

The impact of Information Technology Outsourcing on Small and Medium Firms

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INTRODUCTION

Outsourcing is not a new phenomenon and it has been happening for quite some time. Firms are deciding to outsource their information technology for different reasons. The main area of this research study offers an in-depth analysis on why and how small to medium firms in Malta outsource their IT functions and the impact outsourcing has on the firms.

Furthermore, this study seeks to understand and determine how to outsource their IT functions and to what extent. This research study also delves into how the firms look at outsourcing, if it is just another means to spend more money or a valued option. The benefits and risks with IT outsourcing are also tackled in order to understand why such a decision is taken.

AIM

The focus of this research is the small to medium firms which make up 99.8% of the Maltese Island's enterprise. In Malta, most of the firms go through the whole process of a product and/or service unlike larger firms where they are focused on doing one thing. There are various studies on outsourcing, but one of the key issues is that most research studies discuss large firms, mostly multi-million firms, which we do not have in Malta.

Furthermore, most of the studies tackle issues when having a large firm with definite core-competences. This does not happen in Malta, since most of the firms are small to medium and do far more than one core discipline. In fact, in most cases, the firms are concerned with the whole process of a service or a product from start to finish.

OBJECTIVES

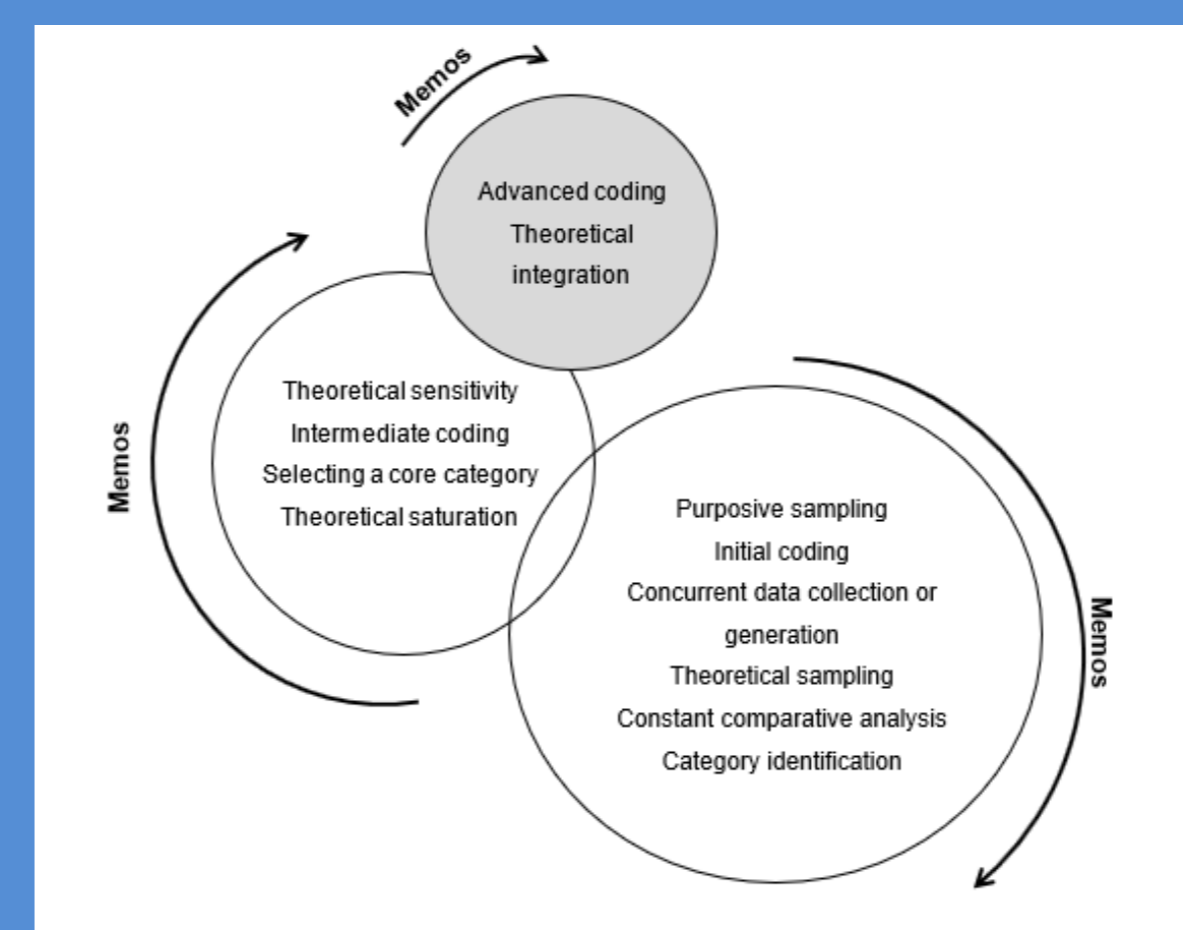
The objectives pertaining to this study are:

- To develop a set of constructs pertaining to the behavior of participants (*with the use of a Conditional Matrix*)
- To evaluate the inter-relationship between the constructs (*coming out from the interviews*)
- To develop a set of propositions (*the outcomes of the constructs are delved into to understand the why and how of outsourcing*)

RESEARCH METHODOLOGY

The research methodology applied in this research study is Grounded theory as an inductive method and using the conditional matrix by Corbin and Strauss's (2015) in order to analyse the data gathered. Grounded theory is used because this research study is a business process and therefore in-depth analysis is used and because the researcher needs to be close to the participants.

4 firms are analysed using in-depth face-to-face interviews with open-ended questions with the chosen owner/managers of different firms. The data from the interviews is analysed for different concepts to emerge. There is little research with regards to small to medium firms in small island states like Malta and therefore this research can help to fill this literature gap.



Essential Grounded Theory Methods
Source: Birks & Mills, 2015

RESULTS

The findings that emanated from the research study on the impact of IT outsourcing on firms include the fact that the owner/managers can specify the business requirements to their IT outsourcers. On the other hand, certain owner/managers who are not computer-literate find it difficult to understand certain intricacies when it comes to IT outsourcing.

Also, it is imperative that there is a good relationship between the firms and the outsourcers and trust is the focus. When there is no IT expertise in the firms, total outsourcing is chosen for the IT projects of the firms. In this research, contract and the Service Level Agreement are also mentioned and found to be fundamental.

Through this study, other researchers can test these propositions with a wider audience and even other small island states to be able to evaluate any similarities or difference that exist in the undertaking of IT outsourcing.

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