A STUDY ON OUTSOURCING PRACTICES OF IT FIRMS WITH SPECIAL REFERENCE TO GUJARAT STATE

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Abstract: *In the global business environment, outsourcing and offshore outsourcing are strategies for firms to handle the increasing competition in their specific market segments by utilizing the capabilities of other firms in order to gain competitive advantages. India has become an important player on the global market and is an attractive country for Western firms 'off shore outsourcing initiatives. Even though outsourcing and offshore outsourcing have been discussed in the literature for a long period of time, firms are still not able to reach and fulfill their strategic goals and many offshore outsourcing projects fail.*
In this paper the researcher have tried to describe some of the key issues related to IT off shoring with special reference to selected IT service providers of Gujarat region. It analyzes the factors the IT service provider considers while selecting the IT projects of clients. This paper focuses on offshore outsourcing to India especially in Gujarat region by considering the Indian suppliers' perspective on competitive priorities. Furthermore the paper surveys the problems that IT service providers face after undertaking the IT assignments.

Key Words: *Information technology, Outsourcing, Off shoring, India IT sector.*

1. INTRODUCTION:

Outsourcing decisions are those strategic decisions that change the operations strategy of an organization both in manufacturing and services. The most important step in any outsourcing decision is to clearly define the scope of the operations that are being considered for outsourcing. (Cook, Mary, F. and Gildner, Scoot B. 2008) Human resource professionals throughout the world are being asked to do more or less, to enhance productivity while controlling costs and to find out new ways to increase profitability. (Uddin, Gazi, M. 2005).

In the competitive environment and evolving technology era, to enhance efficiency and productivity, cost remains a challenge to all industry to compete with rivals in providing the best total lower cost to end customers and to secure the market share in order to add value to the shareholders. Having to invest heavily in capital investment such as machineries, buildings and land to expand space in supporting the production operation is a burden to most companies if the return of investment is not profitably.

Pool of human resources and machineries that consumed production space and being idled would increase the overhead and fixed cost, thus affecting the companies badly in their financial statements. In addition, training and development to up skill internal resource skills set in terms of running the operation effectively, bringing up technical content expert, specialist ability to perform research and development to add value, effective management and maintaining the operation would require significant investment in human resources *(David Mackey and Kaye Thorne, 2003).* Thus, most of the companies started to explore opportunities to reduce cost and to improve profit margin in order to maintain competitive edge in the market. One of the identified opportunities was to outsource non-core business functions to external service providers at a lower operating cost.

Outsourcing is not a new notion. For decades, jobs have been migrated from other part of the countries namely American and European countries as well as other overseas countries to global service providers primarily India, China, Singapore and Malaysia due to lower operating cost.

Table 1 : Global BPO Market by Industry	
Industry	Percentage (%)
Information Technology	43
Communication (Telecom)	16
Manufacturing	9
Financial Services	17
Consumer Goods/ Services	15

(Source: NASSCOM, 2012)

The typical destinations of overseas IT outsourcing are India and Philippines for the American and European companies whereas China for the Japanese companies.

The IT industry has played a significant role in transforming India's image from a slow moving bureaucratic economy to a land of innovative entrepreneurs and a global player in providing world class technology solutions and business services. The industry has helped India transform from a rural and agriculture based economy to a knowledge based economy.

2. IMPACT OF OFF-SHORE IT OUTSOURCING ON COUNTRY'S GDP, GROWTH, ECONOMIES AND DIFFERENT SECTORS:

Over the last 20 years, the IT-BPO industry has evolved from being a niche sector with a limited number of companies to one of the largest contributors to the Indian economy in general and the services sector in particular. The industry has been on a constant high growth path and the revenues have grown over 15 times from FY1998 to FY2009.

- Increasing contribution to country's GDP
- Growing exports boosting the foreign exchange earnings
- Strong tax contributions
- Generation of employment
- Fuelling the growth of other sectors
- Attracting PE/VC investments

The study, "Impact of off-shore IT outsourcing on country's GDP, growth, economies and different sectors" by NASSCOM (2012) was conducted to bring in perspective the multifold contribution made by the IT industry on the various social and economic parameters in India over the past decade.

