



Scope, Scale, and Effect of IT Outsourcing Management

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Abstract

The constant flux and instability of the outsourcing market coupled with the increasing number of new entrants makes operating an outsourcing service challenging. Enterprises wishing to survive in such a competitive climate must respond to market conditions in specific and concerted ways that will allow them to glean pertinent and relevant data which they may use to their organizations' advantage. This requires a deep understanding of organizations, their interdepartmental association, workers' abilities, skill-sets, and how these relate in the wider outsourcing industry. In addition, sustaining competitiveness in such an unstable climate requires that enterprise leaders establish models, objectives, and behaviors that will culminate in oneness of purpose across the organization. Nothing less is likely to lead outsourcing businesses to maximize their outsourcing mission as they advance their operations globally. In light of these realities, the following highlight some critical success factors that must be assessed carefully when offering outsourcing services.

Keywords: outsourcing, service management, critical success factors, leadership, globalization

Introduction

Information systems (IS) and information technology (IT) outsourcing have been trending upward globally (Chen & Perry, 2003; Kathawala, Zhang, & Shao, 2005; Saunders, Gebelt, & Hu, 1997). That is, more enterprises are using external IT services to satisfy the need for "skilled IT personnel, state-of-the-art applications, cost-effective infrastructure, and quick deployment" (Chen & Perry, 2003, p. 3). To survive in such a climate of increased competition requires a comprehensive understanding of the outsourcing market.

Chen and Perry (2003) opined that for outsourcing organizations to operate successfully in the prevailing business environment, they must provide service integration intertwined with an understanding of service security and business partnership relationships, in addition to the costs and risks associated with such operations. Outsourcing within a global context must also be targeted toward specialized services (Kathawala, Zhang, & Shao, 2005). Saunders et al. (1997) opined that outsourcing success lies with honing in on enterprises core operations. Core functions form the backbone for organizations strategic advantages (Saunders et al., 1997). Thus, enterprises pursuing an outsourcing model, both those providing the service and those seeking such systems and facilities, must understand that these characteristics are critical success factors (CSF) for fulfilling organizational outsourcing mission. Therefore, businesses must advance the activities they deem necessary to understand the issues and best practices of resource management and service quality so that they can optimize their marketing and public relations (PR) initiatives (Chen & Perry, 2003). This is of particular concern to contemporary outsourcing enterprises because of the critical role that proper resource management and service quality plays in supporting organizations' marketing and PR objectives.

Interorganization & Partnership

IT outsourcing ambitions require an understanding of the kinds of relationships that support interorganizational partnership effectiveness. Kim and Chung (2003) opined that interorganizational cohesion strengthens and builds security, flexibility, harmony, accord, stability, honesty, and trustworthiness among participating agents. Qi and Chau (2013) noted that trust is essential to creating such bonds. The authors reasoned that whenever trust exists among stakeholders, interorganizational connectedness and partnerships will likely flourish. Lee and Kim (1999) noted that

trust is important because it establishes the "internationalization relationship to achieve the participants' shared goals" (p. 31). Sustainable connections are not likely in the absence of trust (Qi & Chau, 2013).

Individuals

However, individuals constitute organizations' teams and departments. Therefore, enterprises are likely to experience greater benefits among individuals and group members when they encourage certain conduct. Tindale and Davis (1985) posited that although three characteristics relating to normative outcome exist (equity, equality, and responsibility or needs,) "the equality norm is used to a greater extent when positive social relationships are important" (Tindale & Davis, 1985, p. 1149). That is, irrespective of the contributions of each person, the benefits gleaned should be similar among stakeholders. Within the given context, normative behaviors would seem the most important characteristic to advance because of its natural association with positive social affinity (Tindale & Davis, 1985). Considering that an outsourcing interaction is a service activity, and that "a service is an interactive process and during such interactions the customer and the service provider co-produce the service" (Bairi & Manohar, 2011, p. 476), the individuals actions most likely to meet organizations' mission are those normative qualities which support exemplary service delivery.

Departments

Nevertheless, individuals are not usually isolated within businesses. They often belong to departments that may or may not operate in teams. In addition, departments tend to be "cooperative or competitive, but not both" (Luo, Slotegraaf, & Pan, 2006, p. 67). This slight of departmental functionality will not support an outsourcing initiative successfully. Furthermore, exploiting outsourcing strategies require firms to operate optimal interfunctional and interorganizational divisions through effective knowledge transfer (Luo et al., 2006). Therefore, organizations must initiate and maintain policies, procedures, and rules that account for and support their business strategies across departments (Raappana, 2007).

