Sourcing services although may seem to be an attractive option, its long term business impact is not very clear (Bryce and Useem, 1998). The financial impact of outsourcing is difficult to measure as researchers have to rely heavily on managers’ estimate. In most cases the focus has been on cost savings and rarely has the ultimate long-term benefit to the company been considered (Tully, 1993; Byrne, 1996; Hoffman, 1996; Saunders et al., 1997; Benson and Ieronimo, 1996; Lacity et al., 1996, 1994; Domberger, 1994; Greenberg and Canzoneri, 1997).

In a service triad, the TPD services may be categorized as those having high business impact and those having low business impact. Services such as maintenance, security and product delivery has high business impact whereas services such as catering may have low or moderate business impact except some rare cases. Even in some cases, cleaning services may have a significant impact in business success. For example, (figure 5) in an art gallery, where the exhibitors are the customers, the art gallery is the client firm and security and cleaning services offered by the art gallery are the outsourced peripheral services. To the customers/exhibitors, the availability of the space is the prime concern but in absence of security and cleaning services it is incomplete. The exhibitors would always look for tidy places to exhibit their art forms. If security of the paintings is at stake, the Gallery will be out of business even with its most appealing ambiance. Catering services on the other hand with poor quality food can lead to dissatisfaction but in most cases do not majorly affect the primary business. Catering services in railways, with poor quality food may raise customer concerns but the transportation service offered by the railways is not affected by it to a large scale.

![Figure 5: Example of peripheral service being outsourced in a service triad](image-url)
Classification based on motivation

In organizations, employees are motivated intrinsically as well as extrinsically. Intrinsic motivation is undertaken by one’s immediate need satisfaction and is valued for its own sake that appears to be self-sustained (Calder and Staw 1975; Deci 1975). The ideal incentive is the content of the work that must be satisfactory and fulfilling to the employee. Extrinsic motivation comes from indirect stimulus such as monetary compensation or reward. Money being a goal, often provides satisfaction independent of the actual activity. Extrinsically motivated coordination in firms is achieved by linking employee’s monetary motives to the goals of the firm (Osterloh and Frey, 2000).

In triadic study of services, the TPD service supplier’s motivation to deliver services can also be classified as extrinsic and intrinsic motivation. Suppliers with high intrinsic motivation perform efficiently but most often lack such motivation due to the mundane nature of work without proper recognition by the customer. A TPD service supplier such as one entitled to outsourced baggage handling service for an Airline may not have prolonged high intrinsic motivation as their duty empowers them only to handle the baggage appropriately and not to interact with customers and portray their organizational presence to the customers. A catering service supplier too may not be intrinsically motivated to high degree, unless their presence is highly appreciated by the customers. But if the same catering service is a very well-known food chain brand, it is then expected to be extrinsically motivated. Their high quality and delicious catering service will have strong implications on their brand name and thus would help them grow as individual entity. Such recognition and external reward ensures their performance and needs less monitoring activity by the client firm. When individuals are not constrained by any rules, opportunism seems to be a strong form of extrinsic motivation (Williamson, 1985, 1996).

Proposition 4: Extrinsically motivated suppliers tend to perform better under low supervision and monitoring.

Classification based on relationship continuity

Services can be delivered to the customer by the service suppliers in a discrete or continuous fashion (Lovelock, 1980). Continuous service delivery leads to a long-term relationship between customer and the service provider. Outsourced service suppliers of maintenance services and catering services who tend to have a continuous long term interaction with the customer’s, often develop a trustworthy relationship with them (Gummesson, 1987; Liljander and Strandvik, 1995). In case of maintenance services, over the years, such service providers directly encounter the problems, inconvenience and complexities that customer experiences and realizes immediate customer wants that could possibly lead to further product innovation by the buying company. Thus the choice and power solely lies in the hands of the service suppliers, whether to report...
back the customer feedback and observations to the buying company. This leads to the shift of power resulting from having direct customer contact, from buying company to the service provider. The maintenance service provider sometimes even may not be very keen to deliver services efficiently leading to customer dissatisfaction. It is obvious that with a very well designed utility product, if the maintenance service is inadequate, the product will have a low market value. Thus again, the buying company has to depend on the service suppliers for its business growth and needs to closely monitor its motivation, performance and strategic ties with the customers. Catering service, although a continuous medium time service, generally with contracts varying from six months to two years, is an exception to the above discussion. The outsourced catering service do not directly impact the buying companies growth, as it isn’t a core functionality of the buying company which has been discussed comprehensively in the above section.

