# A description...

# IT outsourcing in business organizations:

# How can outsourcing be availed of effectively by modern-day

# Enterprises?

**IS 3159** Information systems project

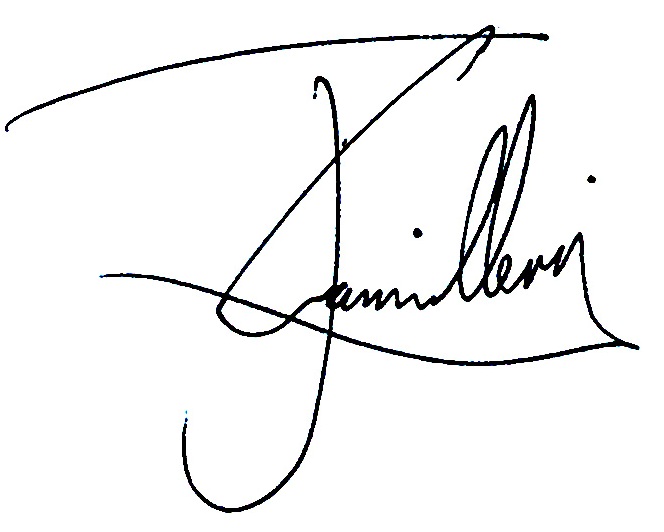
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# **Declaration of authenticity**

I certify that this research project presents the findings sourced and referenced from my research. The relevant sources of information have been duly referenced throughout this document and are listed in the Bibliography section.



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**Document Version control**

## Version Date Milestone

* + 1. 18th June 2013 Initial research in preparation for literature review
    2. 29th August 2013 Drafted literature review

# Abstract

# Literature review

*Outsourcing* refers the contracting out of an organizational process to a third party.

It may include selective outsourcing where particular functions of an organizational

process are outsourced based on criteria such as whether the function can be delegated

to experts in the subject matter. An organization may also operate using outsourcing.

Aquilina (2012) defines *total outsourcing* as the case when more than 80% of the

information technology budget has been allocated to a service supplier. This hypothesis

may bear its roots in the works of Vilfredo Federico Damaso Pareto, who originally outlined

the Pareto efficiency principle[[1]](#footnote-2).

For example, the author manages a private business using a cost-effective and lean business model[[2]](#footnote-3) and acts as a subcontractor, providing and promoting business and technology services to prospective clients, at times using the internal resources and business partners that are regularly engaged by the firm, and, at other times outsourcing or offshoring projects or portions of projects to subcontractors mainly based in India, depending on vendor selection criteria that are established by business policy, and, reviewed from time to time in view of external and internal sources of influence e.g. political factors, economics, pricing, cost, perceived and measurable quality, clients' preferences, and, the requirements emanating or related to the technical architecture and design.

The advantages of outsourcing IT/IS projects include the availability of project management services based on a contractual relationship which is based on mutual trust and a reciprocal professional relationship, whilst using the skills of specialized human capital that give access to highly specialized talent that is co-ordinated and managed professionally to ensure that the technology projects meet or exceed the clients' expectations relating to the timeframes of delivery, budgetary and financial limitations and with the expected quality levels that are adequate for the maturity, complexity, and, fitness for purpose for the end-users that implies careful change management and implementation. The disadvantages include risks relating to financial fraud through loopholes within information systems security engineering that is evidenced by the increased likelihood of computer crime and hacking, and, the risk of not meeting the clients' expectations holistically, which can be limited through careful project management that is adequate for each project or operation being planned along with the clients, partners, suppliers and other stakeholders having an interest in the business, project or operation.

Statistics made available to the author by Inspector Timothy Zammit[[3]](#footnote-4), Inspector at the Criminal Investigation Department indicate an increased number of cases relating to computer misuse (hacking), fraud, forgery and misappropriation of funds, which may confirm an increased global trend in cyber crime and hacking. It is also noted that crimes related to insults, threats and private violence have increased by 32 times in 2012 when compared to the number of cases reported in 2003, which outlines that cultural management and the risk of racial hatred and their connetion with national and regional political stability may affect the decisions of executives in their preference for the location of the outsourcing provider(s), and, this highlights the need for cultural issues to be managed adequately. Global culture and the management of diversity is becoming increasingly relevant when establishing international business, and, this is confirmed by sociologists and management consultants, including Malcolm Waters (2001), Geert Hofstede[[4]](#footnote-5), and, Fons Trompenaars[[5]](#footnote-6).

Ciborra (2004) highlights different risks, which include technical and mathematical risks, mis-management, and, other factors.

Technical/mathematical risks can lead to inaccuracies in calculations and computations, risks related to mis-management such as lack of visibility on the quality criteria that are being delivered to the customer, cost-overruns or running out of budget thereby requiring additional financing vehicles frequently bearing additional cost related to the cost of time related to the repayment of the financing that includes interests and other finance-related charges, incorrect business specifications or inadequate quality standards that have been contractually or otherwise agreed upon, inadequate change management procedures or the lack of adherence to “common sense” approaches where changes are approved in view of their impact on the expected date of delivery and the financial budget or forecasts of the project.

# Research methodology

# Conceptual Framework

# Findings

# Analysis

# Conclusion and recommendations

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1. The **Pareto principle** (also known as the **80–20 rule**, the **law of the vital few,** and the **principle of factor sparsity**) states that, for many events, roughly 80% of the effects come from 20% of the causes.[[](http://en.wikipedia.org/wiki/Pareto_principle" \l "cite_note-NYT-1) [↑](#footnote-ref-2)
2. [↑](#footnote-ref-3)
3. [↑](#footnote-ref-4)
4. [↑](#footnote-ref-5)
5. [↑](#footnote-ref-6)