

The Evolution of Outsourcing Research: What is the Next Issue?

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Abstract

Although many researchers and practitioners have discussed different aspects of outsourcing in the past, there have been only a handful of papers that grapple these complex issues from a broad perspective. The main purpose of this study is to lay an integrative groundwork for the understanding of outsourcing, including its key research areas, its evolution, its theoretical models, and its future research trend. From our review of the past studies, we identify the key research areas and their evolution that help to provide a deeper understanding on the outsourcing trend. Essentially, we propose that the previous research can be represented in two stages: the first stage based on clients' view, hierarchical relationship, and win-lose strategy; the second stage based on both the clients and the service providers' views, equal relationship, and win-win strategy. From this classification, we introduce an integrative perspective that focuses on both stages as a way to understand the emergence of partnership-based outsourcing. The critical outsourcing issues and the integrative theoretical perspective presented in this study may provide new insights in the direction and focus of future outsourcing research.

1. Introduction

In recent years, outsourcing of Information Systems (IS) functions in organizations has gained much attention

of researchers as well as practitioners. IS outsourcing, the process of turning over part or all of an organization's IS functions to external service provider(s), is done to acquire economic, technological, and strategic advantages [39, 42]. In the past, outsourcing was generally reserved for small and medium-size companies with problematic and mismanaged IS departments. Until 1990, a major driver for outsourcing was cost-effective access to specialized computing power or system development skill [47]. Therefore, organizations needed a set of criteria to decide whether or not to outsource their IS functions in terms of cost reduction [9, 54]. However, after Eastman Kodak's outsourcing decision was reported in 1989, outsourcing became a serious strategic choice for firms and emerged as one of the top ten issues for survival in the 1990s [13].

In the last decade, a large number of studies have been conducted to address a variety of outsourcing research issues. Although many researchers have focused on various outsourcing issues such as motivation [8, 9], scope [5, 27], performance [3, 40], insourcing-or-outsourcing [48, 54], contract [19, 55] and partnership [25, 33], there have been few papers that organize these diverse research issues from an integrative perspective. In this study, we will present a broader view of outsourcing research issues and its trends to researchers and practitioners. It is worthwhile not only to discuss a specific issue as many researchers have concentrated but also to describe an overall stream of outsourcing research. The objective of this paper is to provide deeper understanding about

outsourcing research trend and to guide the direction of future outsourcing research by reviewing and synthesizing the previous research and their theoretical frameworks. This study may provide meaningful implications to both academics and practitioners that concern IS outsourcing.

2. Outsourcing background

While IS outsourcing has been a trend in the 1990s, it is not a new phenomenon. IS outsourcing originates from the professional services and facility management services of the 1960s and 1970s in the financial and operation supports areas [31, 58], when computers were very expensive and physically large. Back then, computers required considerable space for their implementation. Furthermore, computers needed controlled environmental conditions in which to operate, thus increasing the necessary investment. To eliminate or avoid the capital intensive investment in computer hardware, many organizations contracted with a data processing service bureau to operate the data processing function. This became known as facilities or operations management.

While a major problem of IS in the 1960s was the cost of hardware, the expense of software development became a major concern of the 1970s. Historically from the 1960s, usage of external vendors was confined to time-sharing or processing services. Most companies relied on service bureaus, systems houses and other professional firms to provide facilities management services [27, 47]. The 1970s brought the beginnings of the standard application package concept to the market and more standardization to wider levels of systems software such as database management systems and communications monitor. Due to rapidly increasing demand for IS applications and the inadequate supply of IS personnel, managers sought a solution through contract programming, which was a form of outsourcing.

The 1980s were characterized by renewed emphasis on vertical integration [15]. The control of the product development cycle from raw materials through delivery of product to the customer became important. Consequently, IS was considered as a valued in-house function to support vertical integration. Besides, the rapid decline of some processing services from the end of the 1970s can be seen in historical perspective as an early victim of technological downsizing. The arrival of low-cost versions of mini-computers and then PCs hit the processing services business hard at the beginning of the 1980s. Generally, organizations continued in the 1980s to operate their information systems environment on a customized basis. They bought standard equipment, systems software, applications software, and communications and assembled these components into an infrastructure that was unique to each organization.

