

# Chapter 6.14

## Managing Information Technology Component of Knowledge Management: Outsourcing as a Strategic Option in Developing Countries

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### **ABSTRACT**

*Information technology and social-cultural, organizational variables are considered major components to support knowledge processes in knowledge management. These components have to be carefully managed and be supported in balanced proportion for organization to create and retain greater value from their core competencies. The peculiar situation of developing countries, where there is lack of adequate information technology infrastructure, emphasizes the importance of strategic management of organizational information technology. Using a case study, we discuss the possibility of outsourcing the man-*

*agement of the information technology in order to have more focus on the other components in knowledge management.*

### **INTRODUCTION**

Knowledge management (KM) could be defined as the ability to create and retain greater value from core business competencies (Duffy, 2000; Bhatt, 2001; CIO, 2000). IT is one of the enablers of knowledge management. Its availability, management, and right application could increase the success rate of knowledge management efforts of organizations. Due to lack of human resources

with required skills and lack of adequate IT infrastructure (ITI) in sub-Saharan Africa, IT outsourcing could be a better approach to IT management for an organization considering KM. In this chapter, we present part of the outcome of an empirical research and an in-depth analysis of a case organization where IT outsourcing seems to contribute to a high performance in knowledge management efforts. We suggest that organizations in sub-Saharan Africa that are considering knowledge management could look at the possibility of outsourcing the management of the information technology component in order to have more focus on the other enablers of KM.

Information technology is one of the enablers of knowledge management and its management could have a great effect on the knowledge management efforts of organizations. IT management in sub-Saharan Africa is posing problems to some organizational activities in the face of low resources and expertise (Odedra et al. 1993; Moyo, 1996). Outsourcing IT has attracted a lot of attention in IT literature (e.g., Lacity and Hirschheim 1993; McFarlan and Nolan, 1995; Hirschheim and Lacity 2000). It could allow organization to focus more on development efforts such as reengineering process, just-in-time, total quality management, benchmarking, etc. For these reasons, IT outsourcing has become very popular. There is much evidence of its success after the understanding of the problems associated with earlier agreements (Shepherd, 1999). Firms focus on their core capabilities to have competitive advantage especially in today's dynamic, volatile business environment. When a firm focuses on core businesses that add unique value to its customers, it may outsource activities for which it lacks core capabilities (Quinn and Hilmer, 1994).

In our empirical study of six research organizations on ITI and KM in sub-Saharan Africa, two organizations presented exceptions to our assumption that organizations with high ITI capability are also likely to have effective knowledge management. In one organization,

high level of IT infrastructure capability was not accompanied by high KM efforts while in another research institute, there were high KM efforts at instance of low IT infrastructure capability. Upon closer inspection of the later, the IT outsourcing strategy of the organizations with low ITI seems to be responsible for the high performance in knowledge management activities. Could the IT outsourcing strategy directly relate to the performance in KM efforts? We examine KM from core competence perspective and argue about the difference between the strategic and operational view of organizational IT. We illustrated this with a case organization upon which we will draw our conclusions and suggestions for further studies.

## **IT OUTSOURCING**

Outsourcing is the transfer or delegation of the operation and day-to-day management of a business process to an external service provider. IT outsourcing can be regarded as the practice of transferring IT assets, leases, staff, and management responsibility for delivery of services from internal IT functions to third-party (Hirschheim and Lacity, 2000). According to Hitt et al. (1999), outsourcing is a strategic concept, a way to add value to the business that converts an in-house cost center into a result oriented service operation. The motivation for IT outsourcing is widely discussed in the literature. Shepherd (1999) provides a summary where he included financial restructuring, reduction or stabilization of costs, overcoming cultural and organizational problems, concentrating on core competencies, access to world class expertise, concern with economies of scale and scope, and possibly growth expectation. Generally, virtually all organizations are seeking the strategic value that can be captured through effective outsourcing.

IT outsourcing evolved from the early 1960s data processing service bureau to the contract programming approach of 1970s. The 1980s

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