



Chapter IX

Reducing the Costs of Doing Business: Human Costs and Social Issues of IS/IT Strategies

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Abstract

One of management objectives when dealing with Web services (or related Internet strategies) is to cut business costs. Information systems (IS) literature has to date focussed primarily on research related to direct costs, that is, costs that occur in IS budgets (Bannister & Remenyi, 1999). IS research into strategic planning on the other hand has underestimated the expenditure of hidden costs as part of the adoption of new information technology systems within organisations. One of the difficulties regularly faced by IS investment planners is the identification, and thus management of, hidden indirect costs, for example, human indirect costs (Mohamed & Irani, 2002). This chapter addresses the increasing need to identify the “critical indirect human costs” associated with IS adoption as a fundamental part of the cost estimation of strategic planning when adopting IS. The research adopts an indirect human cost taxonomy proposed by Mohamed, Irani, and Baldwin (2002) associated with management, employee, finance, and maintenance divisions of an organisation.

To conclude the author argues that to aid strategic planning in an organisation and to use it to their competitive advantage, understanding and managing the critical indirect human costs incurred during the adoption of information technology systems is essential in supporting decision makers' effective management of these costs.

Introduction

One of management's main objectives when dealing with Web services (or related Internet strategies) is to cut business costs. Information systems (IS) literature has to date focussed primarily on research related to direct costs, that is, costs that occur in IS budgets (Bannister & Remenyi, 1999). IS research into strategic planning on the other hand has undervalued the expenditure of hidden costs as part of the adoption of new information technology systems within organisations. Remenyi and Williams (1996) define hidden costs to be those ambiguous costs that may occur in other departments as an outcome of the adoption of a new system. Direct costs are considered to be easy to identify and relatively simple to measure, while indirect costs are hidden and not easily measured—one of the difficulties that those planning IS investment face is the identification, and thus management, of hidden indirect costs (Mohamed & Irani, 2002).

A review of the normative literature of IS evaluation, with a general focus on IS costs, revealed that there is a pressing need for those adopting information systems to better identify the potential indirect costs associated with the adoption of IS. For example, Dier and Mooney (1994) note that indirect costs symbolise more than 80% of the total lifetime IT/IS project costs. Thus, organisations need to gain a better understanding of indirect cost implications and their potential sources. Indirect costs, however, are varied and numerous. Irani (2002) reports that indirect costs escalate out of control and are categorised as human and organisational.

This chapter focuses particularly on the indirect human costs associated with the adoption of information technology/systems in general and Web services in particular. It identifies the need to account for the soft components (e.g., human costs) as a fundamental part of the cost estimation of strategic planning when adopting IS. The identification of these indirect human costs may enable organisations to avoid some of the complications that they may meet when

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