Global & Organizational

Yet, departmental acumen is merely a small part of a successful IT outsourcing outcome. Organizations operate within a global context and utilize groups of all sorts including face-to-face and virtual teams. The constant environmental instability and uncertainties and the ever increasing number of market entrants create unique challenges for enterprises (Chen & Perry, 2003; "Transition and transformation," 2007). Given such framework, firms will have to optimize their strategic alignment so that they may maximize their business ambitions (Elmorshidy, 2013). This requires that enterprises assess the global risks and sensitivities relating to their productive capabilities so that they may know how to communicate with stakeholders in transforming their worldwide outsourcing business ("Transition and transformation," 2007).

Traditional & Virtual Teams

These may not be easily achievable. Contemporary organizations are places of diverse backgrounds, social mores, and understanding with persons working from both co-located and virtual environments (Gurung & Prater, 2006; Reed & Knight, 2010; Staples & Zhao, 2006). The disparities between the various groups must be understood clearly to maximize organizational competitiveness (Gurung & Prater, 2006). Both face-to-face and globally distributed teams must overcome trust issues arriving from national dissonance (Staples & Zhao, 2006). "Understanding the possible impacts of this diversity on team performance is important for today's organizations" (Staples & Zhao, 2006, p. 389). Reed and Knight (2010) opined that such comprehension is imperative to building the cohesion required for teams' effectiveness and for maximizing organizations' strategic intentions.

IT Governance

Notwithstanding, the foregoing is not likely to materialize in the absence of an appropriate IT governance structure and a complementary leadership model to steer enterprises' outsourcing ambitions. IT governance "encompass mechanisms that enable business and IT executives to formulate policies and procedures, implement them in specific applications, and monitor outcomes (Bowen, Cheung, & Rohde, 2007, p. 192). This necessitates that leadership,

strategies, and objectives must intersect for the amalgamation of collaborative and cooperative endeavors. The models proffered below should assist in this analysis.

Table 1: 3D Model

Actionable Demands	Purpose	Reward
1. Recruit/retain transformational leaders	Visionaries	Ability to establish and pull on the relationships necessary to accomplish the alignment required between IT initiatives and customer expectations
2. Construct relevant business strategy	Clearly defined aims articulated	There is less ambiguity for confusion/conflict in explicitly stated visions
3. Align/pursue business objectives	Leaders/followers share understanding of strategic imperatives and organizational ambitions	Transformational leaders are adept at leadership skill-sets geared toward effective communication, understanding, and buy-in

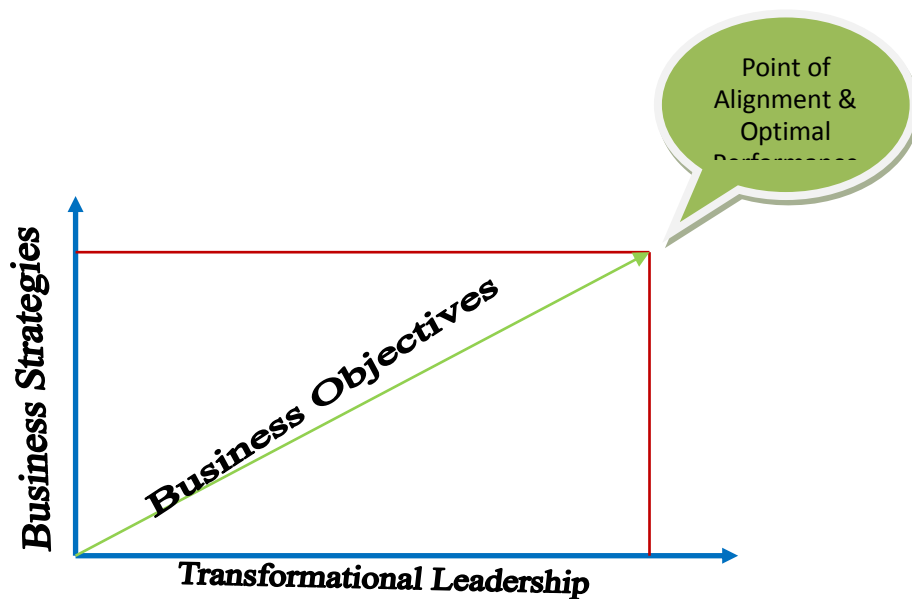


Figure 1. 3D Model. Aligning business objectives, strategies, and transformational leadership.