The early 1990s were characterized by the renewed interest in outsourcing, but it was being applied in new ways. For example, while the data processing service bureau of the 1960s provided service from an off-site location, the outsourcing vendors of the 1990s targeted on-site facilities management. Some vendors purchased the customer's mainframe hardware and managed their services from the client's original location. In addition, IS personnel were shifted from the customer to the vendor. This was known as complete or total outsourcing [36]. On the contrary, selective or partial outsourcing was characterized by transferring at least one segment of an organization's IS responsibility to an outside service provider. Contract programming was an example of partial outsourcing. In the 1970s, contract programming generally focused on applications programming. However, maintenance programming was gaining popularity as an outsourced segment. Interfaces that required to integrate systems as a result of hardware and software changes were also frequent candidates due to rapidly changing and complex technology, including network management and telecommunications, along with associated education and training. While application packages, contract programming, and specific processing services comprised the major portion of services outsourced in the 1970s and 1980s, outsourced IS services are more likely to be telecommunication management, system integration, application development and systems operation in the 1990s [42]. The 1990s present the very real possibility that IS outsourcing can overcome user resistance and doubt, and become accepted as a normal approach to delivering information systems.

3. Research areas of outsourcing

We frequently find that the future of an organization relies heavily on the quality of information services being used. Attempts to achieve a sustainable competitiveness through IS, however, put much burden on organizations as the scope and the complexity of IS expand [4]. An organization's overarching objective in managing its information resources should be to maximize flexibility and control in order to pursue different options as its circumstances change [35]. To accomplish this objective, more and more organizations look to IS outsourcing through external service providers. They are less inclined to pursue in-house development because outsourcing offers a variety of ways for organizations to better leverage their resources and focus on core applications to increase Information Technology (IT)'s value to corporate objectives.

On the research side, outsourcing research issues have changed extensively in the last decade. From the previous literature, we can broadly classify outsourcing research

into five major areas: organization, performance, decision, contract, and relationship. The essence of these five research areas is captured in figure 1 below.



Figure 1. Research areas on outsourcing

The first area focuses on the motivation of outsourcing itself in terms of organizations. Since outsourcing is considered as a strategic decision for survival, many researchers question what is the impact of outsourcing to organizations, and what are the benefits and risks of outsourcing [10, 18, 24, 44, 50]. In this area, organizations outsource because information system is not a core competence of the organization [7].

The second area is the outsourcing performance. As the decision to outsource IS functions has become more popular, organizations and researchers want to assess whether outsourcing is a success or a failure as measured by factors such as outsourced IS systems' efficiency [49], user and business satisfaction for outsourced systems [39], service quality [25], cost reduction [40], and so on. Generally, outsourcing performance is used as a dependent variable in most of outsourcing research.

The third area deals with the different factors in organizations. To adequately evaluate the outsourcing decision, organizations have to take into consideration important factors which impact the outsourcing decision. These factors include personnel, economic, control, organization and data characteristics, etc [9, 23, 31]. The seriousness of in-house problems may not be known until the alternatives are investigated. Outsourcing may not be the option that all companies will select. Therefore, outsourcing occurred by the wrong decision can cause major technological and economic setbacks.

The fourth area stresses the nature of contract. Outsourcing contract is perhaps more complicated than some other business contracts as many of them involve the transfer of assets such as hardware, software, sites, and

people to the service provider. In addition, as Meyer [48] described, the difference between a successful outsourcing project and a failed outsourcing attempt may simply rest on the selection of the service provider and the terms of the contract. Accordingly, organizations should recognize the importance of contract and its management [19, 43, 55].

Finally, the last research area addresses the aspects of emerging relationship. Organizations seek the flexible relationship, usually in the form of partnership, with their service providers after they identify the limitations of the legal contracts. While the rules of the game are well specified in contract relationships, partnership is considered as a series of exchanges without a definite endpoint [30]. This issue includes the determinants of relationship for outsourcing success and stage models for building and sustaining relationship in order to achieve the best advantages of outsourcing [19, 32, 37].

4. Evolution of outsourcing issues

The five research areas described in the previous section were identified from an extensive body of past studies in outsourcing. To provide a deeper understanding on outsourcing trend, we now put into perspective how outsourcing research issues have evolved over time. A systematic view of such an evolution is presented in figure 2 below.

