

AN ETHNOGRAPHIC STUDY OF SLA ENACTMENT

Complete Research

Stern, Andrea, University of Sydney, NSW, Australia, andrea.stern@sydney.edu.au

Davis, Joseph, University of Sydney, NSW, Australia, joseph.davis@sydney.edu.au

Abstract

Service level agreements (SLAs) for complex IT-intensive business-to-business (CITI-B2B) services are high-level representations of services to be enacted, with predominantly quantifiable performance targets. Inevitably, there is a gap between this representation and the nuanced practices of enactment adapting to emergent conditions over time. Overarching terms in the master agreement anticipate this gap; however, the nature of practices that manage that gap is not well understood. This study aims to develop a deeper understanding of these everyday practices to identify potential areas for improving value realisation in SLA enactment. We conducted a long-term ethnographic study of the enactment of an SLA by a global IT provider and global financial services company, framed by relational theory of contract. Our analysis showed the gap was bridged by a cycle of enactment in which emergent conditions triggered relational interactions among participants, culminating in decisions to adapt the terms of the SLA in pursuit of value realisation. Further, our analysis showed that this cycle is enabled by informal mechanisms of learning, negotiating, and adapting that we refer to collectively as relational capability, which is amenable to representation. Exploiting this capability and the information produced during the cycle of enactment could enable the transformation of SLAs as evolving learning instruments.

Keywords: Outsourcing, service level agreements, cycle of enactment, relational capability, ethnography

1 Introduction

The global market for contracting complex, IT-intensive business-to-business (CITi-B2B) services (such as application hosting, applications maintenance, Desktop Support, Help Desk and multi-sourcing integration) is estimated at nearly \$918 billion (Karamouzis and Rold, 2014). These services are characterised by large-scale multi-year contracts, customisation, and inter-dependencies with other IT service providers in a multi-sourcing context often involving the delivery of services from and to multiple locations globally across multiple time zones. Fundamental to the governance and management of these CITI-B2B services are contracts which typically consist of a master agreement and a series of attached schedules which include separate SLAs for each service. The master agreement contains overarching clauses that require the provider to always act in the best interests of the customer and to perform functions implicit in the contract in order to maintain “business as usual” (BAU).

Enacting service level agreements (SLAs) presents two particular challenges in CITi-B2B services. First, SLAs, although detailed, are high-level contractual representations of what is to happen and cannot therefore encompass the diversity of events that unfold over time during the course of their enactment. Nor can they account for ambiguities and assumptions which inevitably affect enactment (Harmon et al., 2006). Second, the performance measures in SLAs are generally restricted to what is quantifiable and are therefore unable to account for many of the nuances of adapting to emergent conditions in practice. Inevitably, there is a gap between what is contractually represented and what actually transpires in order to maintain BAU. While master agreements anticipate this to some extent through the inclusion of overarching terms and conditions, the gap nevertheless, is poorly understood.

Little research has attempted to understand the practices of CITi-B2B SLA enactment, or the potential for improving the value generated by those practices (Blomberg, 2008, Stucky et al., 2011).

Our project addresses this research opportunity by developing a rich understanding of that enactment and identifying and unpacking some of the under-represented patterns of practice which contribute to value generation. By exposing these practices, we argue, they become amenable to representation, improvement, and innovation thus better reflecting the multi-faceted generation of value in CITi-B2B settings and contributing to opportunities for value realisation in the growing CITi-B2B services market.

In the following sections of this paper, we describe characteristics of service systems in general and IT-intensive services in particular, as well as current writing on SLAs, our theoretical perspective and our ethnographic methodology and setting. We describe our findings that indicate that the gap is managed by a cycle of enactment, characterised by emergent conditions triggering relational interactions among participants often culminating in decisions to adapt the terms of the SLA in order to achieve BAU. We then show that the cycle is largely enabled by informal mechanisms that are systematically used to generate value, are embedded in relations, but are invisible in the record. For these mechanisms collectively we introduce the concept of “relational capability”. Finally we discuss the implications of underrepresentation of the cycle of enactment and relational capability and suggest future work and list our contributions.

2 A composite representation of a service system

To develop a more expansive view of SLA enactment, incorporating reference points not explicitly recognised in the SLAs, we needed a representation of service systems that could reflect the day-to-day practices of participants at a relatively low level of granularity. Drawing on management, economics, marketing, and service science literature (Normann and Ramirez, 1998, Gadrey, 2002, Vargo and Lusch, 2004, Maglio et al., 2009), we integrated reference points from definitions of service systems to formulate a composite representation. In this, we represent a service system as a system of recurring provider and customer interactions and interventions which dynamically configure heterogeneous resources in emergent conditions to co-create value by transforming an entity to a state agreed in a value proposition. This is shown graphically in Figure 1 below.