A peculiar behavior in catering services is that the customers feedback comes directly to the buying company and the customers often has a dominant role in selection and continuity of these suppliers in long run. Discrete service delivery engages interaction between customers and suppliers for a very short duration of time. Outsourcing training programs for customers to specialist trainers and event management services purchased by a company on special occasions generally comes under such categories of discrete services. In case of training services, although the service providers interact closely with the customers, their focused objective being largely different and the duration of interaction being very short, they do not pose the risk of power shift. More importantly, inefficient training may directly impact their familiarity and popularity as a specialist trainer and has a very low chance of providing an unproductive training. In case of event management services, the services although being directly delivered to the customers or event attendants in this case, but there lies very low chances of direct interaction between the event attendant and service supplier and has no role in power shift or any other possible severe threats to the buying company.

Proposition 5: Continuous outsourced services often poses severe threat to buying company compared to discrete outsourced services and thus needs careful monitoring.

CONCLUSION AND FUTURE WORK

Services outsourcing although known to be the most common approach adopted by organizations to sustain global competitiveness, several cases of failure has been reported due to inadequate understanding of the outsourcing processes and the priorities. Specially, in cases where services are directly delivered by the service suppliers to the customers in a service triad, the risks involved in such sourcing are much higher and have severe negative impact over the businesses success if not prudently conducted by the buying firm. The strategic decision of business service sourcing under triadic relationships between buyer, supplier and customer being highly complex
and critical, an in-depth understanding of the phenomenon is necessary. Service Triads lately has become an important empirical phenomenon and researchers across the globe are contributing to the development of theory in service triads (Niranjan and Metri, 2008; Li and Choi, 2009; van der Valk and van Weele, 2011; van der Valk and Iwaarden, 2011). Till date, service triads have been studied in a generalized form. This paper tries to identify some of the basic consideration in study of service triads through a conceptual classification of the third party direct services. The earlier studies in service triads established concerns of outsourcing decision making and risks involved in triadic relationships. No study though highlights the situation specific concerns and its influence in appropriate decision making. All triadic relationship may not pose equal threat under all circumstances that may result in unnecessary attention of the buying firms. In order to simplify decision making, managers should be able to identify situational risks and difficulties, focus more on the severe operational threats and ignore the minor risk. The classification presented in this article may help managers to recognize the critical factors and considerations while ignoring the trivial concerns. The propositions are intended to help in understanding the complicacies in the triad and identifying the strategic concerns.

The next step is to empirically investigate the propositions based on field survey and case study approaches. The dynamics of relationship in a service triad is difficult to capture by studying it in a generalized fashion and needs a case specific in-depth study. Since researchers are still in the stage of understanding relationships in triad, a theory building effort would be desirable (Choi and Wu, 2009; Eisenhardt, 1989), where the initial data collection shall be guided by the existing theory and then the collected data subsequently be framed to the existing theory (Danneels, 2002; Dubois and Gadde, 2002; Orton, 1997). An inductive case study research should be the most appropriate methodology to investigate triadic phenomenon. A multiple case design with purposive case selection may be preferred over single case design to understand Triadic phenomenon in context of various organizations belonging to different industries. The case study is to be accomplished through in-depth interviews and short surveys based on the research objective. The study is intended to contribute to the better understanding of service triads and critical considerations in outsourcing services in service triads and provide crucial business insights to management practitioners.

The classification schemes proposed in this article can contribute usefully to management practice and researchers to whom they offer an alternative way of looking at triadic relationships. Undoubtedly there is also room for further refinement of the schemes proposed.

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References are available upon request from Prof. T T Niranjan, IIT Bombay: ttniranjan@iitb.ac.in