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INFORMATION TECHNOLOGY OUTSOURCING ON BUSINESS PERFORMANCE

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ABSTRACT

IT outsourcing is referred to outsourcing technology-related services and resources for a part or the entirety of an information technology department, function, or process. The discussion is based on the impact of information technology outsourcing, along three dimensions: Web development, project base outsourcing and out-staffing outsourcing. Following the widespread prevalence of outsourcing, this paper point out the reasons for IT Outsourcing and how it affect business performance. The aim of this study is basically to examine how Web development influences business performance. This study is geared to examine how project base outsourcing influences business performance. Also to examine how out staffing affect business performance.

INTRODUCTION

Globally, businesses today heavily dependent on Information Technology (IT). Information technology (IT) is generally regarded as the fourth industrial revolution in the world (Asakpa, 2003). IT enhances business transformation; supports efficiencies and effectiveness in operations and also enable organizations to deliver flexible services in step with constantly changing customer demands (Maguire and Ojiako, 2008). However, IT has also brought problems to the organizations by way of increasing complexities in the management of information Technology systems, changing IT application tools and high investments required in its IT infrastructure (Han et al., 2008). The reality for most organizations is that the rate of technology change has been extremely fast thus organizations are committing a large amount of in-house resources and capabilities to cope with these changes. Such challenges make it difficult for some companies to invest in IT, resulting in a need to re-think their business models. One such approach which has proved popular over the last few years is to outsource IT which will ensure firms concentrate on core business competencies and at the same time avail of the latest technologies and practices in their IT domain. IT Outsourcing is not a new concept, it has existed since around the 1980s when organizations began to explore the possibility of procuring their IT products and services from outside their firms and has grown swiftly over the past years (Choudhuri et al, 2009). IT outsourcing was first driven by the firms' attempts to reduce or control costs and to focus on their core business, and then seen as a way to improve IT services, outsourcing is now a widespread phenomenon (Lee et al., 2008). Outsourcing is an agreement in which one company hires another company to be responsible for a planned or existing activity that is or could be done internally, and sometimes involves transferring employees and assets from one firm to another. Outsourcing allows a company to focus on its core aspects by delegating less critical functions to the third-party outside organization. IT outsourcing has experienced a remarkable growth in recent years. Performance measurement and management has notably increased in the last 30 years (Valmohammadi and Servati 2011).

Objectives

This study sought to look at Information Technology Outsourcing on business performance with the following specific objectives.

1. To examine how Web development influences business performance
2. To examine how project base outsourcing influences business performance.
3. To examine how out-staffing influences business performance.

REVIEW OF RELATED LITERATURE (Conceptual framework)

Web Development

Outsourcing website development implies that the project owner entrusts the whole web development process with an outsourced company. The hired company provides web developers, designers, and other specialists managed by a project manager who also reports to the project owner about website development progress. In every web development process, there are three integral participants: the project owner, the project itself, and the team executing the project.

One of the top reasons for their success is delegating their increasing number of technical and other tasks to outsourcing teams, and web development outsourcing companies in particular.

Reasons to outsource web development:

Good Resource management

Most business owners choose to outsource website development because it reduces costs. Instead of hiring and training an entire team of designers, developers and project managers you can just hire a fully staffed outsourcing company to implement your project. Naturally, this saves you months of building up a perfect in-house team. And if you conduct an all-encompassing research, you will likely pick a reliable outsourcing partner who will deliver impeccable quality for a reasonable price. Besides, in this scenario you are not the one responsible for the team's taxes coverage, insurance, office space, and other social benefits. All in all, by outsourcing web development, you save two core resources: time and money.

Access to top-notch web developers

To be competitive, outsourcing web development agencies focus on assembling a team of talented and experienced specialists who deliver outstanding results. If you do a thorough background check of the company's reviews, letters of recommendation, and case studies, chances are, you will manage to hire a team of true professionals.

Hassle-free scaling

Scaling your web project is an indicator of business growth and an excellent motivator for outsourced web development companies to meet your requirements. Most of such agencies have numerous ongoing projects, and therefore, have more employees than your project requires. If at any point your idea would require more specialists, the agency can usually allocate them without delay. Scaling up your web project with a web development outsourcing partner is much easier than with an in-house team.

Meeting your business priorities

Website development outsourcing allows you to effectively focus on your business and delegate development to those who can do it best. As a rule, the client is most involved in outsourcing at the very beginning, when there are many questions to discuss: the main idea of the website, the design, included features, requirements and deadlines, etc. After agreeing on these issues, you can just check on the results from time to time.

