

Weeks, Michael R. (2004) *Information Technology Outsourcing and Business Innovation: An Exploratory Study of a Conceptual Framework*. D.Phil. Dissertation. Templeton College, Saïd Business School, University of Oxford.

Abstract

This research explores the links between information technology outsourcing and business innovation. Previous literature in this area (e.g. transaction cost economics, the resource-based view, and structural holes theory) provides conflicting guidance for expected outcomes from outsourcing on innovation. The research uses a case study approach to explore innovation within four mature outsourcing relationships. The relationships vary in age from two to twelve years and all involve more than £100 million per annum in revenues for the information technology suppliers. The research develops a conceptual framework for exploration of the research question and the framework is empirically tested with the case studies. The results indicate that outsourcing does not inherently help or hinder innovation. Rather, various factors within the outsourcing relationship such as organizational control structures, trust, and absorptive capacity contribute to an overall environment which either promotes or hinders innovative activities. The research develops a three-level model of innovation and a competency-based model which depicts resources and skills needed for various innovation outcomes. The research also expands the application of the absorptive capacity concept as well as the understanding of trust within outsourcing relationships.