

## Conference Paper

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# Improved Outsourcing process model

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**Abstract.** *The outsourcing decision is important for any organization; for this decision to be productive, we must use clear and robust process model, and such process model will provide stability, control, and organization to the activities that can, if left uncontrolled, become quite chaotic. This paper discusses a number of existing outsourcing process models that guide the organization in making a decision about whether to outsource or not; and how to do the outsourcing. The outsourcing process includes decisions that change existing situation to new situation; some people may resist this change, to reduce or prevent this resistance to change we added a transition phase to an existing process model; this phase will help organizations to reduce or prevent the resistance to change during any outsourcing decision..*

**Keywords:** outsourcing, outsourcing process models, change management process.

## INTRODUCTION

Information technology (IT) systems are expected to meet high standards of operation and processing integrity, while offering round-the clock availability, security, and good performance. In today's environment, organizations must deal with rapid and regular changes in IT, the performance demands of the e-economy, and pressure to deliver competitive IT functionality. To meet these challenges, organizations are increasingly considering outsourcing of their information systems activities as an attractive option. In fact, many organizations already use outsourcing in one form or another.

Outsourcing has variously been defined in the information system (IS) literature (Dibbern, goles, Hirschheim, and Jayatilaka 2004), one definition for outsourcing is provided by (Dibbern, et al., 2004) as "... a decision taken by an organization to contract-out or sell the organization's IT assets, people, and/or activities to a third party vendor, who in exchange provides and manages assets and services for monetary returns over an agreed time period".

An outsourcing decision is not one that should be made lightly. It is a decision that can have a significant, long-lasting influence on the reputation and the performance of an organization. Like any significant decision-making process, the outsourcing decision progresses through a predictable life cycle. when outsourcing decision is made, some people may resist this decision, trying to lead this decision to fail, and in today's business environment the failure is not accepted because it will negatively affect the organization ability to survive and compete, reasons people resist change addressed by (Belasco 2007), one reason is the loss of control, where usually a new process will often result in power shifting to another department or manager, individuals experiencing this feel that their influence has been undetermined or they have been demoted even if their position and title do not change. The

importance of dealing with the resistance to change – using change management as an environment – is discussed in (Goolsby, and Whitlow 2004). So we think it's important to deal with this resistant to change by applying appropriate change management process and practices as an integral part of the outsourcing process.

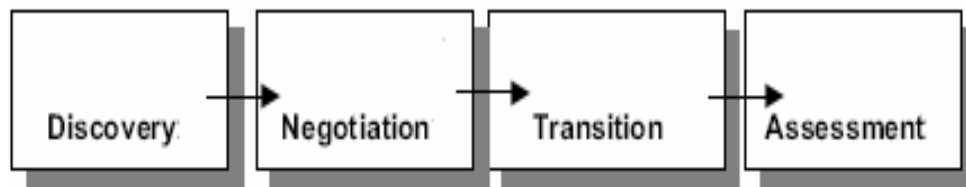
A study conducted by (Goolsby, and Whitlow 2004) about reasons Causes Outsourcing Failures; one of its interesting findings about the reasons Causes Outsourcing Failures was about Buyers that are not committed to the full change management effort necessary for success. This shows the importance of dealing with change during the outsourcing decision.

In today's environment as organizations increasingly utilize outsourced solutions for their systems needs; the understanding for the sources of problems in these types of projects becomes increasingly important (Taylor 2005). Taylor (2006) in his paper address two types of risks; intractable, and unforeseen; both of them must be considered during the pre-project risk assessment. Intractable risks are those risks that resist mitigating actions, and still impact the project despite the manager's best efforts to address them at the start. Unforeseen risks are typically overlooked or simply don't seem likely to happen at the risk assessment stage, so that no action is taken to mitigate them. A number of unforeseen risks arising during outsourcing where introduced in (Taylor 2006); one of them was the change management.

According to the previous discussions we believe that for an organization to be successful during any outsourcing decision; they must deal with change management issues in an appropriate manner to avoid failure. This paper addresses this issue as a part of outsourcing process model.

## OUTSOURCING PROCESS MODELS

Lever (1997) in his paper described four phases of outsourcing: discovery; negotiation; transition; and assessment. Those phases in figure (1) form the process model, this model helps in understanding the steps involved in outsourcing.



