

An Analysis of IT Outsourcing Risks in Academia

Lakshmi M R, Yashodha T, Umesh I M

Abstract— Outsourcing is becoming a common trend among organizations for various reasons such as reduced costs and improved efficiency. For the growth of an organization, IT outsourcing is widely accepted strategic option to attain its set objectives. It leads to improved business process and helps to focus on core competences thus strengthening the organization. Outsourcing also saves time and enables the organization on focussing on core areas. Outsourcing IT operations is becoming common practice in academia as most of the activities are IT enabled. However, outsourcing IT entail some risks. This paper reviews the current scenarios in order to identify some undesirable outcomes that are the results of IT outsourcing in academia. The paper concludes with the analysis of risks involved in outsourcing IT activities. IT outsourcing has brought the risks that need care so that the primary goal of the IT sourcing is fulfilled such as vendor lock in, loss of control and data security. In anticipating these challenges, the recipient is expected to ensure that the vendors are competent and guided by relevant professional ethics. A detailed contract with concise terms and conditions is crucial for the recipient to maintain a healthy relationship with the outsourcer.

Index Terms—Outsourcing, Risk, Data Security.

1) INTRODUCTION

Outsourcing the IT management enables the organizations to accelerate the growth and success through focused approach on their core activities empowering the organizations for effective service delivery of customer needs. If the IT operations are not outsourced, it consumes lot of resources like money and time. It is also not feasible for some organisations to hire skilled IT staff and invest on procurement of IT infrastructure.

In the current scenario, there is a competition among higher education institutes in providing quality teaching. Institutes also need to provide good infrastructure to meet the needs to changing syllabi and students requirements. The complexity is increased with the increase in number of branches and intake. These challenges need to be addressed by means of continual improvements in strategies.

Decision makers in academia often think about outsourcing IT operations to make their institute's employees to dedicate their time on core work of the organization. The decision to outsource IT operations has its impact on various resources

Lakshmi M R, Information Science & Engineering Department, RVCE Bangalore, India.

Yashodha T, Information Science & Engineering Department, RVCE, Bangalore, India.

I M Umesh, Information Science & Engineering Department, RVCE, Bangalore, India.

like finance and employees. This work analyses the risks involved in outsourcing IT operations in educational institutes.

2) RISKS

Risk can be defined as the likelihood of a threat agent taking advantage of the vulnerability and the resulting business impact, a threat will exploit vulnerability. Risks include long-term viability of provider, security and continued operations/failure, information leakage (confidential information of the organization). There is also threat like loss of flexibility / vendor lock-in. Outsourcers may suggest extensive expertise, on several occasions, the skill and talent of the in-house personnel is under estimated. This may result in lack of co-operation with vendors. Situation becomes more complex when several vendors are involved to deliver different IT services.

The institute's IT infrastructure includes computers, servers, workstations, printers and other peripherals. The IT infrastructure also include antivirus, network, firewall, internet facility etc., There is a need to analyse what actually the outsourcer is specialized, which can be positively implemented, that the institution does not already have in-house. The next sections discuss some of the risks associate with IT outsourcing.

2.1) Financial Implications

Outsourcing doesn't save money –it shifts it around, economies of scale may offer some savings. Outsourcing IT will have a financial impact which is measured by performance indicators, activities related to finance and cost-benefit analysis. Outsourcing may save money initially, but may result in vendor lock in long run. There are also chances of investment to be done on vendors suggestions which may not be the actual requirement.

2.2) Outsourcer's location

When the IT service is outsourced, the vendor's presence is required in the campus; their unavailability during urgent requirement may create problems and may bring delay in delivery of some service which directly affects institutions performance. Therefore it is always better to hire outsourcers locally for good results.

2.3) Loss of control

Changing the IT infrastructure management does not fully remove the institution's need to manage, but full control will be lost. There will be a change in costs but don't necessarily decrease. Quality may improve or may suffer, but the institutional knowledge is lost over certain things.

2.4) Outsourcer Stability

The stability of the service provider is another main concern. The service providers are not always stable. Sometimes the company may merge with other company or sub rent without institute's prior permission in the middle of their contract. The evaluation of the vendor strength using the parameters such as financial turn over, their clients and no of years of their service etc., always does not help.

2.5) Outsourcers' Methodologies

The institute's valuable resource like data will be in the hands of outsourcer. It will not be very clear how the infrastructure is setup for disaster prevention and recovery. In the process there is a possibility of sensitive data moving into the hands of unauthorized personnel.

2.6) Outsourcers Employees

The firms usually claim to have well qualified and certified employees. The organization doesn't know the expertise, testimonials and experience of the staff that the outsourcer will deliver. Institutes are even unaware of the performance measurement parameters employed by the firms to assess the performance of their employees. As the attrition rate of IT field is high, when the outsourcer's employee's change, the institute will lose the track of certain activities.

2.7) Co-ordination with organization's staff

The institutions will have their own IT support staffs; the outsourced staffs have to work with organization staff. This is another important factor that is less focused. The personal conflicts and different approaches may sometimes lead to non-functioning or collapse of some services. The capable organization staff may feel that they have been under estimated and employee dissatisfaction increases organization's risks.

2.8) Outsourcer Tactics

In the changing trends and technologies, outsourcer may want to try some new technologies and solutions. There are chances that institute may be used as scape goat in the experimentation. For outsourcer, the organization may become "a small fish in a bigger pond". There are also chances that certain products where the vendor is expertise will be pushed for procurement even it is not suitable.

2.9) Data Security

As several privileges including those of critical services are in the hands of outsourced firm, data security is an issue to be addressed before finalizing the Service Level Agreement. Institute's data that is accessible to external vendor is huge risk because usually Institute's confidential documents may include question papers and grade cards. As service providers use cloud storage, any data is not secured if suitable measures are not implemented. As the institution does not have mechanism and resources to evaluate the security measures taken by the outsourcer, vital data will be in risk.

The academic projects require huge data to process and this is collected from various sources. The data sets may include information like patients details or personal information. If this information is not protected, there is a chance of data stealth.

2.10) Outsourcers' Efficiency

Every vendor boasts of his abilities when he comes for negotiation. The real problems will arise once the vendor deploys the engineers to client locations. If the vendor gets bigger contract, chances are that, he may move the efficient engineers from one location to another which may result in delayed service.

3) CONCLUSION

Complexity in forcing academia to outsource several activities including IT. While this brings lot of benefits, there are several risks associated with this which may bring the functioning of an educational institution to halt. If applied properly with all necessary care, Outsourcing brings lot of benefits. It may also bring greater risks if it is not applied with planning and good approach.

The in-house staffs need to be taken into confidence as the co-operation between outsourcer employees and institute's employees plays significant role in success of outsourcing IT operations.

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Lakshmi M R possess bachelor degree in Computer Applications and is presently working as Assistant Instructor in the department of Information Science & Engineering, R V College of Engineering, Bengaluru.



Yashodha T is working as Assistant Instructor in the department of Information Science & Engineering, R V College of Engineering, Bengaluru. She completed MCA in the year 2014.



I M Umesh is working as System Analyst in the department of Information Science & Engineering, R V College of Engineering, Bengaluru. He completed M.Phil. in the year 2007. His research interests include Data Warehousing, Data Mining, Cloud Computing and Recommendation Systems.