Figure 2 shows the evolution of outsourcing research issues ranging from make-or-buy decision to partnership. In the early stage, the issue centered on the acquisition. Organizations considered outsourcing as a commodity, and then focused on the choice between internally developed technology and its external acquisition, what we called "make-or-buy decision" [8, 9, 60]. Thus, the role of the service provider was limited in terms of the size of contract as well as of the types of IS services. However, since Eastman Kodak's outsourcing decision was reported in 1989, outsourcing has emerged as a key method of managing information systems [41, 42].

Following the acquisition issue is the issue concerned the motivation for outsourcing. Many researchers argue that outsourcing results in significant cost reductions with increased management control, effective use of human resource, capacity on demand, and access to advanced technologies [2, 12]. In contrast, the opponents of outsourcing describe that it involves critical risks with loss of control, loss of flexibility, loss of qualified personnel, and loss of competitive advantage in information management [5, 27].

The third issue focuses on the nature of outsourcing scope. Various outsourcing options (or scope) have been proposed in the previous research such as degree of outsourcing - total or selective [36], period of outsourcing

- long term or short term [51], number of vendors - single or multiple vendors [63], and outsourcing types - service or asset outsourcing [41]. The options are drawn from the advantages and disadvantages of outsourcing that organizations have experienced.

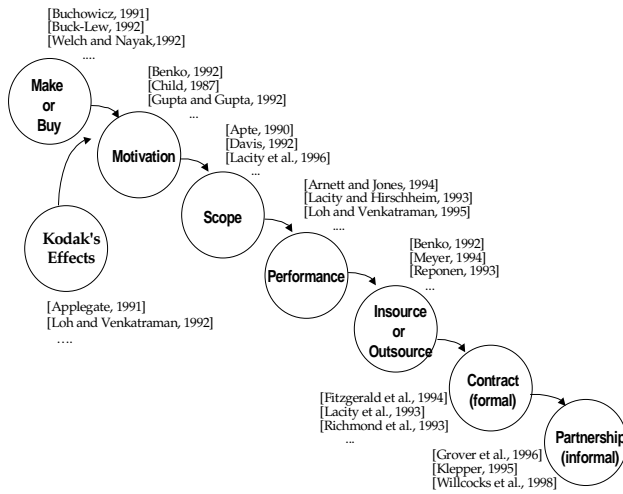


Figure 2. Evolution of research issues on outsourcing

Though outsourcing is deployed for purpose of gaining economic, technological and strategic benefits, no one can assure an effective outsourcing performance. Thus, the attention also focuses on the issue of performance. Many past research tried to verify if outsourcing was success or failure in terms of system efficiency, user satisfaction and business satisfaction of outsourced information systems, service quality, cost reduction, and so on [3, 25, 34, 38, 40]. However, these studies showed multiple and conflicting results depending on outsourcing projects.

The fifth issue deals with different options available. It is characterized by renewed emphasis on whether organizations should insource or outsource through various theoretical frameworks [5, 48, 54] because organizations that outsourced their IS functions recognize that outsourcing does not always bring about their desired results. These studies found that outsourcing decisions were a trade-off between many contingent factors, some favoring outsourcing and others insourcing.

As outsourcing gains its popularity, the contract that shapes the relationship between outsource providers and their clients becomes an important issue. A number of researchers emphasized the importance of contract management with the service provider [55]. Fitzgerald and Willcocks [19] reveal that the contract clauses should be well designed in order to reduce unexpected contingencies, possible cost increases, and opportunistic behavior of the service provider. Lacity and Hirschheim

[34] also suggest fourteen negotiation strategies to the clients in order to avoid pitfalls.

Finally, after many organizations experience difficulties in forming and managing a connection with their service providers, organizations identify the limitations of well-specified legal contracts and instead seek flexible relationships with their service providers based on mutual trust [33]. Also, the nature of outsourcing in the 1990s is evolving from contractual to partnership-based relationship [25, 62]. McFarlan and Nolan [47] advise that IS managers should manage the relationship with the service providers less as a contract and more as a partnership. Accordingly, partnership between the clients and the service providers is considered as a key predictor of outsourcing success [25, 38].

