



University of Technology, Sydney

Information Technology Management Program

A Study of the Effectiveness of IT Outsourcing

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CERTIFICATE OF ORIGINALITY

Of Project Work

I certify that this work has not already been submitted for any degree and is not being submitted as part of any other degree.

I also certify that this thesis has been written duly by me, and that any assistance, and all sources used have been acknowledged.

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Organisation of the document

This document is organised in Seven Sections and Appendix (A&B) as follows:

Abstract – provides an overview of the Study.

The Research Problem – describes the research problem, states research hypothesis and defines the research approach.

Methodology – Describes the process used for the Study.

Literature Review – reports the literature review research findings, explores other authors' views on the IT outsourcing effectiveness and formulates the foundation for conducting the research study.

Discussion and Analysis of Results – Describes the detail research findings, research analysis and documents lessons learned.

Conclusion and Summary – documents recommendations on the future research and conclusions drawn from the research performed

Bibliography – documents research study bibliography

Appendix A – Contains Questions prepared for conducting interviews with Senior IT Leaders.

Appendix B – Contains Questions prepared for conducting interviews with IT Outsourcing Vendor Executives.

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ABSTRACT

The purpose of this study was to identify how effective is IT outsourcing in various organisations in Australia. The research that was undertaken, was two-fold. Firstly, a literature review was conducted that aimed to investigate critical aspects of effectiveness of the IT Outsourcing arrangements. Secondly, by means of semi-structured interviews, data was gathered concerning lessons learned from IT Outsourcing decision with emphasis on the effectiveness of IT Outsourcing contracts.

Interview results produced views expressed by IT Leaders and Vendor Executives within various organisations on the effectiveness of IT Outsourcing contracts in their organisations. A total of nine participants selected from seven research participating organisations were interviewed. Interviewees included: IT senior leaders and vendor account executives involved in managing IT Outsourcing contracts. The research results are presented in the form of lessons learned and provide recommendations, which can be used by individuals facing the Outsourcing decision or future researchers and fellow students.

This research project found that IT Outsourcing is an effective way to manage major change within an organisation, Return on Investment and performance against contracted Service Levels are common measures of IT outsourcing effectiveness. In some cases, improvements in the service levels are observed, especially in large IT Outsourcing contracts. However, in small outsourcing contracts decline in Service Levels is evident.

This research found that IT Outsourcing drivers are moving away from a cost-reduction to a strategic partnership arrangements. Organisations increasingly look to outsourcers for research capabilities, past experience, and a broad set of skills. These factors also contribute to the effectiveness of IT Outsourcing within client organisations.

Based on this study, it is evident that organisations will increasingly use joint ventures and partnerships to realise IT outsourcing business objectives.

It is evident that the trend to outsource IT will continue and that this trend will start to expand to other business process areas as organisations develop maturity in ensuring organisational effectiveness of the outsourcing arrangements.