



Chapter XVII

IT Outsourcing Governance

The overall objective of this chapter is to concentrate on the important issues of strategy, structure, and management of IT outsourcing arrangements. Using well-known theoretical perspectives described earlier in this book and experience earned from several business case studies in this book, we present a governance model for successful management of IT outsourcing relationships.

IT outsourcing governance can be defined as specifying the decision rights and accountability framework to encourage desirable behavior in the IT outsourcing arrangement, where resources are transferred from one party to the other in return for resources controlled by the other party. Governance is not about making specific decisions — management does that — but rather determines who systematically makes and contributes to those decisions. Governance reflects broader principles while focusing on the management of the outsourcing relationship to achieve performance goals for both client and vendor. Governance is the institutional framework in which contracts are monitored, adapted, and renewed. Effective outsourcing governance encourages and leverages the ingenuity of the vendor's and client's people in IT usage and ensures compliance with both enterprises' overall vision and values.

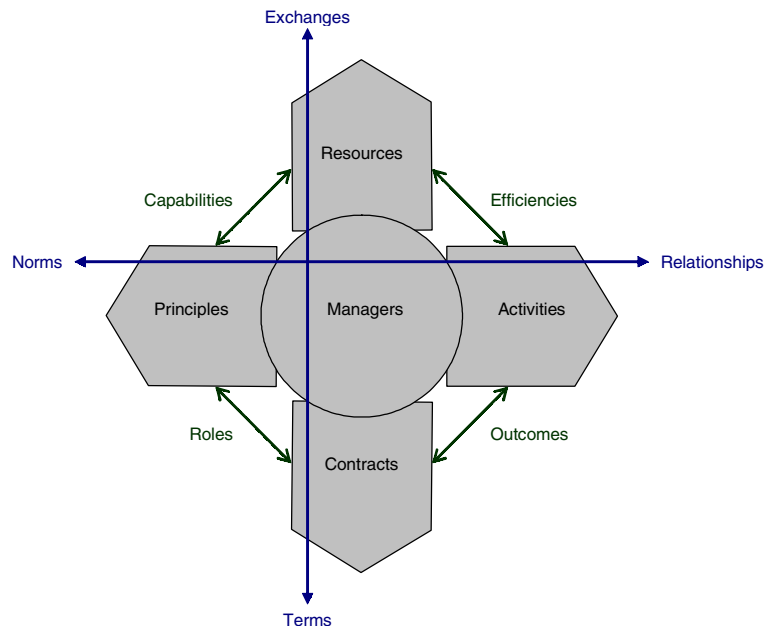
The Governance Model

Our governance model is illustrated in Figure 17.1. It consists of five elements (contracts, principles, resources, activities and managers), two main links (terms-exchanges link between contracts and resources, and norms-relationships link between principles and activities), and four local links (roles between contracts and principles, capabilities between principles and resources, efficiencies between resources and activities, and outcomes between activities and contracts).

Contracts provide a legally bound, institutional framework in which each party's rights, duties, and responsibilities are codified and the goals, policies, and strategies underlying the arrangement are specified. *Principles* define decision rights concerning general IT principles, IT infrastructure, IT architecture, business application needs, and IT investments. *Resources* define decision rights concerning human assets, financial assets, physical assets, IP assets, information and IT assets, and relationship assets. *Activities* define decision rights concerning transactions, projects, problem solving and reporting. *Managers* are classified into stakeholder groups of client business management, client IT management, vendor business management, and vendor account man agent.

Exchanges of resources occur through transactions based on contracts. *Terms* for use of resources are defined in contracts. *Norms* create expectations of behavior and imply a certain action and are shared by the actors. Norms are based on principles and they occur in activities. Norms are concerned with flexibility, solidarity, mutuality, harmonization, and power. *Relationships* frame activities based on principles and norms.

Figure 17.1. Governance model



5 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage: www.igi-global.com/chapter/outsourcing-governance/8738

Related Content

Automatic Transformation of Generic, Validated Business Process Security Models to WS-SecurityPolicy Descriptions

Sven Feja, Sven August, Andreas Speck, Meiko Jensen and Jörg Schwenk (2012). *Handbook of Research on E-Business Standards and Protocols: Documents, Data and Advanced Web Technologies* (pp. 293-320).

www.irma-international.org/chapter/automatic-transformation-generic-validated-business/63476

Cybercrime, Cybersecurity, and Financial Institutions Worldwide

Pauline C. Reich (2008). *Cyberlaw for Global E-business: Finance, Payments and Dispute Resolution* (pp. 1-33).

www.irma-international.org/chapter/cybercrime-cybersecurity-financial-institutions-worldwide/7487

Study on E-Business Adoption from Stakeholders' Perspectives in Indian Firms

Ranjit Goswami, S K. De and B. Datta (2009). *International Journal of E-Business Research* (pp. 54-77).

www.irma-international.org/article/study-business-adoption-stakeholders-perspectives/3929

Which Move to the Middle: Industry Consortia or Private Exchanges?

Susan A. Sherer and Yuliang Yao (2006). *International Journal of E-Business Research* (pp. 22-37).

www.irma-international.org/article/move-middle-industry-consortia-private/1857

Using Social Networks Sites in the Purchasing Decision Process

Francisco Javier Miranda, Sergio Rubio, Antonio Chamorro and Sandra M. C. Loureiro (2014). *International Journal of E-Business Research* (pp. 18-35).

www.irma-international.org/article/using-social-networks-sites-in-the-purchasing-decision-process/116623