The study framework assesses the industry impact over six key parameters outlined below. Views of industry participants and experts, gathered though a nation-wide survey of IT Outsourcing companies and employees, have been incorporated to corroborate statements, and select case studies highlighted in the study.
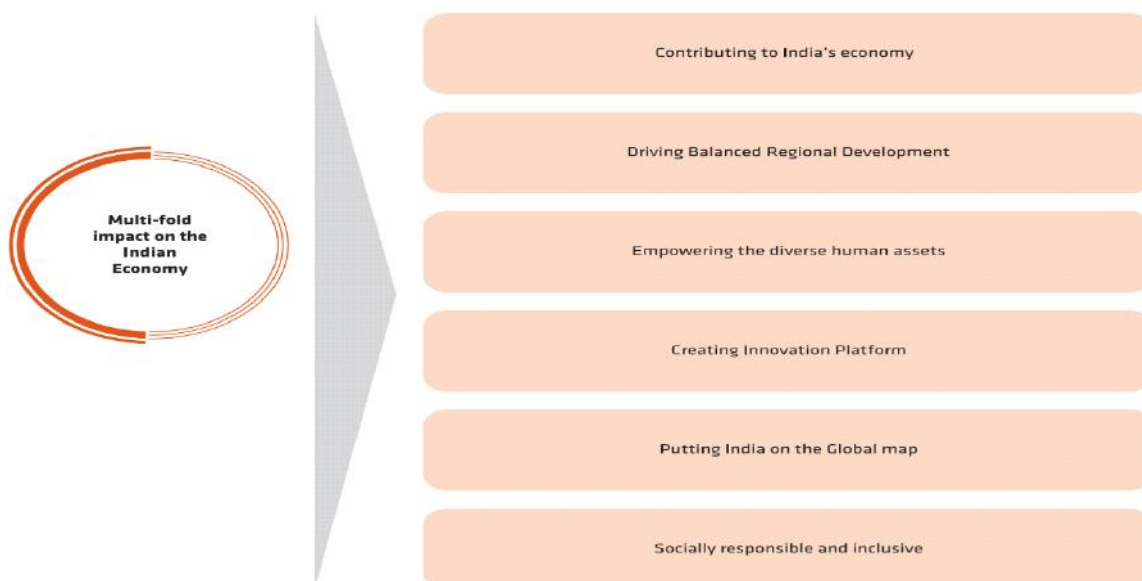

Figure 1: Multi-fold Impact on the Indian Economy   (Source: NASSCOM, 2012)

3. LITERATURE REVIEW:

The review of literature in relation to IT outsourcing in general and offshore IT outsourcing in specific reflected that very few Indian especially regional studies are conducted for the same and majority of them were taken up at global level. So most of the literature is found related to the global studies only. They were conceptual in nature and their main emphasis was to highlight the evolution, principles, strategies, growth and trends of global outsourcing. Peslak (2012) explored the views of top corporate financial executives on the success of implementation of systems outsourcing and offshore outsourcing, as well as the variables associated with success in these areas. The study examined usage of outsourcing and offshore outsourcing from the top financial executive's perspective. Only 30 percent of the surveyed companies outsourced IT and only 25 percent engaged in offshore outsourcing IT. Size of the company did significantly influence usage.

Banerjee (2009) studied that international outsourcing has been traditionally looked upon as a low end cost effective servicing option to take advantage of the cost arbitrage that exists across countries. Of late, many outsourcing vendors have realized that the advantages of cost differentials that spurred a lot of the global outsourcing business in the past 20 years will disappear in the medium term. The key dimensions that influence the degree of outsourcing are: the expertise of the vendor; the environmental stability of the offshore domain; the physical barriers to outsourcing

complex business processes such as, communication problems and proximity issues; the possibility of knowledge leakage from the outsourcing domain; and the cost benefits of outsourcing.

Lacity and Rottman (2009) provided a deep understanding of the effects of outsourcing on one of those stakeholder groups – the client project managers – responsible for the implementation of outsourcing strategies, and to identify practices to better empower and enable them. Client project managers report 27 effects of outsourcing on their roles, including six positive effects and 21 negative effects.

