

5 IT outsourcing in a globalized economy

Introduction

The proliferation of IT within companies has been accompanied by IT outsourcing right from the beginning. Generally, IT outsourcing can be regarded as a mainly economically motivated make-or-buy decision concerning the operation of information systems, which in turn are supporting the business processes. IT outsourcing practices “may mean a single-system contract for a relatively small percentage of the budget, or it may span multiple-systems and represent a significant transfer of assets, leases, and staff to a vendor who operates, manages, and controls the company’s information systems function” (Saunders, Gebel, Hu, 1997, p. 64). IT outsourcing in the latter broader sense, where main parts of the IT function are up for discussion, is mostly referred to as large-scale outsourcing. This sort of IT outsourcing as well as large change projects in practice are subject to science.

IT outsourcing meanwhile can be regarded as a ‘commodity’: various IT outsourcing services are offered by numerous outsourcing service providers, operating on a global basis. They promise cost-efficient services with high performance in a secure and low-risk manner based on interoperability, standardization, and scalability – all these aspects refer to the commodity characteristics introduced by Carr (2003). From the perspective of strategic management, IT outsourcing is affected by the shortening of IT life cycles and interrelates with the concentration on core competences, which should lead to significant cost reductions

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(Pietsch, Martiny, Klotz, 2004, p. 189). In this respect, the terms IT downsizing and rightsizing are also used.¹

Due to the dynamic development of technical infrastructures, even globally operating companies nowadays are enabled to use cloud computing, software as a service (SaaS) or application service providing (ASP) in a standardized way. In the last seven years, the global IT outsourcing industry revenue ranged from 52.9 to 76.1 billion US dollars, 63.5 billion US dollars on average.² For companies as clients of the IT outsourcing industry these revenues represent a major IT cost pool, affecting net profit and profitability. Therefore, it can and must be asked, if these costs are spent wisely. The example of U.S. car manufacturer General Motors (GM) demonstrates, that IT outsourcing is not an easy solution valid at all the times. Back in 2006 GM signed IT outsourcing contracts worth around 7 billion US dollars. However, in 2012 the new Chief Information Officer (CIO) decided to bring back GM's IT workforce, resulting in rehiring of 10,000 IT professionals. The main reason was not cost-efficiency, but focussing on "extending new capabilities" (Thilbodeau, 2012).

1. Motivation, aim, and methodology of the study

This research is motivated by consulting more than 100 IT outsourcing projects during the last ten years. Based on this cumulated experience, it was observed that in practice decision-making as well as project execution were anything but smooth. This doesn't mean that most of the IT outsourcing projects were cancelled, but they often failed in terms of time, cost and proposed effects. From the perspective of an IT outsourcing consultant, the outsourcing situation may be characterized by the following observations:

¹ Whereas "downsizing" often refers to reactive rationalization and cost-cutting as an answer of economic downturn, rightsizing is a more proactive approach, looking at continuous improvement of IT processes and therefore part of managing the IT function.

² Own calculation based on Statista (2017).

1. Many companies fail to identify the real need of IT outsourcing. According to Deloitte (2016), they often declare general goals like cost cutting, focusing on core business, capacity or quality enhancements, fulfilling business needs or access to intellectual property. These goals are definitely valid. But for a successful IT outsourcing project, a clear understanding of the underlying real problems of the current information processing as well as business pressures toward IT outsourcing is indispensable, e.g. technological innovations, compliance, and cyber security risks.
2. The plans for IT outsourcing are frequently not well thought out. All too often they lack the consideration of alternative outsourcing options. This includes the fact, that an internal solution (in the sense of a shared service centre for IT operations) in many cases is not fairly compared to external outsourcing. In terms of organisational prerequisites, most companies fail completely in successfully understanding, structuring, arranging, as well as managing the entire IT outsourcing life cycle (in accordance with the “OMIT Reference Model”³ described by Gründer [2011]) from the very first step onwards. Without internal IT outsourcing knowledge, e.g. in terms of outsourcing methodology and typical risks, they step in the dark, only looking for reducing IT costs. Without a clear direction (in the best case based on business needs), companies sign IT outsourcing contracts which often they do not fully understand. Thus, they take on unknown risks that typically cause an increase of costs – exactly the opposite to their intentions.
3. The execution of IT outsourcing projects – as they are associated with huge investments, participation of many stakeholders, and major changes to basic IT and business processes – needs to be systematic, responsive to changes in the environment of the project and well controlled. However, in practice stepwise approaches

