IS/IT Outsourcing Applications/Services at the Ministry of Education in Kuwait: Lessons to learn

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ABSTRACT

This article examines contracting-out (outsourcing) IS/IT services/applications in practice in the Ministry of Education of Kuwait. The key findings presented in this article is a part of a national survey of IS/IT outsourcing practices in Ministry of Education of Kuwait.. The primary data were collected by means of questionnaires and semi-structured interviews supported by organisational documentation. This survey was the first of its kind to be undertaken in Kuwait. A number of the findings here are similar to those in the other two sectors. The lessons learned from the Kuwaiti public sector experience are likely to be relevant to other countries in the Middle East and to the developing countries in general, as the Kuwaiti experience is rather different to that reported in the developed world, with different drivers but with a similar trend towards increasing utilisation of IS/IT outsourcing. The results of this research are applicable, to a large extent, to other developing countries or transitional economies, especially those in the Gulf Cooperation Council (GCC) countries since these countries share with Kuwait similar economical, political, governmental, geographical, technical, social and cultural characteristics.

1.0.   Introduction

As the business environment world-wide moves increasingly towards an information-based economy, IT is often seen as the mechanism necessary to ensure survival in this changing world. More and more organisations are reliant on IS/IT systems for their business processes. The developing countries are faced both with new opportunities and significant difficulties in their efforts to utilise IS/IT in order to participate effectively in the emerging global economy.

Information Systems/Technology (IS/IT) outsourcing is an increasingly common business practice in which a company contracts all or part of its information systems (IS) operations to one or more outside information service suppliers. This is done to acquire economic, technological, and strategic advantages. Over the last decade, information systems outsourcing has gained increasing popularity in companies of all sizes. In the United States alone, approximately $25 billion was spent on outsourcing in 1989 (Livingston, 1990) and $30 billion in 1990 (Huff, 1991). An estimate by the Yankee Group places the 1994 IS outsourcing market at $50 billion, with an annual growth rate of 15% (Patane and Jurison, 1994). In fact, Outsourcing is a practical issue that also has significant impact on business organization theories. It has, therefore, drawn a great deal of attention from both practitioners and researchers. In a recent survey, senior IS executives rated acquiring outside services as one of the six most important strategic issues confronting their organizations (Clark, 1992).

As the use of IS/IT in developing countries is becoming pervasive, there is an increasing focus on what is the appropriate role of government institutions, in facilitating successful IS/IT adoption. The new mileumenum (21st century) will undoubtedly be one that will present unprecedented challenges to the public sector managers due to rapid technological, economic, social, and political changes. The fact of the matter is the inevitability of change in the increasingly turbulent environment. Drucker (1992) and Bergquist (1993) are among other researchers who had presented

their insights plus picture of the future reality scenario. The public sector IT management in Middle Eastern countries must realise the increasing limitation of reactive approaches and assume a more proactive stance and be at par with the private sectors that had always been grasping the opportunities to progressively advance.

1.1.   Information Systems/Information Technology (IS/IT)

Rapid expansion in the use of IS/IT technology in the public sector has been witnessed for the past few years. IS usage varies with the range of involvement from individual performing managerial or professional work to systems that promote co-ordination within an organisation and across organisation. Many departments and ministries have built up their own IS to support their work, particularly for a totally structures tasks.

Outsourcing of the Information Systems (IS) operation is a trend that has been observed in many organisations over the last fifteen years. The outsourcing decision by Kodak in 1989, which established this trend, was motivated by the perception that the budget for Information Technology (IT) was excessive for a non-core business activity (Field, 1999). Many organisations have since been motivated by this factor to outsource IS (Earl, 1996a; DiRomualdo & Gurbaxani, 1998). However, as many authors (including Earl, 1996a; Lacity & Hirschheim, 1995) have argued, IS/IT is both a core activity, deeply intertwined with organisational operations, and an important tool for implementing strategic business decisions. The early promise of outsourcing, which included trimmed and focused organisations together with projected financial savings, has increasingly been called into question – IS/IT outsourcing has become the focus of significant concern within the academic (and, increasingly, the professional) literature.

Outsourcing has emerged in recent years in both the private and public sectors as a key method of managing the different IS/IT functions. The terminology of IS/IT outsourcing was perhaps first used in 1989 when Eastman Kodak made the decision

to make total outsourcing agreements with three large IS external providers, turning over its entire data centre functions to IBM, its telecommunications and networking to Digital Equipment Corporation and IBM, and its microcomputer operations to Business Land (Loh and Venkatraman, 1992; De Looff, 1995; Slaughter and Ang,

1996). Nevertheless, IT outsourcing is not a new concept, but has been evident throughout the data processing era, as time-sharing, the use of contract programmers, and the purchase of packaged software (Currie, 1995; Hussain and Hussain, 1997). The global IT outsourcing market is experiencing significant growth, estimated to be worth US$ 70 billion in 1998, and to reach as high as US$ 121 billion by end of the year 2000 (Gordon and Walsh, 1997).

