



Chapter VI

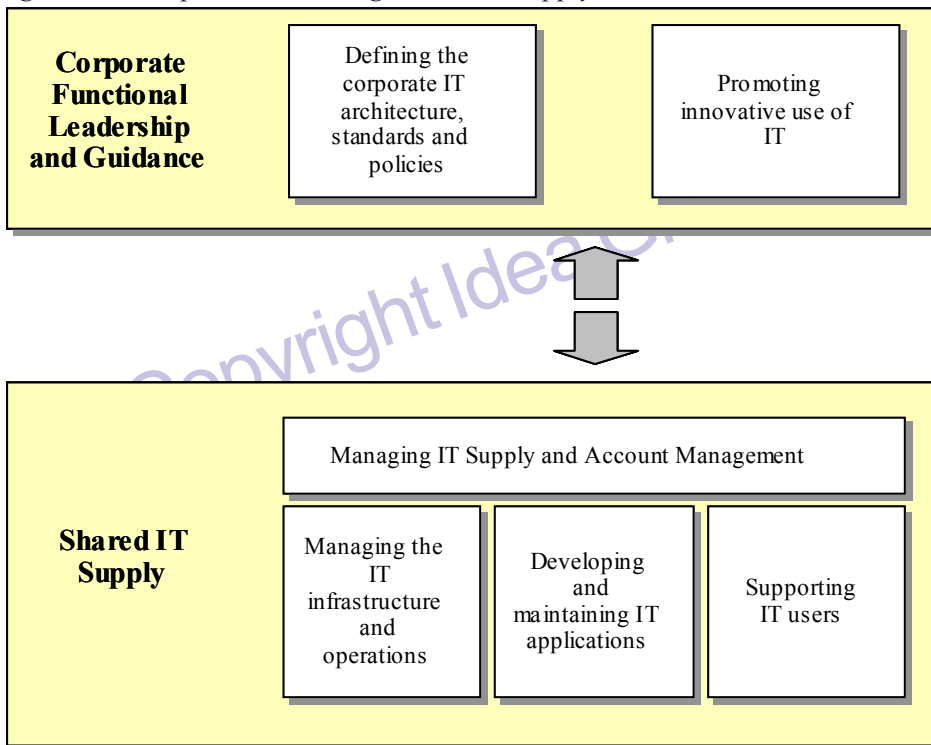
Measures of the Effectiveness and Efficiency of IT Supply

As discussed in Chapter 2, IT supply can be structured and organized in many different ways. IT supply activities can be positioned where business planning takes place (often in business units) or in shared service supply units. Three types of IT supply activities are distinguished:

- *Managing the IT infrastructure and operations* can take place at the business unit level, but because of the benefits of economies-of-scale and easier corporate control of architectural standardization and consistency, many organizations opt for sharing these activities. In that case, a central service unit or an outside IT supplier acts as service provider to the business units.
- *Developing, implementing, and maintaining IT applications* might also take place at the business level, or are performed by a central, shared service provider, or by outside suppliers, or by a mix of all three options. Although applications development might actually be executed at physically distributed locations close to the business (and future users), development and maintenance activities still can be managed centrally by a service provider.
- *Supporting IT users* can be performed either as a devolved activity to business units or as shared service provision.

The majority of companies, in both the U.S. and Europe, have adopted some kind of federal IT management structure. The federal IT management structure features devolved responsibility for IT to business units; the development of IT architectures for the business unit and derivation of business unit IT plans is an activity of each business unit. However, some form of corporate functional leadership for IT strategy and guidance of business units is held centralized to enable group-wide coherence in corporate information systems (e.g., financial reporting), data, computers, networks, operating software, etc. This is essential for internal coordination and communication within the corporation and, increasingly, with suppliers and customers. Corporate standards ensure this coherence and prevent

Figure 6.1: Corporate IT Management and Supply Activities



technology from becoming a constraint on organizational change. Also in this structure, the promotion of innovative use of IT and research into new, emerging technologies is often held centralized because of its corporate and strategic importance and benefits of economies-of-scale and -expertise. This federal IT management structure leads to six sets of interrelated, corporate IT management and supply activities, as depicted in Figure 6.1.

Both the functional leadership and guidance function, and the promotion of innovative use of IT, are regarded as IT management rather than IT supply activities; they are therefore not included in the further discussion.

The supply of shared, central IT services can be organized in different ways. In principle, companies choose from a range of six options, listed here in increasing order of competitiveness:

- in-house service unit, as a sole supplier and working only for the business, functioning as a cost center;
- in-house service unit, chartered to seek external business, functioning as a profit center;
- partnership with external service supplier;
- joint venture with external service supplier;
- in-house unit transferred to outsourcing supplier;
- all IT services purchased competitively from external suppliers.

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