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# Generic Management Challenges of Adopting IT-Shared Services

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## ABSTRACT

This study empirically explores generic management challenges in the early phase of adopting IT-shared services, which are organizational independent units for delivering organization-wide IT services. Data has been collected by the means of twenty case studies, conducted between 2002 and 2010. Seven themes are general, reoccurring management challenges for the whole organization that includes business units as well as IT units. The challenges are as follows: (i) ability to deliver IT services, (ii) communication, (iii) IT service portfolios, (iv) nature of IT services, (v) power and control, (vi) pricing, and (vii) service level agreements. Better understanding these challenges is essential for further research on how to manage the transition towards shared-services arrangements. This study, therefore, is an elementary step in this complex endeavor, providing valuable insights into which management challenges need consideration.

## Keywords

E-government, IT services, IT-SSC, public sector, shared services, SSC.

## INTRODUCTION

IT-shared services is an organizational concept—or management idea—that consolidates IT services within a large organization in order to reduce redundancies, delivers support services as its core competency, is usually a separate organizational unit within the organization, is aligned with external competitors, has cost cutting as a major driver for adoption, has a clear focus on internal business units, and is operated like a business (Schulz, Hochstein, Übernicketl and Brenner, 2009b). The unit providing such IT services is called an IT-shared services center (IT-SSC). It delivers IT services to the various business units in the organization, i.e. its customers.

The IT-shared services idea is increasingly adopted by organizations in as well the public as the private sector. The reasons for adopting shared services vary. However, cost reduction and enhanced service quality are the two most frequent motives (Ulbrich, 2008). Political, technical, and other strategic or organizational objectives further explain why many organizations look into the shared services idea (Janssen and Joha, 2006).

When it comes to adopting IT-shared services at the organizational level, the relatively simple idea seems difficult to realize in practice. Jackson (1997) indicates that though the idea might look very simple in theory, it can be tricky to execute. Ulbrich (2006a, 2008, 2009b, 2010, forthcoming) confirms this and finds, for example, that public-sector organizations choose their own paths when adopting the idea. This results in unique configuration, sometimes not pursuing the original goals (Ulbrich, 2009b, 2010, forthcoming).

Researchers and practicing managers alike have been concerned about how best to organize, structure, control, and evaluate IT services in organizations since the early years of computerization (Brown and Grant, 2005; Brown and Magill, 1994; Grant and Ulbrich, 2010; Olson and Chervany, 1980). The reoccurring question is how to support organizations, and, in the case of IT-shared services, how to support the transitions towards such arrangements.

In this paper we explore how to support organizations in their early phase of adopting IT-shared services. We do so by examining which management challenges such organizations can expect. Our fundamental understanding is that the more organizations face similar challenges when adopting the shared services idea, the more other organizations can benefit from these experiences. In other words, common, reoccurring challenges are of generic nature, and important to understand by organizations that engage in IT-shared services arrangements. Hence, our research question is to explore generic management challenges of adopting IT-shared services.

The paper proceeds as follows: section two discusses the applied methodology, section three summarizes the findings, section four discusses the findings, and section five presents the conclusion.

## METHODOLOGY

To explore which challenges organizations face when adopting the shared-services idea, we captured perceptions of various persons involved in the adoption process. We already had data collected from cases in which we studied the adoption of shared services before—both from the public and private sector. We reviewed this material and found that it could be used to answer our research question. Hence, we re-used our interviews from previous cases to explore the management challenges of adopting IT-shared services. In total, we conducted case studies in twenty organizations in Canada, France, Germany, Sweden, Switzerland, and the US, which resulted in a total of 161 interviews (Table 1).

Case	Number of interviews	Period	Country	Type of organization
Alpha	17	2002–2005	Sweden	Public sector
Beta	15	2002–2005	Sweden	Public sector
Gamma	11	2003–2005	Sweden	Public sector
Delta	15	2004–2006	Sweden	Public sector
Epsilon	7	2004–2006	Sweden	Public sector
Zeta	15	2003–2006	Sweden	Public sector
Eta	4	2002–2003	Sweden	Public sector
Theta	4	2003–2004	Sweden	Public sector
Iota	7	2004	Sweden	Public sector
Kappa	4	2004–2005	Sweden	Public sector
Lambda	7	2004–2005	Sweden	Public sector
Mu	6	2007	Germany	Private sector
Nu	1	2008	US	Private sector
Xi	6	2008	Germany	Private sector
Omicron	4	2008	Switzerland	Private sector
Pi	5	2008	Germany	Private sector
Rho	1	2008	Canada	Private sector
Sigma	3	2008	Sweden	Private sector
Tau	8	2008–2009	France	Private sector
Upsilon	21	2009–2010	Canada	Public sector
<b>Totals</b>	<b>161</b>			

