

# Chapter 7

## Information Systems Outsourcing in Large Companies: Evidences from 20 Ireland Companies

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### ABSTRACT

*Information systems outsourcing is an indispensable tool in the management of information systems. The set of services contracted to outside suppliers, originally more limited to services of an operational nature, has expanded over the past two decades, and today there is a wide range of services subject to outsourcing. Among them are: the hiring of software development; maintenance of applications; services and communications networks; security of information systems; and many others. Depending on the nature of the services contracted and on the range that the contracting of services has on departments of information systems, the issues involved in project management vary considerably. This article presents the results of a survey conducted among large companies in the Republic of Ireland to characterize, among other things, the range of services that are most often outsourced. The results are relevant in the sense that not only do they enable a better understanding of the reality of information systems departments of large Irish companies, but also enable the management to focus attention on specific services.*

DOI: 10.4018/978-1-4666-2800-7.ch007

## **INTRODUCTION**

Few trends in management in recent years have attracted so much interest as outsourcing. A few decades ago outsourcing was viewed as a solution adopted only by companies that had no financial capacity to hold the services internally. Today outsourcing is an indispensable tool in the management of information systems.

As the outsourcing services of information systems has evolved in organizations, the set of services contracted to outside suppliers, initially more limited to services of an operational nature, such as development and maintenance of applications, has expanded over the past two decades, and nowadays there is a wide range of services subject to outsourcing. These range from operational services (traditionally outsourced), to services of a more strategic nature.

Among the services typically subcontracted, one can find software development, maintenance of applications, services and communications networks, information technology professional consulting services, user training, help desk, project management and security of information systems.

Depending on the nature of the services contracted and on the importance that the contracting of services has on departments of information systems, the issues involved in project management vary considerably. For example, a department of information systems in which the number of contracted services is small, the issues related to the setting, conclusion and renewal of contracts are very different when compared to departments where external suppliers significantly support services.

This paper presents the results of a survey conducted in large companies based in the Republic of Ireland that characterize, among other issues, the range of services that are most often outsourced. The results are relevant in the sense that not only enable a better understanding of the reality of information systems departments of large Irish companies, but also enables management to focus

its effort in managing IS/IT services according to the sourcing practices.

The paper is organized as follows. The literature overview of outsourcing services is presented first. We present the method followed in gathering the data. The results from the data analysis are presented and, finally, a summary of the paper is presented.

## **BACKGROUND**

Around 1990, outsourcing evolved to a model of Application Service Provider (ASP). However, more recently it has been evolving and diversifying to a pure services model (Vassiliadis et al., 2006).

Outsourcing is not a new concept and has existed, in one way or another, already many years (Nam et al., 1995), but in last two decades gained prominence in the last decade, with broader horizons and new perspectives to offer.

Outsourcing describes the use of external resources to execute operational tasks (Grover et al., 1994). In the past, the corporate activities which were the subject of outsourcing constituted mechanical activities, or processes with low added value, however, currently many business processes are outsourced (Hoecht & Trott, 2006). The two main actors of outsourcing processes are the “outsourced” and the “outsourcer” (Saunders & Gebelt, 1997). The first, i.e., the “customer”, outsources his processes, while the second, the enterprise, delivers outsourced services.

The benefits of outsourcing outlined in the literature are various: economies of scale (Zineldin & Bredenlow, 2003), reduction of operational costs (Lacity & Hirschheim, 1993), access to a skilled workforce (Kakabadse & Kakabadse, 2002), shorter lead times, increased flexibility and cost efficiency (Nieminen & Takala, 2006), and the ability to transform fixed costs into variable costs (Alexander & Young, 1996). On the other hand, there are other works that show risks: hidden costs (Barthelemy, 2001), supplier dependency (Alexander & Young, 1996) and loss

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