Chapter XI

Implementation of the ASP Organizing Vision: The Role of Participation and Trust

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ABSTRACT

A new breed of IT service providers, termed Application Service Providers (ASPs), has emerged during the last several years. While the ASP paradigm is opening new options for strategic governance of organizational IT infrastructures, implementation of this model is fraught with several uncertainties. This chapter describes a particular type of uncertainty, termed the "know-what" uncertainty, that firms generally face as they implement any techno-organizational innovation, and discusses some specific know-what uncertainties associated with the client adoption of the ASP paradigm. The chapter then discusses the role that participation and trust (in the ASP organizing vision) play in mitigating the client-side know-what uncertainties during the course of adoption and implementation of this new IT governance model. The chapter also provides some recommendations for clients and vendors for making this new IT services paradigm a successful reality.

BACKGROUND

Fundamental changes in the way Information Technology (IT) and related business applications are owned, operated, and managed are being brought about by a rapidly emerging class of IT service providers, termed "Application Service Providers" (ASPs). ASPs, enabled by Internet technologies, are redefining the notion of "IT outsourcing" by altering the IT assets ownership and control equation. In this IT governance paradigm, business applications are rented/leased from ASPs on a recurring fee basis, and are run by individual and corporate users in a browser window on their desktops. The software application and the client data reside on ASP platforms and are accessed by customers through public and private computer networks (quite often the Internet).

The ASP governance model has been touted as providing several strategic advantages to the IT function and, thereby, to the overall enterprise. Some of the potential advantages of the ASP paradigm that can accrue to the IT function of an enterprise include: an accelerated speed of deployment of IT applications, seamless connectivity and integration among diverse business partners through shared Web-based applications, scalability of IT infrastructure, and a lower and predictable total cost of ownership ("e-Sourcing the corporation: Harnessing the power of web-based application service providers," 2000). These advantages, indeed, have the potential to allow an enterprise to refocus on firm competencies and to provide flexibility in acquiring new business capabilities (*Application Service Providers (ASP)*, 1999).

However, the ASP governance model does not come without its share of challenges and risks. The fact that client data resides on ASP-owned servers poses new threats pertaining to data security and privacy. Software applications are operated and managed by ASP vendors, generally, as "packaged solutions" for multiple clients, because that is precisely what the ASP model provides for a one-to-many relationship. However, in such a scenario, there are risks of getting "locked in" with older versions of "vanilla" applications. Because the "value network" in the ASP model is quite complex, aggregating products and services from a number of vendors—including telecommunications and network providers, hardware vendors, application vendors, software tools vendors, service firms, and distributors and resellers (Gillan et al., 1999)—the overall quality of service to clients may be an important concern that needs to be fully addressed prior to adoption of this governance model. Finally, the financial viability of specific ASP vendors in the current financial climate, especially after the dot.com bust that started last year, is a matter of immense concern to potential adopters.

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