IT Outsourcing in the Face of Global and Technology Challenges

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INTRODUCTION

IT outsourcing is facing numerous challenges that emanated from not only socio-political and economic imbroglo but also from the race in technology novelty. This has made refocusing, re-analysing, re-engineering and re-assessing to become major challenges facing IT outsourcing drive in the current millenium. Do It Yourself (DIY) has become a syndrome in organisations, this has posed unprecedented challenge to IT outsourcing drive. Therefore this article provides a comprehensive and pragmatic definitions to IT outsourcing from the perspective of socio-political economic reality in line with the 4Rs Matrix (Refocusing, Re-analysing, Re-engineering and Re-assessing).This study provides related definitions such as Shared-Service outsourcing, In-sourcing, Eco-sourcing and offshore. By relating all these terms to 4Rs, a new dimension to IT outsourcing definition emerges from socio-political economic outlook of IT outsourcing based on previous studies conducted by the authors.

BACKGROUND

Outsourcing is complex, time-consuming, and at times even a career-killer. There is no single approach to outsourcing that will guarantee success. Every situation is unique in one way or another (Pepple, 2011). This complexity seems responsible for numerous project failures recorded. Therefore, one must understand the seven deadly sins underlying most failed outsourcing efforts, of which is outsourcing activities that should not be outsourced (Barthélemy, 2003). Though ITO has experienced a rapid growth since early 1990s in developed countries, this growth did not come by without any challenge. The continous drive for greater efficiencies and cost reductions has forced several organisations to increasingly specialise in a limited number of key areas, thereby outsourcing the potential problematic and challenging areas. A critical analysis of these challenges redirects this research to Refocusing, Re-analysing, Re-engineering and Re-assessing (4Rs). The sluggish and nose-diving economic growth of some developed countries, which has cumulated into industrial layouts at an accelerating speed, has brought several transnational corporations (TNCs) to be increasingly "refocusing, re-analysing, re-assessing and probably re-engineer their operations (Shittu, et al., 2012, Jing & Jian, 2010). These 4Rs measures are equally applicable to public and private information technology outsourcing practises.

Previous studies had shown that some developing countries such as India, China and Mexico are experiencing economic buoyancy due to effect of ITO (Jiang, 2009; Shittu & Adedokun-Shittu, 2011). Across organizations, ITO has been identified as one of the best practices for the management paradigm shift (Lin et al., 2011; Shittu et al., 2011; Ahlan & Shittu, 2006). It is one the matured business strategies used for more competence in the new organization system (Archstone, 2011).

ITO can equally minimize the costs and increase efficiency and flexibility of organizational business operations. However, vendors need to focus on services level target but equally the cost, security, arrangement and of course quality of service (Anderson, 2011). This means that vendors need to view ITO from wider perspectives such as Business operation, and Logistics system. This holistic view of ITO can be achieved through a strategic outsourcing where companies outsource everything except those core activities in

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which they could achieve a unique competitive edge (Franceschini et al., 2003). Either the outsourcing activities are executed by the client "*Capacity Outsourcing*" or the outsourcing activities are no longer pursued by the client "*Non-capacity Outsourcing*" the ability of the organisation to correctly apply 4Rs would determine the outcome of outsourcing arrangements (Fill & Visser, 2000).

OUTSOURCING FRAMEWORKS

Early prescriptions on the outsourcing decisions tend to focus on outsourcing in a manufacturing context - the classic make-or-buy decision by using quantitative models to evaluate the decision and the Transaction cost economics as the yardstick (Sachdeva & Bello, 2013). Proponents of approaches influenced by the transaction cost perspective argue that the optimal sourcing option will be chosen on the basis of transaction (McIvor, 2008). The skewing of outsourcing decision towards cost as sole determinant, has raised some challenges, as it is obvious that scanty attention were given to how the decision impacts the overall business strategy of the organisation (Baden-Fuller et al., 2000; Shittu & Adedokun-Shittu, 2011).

In reaction to this transaction-cost-skewed development, a number of frameworks that were proposed later in the literature have focused on the strategic implications of the outsourcing decision (Roy & Aubert, 2002; Insinga & Werle, 2000). This later metarmophisised into core competence approach in determining which between processes that should be kept in-house and outsourced.

McIvor (2008) identified that the existing frameworks shows that there is lack of a structured approach to outsourcing, which is clearly underpinned by antecedents of both. The Cost Economies the Resource-Based View. Suprisingly, some authors have found both capability considerations and factors such as asset specificity and the threat of opportunism are present in outsourcing practice (McNally & Griffin, 2004; McIvor, 2007).

In Figure1, the researcher realized the interdependence of factors such as ITO Policy; Mutual Trust and ITO Service that none of these factors could independently lead to ITO success. Therefore, he proposed a performance and outcome-based pricing model which was tested among some ITO Vendors. He claimed that this model is in response to the Fleming (2007) call for new ITO model while Currie and Parikh (2007) advocated for ITO model built around flexible pricing model, partnership, etc. These and other emerging models propelled the need for a matrix-based model, that enables organisations to compare and constrast their organisational needs, value and expectations from outsourcing.

Anderson and Parker (2012) further reiterated that "each firm's tasks cannot be executed in isolation but instead must be tightly coordinated in order to ensure product success" this call supported the earlier Fleming's (2007) call for new ITO model.

Figure1. Performance and outcome based ITO model (Shittu, 2009)