Jones (2009) identified the opportunities, challenges and lessons of information technology outsourcing (ITO) in China. The paper extracts lessons learned about practices, processes and cultural factors that contribute to outsourcing success in China; why China attract ITO customers; how cultural dimensions and differences in accepted business practices complicate outsourcing in China; what strengths and weaknesses to expect from Chinese IT workers and outsourcing companies; and how to evaluate, select and manage Chinese suppliers.

Raman (2008) reviewed the development of the empirical literature on international outsourcing of information technology services (ITS) over the 1992-2007 periods and to identify future research areas. Four main areas of research are identified, namely outsourcing decision, outsourcing management (OSM), outsourcing outcome and the role of offshore service providers (OSPs). The review suggests that research efforts to date have been predominantly on outsourcing decision and OSM, mostly from the perspective of clients. Future research opportunities exist in the areas of outsourcing strategy and performance, the behaviour and performance of OSPs particularly within the context of firms from less-developed countries competing globally, and the nature of competition among OSPs both within and among countries.

Knights and Jones (2007) examined critically both utopian and dystopian discourses of offshoring so that a more considered, nonetheless theoretically informed, view of the global offshore phenomenon can be formed. It is argued that neither dream nor nightmare is the adequate discursive metaphor to capture what we have discerned through our research on offshore outsourcing.

As per one of the study by NASSCOM (2007) which focuses on China, is based on a series of interactions with Chinese officials and interviews with IT software companies during 2006. It presents the portfolio of services sourced from India are more broad-based than that of China. Further, India based service providers have already built a robust process of managing service delivery. This is still evolving in China. However, strong Government support, excellent quality of infrastructure and rapid pace of growth of domestic economy, are the major strengths of Chinese IT-BPO sector. Further, the geographical proximity and cultural similarity to advanced markets like Japan and Korea is a great help to Chinese IT-BPO sector. Lack of transparency in procedures and weak intellectual property protection are the major weaknesses of China.

Further in one of the study, Taganas and Kaul (2006) explored the strategies of firms in the Indian IT industry and their innovative behavior. The study collected data in response to a questionnaire based survey and concludes that India's software firms are generally weak to spur innovation within the industry. Most of the innovations are incremental rather than radical in nature. The study suggests Indian IT firms should further increase their focus on R&D to sustain their growth.

Ahuja (2004) in a theoretical study focuses on the micro aspects of outsourcing. The study points out that only very limited information is available on outsourcing of services. Besides direct cost reduction, BPO also benefits developed countries through other channels, such as, through repatriation of earnings by national offshore providers located in developing countries. The study indicates that even though BPO may eventually bring many benefits to an economy, it may also bring distribution problems in the short run, resulting from job loss at a firm or at an industry level. Recognizing the welfare implications, the study suggests a compensation criterion, i.e., to tax firm's profits to relocate retrenched workers through training, etc.

Bhagwati, et al (2004) highlights on the effects of outsourcing from buyers' side, especially focusing on the debate on job loss in the US. The study also points out that it is empirically wrong to believe that most of the service jobs will be outsourced to India and China due to low labour costs. Empirically, it may be seen that majority of the jobs in the US are in service industries like retailing, restaurants, tourism, etc., that require both consumer and producer to be present in the same place and, therefore, cannot be outsourced.

Using IMF's Balance of Payments Statistics for the period 1983-03, the study by Amiti and Wei (2004a) brings out three interesting findings:
(i) The belief that large industrialized countries outsource more intensely is not correct; (ii) outsourcing does not lead to decline in employment in country which outsources; and,(iii) in terms of economic size, it is the smaller economies which are outsource intensive. Outsourcing may lead to shedding of labour but the increased efficiency could eventually lead to higher production and an expansion of employment in other lines of work.