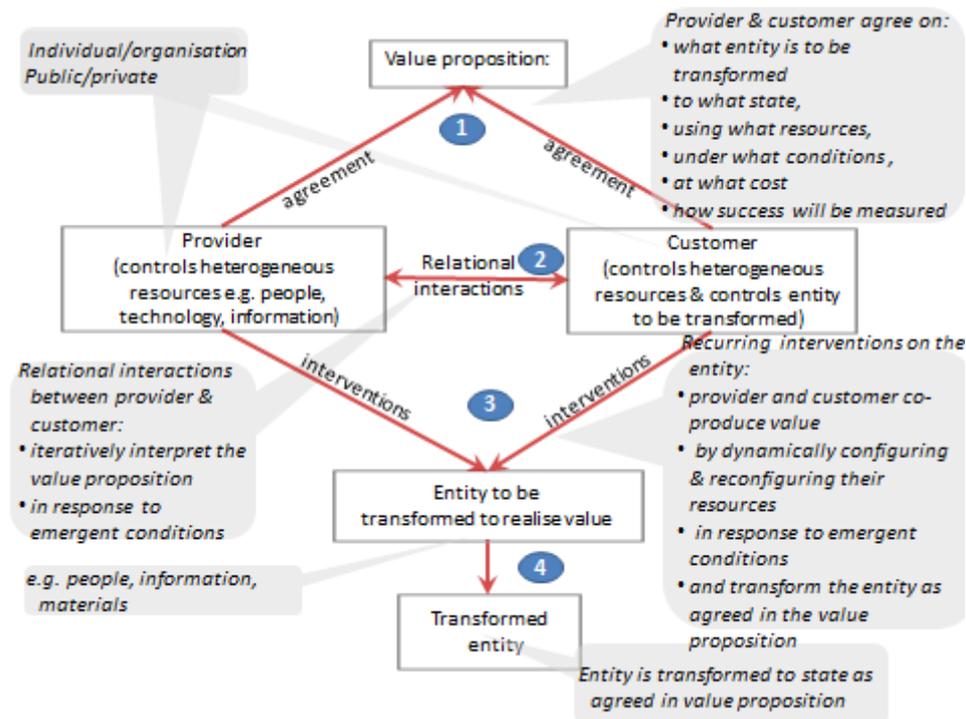


Figure 1. A composite representation of a service system

The value proposition (1) is negotiated and agreed between the provider and customer about: what entity is to be transformed, to what state, using what resources, under what conditions, at what cost, how success will be measured. The provider and customer co-create value through relational interactions (2) which interpret the value proposition in emergent conditions. The provider and customer co-create value (3) by dynamically configuring their resources (e.g. people, information in electronic form, materials) and by intervening on the entity to transform it to the state agreed in the value proposition. The entity is transformed (4) to a state as agreed in the value proposition and value is realised.

We describe an IT-intensive service system as one which is largely reliant on IT for the interventions and transformations of the system and in which the entity to be transformed is generally codified information in electronic form.

3 Complex IT-intensive business-to-business service systems

Previous research related to CITi-B2B services engagements has principally focused on application development; outsourcing strategy; success factors and risks; and relationship management (Lacity et al., 2009). To a somewhat lesser extent, it has addressed IT governance, service management and SLAs (Iden and Eikebrokk, 2013). Blaskovich and Mintchik (2011) showed that the three primary sources of theory were economics, strategy and sociology in that order and the most popular method or research was interview and/or case studies, while large-scale surveys were the second most common. The limitations of these research methods however, they concluded, were that they were primarily used to investigate perceptions of IT executives, overlooking the perspectives of stakeholders in other areas or at other levels.

A hallmark of outsourcing literature on the governance of contracts is the view that governance can be either contractual or relational. Contractual governance refers to the written terms of the contact while relational governance covers the softer issues of managing client-supplier relationships including trust, communication, sharing and cooperation Lacity et al. (2009). The relationship between these two no-

tionally separate forms of governance is typically characterised as one of substitutes or complements (Poppo and Zenger, 2002). IT outsourcing literature has focused on the complementary nature of the two and how to exploit this interdependence to influence outsourcing success (Goles and Chin, 2005, Goo et al., 2009b, Poppo and Zenger, 2002, Stucky et al., 2010, Kern and Willcocks, 2002). Goo et al. (2009a) argue, for example, that the quality of certain features of the SLA positively impacts the quality of the supplier/customer relationship. For Srivastava and Teo (2012), the relational aspect is a safeguard for failures in conditions of complexity and uncertainty.

The term “relationship” in these works aggregates activities of multiple participants and focuses mainly on developing and managing the relationship between provider and customer at the executive and managerial levels, rather than the on the complexity of value creation processes and the variety of interactions contained therein (Blois, 2002). Research on CITi-B2B services to date has not focused on understanding relations as “micro interpersonal linkages” (Whetten, cited in Blois, 2002) as an integral part of the day-to-day exigencies and adaptations in the context of practice.

4 Service level agreements

The master agreement defines the overall terms and conditions of the contract, such as mutual obligations, relationship roles and responsibilities, governance roles, reporting and payment. To some degree, master agreements anticipate the challenges of the inevitable gap between contractual representation and actual practice with “catch all” clauses requiring the provider to always act in the best interests of the customer to maintain BAU. Informally, these are sometimes referred to as “sweep” clauses. Each SLA then contains a description of the service, quantifiable performance targets to be met in its enactment, mutual obligations, requirements, expectations, scope, levels of service, pricing, incentives, and penalties (Cullen and Willcocks, 2003). For example, the terms of an SLA for applications hosting might include a description of that service along with metrics by which the customer can monitor the extent to which the provider’s performance complies with the agreement. The metrics would include agreed targets for: the percentage of time the service is available during its hours of operation; its level of reliability; support response times; problem resolution times; transaction response times; and the number of transactions handled within a specified period. The SLA would also include reporting and disaster recovery procedures, specifications of charges, penalties and incentives and the signatories to the agreement. SLAs are pivotal in IT service management and governance. For the customer, IT governance monitors the performance of services against the terms of the SLA in order to mitigate risk to their IT investment’s alignment with corporate strategy. For the provider, IT service management frameworks measure the outcome of their processes against the SLA.

