Chapter 12
Understanding Outsourcing of Information Systems

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ABSTRACT

Many decisions on IS investments have made during the past 20 years but yet, the extant literature does not provide a clear understanding of the phenomenon of IS outsourcing. This chapter answers two main questions relevant to researchers and practitioners: 1) What are the main findings so far in IS outsourcing literature? 2) What do we still need to learn? Through a comprehensive review of the literature, the authors offer systematization of the body of knowledge on outsourcing, its implications on firms’ boundaries, and the theoretical challenges. The MIS perspective appears to be very present, both by considering technology as part of the external environment and by exploring IS and IT as areas for important sourcing decision. In conclusion, implications for managers are drawn.

INTRODUCTION

Outsourcing is broadly recognized as a relevant and multi-faceted strategic choice. Yet it is somewhat surprising that, while many studies have investigated the creation of value by outsourcing, very few have explored, in a systemic approach, the relation among the determinants of its decision, the process through which it can be implemented and the outcomes it can generate. A recent publication by the OECD STAN database confirmed that the scope of its application has increased constantly during the last 20 years and reached the peak of its popularity during the late 1980s and 1990s, boosted by the rush of corporate downsizing and the reengineering bandwagon effect. However,
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It continued to grow at a rate of 30-35 percent (revenues per year) until 2007, and it is expected to return to similar growth rates by 2011. The industry experts have not only predicted a resurgence in outsourcing practices but also suggested that outsourcing needs to be redefined and better understood (Outsourcing Center, 2011). Moreover, although the public once embraced outsourcing practices favorably, the widening of their scope has inevitably clashed with the priorities of some internal and external stakeholders (e.g., workers, unions, banks). Finally, as recent research shows companies are expeditiously outsourcing the non-core business processes and functions in order to balance the infinite requirements with organizational assets (Tsiakis & Tsiakis, 2013).

This chapter moves from the evidence that, despite almost 30 years of research and practice, the field of outsourcing still suffers from ambiguous definitions and lacks guidelines for strategic implementation. Despite outsourcing has attracted the interest of a broad range of disciplinary streams and specialty areas, the identification of its perimeter is not very clear, nor are the dynamics of its implementation. Singularly, outsourcing and its more recent variants (offshoring, smart sourcing, etc.) have been the object of numerous conceptual and empirical articles embracing various fields of research. Nevertheless, no extant literature has made a comprehensive review effort or a synthesis on the dynamics of its (organizational) implementation. Further, in some disciplinary areas the theme of outsourcing has been analyzed without solid theoretical basis and lack of statistical evidence and methodological rigor (Marchegiani et al., 2012). This Chapter reports a substantive review research (Cropanzano, 2009) which we believe is necessary to enlighten some critiques on the extant literature and to propose a new conceptual model able to explain the dynamics of outsourcing implementation. To clarify the underlying concepts and to show the main concerns about implementation, we reviewed the literature in the field of management, and specifically in the IT fields, by: a) assessing whether the established research can explain the recent trends in outsourcing, and b) defining the new directions for future research.

We refer to a framework which has been extensively used in the extant literature (antecedents - outcomes – moderators) for a comprehensive survey of the existing literature and the principal mainstream theories. The analysis of the extant literature might be beneficial for the greater management field, and not only for the Management of Information Systems (MIS) or the other areas that so far have been dealing with outsourcing (e.g. decision making, procurement, operations management, etc.). Through a critical review of the main hypotheses and limitations of the literature, this chapter aims to bridge the traditional barriers in the management field and to foster new insights for both academics and practitioners. Moreover, we believe it is paramount to review the debate about outsourcing in the light of the most recent global economic trends. Thus, we aim at answering two main questions:

- What are the main findings on outsourcing across the existing bodies of literature?
- What do we still need to learn about the future of outsourcing?

The contents of the chapter will be dealing with such questions and the outline is the following:

1. Development of outsourcing analysis: definitions;
2. A model for categorizing research on outsourcing;
3. Main findings and insights for future work;
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