ITO Success Factor Model – First Steps Towards a Guide for IT Outsourcing (ITO) Success

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Abstract: Currently the dramatic growth of IT-Outsourcing (ITO) is accompanied by backsourcing of formerly outsourced IT functions or reports about dissatisfaction and problems with ITO. Scientists put ITO failures or problems down to a missing modelling of all possible factors affecting ITO success and demand a specific ITO theory as a basis to better explain and predict successes and failures in an IT sourcing context. Based on an extensive literature survey of 48 scientific articles, this research paper identifies the currently known factors influencing ITO success from an empirical point of view, develops an ITO success factor taxonomy, identifies the period where the success factors influence the ITO process and shows the existence of success factor interdependencies. As a result, a concept for a novel ITO success factor model is developed which will be evaluated in future research work by using multiple case study methodology.

1 Introduction

Information Technology Outsourcing (ITO) in this study is defined as "… the replacement of in-house production of a certain (IT) activity by the use of third party suppliers … from outside the company" [Fr98]. IT in this context includes virtually all types of computer and communications technologies and related activities [Cl95]. ITO started already in the 1960s [LHKP03] and increased sufficiently since the KODAK-IBM ITO deal in 1989 [Cl95, LHKP03]. Until 2011, Gartner Group expects that cross branches, the expenditures for IT service providers compared to the overall IT costs will rise from on average 35% to 80% in Germany [Ke07], a country where the degree of ITO was seen as rather conservative until now. Despite the rich set of experiences companies already made with ITO, the chances of success are seen as at best 50:50 [e.g. Bo05]. In addition, backsourcing of previously outsourced activities [e.g. VSK08] and problems with ITO were reported in recent years [e.g. KW01]. Scientists reduce ITO failures and problems to a missing modelling of all possible factors influencing success [KAS04], their opinions differ about the factors that distinguish between success and failure [LW09c] and they demand a specific ITO theory instead of relying on general

management theories which do not fit exactly to the IT sourcing context [LW09b]. The author identified 47 currently known factors influencing ITO success from 48 scientific publications. By qualitative content analysis of the success factor descriptions, the author developed an ITO success factor taxonomy (see section 2), identified the periods where the success factors influence an ITO process (see section 3) and recognised success factor interdependencies (see section 4). Section 5 gives an overview about future research work.

2 ITO success factor taxonomy

Previous empirical studies investigated the contribution of one or a few factors to ITO success in their studies [GCT96, LK99] or they concentrated just on constituent phases of the ITO process [LH93, KAS04]. The author generated a comprehensive overview on these success factors, by the development of a success factor taxonomy [FM91]. Therefore, the success factor descriptions of 48 scientific publications were systematically interpreted, condensed, and marshalled in order to obtain common categories. Factors described as failure factors or risks were reversed to success factors. 10 success factor categories were identified (see figure 1).

3 Consideration of ITO success factors in the ITO process

The extracted success factors relevant for ITO (see section 2) were further analysed qualitatively to identify when the success factors influence the ITO process (see figure 2) and when they need to be considered accordingly. Hereby, the following ITO process phases used by ITO theorists were applied: preparation, selection, contract, transition, execution and post-deal [LD07].

4 ITO success factor interdependencies

The success factors derived from literature show that the approach of some authors to centre just one or a few success factors in their studies or to focus on constituent phases of the ITO process does not entirely ensure ITO success, because the success factors are at least partially dependent from each other. The author could recognise various inter-dependencies which can be grouped into 3 types:

- Success factor as pre-condition for another success factor (e.g. service-level agreements are the basis for the regular control of vendor performance [WLF95]).
- Impact of success factors or their values to other success factors (e.g. ITO in unstable environments should just be conducted with long-term ITO contracts and by establishing a strategic partnership with the vendor [WFF95]).

- Need for alignment of success factor values (e.g. a strategic partnership is recommended if strategic or technological advantages should be achieved with ITO and if requirements cannot be predicted or when major business changes should be achieved [LMK04]).