Regarding outsourcing and its effect on unemployment, the authors cite a study by McKinsey (2003), which indicates that more than 69 per cent of workers who lost their jobs due to imports in the US between 1979 and 1999 were reemployed. In this context, it may also be noted that a phenomenon known as 'reverse outsourcing' has begun to assert itself. For example, the Indian outsourcing firm Wipro has added many US based consultants to its staff. Similarly, firms based in India and China have begun setting up bases in the US and hiring US workers.

Patibandla and Petersen (2002) in their empirical study, focus on the role of Transnational Corporations (TNCs) in the evolution of India's software industry. World class educational institutions in India including the IITs have provided a major incentive for TNCs to enter India to take advantage of the low-cost high-skilled workforce. The study also deals with theoretical issues relating to technological capabilities and spillovers. Open policies towards international trade and multinational investment is a major source of technology.

However, local firms and workers in developing economies need to have minimum capabilities to absorb new technologies. The study concludes by pointing out that India's software industry presents the case of an internationally competitive high-tech industry from a developing economy. Several factors have contributed towards its growth like the previous import substitution policies, which invested heavily in subsidized higher education and a critical level of technological endowments, emergence of a few dynamic local technocrat entrepreneurs, the policy support and the entry of TNCs. The market reforms that were initiated in 1991 in India increased the openness of the economy and gave a big boost to the industry.

Joseph and Harilal (2001) in their descriptive study (using NASSCOM data) discuss India's performance in software exports, implications of IT boom on availability of skilled manpower in other competing sectors and the possible threats to the sustained growth of software exports. The study indicates that institutional and policy reforms initiated by the government seem to have paid rich dividends in terms of making India a major exporter of software.

Kumar (2001) in a descriptive analysis points out that export led growth has been the main stay of the spectacular performance of the Indian software industry. This study cautions that despite exemplary performance of the Indian software industry, there is no room for complacency in view of the competition from countries like China, Philippines, etc. In this regard, Indian software industry needs to strengthen its thrust on R&D activity. The study further points out that since India has natural advantage in software exports which is growing at a double digit level, there seems to be little relevance for tax breaks on a sustained basis.

On accessing the secondary data it was found that conceptual studies are done more in this field while empirical studies for Indian especially Gujarat offshore IT outsourcing service providers are done less.

4. NEED OF THE STUDY:

Since the companies are increasingly going global, it has attracted many researchers from different disciplines such as IT, IT management, commerce, and economies to broaden their research area. The review of literature in relation to IT outsourcing in general and offshore in specific revealed that very few Indian studies are conducted for the same and majority of them were taken up at global level. The majority of the research in this area relates macro level analysis of Information Technology industry.

As this research has a special focus on Gujarat, the studies in relation to IT offshoring in the state have also been explored. However, the researcher could not locate any published studies on IT offshoring Industry in Gujarat.

Thus, the review of international, Indian and regional studies suggest that there is a real and noticeable need to fill the research gap at this stage. Hence, this present study attempts to fill the research gap at this level by addressing the Gujarat's supply sided issues with reference to Gujarat's IT outsourcer companies.

5. RESEARCH OBJECTIVE:

1. To study the impact of off-shore IT outsourcing on country's GDP, growth, economies and different sectors.
2. To know the factors the outsourcer firms consider while outsourcing specific to Gujarat region.
3. To study the obstacles faced by outsourcer firms before and after taking outsourcing assignment specific to Gujarat region.
4. To know the perception of outsourcer firms about IT off-shoring.

6. RESEARCH HYPOTHESIS:

$H0_1$: Service provider long term relationship with client is independent on the client's reputation in the market.
Ha_1: Service provider long term relationship with client is dependent on the client's reputation in the market.

$H0_2$: There is no significant difference in the obstacles faced by service provider that provide services themselves or through sub-contractor on regular basis.
Ha_2: There is significant difference in the obstacles faced by service provider that provide services themselves or through sub-contractor on regular basis.

$H0_3$: The selection of outsourcing project by service provider is independent of the client's business size.
Ha_3: The selection of outsourcing project by service provider is dependent of the client's business size.

