Practices and Problems: Fixing Loose Ends in Management Shared Services

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Abstract—This paper is based on a study of nine business units (BUs) in the Council for Scientific and Industrial Research (CSIR), South Africa focusing on their governance relationship with the Shared Services department(s). The focus of the paper is an extension on the unpublished Master degree research thesis conducted by Simon Maabe with the University of Johannesburg, on determining the extent to which collaboration through governance practices involving partnering with customers influences three separate aspects of Shared Services performance: structure, amplitude and delays. This paper proposes a conceptual model: Shared Services – Customer Integrated System (SSCIS) with hybrid top-down strategy. The SSCIS conceptual model intends to provide managerial insights to Shared Services departments to achieve their objectives as well as to improve customer relationship. Through an appropriate governance design, it is envisaged that the CSIR might be able to control critical factors, performance indices to maintain flexibility and robustness, and improve planning their governance based on the characteristic of the business units.

This paper concurs with previous studies that Shared Services departments are most effective when they are serious about governance and incorporate critical elements such as service level agreements, customer service liaisons, and governance committees or boards. The paper concludes that getting governance right is an essential tool for Shared Services survival and growth.

Keywords—Shared Services, Governance, Collaboration

I. Introduction

INEFFECTIVE governance has put Management Shared Services Unit (MSSU), of the Council for Scientific and Industrial Research, initiatives at risk due to fundamental differences in opinion about the Management Shared Services strategy and goals. The business units want the MSSU to act more as a strategic partner whose people could understand the business units' issues (such as materiality differences among other business units) on a more detailed level.

The paper establishes the construction of effective governance mechanisms to keep the MSSU and the business units' working together smoothly. Governance mechanisms don't usually grow organically over time; they must be deliberately installed.

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The nomenclature of governance terms describing the relationships, control, and accountabilities of shared services organisations is diverse. In this paper, the term governance structure was intended to outline the hierarchy of committees, bodies, or forums that must execute the management of, and oversee the delivery of, the products and/or services of the MSSU to meet the key success factors.

An effective governance system is aimed at establishing accountability for each party, defining the ways in which the parties interact with each other, and to help keep all parties' strategies and goals aligned with each other. Finally, the focus of this paper is to discern the optimal governance structure for improving the shared services in the South African public sector context and then to analyse the key, substantiated elements and considerations of a shared services governance structure and where these fit or reside in the selected structure. Hence, the study hypothesizes:

Hypothesis 1: *A high degree of customer integration has a positive impact on business governance.*

Hypothesis 2: *A high degree of internal integration has a positive impact on business governance.*

The purpose is to test whether business units perceive there to be benefits for them deriving from collaborative capability and collaborative practice.

A total of 16 interviews were conducted in the business units and 6 with the informants. The point at which new interviews did not provide new evidence was reached with a smaller number of interviews in the business units. The interview questions covered the roles and capabilities of the MSSU personnel, their powers of responsibility and customer satisfaction, relationships and information sharing. Notes were taken and the interviews were recorded manually. The resulting qualitative data was coded based on interview themes, and subjected to classification and qualitative content analysis. The coding and analyses were done manually by the author. The similarities and differences between the cases were compared by using cross-case analysis. Finally, the data was compared with the theoretical study and interfaces were sought.

In preparing this paper, the research included a review of a wide range of articles regarding the management relationships of shared services centers from the public and private sector, and academic articles. The issues discussed and recommendations proposed can be broadly categorized into two areas — governance structures and key elements. The focus is on the relationship between the business unit's and MSSU and their collaborative partner relationships that has been an important research theme in the shared services organisations literature.

II. Literature Review

At a broad level the concept of shared services is that instead of similar back-office services being provided at the level of individual business functions, or units, they are aggregated within a single area and provided across the entire organisation [2], [3] & [4]. In fact, the dynamics of shared services governance important implication seem to be the potential role that collaboration could play in mitigating the problems. The three causes that can be isolated – structure (the way the MSSU is constructed), amplitude (over reaction by decision makers) and delays (separation between cause and effect in both time and space) – can be identified as being linked to disconnects between decision makers within the MSSU.

The most common blind spot in shared services is governance. Generally the nature of the relationship with customers can be expected to be one where the focus on providing service acts as a form of governance [5]. By governance, the paper intends to express the process of engagement by which decisions related to shared services are made and the organisational mechanisms to enforce those decisions. This includes processes to set and clarify expectations between the shared services and those with whom it interacts, the business units' end-users. Dyer [6] examined the factors which increased the ties between an OEM and its partners. They identified four sources of sustainable competitive advantage in inter-organizational partnerships: relation-specific investment, knowledge sharing routines, complementary capabilities, and effective governance mechanisms.