Previous work on SLAs for CITi-B2B services delivery includes: developing normative frameworks for SLA construction based on IT service management frameworks such as ITIL (Van Bon et al., 2007); case studies and surveys of outsourced IT-centric services in dyadic relationships highlighting the importance of the provider-client relationship to overall success of a service (Goles and Chin, 2005, Kern and Willcocks, 2002); the role of the SLA in shaping relationships in outsourced services (Goo et al., 2009b) and negotiating shared meaning in SLA compliance reporting (Blomberg, 2008). While SLAs are clearly not intended to fully represent the enactment of a service, it is also acknowledged that appropriate mechanisms for constructing effective SLAs are still poorly understood (Goo et al., 2008).

5 Theoretical perspective

Macneil’s (Macneil, 1980) relational theory of contract adds a theoretical perspective (Walsham, 2006) to the conceptualisation of a composite representation of a service system which we developed in section 2 above. Macneil disputes the classical view of a contract as a discrete and static entity representing the meeting of minds with a view to creating a set of promises, with precise measurements of easily measured objects whose non-performance is remediated with penalties (Macneil, 1980, pp. 10-35). In his view, the failure of classical contract law to account for the predominantly social or

relational properties of contracts produces incoherence, empirical irrelevance, and explanatory failures (Campbell, 2001 pp.5-6). Empirical evidence, he argues, shows that contracts as enacted are complex, emergent, and context-dependent phenomena. They include measurable, non-measurable and un-measured qualities, multiple and differing stakeholder interests; anticipate future cooperative behaviour and problems; share risk; limit binding; and may involve friendship, reputation, interdependence, ethics and problems (Macneil, 2001, pp. 125-199). His relational theory of contract therefore, defines contracts as “relations among parties to the process of projecting exchange into the future” (Macneil, 1980, p.36). Contracts are inherently relational and emergent, he maintains; a gap between the contract as an abstraction and its enactment is inevitable, and adaptations which manage that gap are socially influenced and integral to contract enactment (Campbell, 2001 pp.224-225). Drawing on the fields of law, anthropology, economics and sociology, the theory is now broadly accepted in legal scholarship and practice (Campbell, 2001 p.9). Critics have argued (Spriggs and Gundlach, 1996) that Macneil’s theory is difficult to translate into empirical measures and testable hypotheses and that outside legal scholarship, in marketing in particular, it has typically been operationalised on only one dimension of the taxonomy.

6 Methodology and setting

We chose ethnography to give us a detailed understanding of the practices of enactment of an SLA because it seeks to understand everyday events in context over time from multiple participants’ perspectives (Geertz, 1988, p.90). This fitted well with our micro-level representation of a service system and the perspective of relational theory of contract. Ethnography is increasingly used in organisations to focus on qualitative aspects of behaviour in work practices, yielding insights from which both theoretical and practical outcomes may be derived (Myers, 1999). The use of ethnography particularly in information systems research as a means of breaking down and understanding a complex phenomenon in practice is well established (Zuboff, 1988, Myers, 1999, Orlikowski, 2002, Suchman, 1987). Previous ethnographic research on IT related problems has highlighted the contrast between a canonical view of organisational processes and systems that implement them (e.g. plans and operating manuals), and the actual processes, human interactions and interventions needed to provide continuity of work in practice (Blomberg, 2008, Orr, 1996, Suchman, 1987), generating fresh insights and contributing to the design of improved processes and technologies.

Over a nine-month period, the first author performed an ethnographic study of SLA enactment on site in a CITi-B2B services environment. SERVit, a multinational IT services organisation, provided server hosting, service integration, Help Desk, end-user computing and project services in a multi-sourced environment for its customer FINserv, a global financial organisation. SLAs were jointly formulated by the global headquarters of the organisations and services were delivered and supported in a global and regional matrix. We chose this site because of its scale and complexity, and because it was an unusual opportunity (although gaining approval and entry took over two years). Our particular focus among these services was the end-user computing service (EUCS). This service supported (on-site and remotely) FINserv’s end-user computing (EUC) environment. The components of this environment included desktop computers, laptops, printers, mobile devices, local area networks, and servers for email, directory, print and file services; as well as applications for access, authorisation, office management/productivity, email, notes management, messaging and filesharing. Table 1 below shows an example of an instance of the EUCS in enactment in terms of our composite service system representation shown in Figure 1 above; the numbers in parentheses in Table 1 refer to the numbered elements in Figure 1.

Element of service system representation	Example
Value proposition (1)	SERVit to maintain the state of the EUC environment as per performance metrics and targets, with FINserv's cooperation, in exchange for payment
Entity to be transformed (4)	State of the EUC environment
Provider (2)	Participant(s) from SERVit
Customer (2)	Participant(s) from FINserv
Relational interactions (2)	Request to fix a problem in login access to the EUC environment, response to the request, further questions from provider to diagnose the problem and answers from customer.
Interventions (3)	SERVit participant resets EUCS login, FINserv participant attempts to resets password (the participants are one form of resources configured here)
Resources configured (3)	Technology such as remote Desktop Support, time, skills, information
Emergent conditions	Reset doesn't work, SERVit participant does further diagnosis and finds a hardware error , for which the terms of the SLA say the turnaround time is 4 days
Relational interactions (2)	Participants negotiate how to work around the delay
Adaptive interventions and resources reconfigured (3)	SERVit participant decides to raise the priority of the hardware fix in the Help Desk queue.
Transformed entity (4)	state of the EUC environment is operational

Table 1. An instance of EUCS enactment in terms of the composite service system representation.