7. RESEARCH METHODOLOGY ADOPTED FOR EMPIRICAL STUDY:

Table 2: Research Methodology

Parameters	Survey of respondents
Research Design	Descriptive Method
Research Approach	Survey
Research Instrument and Contact Method	Questionnaire- filled through personal visit
Data Collection	Primary data
Sampling Method	Convenience Sampling
Sample Size	30 IT Companies
Sampling Areas	Gujarat
Sample Unit	IT Outsourcing Company
Data Processing Management	Excel and SPSS 17
Data Analysis	Frequency distribution, Descriptive statistics such as mean and standard deviation, Independent T-test, Chi- Square analysis.

8. RESULT AND FINDINGS:

General Analysis

Table 3: Demographic Profile

Firm size

	Frequency	%
Small	9	30.0
Medium	19	63.3
Large	2	6.7
Total	30	100.0

Organization operating

	Frequency	%
<=10 years	17	56.7
11-20 years	10	33.3
21-30 years	2	6.7
31-40 years	1	3.3
Total	30	100.0

IT Staff

	Frequency	%
1-50 employees	21	70.0
51-100 employees	4	13.3
101-200 employees	4	13.3
>200 employees	1	3.3
Total	30	100.0

Employees

	Frequency	%
<500	25	83.3
500-1000	4	13.3
>1500	1	3.3
Total	30	100.0

Position in Organization

	Frequency	%
HR	12	40.0
IT Person	12	40.0
Proprietor	6	20.0
Total	30	100.0

Project Duration

	Frequency	%
As Per Project requirement	9	30.0
no time limit	2	6.7
<=1 Months	3	10.0
2-6 Months	12	40.0
>6 Months	4	13.3
Total	30	100.0

(Source: SPSS OUTPUT)

Table 3 states that majority of companies i.e. 63.3% belongs to medium size firm. Further it adds that 56.7% of the firms are involved in IT offshoring since last 10 years. From the companies being surveyed it was found that around 25 companies are there in which the employees from IT background ranges from 1-50 out of 500 staff members.

Table 3.1: General Analysis of IT Outsourcing Services

		Frequency	Percentage
Organization provides IT outsourcing services	Yes	30	100.0
	No	0	0

Services provided by IT firm	Off shoring	6	20.0
	On shoring	0	0
	Both	24	80.0
Involvement of subcontractor on regular Basis	Yes	22	73.3
	No	8	26.7
Service Delivery Model Offered	Onsite	17	56.7
	Near Site	5	16.7
	Multi-Site	22	73.3
	Off site	13	43.3

(Source: SPSS OUTPUT)

Table 3.1 represents the general analysis of IT outsourcing services. From the study it can be observed that majority of IT companies are providing both off shoring and on shoring services. Further it shows that majority of IT firms are providing multi-site services and around 70% of the IT projects in companies are carried out through sub-contractors.

9. TYPES OF IT OUTSOURCING SERVICES PROVIDED BY IT FIRMS:

Table 3.2: Types of IT Outsourcing Services

IT Outsourcing Services	Frequency	Percentage
Entity Resource Planning (ERP)	12	40
Customer Relationship Management (CRM)	12	40
IT Infrastructure	13	43.3
Help Desk Support	8	26.7
IT Security Services	14	46.7
PC Management	7	23.3
Business Process (BPR)	15	50
Website Hosting	18	60
Data Centre Operation	7	23.3
E-Commerce	22	73.3
Network/communications services	15	50
SOA (Service Oriented Architecture)	5	16.7
Application Management	21	70
Mobile Apps Development	23	76.7

(Source: SPSS OUTPUT)

In order to know the IT services provided by the IT firms they were presented with different types of services and asked to identify the services provided by individual firm. Table 3.2 posit that 76.7% of IT firms are providing mobile apps development services followed by E-commerce with 73.3%, application management with 70%, website hosting with 60% and so on. Further it shows that only 16.7% firms providing SOA services and only one firm was providing the services of games development.

