



DETERMINANTS OF EFFECTIVE INFORMATION TECHNOLOGY OUTSOURCING PROJECTS: A CASE OF SEVEN SEAS TECHNOLOGY GROUP

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ABSTRACT

Information Technology Outsourcing has been accepted as part of modern business practices. The global market capitalization of IT Outsourcing is predicted to be more than \$260 billion in 2018. However, IT Outsourcing projects are not an easy task to manage and many projects fail due to problems in partnership, technology shifts, ineffective communication and lack of risk planning. In the current decade, IT Outsourcing appears to be losing ground and other options are being considered and sought, such as selective outsourcing. It has long been thought that IT outsourcing is motivated primarily by cost cutting in the IT department but the latest trends suggest that outsourcing is more about improving usage of internal resources and service satisfaction. The objective of this study was to assess determinants that contribute to effective Information Technology Outsourcing Projects with reference to Seven Seas Technology Group. The study used descriptive survey design which necessitates collection of both qualitative and quantitative data. The target population comprised of 150 employees of Seven Seas Technology Group, Nairobi Office. This included department heads supervisors and support staff in various departments. Stratified sampling technique was used to obtain a sample of 108 respondents. From each stratum, simple random sampling was used to select the respondents for the questionnaires which were the primary data source. From the 108 sample respondents, 96 filled in and returned the questionnaires making a response rate of 89%. Quantitative data in this research was analyzed by descriptive statistics using statistical package for social sciences SPSS (V.22.0). The study found out that partnership had a positive influence on IT Outsourcing. The study also found out that communication had a positive influence on effective IT Outsourcing Projects. The study finally found out that risk planning had a positive influence on IT Outsourcing Projects. The study concluded that partnership had the highest influence on the success of IT Outsourcing Projects followed by communication, then risk planning while technology shifts had the lowest influence on effective of IT Outsourcing Projects. The study recommended that organizations should leverage their assets, resources and capabilities before entering into a partnership. Organizations should align IT strategy with corporate strategy and optimize delivery of IT services to better meet business needs and satisfy their customers. The study also recommended that organizations should put into operation an effective communication process which is a core determinant of the success of IT Outsourcing Projects.

Key Words: Partnership, Technology Shift, Communication, Risk Planning, IT Outsourcing Projects

Background of the Study

Information Technology Outsourcing is now among the prevalent practices in the global business today and it becomes an overall managerial strategy in the search for global competitiveness. It is found that business organizations decide to transfer IT projects to other firms identified as vendors not only because of cost-related advantages but also because outsourcing of knowledge-intensive work also takes place in the organizational areas of core competency like applied research & development. The rationale behind outsourcing of knowledge-intensive services is to form alliances with value addition (Lahiri & Kedia, 2011).

According to (Bergkvist & Fredriksson, 2008), IT Outsourcing is a reasonable consequence of the globalization and the partnership between the participating actors and is of key importance for the overall efficiency and competitiveness of business activities. Advances of new technology have changed the game rules that modern firms compete with each other. With limited internal IT resources, many firms resort to information technology outsourcing projects as a strategic weapon to take advantage of new business opportunities in the swiftly changing environment.

The perspective goes beyond the strategic value of a particular activity or task (Lacity, et al., 2010) to focusing on the strategic value of the knowledge and learning associated with the activity. Activities produce specific outcomes, while knowledge can be viewed as a platform from which many activities and outcomes can be derived (Kogut & Kulatilaka, 2012). Outsourcing the ability to maintain and enhance the knowledge associated with an activity has a more profound effect on an organization's long term ability to compete than merely outsourcing the activity itself. This perspective is the essence of the knowledge based view. That is,

every decision is evaluated relative to its effect on the firm's knowledge and learning Zack (2009).

IT outsourcing can be dependent on several factors across multiple levels. At the level of the economy, the temporal effects of trends and cycles may motivate firms to rationalize the management of the IT infrastructure through arrangements like outsourcing. At an industry level, competitive pressures may induce firms to establish partnership-based relationships with key IT vendors. At the firm level, the quest for competitive advantage may serve as a critical impetus to the IT outsourcing decision. In general, there is a great surge in the wholesale outsourcing of less tangible and specifiable activities, such as research and development activities Greco (2007).

One aspect of outsourcing that has gone essentially under examined in the literature and practice is the value of knowledge and learning associated with outsourced activities and processes (Elitzur & Wensley, 2012). Quinn (2009) proposed that firms should outsource anything that is not core to their strategy. From this perspective, one could make the case that outsourcing critical functions such as R&D go beyond Quinn's prescription not to outsource strategically important activities. While this may lower costs in the short run, it transfers the learning and new product opportunities to the outsourcing provider.

IT Outsourcing is the delegation, through contractual arrangements, of all or any part of the technical resources, human resources, and the management responsibilities associated with providing IT services to an external vendor (Clark, Zmud & McGray, 2012). The decision to outsource IT related activities, be they operational, system development, or business process activities, has three main objectives: to reduce costs, to improve service quality, and to place greater focus on core business activities (Bahli & Rivard, 2010). Over the

last few years and as budgets tighten, businesses are outsourcing IT services and the creation of new products and services as a way to slash costs, speed development time and tap into top talent outside the company. Clearly, companies are shifting from focusing only on costs saving to realizing value (Fifarek et al., 2008). According to Forrester Research (2010), sixty-six percent of IT decision makers surveyed said that pursuing outsourcing or off-shoring is one of the IT organizations top technology priorities.

Global Perspective of IT Outsourcing Projects

There has been a rapid growth in outsourcing globally particularly in the management of IT (Suhaimi, Husnayati & Muzzafar, 2007). If the internal IT operations are not a core competence of an organization, outsourcing some of the IT functions is considered as a way of coping with the constant technological evolution and the pressure for constant increase of the internal IT competence. A common understanding of the typical offshore outsourcing implies a transfer of business activities and processes by client organizations, that is outsourcers to specialized overseas providers, that is vendors with a primary motive of operating costs reduction. With the advance of time, however, the motivation has expanded its range involving also focus on outsourcer's core competences, enhancing product quality and business flexibility, reducing time to market, sharing risk, etc. and the objectives of IT Outsourcing have been converted from routine tasks such as help-desk, data entry, standardized IT functions, etc. to complex analytical work, product design and development activities (Lahiri & Kedia, 2011).

According to (Adelakun & Iyamu, 2012), the shift of IT Outsourcing projects from sites in the US and Western Europe to offshore locations such as India, the Philippines and China continues to be significant. Different countries are slowly entering

the race to become the next offshore outsourcing hotspot. This includes places such as Ghana, Brazil, Argentina, Mexico and South Africa. Information Technology Outsourcing has, become an emerging area of business for telecommunication service providers (vendors, network operators, ISPs, and system integrators) in Africa.

Regional Perspective of IT Outsourcing Projects

Information Technology Outsourcing is fast becoming one of the leading IT based services for developing countries. As Africa struggles to position itself as an outsourcing destination for global clients in Europe and North America, Indian companies are ranking in the few local contracts up for grabs Mapetla (2007). After considering the bottom (enterprises) and the mid-layer (channel partners) of the outsourcing business value chain, technology vendors such as Ericsson, Cisco, IBM, Seven Seas and Microsoft see themselves sitting at the upstream in many African countries. They all have the opportunity to start providing the required equipment, applications and maintenance services to ISPs, system integrators and network operators, who are directly interacting with enterprise end-users (Iyamu & Roode, 2010).