During our nine months on site, we followed the trail of enactment of a service from multiple perspectives through detailed and contextualised observation as well as extensive interactions with both customer and provider participants, we uncovered unwritten and often unspoken rules and assumptions that revealed aspects of how they managed the gap. Immersed in the site on a daily basis, we observed many of the interactions among the participants (executive, managerial, operational, technical and administrative) and through interviews and conversations, gathered first-hand accounts from them of events that unfolded as services were enacted. We observed interactions between provider and customer, between provider and co-providers, between the provider and its providers as well as interactions within each of these groups on the site. These interactions were of formal and informal conversations, (face to face, phone, email, instant messaging and meetings), and exchanges documented in various management tools such as the help desk, incident and problem management systems, individual and shared spreadsheets and other information repositories During the course of the study we recorded observations, conversations, interviews, reflections, memories, and commentaries (in the form of recordings and transcripts (48), field notes (81) and journal notes (56) as the foundation for the analysis and interpretation that became the ethnographic text describing the relational interactions, negotiations and adaptations of enactment.

Collecting and analysing data were iterative and dialectic (Hammersley and Atkinson, 1995). We recorded our initial analytical comments in marginal notes (traditionally called headnotes). A novel interpretation or linked themes across a series of headnotes for example would prompt expansion into an analytical memo. Our analytical memos contained emerging themes and conceptual speculations, reflections and questions. In turn, these memos deepened our inquiry into the basis for those constructs in the field and refined our research focus, just as our growing understanding of context also refined it by shifting attention to the EUCS specifically. Qualitative data analysis software helped us increase the effectiveness and efficiency of data management and the preliminary coding and analysis of data (Chambers, 2003). It should be noted that the software was not used purely as a coding tool; it facili-

tated complex iterative data analysis and interrogation (Bazeley, 2007). This allowed us to modify constructs as the account unfolded and analysis proceeded.

7 Findings: the cycle of enactment and relational capability

From uncovering such unwritten and often unspoken rules and assumptions we reframe our understanding of SLA enactment in two ways. Firstly we describe the characteristics of what we call the “cycle of enactment” to explain how it manages the gap between the terms of the SLA and achieving BAU. Then we argue that the cycle is largely enabled by informal mechanisms that are systematically used to generate value, are embedded in relations, but are invisible in the record. For these mechanisms collectively we introduce the concept of “relational capability”. Finally we argue that the invisibility of relational capability in the record constrains its discovery, representation, refinement and innovation, thus losing opportunities for increasing value generated in enactment, particularly in the context of a multi-vendor web

7.1 The Cycle of Enactment

The cycle of enactment we identified from our data was characterised by: relational interactions triggered by emergent conditions, informal knowledge sharing, negotiated decision-making and adapting the terms of the SLA through interventions. We refer to it as a cycle as the events in it were regularly repeated, in the same order. These practices of the cycle of enactment are generally unacknowledged and unmeasured. To help reframe our understanding of enactment we discuss each of the characteristics in turn with excerpts from observations, interviews and conversations.

7.1.1 Emergent conditions

The conditions that precipitated relations that led to adaptations for the most part fall into three broad categories: the need to manage the SLA/BAU gap, the desire to invest in relationships for future effectiveness and the demands of the complexity of the multi-vendor web. The following illustrates this last category.

A bridge is a conference call involving an ad-hoc team of typically up to ten technical specialists from five or six of FINserv’s technology service providers (e.g. network, server and applications providers), across multiple regions. In the event of a high severity failure, SERVit assembles a bridge as part of its Systems Integration service to resolve the problem and restore BAU. Participants in the bridge come from providers whose services may be a cause of the failure or whose services it may impact and membership of the team varies depending on the nature of the problem. Bridges cross the multiple domains of control of organisations, departments and regions, bringing together the expertise from these domains relevant to restore services. Members may also represent providers who, outside their collaboration on this account, are in commercial competition. The complexity and uncertainty of a high severity failure in these conditions mean that rather than being a standardised procedure, problem resolution is highly dependent on the relational skills of the team. Sunil, a specialist from one of the providers, explains it this way:

Every interaction on the bridge has a dollar value; they need to have listening skills and business knowledge. If their relational skills are not good, as sometimes is the case, this impacts the metrics even though that impact is not identified and measured directly. These skills are not recognised and developed as they should be, and that is a risk.

7.1.2 The nature of relations

Relations played an important part in generating adaptive interventions to fulfil the terms of the contract. From the operational level to the executive level, regionally and globally, networks of relations among FINserv and SERVit staff were characteristically pervasive, persistent, personal and seen as vital to achieving BAU.

SERVit desktop support staff was renowned for being able to understand FINserv's business and exercise judgment as regards when to deviate from the SLA. A number of them had received informal awards for such practices. Gary, for instance, contended:

SLAs are guidance, black and white but it is about how you react when things come to you. You don't really look at the SLAs all the time ... we just try to provide top service. I've been asked by team members why I have jumped the SLA. I say it is just my personal style. If I can do something I will do it, I won't really consider the SLA and if I can't do it I try to negotiate. I go back to the client and explain, negotiate. Fifty percent of our work is relating to people and doing workarounds.

The embeddedness of this in the practice of the Desktop Support team shows in Naz's description of his work:

Every person on the desktop team does two things – maintains relations with the business customer and provides technical support. Nearly half our calls are relational calls, the remainder are technical calls...we need to constantly make judgements in changing circumstances with different people; therefore we have to understand the customer's business – FINserv's processes and policies, and the contract too. This understanding enables relationships to flourish and that helps us solve problems.

7.1.3 The role of personal informal knowledge

Gathering and sharing informal knowledge, seen at its most prolific amongst members of the Help Desk, contextualised decision making, strengthened relationship networks and enabled SERVit to contribute to FINserv's processes.

