

A STUDY ON INFORMATION SYSTEM OUTSOURCING

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Abstract

The term "outsourcing" first appeared in the management lexicon in the nineteenth century. After then, it has changed and developed into a standard operating procedure in today's organisational contexts. A management method called outsourcing enables firms to assign business tasks that were previously handled inside to a third-party specialist. It might also be described as contracting out corporate operations or activities to an outside expert who is able to complete them more effectively, swiftly, and affordably. In its simplest form, outsourcing is the transfer of company operations to a service provider (domestic or foreign) so that organisations can use external resources to accomplish internal business goals.

Keywords: Information System, Outsourcing, Business, Service, Technological.

Introduction

Organisational readiness towards IS outsourcing assesses an organization's capacity to carry out IS outsourcing duties, indicating a state of readiness to act on both a psychological and behavioural level. It speaks to the degree of expertise, resources, and technological capabilities of organisations. These elements are crucial resources for IT expenditures. Additionally, the relatively low level of computerization in organisational processes makes it difficult to integrate advanced IS and necessitates high expenses (for example, in terms of capital, human resources, and technology). As a result, the selection and execution of IS outsourcing require a resource commitment. Organisations need knowledge and skills to handle their IS outsourcing initiatives, create technological infrastructure, effectively integrate complex information systems in addition to committing resources. In order to develop IT skill readiness, financial readiness, & technological readiness in this study, organisational preparedness is crucial.

Business divisions used to be vertically integrated, indicating that operations at every stage of an organization's value chain were handled internally, until outsourcing became popular. Today, corporate units and functions must be outsourced out to service providers due to factors including diversification, globalisation, and business flexibility. IBM is an example of a company that has embraced outsourcing to increase its flexibility and competitiveness. In the past, IBM produced computers with their own operating system (OS) and accessories. However, modern IBM computers are composed of components made by other companies. While IBM is now concentrating on providing IT services. Organisations outsource tasks including manufacturing, transportation, human resources, customer service, and information technology with the goal of using size to gain economies of scale while also lowering production costs.

Review of Literature

(2010) Gonzalez [3]; Currently, outsourcing is experiencing an unstoppable growth phase. This essay presents a suggestion regarding the key factors that could influence businesses to use outsourcing for information systems. The potential

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hazards that IS clients may experience will also be examined. A further goal is to evaluate these causes and dangers in the context of significant Spanish companies while also tracking their development over time. This research of the benefits and dangers of outsourcing was done from the client's viewpoint. Despite cost savings with staff and technology are generally regarded as extremely significant, they do not emerge as the top reasons for outsourcing in the current study. Instead, the study focuses on the opportunity that outsourcing gives organisations to have more effectively IS services and the potential to achieve technological improvements. When it comes to hazards, they are primarily related to providers. Customers are quite concerned about the staff's lack of qualifications, the possibility of contract violations, and the providers' failure to adapt to new technologies. Due to the significant advancements in technology over the past several years, many businesses now have the opportunity to benefit significantly from outsourcing by avoiding investing significantly in new technology. Business organisations can improve their adaptability by constantly revising their contracts to fit their information demands whenever they arise. Additionally, outsourcing offers a high degree of adaptability in how IT resources are used and makes it simpler to cope with business level volatility because the provider is better equipped to handle changes in IT workloads. Businesses can also employ outsourcing as a tactic to achieve flexibility throughout a reorganisation or restructuring process.

(2017) Sunand [15] Offshore outsourcing is influenced by a variety of risks, all of which are difficult to quantify and understand due to their complicated interrelationships. Above all, the risk of opportunistic activity is connected to the actions of the service provider, which could lead to a breakdown in coordination. Therefore, the authors of this research attempted to close the gap among theory and practise by identifying numerous risk variables associated with opportunistic conduct. They then constructed an ISM model to examine how these risks affected offshore outsourcing. According to study results, poor communication and inadequate job specifications are significant risk factors that have an effect on other risk variables and eventually have an impact on offshore outsourcing. The research done for this paper assists managers in classifying key factors, identifying both their direct and indirect impact on offshore outsourcing, and identifying key criteria.

Analysis

We aim to examine a mediation mechanism through IT alignment to clarify how outsourced appropriation affects IT-dependent organisational

agility. A new social framework connected to organisational success eventually emerges as a result of appropriation, claims AST. The goal of outsourcing appropriation in volatile market situations resides in the alignment of the structures encountered in the appropriated outsourcing services with the business surroundings, namely, IT alignment. As a result, one important new social structure that results from outsourcing appropriation is IT alignment, which then transfers the implications of appropriation to organisational agility that is dependent on IT. This study investigates the moderating impact of cloud computing adoption in the relationship among IT alignment as well as IT-dependent organisational agility in light of the conflicting arguments about whether IT alignment enhances or hinders agility as well as the unclear boundary that exists in the linkage among IT alignment and agility. Furthermore, according to AST, the process of appropriating structure must be linked with other sources of framework, particularly the knowledge framework of organisations, and knowledge transfer is crucial to the optimisation of this structure. As a result, we continue to look into how knowledge transfer affects the link between organisational agility and outsourced appropriation.

