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# Information Relationship and Symmetry Management as Critical Long-term Success Factors in Outsourcing IS/IT Systems and Services Provision

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## Abstract

*We seek to examine the critical factors for effective IS/IT systems and services provision in longer-term outsourcing. Information Systems (IS) and Information Technology (IT) outsourcing has become a critical aspect of Corporate Strategic IS/IT Planning (SISP) given the competing and competitive internal and external pressures now increasingly prevalent in a world of rapidly renewed IS/IT products, ever shortening life cycles, ever shrinking value chains and fast evolving new markets.*

These forces have conspired to hasten the emergence of new management approaches on the often unified theme of de-layering, downsizing and outsourcing.

Yet these rapid changes in technology, legislation, service delivery constraints and expectations have contributed to the complexity of every stage and facet of the decision making process regarding whether, what and how to outsource and the choice of the particular outsourcing vendor.

This research seeks to contribute to our understanding of the factors that affect strategic decision making in IS/IT outsourcing. It attempts to build a consensus from previous research work regarding the notable advantages and disadvantages of outsourcing as viewed from the clients' standpoint. It then derives a process model as a research vehicle specifying the set of input-output factors central to the decision process. This focus of factors is later subjected to extensive research by means of a validated survey instrument. This is used to investigate the incentives and dis-incentives to outsourcing which influence IS/IT strategists as potential outsourcing clients. The results of this survey covering 500 key British Enterprises are used to refine the above process model as an aid to outsourcing decision making. An important observation borne out by this work is that although best practice principles recommend that outsourcing decisions should be an integral part of the SISP as linked to the business context ie Corporate Business Strategy, it is still the case that adhoc, piece-meal and short-termist outsourcing decision making remain prevalent; with cost reduction as the predominant incentive motivating a significant number of outsourcing decisions.

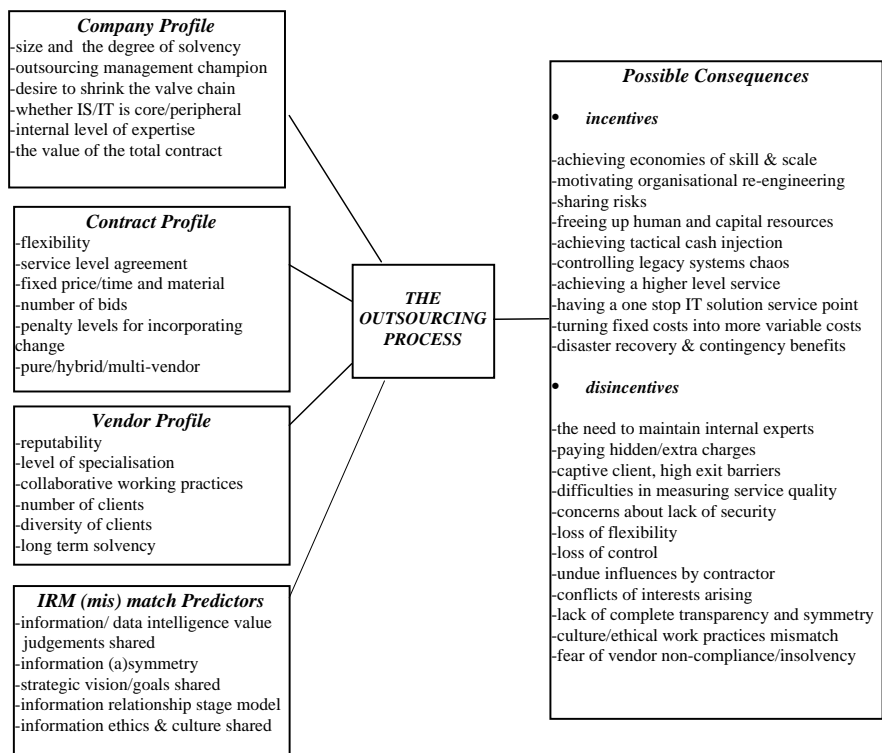
However this research attempts to motivate an analysis framework which can help the outsourcing strategist to emulate the successes and avoid the pitfalls. It extends earlier work as reported by Badii ('97) to investigate further the role of Information Relationship Management (IRM) factors such as information culture, information sharing and symmetry, and, mutuality in determining sustainability of Relationship Management for Mutual Benefit (RMMB) between the outsourcing vendor and the client. It explores the extent to which characterisation of the degree of possible match between two IS partner organisations as IS services supplier (vendor), and, IS services consumer in terms of the above IRM criteria can be used to predict potential longer-term success or failure and thus inform the vendor screening processes within a generic Outsourcing Decision Support System.

