

UNIVERSITI TEKNOLOGI MARA

**ICT OUTSOURCING FROM MALAYSIA PUBLIC
SECTOR PERSPECTIVE**

SALLEHUDDIN BIN AFFANDI

2004218387

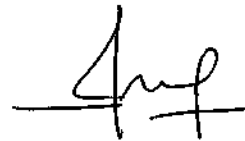
Thesis submitted in fulfillment of the requirement for
Bachelor of Science (Hons) Business Computing
Faculty of Information Technology And
Quantitative Science

November 2006

DECLARATION

I certify that this thesis and the research to which it refers are the product of my own work and that any ideas or quotation from the work of other people, published or otherwise are fully acknowledged in accordance with the standard referring practices of the discipline.

NOVEMBER 4, 2006



SALLEHUDDIN BIN AFFANDI

2004218387

ABSTRACT

Governments have worked together with non-governmental entities to deliver public services to citizens as well as for developing and operating internal management systems. Much attention has been given to the computerization of government ministries and agencies to improve the government's capacity to carry out its tasks and cope with the future challenges in order to achieve performance goals. The aims of this research are to identify the motivation to information communication and technology (ICT) outsourcing, to determine the ICT services that are currently being outsourced and to describe the risks inherent in ICT outsourcing from Malaysian public sector perspective. In order to achieve the aims of this research, an expanded research model was used to develop the research instrument for this study. The primary data for this research was collected by means of a questionnaire survey conducted among Malaysian public sector organizations. There are about 50 federal government agencies based in Putrajaya. Out of that, 28 federal government agencies and 12 state federal government agencies (within Klang Valley) were selected to participate in the survey. A total of 250 questionnaires were distributed among the selected organizations and within one and half months, about 190 completed questionnaires were returned. Although the research was conducted successfully, several limitations were encountered. The limitations are time constraint, limited academic reference on ICT outsourcing based in Malaysia and lack of cooperation during field study. The findings from this research indicated some ICT services that are currently being outsourced in the Malaysian public sector. Some motivation factors and risks inherent in ICT outsourcing were also reported.

TABLE OF CONTENTS

	PAGE
DECLARATION	ii
APPROVAL	iii
ACKNOWLEDGEMENT	iv
ABSTRACT	v
TABLE OF CONTENT	vi
LIST OF TABLES	xi
LIST OF FIGURES	xii
CHAPTER ONE: INTRODUCTION	
1.1 Research Background	1
1.2 Problem Statement	3
1.3 Objective of the Research	5
1.4 Scope of the Research	5
1.5 Significant of the Research	6
1.6 Research Approach and Methodology	6
1.7 Limitations of the Research	7
1.8 Overview of the Research	8
1.9 Summary	9
CHAPTER TWO: LITERATURE REVIEW	
2.1 Research Introduction	10
2.2 Terminology	11
2.2.1 Definition of outsourcing	11
2.2.2 Definition of outsourcee	12
2.2.3 Definition of outsourcer	13
2.3 Overview of Outsourcing	13
2.3.1 ICT outsourcing categories	13

2.3.2	Types of outsourcing in terms of services	14
2.4	Public Sector in Malaysia	15
2.4.1	Definition of public sector	15
2.4.2	Malaysia federal government	16
2.4.3	Malaysia state government	16
2.5	Outsourcing in Malaysia	17
2.5.1	ICT outsourcing in Malaysia	17
2.5.2	SSO in Malaysia	18
2.6	Service Level Agreement (SLA)	20
2.6.1	Definition of SLA	20
2.6.2	Purpose of SLA	21
2.6.3	SLA principles and best Practices	21
2.7	Reason Contribute to ICT outsourcing	23
2.7.1	Motivation to ICT outsourcing	23
2.7.2	Summary of motivation to ICT outsourcing	27
2.8	Risks in ICT outsourcing	28
2.8.1	Definition of risk	28
2.8.2	Risks inherent in ICT outsourcing	28
2.8.3	Summary of risks inherent in ICT outsourcing	33
2.9	Gap in Current Research	33
2.10	Expected Findings	34
2.11	Summary	34
CHAPTER THREE: RESEARCH APPROACH AND METHODOLOGY		
3.1	Introduction	35
3.2	Research Objective	35
3.3	Research Model	36
3.3.1	A Contingency Model	36
3.3.2	Existing Research Framework	38
3.3.3	Expanded Contingency Model	39