

Risk Management Framework in Information Technology Outsourcing Project

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Abstract

Company, at the present time, is definitely in need of information technology. Performance of the company is judged not only from the financial and assets but also from the discussing all aspects that should provide cost leadership, differentiation and focus. Problems frequently appears in the company such as not achieving the goal, inappropriate labor standards, outsourcing standard that does not meet the company criteria, the leakage of company's information security. By applying interview method, we would like to know about how the company deals with the practice of outsourcing that will be applied by their company, the reason they hire outsourcing, benefits for the company itself and the method applied to outsourcing. The result stated that there are three main points of IT outsourcing to improve IS, that is to improve the business performance, to generate new revenue and that can help companies to assess outsourcing.

Keywords : *Information Technology Outsourcing, Risk Management, Business Performances*

1 INTRODUCTION

Outsourcing at the present time has become a trend among companies around the world as there are a lot of benefits that can be gained as well as some risks. Consequently the companies applying outsourcing to support all of the company's activities must realize the risks or constraints of applying it. The company, thus, greatly requires risk management on IT outsourcing which can be a factor of the success of the project dealt by outsourcing (Indrajit dan Djokopranoto. 2004). Risk Management is quite important to minimize the risks during the project to get the maximum result. There are some possible risks that might appear, namely (1) the expected goals will not fully achieved; (2) the failure to achieve some of the expected goals (3) the slow achievement of the goals (Indrajit dan Djokopranoto. 2004).

Management risk is very important to reduce the possibly appeared risks in the project itself, so that satisfactory results can be achieved. Risk management should be applied in the IT outsourcing because it will analyze the problems appeared in IT outsourcing. My objective is, therefore, to analyze how companies or organizations apply the risk management in the practice of IT outsourcing. Risk management of IT outsourcing should be prepared from the beginning of the project, to achieve the expected results.

2 RESEARCH METHODOLOGY

2.1 Risk Management in IT Outsourcing

We, in advance, have to know what the purpose of IT outsourcing is. IT outsourcing is the act of transferring all or some of the IT decision related to the process of business, providing services to external, transferring rights, as well as internal activities. Providers will develop, control and manage all of the activities, working standard set in the contract (Balakrishnan, S. D. a. B. 2006). In IT outsourcing, it is important to manage the activities correctly and effectively so that companies must select the right partner to guarantee that the work can run successfully. Good outsourcing service providers will be able to increase the affectivity of corporate partners yet poor service providers can also increase the risk that might occur in the future (NISER. 2003). Now the question for companies that use the service of IT outsourcing is, how to guarantee the performance of outsourcing itself in favor of companies to guarantee that the project will run successfully. The answer is that the company must apply the risk management practices in the IT outsourcing project. Risk management is the process of analyzing, identifying, controlling and managing the problems and risks that will occur during the project. Organizations should conduct careful and deliberate risk management as it can substantially attenuate the level of risks of exposure (Jorgensen, J. 1996). According to ((FFIEC), F. F. I. E. C. 2004) outsourcing management has four steps consisting of risk assessment and definition of requirements, due diligence in choosing a service provider, contract negotiation, implementation and monitoring. Risk management is required from the early stages of process which aims to reduce the impact of risk that may appear or can prevent the risk of impacts to occur (Misra, R. B. 2004). To achieve satisfactory results from the risk management in IT outsourcing project, it should have a continuous systematic risk management.

2.2 Problem Statement

Information technology (IT) outsourcing is about technology, contracting out services to third parties, but involves more than the definition of new contractual arrangements.