**Table 1. Overview over conducted interviews**

The interviews focused on various aspects of shared services and its adoption at the organizational level. Usually interviews were conducted with senior managers such as Assistant Deputy Ministers, CEOs, CIOs, CFOs, Director Generals, IT-SSC

Directors, etc. Many of the subjects covered in these interviews have already been reported in other studies (Brenner, Resch and Schulz, 2010; Schulz, Hochstein, Übernicketel and Brenner, 2009a; Schulz et al., 2009b; Schulz, Resch, Übernicketel and Brenner, 2008; Ulbrich, 2003, 2006a, 2006b, 2008, 2009a, 2009b, 2010, forthcoming; Ulbrich, Bergström and Löffstrand Ianni, 2008). In this paper, we analyzed our data anew to identify generic challenges that organizations face when adopting the shared-services idea.

We identified such challenges through pattern recognition in our interview transcripts, in which we used open coding inspired by Corbin and Strauss (1990). The first two authors of this paper independently coded some interviews to extract challenges in the adoption of shared services. The results of this process were compared and, through revising the coding scheme several times, the authors agreed on common coding rules. An excerpt of these coding rules is shown in Table 2.

Code	Definition
CHLLNG-ABILITY_DELIVER	Indices of importance to prove that the IT-SSC is able to deliver IT services (expressed through, e.g., customer satisfaction, ability to deliver, performance charts, etc.)
CHLLNG-COMMUNICATION	Indices of communication issues between the IT-SSC and its customers (expressed through different “languages,” how well an IT-SSC understands the core business of an organization, the way how an IT-SSC “sells” its services internally, how the business explains its needs to the IT-SSC, etc.)
CHLLNG-IT_SERVICE_PORTFOLIO	Indices what IT services are provided by the IT-SSC (expressed by service catalogues, discussion about inclusion/exclusion of services, who gets to decide which services are provided, etc.)
CHLLNG-IT_SERVICE_NATURE	Indices of the nature of IT services and how they are perceived in the organization (expressed by understanding what is going on beyond the desktop computer, the complexity of IT services, etc.)
CHLLNG-POWER/CONTROL	Indices that people in the organization have influences on what IT services are provided, who provides those IT services (expressed through, e.g., arguments for keeping service provision decentralized, etc.)
CHLLNG-PRICING	Pricing of IT services (expressed through various pricing models, transparency, budget issues, allocation of resources, etc.)
CHLLNG-SLA	Existence and problems with erecting service level agreements (expressed through agreement/disagreement of what to deliver, clear descriptions of rules and obligations, etc.)

**Table 2. Definitions of codes**

After some coding exercises an intercoder reliability was reached close to the 90 percent range, which according to Miles and Huberman (1994) is considered an important threshold for securing similar coding amongst several researchers.

## FINDINGS

Coding, analyzing, and interpreting the interviews resulted in several generic management challenges. These challenges denote frequently mentioned matters. Hence, they represent general, repeating—thus generic—challenges of adopting IT-shared services. Due to limitations in space, we present only seven challenges in this paper (Table 3). These challenges were mentioned in nearly 80 percent of the cases. We present the challenges in no particular order.

### Ability to Deliver IT Services

The ability to deliver IT services is concerned with the customers’ perception of how well an IT-SSC is able to deliver high-quality IT services. Customers perceive this ability important to trust an IT-SSC. Trust only exists when the customer is ensured that the IT-SSC is able to deliver. Then the customer feels secure to engage in a partnership with the IT-SSC.

From the customer’s perspective this means that the IT-SSC needs to prove that it can deliver the required IT services. This proof can be brought through, for example, a proven track record. Customers like to see success stories because it shows that other customers are satisfied with the provision of IT services.