5. Theoretical models of outsourcing

Theory is “a systematically related set of statements, including some law like generalizations, that is empirically testable”, according to Runder [56]’s definition. A good theory enables one to both predict what will happen given a set of values for certain variables, and to understand why this predicted value should result [16]. In the field of outsourcing, researchers have introduced several different theoretical models to explain outsourcing phenomena and guide the decision-making of outsourcing. Among the well-known theories are the resource-based theory, the resource-dependency theory, the transaction-cost theory, the agent-cost theory, the power-political theory and the social exchange theory. Because the discussion of these theories is beyond the scope of this study (for detailed description of these theories, refer to the previous literature [11, 17, 22, 34, 61]), in this section, we will mainly characterize the key differences among these theories in terms of their orientations, focus, resource, and constructs as in table 1. More importantly, we also point out both the advantages and disadvantages in each approach.

Cheon, Grover and Teng [11] divide these theories into two categories in terms of outsourcing: strategic management view and economic view. While strategic management view is concerned with how firms formulate and implement strategies in order to accomplish a desired performance goal such as resource-based theory and resource-dependency theory, economic view examines the coordination and governance of economics agents in their transactions with one another using transaction-cost theory or agent-cost theory. Another approach is the social perspective, for example, power-political theory and social exchange theory, focusing on the relationship itself between the clients and the service providers [38].

Both resource-based and resource-dependency theories from the strategic perspective view firm’s resources as the

foundation for firm's strategy. Resource-dependency theory focuses on resources in external environment while resource-based theory focuses on an internal resource and capability. The objective of these theories is to get and sustain a competitive advantage by acquiring the scarce

and valued resources essential to organizational survival internally or externally. Therefore, this perspective interprets the relationship with other organizations as a dependency [14].

Table 1. The key distinctions among major theories used in outsourcing research

Orientation	Theory	Focus	Resource	Main constructs
Strategic Management View	Resource Based	Internal slack resource	Physical capital, Human capital, Organizational capital	1. Value, 2. Rareness, 3. Imperfect immutability, 4. Nonsubstitutability
	Resource Dependence	External resource (Uncertainty)	Land, Labor, Capital, Information, Products(service)	1. Task dimensions (Concentration, Munificence, Interconnectedness) 2. Resource dimensions (Importance, Discretion, Alternatives)
Economic View	Transaction Cost	Cost-efficiency (Economics of scale)	Production cost, Transaction cost	1. Asset specificity, 2. Uncertainty, 3. Infrequency
	Agency Cost	Principal-agent relationship (Contracts)	Monitoring cost, Bonding cost, Residual loss cost	1. Uncertainty, 2. Risk aversion, 3. Programmability, 4. Measurability, 5. Length of relationship
Social View	Power Political	Power-structure relationship	Power, Politic	1. Power (Authority, Resource acquisition, Dependency & low substitutability, Uncertainty absorption) 2. Politic (Selective use of decision criteria, Selective use of information, Use of outside Experts, Building coalitions, Cooptation)
	Social exchange	Interaction processes	Trust, Culture	1. Comparison level, 2. Comparison level for alternatives

However, this perspective does not consider how to manage the relationship between an organization and its external environment. The reason is that the major target of strategic theories is to self-maximize about internal resources without consideration about other organizations' situation [61]. In today, the competitive power of an organization can be meaningless in live-and-let-live environment. Therefore, it needs to reflect the establishment of formal interorganizational linkages that help firms cope with resource scarcity while still achieving goals for reducing vulnerability and uncertainty, and for maximizing own autonomy and independence.

Economic theories such as transaction-cost theory and agency-cost theory assume that goods and services are most efficiently produced in specialized organizations that are able to achieve the economies of scale [11, 34]. These theories aim basically at explaining the characteristics of a structure such as governance or contract [28]. However, they failed to consider other important environment, structure and strategy factors that affected an organization. Organizations have other reasons to outsource besides cost efficiency. Besides, most prior research on the economic perspective has treated each sourcing decision as an independent event regardless of prior relationships

[26, 45, 59]. It means that they disregard the prior relationships that affect the on-going sourcing decisions. This treatment is particularly inappropriate where organizations repeatedly enter transactions with each other [38].