³ The “OMIT Reference Model” is a project methodology special developed in 1999 to 2003 for IT outsourcing projects. OMIT organize the entire outsourcing life cycle in four phases: Analysis Phase, Tendering Phase, Transition Phase, Operations Phase.

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without a general plan can be observed. Especially, carelessness concerning contracting the IT outsourcing provider is a major issue in this phase.

4. IT outsourcing in practice needs evaluation and improvements on a continuous basis. The consequences of IT outsourcing must be analysed, problems must be identified and solved, the execution of the outsourcing contract has to be monitored tightly and actions to react on deviations have to be derived and performed.
5. As an outsourcing cooperation must be established, terminated or prolonged, this gives the opportunity to learn during the outsourcing process as well as during the execution phase outsourcing. This learning process has to be structured and organized. This enables the company to improve its IT outsourcing over time – with better results for profitability as well as for the non-financial goals of IT outsourcing.

The structure of these observations fits into the action research (AR) cycle by Susman and Evered (1978). They described an action research model in five phases: diagnosing, action planning, action taking, evaluating, and specifying learning (see Figure 1). These phases also build the essential management phases in dealing with IT outsourcing practice. In this respect the used information technology, IT processes, contractual regulations, and personnel responsibilities are to be regarded as the AR client-system infrastructure.⁴

The following qualitative research is described in three steps:

1. According to the AR model of Susman and Evered, experiences from three exemplary IT outsourcing projects as the relevant client-system are described from the diagnosing phase to the evaluating phase.
2. Secondly, the learnings from the three case studies are derived and consolidated into a proven model of success factors for IT outsourcing projects.

⁴ Which means that an AR client-system infrastructure must not be confused with a client element as part of a client/server concept in IT, e.g. a client/server IT architecture.

3. Finally, as the aim of the study, guidelines for successful global IT outsourcing as well as some recommendations for further experience based research will be given.

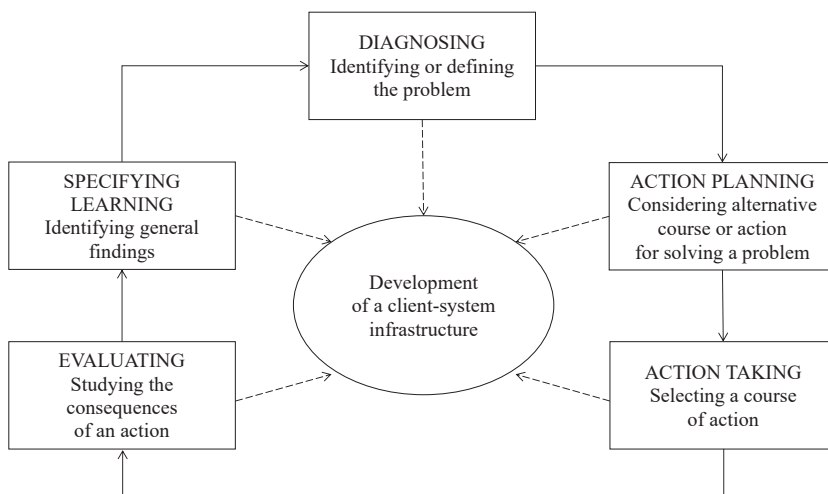


Figure 1. The action research model of Susman and Evered

Source: adapted from Susman, Evered (1978), p. 588.

2. IT outsourcing case studies

In the following, three exemplary IT outsourcing projects are described. All of these three projects have an international dimension.

2.1. Case study 1: Global full IT outsourcing

The first case, as characterized in Table 1, represents a worldwide operating industry company, which has decided to change its current IT provider. The predominant motivation was cost cutting due to strong competition in the worldwide markets.

