



University of
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MANCHESTER

**An Exploratory Study on Outsourcing in Information
Technology Industry towards Business Development
and Project Management**

MASTERS IN BUSINESS ADMINISTRATION

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Dedicated to my Parents, Family, Teachers, and Friends

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I am extremely grateful to all my teachers who have helped me to carry out this research. Teachers have guided me properly and helped me choose articles and journals that would help me gather information about outsourcing and its impact on business. I am also grateful to all my friends for helping me out with this research. I want to thank my librarians as well for lending me books to gather information about outsourcing and its impact on business development.

Table of Contents

Table of Contents	i
List of Figures	iii
List of Tables	iii
Abstract	iv
1 Introduction	1
1.1 Overview	1
1.2 Research Background	1
1.3 Research Rationale	2
1.4 Research Aim and Objectives	3
1.5 Research Questions	4
1.6 Significance of Research	4
1.7 Structure of Dissertation	5
2 Literature Review	6
2.1 Overview	6
2.2 Conceptual Framework	6
2.3 Outsourcing as a Business Growth Tool	8
2.4 Role of Project Management towards Outsourcing Business	11
C. Factors Creating Challenges towards Project Management in Business	13
2.5 Theoretical Aspects Outsourcing Businesses	14
2.6 Impact of Outsourcing on IT Business and Project Management	16
2.7 Gap in Literature	19
2.8 Summary	19
3 Research Methodology	21
3.1 Overview	21
3.2 Data Types and Research Methods	21
3.3 Research Philosophy	22

3.4 Research Approach	23
3.5 Research Design	24
3.6 Research Strategy and Timeline	24
3.7 Data Collection and Sampling Size	25
3.8 Data Analysis and Ethical Considerations	27
3.9 Summary	27
4 Data Analysis and Findings	28
4.1 Introduction	28
4.2 Key Findings	28
4.3 Secondary Thematic Analysis	29
4.4 Discussions	38
4.5 Summary	40
5 Conclusion and Recommendation	41
5.1 Conclusion	41
5.2 Linking with Objectives	42
5.3 Recommendations	43
5.4 Effective communication system development	43
5.5 Involvements of outsourcing by analyzing performances and workforce capability of sourced organizations	43
5.6 Implementation of more privacy and confidentiality management in the IT industry	44
5.7 Management of Work Pressure	44
5.8 Limitation of Research	44
5.9 Future Scope of Study	45
References	46
Appendices	59

List of Figures

Figure 1.1 Structure of Dissertation	5
Figure 2.1 Conceptual Framework on Outsourcing Impacts on IT Industry	7
Figure 2.2 Global Outsourcing Industry Revenue from 2010 to 2019	8
Figure 3.1 Research onion	22
Figure 4.1 Companies performing in Outsourcing	30
Figure 4.2 Geography of Costs as a challenge in project management	33
Figure 4.3 Project Failure factors	36

List of Tables

Table 3.1 Research timeline	25
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Abstract

Outsourcing is a process within the business where a party who belongs from outside of the organization is hired for performing services or creating goods that were supposed to be done within the organization. Project management is a way of leading teams so that the goals of a project, which has been set, can be achieved without any hindrance. The use of outsourcing enables an organization to generate huge benefits but there are some challenges (Hailemariam, 2021), which exist in the successful management of projects. In this research, the importance of outsourcing during the development of a business and challenges to overcome outsourcing of project management activities has been highlighted. Efficient handling of these aspects in a business requires proper management of operations and overall resources available; using

going to understand the challenges and advantages of outsourcing based on which an organization can improve its progress. This researcher will advise firms on how to successfully see growth and development by presenting tactics. This researcher has included a significant conclusion along with recommendations for mitigating the challenges of organizational outsourcing through thematic analysis based on five themes and abundant discussions.

1 Introduction

1.1 Overview

Outsourcing is a practice of business operations where the partial activities of business goals, services, products, and operations are performed by the external service providers as a third-party entity according to Payton and Keune, (2019). Outsourcing of the work plays a vital role in fulfilling the important goals of a business entity by sharing the workload with third-party companies. However, this process of making the work completed by third parties needs to be carried out carefully to ensure the services delivered are maintaining the quality and project specifications. In such scenarios, project management plays a vital role in leading the teams to work on a common goal to achieve the team tasks and individual tasks without any hindrance (Hidalgo, 2019). Apart from that outsourcing helps to contribute to various business developmental activities by sharing the resources and manpower on a common goal to meet the financial targets set by individual companies. However, there are many complications and challenges observed at various levels due to delays, negligence, failures, and deliveries. Therefore, in this research, a discussion has been initiated which has enabled outsourcing as a method of business development and to critically evaluate the challenges that exist within successful management of projects.

1.2 Research Background

1.4 Research Aim and Objectives

A. Aim

Evaluating the concept of outsourcing as a business development process and identifying critical challenges in various project management activities.

B. Objectives

- To understand the elements of project management and their role in project development and success stories.
- To understand the concept of outsourcing and the impacting factors in the development process of a business entity in real-time scenarios.

- To evaluate the critical challenges involved in project management while considering outsourcing as a method of business progress.
- To summarize the outcomes as a recommendation for the project managers dealing with outsourcing projects in a scientific approach.

1.5 Research Questions

- What are the influencing factors of project management that influence outsourcing within an organization?
- How does outsourcing impact the development of a business?
- What project management challenges are faced by an organization during the process of outsourcing project management activities?
- How can an organization ensure success while dealing with challenges which are associated with outsourcing of project management activities?

1.6 Significance of Research

The major purpose of this study is to illustrate a notion about outsourcing during business development and problems. However, because the research's primary goal is to focus on the IT sector, the business process and IT industry are highlighted as research problems here. During outsourcing project management operations, the obstacles are most noticeable and include a variety of challenges. This research helps to develop a point of view to reduce the variety of challenges that may arise during outsourcing of project management activities. It can also infer that this research can show how outsourcing plays an important role during the development phase of a business.