In a study of the critical success factors for Information Systems Outsourcing management, Smuts (2010) established that outsourcing has become one of today's most powerful, organization shaping management tools and more so in South Africa. Information Technology Outsourcing can be seen as a contract service agreement in which an organization hands over the majority of IT responsibilities to an external organization. These contracts are long-term agreements designed to give higher control and transparency on costs, generally with a fixed price arrangement. In the selective outsourcing model, organizations may choose to outsource part of their IT. In another study, Pengilly (2010) indicates that there is an

element of uniqueness within the higher education environment, and that the institutions in South African face challenges in IT, specifically with relation to skill shortages. Furthermore, it finds that there are areas where IT Outsourcing can provide a benefit and assist in alleviating the challenges.

Local Perspective of IT Outsourcing Projects

In Kenya, the Information and Communication Technology (ICT) sector has seen phenomenal growth in recent years Onsongo (2009) and the Ministry of Information and Communication, in its ICT Strategy Paper of 2006, noted that Kenya is emerging as one of Africa's forerunners in the development of Information Technology and, with the exception of South Africa, has one of the fastest growing Internet sectors in Africa. According to Muchai (2012), ICT outsourcing is a major part of outsourcing decisions by commercial banks operating in Kenya and has registered a rapid growth recently. According to the paper, there is significant rise in IT Outsourcing activities in most services sectors including banking, accounting, communications, manufacturing, and transportation in Kenya. This growth is expected to continue especially with the phenomenal growth on mobile telephony experienced in the country.

The Minister of Information and Communication has estimated that by 2018, the Business Process Outsourcing sector in Kenya will generate a Gross Domestic Product of about 100 billion and employ 37,500 people Senelwa (2010). It is however noted that despite this growth and characteristic of many developing countries, there is little documented information on IT Outsourcing and little regulatory guideline on the same in Kenya (Barako & Gatere, 2008). As an indication of how important this sector is to Kenya's economic growth, BPO is one of the pillars in the government's Vision 2030 document. Kenya has also developed a policy framework and defined some strategic directions Kenya ICT

Strategy (2006), one of which explicitly focuses on Business Process Outsourcing as a key opportunity for realizing the country's ICT objectives. The phenomenon of IT Outsourcing in Kenya can be described as being in its infancy stage.

Statement of the Problem

Information Technology Outsourcing has been accepted as part of modern business practices (Willcocks & Lacity, 2009). The global market capitalization of IT Outsourcing is predicted to be more than \$260 billion in 2018 (Fisher, Hirschheim & Jacobs, 2012). However, IT Outsourcing projects are not an easy task to manage and many projects fail even though there exists research within the area probably due to problems in partnership, technology shifts, ineffective communication, lack of top management support and lack of risk planning. This is attributed to lack of technical capacity and need to deliver quality service at a minimal cost. In the current decade, whole IT Outsourcing appears to be losing ground and other options are being considered and sought, such as selective outsourcing.

Empirical studies in IT Outsourcing, for instance by (Hirschheim & Lacity, 2010) found that a large number of IT Outsourcing projects were being re-negotiated or terminated. Failure rates for the outsourcing industry as a whole have been reported as high as 50% Hall (2008). Yet, despite the high failure rate, institutions world over seem to be driven to engage in IT Outsourcing Projects. (Barako & Gatere, 2008) also noted that in Kenya there is no clear regulation guiding outsourcing. Ndifet (2011) in his study of outsourcing in Cameroon noted that IT Outsourcing Projects in developing countries may be viewed as risky as there are virtually no regulations guiding the process.

Information Technology Outsourcing has well been researched in the context of developed countries.

However, only a few studies were found which reported on IT Outsourcing projects in developing countries (Kim & Park, 2009; Khalfan, 2010; Suhaimi, Husnayati & Muzzafar, 2010). A couple of years ago, confidence was running high that Africa would soon be winning a barrage of lucrative outsourcing contracts to serve clients in the United States. These global ambitions have faltered due to the fact that most of the IT firms were small and not competent enough to handle large IT projects. In Kenya, as in other developing nations, there are few studies on outsourcing in financial institutions and even these have mainly focused on human resources and general outsourcing activities.

The case study is at its growth stage, it has applied the growth strategy in its business structure, a corporate level strategy which involves expanding to new markets and products. During its expansion process into increasing its market share, 30% of its contracts have been terminated and others negotiated. The practice of Information Technology Outsourcing Projects has been extensively documented in the business periodicals, but there is scant attention provided to articulate its determinants. In other words, we know the phenomenon in some detail but we do not fully grasp the set of determinants of effective Information Technology Outsourcing Projects which the study sought to establish by focusing more specifically on Seven Seas Technology Group.

General Objective

The Objective of this study is to assess determinants of effective Information Technology Outsourcing Projects with reference to Seven Seas Technology Group.

Specific Objectives

- To establish the influence of partnership on effective Information Technology Outsourcing Projects at Seven Seas Technology Group.
- To ascertain the influence of technology shifts on effective Information Technology Outsourcing Projects at Seven Seas Technology Group.
- To determine the influence of communication on effective Information Technology Outsourcing Projects at Seven Seas Technology Group.
- To examine the influence of risk planning on effective Information Technology Outsourcing Projects at Seven Seas Technology Group.

LITERATURE REVIEW

This chapter provides an extensive literature on what has already been published by some accredited scholars and researchers on determinants of effective Information Technology Outsourcing Projects.

Theoretical Review

The following sections examine these theoretical approaches to understand the growing trend toward IT Outsourcing Projects. The rationales are supported theoretically by transaction cost economics theory, resource based theory, relational exchange theory and knowledge based theory, respectively.

Transaction Cost Economics Theory

Cost reduction has been the primary rationale for IT outsourcing (DiRomualdo & Gurbaxani, 2008; Lacity & Willcocks, 2009; Takac, 2004). Transaction Cost Economics provides a theoretical foundation for addressing ITO projects from a cost perspective. Transactions are the exchanges of goods or services between firms. Transaction Cost Economics (TCE) maintains that the allocation of economic activity among firms depends on balancing each firm's

internal costs against the cost of transacting for goods and services in the market (Alchian & Demsetz, 2008). This is the familiar make versus buy argument which proposes that firms buy services from other firms via the market if it is less costly than producing those services in-house. Conversely, when the market fails then products and services must be produced internally. That is the reason why firms exist according to TCE. TCE addresses two types of costs, production and coordination (Alchian & Demsetz, 2008). Production costs represent the costs of actually producing the goods or services, and would be expected to differ among firms. Coordination costs are the costs of controlling and monitoring workers if the goods are produced internally or vendors if purchased in the market. These costs arise from the need to define, negotiate and enforce contracts, and to monitor and coordinate activities across organizational boundaries. TCE implicitly assumes that contracts should factor both the transaction costs of producing the private product and the costs of the accompanying social product Coase (2009). This assumption is made within the remediable ness criterion that TCE advances (Demsetz, 2008; Williamson, 2009). According to this criterion, wherever the net gains after costs of manufacturing the private product and the cost of social product is more than the net gains of undertaking the same task through an alternate governance mechanism, there it would make sense to opt for the first governance mechanism to undertake the economic activity. Transaction costs are also affected by asset specificity, uncertainty and frequency of transactions Williamson (2009). Asset specificity in the context of IT outsourcing refers to the degree to which a vendor's hardware and software architectures and skill set of IT employees are specific to a particular client. Outsourcing in the Information Technology sector is explained as an attempt to restructure the corporation around core competencies Elmuti (2007). Restructuring around

core competencies is undertaken by delegation of noncore functions to specialized external service providers Corbett (2009). This involves deciding between conducting routine tasks in-house or through a vendor using the market-mechanism. According to Coase (2009), when the value of production arising from the choice of a specific governance structure is greater than the costs for making the change, then the specific governance structure will be used to produce the good. Firms produce two types of products. One is a private product and the other is a social product Coase (2009). The private product is what the firm produces and values to sell on the marketplace while the latter is an accompanying consequence in the form of a cost that others have to bear in order for the firm to produce the private good. According to TCE outsourcing decisions are based on the production and coordination cost trade-off Cheon (2006). The goal is to find a governance structure with the lowest transaction cost. TCE, while offering a useful framework for analyzing the costs associated with outsourcing, ignores the cost of forgone knowledge and learning that may occur when outsourcing a process or activity (a production opportunity cost), plus the costs to transfer that knowledge back to the client (a transaction cost).

