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ON INFORMATION TECHNOLOGY
OUTSOURCING

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PANEL 13

INTERNATIONAL PERSPECTIVES ON INFORMATION TECHNOLOGY OUTSOURCING

Panel Chair: N. Venkatraman, Massachusetts Institute of Technology, U.S.

Panelists: Sid Huff, University of Western Ontario, Canada
Lawrence Loh, Massachusetts Institute of Technology, U.S., and National University of
Singapore
Josep Valor, IESE, Spain

The governance of information technology (IT) is increasingly becoming a critical component of IT strategy (Henderson and Venkatraman 1993). In particular, one governance mechanism, outsourcing, which reflects a shift in the locus of IT governance from hierarchy toward market-based or partnership modes that involve external technology vendors, has become important (Elam et al. 1988). As a strategy for managing the IT infrastructure, outsourcing has become widespread, yet controversial, in the last few years.

The research literature in IT outsourcing emphasizes analytical models that discuss the benefits and limitations of IT outsourcing (Richmond, Seidmann and Whinston 1992) or practitioners' discussions on how to structure IT outsourcing contracts (e.g., Fried 1993; Huber 1993). More recently, some empirical findings on this phenomenon within the U.S. context have been forthcoming (Loh and Venkatraman 1992a, 1992b, 1992c; Venkatraman and Loh 1993).

In light of the present global imperative in business competition, the criticality of a well-conceived IT sourcing strategy is embracing an international dimension. While the state-of-the-art in terms of innovative sourcing choices originated in the U.S., firms, especially those in Canada and Europe, are increasingly considering outsourcing as a means of exploiting core competencies in the global marketplace. The winner of the next era of competition depends on how well multinational firms can effectively muster the use of critical strategic resources. Indeed, a well-positioned sourcing strategy for IT would pose a key influence on the ultimate success of firms in overcoming the global competition.

This proposed panel appreciates the immense value of country-based diversity in rigorously examining the recent outsourcing phenomenon. It draws from three different sets of perspectives from countries in North America and Western Europe, with the recognition that outsourcing, as a component of IT strategy, has ramifications that cross national borders. While diversity is naturally present in this international panel, it hopes to go beyond this factor by also suggesting an integrated approach to outsourcing research in the global context (i.e., it seeks to achieve "*unity through diversity*"). The panel is, in fact, a most timely and appropriate response to the ongoing research momentum on outsourcing that has just started worldwide.

The specific objectives of the panel are three-fold:

1. Develop a set of generic research issues that guide inquiry efforts into IT outsourcing; while focusing on sourcing as a theoretical phenomenon, these issues would be country-independent.
2. Present conceptual perspectives and empirical results from North America (U.S. and Canada) as well as Western Europe (Spain); these research findings would highlight the diverse context of IT outsourcing in view of the unique characteristics and structure of business competition and technology in the country environment.

3. Compare and contrast the perspectives and results from individual countries; the end result would be a cross-national synthesis of research issues arising from the presentations, with a view to stimulating further international research in this emerging area of IT inquiry.

The panel comprises the following presentations.

INTRODUCTION AND SYNTHESIS

N. Venkatraman will introduce the key issues on IT outsourcing within a broader context of IT strategy and its alignment with business strategy (Henderson and Venkatraman 1993) as well as particular theoretical and empirical results in IS and strategy (Venkatraman and Loh 1993). He will highlight a unified framework that constitutes a basis for the subsequent country-specific presentations. He will also summarize the different presentations and develop an agenda for cross-national research.

PERSPECTIVES FROM THE U.S.

Lawrence Loh will propose a conceptual model of IT sourcing based on critical concepts in organizational economics. He will also highlight interesting empirical results from a large sample of leading U.S.-based corporations. His presentation will be based on his doctoral research (Loh 1993) as well as joint research projects with Venkatraman (Loh and Venkatraman 1992a, 1992b, 1992c).

PERSPECTIVES FROM CANADA

Sid Huff will highlight his field studies of outsourcing alliances involving financial institutions in Canada. He will build from his early article (Huff 1991) to offer research-based insights on IT outsourcing with a particular focus on Canadian practice. In particular, he will present an outsourcing framework of risks and benefits that emerges from his current research with leading Canadian companies.

PERSPECTIVES FROM SPAIN

Josep Valor will present the empirical results on IT outsourcing practices based on a major field study of large firms in Spain. This set of results is rooted in a strategic IT planning approach (Andreu, Ricart and Valor 1992) and will reflect views from both CEOs and CIOs. Thus, this study will also delineate results on outsourcing from both business and IT domains.

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