Finally, it can be concluded that an organization has numerous options if it concentrates on outsourcing non-core operations throughout its development stage. It would also allow for the introduction of cost-effective solutions as well as profit maximization. However, outsourcing project management operations comes with its own set of issues. Because there are significant benefits connected with outsourcing operations, it becomes a responsibility on the side of organizations to solve these challenges.

1.7 Structure of Dissertation

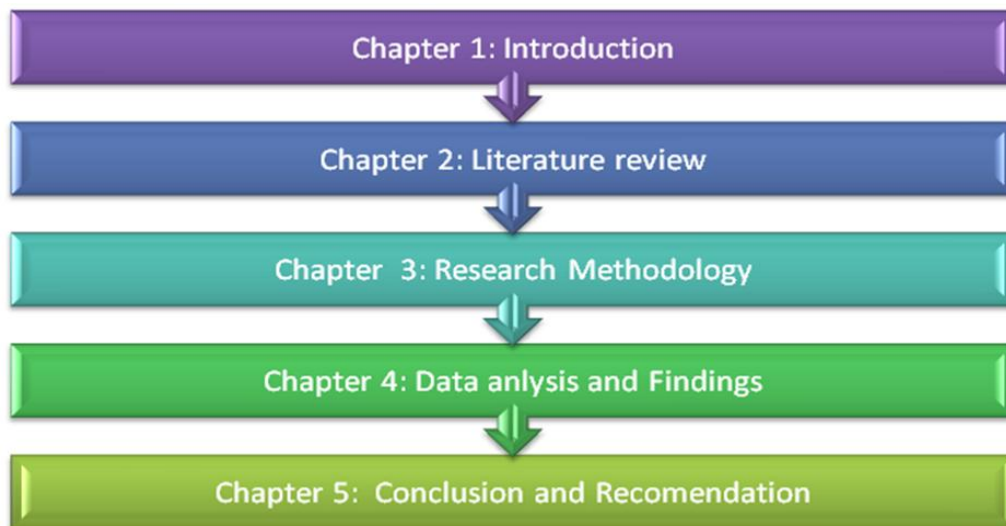


Figure 1.1 Structure of Dissertation

(Source: created by the researcher)

2 Literature Review

2.1 Overview

In this chapter, a detailed background review of various factors involved in the concepts of outsourcing is discussed with evidence that is collected from literature included from journal papers, books, news articles, etc. To understand various stages of outsourcing concepts, in Section 2.2, the author first starts with the conceptual framework of the outsourcing process in IT industries. Section 2.3 focuses on the concepts justifying outsourcing as a business growth tool for the IT sector. In Section 2.4, a detailed study of project management's role in the area of outsourcing business made some of the critical insights. Some of the theories related to the business practices were discussed in Section 2.5 to understand the gaps. To understand the impact of outsourcing on the IT industry, Section 2.6 covers the insights along with the project management in IT Businesses. Finally, various gaps in the literature and an overall summary of literature were discussed in Section 2.7 and Section 2.8 respectively.

2.2 Conceptual Framework

The conceptual framework shown in Fig. 2.1 explains different stages and their relationships with other variables/concepts under the study. In this framework, the role of outsourcing in business, the importance of outsourcing as a tool to improve the business, and factors that are affecting the outsourcing towards the business as being introduced at the initial stage. Most of the project works are monitored by the project managers and internal staff at their organizations, and the resources are completely managed by these people only (Pankowska, 2019). In such circumstances, managing the company assets and financial transactions proved to be much fair and transparent. This led to implementing a fair policy among the employees of the company. However, by introducing outsourcing as a business growth tool, it becomes a bit tricky, and one needs to manage it carefully. Therefore, in this work, the impacts of outsourcing on business and project management are being considered critically. Later, various factors that are affecting the outsourcing of IT businesses and project management implementation are discussed. Finally, the focus of this work is leading towards project management through business growth and exploring different challenging factors that are impacting project management in business growth. In this context, three theoretical perspectives were discussed.

