

Organizational Structure vs. Capabilities: Examining Critical Success Factors for Managing IT Service Delivery

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ABSTRACT

IT managers are under constant pressure to deliver high quality IT services at low cost to their internal customers. Although this task seems to be virtually impossible it is the daily life of many IT professionals and as such of high practical importance. However, research on IT service delivery (ITSD) is rare and little analysis is devoted to the question how organizational settings and specific capabilities impact the performance of ITSD. Addressing this gap, this paper identifies critical success factors for ITSD management. A research framework was developed and tested using a multiple case study approach. The analysis was conducted using qualitative comparative analysis (QCA). Findings show that a central organizational unit responsible for service delivery (a so called “retained organization”) is not necessarily a condition for high performing ITSD. Outstanding performance was only found in firms where adequate organizational structures are in place and ITSD-specific competencies like knowledge integration and measurement capabilities were cultivated.

Keywords: Critical Success Factors, IT Service Management, Knowledge Integration, Performance Management, Qualitative Comparative Analysis (QCA), Relationship Management, Retained Organization, Service Delivery

INTRODUCTION

The importance of information technology (IT) continues to increase for corporations throughout all sectors and all over the world: Managing the business of IT becomes ever more complex leading to rising challenges for the IT organization¹. IT service delivery is an area, where

the IT organization is under constant pressure to deliver cost reductions and quality gains at the same time (Kappelman, McLean, Luftman, & Johnson, 2013). IT services are defined as services which are “made up of a combination of information technology, people and processes [and] directly support the business processes of one or more customers” (OGC, 2007, p. 244).

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Corporations try to encounter these challenges by adopting best practices to improve the design, management and delivery of IT services (Marrone & Kolbe, 2011), often complemented by the implementation of software to support these processes (Rouhani & Ravasan, 2014). The systematic approach to manage IT operations as a service function is referred to as IT Service Management (ITSM). ITSM is defined as “a set of processes that cooperate to ensure the quality of live IT services, according to the levels of service agreed to by the customer” (Young, 2000). ITSM shifts the focus from the purely technical aspects of IT to aligning services provided by the IT organization with business objectives (Iden & Eikebrokk, 2013). The concept of ITSM proposes that the IT organization acts as a service provider to the business units (OGC, 2007), whereby the IT organization defines, manages and delivers IT services to support business goals and customer needs. The service can be provided by either the internal IT organization or an external IT service provider. Although the importance of service sourcing increased during the last years (Müller, Ahlemann, & Riempp, 2009; Urbach & Würz, 2012), many firms still focus on in-house production of IT services. Regardless of the delivery mode, organizations need to develop capabilities and skills in order to manage service delivery effectively, to align the characteristics of IT services with business requirements across each phase of the service lifecycle to realize benefits from IT services (Miozzo & Grimshaw, 2005).

Although there is a wealth of practitioner oriented literature on ITSM available, scientific research is surprisingly rare (Marrone & Kolbe, 2011). The research available predominantly focuses on success factors for managing IT services in an outsourcing context. The characteristics of in-house IT service provision has not yet been in the center of academic interest. As such, little research is devoted to the question how organizational settings, processes and capabilities impact service delivery performance in case of in-house production. Addressing this gap, our paper focuses on the management of

IT service delivery at the interface between the internal service provider and service recipient posing the following research question: *What are the critical success factors for managing IT service delivery at the intersection between IT organization and business units?*

To approach this question, we analyzed the literature on IT service delivery and provider management. As a result of this analysis, we identified critical success factors for IT service delivery and integrated these into an initial research model. We then discussed these capabilities with experts in IT management and IT service providing. Based on these discussions, we created a revised version of the research framework and tested it in an exploratory study using a multiple case study approach. Case study data was analyzed using qualitative comparative analysis (QCA), which is expected “to contribute to theory building by providing a rigorous way to combine verbal statements with logical relationships” (Fiss, 2011, p. 1181).

The paper is structured as follows. Subsequent to the discussion of the main findings of the literature review, the research framework is presented. Next, the research methodology is explicated and the findings are laid out. The paper closes with a discussion of the findings and conclusions.

THEORETICAL BACKGROUND

A recent systematic review of existing research on IT service management reveals that research on ITSM is scarce and calls for further effort (Iden & Eikebrokk, 2013). Especially knowledge on the critical success factors of high performing ITSM is not yet well developed.

External Service Relationship: Outsourcing

Taking this literature review as a starting point for an explorative search for literature on critical success factors for managing IT service delivery, we found that the management of IT service delivery at the intersection between the delivering entity and the service

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