Other researchers, especially in the marketing area, have suggested social theories such as social exchange theory and power-political theory as appropriate tools for analyzing the continuation of relationships [17, 20, 22, 28, 57]. These theories are used to explain the reason why organizations enter into closer relationship with their service providers. They tried to understand the relationship as dynamic processes through specific sequential interactions in which two participants carry out activities toward one another and exchange valuable resources. Theories in the social aspect assume processes evolving over time as the actors mutually and sequentially demonstrate their trustworthiness whereas the exchange activities by the organizations in economic perspective are enforceable. Thus, the social theories are mainly used to explain partnership relationship between the clients and the service providers [32, 58]

6. Outsourcing trend

The theoretical models applied to outsourcing research have shown a significant shift that causes a transition from the strategic and the economic views to the social view. This change shed light on the understanding of the emerging trend in the relationship between the outsourcing providers and their clients. Evidently, it may be the driving force behind the increasing instances of partnership between the outsourcing providers and their clients that was not visible until the 1990s.

In the 1970s and 1980s, organizations invested large amount of money in purchasing new hardware and application systems without well-organized plans. At that time, organization had the belief that IT itself was the key to obtain a strategic advantage over competitors, and that they should control IT within the organizations. Therefore, outsourcing service providers typically assumed no management responsibility. However, in the 1990s, organizations realize that strategic advantages are derived from how they use IT, not from whether they own IT or not [49]. As a result, not only smaller firms but larger companies with mature IS departments are also outsourcing their IS functions. Then, today growing ranks of service providers are willing to take on management responsibility. Furthermore, the business relationship between the clients and the service providers is increasing that of a partnership rather than merely that of customer and vendor.

There is a diverse view on the outsourcing trend in the literature. However, we will limit our discussion mainly on the following three representative views that, we believe, provide good indicators for the future direction of outsourcing.

The first view is from Grover, Cheon, and Teng [24, 25]. They propose that current IS outsourcing nature has evolved in the following way: (1) larger companies are outsourcing, (2) a greater range and depth of services are being outsourced, (3) service provider are accepting more responsibility and risk, (4) there is more functional outsourcing, (5) the nature of the relationship with the service provider is changing.

The second view on outsourcing trend is captured in Nam, et al. [49]'s study of two-level investigation of information systems outsourcing. They describe that there are three external changes in outsourcing contracts. One, large companies are reported to be major outsourcing clients. Traditionally as small firms grow larger, they usually integrate important subfunctions within their boundaries. However, in contrast to tradition, the current trade literature on outsourcing show that larger companies are relinquishing their IS operations. Two, in contrast to traditional IS vendor's service, contract amounts of outsourcing run into hundreds of millions of dollars [46].

For instance, one of the largest outsourcing contracts is a 4.1 billion, 10 years partnership between Xerox and EDS [29]. Three, in contrast to traditional IS management, most IS functions are transferred to IS vendors. Depending on the type of contracts, sometimes IS employees are also transferred. One of the major reason that the Kodak-IBM-DEC outsourcing contract drew national attention was that it included the transfer of IS assets such as IS facility and IS personnel [1].

The final outsource trend is proposed by McFarlan and Nolan [47] in their study of "How to Manage an IT Outsourcing Alliance". They indicate that there are two factors that have affected the growth of IS outsourcing in the 1990s - IT's changing environment and acceptance of strategic alliances. The first driver of outsourcing describes the rapid changes in the technological base and the increasingly competitive environment. Thus, outsourcing has become an alternative to get access to appropriate skills while spending less time and resources building an internal computing infrastructure. The second driver for outsourcing is the acceptance of strategic alliances. Alliances allow a firm to leverage a key part of the value chain by bringing on a strong partner that complements its skills, and to farm out processes the company is not good at, and to create an opportunity to innovate.

The above trends clearly indicate that the fundamental importance, nature and diversity of IS outsourcing are changing as organizations begin to take a more strategic and proactive look at this phenomenon. Among the major trends in outsourcing, the change of relationship between the clients and the service providers is the most important trend. That is, the nature of outsourcing is evolving from merely relationship of customer and vendor to partnership relationship, defined as an interorganizational relationship to achieve shared goals of the participants [25, 38]. Therefore, organizations begin to consider a new approach, partnership, to get outsourcing benefits more effectively.

