Chapter VIII

Lessons Learned from Successes and Failures in Information Systems Outsourcing

Kathryn M. Zuckweiler, University of Nebraska at Kearney, USA

Abstract

This chapter presents a process map of information systems outsourcing decisions and factors which influence the outcome of the outsourcing project at each decision point. The author takes a broad view of outsourcing projects and examines IS outsourcing successes and failures in context of project phase. Brief examples are provided to illustrate various outcomes of the decisions faced by both outsourcing vendor and client. The chapter also presents a summary of lessons learned about information systems outsourcing and recommendations for future research.
Introduction

The rapid advances in information technology over the past twenty years have fueled what some are calling the “knowledge economy” (Due, 1995). A knowledge economy is partly characterized by the strategic role of information systems in creating and disseminating knowledge and information. Specifically, information systems (hereafter referred to as IS) enable more timely spread of information that is rich and deep. IS have also reduced the asymmetry of information between buyers and suppliers. While this is most commonly thought of between consumers and businesses, these benefits also accrue in business to business relationships. These benefits can lead to more efficient and effective communication between businesses and their customers, which at least in theory could favorably impact the performance of the company. With so much potential gain from the strategic use of IS, many companies look for ways to realize these benefits. However, the rapidity of IS change, evolving technological standards (hardware, networking, etc.), and dizzying array of software choices make it challenging to develop and maintain the resources and competencies necessary to manage IS. So, companies have increasingly turned to IS outsourcing as a means of retaining focus on core product or service competencies and keeping IS strategic by buying IS competency from vendors (Allnoch, 1997).

This has not proved to be as simple or straightforward as it might seem. While IS outsourcing successes garner much publicity, there are an unknown number of IS outsourcing failures, some of them staggering in the cost and scope of the failure (Anderson, Davison, & Lepeak, 2004). Researchers are beginning to study IS outsourcing failures as well as successes to attempt to learn more about the determinants of IS outsourcing outcomes. To date, most research examines IS outsourcing outcomes from either a success or a failure standpoint. This chapter aims to synthesize the academic research related to IS outsourcing successes and failures, combined with examples from business, to take stock of what has been learned about IS outsourcing. As outsourcing itself is a multistage process, successes and failures will be presented and analyzed at each stage of the process. The chapter concludes with a discussion of lessons learned and suggestions for future research.

The Outsourcing Process

A review of the existing literature on IS outsourcing indicates that there are several stages through which most, if not all, outsourcing projects progress. These stages are graphically represented in a process map shown in Figure 1.
Related Content

The Use of Outsourcing as a Business Strategy: A Case Study
[www.igi-global.com/chapter/use-outsourcing-business-strategy/27967?camid=4v1a](www.igi-global.com/chapter/use-outsourcing-business-strategy/27967?camid=4v1a)

Offshoring: The Transition from Economic Drivers Toward Strategic Global Partnership and the 24-Hour Knowledge Factory
[www.igi-global.com/chapter/offshoring-transition-economic-drivers-toward/27959?camid=4v1a](www.igi-global.com/chapter/offshoring-transition-economic-drivers-toward/27959?camid=4v1a)

Enterprise Application Service Model
[www.igi-global.com/chapter/enterprise-application-service-model/36189?camid=4v1a](www.igi-global.com/chapter/enterprise-application-service-model/36189?camid=4v1a)
Client-Vendor Relationships in offshore Applications Development: An Evolutionary Framework
www.igi-global.com/chapter/client-vendor-relationships-offshore-applications/36164?camid=4v1a