This research paper consists of seven major Sections. The introduction is described in Section 1. In Section 2, the research objectives are presented. Section 3 presents definition, types, and scope of IS/IT outsourcing strategy as well as shedding light on developing countries and the transitional economies. The research methodology applied in this research is described in Section 4. Section 5 describes and reports some key findings as the outcomes of the research. Section 6 presents the summary of the research results. And finally, the implications of the research findings and conclusions are discussed in Section 7.

2.0.   Research Objectives

The aim of this research is to explore IS/IT outsourcing practices as an information systems strategy in the context of Kuwait as a developing country. Attention will be focused on differences between Kuwait and the developed countries and their implications for outsourcing. Specific issues related to IS/IT outsourcing include motivation, client/vendor relationship, types of IS/IT outsourcing, risk analysis and evaluation, contractual and legal aspects, vendor selection criteria, post-implementation evaluation.

3.0   Definition, Types, and Scope of IS/IT Outsourcing Strategy

According to Lacity and Hirschheim (1995:4) outsourcing refers to the "… third party management of IS assets, people and/or activities required to meet pre-specified performance levels". In fact, governments have been outsourcing for decades under the term "contracting out" (Dorsi, 1998). In the public sector of the UK government, the term IT outsourcing is now used interchangeably with other programmes: market testing, compulsory competitive tendering, and contracting out (Currie, 1996).

The outsourcing of IT services has grown apace and attracted much attention. In Europe, for example, public sector privatisation of IS/IT reached $24 billion in 1995 (Gordon and Walsh, 1997) and reached as high as £2 billion in the UK in 1996 (Willcocks et al., 1996). State and local governments in the US are projected to spend over $8 billion in the year 2000 on external IT services (Gordon and Walsh, 1997). The Canadian government, for example, utilised the trend to "IM/IT outsourcing" to outsource the entire provincial and territorial IS/IT function as well as that of the federal government. Riddle (1998:7) notes that the Canadian government is placing "increasing emphasis on outsourcing IT services and relying less on its own internal services capacity."

Lacity and Hirschheim (1993) provide three categories of IS/IT outsourcing. The first one, the body shop, is primarily for short-term demands like the use of the contract programmers. The second category, project management, is primarily used for a specific project or portion of the IS work. The third category, total outsourcing, is where the management's decision is to turn over the entire hardware and software support to an external vendor and for the vendor to be in full charge of the data centres and telecommunications operations.

The vast majority of existing research into IS/IT outsourcing has been primarily conducted in the developed nations, with most studies focusing on organisations in the USA or Europe (see, for example, Loh and Venkatraman, 1992; Lacity and Hirschheim, 1993, 1995; Cronk and Sharp, 1995; Cross, 1995; Jurison, 1995; Mclellan et al., 1995; Palvia, 1995; Apte et al., 1997; Currie and Willcocks, 1998).

Loh and Venkatraman (1992) explored IS/IT outsourcing as a significant administrative innovation. Willcocks and Currie (1997:35) suggest that public sector IS/IT outsourcing has been driven by two main initiatives: cost containment and reduction; and a "political belief that private sector companies are more efficient" which creates more competition thereby enhancing the effectiveness in the public services operations. Many public sector organisations have considered outsourcing as a viable option (Currie, 1996; Lacity and Willcocks 1997). O'Looney (1998) argues that U.S government officials have endorsed IT outsourcing for many reasons, including: lack of skills; downsizing; a general belief among the public sector managers that the private sector does a better job; concentrating on "prime responsibilities".

3.1. Developing Countries or Transitional Economies

The literature on IT in developing countries or transitional economies identifies a number of difficulties which prevent such economies from enjoying the potential benefits of IS/IT technologies. These include: severe shortage of foreign exchange which limits the imports of software and hardware; lack of technical infrastructure; lack of computer skills; inadequate support from the manufacturers of computers; poor data communication technology (Avgerou, 1988)

To date, IS/IT outsourcing has received "little academic attention in the non-western context" (Lee and Kim, 1997:1). The literature review found that there is little research with regard to information system strategies in developing nations, such as Kuwait. Yet, Kuwait and other Gulf Co-operation Council (GCC) countries differ from the industrialised countries, in terms of culture, economics, socio-politics, and legal, political, governmental, geographical, technical issues (Kassem and Habib, 1989; Abdul-Gader, 1997).

The primary contribution of this research is the development of a better understanding of the IS/IT phenomenon in the context of Kuwait as an example of a developing country. The research provides evidence to support a number of conclusions on a range of aspects of IS/IT outsourcing.

The second section sets out the research methodology used in the study. The third section provides a brief discussion of some key findings, section four provides a summary and section five draws some conclusions.

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