**Figure (1): Lever's Outsourcing process model; Source (Lever 1997).**

Now we will provide a short description for Lever's model; Discovery stage includes; benchmarking internal service levels; future requirements identification; issuing requests for proposals and identifying a shortlist of suppliers. The second stage Negotiation include; selecting the supplier; approach to service and approach to joint planning. The third stage is the transition stage; where the company is planning and preparing staff and computer systems for transferal to the supplier. The final stage is "assessment"; where the performance of the supplier is monitored using service levels and benchmarks. Finally in this phase the termination or renegotiation of the contract is done. In (Dibbern, et al., 2004) another process model for outsourcing is presented, this model is based on Simon decision making process, in 1960; Simon published his model of decision-making. According to Simon, there are four different stages in decision-making: intelligence, design, choice, and implementation. Whilst Simon's model is a general model of decision making, the authors in (Dibbern, et al., 2004) feel it is not appropriate when considering outsourcing because outsourcing is a major decision that an organization makes. So they describe their model for outsourcing using two main phases; this model shown in figure (2). The first main phase is the decision phase; the second main phase is the implementation phase. The first main phase consists from three partial phases; why, what, and which. Why phase include the answer to questions such as 'why' an organization might consider outsourcing its IS functions, what are the conditions or situations that might lend themselves to a decision to outsource? What are the risks and rewards, or advantages and disadvantages, associated with outsourcing? The second partial phase is what phase; this phase is responsible for "what to outsource", that's mean what is the range of IS functions that might be chosen. Finally which phase include the terms 'which choice to make'. In making the choice to outsource, organizations adopt procedures involving a step-by-step process for arriving at an outsourcing decision; guidelines to help them assess the various selection criteria, their choice, and the actual selection of the final decision. The

second main phase in the outsourcing process model also consists from two partial phases; how, and outcome. In the ‘how’ phase, we focus on outsourcing implementation. This includes three issues: selecting a vendor, structuring the relationship between the vendor and the customer, and managing the subsequent arrangement. Finally the outcome phase includes monitoring the results for the outsourcing choice for the organization. That is, they must evaluate the actual ‘outcomes’ of the outsourcing phenomenon; this include the answer for the following questions such as; what are the experiences of organizations that have outsourced? What lessons learned from them? How could they lead to organizational success? What implications do they have for the practice of outsourcing, not only for the IS community but for business in general?