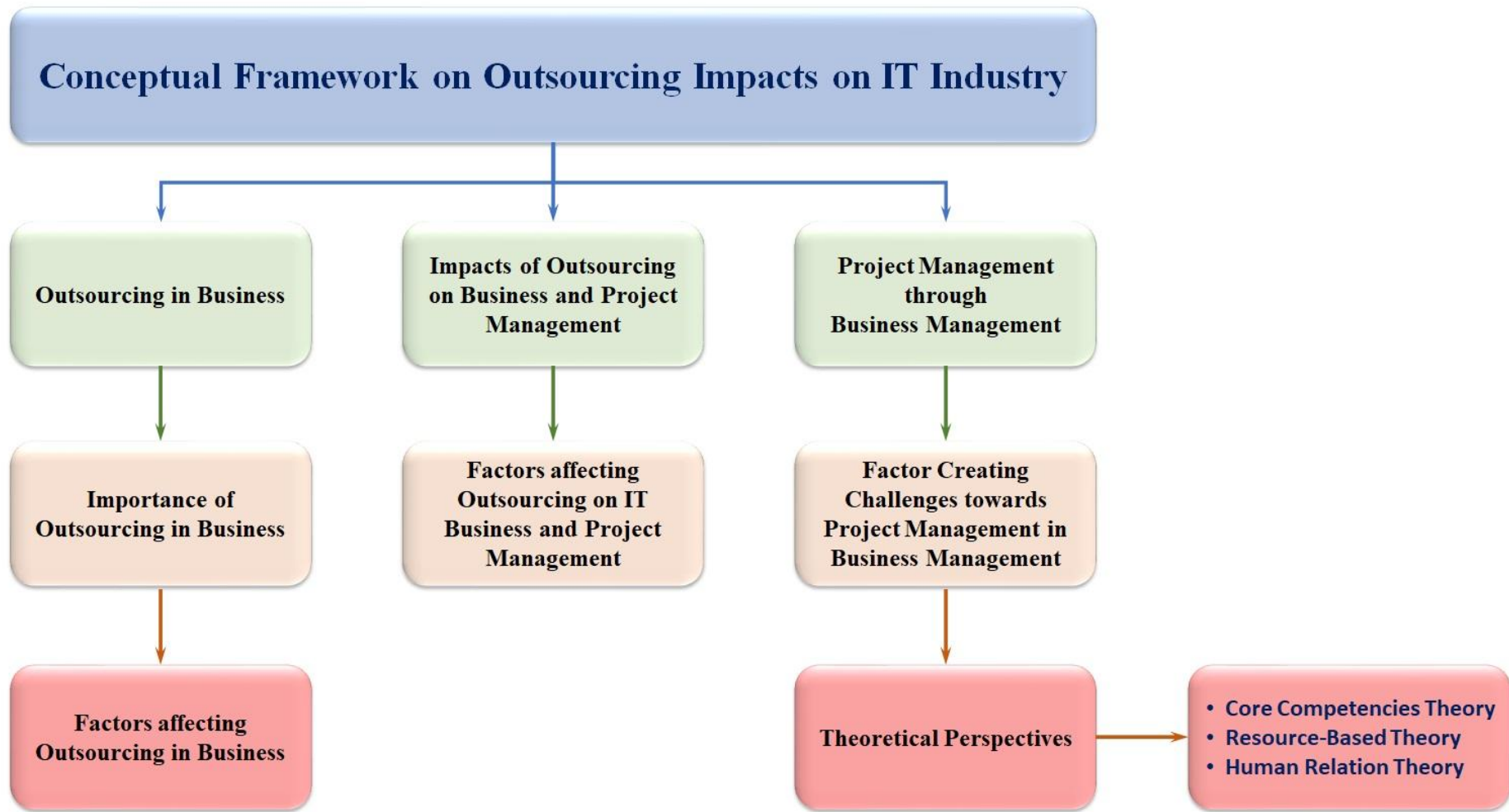


Figure 2.1 Conceptual Framework on Outsourcing Impacts on IT Industry

(Created by Author)

2.3 Outsourcing as a Business Growth Tool

A. Outsourcing in Business

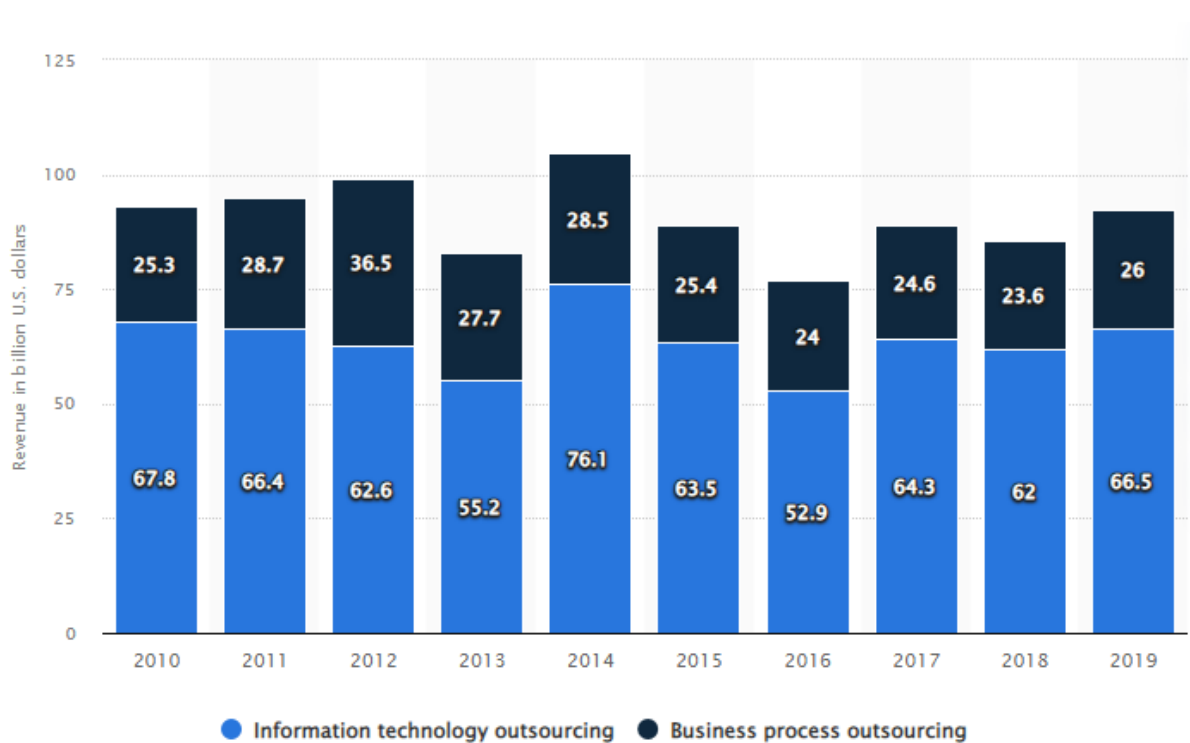


Figure 2.2 Global Outsourcing Industry Revenue from 2010 to 2019

(Source: Statista, 2022.a)

The growth of the outsourcing business has seen massive profits when compared with the earnings of the original companies across the world. The business-to-customers (B2C) sales of various outsourcing industries have seen massive growth according to Li *et al.* (2020) due to growth in the digital economy. Most of the companies are being under the lances of governments and in the UK the companies are being monitored. The outsourcing companies are being considered under the UK Modern Slavery Act, to secure the data and work processes

among the companies (LeBaron, 2020). Moriset (2018) considers outsourcing as a win-win formula, as it can build a massive business revenue and market scope for gaining more attention in the market within a short period. The benefits of outsourcing towards the highest profitability and sales growth were highlighted by Munjal *et al.* (2019). However, slack resources are quite possible in this business due to the involvement of various business-to-business (B2B) groups.

