Factors Hindering IT Outsourcing Relationship in Swedish Public Organizations

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ABSTRACT

IT outsourcing relationship is the relationship in the outsourcing agreement between the service provider and service receiver. The overall IT outsourcing success is directly influenced by the IT outsourcing relationship. However, not much attention has been given in research literature to the IT outsourcing relationship in public organizations and even less regarding the IT outsourcing relationship in Swedish public organizations. This study investigates the factors that hinder the post-contract stage of IT outsourcing relationship in Swedish municipalities. The research was performed through case studies in two Swedish municipalities and has revealed nine hindering factors in the post-contract stage of an IT outsourcing relationship. The findings of this study contribute to the few existing research on the hindering factors of the post-contract stage of the IT outsourcing relationship in public organizations.

Keywords: Hindering Factors, Influential Factors, IT Outsourcing Relationship, Post-Contract Stage, Public Organizations, Swedish Public Municipalities

INTRODUCTION

In the opinion of Barthélémy (2003, p. 539) “Information Technology (IT) outsourcing is the practice of turning over all or part of an organization’s IT to an outside vendor”. The relationship between the service provider (the vendor) and the service receiver (client organization) is referred to as the IT outsourcing relationship. According to Alborz et al. (2003) it is essential to maintain this relationship because it can affect the efficacy of the IT outsourcing relationship and the end results. Therefore in order for organizations to manage the outsourcing process, relationship management has become very crucial for the success of IT outsourcing (Cong & Chau, 2007). To achieve this, it is important to identify and manage the factors that influence an IT outsourcing relationship. More research has been performed on the factors influencing positively on the IT outsourcing relationship than on the factors that
influence negatively or that act as hinders to an IT outsourcing relationship.

Research on IT outsourcing relationships and how organizations manage outsourcing has increased (Cong & Chau, 2007) as the overall IT outsourcing success is influenced by the IT outsourcing relationship (Alborz et al., 2003). Furthermore, we have noticed that the IT outsourcing relationship can be influenced either positively or negatively by different factors (Kern & Willcocks, 2001). Alborz et al. (2003) presents a model of factors that influences IT outsourcing relationship structured on three stages (pre-contract stage, contract stage and post-contract stage). The first stage is the pre-contract stage which encompasses the scoping and evaluation of possible service providers. The second stage is the contract stage which involves the negotiation of the contract between the service provider and the service receiver. Finally, the post-contract stage is the transition, middle and mature phase of the relationship. In this study we will only focuses on the post-contract stage of the relationship as it is the longest stage of the relationship and it focuses on the daily operational activities. This makes the post-contract stage the most important stage of the IT outsourcing relationship and is the reason why we concentrate only on this stage. Therefore, the influential factors taken into consideration are those from the post-contract stage of the IT outsourcing relationship.

As we have noticed public organizations, as well as private organizations, outsource IT operations (for example the development and maintenance of IT applications). However, a great part of the research literature available on IT outsourcing relationship does not focus on cases within public organizations but concentrates instead on private organizations (Cox et al., 2011). While both private and public leaders consider the importance of IT equally great, their reasoning for outsourcing IT can be influenced by different factors (Vilvovsky, 2008). Therefore IT outsourcing relationship is significant in both private and public organizations even though private organizations have received more attention in the research literature.

According to Rocheleau & Wu (2002) a limited amount of research has been done on public organizations regarding IT outsourcing relationship as they spend less on new technologies and less on IT training than private organizations. In fact public organizations, municipalities, get funded through taxes and are thus pressurized to use their economic resources more efficiently. They also have a set budget and a set amount of economic resources that are available for them to use. Therefore successfully maintaining an IT outsourcing relationship is essential for public organizations. However the IT outsourcing relationship between a public organization and a service provider is according to Gantman (2011) the most underrepresented problem in IT outsourcing studies. In this context the research question that this paper addresses is: “Which factors hinder the post-contract stage of an IT outsourcing relationship in Swedish public municipalities?”

In the following sections, we present the prior studies in the research literature concerning the influencing factors in IT outsourcing in general and in public organizations in particular. Then we describe the case study research strategy, data collection and the analysis method used. Next, we describe and analyze the findings from the two case studies to address the research question. Finally we present a discussion and the conclusions of this research.

RESEARCH BACKGROUND

IT Outsourcing in Public Organizations

Research regarding IT outsourcing in public organizations is limited (Vilvovsky, 2008; Cox et al., 2011). This is a major letdown and according to Marco-Simó et al. (2007, pp.52) outsourcing in public organizations “has not produced a level of research interest proportional to its economic importance”. On the other hand, public organizations have oriented themselves to IT outsourcing similarly to private organizations, which has resulted in IT outsourcing
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