

MANAGEMENT OF IT OUTSOURCING PROJECTS

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October 2006

Submitted to:

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What is this research about?

This study is part of an ongoing research on the ways to improve the management of IT outsourcing projects in the implementation phase.

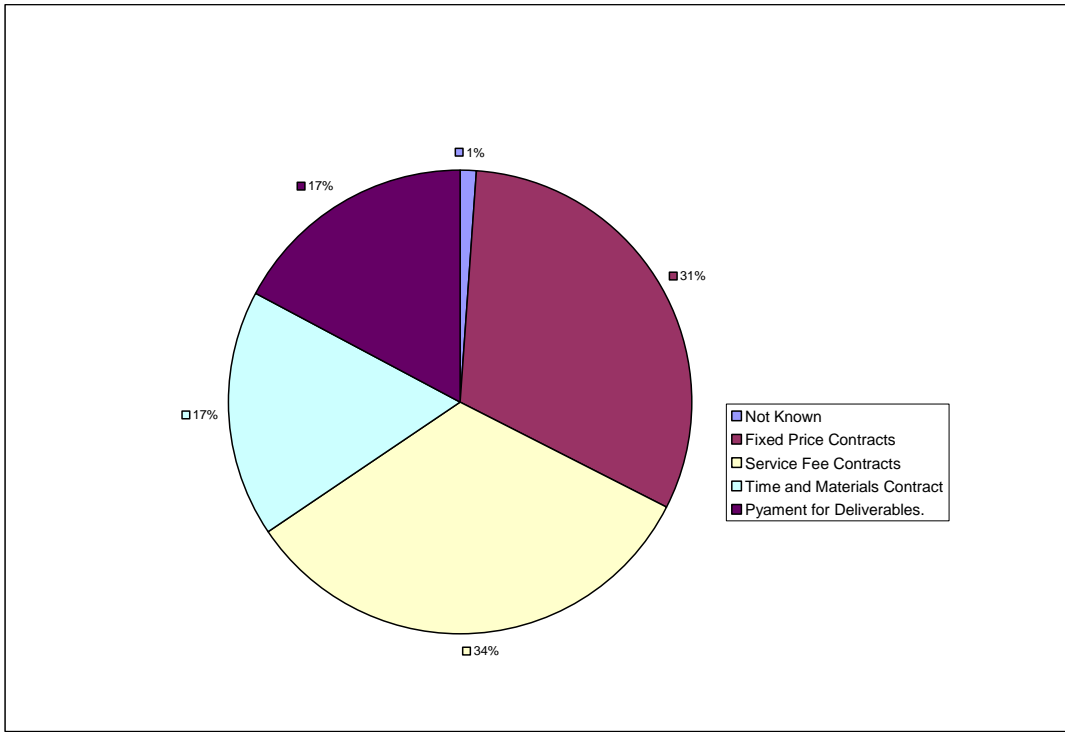
Despite high expectations from IT Outsourcing Projects, because of lack of flexibility, 80% of the IS outsourcing contracts get re-negotiated (Gartner Inc. 2005), resulting in escalated cost, and time overruns for both vendor and the client.

Sample characteristics:

