Management Support Model for Information Technology Outsourcing

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ABSTRACT

This study deals with the problem of outsourcing management, presenting a structure to support decision-making on effective information-technology outsourcing and highlighting the advantages and disadvantages that must be addressed. Since the study involves multiple variables, partially defined and conflicting objectives, and the will of decision-makers to broaden their understanding of the impact of decisions, the study used the multicriteria decision aid constructivist method to lead data collection and analysis. The chief results presented are: (i) a structured appraisal arranged by 8 strategic objectives and 107 performance indicators; (ii) the strengths and weaknesses of the status quo; and (iii) a process diagram for generating improvements. To ensure presentation of scientific and practical recognition in accordance with the constructivist path, the epistemological view adopted meets the scientific and practical requirements to ensure validity, legitimacy, and effectiveness of a model to support a decision-making process in a practical environment.

KEYWORDS
IT Outsourcing, IT Services, MCDA-C Method, Multicriteria, Performance Appraisal

INTRODUCTION

IT stands as one of the most fruitful areas for outsourcing by its operating nature and its history (Lacity & Willcocks, 2001; Lee, Huynh, Kwok, & Pi, 2003; Lacity, Khan, & Yan, 2016). The fact that it is a focus of analysis in several IT management models reflects the criticality of outsourcing (De Haes, Van Grembergen, & Debreceny, 2013; Sahibudin, Sharifi, & Ayat, 2008). Therefore, performance appraisal for IT outsourcing is of great interest to researchers and businesses (Ensslin, Mussi, Chaves, & Demetrio, 2015a, Lacity et al., 2016).

The interest in IT outsourcing has escalated mainly because IT has become more pervasive (Gorla, Somers, & Wong, 2010; Vodanovich, Sundaram, & Myers, 2010) with the digital transformation of business (Westerman, Bonnet, & McAfee, 2014). Alongside this rise in IT, an increasing preoccupation with external IT provisioning occurs in all business models that require integration, stability, and agility in a shifting organizational environment—features associated with IT quality (Ensslin et al., 2015).

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The wide presence of IT in an organization means that IT outsourcing can have an impact on many aspects of organizational performance and increase the risks inherent in certain types of IT provision. Bearing in mind the complexity of IT in organizations, the effort required to maintain and update it, customers’ reliance on innovation, and the interdependence of technology and organizational performance, many organizations have outsourced all or some of their IT functions. The improvement of service performance, cost reduction, user satisfaction, and a focus on core business competencies are among the reasons organizations opt for IT outsourcing (International Association of Outsourcing Professionals [IAOP] & Chittenden, 2010; Lacity & Willcocks, 2001; Lee et al., 2003).

However, what at first seems a highly attractive solution for meeting organizational goals comes with risks and challenges. Historically, results do not always confirm organizational expectations regarding IT outsourcing, and in some cases, they contradict expectations (Bahli & Rivard, 2005; Cullen, Seddon, & Willcocks, 2005). The considerable amount of reporting on the undesired consequences of IT outsourcing refers to the need for special care in planning, implementing, and maintaining it, handling each contract uniquely (Aubert, Houde, Patry, & Rivard, 2012; Gonzalez, Gasco, & Llopis, 2006). In this context, the question arises of how best to assess the benefits of IT outsourcing specific IT services.

Studies on IT outsourcing performance appraisal commonly focus on ex-post assessment (i.e., evaluating their effectiveness after outsourcing the service). Ex-ante evaluation studies are fewer and focus more on traditional cost-benefit analysis of outsourcing (Ensslin et al., 2015). In addition, studies deal with the assessment of IT outsourcing performance from perspectives that Roy (1993) characterizes as realistic, reflecting a lack of research in this field that uses the constructivist perspective (Ensslin et al., 2015). Therefore, the current study contributes an ex-ante assessment model focused on identifying the potential for outsourcing an IT service, and the use of a constructivist approach to performance evaluation.

Therefore, the purpose of this study is to provide a structured performance-appraisal model to determine the potential benefits to a company of outsourcing IT services. Some of the specific objectives are: i) an inventory of the decision-maker’s strategic, tactical, and operational concerns with regard to the performance of IT outsourcing; ii) a hierarchical structure of value for those concerns; iii) ordinal scales (performance indicators) to measure the performance of operating criteria; iv) a criteria-based performance profile built from the constructed scales; v) identification of strong features and opportunities for improvement focused on increasing the company’s potential outsourcing of IT services; vi) an illustration of how the model can generate improvement actions. Given the featured issues, the multicriteria decision-aid constructivist (MCDA-C) method is chosen for its appropriateness for constructivist analysis of complex and specific contexts (De Oliveira Lacerda, Ensslin, Ensslin, & Dutra, 2014; Marafon, Ensslin, De Oliveira Lacerda, & Ensslin, 2015; Silva da Rosa, Ensslin, Ensslin, & Lun kes, 2012).

The remainder of this paper comprises five sections. The following section sets out the theoretical references underlying the study. The second section contextualizes the research methodology. The third section presents the data analysis and the results. The fourth section provides a discussion. Finally, the fifth section lists conclusions and contributions.

LITERATURE REVIEW

IT Outsourcing Performance

Outsourcing has become the standard in many organizations worldwide (Lacity et al., 2016). IT outsourcing is the contractual provisioning of IT products (goods and/or services) to client organizations by an external organization (Cullen et al., 2005; Gottschalk & Solli-Sæther, 2005). IT outsourcing can also develop from an interorganizational relationship between client and supplier to provide IT services (Baker, Gibbon, & Murphy, 2002; Lee, Miranda, & Kim, 2004).
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