OR

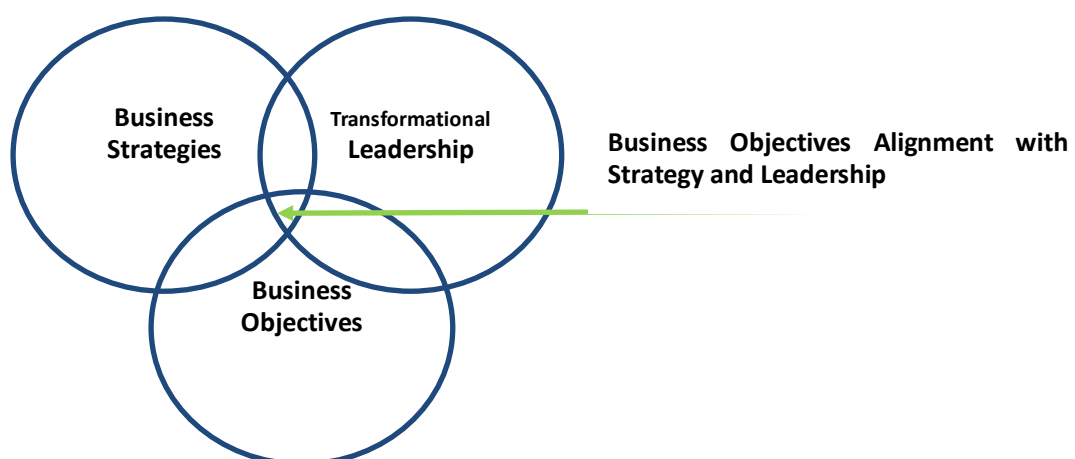


Figure 2. Venn diagram Model. Aligning business objectives, strategies, and transformational leadership as a second perspective.

In the models above, business strategy shares two fundamental characteristics with transformational leadership and business objectives. First, in addition to the skill-sets required for leading and managing an effective outcome, strategy sets "the direction and scope of an organization over the long term" (Feurer & Chaharbaghi, 1995, p. 11). Second, it forms the epitome for attaining business goals, targets, and intentions (Feurer & Chaharbaghi, 1995).

The models are also supportive of transformational leaders because transformational leadership is situated ideally within the contemporary realities of the existing market environment (Konorti, 2012). Transformational leaders possess the requisite inspirational motivation to influence followers in attaining business ambitions (Konorti, 2012). The leadership style transcends "traits, behaviors, and characteristics" (Konorti, 2012, p. 166) in ways that cut across organizational departments and teams. Nevertheless, leaders' charisma should be kept in check as this trait may sometimes lead to unwarranted outcome (Feurer & Chaharbaghi, 1995). However, when organizations engaged in outsourcing activities align the three: business strategy, business objectives, and transformational leadership, they will likely be in a much stronger position to actualize their business aims and goals.

Conclusion

The global realities of constant flux and instability pertaining to the existing business climate demand two fundamental approaches to outsourcing organizational success. First, enterprises should create governance structures that can aid their operations in establishing "enhanced reputation, trusts, product leadership, and reduced costs" (Bowen et al., 2007, p. 192). Second, businesses should construct and use an appropriate business model that clearly sets out strategic and operational pathways and benchmarks. These two business tools are pertinent to organizational longevity and success.

In addition, outsourcing enterprises must seek to understand the complexities inherent with the prevailing environmental realities, such as comprehending characteristics geared toward technology use, cross-departmental buy-in, organizational transformation, cultural diversity and awareness, and working with face-to-face and virtual teams. Mastering these is not necessarily easy to accomplish. They require a concerted effort at building trust among stakeholders. "Trust is an important element in interpersonal processes" (Gurung & Prater, 2006, p. 32). Trust is the epitome requirement for building partnerships, economies of scales, bridging cultural distances, and realizing an enterprise's corporate strategy (Gurung & Prater, 2006).

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