Resource Based Theory

Filling the gaps in IT resources is a second major rationale for outsourcing (Lacity & Willcocks, 2009). This may be because of an increase in workload beyond an organization's current capacity Radding (2010), or a disparity between the existing and required IT resources (DiRomualdo & Gurbaxani, 2008). According to Penrose (2009), the Resource Based View of the firm provides a theoretical foundation for addressing outsourcing from a resource gap perspective. Resource based theory views a firm as a collection of productive resources

and organizations compete based on having or controlling unique, valuable and hard to imitate resources Barney (2011). Rather than competing from a specific product/market position, a set of resources could be used to create various products for various markets. Advantage comes from being the only organization with the resources needed to create and deliver those products. Sustainability of the advantage depends on resource immobility, which is difficult for organizations to copy, acquire, or develop those resources Rumelt (2007). If competitors face no significant cost disadvantage or obstacle in developing those resources, then the resources can provide only a temporary ability to compete until they are copied by another firm. Outsourcing is about acquiring resources from the market. Those resources cannot, by themselves, be strategic according to RBV, as they are not unique and can be acquired by competing firms. However, RBV is concerned not only with the deployment of existing resources, but with their leverage as well Grant (2009), to fully exploit a firm's existing unique resources. The external acquisition of complementary resources may be necessary Grant (2009). Those resources would be acquired externally because they may be more costly for the firm to create on its own as per TCE. A firm may still realize a unique benefit from a purchased resource when combined with one that is unique, especially if that acquired resource complements or supplements its existing resources more effectively than it does for competitors (Dierickx & Cool, 2009). Thus filling resource gaps through an outsourcing strategy not only maintains the firm's stock of resources, but can also augment resources and capabilities to remain competitive Cheon (2006). Firms need to know more than competitors about how to integrate and deploy their resources, especially those that are externally contracted for and thus commonly available Zack (2009).

According to Rumelt (2008), the variations of performance between individual firms inside the same industry are much more important than the variations of performance between different industries. This observation underscores the possibility that the main source of competing advantage comes primarily from within the company in the form of resources. RBV aims to conceptualize this idea. Resource-based thinking considers that a company's resources include all assets, organizational characteristics, processes, aptitudes, information and knowledge controlled by that company and its employees Barney (2011).

Relational Exchange Theory

The underlying concept of IT outsourcing is the acquisition of services and/or products, through continuous communication and interactions between the parties to the agreement. Research in outsourcing has heavily drawn upon transaction cost economics Williamson (2009). However, transaction cost economics (TCE) at its core views the client not interacting with another client but directly with the market. In fact, in the economic context decisions are made by clients not in response to, or in anticipation of, the decision of another party, but in response to environmental parameters Emerson (2007). Relational exchange theory, as formalized by (Thibaut & Kelley, 2009), Homans (2008), Blau (2008), Emerson (2007), and Cook (2007), explains dyadic exchange relations as consisting of voluntary transactions involving transfer of resources between two or more clients, that is partners for mutual benefit. Exchange actions are contingent on rewarding reactions from others, but as (Levine & White, 2011) emphasize, it does not connote reciprocity. The reason for employing exchange theory is to understand the underlying communication and relationship structures, which are structures, composed of the social relations among partners Cook (2007).

Homans (2008) psychological focus on interactions identifies exchanges of goods, materials and non-materials as reinforcing mutuality, which Blau (2008) adapts to analyze the parts of an exchange relation and then the whole relationship. Relational exchange theory has the potential as Blau (2008) explains to dissect the transaction process to explain the interdependent contingencies in which each response is dependent on the other's prior action and is simultaneously the stimulus evoking the other's further reaction. Its main limitation is its focus on interactions solely between clients. In addition, data supporting these theorems is based so far mainly on laboratory experiments. However, we argue that in the context of a contractual based venture such as outsourcing, relational exchange determines that once exchanges of goods, materials and nonmaterial occur, it leads to a continuous cycle of interactions reinforced by mutuality. To explain the outsourcing relationship we need more than solely an economic view, we need an understanding of the episodes of exchanges from a client stand point, which is guided by the contract and lapses into voluntary exchanges Hakansson (2012). The success of the outsourcing lies in happiness of both client-vendor relationships. The relationship and the terms of contract should be mutually understood and accepted by both client and vendor (Webb & Laborde, 2009). Both, client and vendor need to identify the areas of conflicts before a project and a contract can be documented and the relationship should be an enabler to achieve mutual benefits by creating a synergistic opportunity that can last longer (Friedman & Giber, 2007). Despite the number of success stories of IT outsourcing, there are has been an astonishing number of contracts failed over the past few years. (Mehta & Mehta, 2010) describe that about 78% of the Client-Vendor (C-V) relationship reaches the point of failure in the long term leaving client to bear the cost.(Beugr'e & Acar, 2008) describe that inter-organizational partnership is not solely risk

free environment because of the difference in socio economic environment, geographic, cultural and moral values, ethical issues and government regulations.

According to (Saxena & Bharadwaj, 2009) the relational concept of outsourcing is significant for the competitive advantage because both, client and vendor share knowledge and expertise and make investment needed to robust the process for long term relationship. (Mehta & Mehta, 2010) believe that relational view of outsourcing is a source of creating value through partnership. In the typical conceptual relational approach, client needs to cut the cost and maximize process efficiency as vendor claims to do so whereas vendor also seeks a business growth and long term strategic client retention for the profit maximization by creating a winwin situation (Saxena & Bharadwaj, 2009). In this approach, both (Cleint and Vendor) must be benefitted equally otherwise project will be a failure. According to (Levine & White, 2011) in future emphasis will be on creating and maintaining client and key trusted supplier relationship for the sustainable competitive advantage.

Knowledge Based Theory

According to the KBV, organizations exist to create, transfer and integrate knowledge Grant (2006). A firm's ability to create value is not primarily based on its physical or financial assets, but instead is generated from its sets of intangible, knowledge based resources Itami (2007). A firm's marketable products and services are the end result of successful learning and application of value creating knowledge (Nonaka, 2008; Spender & Grant, 2006; Teece, et al., 2007; Zack, 2009). Organizations therefore compete on the basis of their ability to learn and utilize knowledge efficiently and effectively (Leonard-Barton, 2008; Nonaka, 2008).