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Table 1
Outline of case study 1: Global full IT outsourcing

Branch	Long-standing industry company, based in Germany, operating worldwide
Yearly revenue (year of case study)	approx. EUR 2 billion
Total contract value	approx. EUR 50 million
Project scope	<ul style="list-style-type: none">– global,– full operations of IT infrastructure as well as applications management (SAP and non-SAP systems)
Project initial scenario	<ul style="list-style-type: none">– all IT services are provided by a global IT provider due to a first wave outsourcing contract signed years before, including staff transfer,– management decision: new tendering of all IT services, no contract prolongation with existing provider,– project target given by management: 10 percent cost reduction are mandatory,– request for proposal process: existing provider and a few other IT providers with a global presence also were requested to provide an offer,– result of RFP process: change of provider

Source: own illustration.

Diagnosing: In the respective case, the RFP (request for proposal) process was implemented by the customer’s purchase department. A remarkable result of the RFP process was, that only one of all requested IT providers has been willing contractually to accept the mandatory 10 percent cost reduction set by the management of the company. After finalizing and signing the new contract, the entire responsibility for the ongoing project was transferred to the IT department, which in that process so far remarkably was not involved. In the following weeks, some dozens of employees from the new IT provider were sent to offices at the company’s (customer) IT headquarters. Numerous of dialogue meetings were conducted but none ended with any considerable result. The IT department, assigned to push the recent outsourcing decision forward, was waiting for initiatives and measurable progress by the new provider which was from then on the responsible IT party. But the project was marking time. The IT department quickly realized, that not making any progress in the project with getting the transition started might become a huge problem. Despite its responsibility to provide reliable and high-quality IT services to the business, the old IT provider was obliged to support a hand over

of the IT services to the new provider only for a specific time window. Therefore, time to react was limited. An external analysis was considered as an opportunity to get a clear statement regarding the current situation. An independent view from outside the company's organisation would also not affect the present conditions with the new IT provider unnecessarily by putting more pressure to him. An experienced IT outsourcing consulting company was assigned to conduct the analysis. That analysis disclosed some major findings. First, the company had failed appointing the tendering team appropriately as comprehensive IT know-how was not part of the team. IT services simply had been regarded as commodities like purchasing computer hardware or software licences. However, IT services are typically complex, demand continuous coordination and are even not to buy 'off the rack' presently. Second, the contract negotiated and signed by the purchase department lacked clearly defined duties and responsibilities regarding the IT services to be provided by the new IT provider. Respective financial and operational risks were in no relation to a contractual engineered 10 percent cost reduction. Third, no 'Statement of Work'⁵ for the transition phase was negotiated and agreed, which was the biggest challenge for that moment. Finally, the new IT provider certainly had not been totally inexperienced to manage an outsourcing transition. The provider had agreed to a project volume and complexity he failed to completely oversee, to understand and to master driven by the need to win new business.

Action planning: Based on the described and other findings, an action list of what actions are necessary to prevent the company from the approaching scenario of facing an unsupported IT landscape was worked out.

⁵ A Statement of Work (SoW) describes the scope of work required to deliver specific IT services over a defined period of time or to complete a determined project or project task. As a formal document, it must be agreed upon by all parties involved. For a transition phase the SoW – in accordance to the OMIT Reference Model – defines clearly all significant targets, respective responsibilities, measurable milestones and a result based cost model for work performed within the transition by both parties, especially old and new IT providers.

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Action taking: The most important action that has been taken was to contact confidentially the existing IT provider, whether he would be willing in general and in terms of financial expectations (company's management has not been willing to give up the 10 percent cost reduction as it was included in next year's forecast) to start negotiations aiming to provide IT services in scope for another contract term. The existing IT provider agreed to open negotiations. Under enormous time pressure secret negotiations were conducted while in parallel the new IT provider was enforced to make progress regarding his obligations – to plan and to get started a transition of the contracted IT services properly.

