

Determinants of Outsourcing of Information Technology Services: a Case Study of Firms Listed at the Nairobi Stock Exchange

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Abstract:

Information Technology (IT) within organizations has been identified as a tool for building competitive edge in the market. Rapid technological change often lead to frequent obsolescence of information technology used by organisations, therefore the frequent need for investment in information technology. Companies have therefore been at crossroads trying to decide whether to outsource information technology services or provide them inhouse. The purpose of the study therefore was to investigate the extent to which firms listed at the Nairobi Stock Exchange outsource their information Technology Services. There are forty seven companies listed in the main investment market of the Nairobi Stock Exchange. A sample size of 30% of the companies listed at the Nairobi Stock Exchange main investment market was considered in this study. Data collection was done by use of questionnaires which were administered to the Information Technology Managers. A total of sixteen questionnaires were distributed to the sixteen companies sampled from a list of companies registered at the Nairobi Stock Exchange. All the companies responded representing 100% response rate. Research findings revealed that all the companies outsource information technology services and it was mainly influenced by the need to focus on core business and access to expert services. Due diligence was exercised when selecting service providers and the companies entered into service level agreement to ensure performance was adhered to by the service providers. " Arising from the findings, it is suggested that a similar study should be conducted to establish the determinants of outsourcing of other non- core services other than information technology services.