7. What is the next

In the previous sections, we identified five key research areas and used them to map out the evolution of outsourcing research. The result contributes to a deeper understanding of the outsourcing trend in the past and in the present. In this section, we will focus on the future direction of outsourcing research. Basically, we propose that the previous research can be represented in two stages: the first stage based on the clients' view, hierarchical relationship, and win-lose strategy; the second stage based on both the clients' and the service providers' views, equal relationship, and win-win strategy. Figure 3

below shows our integrated approach for the next phase of outsourcing research.

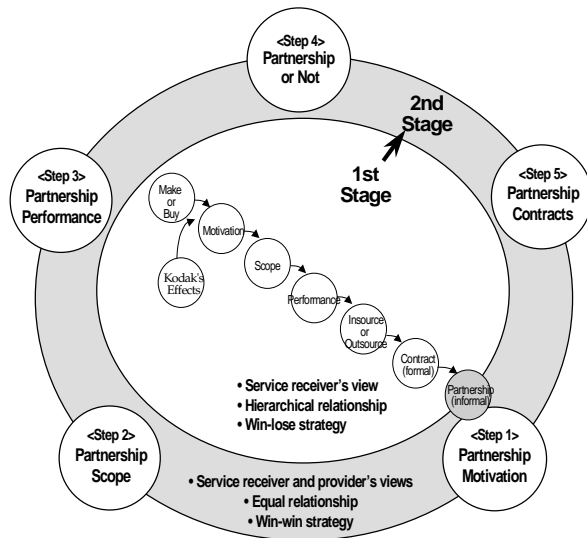


Figure 3. The next phase of outsourcing research based on the two-stage model

In the first stage, many studies painted an overly optimistic view of outsourcing projects since they were made during the honeymoon period in which the clients and the service providers first signed the contract. No organizations wanted to disclose their outsourcing failure experiences for the public. Thus, many practitioners questioned outsourcing benefits because client organizations have experienced many difficulties in forming and managing a relationship with their service providers. As a result, outsourcing researchers and practitioners had no confidence that outsourcing provides the desired performance to client organizations.

In addition, most research was conducted mainly from the clients' perspective because the objective of outsourcing was to self-maximize their internal resources without taking into account the service provider's situation [53]. Theories applied to outsourcing research in the first stage also focused on filling gaps between desired and actual capabilities in the clients' IS resources and capabilities, using resource-based, resource-dependency, agency-cost or transaction-cost theories.

However, the concept of partnership adapted from the strategic alliance in the field of management provides a new starting point of IS outsourcing research as the second stage. The relationship between the clients and the service providers is evolving from merely relationship of customer and vendor to partnership relationship because of the following reasons. First, the clients begin to realize that a strategic advantage is derived from how they use IT, not from whether they own IT or not [49]. It means that client organizations consider outsourcing as a serious

strategic choice. Second, the clients identify the limitations of well-specified legal contracts and want a long-term interactive relationship in order to achieve the economic, technological and strategic benefits of outsourcing [19]. Third, service providers are willing to take management responsibility and risk as the extent and scope of outsourcing projects increases [9].

Accordingly, in the second stage, new characteristics of outsourcing research emerge, for instance the analysis of outsourcing from the service providers' point of view and the analysis of outsourcing relationship based on mutual trust. The clients have greater influence than the service providers do in their relationships during the early stage. At this time, organizations have the belief that IT itself is the key to obtain a strategic advantage over their competitors and that the clients should control IT within the organizations. Therefore, outsourcing service providers typically assumed no management responsibility.

As the nature of outsourcing relationship changes from relatively independent to tightly coupled, service providers are likely to take more management responsibility and risk [25]. Besides, organizations recognize that a necessary condition to move away from focusing on self-interest is the belief that the exchange relationship is a win-win situation for them to gain a competitive advantage [49]. Therefore, analysis of the relationship based on both the clients and their service providers' perspectives is to be crucial for developing and sustaining high quality partnership over time. In this context, it is suitable for outsourcing research to introduce the social perspective based on mutual trust and culture rather than the economic theoretical model that is highly relevant for the study of economic relationships, as illustrated in figure 4.

In sum, based on the two-stage model, we posit that partnership-based outsourcing form will emerge in the second stage as the nature of outsourcing relationship between the service providers and the clients shifts from relatively independent to tightly coupled. There are three implications with the advent of partnership-based form.