At the ServIT Helpdesk, we listened in on the consultants taking calls, diagnosing, and fixing problems and observed them recording the information in databases. Help Desk consultants recorded information from a variety of sources, in eight diverse and unintegrated types of knowledge bases ranging from personal notes, spread sheets and indexes to the incident management database and organisational wiki. Some were official, others informal; some shared, some personal. Much of the information was collected for purposes beyond the consultants' stated job responsibilities. Vicky, for example monitored the progress of critical incidents as a way of learning how to anticipate and prevent them and she often sent out information to help others anticipate problems. Pia inherited a digest of problems and solutions from her predecessor, which she has shared with the other Help Desk consultants, to help them diagnose and resolve issues. Far from being merely of current value or held in a repository, this information was also the basis for informal reciprocal information-sharing networks. These networks are important, according to Jeremy:

It took me two years to establish my network, and it is not restricted to this region. It involved getting to know people personally, being referred and introduced by others and being able to reciprocate with those who helped me.

Because the Help Desk serves multiple regions and languages, they also recorded and shared their intercultural learning including, for example, guidelines on culturally appropriate questioning styles for different language groups. Louise pointed out the importance of this kind of work and the lack of acknowledgement in formal documents:

People up high don't get it because even though SERVit is multicultural, people at that level adapt to being in a global environment, not a multicultural environment, but we consultants have to adapt to a number of different local cultures as service providers and yet this is not among the skills tested for in hiring and training the Help Desk consultants.

7.1.4 Adaptations

Nominally, the SLA determined the nature, timing and extent of interventions on the entity to be transformed. However, as an abstract set of rules, an SLA cannot encompass all contingencies of enactment. Participants therefore negotiated and adapted the nature, timing or extent of an intervention based on their understanding of what was needed to achieve BAU in any particular circumstance. Since the EUCS provided the gateway to all other services, in most cases the entity to be transformed

was the state of connectivity of the desktop or mobile device, and the adaptation to the intervention was to escalate the priority of the intervention in the desktop queue and re-negotiate the timing of existing requests. In other cases, the adaptations consisted of inserting out-of-scope interventions into the queue: training customers or documenting customer processes, for example.

Gary tells us about Julie, a FINserv staff member who transferred to the FINserv from another region while continuing her role. Expecting to be able to work immediately, she asked for her laptop to be connected to the local network. According to the SLA however, this fell into the category of an EUC install, for which the resolution time is ten days. That made no sense to Gary in Julie's circumstances since she was unable to work without being connected. As the task would be neither lengthy nor difficult, he raised the priority of the request in the Help Desk queue and the connection was done that day. He explained to us:

It made no sense to me to treat this as a laptop installation for a new staff member. She was a FINserv staff member needing ongoing access to the EUCS, regardless of location, so that she could continue her work. It was a question balancing the terms of the SLA with serving FINserv's business interests and building relationships that serve both FINserv and SERVit's interests

7.1.5 Acknowledgement and measurement

Absence of acknowledgement or measurement of work done outside the scope of the SLA was a common theme in these stories. Estimates of the extent of work done outside the SLA to sustain BAU ranged from fifty to seventy-five percent. Not only was this work absent from the SLA, it was also unrecognised in job descriptions (for example, the deep understanding of FINserv's business needed in Desktop Services), training (for example, multicultural capability in the Help Desk) and evaluations (for example, the quality of relational skills as a risk factor in meeting bridge metrics). Typically, participants saw the problem of recognition and measurement of this work as intractable: Mel, for example asked how it would be possible to measure the impact of kindness and helpfulness on business value. Nevertheless, while formal acknowledgement and measurement of this work was largely absent, the work was clearly sanctioned and some informal mechanisms of acknowledgement, such as the informal awards even existed. An interesting implicit recognition of this work came when SERVit lost the Desktop Support contract to FixIT. Despite FixIT's position that Desktop Support processes were generic and that personally developed idiosyncratic processes were variations to be eliminated, they hired three of the five Desktop staff from SERVit. This was done for the explicit purpose of gaining, their detailed knowledge of one hundred and twenty FINserv staff, not to mention their deep understanding of the business.

What stands out from our observations and narratives is that actual terms of enactment included broad acceptance of the need to adapt the terms of the SLA to changing circumstances and reliance on relations and informal sharing of personal knowledge in negotiating decisions about adaptations. Generally speaking, these practices were not formally acknowledged, measured or developed.