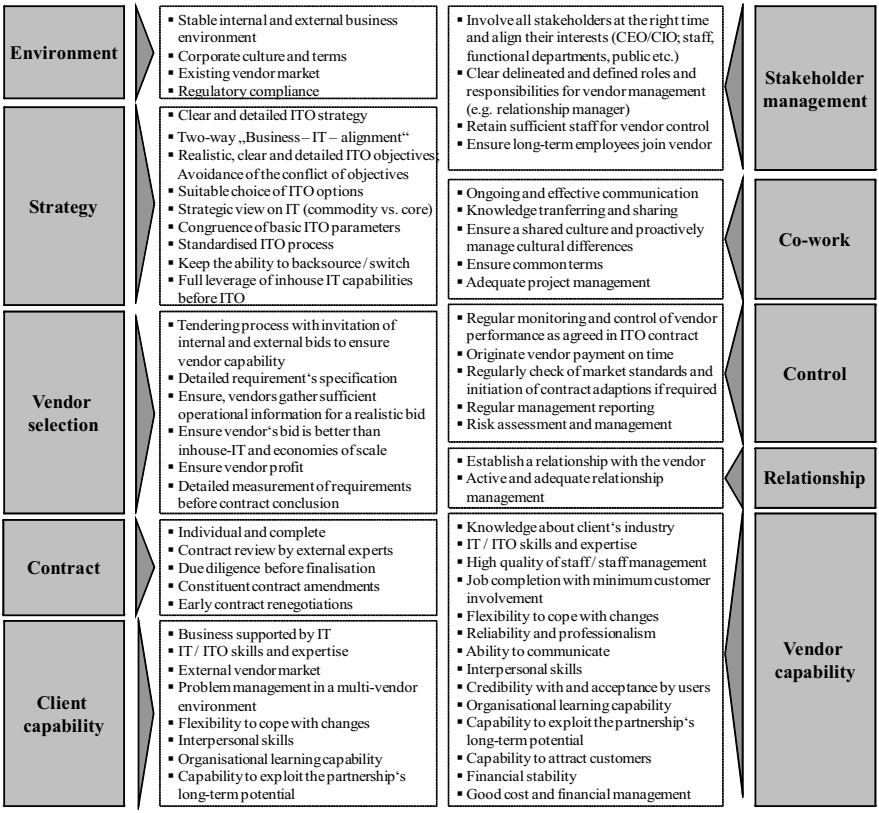

Figure 1: ITO success factor taxonomy

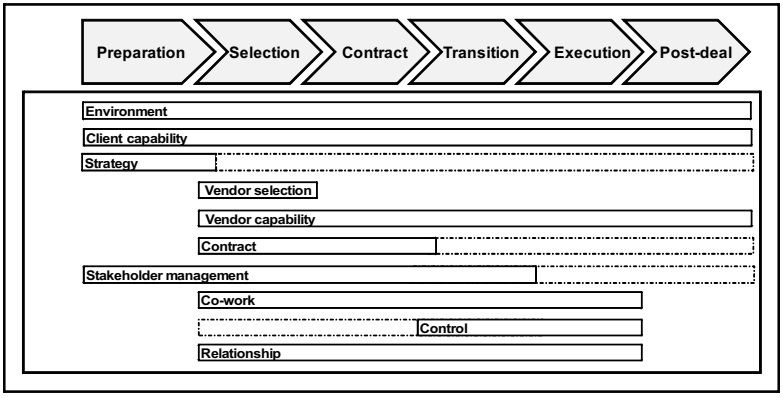

Figure 2: Influence of success factors on ITO process

5 Conclusion and Outlook

Based on the current body of knowledge, it is impossible to testify under what circumstances ITO generates sustainable success, because discordance exists between scientists about the responsible factors and they assume that not all factors are known until now. The influencing factors already known were mostly investigated independently or within a specific ITO process stage, thus success factor interdependencies were inadequately considered. Furthermore the degree of influence or the strength of the success factors compared to each other is not known. The aim of the future research work will not only be to confirm the existing success factor knowledge (success factors, time of consideration, interdependencies), but also to conceptually develop the items, to reject them, and/or to identify missing items as well as to discover success factor weightings. Therefore multiple case study methodology in real life contexts will be applied. As a result, a novel ITO model will be developed: a handbook for ITO guiding outsourcers step-by-step through an ITO project highlighting all factors responsible for ITO success.

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