Stakeholder theory originated in strategic management and concerns the viewing of an organisation as a having a broad range of stakeholders, all having their own interests and goals [7]. According to these theory organisations should look after all stakeholders' interests and benefits. Stakeholders' goals, interests and perception might change over time. A stakeholder can be an individual person or collective, like an organisation or an institute [8]. Reference [9] tied stakeholder theory to social network analysis. He argued that firms do not simply respond to each stakeholder individually; they respond rather to the interaction of multiple influences from the entire stakeholder set.

Research into the benefits of collaboration between MSSU and business units' highlights the nature of the problem of who benefits and why. The case for caution in terms of universally applying the collaborative model is one that recurs through both early and more recent studies [10], [11], [12]. The notion that collaboration results in "win-win" outcomes in particular has been questioned [10], while the potential for broader adoption has by others been said to have been over-estimated [13].

Reference [14] propose that power, legitimacy and urgency are attributes that can be used to identify stakeholders, as they should possess at least one of these attributes. If a MSSU is a unit within existing business units of the organisation, such as HR or Finance, it can become difficult to separate out the role of provider of services from customer of services, so there may be an implicit conflict of interest.

A recent European study found evidence for a relationship between collaboration and higher levels of performance, but no clear link suggesting that collaboration was the cause [11]. For the business units' heads of departments, transfer to the shared services department of delivery of elements of their shared services represents a risk which must be carefully assessed. On an on-going basis, data security and budgetary controls are also the significant concerns. Transaction cost economics emphasizes the importance of developing appropriate governance mechanisms for the regulation of trading partner interactions [15], [16]. Further, in an international supply chain context it has been shown that cultural, infrastructure and geographical issues serve to modify the ability for trading partners to realize the potential of collaboration [1], [21].

Whatever the motivation for collaboration, it is important to bear in mind that in any system whereby multiple partners pursue joint strategies, that it is unlikely that all will share equally in the benefits that accrue [18], [19]. Further, the conditions under which firms can expect to realize these benefits are at best poorly understood, with some empirical studies indicating that outcomes appear to be often based in the context of the industry or the dispositions of the trading partners themselves [20]. This paper examines how MSSU perceive they benefit from collaboration with customers both in terms of capability and practice (actual collaborative practice).

III. Case Study

A. Research method and data collection

The case method was used to study the phenomenon of business units – MSSU relationship in the South African public center context. The study is thus an embedded single-case study with multiple units of analysis. The main argument in favor of the method [21] here is that the research problem is complex in nature because it includes many variables and concepts that are not easily grasped in a quantitative study. Furthermore, because the empirical research context is a contemporary event, there are multiple sources of evidence. The case study method was chosen because of the nature of the research topic and context. Given the purpose of the study to achieve a deeper understanding of MSSU governance and collaboration, it was considered the most appropriate option.

Reference [21] Suggests that multiple sources of evidence should be used to establish validity and reliability, and according to [24], the use of multiple respondents makes it possible to capture a variety of perceptions and meanings, which is vital to the understanding of complex relationships. Furthermore, having numerous and highly knowledgeable informants who view the phenomena from diverse perspectives limits the interview bias [23]. Hence, several informants, data from different sources and investigator triangulation were used in this study. The study comprised of

22 semi-structured interviews conducted with the case business units' personnel and MSSU line management. Data on call centers' Heat-Calls register was used in combination with the interview data. The research informants were selected based on their active involvement in customer – supplier relationships. The interviewees from the business units mostly represented the customer side (research group leaders, competency area managers and functional managers), whereas those in MSSU (supervisors and line managers) represented departments of MSSU in the supplier role.

B. *Research findings*

The paper investigated several key processes defined within the governance approach and owned by the appropriate individual or function. The performance management metrics, processes and procedures needed to be defined and agreed between the provider and customer was also examined. The analysis included the dispute resolution procedure as to how it is defined and agreed between the provider and customer.

With regard to the business design authority, the ownership of processes and data between the shared services department and the retained customer processes within the business units were not clearly defined and documented. About 60% of the business unit's representatives, the MSSU are not seen as a custodian of customer data which is owned by the business units.