If such track record is not available, customers might feel insecure and might consider producing their own IT services. A senior manager at one of the studied organizations explained, “When you think you are not getting good service from your corporate services, whether it be IT, whether it be HR, whether it be communications, [ . . . ] you somehow are convinced you can do it better and so you embark on this, ‘I am going to do it myself.’”

Hence, the ability to deliver IT services plays an important role in getting new customers aboard. And if customers cannot believe in this ability, they might question the whole shared-services idea. One interviewee expressed this possibility very clearly when rhetorically asking, “How can we possibly go into a [ . . . ] shared-services structure when we are not confident that [the IT-SSC] can deliver because [it does not] have a performance record of delivering.”

When no record of delivery exists, leap of faith given by the business units is needed. Therefore, it takes time to establish a stable and trustfully relationship. The challenge for management is to create a positive track record or at least a trustful atmosphere assuring that the IT-SSC is able to deliver high-quality IT services.

<b>Challenge</b>	<b>Findings</b>
Ability to Deliver IT Services	Trust is very important in the relationship between the IT-SSC and the customers. Trust only exists when the customer is ensured that the IT-SSC is able to deliver. A proven track record helps in establishing trust. The challenge for management is to create a positive track record or at least a trustful atmosphere assuring that the IT-SSC is able to deliver high-quality IT services.
Communication	IT staff speaks a different language than the business side. IT people hide behind technical terms while the business people are not interested in technology per se. This leads to communication problems. The challenge for management is to assure that people in the organization understand each other. Especially, when IT people are talking to people in the business units it is important to translate technical jargon to be able to communicate ideas in the organization.
IT Service Portfolio	The IT landscape in organizations is fragmented. IT-SSC should deliver IT services for the whole organization. The different customers have to agree on standards. Nevertheless, every business unit wants its own IT services. The challenge for management is to create a better understanding of the organization to find out what the common needs are and which service to place in an IT-SSC.
Nature of IT Services	Due to the fact that IT services are intangible, they are hard to describe. Customers only want to pay for what they can see. They have difficulties understanding the complexity of IT services and cannot distinguish between different IT services. The challenge for management is to make IT services communicable and tangible. Management, hence, needs to find ways to explain what the IT-SSC is about to deliver.
Power and Control	Business units lose power, influence, and resources regarding IT services when these services are consolidated company-wide and provided by the IT-SSC. As a consequence resistance against IT-SSC emerges and the duplication of some IT services remains. The challenge for management is to find a balance between an effective and efficient use of resources, and some talented individuals’ strive for power and control in organizations.
Pricing	Customers struggle with new pricing mechanisms. They do not understand all costs related to IT and they do not want to pay these costs. The challenge for management is to create awareness for what IT costs, how to make costs transparent, and how to get the customers to understand that local variations are not for the better good of an organization if an existing infrastructure can be used through an IT-SSC.
Service Level Agreements	Service level agreements (SLA) between the IT-SSC and its customers turned out to be rather broad generalities than detailed descriptions. Details were poorly understood nor recorded in SLAs. Detailed SLAs could have prevented many misunderstandings and arguments between the IT-SSCs and their customers. If correctly used, a SLA can be used to facilitate the dialog between the partners to discuss details in advance. The challenge for management is to see SLAs as a positive necessity in setting up an IT-SSC.

**Table 3. Key findings**

## Communication

There were big problems in the communication between the business side and the IT side. On the one hand, the business was not interested in IT, and on the other hand, the employees of an IT-SSC were not able to communicate in plain language.

One respondent explained the problem with the IT-SSC as their incapability “of getting it out in plain language.” She meant that IT people could not explain the idea of IT-shared services in a simple way. They were hiding behind a technical jargon, which made others look “stupid.” This, she explained, was because “you are speaking a different language to them so you need that translation.” Someone who understood both the business and the IT side would perform this translation.

Once a translator explained the idea it did not feel that complex and inaccessible anymore to the customer. The respondent continued, “[After getting the translation] I said, ‘well why did not somebody tell me that six months ago?’ No, I had been reading these decks upon decks about these words that mean nothing. And then he said to me, ‘OK [. . .], what this means is that you have got five people using this computer program to do this and you are doing it ten or fifteen times with different programs.’ ‘OK, I get that. And so why did you not say that to me, because you would have had a supporter in me a year and a half ago if you would have spoken in a language that I get?’”