B. The Big Picture of Business Outsourcing and its importance

2.8 Summary

It can be summarised that outsourcing is a strategy by which most of the IT companies are operating their businesses to run or manage a project with high success rates. Most of the time by adopting the offshore support these IT companies are providing themselves with a scope to develop and integrate their activities with the project management structure of the third-party companies in a defined manner. These practices are helping to manage a project easily by using the allocated resources from third-party companies. As a result of this, financial stability and market rivalry might be seen as a favorable suggestions. Despite providing a positive impact, it is noticed that owing to an increased rate of outsourcing companies as well as project managers might lay a negative pressure on its employees. Increasing workloads in these companies can create problems for employees working on their behalf. Thus, focusing on strategies, this literature has contributed towards seeking ways in which companies, as well as project managers, can eliminate barriers and increase operational effectiveness in the market.

It can be recommended that if companies are unable to seek assistance or strategies to support employees, it can hurt organizational goodwill, reducing value in the market by eliminating both customer base as well as the employment rate. However, considering these gaps appropriate research on the methodology on the concept aimed.

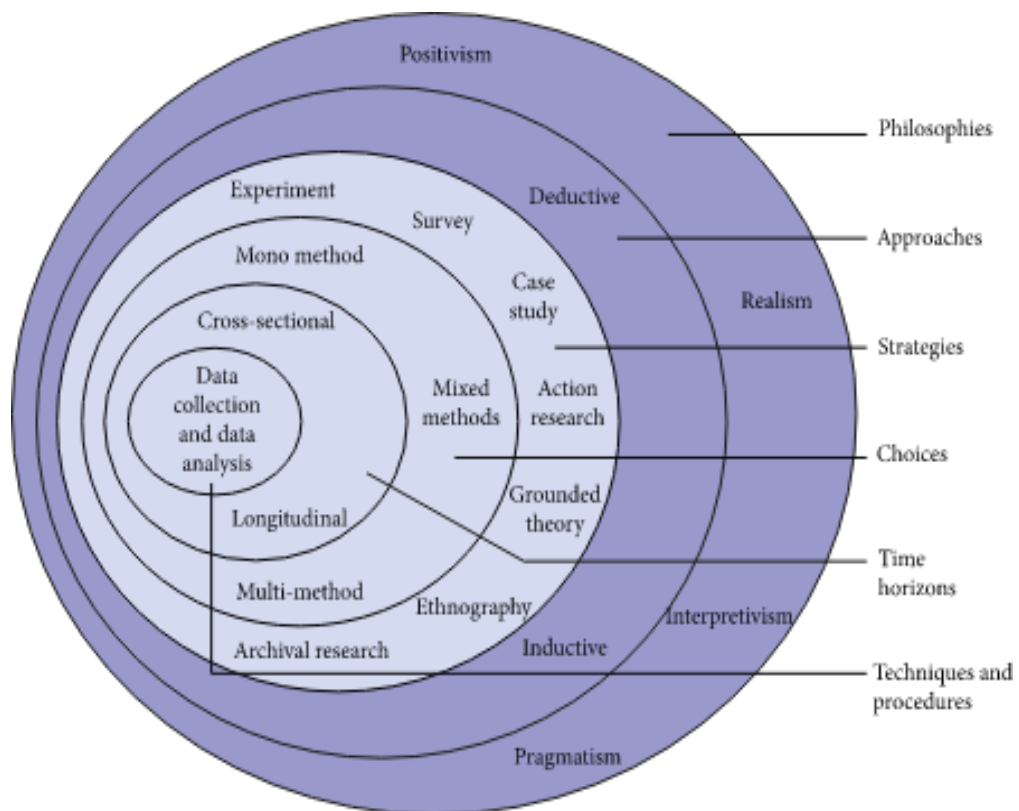
3 Research Methodology

3.1 Overview

In this chapter, a detailed study of research methods that are being considered to perform this study is discussed in detail. To start with an overall picture and importance of the methodology, Section 3.2 discussed various types of data types and research methods to accomplish a meaningful research study. Later, the research philosophy has been discussed in Section 3.3 to understand why this research is so meaningful and important. The research approach in Section 3.4 discussed the steps followed to cover the complete objectives of this work. In this work, the research design is based on secondary data and it is explained in Section 3.5 with possible justification for the proposed research design. The research strategy and timeline of the present work were discussed in Section 3.6. Overall data collection methods followed and the sampling size of the data for this research is considered in Section 3.7. Finally, the data analysis and ethical considerations for this project work have been discussed in Section 3.8, followed by an overall summary of the chapter in Section 3.9.