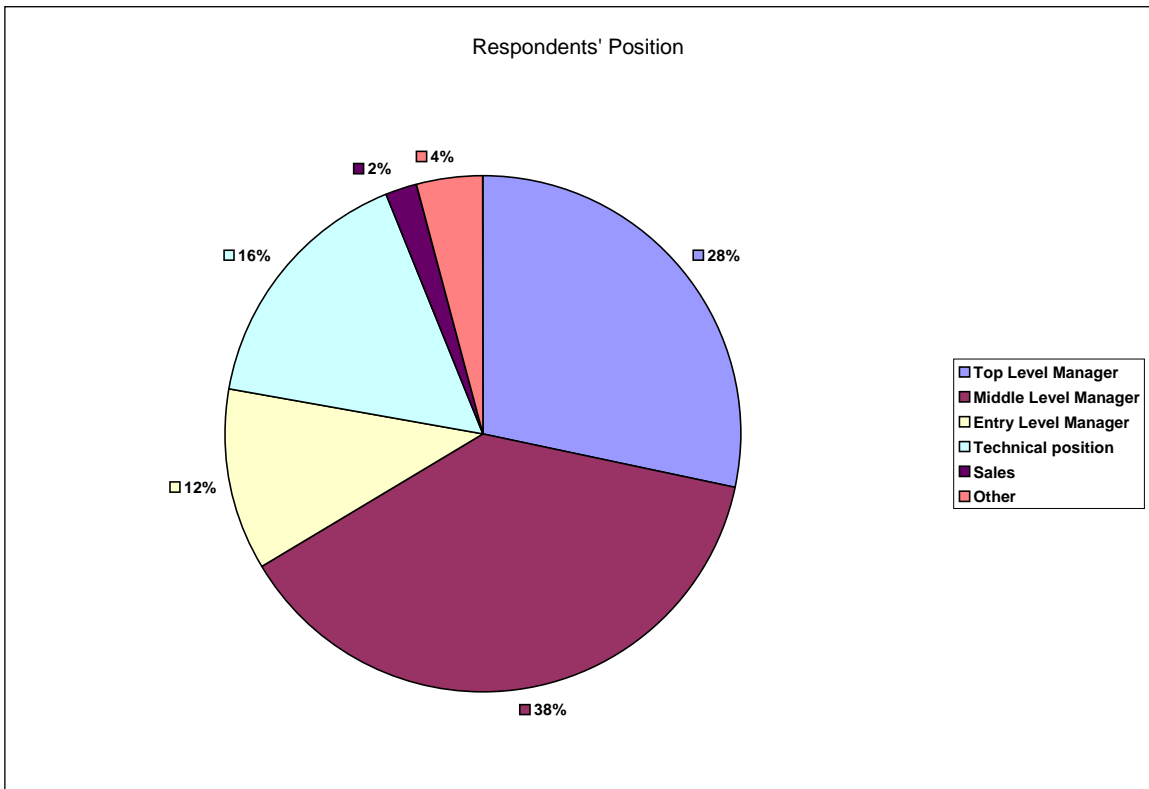
Data was gathered from multiple sources including members of the Project Management Institute. A total of 211 respondents participated in the survey. Out of these respondents 42 responses were from the members of the PMI.

The majority of respondents in the sample were male (78%). 16% were female and 6 % had not reported gender. 28% of the respondents were top level managers, 38% were middle level managers, 12% were entry level managers, 15% were in technical positions, 2% were in IT sales and 5% were in other IT related positions. 6% of the respondents were managers in government sector, 61% were from the services sector, 18% were in manufacturing, 2% in retailing, 1% in wholesale and 15% were in other sectors. Charts showing the break-down of the sample demographics regarding sector and organizational position of the respondents, and term and type of outsourcing contracts are presented below.

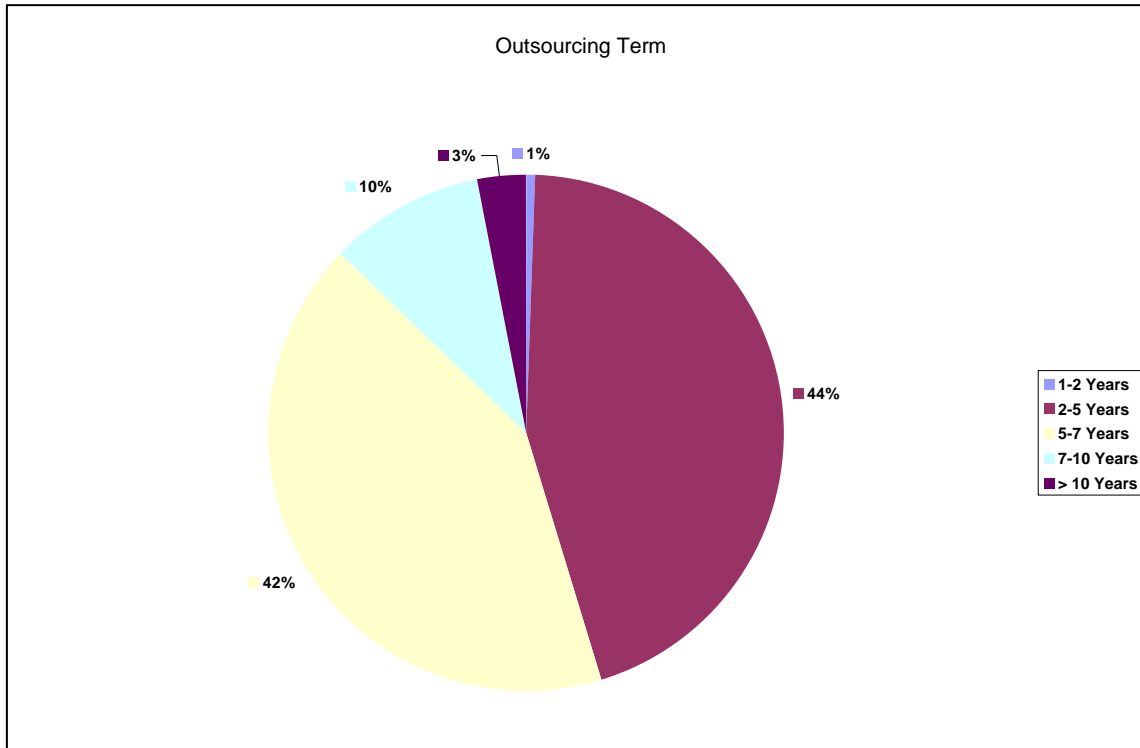
A sector-wise break-down of the respondents