Evaluating: Reanimating the existing IT provider, who left the foregoing RFP at his own request, the company resolved its biggest problem for that moment: the risk of not having any IT provider contracted to operate its comprehensive IT systems. As prerequisite for negotiations, the existing IT provider put his own conditions on the table. He demanded to be entitled, as far as he was considered to be necessary, to 'optimize' implemented site support in all company's locations globally and also to transfer support tasks to his off-shore location in India. Otherwise he would not be able to meet the compulsory 10 percent cost reduction the company was unwilling to abandon. As a painful consequence during new contract negotiations, the company's contract team (staffed by IT, purchase and legal staff as well as by external outsourcing consultants) was blackmailed consistently. From the beginning of the global contract renegotiations, the quality of the new contract was suffering from a huge time pressure, a lack of detailed know-how regarding IT needs and the current IT situation in the company's locations (due to staff transfer performed years ago) and a strong negotiation position of the existing IT provider. That provider was fully aware of the emergency situation the company was captured in. The outcome in terms of business needs was a more reasonable but not a perfect contract for the company. The RFP process winning IT provider finally was unable to meet first milestones to take over the contracted IT services. Consequently, the contract with the provider had been cancelled.

2.2. Case study 2: Outsourcing of IT infrastructure and applications management services

The second example (see Table 2) refers to a worldwide operating, technology focused industry company. In this case, the main motivation for an IT outsourcing project was to eliminate deficiencies in quality, performance and costs.

Table 2
Outline of case study 2: Outsourcing of IT infrastructure/applications management services

Branch	Heavy technology industry company, headquartered in Europe, operating worldwide
Yearly revenue (year of case study)	approx. EUR 1 billion
Total contract value	approx. EUR 40 million
Project scope	<ul style="list-style-type: none"> – global, – full operations of IT infrastructure as well as applications management services
Project initial scenario	<ul style="list-style-type: none"> – joint venture company, – all IT services are provided by a global IT provider, who already rendered to one of the joint venture company’s mother company IT Services, – IT department realized to have only limited means to control and manage that IT provider, contracted IT services do not match the IT needs and costs are suspected to be high, – management decision: benchmarking of costs, maybe tendering of all IT services in a second step, – project target given by management: cost reduction

Source: own illustration.

Diagnosing: The company is a joint venture. It was established due to a carve-out of two companies and under financial outlook. From one of its mother companies, the joint venture had to take over almost all of its IT systems including a lot of individually developed applications. At the same time, the company got allocated the identical IT provider as contracted by that mother company. Over a period of its first two years after carve-out, the company realized more and more deficiencies in terms of quality, performance, motivation and costs-performance ratio

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regarding IT services rendered by the IT provider it was enforced to use. Escalation meetings with IT provider's management did not result in perceptible improvements of the situation. In a first step to find alternative courses to improve, the company decided to analyse its current IT situation, supported by a consulting company. Subject of the analysis was the existing IT services contract (frame contract and all respective SOW). This included the scope and quality of present support and communication processes (governance model) with the IT provider, the used pricing model as well as the IT service itself. The analysis revealed a package of findings. First, the existing IT services contract in no respect met the company's interests. For example, there was no clear description of the IT services owed (pure 'operational' instead of service view) with the SOW based alleged on ITIL,⁶ which obviously was as wrong as unsuitable. Insufficient or useless key performance indicators (as part of a service level agreement – SLA), almost no clarity of the IT provider's obligations, poor reporting duties (if any), no transparent pricing model and absurd oversized IT capacities were found in the analysis. As the contract had been written by the IT provider itself, it was driven completely by its own requirements and capabilities. Second, to get stated the joint venture quickly, the IT strategy was full IT outsourcing from the beginning. Regarding demand or future needs of IT systems and IT services, no evaluation had been done. The IT landscape and the IT provider had been assigned to the company by management decision without the necessary framework conditions, like creating an appropriate and transparency-enforcing contract, business-aligned IT services, the definition of clear obligations of the parties and the implementation of efficient governance structures. Third, in terms of organisation, the company was largely unexperienced in IT outsourcing. To manage the existing IT provider partnership, a large quantity of employees was involved,

⁶ The "Information Technology Infrastructure Library" is a model to perform/operate (provider duty) but unsuitable to describe (necessity to enable customers to exercise e.g. control duties) IT services. Use of ITL in contract documents like SOW is inherent risky and indicates a lack of capabilities to define IT services in a way it is possible and necessary.

almost two or more persons shared responsibility for only one SOW. Due to the lack in understanding IT outsourcing (and a poor contract), the effort to coordinate and govern the partnership was a cost consuming, daily Pyrrhic victory.