The knowledge within an organization can exist in the form of explicit or tacit. Explicit knowledge can be articulated, codified, and accessed using verbal communication and written documentation Winter (2007), which makes explicit knowledge easy to transfer but correspondingly less likely to give any ability to compete because it might be transferred across as well as within organizations. From the perspective of KBV, it becomes extremely important that organizations consider what knowledge and learning domains should remain within or under their control while making outsourcing decisions. An organization's knowledge base is a valuable asset and that enlarging the knowledge base and improving its use through learning can contribute to the competitiveness of the firm (Nonaka & Takeuchi, 2008; Tsoukas, 2009) because as soon as an organization gains a minimum ability to compete due to some knowledge and learning, the underlying competences developed so far become difficult to imitate. The further development in an ability to compete happens due to the self amplifying effect of the positive feedback from the knowledge and learning. Thus in this way the more specialized knowledge and learning an organization gains, the more difficult it becomes for its competitors to appropriate knowledge and learning at the same level Zack (2009). If a firm makes outsourcing decisions from a cost and/or competency perspective, it may discount the value of an application, classifying it as commodity or non core, only to discover that it could become strategic, core, or high value in the future. More broadly firms may lose their ability to harness the future benefits of IT in general (King & Malhotra, 2010).

The new knowledge or innovation does not originally exist and is jointly created by both parties. According to Swartz (2004) security and privacy risk is greater when off shoring takes place and companies send most sensitive customer

information to the vendor. The supplier's inability to maintain confidentiality is a question mark for outsourcing particularly to an offshore destination. Focusing specifically on ITO projects, Earl (2006) argues that much learning about IT is experiential and that organizations learn to manage IT by handling the tasks and projects. Knowledge is a key strategic resource and learning is required to sustain a knowledge advantage Zack (2009).

Conceptual Framework

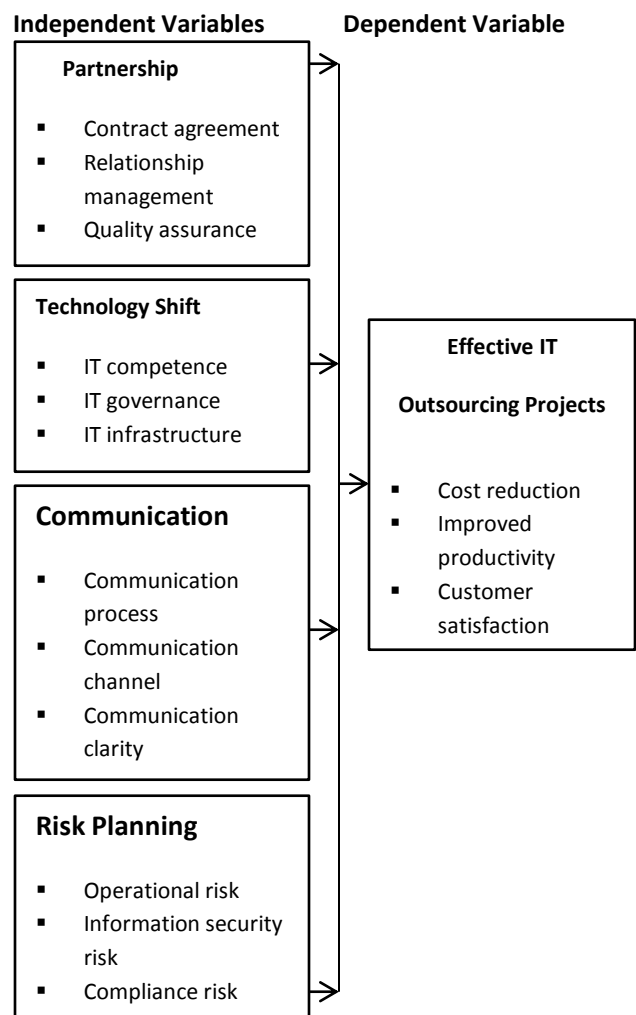


Figure 1: Conceptual Framework

Partnership

The model of ITO decisions includes independent variables associated with motives to outsource,

transaction attributes, client firm characteristics, and influence sources. (Mol et al., 2006) established that increased involvement in the technology innovation process increases the need to seek outsourcing for non-strategic activities. This reflects the degree of dependency of the activities of client organization from the operations of the vendor organization supplying a high technology service as a subject of the outsourcing agreement. This interdependence has a clear bidirectional nature often in practice the vendor organization is strongly dependent on the realization of contracted service. It is particularly valid in cases when the vendor is serving one key client or diversification of the vendor services/client was not achieved, Green v Beesley (2008). Client firms recognize the need to engage multiple vendors to manage all of their outsourcing needs. The greater frequency of such multi-vendor outsourcing arrangements may be due to a variety of forces. For example, IT vendors may be changing their business strategies to focus on their own core competencies. By teaming with other IT vendors whose core competencies complement their own, IT vendors may be best able to provide comprehensive IT services to their clients. Conversely, client firms may deliberately set a strategy of having their IT needs serviced by multiple vendors Cross (2005). The sustainability and the strategic nature of outsourcing partnerships are expected to reflect the sharing of common values, principles, and cooperation ideas as elements of the organizational cultures of partner organizations. As a result of the formation of the outsourcing partnership, transformation of organizational performance takes place in both client and vendor. The relationship distance refers to the duration and quality of the experience that the two contracting parties have working together Cummings (2011). In order to achieve strategic partnerships, however, it is necessary that both aspects of these relations are emphasized (Kern & Willcocks, 2012). If the organizations have worked

longer with each other and have positive experience, they will transfer knowledge more effectively Kotabe (2008). Outsourcing heavily relies on documentation in terms of contractual notions which slows down this production. At the end of the day, especially with larger projects, non-contracted information is assumed as unreliable. Agile methods are advantageous for projects having weak scope definitions (Kusssmaul, Jack & Sponsler, 2009). They strengthen the partnership through co-operative efforts on both parties and hence building long term relationships for future deals (Martin, Biddle & Noble, 2004). A study by Chakrabarty (2006) shows that the five dimensions of service quality are tangibles, reliability, responsiveness, assurance and empathy are significant determinants of IT outsourcing success.

Technology Shifts

Information Technology Outsourcing allows the client organizations to refocus on their core business activities as they obtain the necessary IT competence from the vendor. This way, the strategic effect emerges from the focus on the core operations assuming the availability of a reliable IT service. The enhanced IT staff expertise of the vendor is a critical factor of the partnership success. Client companies rely on the outsourcing for long-term intellectual value which is found to be more beneficial than outsourcing for cost-cutting in the short run Manning (2008). Effective IT governance is intended to improve IT performance in organizations. By improving IT performance, organizations expect to obtain benefits from their IT such as reliable, fast and secured solutions, to acquire a rational return on investment, and to improve efficiency and productivity IT Governance Institute (2003). In line with this view, earlier studies reveal that effective IT governance contributes to higher return on assets, and provides firms with new business opportunities (Sampler &

Weill, 2010). Investments in IT have recently escalated, and its importance is nowhere less evident than its dramatic increase from \$55 billion to \$190 billion in the economy; in fact, IT accounts for about half of most large firms capital expenditures (Lahiri & Kedia, 2011). Due to the enormous outlay associated with the IT infrastructure, firms have found it necessary to adopt a better cost control approach to IT. In line with this notion, IT must be treated as a capital investment and not just an overhead of the firm. Firms have been plagued by the astronomic rise of IT expenditure in many specific IT areas that are necessary to run the business. For instance, in the area of application development, a critical problem has been the control of the cost of internally conceived software. Consequently, corporations are rationalizing their capital outlay on IT. Where possible, drastic restructuring of the traditional in-house mode of IT governance is undertaken to trim the high costs of IT infrastructure. As Hall (2008) stated; Outsourcing can free capital tied up in data center hardware and save operating costs. An extremely attractive option available to firms is to outsource their IT infrastructure to value-added vendors who are more efficient in terms of managing and operating the IT. In three often-cited early cases of IT Outsourcing, American Standard reportedly saved \$2 million per year for its financial and payroll operations, Copperweld cut its systems budget from \$8 million to \$4 million, and Foodmaker slashed its data processing costs by 17% (Dibbern & Goles, 2004). Other recent cases are Wabco and American Ultramar, which trimmed their annual processing costs from \$3 million to \$1.8 million and from \$3 million to \$1.5 million respectively Sabherwal (2003).

