



# A Systematic Literature Review on IT Outsourcing Decision and Future Research Directions

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## ABSTRACT

During the recent decades, some academic research on the subject of information technology outsourcing (ITO) decision has appeared in different outlets, which may impede the use of such resources and as a result, repetition of research by various researchers is very likely. The purpose of this paper is then to conduct a systematic literature review (SLR) pertaining to research on ITO decision. Then, this review intends to 1) classify ITO decision literature, 2) provide a list of factors affecting ITO decision, and 3) identify ITO strategies. To this end, 91 ITO articles published between 2000 and 2018 in 51 unique journals were reviewed. The results yielded three kinds of descriptive, relational, and comparative ITO decision studies. The determinants of ITO decisions are classified into technological, organizational, environmental and user adoption factors. Furthermore, the trend of studied ITO strategies in the reviewed literature is analyzed, and future sourcing varieties are proposed. Finally, some insights and future research directions are proposed based on the review results.

## KEYWORDS

IT Outsourcing Decision, IT Outsourcing Strategies, Systematic Literature Review, Technology Organization and Environment (TOE) Model

## INTRODUCTION

Information technology outsourcing (ITO) is defined as handing over to a third party, management of IT assets, resources, and activities for a required result. Examples of outsourced IT activities include Information systems (IS)/ Applications development, operations, and maintenance, network and telecommunications management, help desk and end-user support, and systems planning and management (Rajaeian, Cater-Steel, & Lane, 2017). In this paper, we use ITO as a generic term that covers various ways to obtain IT resources/ services from external organizations (through, e.g., offshore outsourcing, IS development outsourcing, Business Process Outsourcing (BPO), and Cloud computing (CC)).

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One of the main recent ITO research streams relates to ITO decision subject. ITO decision can be viewed from vendor and client perspectives (Moon, Yao, & Jiang, 2011). ITO decision from vendor perspective includes but not limited to risks in provided services, contract conflicts, pricing mechanisms, and so on (Palvia & Palvia, 2017) which is not of concern in this research. ITO research on client aspect—the focus of this study—can be categorized into five distinct groups, each of which tries to answer one of the questions: why, what, where, when, how to outsource. The category of “why” tries to mainly answer “why” firms outsource IT or “what” their related motives and drawbacks are. The question of “what” to outsource investigates to what degree firms can outsource their strategic or core competence IT services to external vendors and which sourcing strategy best suits a firm. The main issue concerned with making the location decision for outsourced activities is “where” to outsource. Also, the correct timing of outsourcing decisions is categorized under “when” question. Finally, to understand the outsourcing phenomenon and the strategic changes in the companies comprehensively, one also has to be aware of “how” outsourcing is done, that is, the process of outsourcing (Hätönen & Eriksson, 2009). To answer these questions, scholars have investigated different aspects of ITO decision. However, to the best of authors’ knowledge, there is no classification scheme for ITO decision extant literature. To address this gap, we ask the first research question:

**RQ1:** How extant ITO decision literature can be classified?

ITO decision making is a very complicated task with a wide range of factors impacting upon decision outcome (Zare Ravasan, Hanafizadeh, Olfat, & Taghavifard, 2017). Studies implied that to make the ITO decision adequately, the chief information officer (CIO) must spend approximately 80% of his time, for three to six months (D.-H. Yang, Kim, Nam, & Min, 2007). Therefore, identifying factors affecting proper ITO decisions could lead to more managed IT outsourced services and processes. Scholars to address this practitioner concern, have investigated a varied set of factors influencing ITO decisions considering different theoretical bases such as transaction cost economics (TCE), resource-based view (RBV), technology acceptance model (TAM), and so on. By taking so many theories into account, researchers have tested a large number of relationships between independent and dependent variables. Due to its diversity, findings from the overall body of literature on ITO decision have been difficult to summarize, analyze, and evaluate the contradicting results of different research. For instance, Hanafizadeh and Zare Ravasan (2018a) reported a positive relationship between asset specificity and ITO decision while Poppo and Zenger (2002) suggested a negative relationship. To address this research problem, we proposed our second research question as follows:

**RQ2:** What are the factors affecting ITO decision?

Furthermore, scholars investigated determinants of different types of ITO like offshore/ nearshore outsourcing, rural outsourcing, IS development outsourcing, Business Process Outsourcing (BPO), Cloud computing (CC), Software as a Service (SaaS), platform as a Service (PaaS), and Infrastructure as a Service (IaaS), and so on. However, there is no assessment of this body of literature to provide a trend analysis of ITO strategies/ types covered in the prior research. Then, to fill this research gap, we propose third research question as follows:

**RQ3:** What are the ITO strategies trend in extant ITO research?

Besides the first three questions, we also present additional findings in a distinct section that are interesting and provides valuable insights with a focus to answer following research question.

**RQ4:** What are promising areas for future research?

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