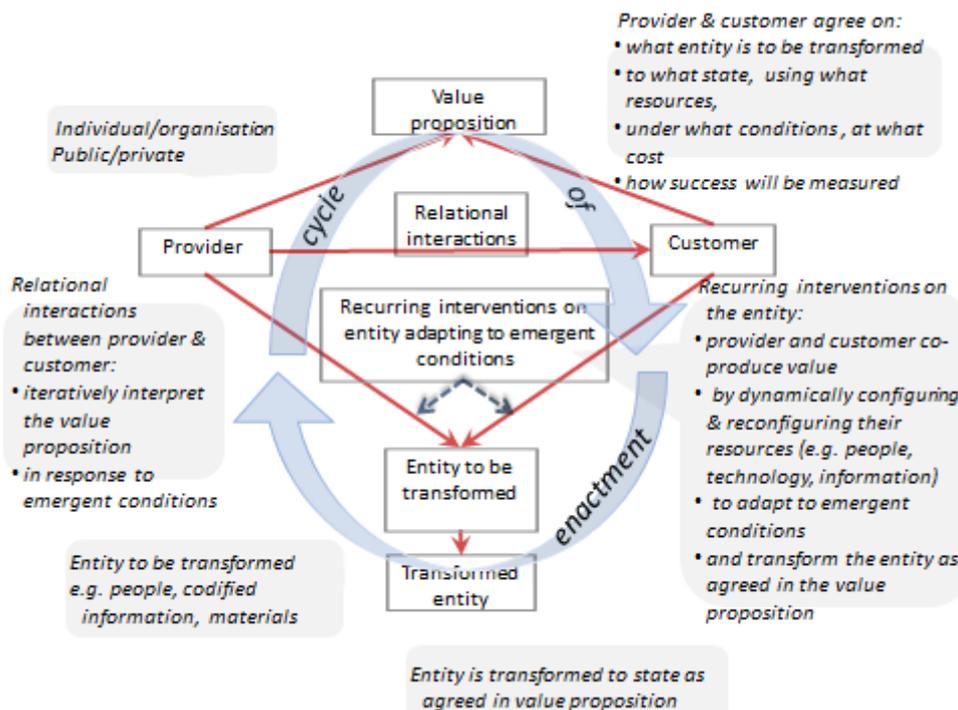


Figure 2. The cycle of enactment

7.2 Relational Capability

This analysis of the characteristics of the cycle of enactment highlights three informal mechanisms in particular that enabled that cycle to be effective in achieving BAU. They are: developing contextual understanding (learning), negotiating decisions, and adapting to emergent conditions. These are neither trivial nor ad hoc, as we have shown. Their processes, although invisible in the record, are anticipated, well understood, routinely recurring, systematic and sanctioned. They depend on: a complex set of skills and knowledge; self-directed experiential learning and effective decision making; in all of these relations are imbedded. An important step in understanding this is to challenge the widely held view that we can treat relations-based work and SLA enactment separately.

7.2.1 Inseparability of Relations

The complex network of relations among desktop staff, relationship managers, business analysts and vice presidents that spanned both organisations was intrinsic to the work of enacting the EUCS SLA. For Tony, the global head of FINServ’s governance relations were central to his role, he declared that ninety percent of his job was relational. The critical role in managing the complexity of mission-critical bridges underscores the centrality and significance of the role of relations in achieving desired outcomes. This embeddedness of relations in the work of enactment stands in contrast to the relational/contractual dichotomy presented in outsourcing and other literature concerned with the governance of contracts discussed in section 3 above. By following relational interactions at the operational level, we have highlighted the inseparability of relations from the mechanisms of learning, negotiating decisions and adapting that drive the cycle of enactment. This we call “relational capability”.

7.2.2 Enabling Mechanisms as Relational Capability

The term capability is variously characterised in organisational literature as: complex social patterns of coordination between people and between people and other resources (Grant, 1991); a set of business processes strategically understood (Stalk et al., 1992); the ability to produce value amenable to improvement (Curtis et al., 2009); potential which is realised in action to deliver business value

(Michell, 2011). For Teece and Pisano (1994) the term capabilities encompasses adapting, integrating, and negotiating the re-configuring of resources in a changing environment, which by their nature cannot easily be sourced externally. In this inimitability lies their potential as a source of business value (Pfeffer, 1995), as we saw in FixIT's acquiring capability specific to its new customer, FINserv, by hiring Naz and Suganda. In sum, capability is socially created, strategic, adaptive, amenable to refinement and capable of generating business value.

A common theme in discussion of capability in organisations is the important contribution of learning to building capability and the socially situated nature of that learning (Brown and Duguid, 2001). Levitt and March (1988) describe organisational learning as encompassing learning from direct experience, interpreting experience and recording, conserving and retrieving experience. The knowledge generated by such activity resides in new patterns of activity (routines) that represent successful solutions to particular problems (Teece and Pisano, 1994). These routines adapt to experience incrementally in response to feedback about outcomes (Levitt and March, 1988). Brown and Duguid (2001) argue that because learning is situated in practice, which is pre-eminently adaptive, it creates knowledge continuously, which in turn can be exploited for improvement or explored for innovation (March, 1991). Since these descriptions of the processes of organisational learning closely match those we observed, for example, in the Help Desk, we assume that capability is being developed in the cycle of enactment. Joint contributions to the understanding of complex problems, as in bridges, are also a rich source of organisational learning and capability development (Teece and Pisano, 1994).

Learning, negotiating and adapting are components of capability development. Common to them all, in our narrative, was a relational dimension which enabled their functioning. We draw from this the concept of relational capability whose components are: relationally embedded learning, negotiation and adapting. Our work shows that this capability is important to achieving BAU. It is a capability that drives enactment of the SLA and operationalises the "best interest" and "sweep" clauses of the contract in their requirement that the provider to be adaptable to changing conditions in ways that are not codified. The norms that underlie these overarching clauses are the guide; relational capability makes them work. Relational capability is a source of the resilience needed manage the uncertainty of a complex environment and is central to enactment. It is however largely unavailable for improvement or exploitation because it is silent in the record.

8 Implications and future work

8.1 Exploiting relational capability

From different perspectives, Macneil (1980) and Suchman (2007) each argue that a codification of conditions of enactment (for example, a contract or a plan) can neither capture all contingencies nor understand and adapt to emergent conditions, as humans can. This means that there will always be a gap at some level of complexity to be filled by human intervention and hence a role for relational capability. This capability can be formally expressed, monitored, measured and evaluated (Michell, 2011, Merrifield et al., 2008), by extending existing research related to developing and innovating in organisational capabilities.