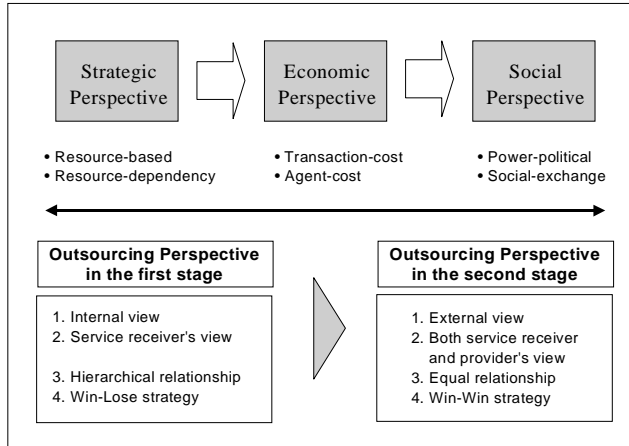


Figure 4. The change of theories applied to outsourcing research

One, we anticipate that new issues such as partnership motivation, partnership scope, partnership-or-not, partnership performance, and partnership contract will emerge and need to be dealt with. Second, we expect that outsourcing issues in the second stage will follow the same research steps of the first stage repeatedly as shown in figure 3. Finally, we also find the evidence from the recent research supporting the emergence of outsourcing partnership. However, so far most of the activities involve mainly the initial step (partnership motivation) of the second stage and nothing beyond [21, 38, 51, 62]. From the two-stage model of outsourcing as shown in figure 3, we propose the potential research questions for each step in the second stage as follows:

Partnership motivation (step 1): What are the natures of outsourcing partnership? What are the differences between contractual relationship and partnership relationship? Why do the clients and the service providers make outsourcing partnerships? Why do client organizations wish to consider more collaborative relationships than the dyadic relationships? What are the benefits and risks of outsourcing partnership for both the clients and the service providers?

Partnership scope (step 2): How do client organizations define the option of outsourcing partnership in terms of degree of outsourcing (total or selective), period of outsourcing (long term or short term), number of vendors (single or multiple), and outsourcing types (service or asset)? What are the appropriate strategies of outsourcing partnership for both the clients and the service providers?

Partnership performance (step 3): How can both the clients and the service providers improve the performance of outsourcing partnership? How can both of them form a mutually beneficial strategic partnership? What are the determinants of successful outsourcing partnership for

various IS functions? How do both of them evaluate and verify the performance of outsourcing partnership?

Partnership or not (step 4): What circumstances are suitable for outsourcing partnership? What are the decision-making frameworks for outsourcing partnership? What criteria are necessary to decide if outsourcing partnership is needed or not? What are the contingent factors to decide the introduction of outsourcing partnership?

Partnership contract (step 5): What are the process and management issues of outsourcing partnership? What do organizations negotiate with their service providers on outsourcing partnership? What are the considering factors to make outsourcing contract based on partnership? What procedures are needed to build and sustain outsourcing partnership?

8. Conclusions

The increasing pervasiveness of IS outsourcing, the competitiveness and diversity of the market, and the growing interest among IS researchers on various outsourcing issues provide the impetus for this study. This study conceptualize the previous research with the two-stage model: the first stage based on clients' view, hierarchical relationship, and win-lose strategy; the second stage based on both the clients and the service providers' views, equal relationship, and win-win strategy. While outsourcing research in the first stage was conducted based on the assumption that outsourcing projects can be success or failure, research issues in the second stage will try to find a way how to improve outsourcing performance under the premise that outsourcing projects will be successful. Although this study explained and predicted outsourcing research issues in order from a logical point of view, outsourcing research may be conducted without order in practice. In addition, three theoretical perspectives can be used to complement each other for outsourcing research since each perspective has a different point of view.

In sum, this study put the multifaceted outsourcing phenomena into a proper perspective that is supported and substantiated by an extensive review of past literature. It contributes a more comprehensive view of IS outsourcing research than other previous approaches because it is able to synthesize a rich but confusing body of research into a more understandable whole. More importantly, this study introduces an integrative approach with two-stage model that provides valuable guidance for the future research of outsourcing. This is significant because such an approach integrates a broader base of theories and goes beyond the narrowly research focus of past studies. Finally, this study is the first attempt to trace the evolution of outsourcing

from its past to its present and use this knowledge to project the future direction of outsourcing research.

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