3.2 Data Types and Research Methods

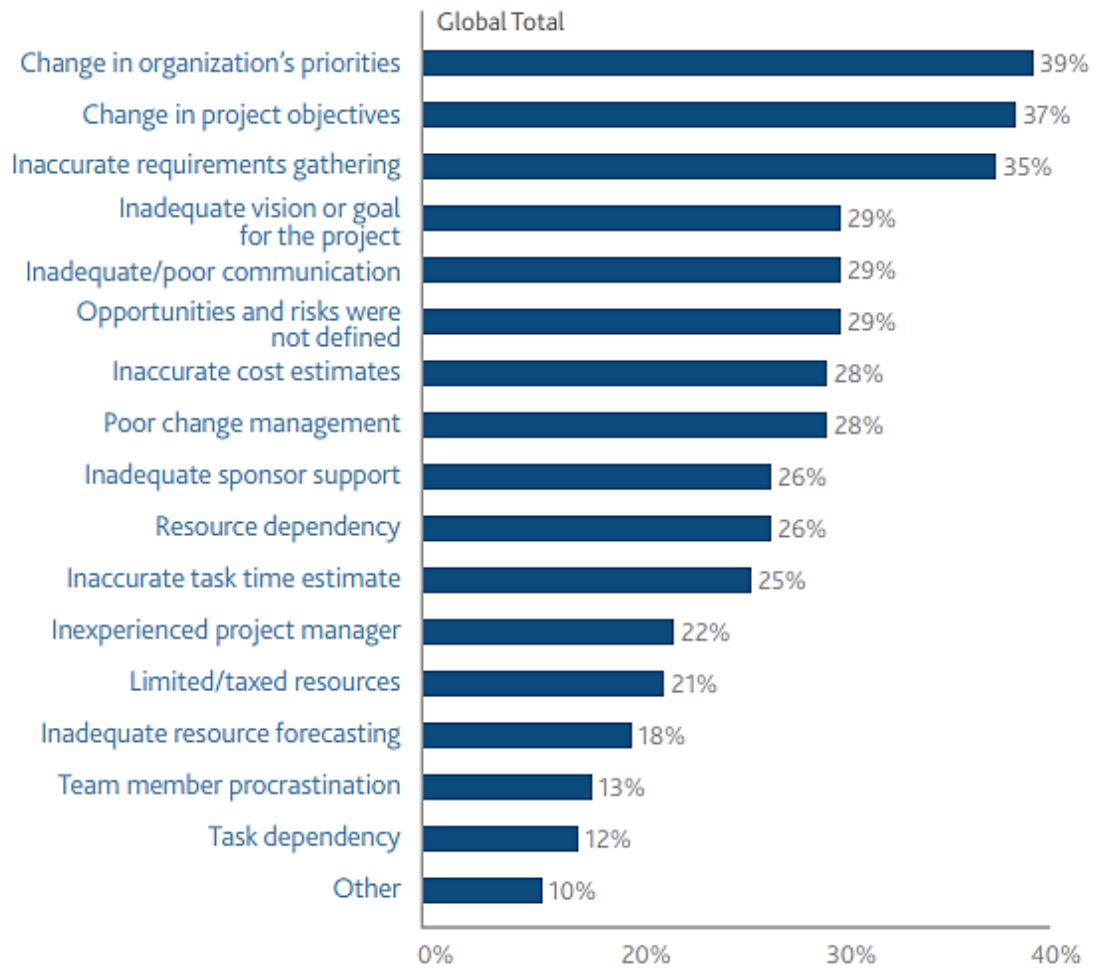
In general, the data has been classified into two types: primary data and secondary data.





Hourly rate in USD				
Title of a full-time employee	USA	Latin America	Eastern Europe	South Asia
Junior developer	\$105-111	\$35-44	\$25-42	\$18-24
Mid-level developer	\$132-140	\$30-52	\$35-56	\$24-35
Senior developer	\$154-163	\$45-55	\$45-70	\$30-42
Mid-level QA	\$99-105	\$35-44	\$30-49	\$20-30
Project manager	\$133-233	\$55-66	\$45-70	\$35-48
UI/UX designer	\$79-163	\$40-50	\$35-56	\$25-36

Q: Of the projects started in your organization in the past 12 months that were deemed failures, what were the primary causes of those failures? (Select up to 3)



Outsourcing

Despite having these challenges, companies while managing a project using outsourcing can improve compliance. By positively eliminating these challenges, companies can enhance their affection and progress in the market. Moreover, by developing flexibility and reducing workforce over employees, companies can eliminate the challenges of organizations. It can be stated that the implementation of recommended strategies can enhance its integrity and market value. These strategies are as follows:

A. Getting a Control over Project

Getting control over a project enhances compliance and quality of a project based on which organizational integrity is retained. As per the observation of Vasishta *et al.* (2018), project managers by controlling a project can eliminate threats and access strategies using which the quality of a project can be enhanced. Thus, for effectively controlling a project, project managers have to access, analyze the status of a project and review each step of it. Furthermore, project managers also have to ensure maintaining project goals ensuring project integrity. Based on this aspect, a project manager by ensuring the quality of a project can enhance its effectiveness positively.

B. Maintaining Organisational Culture

Developing a project needs to maintain an organizational culture based on which progress and development have witnessed. Project managers ensuring an effective understanding regarding the needs and necessities of their employees develop strategies, which assist them in improving and increasing progressiveness. Meng and Berger (2019) stated that effective project management by ensuring organizational culture could enhance organizational performance rate. Increasing employee retention, productivity, and employee engagement regarding a project can effectively develop a project. Thus, owing to this aspect, project managers ensuring

retention of organizational culture can enhance the progress and development of an organization.

C. Development of Communication Medium

Communication in project management outsourcing plays a significant role based on which project quality is enhanced. It has been witnessed that because of ineffective communication employees of an organization become unable to sort out their problems. As per the observation of Rezvani *et al.* (2018) and Adebisi (2019), the development of effective communication reduces the complexity of a project. Thus, ensuring the elimination of communication barriers, organizations can enhance their operational effectiveness ensuring the progress and development of an organization creating a positive value. Elimination of organizational project-related challenges organizations could ensure the progress of a project based on which a company while developing a project can ensure the quality of a project. In addition to this, it is also witnessed that the development of effective communication companies can eliminate unethical operation management by harnessing ethics and integrity. Owing to this aspect, the reputation and value of a company can increase effectively.