The challenge for management is to assure that people in the organization understand each other. Especially, when IT people are talking to people in the business units it is important to translate technical jargon to be able to communicate ideas in the organization.

## IT Service Portfolio

One goal for implementing IT-SSCs is to consolidate processes and to establish new, organization-wide standards for IT service provision. Through this, costs can usually be reduced and the support of IT systems gets easier.

Before establishing IT-SSCs many organizations had decentralized IT units. This carried along a variety of different IT processes, services, applications, and infrastructures. Hence, the IT landscape in these organizations used to be very fragmented.

When setting up IT-SSCs the organizations had to decide which services to put in their centers. Naturally, every customer wanted to keep its old IT services. However, synergies could only be accomplished if IT services were harmonized. The Director General of one organization explained, “It comes back to [. . .] the commonality of our systems versus each having our own needs.”

She meant that it was important to understand each other’s needs and to figure out how to best serve all units in the organization with standardized IT services. In theory this sounded easy. However, in practice it turned out not to be that easy. To identify commonalities was a big problem because the various business units in an organization often lack knowledge about each other. These business units do not completely grasp what the other units are doing and, hence, were not able to identify these commonalities.

Ideally, an Assistant Deputy Minister said, it would be to force “us to find the commonalities [. . . and to force] to be common when it makes sense, but [to] allow for the divergence in your own sort of tailoring if there is also a business sense for it.” This means that the IT-SSC should only include those services in its portfolio that are demanded by many users and allowing local variations where it makes sense.

For management the challenge is to create a better understanding of the organization to find out what the common needs are and which service to place in an IT-SSC.

## Nature of IT Services

IT services are difficult to describe and grasp because of their intangibility. This means that people only see a fraction of IT services such as a desktop computer or an IT budget. However, one does not see bits and bytes, and neither the infrastructure necessary to deliver IT services.

One Director General explained, “IT is intangible. All you see is your [. . .] desktop. [The business units] have got no idea what is happening behind it.” This is a major problem because people tend to have difficulties grasping the indiscernible. “If you cannot see it, it does not exist,” is one way to describe this matter.

With the intangibility of IT services several problems arise. First, customers are not willing to pay for gear they cannot see. Second, they do not understand the complexity of IT services. Third, they cannot distinguish between different IT services. Fourth, they cannot assess what are sufficient resources for providing IT services, including availability in peak times.

The lack of ability to show the benefits of IT services is an old problem. Therefore it is difficult to argue for purchasing IT services. One interviewee said, “You cannot say, ‘I have spent a hundred million dollars on x, y or z,’” meaning that it is difficult to justify any investments in an organization where no one really can grasp such a decision.

Of course, the nature of IT services is not specific to IT-SSCs but to information technology in large. The challenge for IT-shared services arrangements is to make IT services communicable and tangible. Management, hence, needs to find ways to explain what the IT-SSC is about to deliver.

### **Power and Control**

Power and control are concerned with who is in charge of providing IT services. In an organization’s pre-IT-SSC period, IT services were usually decentralized. Hence, power and control were located in or close to those business units that also consumed the IT services.

With IT becoming outsourced from these business units into IT-SSCs the question of power and control arose. The business units that were supposed to give up on local IT wanted to retain power and control. One reason was that, “the more people you have in your unit, the more power you have in the organization,” the CFO of one organization explained. He meant that the more you control, the more you can influence the direction of an organization.

In terms of IT services this means the more power and control one has, the more he or she can influence which IT services are provided. Hence, giving up power and control was not popular. This could best be observed in IT-SSC arrangements that built on voluntariness. When units were not forced to use common IT-SSCs, they gravitated to own service provision. Cost savings were no longer a reason to engage in IT-SSC arrangements, explained one senior manager. The customers wanted “control and staff.” Their idea was, “The larger they became, the more power they had.” And they certainly did not want an IT-SSC to take over control.

The consequence of this struggle for power and control was that unnecessary duplication of similar IT services remained. This resulted in wasting resources for serving the power needs of individuals in organizations rather than making good use of resources in the organizations’ core businesses. Especially, IT people were not sensible for this matter. The challenge for management is to find a balance between an effective and efficient use of resources, and some talented individuals’ strive for power and control in organizations.

