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Holistic Archetypes of IT Outsourcing Strategy: A Contingency Fit and Configurational Approach

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Abstract

The goal of this paper is to determine holistic archetypes of Information Technology (IT) outsourcing strategy. It does this through an overarching theoretical framework that integrates three dominant theories of interorganizational relations in the IT outsourcing literature, namely transaction cost economics, resource dependency, and social exchange theories. A contingency fit theoretical framing is married to a configurational approach to explicate the intricate relationships that spring up between a focal firm and its outsourcing vendors when they are working toward specific strategic objectives under varying contingencies. In line with this theoretical objective, we used qualitative comparative analysis (QCA), a set-theoretic configuration method that can handle the interdependent complexity among multiple elements of IT outsourcing. The technique was applied to a sample of 235 companies that have outsourced some or all of their IT functions. Findings at the project level of analysis empirically reveal two sets of configurations of strategic IT outsourcing elements, one set of configurations resulting in high economic benefit and the other set leading to high strategic benefit. Next, we compare similarities and differences among multiple, equifinal configurations and infer archetypes of IT outsourcing strategy internally congruent in terms of the strategic objectives as well as matching specific contextual contingencies. Our holistic archetypes take the form of theoretical propositions integrating the previous fragmented and inconsistent knowledge in IT outsourcing resulting from the causal ambiguity and complexity inherent in IT outsourcing projects as well as from divergent theories in the literature. Furthermore, by defining specific contingency boundaries, our archetypes provide managers with context-specific guidelines for strategic decisions regarding their relationships with outsourcing vendors, helping different sized firms to effectively succeed in IT outsourcing, contingent on the IT type being outsourced. Finally, we discuss new insights and implications of this study for complementing and extending the extant theories in IT outsourcing.

Keywords: IT outsourcing, archetypes of IT outsourcing strategy, transaction cost economics theory, resource dependency theory, social exchange theory, equifinality, contingency fit theory, configurational approach, qualitative comparative analysis (QCA)