Information technology Outsourcing Relationship Management–Influential factors

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ABSTRACT

Information technology outsourcing (ITO) has gained a large share of the world IT service market. Despite many studies about ITO vendor selection and contract management, there is still a lack of understanding of the after-contract practices between the ITO parties. According to reported cases, many outsourcing failures have been due to either improper relationship management or the inability to meet customer expectations. For effective management of this long-term, inter-organizational relationship, there is a need to understand the features, affecting factors so that relationships can be sustained throughout the life of the ITO.

Based on a dynamic view of outsourcing relationships, the ITO relationship is reflected in communication, information sharing, coordination, participation, and joint actions between the outsourcer and the ITO provider. Prior studies have indicated that these ITO relationship features are mainly affected by business dynamics and the client’s IT competence.

The above propositions were tested on all of the existing and changed ITO projects in Taiwan since 1981. A total of 42 cases were examined, and the results show four kinds of IT outsourcing relationships: dependent, utility, partner, and subordinate. Different kinds of ITO relationships involve different expectations for the ITO services and require different types of management of the relationships. In the dependent-type ITO, customers rely highly on ITO vendors for supporting strategic moves. Utility ITO customers use the ITO as a utility and measure vendors by cost performance. In the partner-type ITO, customers consult the vendor for strategic business moves and urge the vendor to engage in technology innovation. The subordinate-type ITO is characterized by customers who consider the ITO vendor as a sub-contractor to their IT department and leave decisions to the IT department.

Key Words: Information Technology Outsourcing, Outsourcing Relationship, Business Dynamics, IT Competence