There is no need to be involved in the whole development process if you don't want to, which allows you to save time and focus on core business goals.

Impact of Web Development on Business Performance

1. Control Over Brand: Builds Credibility

Website offers more meaning to company just as the physical store does your business. In today's highly crowded competitive market to gain customer's trust your voice need to be heard and the brand needs to be seen. Moreover, having control over your brand is a must to avoid the interference of third parties and damage to your brand reputation. Having a domain name, a website, and maintaining ownership over them will make you stand as a credible brand in the market. If you find doing all this on your own hectic, you can hire a web development company and make them do it for you.

2. Improved Search Traffic: Generates Leads & Sales
A good and fully optimized website attracts potential search traffic. Internet users search for information on search engines like Google, Bing, yahoo, using keywords. When your website has the right and related keywords, that huge traffic is all yours. If your website has all the information that your visitors want, turning those leads into sales is pretty easy.
Not just that, whether your business is long established or a new startup, what your customers look for is your website. If you fail to show up on their search results, you will simply lose them to your competitors. These days, not having your business online means your business exists only partially.
3. Control Over Content: Markets your Business Online
Modern businesses very well know that "content is king". Creating useful and engaging content related to your business will help you reach your business goals faster.
Nowadays, businesses are thriving using digital marketing strategies. By having a website for your business, you will have control over all the content of your business.
You can create content on your website, start a blog, build links, run ads, publish customer feedback, do social media marketing and drive customers to your site and do much more.
4. Ability to Analyze & Improve: Boosts Business Growth
When you have a website, you will also have the ability to measure and analyze its performance. You can monitor conversion rates, engagement, and other metrics and find ways to improve your performance. Ultimately, by properly analyzing and improving your online strategies, you will attain higher revenues and ROI. A website is a valuable asset to a modern business, make sure you use it well to boost your business growth.
Benefits of Having a Website for Your Business
Having a website keeps you available for your customers anytime and anywhere, availability means more business.
A website provides an easy and quick way of communication between sellers and customers. It gives you an opportunity to showcase your product and services clearly to Your customers.
Having a website helps you create brand credibility which is very essential to the business. You can publish your physical address, email address, and phone number to show you really exist.
Business expansion is one of the major advantages of having a website. You can break geographical barriers and take your business to a global audience easily.
A website lets you sell products and services directly to your consumers. You can cut operating costs such as rent, staff wages, and utilities. When you eliminate these large costs.

PROJECT BASE OUTSOURCING
With project-based IT outsourcing, you delegate the completion of an entire project to a third party. This typically involves having to first explain the full requirements of the project to members of the outsourcing company, such as project managers and business analysts, and they will then be responsible for forming the development team and seeing the project through to its completion.
Advantage of project base outsourcing:
Project-based outsourcing takes a large bulk of the work off your hands, as the outsourcing company will be largely responsible for the development of the entire project from start to finish. They will carry out project management, and implement quality control.
Disadvantage of project base outsourcing:
This method gives you limited control over your project and developers. With extra services such as project management, business analysis, and quality assurance, this model can also cost a lot. It also requires that you define the full specifications of your project at the beginning, which may

be very hard. Moreover, misunderstandings with project requirements can lead to significant mistakes that can delay project completion.

OUT-STAFFING OUTSOURCING
Outstaffing is a form of remote collaboration with a hired developers or development team. They perform all tasks for your company but are officially employed by another company (the development partner). The development partner acts as an employer and is therefore responsible for wages, bonuses, and equipment given to an employee. You as the customer provide the developer or development team with tasks and assignments.
IT outstaffing allows you to finish your IT projects faster by expanding your development capacity. It allows you to save a lot of time and costs while it still provides you with full control over the development process. You'll have access to a team of skilled developers that are already trained to do the tasks you need them to do. This allows you to scale fast without having to find and train talent yourself. With outstaffing you'll also benefit from lower rates compared to in-house hiring, local agencies, and outsourcing.

IMPACT OF OUTSTAFFING ON BUSINESS PERFORMANCE
1. The number of officially employed workers at the enterprise is decreasing.

2. The company's business processes involve familiar (experienced, trained) personnel.

3. Staff costs are being optimized — most of them are distributed from constant to variable items.

4. Office work is simplified, and reserves are identified for reducing administrative departments (HR, accounting).

5. The organization's resources are released from conducting a non-core business process and can be involved in solving priority tasks.