The IT tasks that businesses contract out have changed over time. Initially, corporations outsource auxiliary or conventional tasks like the creation and upkeep of back-office systems; more recently, organisations outsource complex tasks and strategic endeavours like research and development. Based on the level of organisation (strategic, operational, or support) that the IT function serves or enables, firms will outsource to varying degrees. The results of a study indicate that user support, network administration, and infrastructure maintenance are the most outsourced IT tasks in businesses.

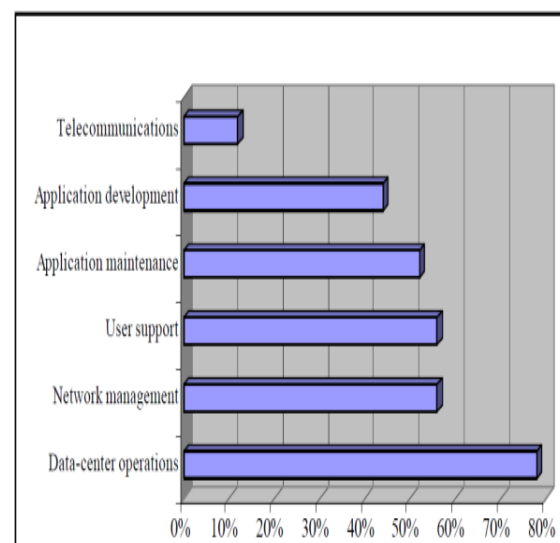


Figure 1: The Majority of Outsourced IT Tasks

According to this information, the IT tasks that are most frequently outsourced are infrastructure management, independent validation and testing, software creation & maintenance, support desk, system integration, managed safety, data centre management, development and research, and cloud computing.

Globally, small, medium-sized, and large-scale businesses in the public and private sectors are embracing outsourcing for reasons like lowering labour and production costs. However, it was demonstrated that outsourcing is no longer primarily driven by economic considerations. Nowadays, companies outsource for strategic objectives include boosting operational effectiveness, concentrating on core capabilities, accessing a global talent pool and market, and avoiding expenditures like taxes. Organisations now have more opportunities to use external resource bases, improve processes, and reduce business risks thanks to outsourcing. Although outsourcing has advantages, it also comes with dangers and complexity that enterprises must manage.

Due to the numerous interconnected processes that go into its administration and implementation, outsourcing is complicated. Outsourcing's complexity results in a variety of management and administrative conundrums. Executives are struggling to make judgements about their sourcing strategies, including whether or not to outsource, which business operations to outsource, what kind of outsourcing approach to use, and how to choose the best service provider. Various outsourcing theories, including transactional cost economics (TCE), core competency theory, relational theory, resource-based theory, and agency theory, have been developed as a result of this situation of ambiguity. These theories have been used by researchers to explore and look at outsourcing-related concerns. Their research's findings have helped to create guidelines and good practises for handling outsourcing relationships. In addition to the complexity of outsourcing, firms face dangers. Security breaches, loss of control, hidden costs, and knowledge loss are just a few of the hazards that could arise.

More businesses are contracting with foreign firms to handle their technology (IT) operations. While outsourcing has some advantages, there are also a number of potential drawbacks. This study's goal is to evaluate these hazards and provide a summary of various mitigation strategies. The advantages of IT outsourcing (ITO) were examined in this study, followed by an analysis of the various ITO dangers. In addition, a number of fundamental approaches to managing ITO risks are discussed, including the

importance of properly defining the major elements of outsourcing, which include service levels, vendor people, and data security. The adoption of a theoretical structure and IT audit are further tactics. Other, more advanced methods exist as well, like outsourcing open source systems and relying on many suppliers. Extensions to the application of IT audit and substitutes for conventional one-supplier outsourcing are ideas for future research. It is feasible to think of IS outsourcing as a procedure with two primary stages: the decision phase and the implementation, regardless of whether the goal is the externalisation of IT infrastructure, developing applications, or IS management duties, to mention a few. Organisations evaluate the benefits and drawbacks of outsourcing their information systems (IS), consider different outsourcing arrangements, and then decide after weighing all of their available outsourcing choices.

Conclusion

The how and outcome phases make up the implementation phase. The 'how' stage entails the choice of the provider and activities pertaining to the customer-provider relationship, such as relationship establishing (contractual process), building relationships (strengthening the connection between customer and provider), and relationship management (moving the relationship in an appropriate direction).

The 'outcome' stage considers the results of the outsourcing decision, the degree of the arrangement's success, and the outsourcing's lessons learned. It should be noted that the outsourcing procedure is organised with the client in mind, particularly when it comes to the decision-making stage. Even though some of the stages may be simple to implement from the outsourcing providers' point of view, these agents must approach the initial stages of the contracting procedure from the standpoint of an offer, in the sense of meeting a need on the market that originates from potential consumers.

Organisations continue to outsource business operations & units to support providers, most notably IT, despite the challenges and risks associated. This is due to the fact that IT is costly, rapidly developing, cross-functional, & a support function for other business units.

Conflict of Interest

There is no conflict of interest between the authors in this manuscript.

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