

## Information Technology Outsourcing and Knowledge Transfer: Achieving Strategic Alignment through Organizational Learning

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**Abstract :** Large number of organizations, frequently motivated by budget and cost cuts, outsource their Information Technology (IT) positions every year. Although the objective of reduction in financial obligations is often not accomplished, many buyer companies still manage to benefit from outsourcing projects. Knowledge Transfer (KT), being one of the major processes that take place during IT outsourcing partnership, may exert a strong impact on the performance of the parties involved, particularly that of the buyer. Research, however, lacks strong conceptual basis for the possible benefits that KT from supplier may bring to the buyer; and for the mechanisms that may be adopted by the buyer to maximize such benefit. This paper aims to fill this gap by proposing a conceptual framework of organizational learning and development of dynamic capabilities enabled by KT from the supplier to the buyer. The study examines buyer-supplier relationships in the context of IT outsourcing transactions, and theorizes how KT from the supplier to the buyer helps the performance of the buyer. It warrants that more research is carried out in order to explicate and provide evidence regarding the role that KT plays in strategic improvements for the buyer. The paper proposes to take up a two-fold approach to the research: conceptual development that utilizes logical argumentation and interpretive historical research, as well as a qualitative case study which aims to capture and understand the complex processes involved. Thus, the study provides a comprehensive visualization of the dynamics of the conditions under which participation in IT outsourcing partnership might be of benefit to the buyer company. The framework demonstrates the mechanisms involved in buyer's achievement of strategic alignment through organizational learning enabled by KT from the supplier. It highlights that organizational learning involves a balance between exploitation of assets and exploration of new possibilities, and further notes that the dynamic capabilities mediate the effect of organizational learning on firm performance. The paper explicates in what ways managers can leverage outsourcing projects to execute strategy, which would enable their organization achieve better performance. The study concludes that organizational learning enables the firm to develop IT capabilities of strategic planning, IT integration, and IT relationships in the outsourcing context, and that IT capabilities developed through the organizational learning would help the firm in achieving strategic alignment.

**Keywords :** dynamic capabilities, it outsourcing, knowledge transfer, organizational learning, strategic alignment

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