6. The risks of inspections and fines by federal services for illegal maintenance of employees are reduced.

7. The company's investment attractiveness is increasing, and its business model is being improved

CHALLENGES OF OUTSTAFFING:
1. Communication: As outstaffed team members work in another place (abroad or overseas) a lack of communication between them and in-house managers and programmers sometimes occurs.
2. Motivation: Outstaffed team needs additional communication in order to stay enthusiastic, updated and focused on the project.

Reasons for IT outsourcing
Other reasons why organizations outsource IT include: cost savings, reduced capital expenditure, capital infusion, transfer fixed costs to variable, quality improvement, increased speed, greater flexibility, access to skills, talent and latest technology, increased focus on core functions, get rid of problem functions, better accountability and management. All these reasons can be classified into three major categories: cost, strategy, and politics (Kremic, et al., 2006).

Challenges of IT outsourcing
Although outsourcing boost business performance, it is important for the management of the company to understand the various risks their organization gets exposed to while engaging in outsourcing.

A case study found risks in contract management, performance measurement, formulating scope, deciding the budget and schedule estimates, knowledge/expertise, quality standards, scope, cost and time estimates, multi-vendor arrangements, and cross-culture issues as some of the risk associated with IT outsourcing (Dhar and Balakrishnan 2006).

Outsourcing and organization performance
Effective performance measurement and management is acknowledged as a critical influence on outsourcing (McIvor, 2013). Outsourcing performance studies have considered mainly outcome-based financial indicators because of the availability of financial performance data (Giustiniano & Clarioni, 2013). To be sustainable, a firm needs to look beyond profitability and incorporate competitive, strategic, and stakeholder concerns which measure the non-financial performance of the firm.

Theoretical Framework
Outsourcing has been considered as a field of investigation in many different fields, spanning from the management of information systems to the international business (Marchegiani, Pirolo, Peruffo, & Giustiniano, 2010; Mayer & Salomon, 2006; Rothaermel, Hitt, & Jobe, 2006). Despite the heterogeneity of its definition, scholars agree that the decision to outsource concerns a reliance of firms on external sources of inputs, services, processes, or other value-adding activities (Amiti & Wei, 2005; Lei & Hitt, 1995; Gilley & Rasheed, 2000), balancing the span of activities that a firm performs internally versus those that are acquired from outside (Arnold, 2000; Espino-Rodríguez & Padròn-Robaina, 2006; De Fontenay & Gans, 2008). Lacity and Hirschheim (1993) and Barthélemy (2001) both agreed on defining outsourcing as the decision to outsource activities previously made in-house by recurring to medium- or long-term agreements, also including the transfer of activities and personnel to third parties. This perspective is also compatible with the further development of the phenomena of outsourcing that have been registered during the past decade, i.e., offshoring, global sourcing, smart sourcing, etc.. As a result of these diverse perspectives in research, studies often produce contradictory results (Kotabe & Swan, 1994; Mol, van Tulder, & Beije, 2005). Such a heterogeneous puzzle implies that scholars and managers have to face some unanswered questions (De Fontenay & Gans, 2008): the impact of outsourcing on the performance among others. Although it has not always been specified in clear terms, the main motivation (antecedent) and expected result (outcome) turn around the potential contribute to the value creation through the potential decrease of direct and indirect costs related to some activities of the firm. In order to explain the motivations and the outcomes of outsourcing, TCE and RBV are the two most evocated theoretical streams in such field (Espino-Rodríguez & Padrón-Robaina, 2006; Mayer & Salomon, 2006; Reitzig & Wagner, 2010).
Based on the seminal works of Coase (1937) and Williamson (1975), TCE assesses the choices between self-producing (internal transactions) and outsourcing activities (market transactions) by comparing the internal costs (hierarchy) and the costs of "using" the market (Jones & Hill, 1988). Nevertheless, subsequent research has shown that TCE may overrate rationality in firms' behaviors due to a lack of cognitive capacity to assess appropriability (Oxley, 1997; Pisano, 1990) or observability (Hölmstrom, 1979). Further, from a TCE perspective, it seems that outsourcing becomes crucial when markets are not able to allocate resources and reduce uncertainty. In this sense, outsourcing could represent a means of reducing selection, negotiation, reorganization, and control costs (Coase, 1937), particularly when the resource dependence of companies (Pfeffer & Salancik, 1978) is high. Additionally, some limits of "indirect assessment" and a lack of rigor in measurement characterize the translation of Williamson's (1975) original idea of "specificity" into object specificity (Arnold, 2000), asset specificity (Aubert, Rivard, & Patry, 2004), and brand specificity (Chen, 2009).
The RBV provides some useful insights to avoid these limits of "over-rationality" typical of the TCE. In particular, considering the antecedents for outsourcing, the RBV approach shows that the

