

Chapter 1.2

A Paradigmatic and Methodological Review of Research in Outsourcing

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ABSTRACT

Due to the growing academic and practitioner interest in the field of outsourcing, there is a need to do a comprehensive assessment and synthesis of research activities to date. This article addresses this need and examines the academic literature on information systems outsourcing and business process outsourcing using a paradigmatic and methodological lens. The objective of this article is fourfold. Firstly, it examines the status of outsourcing research from 1995 to 2005 in eight leading academic journals, to compare the current research trends with past research directions in terms of methodologies applied. Secondly, it analyzes the research paradigms adopted in these research papers using the Operations Research Paradigm framework. Thirdly, it compares and contrasts the outsourcing research work published

in three leading European journals with the work published in three leading American journals. Finally, it uncovers the implications of this study and the directions for future research.

INTRODUCTION

Eastman Kodak's decision to outsource its information systems (IS) function in 1989 to IBM, DEC, and Businessland formally launched the phenomenon of outsourcing in the corporate world which aroused interest worldwide. *Outsourcing* is defined as the procurement of products and services from sources that are external to the organization (Lankford & Parsa, 1999). The e-commerce revolution has forced the transformation of traditional IS outsourcing structures into new outsourcing service configurations,

like *Internet service outsourcing*, *application service outsourcing*, and *business process (BP) outsourcing* (Watjatrakul, 2005).

Businesses today are growing in complexity and the world is moving towards globalization. As a result the forces of outsourcing have become a present-day reality and are poised for phenomenal growth in the future. The importance of outsourcing in industry has led to extensive research in this area. Most of the research done in outsourcing is in the field of IS outsourcing. In the last few years, there has been a rise in another more process-centric approach to outsourcing—*business process outsourcing*, in which the outsourcing vendor offers to take responsibility for an entire client process (Harmon, 2003). Due to the growing academic and practitioner interest in the field of outsourcing, there is a need to do a comprehensive assessment of research activities to date. This article aims to address this need of exploring and synthesizing the academic literature on outsourcing.

Although Dibbern, Goles, Hirschheim, Rudy, and Jayatilaka (2004) and Gonzalez, Gasco, and Llopis (2006) have carried out a survey and analysis of literature in the field of IS outsourcing, the goal of this research is to extend existing insights. The focus of Gonzalez et al.'s (2006) IS outsourcing review was to identify the main topics of IS outsourcing, the methodologies most often applied, and the authors and countries that have contributed most to the area of IS outsourcing. The focus of Dibbern et al.'s (2004) IS outsourcing review was on research objectives, methods used, and theoretical foundations to view outsourcing as an organizational decision process using Simon's model of decision making. In contrast, our study covers IS as well as BP outsourcing research, and carries out a methodological and paradigmatic examination of literature. Hence this study makes a contribution to the philosophical and methodological foundations of research in outsourcing. Additionally, it also presents a comparative analysis of the outsourcing research trends in leading American and European journals.

The objective of this article is fourfold. Firstly, it examines the status of outsourcing research in from 1995 to 2005 in eight leading academic journals, to compare the current research trends with past research directions in terms of methodologies applied. Secondly, it analyzes the research paradigms adopted in these research papers using the Operations Research Paradigm framework of Meredith, Raturi, Amoako-Gyampah, and Kaplan (1989). Thirdly, it compares and contrasts the outsourcing research work published in three leading European journals with the work published in three leading American journals. Finally, it uncovers the implications of this study and directions for future research.

The article is organized as follows. In the next section, the review of existing research literature on IS and BP outsourcing is presented. Subsequently, the choice of methodology for collecting and analyzing data is explained, followed by discussion of the results. The article ends with implications of the study, directions of future research, and contributions.

LITERATURE REVIEW

Outsourcing

Outsourcing involves contracting with an external provider for the provision of a service which may have been provided using in-house staff (Domberger, Fernandez, & Fiebig, 2000). Outsourcing has been around for more than a decade, but it got formal recognition only after the famous Kodak deal in 1989. Since then it has generated a stir in the practitioner community. Academics, by and large, have been relatively slow to research this phenomenon (Dibbern et al., 2004). While academic research has been slow to follow the practitioner community, it is now being recognized as an important area of research. This article focuses on the following two kinds of outsourcing:

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