

ABSTRACT

Recent studies have revealed that the present uplift in information technology (IT) business in Pakistan is due to rising trend of Business Process Outsourcing and IT outsourcing services to domestic as well as global firms. Pakistan's IT industry is constantly growing and outsourcing business is putting positive impact on its growth. This study seeks to investigate the significance of outsourcing and its possible impact on innovative capabilities of an Information Technology Outsourcing (ITO) firm and also emphasize over finding the most influential factors that may have contributions toward enhancing innovation in ITO firms working in the city of Karachi which is considered as the business hub of Pakistan.

To carryout this study, both the qualitative and quantitative methodologies have been used to collect the statistical data and analyzed in light of comments, discussions and feedbacks recorded during surveys and interviews.

Result of this case-study indicates, that the factors like positive attitude (to innovate), investment in Research & Development and willingness to adopt profit and risk sharing approach (Joint Venture) for business, found prominent. However, lack of concern regarding IPRs and scientific publications has also been found in firms. Majority of firms who are outsourcing IT services in order to gain innovation are investing more in R&D and have more patents registered on their credit unlike those firms who oppose outsourcing IT services.