Finally, undergoing this completely analytical system, this researcher has witnessed that strategies are using which outsourcing processes can lay a positive impact on the project

management process. This researcher has witnessed that the development of a conceptual strategy is going to guide project managers. Hence, owing to this strategic approach, the complexity of project management can be eliminated effectively. Furthermore, developing a quality communication strategy such as weekly assessment and the monthly feedback-taking system can eliminate the complexity of a project communication enhancing the quality of a project and its ethics. Development and utilization of these strategies can lay a positive impact on project management and outsourcing process in an organization increasing staff management skills and valuing organizational success and progress.

4.5 Summary

From this chapter, this researcher has developed a high rate of information developments and analysis with the help of secondary qualitative data collection and thematic analysis. From key findings, this researcher has found that outsourcing has a major role in business development and project management as it often enhances the business opportunities and profitability in IT companies by considering increments of product quality. From thematic analysis, this researcher has found that cost savings and pricing, using effective resources and technologies, infrastructure, and project scope determination are major factors that regulate proper outsourcing in organizations. Finally, ineffective product launching can happen. From project management challenges for outsourcing in IT sourcing companies, it has been found that deficiency in control over projects, increments of expectancies along communication and language constraints are major challenges of outsourcing in project management.

5 Conclusion and Recommendation

5.1 Conclusion

From thematic analysis, it can be concluded that outsourcing is an essential factor for business management incorporating project management. Outsourcing often increases the quality of products, the development of competitive advantages within organizations. Therefore, the project management of organizations develops a high rate of business growth and profitability in companies. From the analysis of factors that influence outsourcing, this researcher has found that cost savings and effective pricing are the major factors of organizations that involve outsourcing. Outsourcing often includes a high amount of cost-cutting within organizations as costs regarding the supply chain for gaining required resources are prohibited in IT organizations. Other than this, using advanced and improved resources and technologies is often another important factor of organizations for including outsourcing in project management. Therefore, these organizations develop a huge amount of efficiency and productivity in product launching in the IT industry. Apart from that, improvements in infrastructure and enhancements of project scopes often are one of the essential factors that develop outsourcing in organizations. As outsourcing enhances the quality of products or project work within a company henceforth this often is effective for conducting developments in IT business and project management. Besides that, from the discussions of different themes, this researcher also has been able to know that outsourcing has considerable contributions to business development. Primarily, it often ensures proper implementation of strategies in IT companies, and therefore these organizations develop a huge amount of business growth and sustainability in project management.

On the other hand, by offering cost-effectiveness, companies develop major integration in small IT business development. Furthermore, outsourcing also assists a company in expanding its business in different parts of the globe by ensuring core competencies in these organizations. From the discussions of different project management challenges within businesses, it is found that consistency in time, costs and quality is a severe problem of project management within firms. Deficiency of time, costs, and quality management develop in project management due to improper supervision as well as mishandling of resources in project management towards IT industries.

Other than this, enhanced complexity of project management also is a major issue of project management in businesses as this often creates problems in understanding complications for

employees. Furthermore, difficulties in communication management bring conflicts among employees and deficiencies in information sharing. Therefore, ineffective product launching can happen. From project management challenges for outsourcing, this analyst has concluded that deficiency in control over projects, increments of expectancies along communication and language constraints are major challenges. However, getting control over in project, maintenance of organizational culture, and developments of communication medium are essential recommendations for project management for maintaining outsourcing.

5.2 Linking with Objectives

Objective 1: “*To identify the factors of project management which influence outsourcing in businesses*” has been linked in the data analysis and findings chapter. By involving this, this researcher has discovered that cost efficiency, increments of overall competencies, and assistance in completing tasks within IT businesses often are major factors of project management that influence outsourcing in businesses.

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Appendices

Appendix-1

Financial Capital

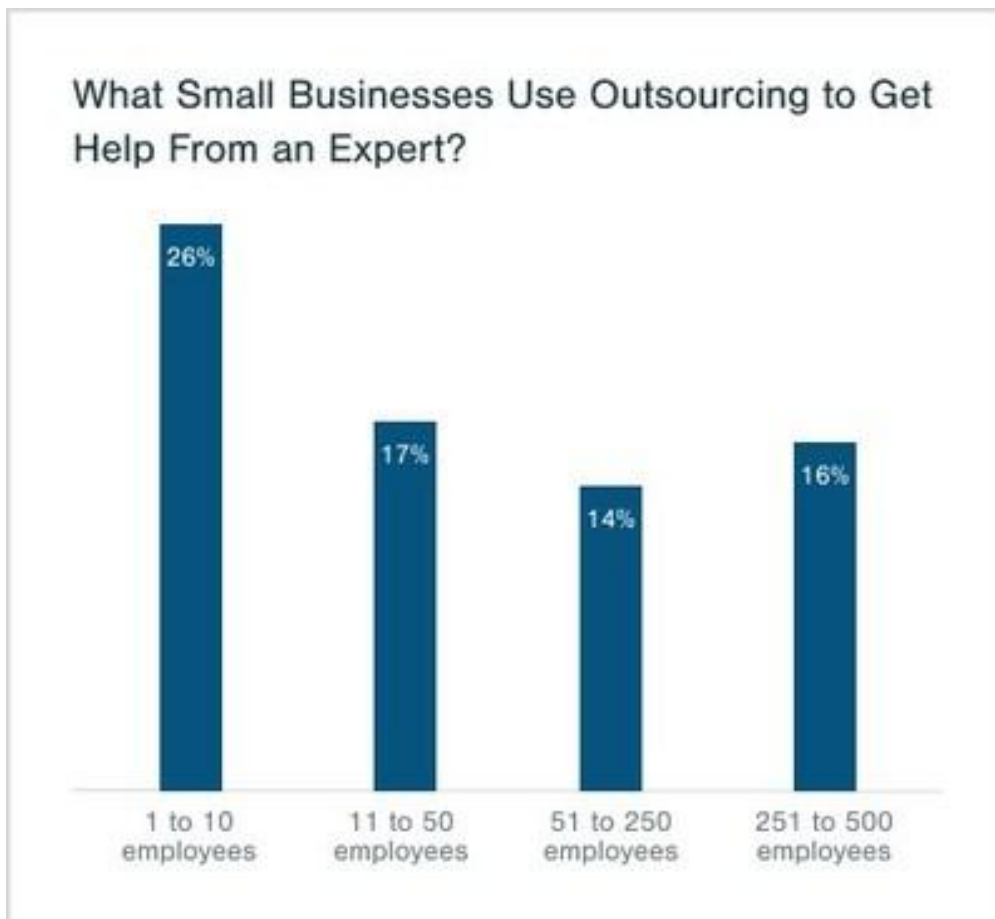
(Figures in ₹ million except otherwise stated)