### **Pricing**

In de-/centralized IT units customers and users were used to a very simple charging mechanism. IT costs usually were overhead costs, covered by the organization. Often it did not matter how much IT services were used.

With the establishment of IT-SSC new pricing mechanisms were installed to increase transparency. The basic idea was to let customers pay for those IT services they consume. Usually cost recovery was used as model to price the IT services of an IT-SSC. This should allow customers to see how much an IT service really cost. Furthermore, the customers were able to select and pay for the IT service standard that best fit their requirements.

However, the customers often did not understand all costs related to an IT service. Or they chose not to understand them. The Assistant Deputy Minister of one organization explained, that customers “do not want to pay for all the upfront costs, for the maintenance, and for all the costs that you have to put in. They just want to pay for their little piece of the pie. They do not want to pay for all the infrastructure.”

In many cases customers were willing to pay for variable costs only. They did not want to care about fix costs because they thought it cost too much. The “biggest battle is trying to convince them that you cannot do it cheaper because we have already invested on the infrastructure, so you are only paying a share of the infrastructure. If you had to do this on your own, you are having to pay the full thing,” one respondent explained.

The challenge for management is to create awareness for what IT costs, how to make costs transparent, and how to get the customers to understand that local variations are not for the better good of an organization if an existing infrastructure can be used through an IT-SSC.

### **Service Level Agreements**

Service level agreements (SLAs) are written understandings of what to deliver. SLAs formally define the IT services provided by the IT-SSC, how they are delivered, how they are paid for, who is responsible for what, etc. SLAs are the basis of a customer and IT-SSC relationship and are consulted when one part is not satisfied with an IT service.

Frequently, SLAs did not exist while IT services were internally delivered by, for example, a decentralized unit. The required IT services were “just delivered,” meaning that the IT unit provided these IT services on demand. Usually, these IT services were the result of an interaction between the business side and the IT units.

When moving towards an IT-shared services arrangement, one expressed goal was increased transparency. I.e., the IT-SSC should define their service levels. This should be done in a dialog between the IT-SSC and its customers. The IT-SSC and its customers were meant to agree on specific services levels in advance, before the IT services were delivered.

SLAs were established in the transition towards IT-shared services. Nevertheless, these SLAs turned out to be rather broad generalities than detailed descriptions. One interviewee explained, “We have a memorandum of understanding and then we slowly started to fall apart [ . . . ], because no one understood really the level of service, the roles and responsibilities.” The interviewee explained that the “devil is in the detail,” meaning that details were never understood nor recorded in SLAs.

Detailed SLAs could have prevented many misunderstandings and arguments between the IT-SSCs and their customers. In some cases, the lack of detailed SLAs even led to a provocative tone between the IT-SSC and its customers, accusing each other of not delivering as agreed, with no one able to show what this agreement would be. This created negative atmospheres between the IT-SSCs and their customers.

If correctly used, a SLA can be used to facilitate the dialog between the partners to discuss details in advance. This way, many disappointments and accuses can be avoided. The management challenge is to see SLAs as a positive necessity in setting up an IT-SSC.

## DISCUSSION

This paper explored generic management challenges of adopting IT-shared services in organizations. Twenty cases formed the basis for our research. Through analyzing data from these cases we found that organizations regularly face similar challenges. Between 2002 and 2010, we identified seven reoccurring management challenges in the twenty cases. Because of the challenges’ similarity, replication over time, and occurrence in the various cases from different countries and sectors, we consider these challenges generic management challenges for the adoption of IT-shared services. What we observed is not unusual for change management processes. Although a lot of research has been done and a lot of approaches have been proposed, two out of three transformation initiatives fail. “The more things change the more they stay the same” (Sirkin, Keenan and Jackson, 2005).

One explanation for why these challenges reoccur is that organizations are not able to manage the transition to IT-shared services. One reason could be that they try to solve problems within their own organizations instead of seeking a dialog with others. As a result, organizational learning could be limited. This would lead to the classic reinvention of the wheel. Organizations, hence, would simply go through a trail-and-error phase in which they sooner or later all face similar challenges.

To us, this explanation appears too simple. This is because many of the organizations took help from external professionals in their journey towards IT-shared services. Consultants came to the organizations to help them realize necessary changes. Most of these consultants were experienced. I.e., they had a proven track record and brought in experience from similar projects. Hence, organization should have been able to learn from the experiences of others even though they might not actively seek an exchange with other organizations. Consequently, organization should be able to at least draw on the experiences of its consultants.

