

With J. T. C. Teng & M. J. Cheon. (1995) "Decisions to Outsource Information Systems Functions: Testing a Strategy-Theoretic Discrepancy Model," *Decision Sciences*, Vol. 26(1), 75-103.

In recent years, the decision to outsource information systems (IS) functions has become a viable strategic alternative in managing the increasingly complex IS functions. In this study, the IS outsourcing phenomenon is conceptualized as a strategic decision in the organization. Drawing on resource-based theories, resource dependence theories, and other theories of strategic management, a discrepancy model of this decision is developed. Relationships between a number of strategy-theoretic factors and the IS outsourcing decision are hypothesized. These factors include IS resource performance discrepancies manifested in the form of gaps in information quality, IS support quality, IS cost effectiveness and financial performance, as well as the strategic orientation of the firm. Results of the study indicate that, while cost consideration and the firm's financial performance are not associated with the IS outsourcing decision, difficulties in providing good information outputs and IS support services are associated with the decision. Overall, the findings suggest that the current trend toward outsourcing represents a continuing evolution of the IS function as it attempts to fulfill its traditional mission of providing high quality information resource to the firm. When the performance of the delivered resource begins to slip in the current environment of rising expectation and technological complexity, outsourcing may become a strategic response of necessity. The paper concludes with a discussion of the implications of the results for practicing managers and suggestions for future research.