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STRATEGIC PREFERENCES TO OUTSOURCING IT PROCESSES AND THEIR RELATIONSHIPS WITH ORGANIZATION'S PAST OUTSOURCING EXPERIENCE

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Declaration

I hereby declare that this submission is my own work and that, it contains no material previously published or written by another person nor material which, to a substantial extent, has been accepted for the award of any other degree or diploma of a university or other institution of higher learning, except where an acknowledgement is made in the text.

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I hereby acknowledge that Mr/~~Mrs~~/Miss G. K. JAYASINHA has followed the dissertation process set by the Department of Building Economics.

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Dedication

..... To my beloved Shanu and Vihagi



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ABSTRACT

STRATEGIC PREFERENCES TO OUTSOURCING IT PROCESSES AND THEIR RELATIONSHIPS WITH ORGANIZATION'S PAST OUTSOURCING EXPERIENCE

Due to current unstable economic conditions organizations have to take every possible step to minimize their operational cost. Hence, outsourcing seems to be one of the major decisions they have to consider to reduce their cost. Due to complexity of the outsourcing process many organizations trepidation to get outsourcing decision when they don't have past outsourcing experience. It prevents an organization to take timely decision for outsourcing business processes in order to obtain advantages of outsourcing. This research explores how past outsourcing experience can relate to outsourcing process. If they don't relate with each other, organizations can directly initiate outsourcing processes with out any prior experience.

Preference for outsourcing business processes depend on several factors. Two main factors are strategic importance of a process towards achieving organizational goals and maturity level of the process with in the organization. The main objective of the study is to identify how an organizations' past outsourcing experience relates with preference to outsource strategically important IT processes and matured IT processes. The aim of the outsourcing is to reduce operational cost. With the outsourcing decision organizations are trying to find solutions to several internal problems such as unavailability of required skills, excess headcount and repeated investments to operations. When one considers all these facts IT processes become the first candidate for outsourcing. Scope of this research was limited to IT processes belonging to telecommunication, finance and insurance business domains.

Usages of IT within an organization differ from one organization to another. E-maturity level of an organization is determined by factors such as IT practices for day to day business operations, amount of information extract from IT systems for strategic decisions, complexity and customizability of IT systems. Models used to measure e-maturity level were identified during literature survey. Commonly used model was selected to check relationship between e-maturity level and sourcing model. Sourcing models describe options available for an organization to execute outsourcing operation.

Quantitative approach was used during the research. Data gathered through questionnaire survey was analyzed using hypothesis testing. Getting precise information was a major constraint in the research because outsourcing internal processes to a third party is a confidential strategic decision.

The conclusion of the hypothesis testing was that the past outsourcing experiences were not related to selecting processes to outsource. This implies organization can outsource strategically core or non-core IT process irrespective of their past outsourcing experience. Results were same for mature and immature IT processes as well. Research also had indicated that e-maturity level and sourcing models are independent from each other. Therefore organizations can execute their outsourcing plans even though they don't have any prior outsourcing experience.

Key Words: Outsourcing, IT Processes, e-maturity