Therefore, a competing explanation is that the organizations always face similar challenges. These challenges occur, no matter how well an organization is prepared. Therefore, we can expect that organizations know about the challenges of adopting IT-SSC and are probably well prepared. So why are they all have troubles in facing these challenges then? We think that these challenges are inherent to the implementation of IT-SSCs, because people, processes, and organizations are affected.

Organizational inertia, fear of change, communication problems, and misunderstandings or lack of management commitment are only a few reasons for these challenges (Kotter and Cohen, 2002; Sirkin et al., 2005; Ulbrich, 2006b). They are known from previous change management activities as reoccurring issues. This explains why organizations usually face similar challenges and why the management challenges of this study are generic for the adoption of IT-shared services.

Communication, for example, is one challenge in which management has to make sure that people do understand each other. Kotter and Cohen (2002), for example, find that communication is an important step in organizational change. It is crucial to get people committed to organizational change. Therefore, we believe that many people should be involved in the process of communicating the adoption of IT-shared services. These people should be coming from various levels in the organization,

representing management and users of the IT-SSCs as well as the business units that are going to use the IT services. Messages between those people should be easy and clear.

Power and control is another example for a generic IT-SSC challenge. Business units are not willing to give up power and control over IT. This is an important aspect of supporting the decision of where to place IT services in the organization (Ulbrich, 2009a). Business units want to keep as much power as possible and do not want IT units to overtake this power. As a consequence, the IT site of the organization often has less power to implement IT-SSCs in their desired way. IT, hence, needs top-management support to utilize on the IT-shared services idea. To support the IT-SSCs it is important to have top-management commitment (Ulbrich, 2006b).

In this paper we have showed the existence of generic management challenges of adopting IT-shared services. They exist not just because of an inexperienced management. Using a more holistic view on the topic, we could show that IT-SSCs are complex socio-technical systems that need to be studied and understood in its entirety.

### **Implications**

Our findings have several implication for research on IT-shared services. Through exploring data from multiple cases over a long period, we could show the generic management challenges of adoption IT-shared services. We have contributed to a better understanding of what needs to be considered in managing the transition towards IT-shared services arrangements. Better understanding these challenges is essential for further research. This study, therefore, is an elementary step in a complex endeavor, providing valuable insights into generic management challenges of adopting IT-shared services.

Furthermore, our research has implication for practice. Organizations should consider that the adoption of IT-shared services is no smooth ride. Many obstacles exist and organizations face the same challenges over and over. Through our research management is able to better address seven generic challenges in particular. Management should know that most issues could be solved in advance. The business units and IT-SSCs need to be informed about the new organizational form and how it impacts the different units. The units need to understand the change before starting the implementation of IT-SSCs. Good preparation with focus on the seven challenges can help practitioners to pave the way for a success adoption of IT-shared services in an organization.

### **Limitation**

Our research has focused on management challenges of adopting IT-shared services. One limitation is that we have treated challenges as independent entities in this study. In reality, the challenges are part of a complex whole. We felt, however, this approach was a good starting point in understanding the challenges on an abstract level.

### **Future Research**

Being aware that interdependence of the challenges, future research should view these challenges as a system. Therefore, we advocate using a system approach (Checkland, 1981; Langefors, 1966; Lundeberg, 1993) to bring together the independent parts to a whole. We believe that this can generate additional insights in how to manage the adoption of IT-shared services in organizations.

### **CONCLUSION**

This research explored generic management challenges of adopting IT-shared services. It is based on data from twenty cases, collected between the years 2002 and 2010. Seven generic management challenges could be identified. These challenges are as follows:

- Ability to deliver IT services,
- Communication,
- IT service portfolios,
- Nature of IT services,
- Power and control,
- Pricing, and
- Service level agreements.

We have presented and discussed possible explanations why these challenges reoccur in the studied organizations. The most appropriate argumentation is that these challenges arise from inherent attitudes of the organizations and the complex interaction with the business units and IT-SSCs. Better understanding these challenges is essential for further research on how to manage the transition towards shared services arrangements. This study, therefore, is an elementary step in this complex endeavor, providing valuable insights into management challenges that need to be considered.

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