Communication

Effective communication between outsourcing partners is of crucial importance for the successful

relationship. This factor is emphasized widely in the literature as a core determinant of the outsourcing partnerships success since it amplifies the level of understanding and the adequate information exchange (Berger & Lewis, 2011). It is typically considered that communications concern mainly the client organization that should provide facilitating information to the vendor. However, the opposite is also of importance since the client decreases its degree of control over the outsourced services and functions. This way, an ineffective communication from the vendor can obstruct the outsourcing relationship. Communication mechanisms are also important for effective IT Outsourcing as their purposes are to inform the organization as a whole about IT Outsourcing processes and decisions, and to encourage desirable behaviors in the organization (Weill & Ross, 2011). They also suggested that the more management communicate formally about the existence of IT Outsourcing mechanisms, how they work, and what outcomes are expected, the more effective are their governance processes. Bidirectional transfer of knowledge emerges when optimal (in terms of quantity and quality) information necessary for the realization of the service is provided through the channels of effective communication between the partners. The knowledge could have two forms: implicit that is informal, tacit and explicit that is formal (Nonaka & Takeuchi, 2008). Special attention should be put on the way in which organizations learn from their partners as this appears to be one of the means for the development of key competences.

Effective IT Outsourcing requires close relationships between the business and IT so that there will be better understanding between both areas, thus creating good participation and collaboration in the organization (Callahan & Keyes, 2012). Good communication systems will enable the two parties (business and IT) to increase each other's

awareness of the importance of the other parties perspective in obtaining benefits from IT outsourced projects (De Haes & Grembergen, 2009).

Risk Planning

According to (Beasley, Bradford & Pagach, 2010) outsourcing of all business functions has reached a significance demanding the application of enterprise risk management (ERM) principles. The risks associated with IT outsourcing decisions should not be evaluated in isolation from other outsourcing initiatives. The total portfolio of risks must be monitored, managed, and procedures developed to deal with the possible consequences of outsourcing decisions, Richard M Heins (2009). The greatest potential for risks exists when outsourcing IT functions overseas. Outsourcing to another country involves many issues including culture and geography, personnel behavior, competitive security, and public opinion. With these issues come many risks which must be identified, incorporated into planning, and dealt with in a timely manner.

When outsourcing to another country, it is essential that management plan for and identify potential risks associated with cultural differences and geographic barriers. Building software is inherently difficult and the added complications of time zone and cultural differences make it that much more so. It is not simply writing code. Most successful software development projects involve a high degree of interaction between end-users and developers and flexibility within the methodology Dickerson (2011). In order to maintain a good working relationship with the overseas supplier, consideration must be given to work ethics, mindsets, values, and religion. For example, many companies force their opinions, standards, rules, and time requirements upon their foreign employees instead of working with and around

their already established culture. Forcing people to go against their culture will be met with resistance and conflict, two behaviors that are not known to bring with them much success. It is counterproductive to create conflicts with individuals upon whom your business success depends.

Effective Information Technology Outsourcing Projects

Information Technology has recently been established as an integral component of the business strategy (Ives & Iearmonth, 2012). The effective governance of ITO projects is thus intimately linked to an overriding business imperative (Henderson & Venkatraman, 2009). In particular the choice of structural mechanisms to source IT based competencies is fundamentally rooted in the view client to enhance business success in the competitive marketplace. A key business argument to outsource IT projects draws from the need for the corporation to focus on core business operations. This relates to core competencies that refer to the collective learning of the corporation and relates centrally on its capability to coordinate diverse production skills and integrate multiple streams of technologies (Prahalad & Hamel, 2010). IT may be a critical component in the core competencies of the firm.

The management of the IT infrastructure in the information era is indeed a sophisticated activity. Companies are often distracted from their fundamental business strategic thrusts in the marketplace by the ongoing impediments related to the operation of the IT function. Business drivers to outsource IT also include the basic need to reduce cost of operations. Given the ubiquitous nature of IT that pervades the entire process of transforming input into output (Porter & Millar, 2007), the costs associated with a particular IT governance include not only direct technology costs but also indirect costs of supporting the administration of the firm.

Empirical Review

According to (Cullen & Willcocks, 2009) ITO is a strategy for managing the delivery of IT services. Strategically, outsourcing is attractive when organizations have capacity and/or capability constraints that prevent them from servicing a market. Economically, outsourcing is attractive when the tasks being outsourced can be performed by the provider at a lower total cost. When a firm does not have personnel of requisite quantity and skill, or sufficient physical capacity to deliver its product or services within a required time frame, it either has to postpone the work, or outsource to get the work done within the required time frame and level of quality. There are many reasons for the deployment of IT outsourcing, but cost reduction is only one (Khan, Niazi & Ahmad, 2011).

An orientation of the study in the area of ITO projects is towards several aspects of vendor-client interrelations. Various studies find a relative parity between the importance of the informal aspects of these relations such as, mutual trust and the formal aspects formulated in the outsourcing contract Poppo (2012). In order to achieve strategic partnerships, however, it is necessary that both aspects of these relations are emphasized (Kern & Willcocks, 2011). . It is important for applied research to determine the key factors that have a major impact on the positive outcomes for both IT outsourcing partners not only in the short-run but in a strategic perspective.

According to the study by (Kern & Willcocks, 2011), the strategic vision and the technical capacity shape not only the formal structuring of contract relations but also the development of inter-personal relations. The factors influencing the success of the IT outsourcing partnerships that can be highlighted are: the high degree of synchronization between the client and the vendor; team working; balance of control function; clear responsibilities of the partners; the degree of flexibility and intensity of

the transferred processes Goles (2009). (Kern & Willcocks, 2011), derived several important factors characterizing the vendor organization: technical competencies; knowledge of the subject area and the specifics of client's operations; competences for coordination and management of partner relations. It is assumed that the system of key competences of the vendor appears to be complementary in respect of the competences of the client organization. This can be explained by the fact that the vendor organization makes efforts to build its own technologic infrastructure, know-how, and capacity by which to substantially increase the efficiency of realization of a set of high technology services.

A strategic partnership presumes sharing of the value added between the vendor and the client generated through the attainment of the comparative advantages. This is realized by a complex of both formal and informal relations between units of the organizational structures of partner organizations. Organizations lose opportunities with other reasons if they are focused only on cost reduction, where cost reduction is the most important motivation (Fisher, Hirschheim & Jacobs, 2008). Other organizations choose other strategic goals, such as improvement of the efficiency and effectiveness of information systems and improving the company's capacities to stay competitive. (Clark et al., 2005) contended that, along with the rapid progress of IT, technology production and management have become the strategic core business for service organizations. (Mol et al., 2006) argued that outsourcing can be driven by the technology core of the innovation process and established that increased involvement in the technology innovation process increases the need to seek outsourcing for non-strategic activities. The resource acquisition by means of IT outsourcing is strategy-driven Cheon (2006). These studies argued that the gap to be filled by

outsourcing is a function of the strategy-wise need and dimensions of resources.