10. IT OUTSOURCING SERVICES PROVIDED TO DIFFERENT COUNTRIES:

Table 3.3: IT Services Provided to Different Countries

Countries	Frequency	Percentage
Brazil	9	30
Canada	14	46.7
China	6	20
Indonesia	7	23.3
Japan	11	36.7
Malaysia	8	26.7
Philippines	6	20
Russia	5	16.7

Singapore	19	63.3
Thailand	4	13.3
USA	24	80
UK	22	73.3
Europe	14	46.7
Australia	19	63.3
Other	8	26.7

(Source: SPSS OUTPUT)

The major countries where IT outsourcing services are provided are USA, UK, Australia, Europe and Canada. Whereas Brazil, China, Indonesia, Japan, Malaysia, Philippines, Russia, Singapore, Thailand, Europe are countries where little of IT assignments are taken by our IT firms.

11. FACTORS THE OUTSOURCER FIRMS CONSIDER WHILE OUTSOURCING/ OFF SHORING:

Table 3.4: Factors the Outsourcer Firms consider while Outsourcing/ Off shoring

Factors	Frequency	Percentage
Credibility / Reputation	15	50
Easy Accessible	15	50
Security	16	53.3
Technical feasibility	19	63.3
Staff Resources	15	50
Stability	10	33.3
Pricing	11	36.7
More flexibility and speed	17	56.7
Better quality than Competitors	24	80

(Source: SPSS OUTPUT)

In order to identify the most important factor that the client consider while selecting the service provider the IT firms were presented with several factors affecting IT business and asked to identify the important one. The study posits that 80% of the clients consider quality over competitors while choosing the IT firm. The other important factors are in this range: Technical feasibility, more flexibility and speed, security, staff resources, easy accessibility, pricing and stability.

12. FACTORS THE CLIENT CONSIDER WHILE SELECTING THE IT SERVICE PROVIDER:

Table 3.5: Factors the Client consider while Selecting the Service Provider

Factors	Frequency	Percentage
Size of the project	23	76.7
Project importance	16	53.3
Requirements uncertainty	10	33.3
Client reputation	14	46.7
Project type	18	60
Future business	8	26.7
Human resources (training)	11	36.7
Client size	12	40
Client MIS experience	9	30
Competition (client)	10	33.3
Client experience with outsourcing	19	63.3
Competition (vendor)	9	30
Number of prior projects and contract type (fixed price or time and materials).	14	46.7

(Source: SPSS OUTPUT)

In order to identify the most important factor that the service providers consider the most while outsourcing, they were presented with several factors and asked to identify the factors critical to them. The above table 3.5 shows that the size of the project is the most important factor in selecting the client followed by client experience with outsourcing, type of project, importance of project, client reputation, number of prior projects and type of contract and so on.

13. PERCEPTION OF OUTSOURCERS ABOUT IT OFF SHORING:

Table 3.6: Perception of Outsourcers about IT Off shoring

Statement	Mean	Std. Deviation
Most companies outsource work to reduce costs	2.07	0.944
Companies only outsource when there is lack of skilled workers	2.87	0.973
Outsourcing is only for big companies.	3.47	1.196
Offshore companies are located in politically unstable countries, making operations risky.	3.07	1.081
Offshore developers underestimate development time and make excuses for not delivering.	2.70	0.877
Time-Zone Differences Incorporate Problems in Smooth Business Operation	2.30	0.877
Outsourcing causes security problems and risks intellectual property rights.	3.03	1.426
Cultural &language differences create obstacles in mutual understanding.	2.40	1.192
Outsourcing Is Not Suitable For Start-Up Organization	2.97	1.497
Output Will Be Wrong If the Task Is Not Specified Down To the Smallest Detail	2.27	0.980
Communication can be difficult because of poor technical infrastructure.	2.03	1.066
Single-supplier, long-term deals are economical	2.70	0.988
Key Customer Accounts get Preferential Treatment from Vendors	2.83	0.834
In IT Outsourcing work undertaken is for profit therefore the quality is likely to be Inferior	3.10	1.348
Private sector can do a good job at outsourcing.	2.57	1.223
The lack of employees' training regarding the development of cross-cultural skills could lead to the outsourcing project failure	1.73	0.944

(Source: SPSS OUTPUT)

As the mean value is nearer to 2 , the study states that majority of the firms believes that through IT outsourcing client company can reduce the cost also mostly companies who is having less skilled workers can go for outsourcing. Offshore companies located in politically unstable countries are making operations very risky and due to that many cultural and language issues are experienced.