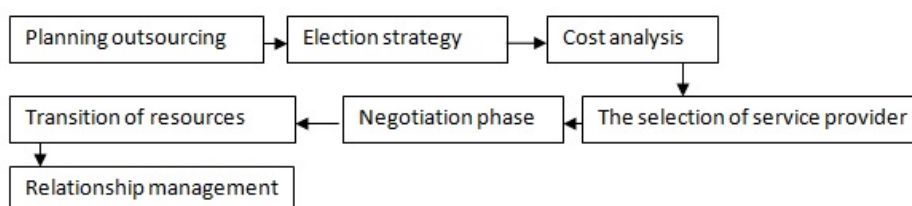


Figure 1: Step implementation of outsourcing (Indrajit & Djokopranoto 2004, p.14)

Many companies that use outsourcing services to help or make IT project itself experience common problems that arise in the company such as not achieving the goal, inappropriate working standards, outsourcing standards that do not meet the criteria of the company, the leakage of companys information security. Some problems appear in the companies that do not apply the risk management that is proven to be effective to make the project run well,

which a project is created by the outsourcing. There are many advantages of risk management of IT outsourcing projects for the company and for the project itself.

2.3 Research Objectives

The purpose of this research for the companies that use IT outsourcing services is to make the project emphasizing the importance of risk management to guarantee the success of the project conducted by IT company which applies outsourcing man-power, so that the goal can be successfully achieved and it will not make any mistakes causing unexpected failure leading the company into a loss.

2.4 Methodology

2.4.1 Types of Research

The methodology that will be applied in this research is the method of interview (Sandjaja, B dan Heriyanto, A. 2006). The interview will be conducted on those who are competent in their field, the materials in the question relate to the practice of outsourcing that will be executed by their company, the reason they hire outsourcing, benefits for the company itself and the applied method for outsourcing so that the goals will be successfully achieved.

2.4.2 Types of Data

Data that will be used in this research are qualitative data. Qualitative data are those that come from people who have capability related to the required data in the research. Data from the interview conducted on the practice of outsourcing will be applied by their company, the reason they hire outsourcing, benefits for the company itself and the method which is applied to outsourcing

2.4.3 Sources of Data

The used data are:

1. Primary Data, that is the data obtained through direct observation and interviews on the capable persons or companies (Firdaus, M.A. 2012). Data results from the interview are about the practice of outsourcing that will be performed by the company, the reason of the companies to hire outsourcing, advantages for the company and the method applied to the outsourcing.
2. Secondary Data, that is the data obtained through publications of the company (Firdaus, M.A. 2012). Covering all required information of the company. They can be obtained from the internet through the companys web.

2.4.4 Method of data collection

In-depth interviews are applied to obtain more accurate and detailed data results and related to the questions that have been prepared associated with the outsourcing practices applied by the company. So that we get more clear, complete and accurate information on the questions we prepared. The types of interviews to be applied are free guided interview.

Free interview guided is a combination of free interviews and guided interviews, so that the interviewer uses guidance that can direction of question-answer, however the implementation is relaxed and it does not seem too serious in order to make the respondents not rigid in answering the interview questions (Messrs & Heriyanto 2006, p .148).

2.4.5 Data Analysis

The data will be analyzed by cross-checking the relations of the obtained data one another. From the interviews, it could be found competent person of the company, we can describe the results of the interview properly. The effect of the previous stage is that we can conclude the results.

3 RESULTS AND DISCUSSION

The methodology that will be applied in this research is the method of interview. So that we get more clear, complete and accurate information on the questions we prepared. The interview will be conducted on those who are competent in their field. The types of interviews to be applied are free guided interview. Free interview guided is a combination of free interviews and guided interview. Data that will be used in this research are qualitative data. The used data are: Primary Data and Secondary Data, that is the data obtained through publications of the company.

Risk Management for IT outsourcing is very important for its success. It is one of the critical success factors for itself. It is expected that by conducting the research on risk management for IT outsourcing can be the input for the company, any steps that should be prepared before the outsourcing practice to guarantee that activities of the company in achieving its goals (Strategic intent for IT Outsourcing. 1998), (APICS. (2003).

4 CONCLUSION

From the research we have done, we get the steps in risk management in IT outsourcing, according to sources that can be trusted and can be justified on the level of proficiency of the company. From these results it can be used as a constructive input to the needs or even be a consideration for the company that will organize the activities in IT outsourcing company. So that it can minimize the unexpected situation and the achievement of expected goals of the company.

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