

Paradigm shift: outsourcing decision bandwagon

Abstract

The rapid growth of outsourcing particularly in information systems (IS) or information technology (IT) has dramatically increased during the 90's and has attracted much attention. The combined value of global outsourcing deals in 2004 was worth US\$162 billion (RM619 billion) compared to US\$119 billion in 2003. The growth of outsourcing is mainly attributed to its supposed benefits; improve strategic focus and structural change, generally promoted by IT service provider press release or publications (Linder, 2004).

There are various reasons that motivate the adoption of IT outsourcing practices for both private organizations and government agencies. Firstly, high public demand on government agencies in providing prompt, precise and improved services, with the expectation of emulating the private sector aggressiveness. On the contrary, private organizations are frequently driven by financial, business, technical and micro-political factors. Secondly, the drastic evolution of IT, computer applications and internet based software has caused both private and government organizations to rethink about their core business and competency. This is further enhanced with the availability of numerous IT solution providers offering state-of-the-art services in designated IT functions. Thirdly, globalization aggravates the need to sharpen organizations' competitive edge, particularly so for private organizations. Government agencies, in this case, have to keep up with new trends in delivering services with its information intensive structure. Therefore, IT outsourcing has become a generally acceptable option in various forms and scopes across all types of organizations.

This chapter attempts to explore the reasons why Malaysian organizations outsource their IT functions to a third party. The discussion is organized into six sections. This section looks into IT outsourcing expectations' of organizations that outsource their IT functions. Section two discusses the process involved in outsourcing decision-making. Section three further examines the motivating factors that lead to outsourcing. Section four presents the study carried out. Section Five discusses the findings. Finally, section six concludes the chapter.