14. MAJOR OBSTACLE FACED BY SERVICE PROVIDER WHILE TAKING IT OUTSOURCING ASSIGNMENTS

Table 3.7: Major Obstacles Faced by Service Provider

Issues	Mean	Std. Deviation
Cultural communication differences can create confusion	1.77	0.679
High attrition rate (Employee low loyalty)	2.47	0.860
Lack of experience	2.80	0.961
Unavailability of resources	2.93	1.048
Time-zone differences	2.60	1.303
Unavailability of skilled employee	2.27	1.015

(Source: SPSS OUTPUT)

The study reveals that majority of the firms were having similar views regarding the issues they are facing while taking the outsourcing assignments as the mean value is nearer to 2. The major obstacles that IT firm faced are cultural, time and language differences as well as the unavailability of skilled resources and the employee's low loyalty towards the firm.

15. SELECTION OF OUTSOURCING PROJECT BY SERVICE PROVIDER IS INDEPENDENT OF CLIENTS BUSINESS SIZE

$H0_1$: The selection of outsourcing project by service provider is independent of the client's business size.
Ha_1: The selection of outsourcing project by service provider is dependent of the client's business size.

Table 3.8: Chi-Square Analysis

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.701[a]	1	0.192

(Source: SPSS OUTPUT)

From the Chi- Square analysis it may be inferred that the selection of outsourcing project by the IT service provider is independent of the client's business size as the significant value is greater than 0.05.

16. Difference in the Obstacles Faced by Service Provider that Provide Services themselves or through Sub-Contractor on Regular Basis.

H0$_2$: There is no significant difference in the obstacles faced by service provider that provide services themselves or through sub-contractor on regular basis.
Ha2: There is significant difference in the obstacles faced by service provider that provide services themselves or through sub-contractor on regular basis.

Table 3.9: Independent t- test Analysis for the obstacles faced by service provider that provide services themselves or through sub-contractor on regular basis

Issues	Significant value
Cultural communication differences can create confusion	0.061
High Attrition rate	0.379
Lack of Experience	0.709
Unavailability of resources	0.573
Time-Zone Differences	0.192
Unavailability of skilled employee	0.579

(Source: SPSS OUTPUT)

From Independent t-test analysis it may be inferred that there is no significant difference in the obstacles faced by service provider that provide services themselves or through sub-contractor on regular basis as significant value is greater than 0.05. Thus it can be said that there are common obstacles that service provider or sub-contractor face while IT off shoring.

17. ASSOCIATION OF SERVICE PROVIDER'S RELATIONSHIP WITH CLIENT REPUTATION IN THE MARKET:

H0$_3$: Service provider long term relationship with client is independent on the client's reputation in the market.
Ha$_3$: Service provider long term relationship with client is dependent on the client's reputation in the market.

Table No 4: Chi-Square Analysis for Independency of Service Provider's Relationship with the Client's Reputation in the Market

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	0.153[a]	1	0.696

(Source: SPSS OUTPUT)

From the Chi- Square analysis it may be inferred that service provider long term relationship with client is independent on the client's reputation in the market as the significant value is greater than 0.05.

18. CONCLUSION:

The study tried to examine the factors the outsourcer firms consider while outsourcing specific to Gujarat region. In this study the main focus is not in analyzing the outsourcing process, nor in implementation of outsourcing, but to identify key factors that affect outsourcing decision.

From this study researcher found that there is no significant difference in the obstacles faced by service provider that provide services themselves or through sub-contractor on regular basis. It means that the IT firms who provide offshoring services by themselves or through subcontractors, the issues which they face during the assignment is same. Moreover, it was revealed that the service provider's long term relationship with client is independent on the client's reputation in the market. The study also proved that the selection of outsourcing project by the IT service provider is independent of the client's business size which means that while selecting the project, IT service provider doesn't focus on the client's business size rather it focuses on the type of project they have to undergo for.

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