Action planning: The findings were presented by the consultants to the IT management of the company together with a strong advice to turn the current situation of IT outsourcing entirely upside down by implementing a professional RFP process for all IT services. Beside a new business-aligned IT services contract, well described IT services, clearly defined obligations to perform (via a SLA), improved support as well as effective reporting and governance processes and maybe a new IT provider, in parallel (inter alia) fair market prices based on a transparent pricing model should be negotiated.

Action taking: However, IT management of the joint venture company decided in a first step to execute a price benchmark for all IT services, understanding that benchmark project also as a ‘coaching’ process for its IT staff. The set goal was to improve transparency of the existing IT outsourcing partnership. In a second step and depending on benchmarking results, a tendering procedure for IT Services might be executed to challenge the existing IT provider and maybe to transfer IT services to a new provider. However, after the benchmark study had been conducted, tendering the IT services was no longer an option. The company preferred to enter cost negotiations with its IT provider. In parallel, the company started discussions with the provider aimed at optimizing the existing contract documents like the Statements of Work.

Evaluating: Focussing on the price benchmark neglected all other problems that completely remained unresolved, like a poor contract, powerlessness, lack of transparency and instruments for provider control, unclear responsibilities and missing regulations for reporting. Furthermore, a non-transparent pricing model was implemented with huge parts of unknown costs bundled in fixed and not negotiable blocks. Thus, the result of the benchmark was foreseeable of limited use. Nevertheless, opening negotiations based on such conditions did not achieve cost reductions aligned with current market trends. Approaching the change

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of an agreed contract during the contract period and not being able to understand and manage the existing IT outsourcing partnership properly was undertaking another Pyrrhic victory. The company in any case continued to be ‘caught’ in the contract, in oversized IT dimensions and in cost-intensive dependencies.

2.3. Case study 3: Outsourcing by migrating to a cloud solution

The third case, outlined in Table 3, covers the topic of outsourcing by migrating specific IT services to a solution based on cloud computing. As this undertaking failed, the company had to try to regain control.

Table 3

Outline of case study 3: Outsourcing by migrating to a cloud solution

Branch	Consumer goods company, headquartered in Europe, operating worldwide
Yearly revenue (year of case study)	approx. EUR 11 billion
Total contract value	approx. EUR 6 million
Project scope	– global, – outsourcing of group collaboration and communication services (cloud solution)
Project initial scenario	– global collaboration and communication services have been outsourced (cloud services) due to easy transfer and prospected low costs, – result: repeatedly service outages, high dissatisfaction over months, – management reaction: change of service provider, new tendering of services or insourcing of services, – primary goal: reliable services to appropriate support daily business

Source: own illustration.

Diagnosing: The company was facing several downtimes of services, causing repeated disturbance of internal and external e-mail communication over longer durations. On provider side only a support hotline had been available with insufficient trained personnel, who especially were unable to react appropriate in terms of (straight forward) failure resolutions. A direct contact to provider support personnel responsible to operate contracted cloud services as well as binding resolution times

(SLA) and escalation procedures had not been agreed. The outsourced IT services turned out to be a ‘quick and simple solution’, cheap but inappropriate to provide a global organization with reliable communication and collaboration services. A short analysis disclosed that prior to signing the contract no profound evaluation (analysis phase⁷) regarding the quality and quantity of the services needed, the corresponding support and the escalation processes or capabilities of the provider had been done. Choosing and signing off the provider’s contractual framework was based on trust only, no suitable due diligence phase (only price but no contract negotiations) was conducted. Management motivation for a cloud solution was purely cost-driven, in addition, the group IT department (responsible for the centrally operated group-wide IT services) was undersized and sponsored by weak leadership of an inexperienced group IT officer.