Over 80% of the BU's management expects a form of management operations group to lead the change management processes enabling customers to transition to the MSSU governance model and to facilitate continuous improvement and the extension of the shared service to all business units.

About 60% of the MSSU line managers suggest that some form of business design authority must be responsible for the evaluation of requests for process changes.

The following possible models employed were found depending on the approach at specific instances:

- i. There is no specific allocation to BUs, with costs recorded without the operating margin.
- ii. Flat rate based upon one metric (for example, revenue or headcount).
- iii. Budgeted rate based upon a metric that approximates the distribution of cost.
- iv. Activity based costing that is based on per unit pricing of services developed for aggregation of associated costs (labor, systems, overhead, etc.).
- v. Full direct charging directly identified at time of use and specifically charged to each BUs per transaction.
- vi. Market rate based allocation where costs are defined for service time and actual volumes.

Evidence showed that gaps in the relationship between MSSU and BUs manifested the two to work at cross-purposes with each other on a more granular level. The following were the common statements from customers:

- i. Now that the shared services have been set up we have lots more to do. The shared services has increased the work load rather than reduced it.
- ii. Everything worked in the good old days when we did it ourselves.
- iii. There is no connection between the shared services and the customers.
- iv. My views on how to improve aren't taken into account.
- v. They keep referring to the SLA rather than doing what we really need.
- vi. The process might work for the shared services but not for the rest of us.
- vii. Are they really aligned to the vision of the organisation?
- viii. I call and call but never get an answer from them.
- ix. I'm not sure I really trust the shared services data.
- x. They seem so far away.

The relationship of the MSSU and BUs could not provide evidence of essential ingredient of effective joint working to ensure that the governance structures enable the organisation to discharge its duties in relation to best value and be a good steward of the organisations resources.

There was evidence of a framework of relationships and accountabilities that members of MSSU and customers can understand what is expected of them. However, the BUs did not set criteria for determining who the BUs' representative should be and procedures for making those appointments which accord with the organisations goals and mandate.

Reporting to the BU's management teams was often found to be a neglected area. The under used area of overview and scrutiny is also an area where reviewing the work of shared services bodies was not appropriate.

The importance of partnership governance was recognised in commending the development of joint working, its key findings were that partnerships bring risks, complexity and ambiguity that can generate confusion and weaken accountability. Just over 64% of the BUs needed assurance that organisations money is spent wisely. Committees are not asking searching questions about those they are engaged in and there's no clear accountability between partners.

The desired cost visibility was found to be using various chargeback methodologies based on two principles: the primary objective of the chargeback model and the one based on opportunities to incentivize the business to change behaviors.

IV. Shared Services – Customer Integrated System

A. *Success factors or Analysis of results*

In the case these findings provided evidence suggesting that the benefits of collaboration are at the same time elusive and attractive. They also showed that they come at a cost, and that the trade-off between cost and benefit is possibly explained through the interaction of these two theoretical perspectives seeking to make sense of the collaboration dilemma. The benefit of greater collaboration carries the risk of transparency and potential for opportunistic behaviour. The risk associated with not collaborating was one of economic isolation in an organisation where trading networks are becoming more commonplace.

The net result is that collaborative practice, and the benefits that accrued, was an important area for continuing research. In particular, it was important to look at the issues from the perspective of different players in the customer – supplier as an organisations perspective on the benefits of collaboration can be expected to differ based on whom that BU collaborates with. Generally the nature of the relationship with BUs can be expected to be one where the focus on providing shared services acts as a form of governance. As the preceding discussion has shown, these benefits may or may not be realized. Further, the nature of the relationship with the customer may be such that potential benefits may not be the object, rather that collaboration is seen to be governed by the need shared services departments have to be connected to BUs.

The key considerations when defining the governance arrangements for an MSSU should include governance processes that are responsible for ensuring that the MSSU delivers services in an effective, efficient and ethical way, and determine the decision making processes which will be applied in a range of different circumstances. Good governance will then depend upon well-defined principles, organisation structures, policies and processes. Clearly defined roles should be assigned the authority to complete designated tasks to specific outcomes. In this case it is also important to identify clear boundaries between customers as end–to-end processes will span both providers and customers.

