Mapping Critical Success Factors for IT Outsourcing: The Providers’ Perspective

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ABSTRACT

During the last decades, IT Outsourcing gained considerable management attention and is considered a strategic decision used to promote success on its variable dimensions, like: cost reduction, quality improvement, access to new technologies, among others. The existing literature presents many studies on IT Outsourcing. However, there are few studies from the provider’s perspective. Therefore, the objective is to focus on providers’ critical success factors and their relationships in IT Outsourcing contracts. To analyse this subject a qualitative approach based on cognitive mapping process was applied. Cognitive or causal maps are widely employed in problem-structuring, since they permit a rich representation of ideas, through the modelling of a complex network of actions. This approach is innovative compared to the traditional quantitative methods used. As a result, authors were able to map a network of means and ends and in parallel were found new success factors like service standardization, price flexibility, cost management and service catalogue, which allowed obtaining new insights into the structure of today’s IT Outsourcing contracts.

Keywords: Cognitive Mapping, Critical Success Factor, Customization, IT Outsourcing, Pricing Management, Service Catalogue, Service Design, Standardization

INTRODUCTION

Since organizations have become dependent on information technology (IT) to support their business operations, IT service management becomes mandatory. However, to accomplish that in a competent way, organizations need to invest in knowledge and technology or Outsource part or all of their IT services to specialized providers.

IT Outsourcing has been presented as a strategic option (Brown & Wilson, 2005; Corbett, 2004; Cullen, 2009; Quinn & Hilmer, 1994; Willecocks & Lacity, 1998; Willecocks L. C., 2010) that has great benefits, such as: capability and experience of service providers, innovation and cost reduction, (Lacity, Shaji, & Willecocks, 2009, p. 134; Svejvig & Pries-Heje, 2011). However, there are also associated risks, such as: lack of provider flexibility, hidden

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costs, lack of knowledge sharing, and many others identified in (Earl, 1996; Lacity, Shaji, & Willcocks, 2009).

Consequently, when an IT Outsourcing contract fails to deliver the promised benefits, it leads to frustration and poor business performance is the outcome for both parties. Thus, the alignment of goals between customer and provider has been considered a vital issue in Outsourcing success (Hancox & Hackney, 2000). Nevertheless, alignment remains difficult, because customers and providers often have opposite interests.

As a result, the success of an IT Outsourcing contract depends on several factors, which are dynamic and difficult to predict, thus a significant number of studies have examined IT Outsourcing success factors (Michael S Lane, 2005; Misra, 2004; Gottschalk & Solli-Sæther, 2005; Grover, Cheon, & Teng, 1996; Lee & Kim, 1999; Tan & Sia, 2006; Tan D., 2009; Schwarz, 2013; Willcocks & Choi, 1995).

Notwithstanding, it should be pointed out that the majority of the studies were focused on customer perspective and centred their approach mainly on the relationship of the independent variables with the dependent variable “success”, but they did not research on the relation between success factors and how those factors correlate to build a system of actions and outcomes.

As a result, this research, intends to fill that gap by identifying the critical success factors and their relationships through a system of actions and outcomes, from a provider’s perspective.

To develop this work, the Cognitive Mapping Process (CMP) was used, since, on the one hand, when effective strategies need to be developed or when a situation needs to be better understood, CMP is a suitable approach (Bryson, Ackermann, Eden, & Finn, 2004), and, on the other hand, the majority of the referred studies on success factors were based on quantitative methods.

Colleen Schwarz (2013), also studied CSFs in IT Outsourcing, and argued that through surveys no new CSFs could be disclosed. Therefore, a different approach was drawn to unfold and explore the subjective view of practitioners.

The CMP has been usefully employed in the fields of information systems, administrative sciences and management sciences (Bana e Costa, Corrêa, Ensslin, & Vansnick, 2002; Bryson, Ackermann, Eden, & Finn, 2004; Montazemi & Conrath, 1986). Through this approach, the researchers expected to tackle the idiosyncrasy of IT Outsourcing service contracts and find new data.

This analysis does not focus on contracting services through offshore or near shore models, which eliminates the discussion of cultural issues.

The paper proceeds as follows. Section 1 presents the introduction, research problem and motivation. Section 2 presents the related work with IT Outsourcing and critical success factors. Section 3 explains in detail the research methodology adopted. Section 4 presents the results obtained. Section 5 describes analyses and discusses the results. Finally, in Section 6, we present the conclusions that emerge from the present research work highlighting the contribution made for the academic and business community, as well as for future research.

RELATED WORK

This section focus on the study of what is a critical success factor and how success was seen in IT Outsourcing during the last decades.

Critical Success Factors

The identification of Critical Success Factors (CSFs) as an independent method to identify concerns, issues or factors affecting organizations, gained importance when Rockart (1979) started using the term arguing that CSF could be applied in a whole organization or in an individual department.

The prime purpose of CSFs was to clarify business needs and identify priorities, as the following sentence shows: “for any business the limited number of areas in which results, if satisfactory, will ensure successful competitive performance for the organization” (Rockart,
Achieving System and Business Interoperability by Semantic Web Services
www.igi-global.com/chapter/achieving-system-business-interoperability-semantic/48577?camid=4v1a