Action planning: The company’s management set up a task force to define efficient actions to ensure reliable communication and collaboration services on the one hand. But on the other hand, this task force was also asked to carefully analyse potential risks within the global IT infrastructure and to make an approach in terms of cost, time and right sequence of implementation to resolve and mitigate the risks either by internal solutions or by outsourcing.

Action taking: The analysis disclosed several findings, especially highly critical security threats affecting the company’s global network. The first management decision was to replace the group IT officer with immediate effect. The cloud services provider was to a large extent organized in a virtual setup. The provider was neither keen to agree with new contract negotiations to improve the quality of IT services, support processes and transparency nor to support the company in terms

⁷ Subject to the analysis phase accordingly to the OMIT Reference Modell is a deeper analysis regarding especially implemented situation of IT, IT demands, outsourcing options and risks, present and expectable costs as well as organizational and governance capabilities. Main goals are to make a substantiated decision whether to go for outsourcing or not and in case of buy decision to be best prepared for next steps (tendering phase) like preparation of professional tender documents (RFP).

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of transferring the IT services to an alternative provider. Arguing he was not obliged to do that, the cloud provider even was not willing to disclose location of data management. Therefore, the company in its own global data centres (per region) set up a new infrastructure platform and put a global but lean support organization to operate the communication and collaboration services by itself. Stepwise, massive changes followed regarding globally binding IT standards and architecture, network security, the reliability of IT infrastructure, the centralisation of group IT services and the IT organisation.

Evaluating: The replacement of cloud provider was a painful change, but in consequence brought back control of the IT services to the company and sovereignty regarding further developments. Huge changes in the IT infrastructure and IT organisation have been painful and cost intense, too. But lastly, all steps taken secured the entire global IT landscape and made it more reliable, brought back know-how into the company and put it into the driving seat to better understand, carefully decide and implement future IT trends successfully.

3. Learnings from the case studies

Case 1 reveals various findings. In the first place, it represents a serious failure in organisation as the company assigned the purchase department in its sole discretion to conduct the RFP process for a global IT services contract. In a kind of naivety, IT services have been treated as a commodity that seemingly made the involvement of sustainable IT know-how expendable. To set a financial target (10 percent cost reduction) might be a serious proceeding. However, to set it absolute and to keep it strict while the project has turned into danger should be recognised as gross negligence. The early warning signs of only one provider responding the tender had been ignored. The purchase department did what it understood and was in control of: to contract an IT provider who accepts the targeted 10 percent cost reduction. With this background, purchasing experts are usually not aware, that IT services are diverse and have to be business-aligned and clearly defined in an IT services contract. Consequently, the

entire tendering process had to lead to a dead end. By turning back to the existing IT provider in a secret project, the company solved its business from being without any IT support. However, the company had to pay a high price: project delay, high organisational pressure (unplanned contract negotiations over weeks), costs for internal employees and external consultants and agreement in contractual changes e.g. in terms of support processes and quality of IT services. To accomplish the changes as mentioned above required e.g. to implement new hardware and software. Thus, a global transition project was necessary with the existing IT provider, too. However, assigning a project manager from street, who had no experiences in IT outsourcing transition management, the company seriously failed again. The project manager was certified in project management, which proved to be insufficient to manage a transition project. The transition project lasted almost three times longer than scheduled and caused a further unplanned costs explosion. Over the entire contract term, the company's business experienced negative consequences of the new contract as the quality of the IT services provided in daily business by the old (and then also the new) IT provider was mostly driven by cost engineering and support process reengineering, but not aligned with effective business needs. An ineffective IT does not support the business in a way as it needs it and typically causes increased costs (inefficiency). An IT outsourcing project needs in terms of organization a multi-competency team, in terms of approach a proven project methodology (like OMIT) and in terms of contract clearly defined duties and responsibilities.

