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Abstract.

This study identifies the impacts to the internal Information Technology (IT) department's policies and procedures caused by outsourcing selective IT functions and assesses the threats and opportunities to an internal IT group, presented by outsourcing selective IT functions.

The trend to selectively outsource IT functions implies that this can be done with minimal disruption and risk to the IT departments policies and processes. This research investigates whether this assertion is valid and develops a model for internal IT departments to respond to the challenges presented by selective outsourcing.

Existing models of outsourcing currently in use and available to organizations are reviewed to assess their suitability or adaptability for 'selective outsourcing' and from this identifies which areas of internal IT policy and procedures are most impacted. An analysis of the threats and opportunities presented to the internal IT department is also provided.

Research was conducted into one organization's experience with selective outsourcing to investigate how internal IT departments could approach selective outsourcing of internal IT functions and how internal IT departments could develop strategies for responding to the challenges posed by selective outsourcing.

A case study was conducted of a recent selective outsourcing arrangement within the IT group of the target organization. The personal interview method was adopted to survey a cross section of management and staff from the work groups involved in the selective outsourcing arrangement.

The results obtained revolved around the major themes of:

1. Planning (identified as time constraints, resource constraints and work load).
2. Management control (which encompasses the structuring of the outsourcing relationship, human resource concerns, level of ownership, communication, structure of the internal IT group and inter-departmental concerns).
3. Process (which applies to the quality of the procedures, inherent internal knowledge required, the informality of the procedures and concerns over adherence to procedures).

For an IT group to develop strategies to respond to the challenges of selective outsourcing it was identified that the IT group needs to remove internal barriers to process and strive to achieve single ownership of processes within functional work groups; nurture a shift in internal groups thinking to more planning rather than doing; improve the quality of internal IT procedures and implement appropriate project team structures for task specific selective outsourcing engagements and for ongoing vendor relationship management.