Chapter IX

Information System Outsourcing Decision: Case Study on the Automotive Industry

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Abstract

Outsourcing decisions in information technology (IT) research has yielded contradictory findings and recommendations. However, companies are increasingly outsourcing all or some of their information systems (IS) activities. This chapter examines the potential problems a company may face under this strategy. For this purpose, we conducted an empirical study in a European car manufacturing company that has followed the outsourcing alternative. The case analyzed offers insights about the outsourcing decision process and the difficulties the company faced when trying to adapt the software developed to the new business requirements. The problems that came out pushed the company to move back to the
internalisation of the IS functions. The case shows a greater involvement of users on in-house developed projects. Our findings indicate that outsourcing is a good alternative when the IS activity is a technical one which does not require specific knowledge of the company.

Introduction

Information systems (IS) development is a complex activity that requires close communication among users, information systems personnel, and senior managers. From the 1980s on, among business organisations there has been a trend towards the outsourcing of information systems functions. IS outsourcing may be defined as the act of subcontracting a part, or all, of an organisation’s IS work to external vendors to manage on its behalf (Altinkemer, Chaturvedi, & Gulati, 1994).

Some authors have analysed the reasons why companies outsource (Ang & Cummings, 1997; Ang & Straub, 1998; Lacity & Willcocks, 2000; Slaughter & Ang, 1996). The experience of outsourcing has brought the desired results to some companies, but others have suffered many difficulties (Ang & Toh, 1998). Outsourcing always entail some dangers. The companies should evaluate the problems related with the transfer of its IS to an outsider.

This chapter addresses three research questions. First, following prior research in IS outsourcing, we outline reasons why many companies have moved towards outsourcing. Second, we will try to identify the risks and problems associated with outsourcing. Finally, the chapter attempts to provide an answer to the questions regarding which IS projects could be outsourced. We have followed a qualitative approach analysing a detailed case where, after having suffered the problems associated with the previous decision of outsourcing software development, the company makes the decision to start from the beginning with an in-house development.

Theoretical Background

It is necessary to remark that, as far as organisational strategy is concerned, there is no generalizable universally valid solution. The current conditions in which enterprises must develop their activities demand, more than ever, a deep analysis of their competitive position, their strengths and weaknesses, and an awareness of the threats and opportunities existing in the new context. Every
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