ABSTRACT

As Business Process Outsourcing (BPO) moves offshore and now includes Information Systems (IS) Processes, there is a need to consider a combination of the two. This article explores the factors that a multinational organisation considered when it “offshored” its IS business processes to lower-cost destinations. It focuses on determining the driving factors and challenges faced during the offshore sourcing project. A single, in-depth interpretive case study approach was used to explore this research topic. The results of this study show that the organisation under investigation was primarily driven to offshore its IS business processes in order to become more competitive in the marketplace. This was assisted by the organisation reducing its operational costs, and establishing a global presence in many lower-cost locations offshore. A model was developed, which illustrates the interrelationships that exist between these concepts.

INTRODUCTION

Offshore sourcing (the purchase of services from overseas) is not a new phenomenon; it has existed for the last 2 decades in many industries, particularly in the manufacturing industry, and more recently in the financial services industry. Despite being active for a number of years, offshore sourcing only gained momentum during Y2K when there was an abundance of capable professionals offshore, more “than those available in the first world” (Dibbern, Goles, Hirschheim,
The outsourcing phenomenon has today evolved from arrangements, which involve one client and one vendor where the vendor is responsible for providing all IS-related services to the client; to arrangements that involve multiple vendors has typically been enabled by IS/IT (Hirschheim et al., 2004, p. 23). But, there is a further development—the offshoring of IS business processes themselves (such as customising and modelling SAP reports, changing management, and modifying work roles and tasks by sending certain components offshore). The research reported here has the aim of providing an in-depth understanding of its drivers and motivations and is based on an intensive case study of IS business processes offshoring by an Australian arm of a multinational organisation—ComputerInc (a pseudonym, as are the names of staff), a leading supplier of IT hardware, software, and services.

This study identifies both the drivers (expected benefits) and challenges of offshoring IS BPO. It is perhaps relevant that one of the sites being considered for taking on some of the work was in fact on-shore—in Australia, but removed from the main office. This was seen as significant at the time as ComputerInc had several clients who were expected to have concerns about data and data interpretation going offshore. The resulting framework grounded in empirical data contributes to a better understanding of the offshoring IS business processes which may aid organisations in their decision-making surrounding offshore sourcing. It is hoped that this framework will be employed in future research to develop a more general theory into offshore BPO. The authors firmly believe that the interplay between the benefits and challenges explored here will be useful for managers considering similar decisions.

BACKGROUND

Outsourcing

The outsourcing phenomenon has today evolved from arrangements, which involve one client and one vendor where the vendor is responsible for providing all IS-related services to the client; to arrangements that involve multiple vendors.
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