

Outsourcing of Information Systems Functions in Small and Medium Sized Enterprises: A Test of a Multi-Theoretical Model

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Abstract

In this paper determinants of information systems (IS) outsourcing are deduced from transaction cost economic theory, resource-based theory and power theory. They are summarized in a theoretical framework which is tested using a sample of small and medium sized enterprises (SMEs) in Germany. The results show that internal performance and know-how deficits vis-à-vis external service providers are key determinants that explain why different IS functions are outsourced to varying degrees in SMEs. Moreover, the determinants of IS functions were found to partially differ between IS functions.

Keywords

Information systems outsourcing – Small and medium sized enterprises (SMEs) – Transaction cost economic theory – Resource-based theory – Power theory – Structural equation modeling – Partial least squares – Empirical study

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