decision to outsource is taken according to a firm's capabilities compared with those of its suppliers. Espino-Rodríguez and Padròn-Robaina (2006) divided this perspective into two categories: (1) a focus on "the propensity" to outsource; and (2) the "relation" between the decision to outsource and organizational performance. Combining the TCE and RBV, Mayer and Salomon (2006) found that "contractual hazards" provided firms with an incentive to internalize, independently of firms' capabilities. However, in the presence of weak technological capabilities, it is more likely that firms will outsource. Therefore, RBV complements TCE in the treatment of outsourcing by focusing on the positive aspects of in-house strategic activities (Espino-Rodríguez & Padròn-Robaina, 2006) and resources (Prahalad & Hamel, 1990). Notwithstanding the consistent amount of papers using RBV to complement TCE, the extant literature focuses either on the propensity to outsource or on outsourcing's relation to organizational performance (Espino-Rodríguez & Padròn-Robaina, 2006) but often ignores the implementation dynamics (process) and the related costs. Two important exceptions are represented by the idea of "governance capability" proposed by Mayer and Salomon (2006) and the evolutionary perspective on vertical disintegration introduced by Mahnke (2001). Despite the significant number of papers, some main controversial points still characterize the extant literature. The first concern relates to the assessment of the strategy implementation which cannot be assessed if the specific targets are undeclared or unclear on the premises. Specifically, despite the recurring emphasis on performance improvement (e.g., Lee & Kim, 1999; Leiblein & Miller, 2003; McCarthy & Anagnostou, 2004; Mol et al., 2005), many studies estimate such a variable through mere perceptions of advantages, cost cutting and efficiency, market share, and overall exports (Bertrand, 2011; Frear, Metcalf, & Alguire, 1992; Kotabe, 1998; Kotabe & Swan, 1994; Scully & Fawcett, 1994). Nevertheless, some studies mentioned indicators of financial or market performance, but measured through "comparison with competitors" (Gilley & Rasheed, 2000; Mol et al., 2005) or through indirect measures of outsourcing success (Lee & Kim, 1999). The second concern is connected to the poor attention that is often given to crucial organizational aspects that ultimately impact operational costs and firms overheads. Despite the emphasis on the performance improvement shown by most of the extant literatures (Lee & Kim, 1999; Leiblein & Miller, 2003; McCarthy & Anagnostou, 2004; Mol et al., 2005), many studies assess it by "perceptions" related to: "advantages" as managerial responses to related statements (Scully & Fawcett, 1994), "cost cutting" and "improved performance" (Frear et al., 1992), "firm's global market share" (Kotabe & Swan, 1994), "efficiency advantages" (Kotabe, 1998), and "overall export" (rather than export intensity) (Bertrand, 2011). Further, indicators of financial or market performance are sometimes mentioned but are still measured through "comparison with competitors" (Gilley & Rasheed, 2000; Mol et al., 2005) or "indirect measures of outsourcing success" (Lee & Kim, 1999). Conclusion

Conclusively, this paper attempted to bring to light the meaning of IT outsourcing as
Most organisations have turned significantly to outsourcing rather than the externalisation of work activities traditionally performed in-house in an attempt to enhance their
competitiveness and improve business performance.

I have highlighted the fact that
the unquestioning acceptance of outsourcing as a means of improving performance is somewhat unreasonable. Outsourcing can help firms to focus on their core competencies,
reduce lower labour and administrative costs and improve flexibility and organisational agility.
To benefit from outsourcing, employers need to
define and describe actual and targeted performance standards before and after embarking on outsourcing. It is also important to realise that outsourcing has its own demerits as well. Apart from
losing control over certain production or operational activities, organisations can see their core competencies eroded in the quest for increased outsourcing.

RECOMMENDATIONS

Stakeholders alongside with employers and employees of the organization should work together to negotiate and define acceptable terms and conditions of outsourcing.

The terms and conditions of agreement should be renewed as trend in technology increases.

Since outsourcing is not a monolithic
concept, firms must learn to deal with outsourcers and their employees differently.

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