According to (Gilley & Rasheed, 2008) IT outsourcing peripheral activities may better benefit organizations pursuing cost leadership strategy and outsourcing core activities may better benefit organizations pursuing differentiation strategy, since organizations pursuing cost leadership strategy lack the skills for reducing the peripheral costs, whereas organizations pursuing differentiation strategy lack the skills for improving. Organizations are motivated to outsource because outsourcing is useful in creating benefits (Benamati & Rajkumar, 2012). The benefits of IT outsourcing can be related to both increased financial benefits and improved non-financial benefits (Gilley & Rasheed, 2010). In the ITO literature, increased financial benefits of IT outsourcing include reduction of operational costs, reduction of capital invested, improvement of measurability of costs, and transformation of fixed costs into variable costs, whereas increased non-financial benefits include focus on core competencies, improvement of quality, acquisition of external competencies, and control over internal departments (Quelin & Duhamel, 2010).

Satisfaction with IT outsourcing projects is only 33% and that 78% of projects are discontinued either by switching vendors or terminating the projects (Gorla & Lau, 2010). In-house IT capabilities are associated with IT outsourcing success (Aubert, Houde, Patry, & Rivard, 2012). It is difficult to distinguish IT outsourcing savings from other causes, e.g. the global economic situation. Some authors indicate a positive, others a negative, and thirdly a neutral impact of outsourcing on the IT efficiency and effectiveness in organizations. (Hirschheim & Lacity, 2012) note in their study that half of the organizations achieve cost savings, whereas half do not. Similar conclusions are found

by (Bengtsson & Dabhilkar, 2009) who conclude that some authors show significant positive effects, while others do not and that investments into technology and organization contribute more towards efficiency and effectiveness than business process outsourcing.

Information Technology has enabled organizations to do business worldwide faster than ever. Companies have been outsourcing to cost effective benefits and also to reach global markets by hiring global talent pool (Ghodeswar & Vaidyanatha, 2008). Overwhelming demand of global talent pool is an edge for global competition for the firms making timely decisions and IT is not a driver to offshore neither it will keep the companies onshore but merely an enabler of the strategy and process (Aird & Sappenfield, 2009). The truths of outsourcing, however, are for instance global talent which involves IT competency, available services at lower cost, tax incentives and the company's strategy to focus on the core competencies of the business.

IT governance and corporate governance are integrally interrelated, thus making IT governance a subset of corporate governance. Corporate governance is concerned with board roles, board composition, board characteristics, board and organizational structure and processes in order to develop, implement and monitor corporate strategy (Kakabadse & Kakabadse, 2011). However, IT governance is related to the distribution of IT decision making rights and responsibilities among organization stakeholders, and the procedures and mechanisms for making and monitoring strategic decisions regarding IT Peterson (2012). IT governance concentrates on the structure of relationships and processes related to developing, directing and controlling IT resources in order to achieve the organization's goals through value

adding contributions, balancing risk versus return over IT resources and managing IT processes.

IT resources refer mainly to the tangible assets, while processes cover the setting of objectives, giving direction on how to achieve objectives and measuring the ITG performance. Effective IT governance assists in achieving an organization's success by both efficiently and effectively deploying secure and reliable information through the application of new technology (Kakabadse & Kakabadse, 2011). Evaluating the performance of ITG has become an important issue for many organizations. Wilkes (2009) argued that good performance measures need to go beyond the traditional financial measures, and to include those aspects of the business that are strategically important. Accordingly, market share growth may be key when building a new business, whereas, customer lifetime value will be important when focusing on profitability and cost to serve. However, if an organization wants to be known for excellent customer service, the measures for dealing with inquiries and complaints, levels of customer satisfaction, as well as the operation of the order, dispatch and invoicing processes should be carefully managed Wilkes (2009).

Peterson (2012) confirmed that ITG is a complex system, involving different business and IT stakeholders with specific perceptions, views, goals, and motivations. Different stakeholders have specific interests and stakes in IT. Although each constituency may be correct in pursuing its own strategic objectives, their single blinded focus impedes effective governance of IT. (Kakabadse & Kakabadse, 2011) also argued that most organizations recognize the importance of ITG as a critical factor to their business success, and that ITG is a mechanism for addressing issues that fall under the larger umbrella of matching business

requirements with technology applications in planning for the future.

According to the study by (Kern & Willcocks, 2011), the strategic vision and the technical capacity shape not only the formal structuring of contract relations but also the development of inter-personal relations. The factors influencing the success of the IT outsourcing partnerships that can be highlighted are: the high degree of synchronization between the client and the vendor; team working; balance of control function; clear responsibilities of the partners; the degree of flexibility and intensity of the transferred processes Goles (2009). It is assumed that the system of key competences of the vendor appears to be complementary in respect of the competences of the client organization. This can be explained by the fact that the vendor organization makes efforts to build its own technologic infrastructure, know-how, and capacity by which to substantially increase the efficiency of realization of a set of high technology services. A strategic partnership presumes sharing of the value added between the vendor and the client generated through the attainment of the comparative advantages.

RESEARCH METHODOLOGY

This chapter presents the methodology that was used by the researcher to find answers to the research questions.

Research Design

This study used descriptive survey design which necessitates collection of both qualitative and quantitative data. **Target Population**

The target population comprised of 150 employees of Seven Seas Technology Group, Nairobi Office. This included department heads, supervisors and support staff in various departments.

Sampling Procedure

The study employed stratified random sampling technique in coming up with a sample size of 108 respondents from a total of 150 in Seven Seas Technology Group.

Data Collection Instruments

The study collected both primary and secondary data. Primary data was collected using questionnaires. On the other hand secondary data was collected from computer internet, newspapers, published books and journals as well as other sources such as the sector annual reports.

Data Collection Procedure

This study collected data using a self-administered questionnaire. The researcher read and interpreted the questions and details in the checklist for clarity.

Data Analysis and Presentation

Data analysis was done after data was collected and was a process used to make usefulness of the data. Data collected was edited and coded using descriptive analysis method in order to get meaningful results from the questionnaires.

RESEARCH FINDINGS, DATA ANALYSIS AND DISCUSSION

This chapter discusses the interpretation and presentation of the findings obtained from the field.

Response Rate

The study targeted a sample size of 108 respondents where 96 filled in and returned the questionnaires making a response rate of 89%.

Age Distribution

From the findings, it was found that most of the respondents as shown below 40.7% were aged between 30 to 39 years, 31.4% of the of the

respondents were aged between 20 to 29 years, 12.8% were aged between 40 to 49 years, 10.1% were aged 50 years and above and 5 % of the respondents were aged below 19 years. This is an indication that majority of the respondents who were aged between 30 - 39 years had wide experience thus able to give accurate and reliable responses for this research.

Level of Education

The study requested the respondents to indicate their highest level of education. It was established that 48.3% of the respondent indicated their highest level of education as undergraduate degree, 34.6% of the respondents indicated their highest level of education as diploma whereas 17.1% of the respondents indicated their highest level of education as master's degree. This is an indication that most of the respondents had undergraduate degree thus able to give accurate and reliable responses for this research in relation to information technology outsourcing projects.

Duration of service

The study found that 64.2% of the respondents had served the organization for 6 - 10 years, 30.6% had served the organization between 0-5 years whereas 5.2% of the respondents indicated that they had served the organization for a period of 10 years and above. This implied that majority of the respondents had served the company for duration of 6 to 10 years which was a considerable period of time and thus were in a position to give accurate and reliable information relating to this research.

