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Resource-based approach to IT shared services in a manufacturing firm

Mark Goh NUS Business School, Singapore

Satya Prakash Solectron Corporation, Austin, Texas, USA, and

Roland Yeo

College of Industrial Management and Marketing, King Fahd University of Petroleum and Minerals, Dhahran, Saudi Arabia

Abstract

Purpose – Driven by cost reduction and improved quality of service, some firms have adopted shared services as a governance model to manage their staff functions. This paper seeks to explore this behavior using the resource-based view.

Design/methodology/approach – The case of an information technology (IT) unit of a multinational manufacturing firm is presented to provide insight into the issues involved when adopting and migrating an IT resource system to a shared services model. The analysis is extended using conceptual models of the relevant sub-systems developed through the soft systems methodology (SSM), using a set of root level definitions that are intended to express the transformation to a shared services model.

Findings – The results suggest that the major changes involved when transitioning to shared services are process and communication related. Aligning the team members and gaining their commitment are necessary for success.

Practical implications – The case analysis and SSM models provide some insight into the important issues to be considered when moving to a shared services model.

Originality/value – With the growing practice of shared services, it is important to understand how a shared services model fits successfully into the overall business strategy of the firm. This study will spawn further research into the evaluation and control techniques for the different types of IT capabilities under a shared services model.

Keywords Information technology-led strategy, Resource management, Case studies

Paper type Research paper

Introduction

An information technology (IT) governance model reflects the pattern of authority and responsibility for organizing the key IT functions in a firm. In multi-unit manufacturing firms, this responsibility is typically shared among corporate and regional IT teams, and teams based at the business units. Such models are classified, based on the alignment of authority and responsibility, as centralized, decentralized or federal types. Currently, there is a trend towards a federal mode of IT organization in large division-based firms (Brown, 1997). However, within the federal type of governance model, there are variations in practice given the changing nature of



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IT shared services

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