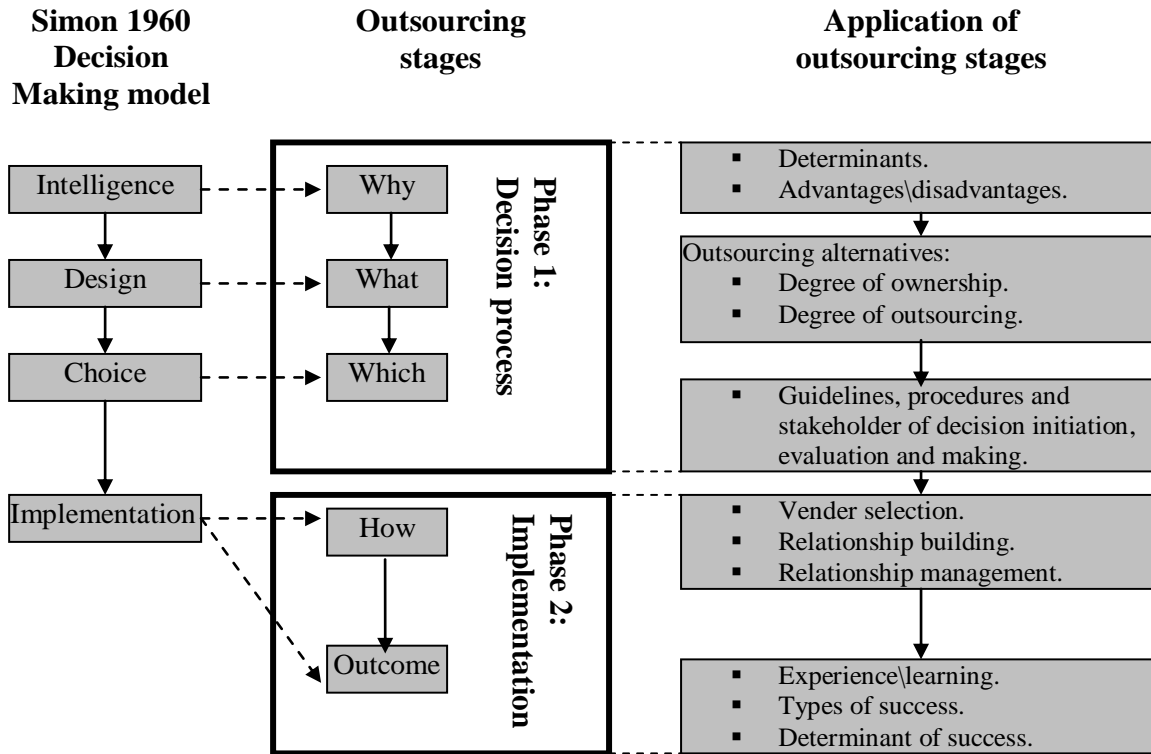


Figure (2): Outsourcing process model; Source (Dibbern, et al., 2004).

## DISCUSSION OF THE OUTSOURCING PROCESS MODELS

by studying Lever’s model (Lever 1997) we note that this model did not have any phase to guide the organization in making a decision about weather to outsource or not, the previous model will be useful only if the organization already make the decision to outsource, but the question is how they decide to outsource, its very useful to include this decision as a part of the outsourcing process model, this will allow us to have a complete process model to use. By reviewing the literature, it clear that there is a focus on the initial decision-making stage of the outsourcing process, which Lever’s first stage appears to ignore it, at this stage, writers concentrate on the benefits and drawbacks of outsourcing, then exploring the activity to establish whether it is a suitable candidate for outsourcing or not (Lever 1997 ; Robert, William, Joseph, Jhone, and Thomas 2005; Marshall, Lamming, Fynes, and Burca 2005 ; Dibbern, et al., 2004).

By looking to the model introduced in figure (2), and by reading its description we can see that this model considered the initial decision-making stage of the outsourcing process which Lever’s first stage ignore. In figure (2) the writers concentrate on the benefits and drawbacks of outsourcing, then exploring the activity to establish, and whether it is a suitable candidate for outsourcing or not. It is important to note that; there is no “transition” stage described in figure (2), and when we said “transition stage” we are not talking about the name of this stage; but the intention here is the activities in that stage, those activities include; the company planning and preparing the staff and computer systems for transferal to the supplier. This stage is important and it is addressed by many researchers

as a part of management stage (Lacity, Willcocks, and David Feeny 1996; Cox 1996; Kanter 2001 ), the management stage include both transfer of systems and staff, and the management of the outsourced activity (Lacity, et al., 1996; Cox 1996; Kanter 2001), other researchers (Marshall, et al., 2005 ; Lever 1997) use separate phase to address this issue. But we have to note that some times there may not be a transfer of assets in the outsourcing process or the transfer may take different forms (Kanter 2001).

According to the previous discussions we may ask our self, what if the transfer of systems and staff is needed in the outsourcing process? According to (Jiang, et el. 2007); 60% of outsourcing agreements involve the transfer of some IT staff from the user to outsourcing partner organization; and Even when downsizing and/or transfer of employees is not involved, the impact of change on people needs to be assessed and addressed. The model in (Dibbern, et al., 2004) did not address the transition phase in any part from the model; also it did not provide any explanation for that, this create a hole in the model that should be removed, so the improvement is needed for that model by adding the activities of transition stage to it. Also it is important to think about how the impact of change on people needs to be assessed and addressed? It is clear that we need change management to do that. One may ask; is there any thing that we can do to increase our chances to successfully complete the outsourcing process without problems? What can we do if some people in the organization resist change when we apply the outsourcing? To answer these questions we have to understand the importance of change management.

## FRAMEWORK TO UNDERSTAND CHANGE MANAGEMENT

Managing change is a critical skill because the outsourcing always involves change; this change must be controlled to be effective and productive, Belasco (2007) introduce the organizational change as a process, this process as stated by Luftman (2004) is an expansion to the well known lewin-shein model for managing change. Organizational change process as introduced by Belasco (2007) in figure (3) consists from four phases; first phase called “build a sense of urgency”; in this phase we focus on motivating the people in the organization to change granting them the knowledge about how they can benefit from the outsourcing, another motivator could be a charismatic leader that can affect people and make them follow his directions and vision. Second phase is “create a clear tomorrow”; the focus here on the need to have clear path toward the end goal, when no clear path is defined the employees will begin to lose confidence in the management of change process and in the process it self; this will encourage their resistance to change effecting the entire chances for the change to succeed. Third phase is “develop a migration plane”; to create clear tomorrow we need a plan to do that; this plan must include milestones and schedule. Final phase is “reinforce the new behavior”; in this phase we try to institutionalize change, making this change the norm for the organization, also it is important in this phase to expect resistance, find resistance , and understand its motivations to deal with them.