B. *The development of governance model*

The governance model we developed was determined to some degree by the delivery approaches employed. However whichever approach used, effective governance requires clearly allocated roles and responsibilities which are documented and communicated. Input and decision rights on matters such as the business model for cost recovery and long term organisational funding, costing, and pricing mechanisms and shared services departments growth strategies are additional components that should be clearly documented in the initial charter of the shared services department. There are several governance structures advocated to oversee shared services department. The governance structure suggests how many levels or layers of committees there can be and outlines each of their primary roles. The roles, accountabilities, and responsibilities assigned to the levels and committees of the shared services department may differ based on how some of the core processes of the organisation are implemented.

Outlined below are suggested key roles and responsibilities for each area:

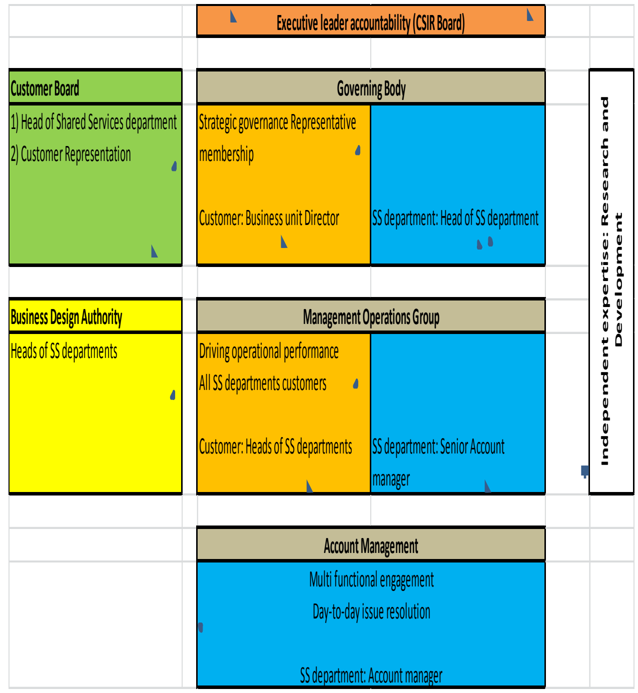

Fig. 1 proposed model by authors

The key responsibilities of the head of shared services departments must include: identification and development of shared services strategies; manage day-to-day operations of the shared services department; lead definition of services and associated service level agreement; build effective relationships with key stakeholders. The responsibilities of business design authority must encompass ownership of the end-to-end shared services department solution. Evaluate the impact of new developments on existing design. Recommend policy and process changes to the customer board. Manage the change control process. Manage the release management process for new functionality.

The governing body must execute the following responsibilities: define strategy, including growth and commercial model; prioritize investment; secure resources; deliver shared services department business plans; monitor operational performance; resolve escalated issues. One of the common points that emerge is that the head of the executive or top level oversight board should be a person with experience in leading shared services [24]. Others take the point further stating that an external head with experience in implementing or running shared services in the private sector may be of value [25].

The management operations group should be responsible for the day-to-day operational management. The function should include performance, headcount, account management, service levels, etc... Finally, manage the end-to-end shared services solution (process, technology, documentation, etc.). Account management team must also deal with day-to-day contact and issue resolution with existing customers. Manage take-on process for new needs and floor expectations. The customer board must provide the “voice of the customer” into shared services strategy. Provide a forum for the debate of new services and common approaches. Support the shared services department in their responsibility to manage their budget, SLA's, risk and compliance targets. Furthermore, the account management must pitch at both the management operations group and governing body levels across the governing structure.

V. Conclusion

The results of this study provided further evidence supporting the contention that the benefits from customer and internal integration in the shared services organisation are not as widespread or as clearly identifiable when viewed from the perspective of the shared services department. An important theme in the shared services management literature is that the shared services organizations are particularly vulnerable to the problems associated with governance dynamics. Integration with customers at both the technological and process level is held to be an important strategy to mitigate these problems.

There was evidence, however, that integration outcomes can be linked to improvements in operational and customer service quality performance. The implication was that the real integration benefits of collaboration may exist for shared services, but that they are unable to clearly see them as the direct link was not apparent.

The Governance approach should: Be driven by the chosen delivery model proposed for the shared services. Must cater for the different requirements and services consumed by various customers; be as simple as possible, to avoid becoming unwieldy and costly to administer; Be transparent and open to ensure that all relevant parties can be assured that the shared services departments are being governed appropriately; Support customers in demonstrating the value for money of the services they receive; Support the shared services departments in both on-going businesses; Provide different forums to reflect the different interest groups, including strategy, business development and user experience. Each forum will need clear terms of reference; and provide the mechanism for brokering decisions and resolving disputes between the various parties involved.

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