Consolidated results	FY 2018	FY 2019	YoY Change
Revenue ¹	546,359	589,060	7.8%
Cost of revenue	(385,575)	(413,033)	7.1%
Gross profit	160,784	176,027	9.5%
Selling and marketing expenses	(42,349)	(44,510)	5.1%
General and administrative expenses	(34,141)	(35,951)	5.3%
Other Operating Income	-	4,344	100.0%
Operating Income	84,294	99,910	18.5%
Finance Expenses	(5,830)	(7,375)	26.5%
Finance and Other Income	23,999	22,923	(4.5%)
Income Taxes	22,390	25,242	12.7%
Profit attributable to equity holders	80,081	90,031	12.4%
As a Percentage of Revenue			
Gross Margin ²	29.4%	29.7%	0.2%
Selling and marketing expenses	7.8%	7.6%	(0.2%)
General and administrative expenses	6.2%	6.1%	(0.1%)
Operating Margin ²	15.4%	16.8%	1.4%
Earnings per share-Basic (₹) ³	12.64	14.99	18.6%
Earnings per share-Diluted (₹) ³	12.62	14.95	18.5%

1. For segment reporting, we have included the impact of exchange rate fluctuations in revenue. Excluding the impact of exchange rate fluctuations, revenue, as reported in our statements of income, is ₹ 544,871 million and ₹ 585,845 million for the years ended March 31, 2018 and 2019 respectively. Further, finance income on deferred consideration earned under multi-year payment terms in certain total outsourcing contracts is included in the revenue of the respective segment and is eliminated under reconciling items.
2. Gross margin and operating margin as a percentage of revenue for year ended March 31, 2019 have been calculated by including Other Operating Income with Revenue.
3. Earnings per share for the year ended March 31, 2018, has been proportionately adjusted for the bonus issue in the ratio of 1:3 as approved by the shareholders on February 22, 2019.

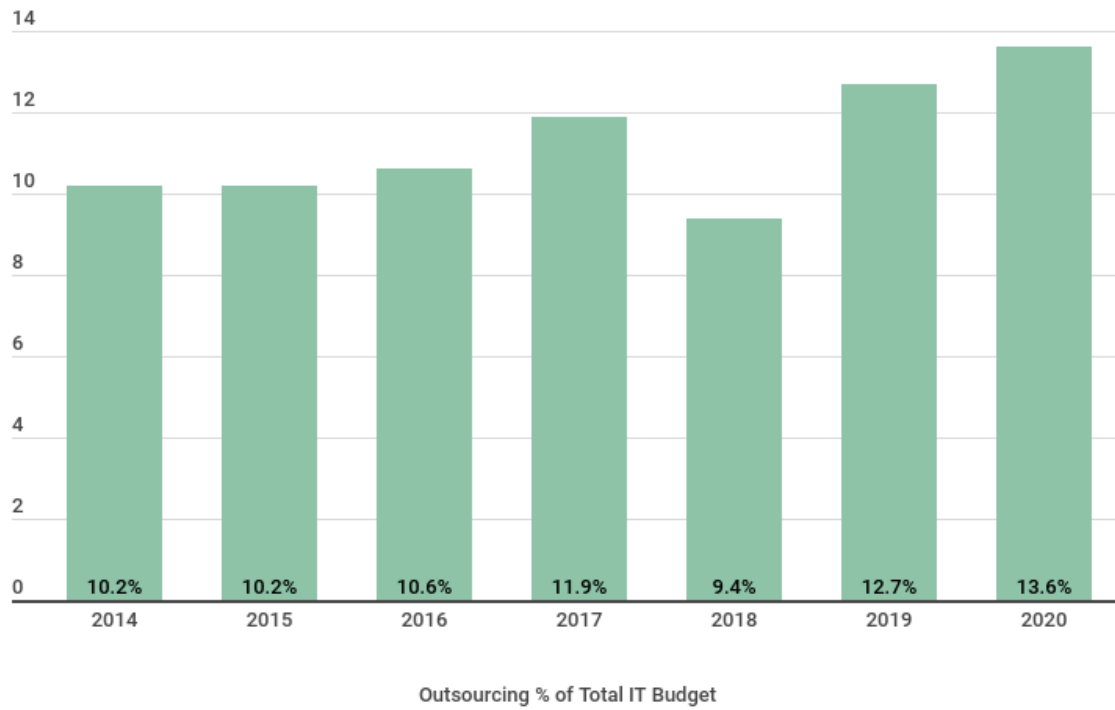
Source: (Outperform with Wipro, 2019)

Appendix-2



Source: (Clutch, 2021)

