

EXECUTIVE SUMMARY

Facing the rapid development of IT technologies, the explosion of knowledge and the fierce global competition in 21st century, what strategies an organization should use to foster its sustainable development?

It was said that IT outsourcing was one of the most important strategies in dealing with the speed of technological change and bridging the wide disparity between capabilities required and the reality of their own in-house technology capabilities. The advocators of IT outsourcing assume that technologies are generally available, universally applicable and easily transferable. The frontline workers are easy to acquire and dismiss any way at any time when they see fit.

Another belief is that the long-run strategies for a healthy company should be learning, value innovation and new product introduction. Organizational learning can improve a company's ability to anticipate the future and its adaptation to the changing environment and lead to better performance. People are the key elements in pursuing organizational learning and storing the organizational knowledge. Knowledge sharing and creation are social processes. Identity, power and trust are essential to the effectiveness of these processes.

In this study, we identified the relationship between IT outsourcing and organizational learning. What IT outsourcing literatures focus are the short term goals of cost saving and immediate expandable capacity. They prefer to acquire the instant “commodity worker” instead of cultivating their own people. They trade off knowledge gain for higher and faster economic benefits.

With the EDUA case we examined in this study, we found that IT outsourcing caused perceptions of unfairness, mistrust and power distance between the commodity worker and the in-house staff. This affected individual’s willingness in contributing oneself in the knowledge sharing and creation processes and resulted in the productivity as well as knowledge loss to EDUA whenever a commodity worker left. In the case of EDUA, we confirmed that IT outsourcing had a negative impact on organizational learning.