The 2nd Case study shows, that a financial view on IT (carve-out) prevents companies from business best-aligned IT services and typically ends up in higher IT costs. To setup and manage an IT outsourcing process successfully, just having an IT provider contracted is not enough. Accepting an IT services contract written by the IT provider is one of largest errors as it typically does not reflect the needs and demands regarding IT of a company. It rather makes the company helpless, depending on the provider and wasting money. From the beginning, besides other conditions, a successful IT outsourcing project needs to be based on an expedient methodology, a substantiated outsourcing strategy, an efficient

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internal IT organisation with experienced staff (retained organisation), IT services contracted continuously reflecting existing IT demands, a comprehensive transparency regarding all duties and responsibilities of the parties. Problems, that are not consequently met by solving them at their root cause by effective changes, means to delay and to extend these problems over the term of the contract. Putting a price benchmark is a way to win arguments to open cost negotiations, but it does not serve to fundamentally resolve a defaulted IT outsourcing partnership. In the case described, the company continued to be 'caught' in and suffer from the contract as well as of oversized IT dimensions.

One finding of case 3 is that cloud IT offers in the market have to be evaluated and aligned with business needs just like 'traditional' IT outsourcing solutions. Simply to believe in marketing of IT providers, not caring about a transparent contract with clearly defined obligations or not checking provider's capabilities is negligent action. In best case, companies are advised by experienced consultants and present their own contract draft used for negotiations. Another finding is, putting single IT tasks to external IT providers does not resolve existing problems in general like IT security, structural deficits in IT organisation, shortage of IT staff and so on. And finally, a cheap IT never is an economical one – the business will suffer and IT costs will explode later in any case.

4. Derived guidelines and recommendations

Although the three cases differ in their outline, similarities concerning organizational and methodical faults and management failures can be detected. Table 4 depicts the main problems and faults of the three case studies.

Compared with each other, the case studies show significant similarities. In all cases the motivation or later the tendering/negotiation process had been cost-centred. Business needs as well as IT needs faded into the background. Another similarity is the knowledge gap within the company regarding IT outsourcing. As the reasons for this deficiency differ (poor leadership, bad team allocation, lack of individual skills), this

finding shows an inadequate consideration of knowledge as a key success factor. A third obvious match refers to the outsourcing contract. In all cases, the contract is designed to the advantage of the IT provider. This is a result of its dominant negotiation position, which in turn is based on time pressure, lack of alternatives, and insufficient definition of the client's demands and goals for negotiation and contracting. Proceeding on the provider's advice causes typically higher costs later in operations.

Table 4
Problems and faults of case studies

Scope of case study	Problems/faults
Global full IT outsourcing	<ul style="list-style-type: none"> – tendering team did not cover multi-disciplinary know-how, contract did not clearly define duties and responsibilities, – transition was not carried out systematically and does not use a proven methodology, – financial and operational risks were not analysed, – outsourcing provider was inexperienced to manage transition, – project was constantly under time pressure, – IT needs as well as business needs were not clear, – strong negotiation position of former IT provider
Outsourcing of IT infrastructure/applications management services	<ul style="list-style-type: none"> – contract did not clearly define IT services, performance indicators, duties and responsibilities, pricing model, – business and IT needs had not been analysed prior decision for full IT outsourcing, – obligations of parties had not been defined, – company lacked know-how in IT outsourcing, – professional tendering process was not installed, – negotiations with IT provider were cost-centred
Outsourcing by migrating to a Cloud Solution	<ul style="list-style-type: none"> – IT needs in term of quality and quantity of IT services were unclear due to lacking analysis, – support and escalation processes had not been established, – negotiations with IT provider were cost-centred, – contract derived from IT providers offer and was poorly negotiated, – outsourcing was mainly cost-driven, – inexperienced and weak leadership on company side

Source: own illustration.