Appendix-3



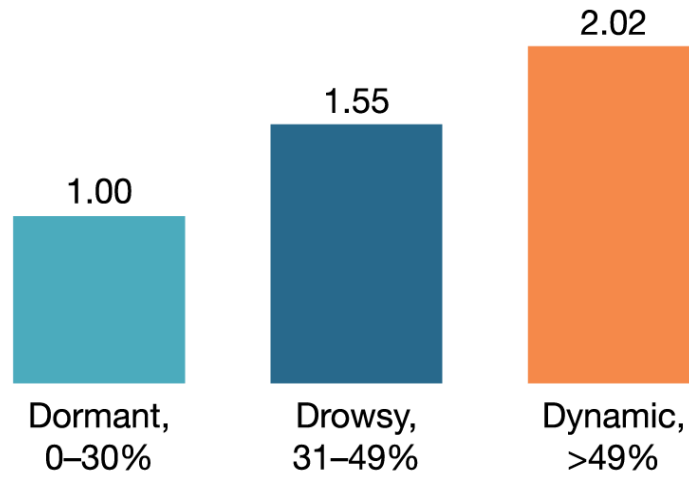
(Source: G. Dautovic, 2022)

Appendix-4

Cost Category		Alternative 1: Outsourcing			Alternative 2: Insourcing		
		2014 BWP	2014 U.S. dollars	% of total cost	2014 BWP	2014 U.S. dollars	% of total cost
Direct Costs	Contract	6,000,000	644,468	96.4%	-	-	0%
	Personnel	-	-	0%	1,319,965	141,779	26.7%
	Supplies	-	-	0%	2,562,555	275,248	51.9%
	Equipment	-	-	0%	769,687	82,673	15.6%
Indirect Costs	Training	4,659	500	0.1%	18,514	1,989	0.4%
	Management	46,685	5,015	0.8%	93,371	10,029	1.9%
	Operational	172,575	18,537	2.8%	172,575	18,537	3.5%
Total		6,223,919	668,520	100%	4,936,668	530,254	100%
Total per square metre (not quality-adjusted)		218.68	23.49	-	173.45	18.63	-
Total per square metre (quality-adjusted)		273.35	29.36	-	289.09	31.05	-

(Source: Cali *et al.* 2015)

Appendix-5



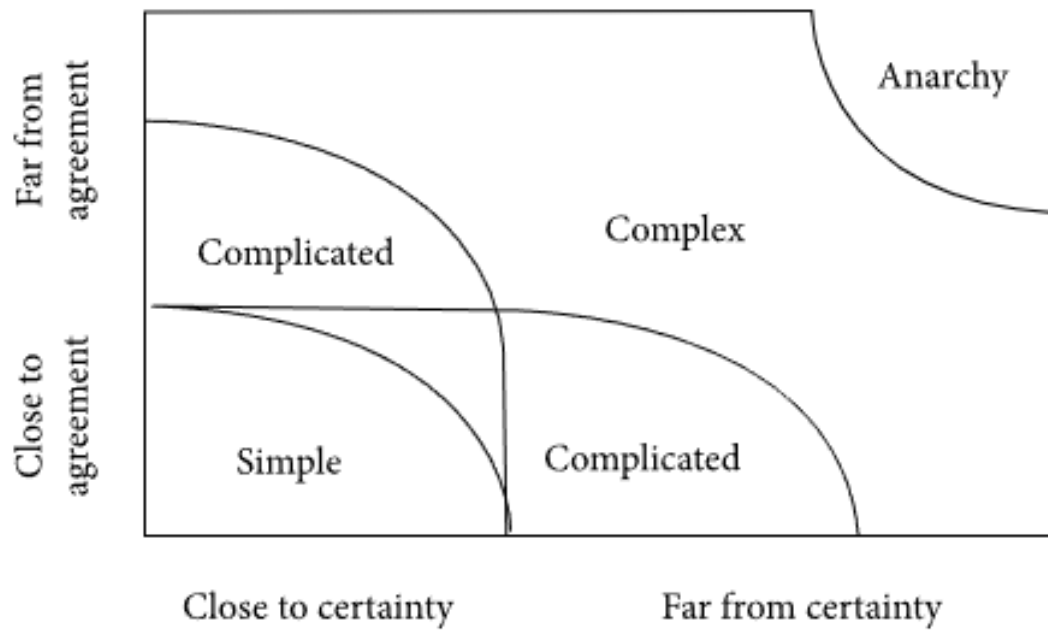
(Source: McKinsey & Company, 2016)

Appendix-6

Factor	
Size	To consider it an indication of complexity, the organizational structure of the project should be over a minimum critical size and their elements need to be interrelated.
Interdependence and interrelations	An event in an interconnected structure can cause totally unknown effects on another entity inside the structure.
Goals and objectives	They must be adequately and properly defined both at a strategic and at an operational level.
Stakeholders	The number of project participants and how the information flows between them are a key factor affecting project complexity.
Management practices	Relationships between project participants, suppliers, overlapping of activities, methods, and techniques are factors that affect project complexity.
Division of labor	Adding project organizational structure by dividing labor, the way for personnel selection, and the level of pressure on this personnel to achieve project objectives are factors that increase project complexity.
Technology	Task scope or the variety of tasks that need to be accomplished is the most critical dimension of technology. It explains why there is a need for a variety of technologies and a given level specialization in each of them.
Concurrent engineering	It breaks down functional and departmental barriers by integrating team members with different discipline backgrounds often known as cross-functional teams.
Globalization and context dependence	Globalization boots complexity by the erosion of boundaries, higher mobility, heterarchy, and higher dynamics. It can be an essential feature of complexity.
Diversity	A higher number of elements and a higher variety across elements increase complexity.
Ambiguity	It expresses uncertainty of meaning in which multiple interpretations are plausible.
Flux	Flux is affected by external and internal influences. It also implies constant change and adaptation to changing conditions.

(Source: San Cristóbal *et al.* 2018)

Appendix-7



(Source: Stacey, 1996)