FIT2090 Business Information Systems and Processes

Tutorial 10
Outsourcing and Governance
Suggested Solutions

Objectives:
- **Discuss the risks associated with IT outsourcing**
- **Discuss the control and governance of IS**

1. Would you agree that most organisations tend to make IT outsourcing decisions based on an economic perspective? Present your views.

2. Identify two factors that may encourage IT insourcing.

3. Why do some organisations prefer selective IT outsourcing? Discuss.

4. What is Governance? What is IT Governance?

1. Although the economic perspective is important, it may not always influence IT outsourcing decisions due to the following reasons:
   i. Often costs and benefits involved particularly in the long term are hard to predict accurately;
   ii. Organisations are fundamentally political entities and many decisions including IT outsourcing is influenced by power and politics. One cannot assume that organisations always follow a rational decision rooted in economic perspective.

2. Various factors, e.g.
   i. Nature of IT application: Keep strategic (mission critical) applications in-house as more intimate knowledge of business is needed which can easily be found with internal staff
   ii. Greater loyalty and Tacit organisational knowledge of internal IT staff
   iii. When external IT vendors are either less reliable or have past histories of delivering unsatisfactory services

3. Selective outsourcing is recommended when the level of technology involved in a particular IT application is complex. It is less risky than turning over responsibility for the entire IT function to an IT vendor. It can become the basis for establishing a partnership with the vendor that develops over time. It is more popular among large companies. Etc.

4. (see Lecture 10b slides)