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## DETERMINANTS OF IT OUTSOURCING VENDOR FOR THE EFFECTIVE PERFORMANCE OF IT SERVICE ORGANIZATIONS

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### ABSTRACT

IT outsourcing (ITO) is recognized as the use of external service providers to effectively deliver IT-enabled business process, application service and infrastructure solutions for business outcomes. Sri Lanka is emerging as a global IT destination of choice in number of key focus domain areas. Sri Lanka is ranked among the Top 50 Global Outsourcing destinations by a Global Management Consulting firm “AT Kearney” and ranked among Top 20 Emerging Cities by Global Services Magazine. In Sri Lanka there are over 300 small and medium IT companies and few large global IT companies in operation. However there is an urging problem that 80% of these outsourcing projects are subject to failure whereas only 20% will be defined as successful projects. A number of studies highlighted the difficulty of ITOs to exist across a broad cross-section of industries. Despite the substantial benefit of ITO for business processes, it can be seen that the rate of failures in most of the IT outsourcing projects is high. Therefore, the objective of this research is to identify the features of IT outsourcing vendors that influence the business performance of S&M information technology service (ITS) client organizations in Colombo. Though a comprehensive literature review on determinants of outsourcing, a conceptual framework is suggested. This suggests that ITO investment, vendor staff capability, skill absorption, partnership, response time, unscheduled outages, change control and security of outsourcing affects outsourcing performance. A sample of 76 IT managers of ITS organizations based in Colombo responded for the online questionnaire. All questionnaires were directed to evaluate against organizational performance. During data analysis, the item-to-total correlations for all constructs in each of the proposed scales were considered and then decided to delete constructs with low correlations if they tapped no additional domain of interest. The objective of this research was to recognize the features of ITO vendor that influence the business performance of SMEITS client organizations. This study would benefit the IT decision makers to recognize what features would need to be considered during the acquisition of outsource services.

**Keywords:** IT Outsourcing, Information Technology Services, Strategic performance, Financial & Marketing performance, Partial least squares