Partnership

The objective was to establish the influence of partnership on effective Information Technology Outsourcing Projects at Seven Seas Technology Group. According to (Kern & Willocks,2012) the sustainability and the strategic nature of outsourcing partnerships are expected to reflect the sharing of common values, principles, and

cooperation ideas as elements of the organizational cultures of partner organizations. As a result of the formation of the outsourcing partnership, transformation of organizational performance takes place in both client and vendor.

Extent to which Partnership influence IT Outsourcing Projects in the organization

The study sought to determine to what extent partnership influence IT outsourcing projects at Seven Seas Technology Group. From the research findings, majority of the respondents 56.3% agreed to a very great extent that partnership influence IT outsourcing projects, 34.4% of the respondents agreed to a great extent, 6.2% of the respondents agreed to a moderate extent, 2.1% of the respondents agreed to a low extent, whereas 1% of the respondents agreed to a very low extent that partnership influence IT outsourcing projects.

Extent to which Partnership aspects influence IT Outsourcing Projects in the organization

The study also sought to establish the extent to which respondents agreed with the below aspects relating to partnership in the organization. From the research findings, respondents agreed to the statement that contract agreement, relationship management and quality assurance influence effective IT outsourcing projects with reference to Seven Seas Technology Group by a mean of 4.65, 4.69 and 4.42 respectively.

Technology Shifts

The objective was to ascertain the influence of technology shifts on effective Information Technology Outsourcing Projects at Seven Seas Technology Group. According to (Foray & Freeman, 2011), technology shift is the invention of technologies and their commercialization via research and development, the continual

improvement of technologies, and the diffusion of technologies throughout the industry.

Extent to which Technology Shifts impact IT Outsourcing Projects in the organization

The study sought to determine to what extent technology shifts influence IT outsourcing projects at Seven Seas Technology Group. From the research findings, majority of the respondents 31.3% agreed to a very great extent that technology shifts influence IT outsourcing projects, 45.9% of the respondents agreed to a great extent, 17.7% of the respondents agreed to a moderate extent, 3.1% of the respondents agreed to a low extent, whereas 2.1% of the respondents agreed to a very low extent that technology shifts influence IT outsourcing projects.

Extent to which Technology Shift aspects influence IT Outsourcing Projects in the organization

The study also sought to establish the extent to which respondents agreed with the below aspects relating to technology shifts in the organization. From the research findings, respondents agreed to the statement that IT competence, IT governance and IT infrastructure influence effective IT outsourcing projects with reference to Seven Seas Technology Group by a mean of 4.50, 4.65 and 4.48 respectively.

Communication

The objective was to determine the influence of communication on effective Information Technology Outsourcing Projects at Seven Seas Technology Group. According to (Berger & Lewis, 2011) effective communication between outsourcing partners is of crucial importance for the successful relationship. This factor is emphasized widely in the literature as a core determinant of the outsourcing partnerships success since it amplifies

the level of understanding and the adequate information exchange.

Extent to which Communication influence IT Outsourcing Projects in the organization

The study sought to determine to what extent communication influence IT outsourcing projects in Seven Seas Technology Group. From the research findings, majority of the respondents 54.2% agreed to a very great extent that communication influence IT outsourcing projects, 32.3% of the respondents agreed to a great extent, 10.4% of the respondents agreed to a moderate extent, 2.1% of the respondents agreed to a low extent, whereas 1% of the respondents agreed to a very low extent that communication influence IT outsourcing projects.

Extent to which Communication aspects influence IT Outsourcing Projects in the organization

The study also sought to establish the extent to which respondents agreed with the below aspects relating to communication in the organization. From the research findings, respondents agreed to the statement that communication process, communication channel and communication clarity influence effective IT outsourcing projects with reference to Seven Seas Technology Group by a mean of 4.46, 4.29 and 4.74 respectively.

Risk Planning

The objective was to examine the influence of risk planning on effective Information Technology Outsourcing Projects at Seven Seas Technology Group. The risks associated with IT outsourcing decisions should not be evaluated in isolation from other outsourcing initiatives. The total portfolio of risks must be monitored, managed, and procedures developed to deal with the possible consequences of outsourcing decisions, Richard M Heins (2005).

Extent to which Risk Planning influence IT Outsourcing Projects in the organization

The study sought to determine to what extent risk planning influence IT outsourcing projects in Seven Seas Technology Group. From the research findings, majority of the respondents 47.9% agreed to a very great extent that risk planning influence IT outsourcing projects, 38.5% of the respondents agreed to a great extent, 8.4% of the respondents agreed to a moderate extent, 3.1% of the respondents agreed to low extent, whereas 2.1% of the respondents agreed to a very low extent that risk planning influence IT outsourcing projects.

Extent to which Risk Planning aspects influence IT Outsourcing Projects in the organization

The study also sought to establish the extent to which respondents agreed with the below elements relating to risk planning in the organization. From the research findings, respondents agreed to the statement that operational risk planning, information security risk planning and compliance risk planning influence effective IT outsourcing projects with reference to Seven Seas Technology Group by a mean of 4.53, 4.18 and 4.47 respectively.

Effective Information Technology Outsourcing Projects

The study also sought to establish the extent to which respondents agreed with the determinants relating to effective Information Technology Outsourcing projects in Seven Seas Technology Group. From the research findings, majority of the respondents agreed to a very great extent that, cost reduction leads to effective Information Technology outsourcing projects shown by a mean of 4.21 and a standard deviation of 0.34, improved productivity leads to effective Information Technology outsourcing projects as shown by a mean of 4.57 and a standard deviation of 0.36, customer

satisfaction leads to effective Information Technology outsourcing projects as shown by a mean of 4.29 and a standard deviation of 0.38. The above findings are in line with the findings by (Ives & Learmonth, 2004) who suggested that Information Technology has recently been established as an integral component of the business strategy. Similarly, the effective governance of the IT function is thus intimately linked to an overriding business imperative (Henderson & Venkatraman, 2003).

Multiple Regression Analysis

The researcher conducted a multiple regression analysis so as to test relationship among variables (independent) on effective Information Technology Outsourcing Projects. The study applied the statistical package for social sciences (SPSS V.22) to code, enter and compute the measurements of the multiple regressions for the study. According to the

model summary Table 1, R is the correlation coefficient which shows the relationship between the independent variables and dependent variables. It is notable that there exists strong positive relationship between the independent variables and the dependent variables as shown by R value (0.888). The coefficient of determination (R^2) explains the extent to which changes in the dependent variable can be explained by the change in the independent variable or the percentage of variation in the dependent variable and the four independent variables that were studied explain 78.90% of the success in IT Outsourcing Projects are represented by the R^2 . This therefore means that other factors not studied in this research contribute 21.10% to the success of IT Outsourcing Projects. This implies that these variables are very significant therefore need to be considered in contributing to effective IT Outsourcing Projects. The study therefore identifies the variables as core determinants of effective IT Outsourcing Projects.

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Standard Error of the Estimate
1	.888	.789	.765	.116

Further, the study revealed that the significance value is 0.002 which is less than 0.05 thus the model is statistically significant in predicting how partnership, technology shifts, communication and risk planning influence IT Outsourcing projects. The

F critical at 5% level of significance was 2.221. Since F calculated (15.308) is greater than the F critical (value = 2.221), this shows that the overall model was significant.