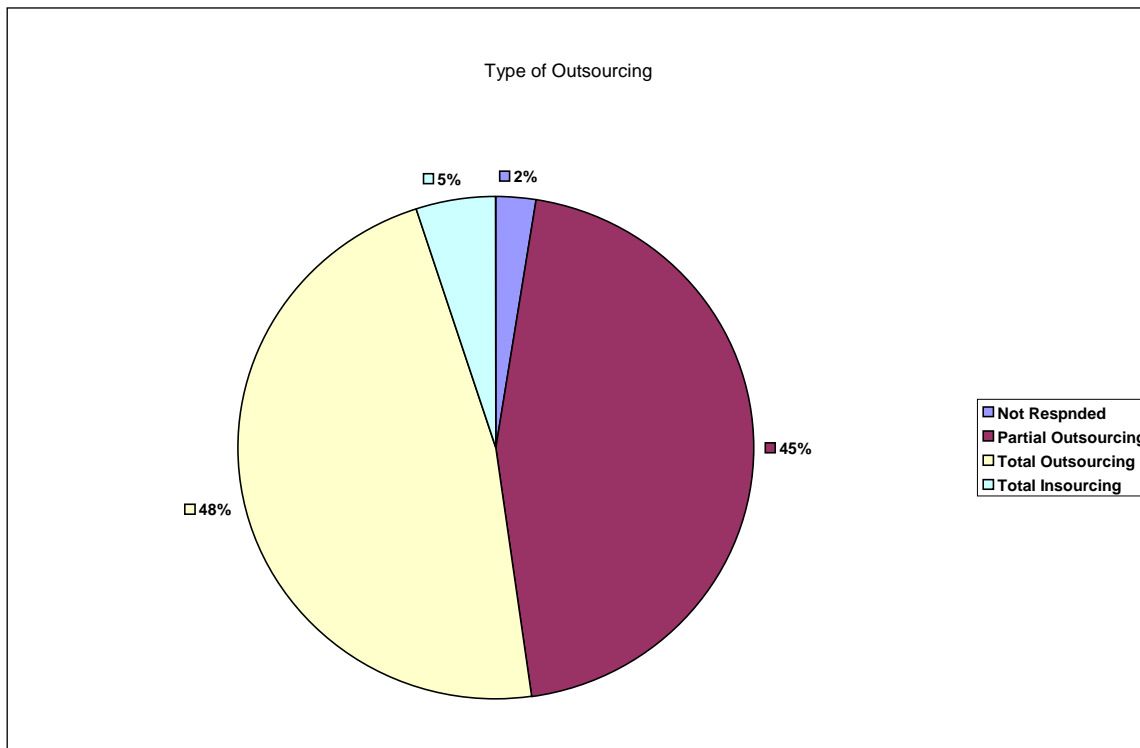
Respondents' position in the organization



Term of the outsourcing contracts:



Type of Outsourcing contracts:



A brief summary of results are presented below:

- Maintaining a close client-vendor relationship based in commitment, cooperation and coordination between the parties was significantly related to the success of the outsourcing project.
- Trust, mutual dependence, and perceived strategic importance of the IT outsourcing project the clients, was significantly related to client-vendor relationships.
- Service quality delivered by the vendors, (as perceived by the clients) was significantly related to client-vendor relationship quality.
- Even though clients perceived risk of vendor engaging in opportunistic behavior, risk of conflict of interests, and risk of non-involvement by the users, client's trust in vendor reduced those perceptions of risk. Therefore, perceptions of risk did not have a significant impact on the client-vendor relationships.

Implications

Because of the dynamic and fast changing nature of IT, and incomplete nature of formal contract, it is essential to maintain good client-vendor relationships during the execution phase. Flexibility and mutual trust between the parties can help in smooth efficient and timely execution of the project.

The study points to the fact that the risks exists even in a trusted relationship with the vendor. Therefore, the outsourcing outcomes are not automatically assured, unless the risks are either mitigated or effectively managed during the during the execution phase.

From the findings about service quality, vendors can know in more detail the expectations of their clients, and better understand their relationships with their clients.

Building trust can facilitate trouble free execution of the project, reduce cost escalation and can be beneficial during negotiation processes and at the time of renewal of the contracts.

Limitations

This study uses cross-sectional data. Data collected using self-reports and therefore subject to the personal biases and social-desirability biases. The results are subject to common method variance. Generalization of the results must be done with caution.