Considering these faults leads automatically to guidelines for a better and successful outsourcing. These guidelines, which are also discussed

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in literature (e.g. Gründer, 2016; Pietsch, Martiny, Klotz, 2004, p. 198f.; Saunders, Gebelt, Hu, 1997), are:

1. Clarify outsourcing goals.
2. Do not only focus on cost savings.
3. Build a multi-disciplinary team for tendering and contract negotiation.
4. Avoid time pressure.
5. Gain a strong negotiation position through the identification of alternative providers.
6. Care for strong IT outsourcing leadership and governance.
7. For outsourcing in an international dimension be aware of inter-cultural and legal differences.
8. Use proven methodology and frameworks for the whole outsourcing process.

Conclusions

The objective of this article was to systematically derive guidelines for successful global IT outsourcing from three exemplary case studies. As shown by the used methodology, it is possible to identify common faults and deficiencies in IT outsourcing practice as a basis for a development of practical guidelines. Further research should be carried out in two directions. First, the described approach should be based on a much broader empirical base. For this, it would be necessary to find more experts from the IT outsourcing parties as well as IT outsourcing consultants. The analysis in this article was based on the experiences of the authors, backed by project documentations and a literature review. For a deeper empirical study, the here present basis has to be extended and analysed by a more rigid approach, like the grounded theory. Second, the derived practical guidelines for a successful IT outsourcing should be reflected from a scientific perspective. From a practical point of view, it makes sense to follow the various recommendations individually. But from a research perspective, a holistic view is needed. One possible concept could be the application of the balanced scorecard (BSC)

structure, which is well established in information systems research, to the identified guidelines. This can lead to cause-and-effect relationships, which in turn could form a promising approach for further quantitative research. An alternative methodological approach could be offered by System Dynamics (SD), as the main characteristics of an SD model meet the situation of IT outsourcing projects: interdependence of several factors influencing decisions and actions, mutual interaction between the outsourcing parties and further stakeholders, information feedback during the whole IT outsourcing process, and a circular causality of some factors.⁸ In any case, IT outsourcing represents an interesting field for research with a high potential for application in the business environment.

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⁸ For example, from the viewpoint of a company which wants to outsource its IT a weak negotiation position leads to contract deficiencies which result in dependency of the company from its IT provider which in turn strengthen the weak negotiation position of the company.

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Regionalisation Issues in the Age of Global Shifts

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Torsten Gründer

CEO GRÜNDER Consulting GmbH
Independent IT Outsourcing Advisors

Michael Klotz

School of Business Studies
Stralsund University of Applied Sciences

IT outsourcing in a globalized economy

Summary. IT outsourcing is a significant market segment in the IT industry. Large companies necessarily practice IT outsourcing on an international scale. Despite this importance, outsourcing projects are repeatedly burdened with serious problems and errors. Wherever IT outsourcing is practiced, companies are often not satisfied with the results and quality of the outsourced IT services. The article discusses this problem by identifying issues and errors in IT outsourcing projects based on three exemplary case studies, consolidating the results and developing recommendations for action. In addition, the article shows how the results can be used for further in-depth and possibly quantitative research.

Keywords: cloud computing, IT outsourcing, IT services, risk management

JEL classification: F23, L14, L24, M21

Outsourcing IT w gospodarce globalnej

Streszczenie. Outsourcing IT to ważny segment rynku w branży IT. Duże przedsiębiorstwa muszą korzystać z outsourcingu IT na skalę międzynarodową. Pomimo swojej ważności, projekty outsourcingowe regularnie borykają się z poważnymi problemami i błędami. Przedsiębiorstwa korzystające z outsourcingu IT są często niezadowolone z rezultatów i jakości pozyskiwanych w ten sposób usług IT. Omówienie tego problemu w niniejszym artykule sprowadzało się do identyfikacji trudności i błędów w projektach dotyczących outsourcingu IT na podstawie trzech przykładowych studiów przypadku, przedstawienia syntetycznych wyników i sformułowania rekomendacji dla ewentualnych

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działań. W artykule ukazano także sposób wykorzystania wyników w ramach dalszych – gruntownych i w miarę możliwości ilościowych – badań.

Słowa kluczowe: przetwarzanie w chmurze, outsourcing IT, usługi IT, zarządzanie ryzykiem

Klasyfikacja JEL: F23, L14, L24, M21