8.2 Feedback mechanisms

Neither the cycle of enactment nor relational capability are represented in the outsourcing canon. The implications of this are that information need for their costing, representation, analysis, refinement, and innovation is unavailable, thus missing opportunities for increasing value creation in enactment. The development of formalised models of the cycle of enactment which can be refined through analysis of actual enactment could provide this information. For example, much of the "invisible" work we identified was likely to be at the provider's expense (such as helping customers understand their processes) and presumably, this is factored in to contract costing. More information on the nature of that work may mean more effective costing.

Data capturing and analytical tools could be developed to give feedback from the enactment of a CITI-B2B service which could be used to inform the design of SLAs that can better reflect the value generated in enactment. Currently, SLAs are designed in the sales domain and enacted in operational domains, but the SLA-related knowledge of sales practitioners and of operational service delivery staff comes from very different communities (Brown and Duguid, 2001). Bridging that gap would be an important consideration. The information could also provide valuable feedback for the processes of governance, service management and relationship management.

8.3 Knowledge creation and sharing

Increased transparency and shared information about enactment could also improve the transferability of important knowledge gained from practice. Knowledge can be shared with other stakeholders through portals (Blomberg, 2008), or social media. Touch point modelling, a technique for understanding customer- provider points of contact, can be used to map and visualise inter and intra-organizational contact points (Martin et al., 2011) such as the networks that the Help Desk consultants generate. Social media type tools could be used to increase and improve knowledge creation at the Help Desk and analytic tools could be used to better leverage the knowledge already generated.

8.4 Intelligence gathering and sharing: the learning SLA

Taking a larger view, the opportunity exists for reconceptualising SLAs or related instruments as the nucleus of dynamic intelligence gathering and disseminating processes that are related to strategic use of IT, through the capture and exploitation of information about the enactment of contracts. Currently, SLAs are static instruments whose fundamental purpose is to externalise contractual agreements for specific services and to monitor a provider's fulfilment of the agreement. SLAs, however, are monitored through IT governance, a subset of corporate governance and this places them in a position to be a conduit for both receiving and disseminating information using collaborative tools such as social media and powerful analytical tools to create new knowledge.

9 Limitations

Ethnographic studies are necessarily ideographic in that they observe the details of everyday life in order to generate a rich description of a phenomenon. The expectation is that such understanding will lead to deeper insights and more reflective practice. However, the generalizability of many of our specific findings is debatable and not comparable with what can be achieved through cross sectional-sample based research. As well, access to the fieldwork site and to the customer and provider participants understandably came with significant confidentiality conditions

10 Conclusion

The aim of this study was to develop a deeper understanding of the everyday practices of SLA enactment to identify potential areas for improving value realisation in SLA enactment through a detailed ethnographic study of those practices. In our analysis of the data collected in this way, we identified a cycle of enactment which managed the gap between the SLA and achieving BAU. That cycle was characterised by: relational interactions triggered by emergent conditions, informal knowledge sharing, negotiated decision-making, and adapting the terms of the SLA. We also identified informal but systematic mechanisms of learning, negotiating and adapting, which we formulated as relational capability and suggested it be treated as an organisational capability. Other contributions of this study include: a novel contribution to methodology in the form of a long-term ethnographic study of service engagements in CITI-B2B services; a contribution to theory in the application of relational theory of contract at the level of micro-personal interactions; and a contribution to service science in the composition of a representation of the processes of service enactment at micro level with an expanded set of reference points.

References

- Bazeley, P. 2007. *Qualitative data analysis with NVivo*, London, Sage.
- Blaskovich, J. & Mintchik, N. 2011. Information Technology Outsourcing: A Taxonomy of Prior Studies and Directions for Future Research. *Journal of Information Systems*, 25, 1-36.
- Blois, K. 2002. Business to business exchanges: a rich descriptive apparatus derived from MacNeil's and Menger's analyses. *Journal of Management Studies*, 39, 523-551.
- Blomberg, J. 2008. Negotiating meaning of shared information in service system encounters. *European Management Journal*, 26, 213-222.
- Brown, J. S. & Duguid, P. 2001. Knowledge and Organization: A Social-Practice Perspective. *Organization Science*, 12, 198-213.
- Campbell, D. 2001. Ian Macneil and the Relational Theory of Contract. In: CAMPBELL, D. (ed.) *The relational theory of contract: selected works of Ian Macneil*. London: Sweet & Maxwell.
- Chambers, E. 2003. Applied Ethnography. In: DENZIN, N. K. & LINCOLN, Y. S. (eds.) *Collecting and Interpreting Qualitative Materials*. 2nd ed. Thousand Oaks: Sage.
- Cullen, S. & Willcocks, L. 2003. *Intelligent IT outsourcing: eight building blocks to success*, Amsterdam; London, Butterworth-Heinemann.
- Curtis, B., Hefley, B. & Miller, S. 2009. People Capability Maturity Model (P-CMM) Version 2.0. Carnegie Mellon University: Software Engineering Institute
- Gadrey, J. 2002. Misuse of productivity concepts in services: lessons from a comparison between France and United States. In: GADREY, J. & GALLOUJ, F. (eds.) *Productivity, innovation and knowledge in services*. London: Edward Elgar.
- Geertz, C. 1988. *Works and lives: the anthropologist as author*, Stanford, Calif., Stanford University Press.
- Goes, T. & Chin, W. 2005. Information systems outsourcing relationship factors: detailed conceptualization and initial evidence. *ACM SIGMIS Database* 36, 47-67.
- Goo, J., Huang, C. D. & Hart, P. 2008. A Path to Successful IT Outsourcing: Interaction Between Service-Level Agreements and Commitment. *Decision Sciences*, 39, 469-506.
- Goo, J., Kishore, R., Rao, H. & Nam, K. 2009a. The role of service level agreements in relational management of information technology outsourcing: An empirical study. *Management Information Systems Quarterly*, 33, 8.
- Goo, J., Kishore, R., Rao, H. R. & Nam, K. 2009b. The Role of Service Level Agreements in Relational Management of Information Technology Outsourcing: An Empirical Study. *MIS Quarterly*, 33.
- Grant, R. M. 1991. The resource-based theory of competitive advantage: implications for strategy formulation. *California Management Review*, 33.
- Hammersley, M. & Atkinson, P. 1995. *Ethnography: principles in practice*, London ; New York, Routledge.
- Harmon, E., Hensel, S. C. & Lukes, T. E. 2006. Measuring performance in services. *McKinsey Quarterly*, 1.
- Iden, J. & Eikebrokk, T. R. 2013. Implementing IT Service Management: A systematic literature review. *International Journal of Information Management*, 33, 512-523.
- Karamouzis, F. & Rold, C. D. 2014. Predicts 2014: Business and IT Services Are Facing the End of Outsourcing as We Know It. Stamford, CT: Gartner, Inc.
- Kern, T. & Willcocks, L. 2002. Exploring relationships in information technology outsourcing: The interaction approach. *European Journal of Information Systems*, 11, 3-19.
- Lacity, M. C., Khan, S. A. & Willcocks, L. P. 2009. A review of the IT outsourcing literature: Insights for practice. *The Journal of Strategic Information Systems*, 18, 130-146.
- Levitt, B. & March, J. G. 1988. Organizational Learning. *Annual Review of Sociology*, 14, 319-340.
- Macneil, I. R. 1980. *The new social contract: an inquiry into modern contractual relations*, New Haven, Yale University Press.
- Macneil, I. R. 2001. The Relational Theory of Contract. In: CAMPBELL, D. (ed.) *The relational theory of contract: selected works of Ian Macneil*. 1st ed. London: Sweet & Maxwell.