## Historical Background

Outsourcing of computer services dates back to the birth of the Electronic Data Systems (EDS) founded by Ross Perot in 1962. IS/IT projects had always been, and still are, perceived as being likely to exceed budgets, deliver late and need complex management capabilities. Furthermore rapid and continuous changes in IS/IT which made its cost containment difficult, have helped make it a prime candidate for outsourcing. IS/IT outsourcing (pure and/or hybrid) has therefore been seen by an increasing number of managers as a means of reducing costs and gaining access to new resources without significant upfront investment. In fact the 80s and 90s hopes and hype of outsourcing have not materialised for many organisations.

## The Evolving Outsourcing Business Context

Several researchers have discussed the scale of possible outsourcing options including selective sourcing approaches referred to as rightsourcing and smartsourcing eg Anderson '90, Benco '96, Earl '96. The spectrum of possible choices in outsourcing relationships ranging from *alignment* through *alliance* to *reliance* has been examined by Nam et al '96. In attempting to derive a process model to map the focus of factors for the outsourcing decision process and its consequences we have investigated the relative influence of some key incentives and dis-incentive to outsourcing as considered by previous researchers in this area (eg Lacity & Hirschheim '93, Wilcocks et al '95, Cross '95, McFarlan & Nolan '95, Davidow & Malone '92, Prahalad & Hamel '91, Takac '94 ). Accordingly an outsourcing process model is derived to serve as our research focus of factors as illustrated, in summary, in Fig. 1 below:



**Figure 1. Outsourcing Decision Process Model (Focus of Factors)**

## The Research Instrument and Results

The above process model illustrates the focus of factors operating in the outsourcing decision process and the space of possible outcomes. In order to derive a framework for measuring the relative robustness of key factors in contributing to sustainable success in outsourcing relationships, a survey instrument was adopted and a questionnaire protocol relating to the above success/failure factors was conducted. This was sent to the Heads of IS/IT Departments of the top 500 Dunn and Bradstreet Key British Enterprises. The rank criterion was selected on the basis of Company sales turnover. A response rate of 26% was achieved. In the second stage of this research follow-up structured interviews were carried out with a number of organisations selected on the basis of their history of longer-term outsourcing relationships with one or with multiple vendors. During this phase a key selection criterion for investigating a candidate organisation was the existence of an IS strategy to continue outsourcing the whole or

greater part of their IS/IT systems and services provision.

The results extended some of the findings of earlier researchers in this area; for example that of Willcocks, Fitzgerald and Feeny ('96). It was found that the more IS/IT-mature companies tended to have a deeper understanding of their own IS/IT growth stage and the relationship between themselves, and, the placing of their IT strategy within their sector, the use of information, the type and value of the competitive data intelligence backbone required to deliver their corporate strategy as well as the role expected from the outsourcing agents in achieving specific goals. Such organisations tended to confirm a change of focus in outsourcing; shifting increasingly away from just technology to include the management of relationships in order to exploit outsourcing for mutual benefit (Badii & Rolfe '96). A critical longer term success predictor was found to be the degree of effort invested by the organisation in effective partnership engineering and Relationship Management for sustained Mutual Benefit (RMMB) with the outsourcing vendor as a partner.

Indeed amongst those organisations investigated in the second stage of this research who could claim a significant longer-term record of success with their outsourcing, some 73% maintained that they would avoid entering into outsourcing arrangements of the kind which merely resulted in shifting bottlenecks or problem areas as a tactical response simply to reduce costs. This strongly correlated with an emerging best practice consensus among such organisations which exploited a unification of outsourcing and partnership engineering sub-strategies to serve a confluence of meta-goals derived from corporate strategy through strategic IS/IT services provision planning. Admittedly such an approach did mean a higher threshold of effort and investment in the infrastructure required in formulating target relationship types sought and thus establishing the profile of the partnerships most likely to bring sustainable success. This however also raised the exit costs for both parties and thus acted as a stimulus for working to sustain the relationship thus created. Here we found that information-culture and information-value related factors were key players. These included, for example, shared views of what constituted information sharing, sharing boundaries, and, symmetry or lack of it in attitudes to the process of sharing or volunteering information, data mining, process mining and other business intelligence management goals. Other factors included shared value judgements about the importance of mutuality, as in a psychological contract, and, transparency of the causal theory or root rationale for the dynamics of mutual expectations and perceptions as well as cultural, ethical and working practices affecting the outsourcing operation.

Conversely failures in outsourcing tended to arise from lack of awareness of the importance of partnership prototype specification and screening to ensure a good match existed in respect of the above critical factors in information relationship management. Success will therefore be measured in terms of meeting the requirements to accommodate the changeable nature of business and of competition itself. The relative benefits of a management mix of options ranging from total insourcing, to selective/total single/multi vendor outsourcing have to be continuously evaluated against the evolving nature of competition in

the emerging knowledge-based marketplace. We conclude that the attainment of a future-proof IS/IT services sourcing strategy for the enterprise can be greatly assisted through strategic vision, partnership engineering and relationship management with all market transactors including outsourcing vendors. This has to be so in order to achieve sustained mutual benefit and thus assuredly enduring competitive advantage for the transformed enterprise.

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