

## Introduction to the Trends in Outsourcing of Information Systems Minitrack

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Outsourcing is a strong trend in current business. A recent study of 426 organizations indicated that outsourcing was up 42 percent since last year (1). Many factors come into play to explain this rapid growth: shortage of skills, Y2000, increased pressure on most organizations to reduce costs while offering more services, increased complexity of technology, etc. Dataquest estimates that the global IT services market will double over the next five year, reaching a value of \$622 billion (2).

This growth, along with the greater thought given by managers to the outsourcing phenomenon, is apparent in the papers presented this year in the Trends in Outsourcing Information Systems Minitrack. The papers reflect the increased sophistication of IT management related to outsourcing. The first paper, authored by Michael Gallivan and Wonseok Oh, entitled “Analyzing IT Outsourcing Relationships as

*Alliances Among Multiple Clients and Vendors*” explores the evolution of outsourcing arrangements from simple client-vendor relationships to more complex ones. The authors examine the vast array of options offered to the contraction parties like the use of multiple vendors for a client, co-sourcing, and multi level arrangements, when outsourcers themselves contract out some activities to third parties, creating a web of contracts for providing the services to client(s). Their work emphasize the importance of learning from the newer complex arrangements, both for the practitioners and for the researchers, in order to fully understand the potential and the intricacies of outsourcing.

Martin Hancox and Ray Hackney, in their paper entitled *Information Technology Outsourcing: conceptualizing practice in the public and private sector* investigate many facets of outsourcing and differentiate the

public sector from the private sector. Using four complementary theoretical approaches (core competencies, transaction cost theory, agency theory, and partnership) they unearth several differences between the two sectors. While they remain comparable on many instances, the public sector organizations appear to have more difficulties to adjust with their vendors. This is attributed to the profit motives, present with the vendors but non-existent in the public organizations. Also, the public organizations seem to have higher transaction costs when outsourcing activities, probably because of constraints imposed by their accountability to the public. These differences suggest that the analysis frameworks developed to study outsourcing might need to be adapted with respect to the sector in which the organization operates.

Finally, the management of risk associated with an outsourcing contract is discussed by Aubert, Dussault, Patry, and Rivard. Their paper, entitled *managing the Risk of IT Outsourcing* presents the analysis of two contracts, first measuring the risk associated with each contract, and then identifying the risk management clauses that were included in the contracts to reduce this risk. Formal risk assessment and management is another indication that the study of outsourcing gains finesse among managers and researchers.

- (1) Rubin Systems/Meta Group Industry Watch Survey, As reported in Caldwell, B., *Role of IT Organizations is Shifting*, Information Week, September 25, 1998.
- (2) Caldwell, B. *Technology Services: Genesis of a New Services Area*, Information Week, April 6, 1998.