- Maglio, P., Vargo, S., Caswell, N. & Spohrer, J. 2009. The service system is the basic abstraction of service science. *Information Systems and E-Business Management*, 7, 395-406.
- March, J. G. 1991. Exploration and Exploitation in Organizational Learning. *Organization Science*, 2, 71-87.
- Martin, A. M., Rankin, Y. A. & Bolinger, J. Client TouchPoint modeling: understanding client interactions in the context of service delivery. SRII Global Conference, 2011 San Jose, CA. IEEE, 685-692.
- Merrifield, R., Calhoun, J. & Stevens, D. 2008. The next revolution in productivity. *Harvard Business Review*, 86, 72-80.
- Michell, V. A focussed approach to business capability. First International Symposium on Business Modelling and Software Design BMSD 2011 Sofia, Bulgaria. Springer.
- Myers, M. D. 1999. Investigating Information Systems with Ethnographic Research. *Communications of the Association for Information Systems*, 2.
- Normann, R. & Ramirez, R. 1998. *Designing interactive strategy: from value chain to value constellation*, Chichester, John Wiley and Sons.
- Orlikowski, W. J. 2002. Knowing in practice: Enacting a collective capability in distributed organizing. *Organization Science*, 13, 249-273.
- Orr, J. 1996. *Talking about machines: An ethnography of a modern job*, Ithaca, Cornell University Press.
- Pfeffer, J. 1995. People, capability and competitive success. *Management Development Review*, 8.
- Poppo, L. & Zenger, T. 2002. Do formal contracts and relational governance function as substitutes or complements? *Strategic Management Journal*, 23, 707-725.
- Spriggs, M. T. & Gundlach, G. T. 1996. The New Social Contract: An Inquiry into Modern Contractual Relations. *Journal of Public Policy & Marketing*, 15, 157-159.
- Srivastava, S. C. & Teo, T. S. H. 2012. Contract Performance in Offshore Systems Development: Role of Control Mechanisms. *Journal of Management Information Systems*, 29, 115-158.
- Stalk, G., Evans, P. & Sgulman, L. E. 1992. Competing on capabilities: the new rules of corporate strategy. *Harvard Business Review*, 70.
- Stucky, S., Cefkin, M., Rankin, Y., Shaw, B. & Thomas, J. Business Value in Complex IT Service Engagements: Realization is Governed by Patterns of Interaction. System Sciences (HICSS), 2010 43rd Hawaii International Conference on, 5-8 Jan. 2010 2010. 1-10.
- Stucky, S., Cefkin, M., Rankin, Y., Shaw, B. & Thomas, J. 2011. Dynamics of value co-creation in complex IT service engagements. *Information Systems and e-Business Management*, 9, 267-281.
- Suchman, L. 1987. *Plans and Situated Actions*, Cambridge, Cambridge University Press.
- Suchman, L. A. 2007. *Human-machine reconfigurations: plans and situated actions*, Cambridge ; New York, Cambridge University Press.
- Teece, D. & Pisano, G. 1994. The dynamic capabilities of firms: an introduction. *Industrial and corporate change*, 3, 537-556.
- Van Bon, J., De Jong, A. & Kolthof, A. 2007. *Foundations of IT Service Management Based on ITIL V3* Zaltbommel, Netherlands Van Haren Publishing
- Vargo, S. L. & Lusch, R. F. 2004. Evolving to a new dominant logic for marketing. *Journal of Marketing*, 68, 1-17.
- Walsham, G. 2006. Doing interpretive research. *Eur J Inf Syst*, 15, 320-330.
- Zuboff, S. 1988. *In the age of the smart machine : the future of work and power*, New York, Basic Books.