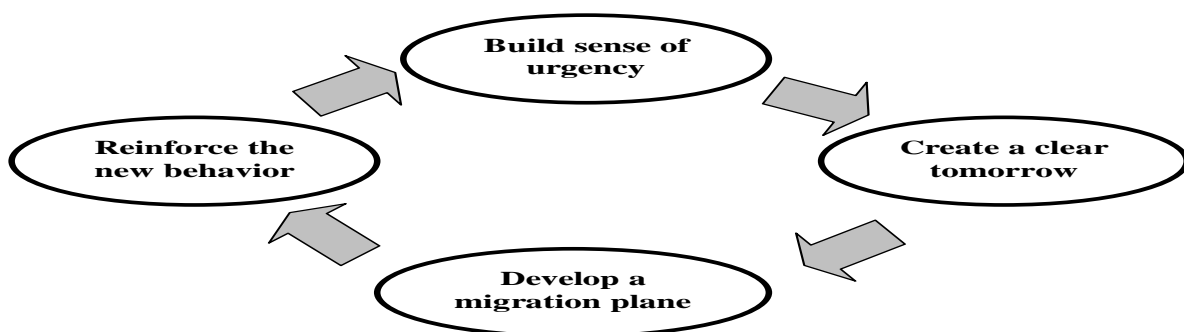


Figure (3): organizational change process; Source (Belasco 2007).

## THE IMPROVED OUTSOURCING PROCESS MODEL

Using the previous discussion we can conclude that the change management can play the role of a safety net for the outsourcing process, increasing the chances of success, so we propose to include change management as a part of the outsourcing process to create a comprehensive outsourcing process model that address the issues needed for

successful outsourcing. To the best of our knowledge no outsourcing process model addresses the need for managing change as a part of the outsourcing process model.

We decide to improve the model provided by (Dibbern, et al., 2004); this improvement will involve the addition of change management as a new stage in the model; we will call this stage “change management stage”; this intermediary stage will improve the model, and help it when moving from the first main stage “decision making” to the second main stage “implementation”. Change management stage will be used to prepare and plan for change management as a part of the model.

Figure (4) shows the improved model for outsourcing which improved by including the change management phase within the model as an intermediary phase that help in supporting the outsourcing process by reducing the resistance to change; since it will use the formal change management process described in the previous section.

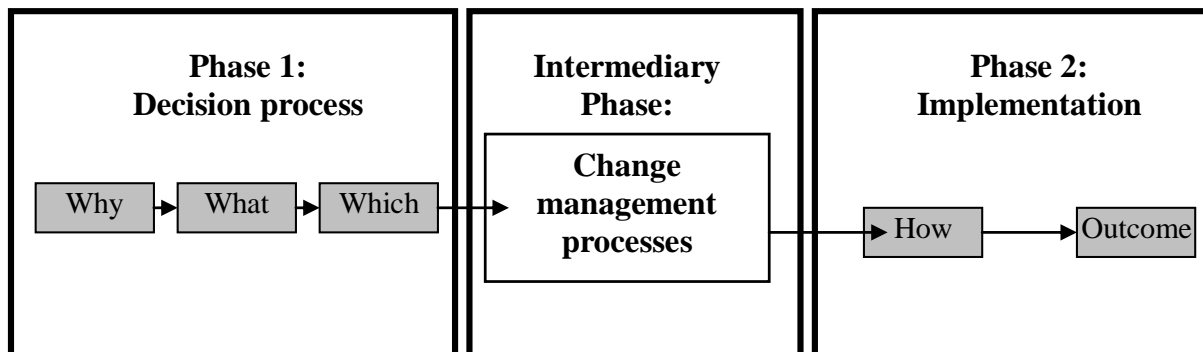


Figure (4) the improved outsourcing process model

## CONCLUSION

The outsourcing decision is important for any organization; for this decision to be productive, we must use clear and robust process model, we believe that the addition of the intermediary phase ” change management phase” as discussed previously will improve the model provided by (Dibbern, et al., 2004), and this will push us another step in providing a more robust and clear process model, its important to note that the proposed improvement intended to be abstract; so it will be able to provide the general directions to implement change management; this abstraction allows this model to be implemented in different outsourcing situations, each organization can tailor its own detailed change management framework that suit its needs.

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