Table 2: AVOVA Results

Model	Sum of Squares	Df	Mean Square	F	Significance
1 Regression	10.305	4	2.5763	15.308	.002 ^a
Residual	15.987	91	.1683		
Total	26.292	95			

The study ran the procedure of obtaining the regression coefficients, and the results were as shown in Table 3. Multiple regression analysis was

conducted so as to determine the relationship between effective IT Outsourcing Projects and the four independent variables. As per the SPSS

generated table below, the model equation would be $(Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon)$ becomes : $Y = 50.098 + 0.775X_1 + 0.587X_2 + 0.690X_3 + 0.606X_4$. This indicates that effective IT Outsourcing Projects = $50.098 + 0.775(\text{Partnership}) + 0.587(\text{Technology Shifts}) + 0.690(\text{Communication}) + 0.606(\text{Risk Planning})$. According to the regression equation established, taking all factors into account (partnership, technology shifts, communication and risk planning) constant at zero, effective IT Outsourcing Projects was 50.098. The data findings also shows that taking all other independent variables at zero, a unit increase in partnership will lead to a 0.775 success in IT Outsourcing Projects, a

unit increase in technology shifts will lead to a 0.587 success in IT Outsourcing Projects, a unit increase in communication will lead to a 0.690 success in IT Outsourcing Projects and a unit increase in risk planning will lead to a 0.606 success in IT Outsourcing Projects. This infers that Partnership contributed most to effective IT Outsourcing Projects in the organization. At 5% level of significance, partnership showed a 0.001 level of significance, technology shifts showed a 0.029 level of significance, communication showed a 0.005 level of significance and risk planning showed a 0.010 level of significance, hence the most significant factor was partnership.

Table 3: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	P-value
	B	Standard Error	Beta		
1 (Constant)	50.098	1.223		2.615	.035
Partnership	.775	.150	.554	7.087	.001
Technology shifts	.587	.193	.402	3.098	.029
Communication	.690	.117	.516	6.008	.005
Risk Planning	.606	.173	.463	4.546	.010

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter provides the summary of the findings. It also gives the conclusions and recommendations of the study based on the key data findings drawn from the objectives of the study. It also gives recommendations for further studies.

Summary of Findings

The Objective of this study was to assess determinants of effective Information Technology

Outsourcing Projects with reference to Seven Seas Technology Group. The study participants comprised of 96 employees of Seven Seas Technology Group, the target sample size being 108 respondents. The data was therefore analyzed based on this number. Given below is a summary of the main findings.

Partnership

The study found out that partnership had a positive influence on IT Outsourcing Projects at Seven Seas Technology Group. Contract agreement impact

improved productivity and customer satisfaction in IT outsourcing projects to a very great extent. Additionally, the study found that Seven Seas Technology Group focused on long term strategic goals and best value with partners. Having such a strategic arrangement, partners are able to transfer not only peripheral but also core business processes which focus on organizational and cost efficiency. Quality assurance and relationship management had a great impact on customer satisfaction hence leading to effective IT outsourcing projects.

Technology Shifts

The study found out that technology shifts had a positive influence on effective IT Outsourcing Projects at Seven Seas Technology Group. IT competence, IT governance and IT infrastructure influenced effective IT Outsourcing Projects to a great extent. Acquiring competent employees lead to improved productivity and cost reduction. IT governance lead to quality products since all protocols and processes are addressed in product development, hence quality assured in the end product, leading to customer satisfaction.

Communication

The study found out that communication had a positive influence on effective IT Outsourcing Projects at Seven Seas Technology Group. Communication process and clarity influenced customer satisfaction to a great extent. Clear, concise and accurate communication was key to effective IT Outsourcing projects and if not addressed from the project initiation the entire project is at risk of failure. It is typically considered that communication concern mainly the client organization that should provide facilitating information to the vendor. However, vendor communication is also of importance since the client decreases its degree of control over the outsourced services and functions.

Risk Planning

The study ascertained that risk planning had a positive influence on IT Outsourcing Projects. According to the findings, when operational, information security and compliance risks are not planned and managed, they affect IT Outsourcing Projects negatively, hence leading to termination or renegotiation of the projects. One of the key finding was indicating IT outsourcing projects have risks, IT expertise need to be aware of how to plan and manage the risks.

Conclusion of the Study

The study concluded that all the four independent variables had a positive influence on the success of IT Outsourcing Projects at Seven Seas Technology Group. Partnership affects effective IT Outsourcing Projects to a very great extent through aspects such as contract agreement, relationship management and quality assurance. High degree of synchronization between the client and the vendor is one of the main factors influencing the success of the IT outsourcing partnerships. Contract agreement and quality assurance aspects lead reduction of operational costs, reduction of capital invested, improvement of measurability of costs, and transformation of fixed costs into variable costs.

The study also concluded that technology shifts influenced the success of effective IT Outsourcing Projects to a great extent. IT competence, IT governance and IT infrastructure aspects had positive impact on IT Outsourcing projects. Effective IT governance assists in achieving an organization's success by both efficiently and effectively deploying secure and reliable information through the application of new technology. Investing in IT resources lead to achieving the organization's goals through value adding contributions of IT project teams.

The study further concluded that communication influenced effective IT Outsourcing Projects to a very great extent through aspects of communication process, channel and clarity of communication. An effective communication system enables the two parties both the vendor and client to increase each other's awareness of the importance of the other parties perspective in obtaining benefits from IT outsourced projects. A clear communication channel creates good participation and collaboration in the project teams thus assurance of a quality end product, improved productivity and customer satisfaction.

The study finally concluded that risk planning influenced effective IT Outsourcing Projects to a great extent through planning for operational, information security and compliance risks. The goal of performing risk planning is to enable the organization to maintain at the highest values of the project output. The process combines all factors which can increase the probability of success and decrease the uncertainty of achieving objectives of IT outsourcing projects.

The study deduced that partnership had the highest influence on the success of IT Outsourcing Projects followed by communication, then risk planning while technology shifts had the lowest influence on effective of IT Outsourcing Projects.

Recommendations of the Study

Based on the findings established by the study the researcher recommends that in order to increase the success of IT Outsourcing Projects. Organizations should leverage their assets, resources and capabilities before entering into a partnership. This will enable each party to share knowledge that will lead to development of quality products, which lead customer satisfaction.

The study recommends that organizations should align IT strategy with corporate strategy and

optimize delivery of IT services to better meet business needs and satisfy their customers, which is drawn from the conclusion that IT performance, IT governance and IT infrastructure influenced effective IT Outsourcing Projects to a great extent. The study also recommends that organizations should put into operation an effective communication process which is a core determinant of the success of IT Outsourcing Projects. It amplifies the level of understanding and the adequate information exchange leading to production of quality products which align to the user requirements, hence leading to customer satisfaction.

The study further recommends that organizations should define and put into practice a risk management plan. This makes the success of ITO projects more likely by minimizing and eliminating negative risks, so that projects can be completed on agreed timeline, meet the set budget, fulfill targeted objectives and satisfy its customers without compromising quality of the product. Effective risk management strategies allow an organization to maximize profits and minimize expenses on activities that don't produce a return on investment.

Recommendations for Further Study

The study was conducted to assess the determinants of effective Information Technology Outsourcing Projects with reference to Seven Seas Technology Group. The study looked at four independent variables, partnership, technology shifts, communication and risk planning. Further studies should be carried out on the performance level of organizations that have outsourced Information Technology Projects. Another suggestion for further research should be done on the risks involved in Information Technology Outsourcing Projects.

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