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ABSTRACT

x	Master´s thesis
	Licentiate´s thesis
	Doctor´s thesis

Subject	International Business	Date	14.06.2004
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		Number of pages	112
Title	Strategic Information Systems Outsourcing in Banks		
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Abstract

Outsourcing of information systems (IS) has been growing in recent years. While outsourcing in the manufacturing industry has already been adopted for a longer period of time, nowadays also information intensive businesses like banking are getting used to this management practice. Especially in recent times, media has been reporting of substantial IS outsourcing contracts between well reputable banks and external service providers.

This study analyzes the factors which influence banks to strategically outsource their information systems. The research problem approaches the issue from three different perspectives. First of all, the underlying driving forces, which lead banks to consider the outsourcing option, are investigated. Secondly, concrete motives for IS outsourcing are explored and thirdly, the risks that are associated with outsourcing are investigated as well.

The empirical data for this study was gathered with the help of two semi-structured interviews conducted in a Swiss and a Scandinavian bank. The interviewees were managers, who were involved in the IS outsourcing decisions of the banks.

The results of the study brought up that competitive pressures and the resulting aim to cut costs are among the driving forces for IS outsourcing. Furthermore banks attempt to gain more flexibility to adapt to changing economic situations. It was considered as well that the increased supply of external IS service suppliers does also have an impact on increased outsourcing. With respect to outsourcing motives, economic issues were confirmed to be by far the most important. Banks' motives for IS outsourcing are to get access to lower production costs as well as to transform fixed cost operations into flexible costing. Concerning the risks of IS outsourcing, the banks considered the dependence to service providers and their control to be critical. Economic risks were seen to be existing but not uncontrollable.

Key words	Outsourcing, Information Systems, Banking Sector
Further information	