KEY SUCCESS FACTORS FOR THE MANAGEMENT OF SHARED SERVICES

by

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SHORT DISSERTATION

submitted in partial fulfilment of the requirements for the degree

MAGISTER COMMERCI

in

BUSINESS MANAGEMENT

in the

FACULTY OF ECONOMIC AND MANAGEMENT SCIENCE

at

RAND AFRIKAANS UNIVERSITY

STUDY LEADER: PROF. C.J. JOOSTE

OCTOBER 2002
TO GOD BE THE GLORY

I would like to express my sincere thanks and gratitude to:

- My study leader, Prof. C.J. Jooste, for his commitment, advice, guidance, encouragement and patience during my studies.
- My wife and children and for their patience and support.
- My friend Johan Grove', for sharing ideas and this study experience with me.
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CHAPTER 1
INTRODUCTION TO THE STUDY

“To build long-term sustainable value in your organisation you must transform its people, culture and processes to drive for shareholder wealth”

(Black, Wright & Davies, 2001:101)

1.1. INTRODUCTION

Organisations and companies in industries all over the world are under pressure to make business processes more efficient, eliminate unnecessary administrative support activity cost, and to banish duplication of effort and resources (Van Denburgh & Cagna, 2000). Rapid advances in information technology and software development, and more specifically the developments in ERP (enterprise resource planning) software, have paved the way for organisations to achieve efficiency and effectiveness through an improved business process called shared services.

Schulman, Harmer, Dunleavy & Lusk (1999:9) defined shared services as “the concentration of company resources performing like activities, typically spread across the organisation, in order to serve multiple internal partners at lower cost and with higher service levels, with the common goal of delighting external customers and enhancing corporate value.” The shared services business model is a value added strategy. Common internal transactions are concentrated in a new business unit to serve internal customers, standardising practises and streamlining other business processes (Van Denburgh & Cagna, 2000).
Organisations that are possible candidates for the implementation of shared services in an organisation can be as presented in Figure 1.1

**FIGURE 1.1: TRADITIONAL ORGANISATION VS. SHARED SERVICES**

Organisation X consists of three companies or business units i.e. company (business unit) A, company (business unit) B and company (business unit) C with their own core business and staff functions. Each business unit is situated in a different geographical area with custom build information systems that are not compatible. A
need exists to eliminate administrative costs, duplication of support functions in the organisation and to standardise on MIS (management information systems). This indicates a need for human resources and other support functions to be shared and the establishment of possible shared services business units.

There are two primary types of services. Transactional services tend to be repetitive, high volume and low value adding. These activities, however specialised, remain consistent regardless of the business unit for which the services are performed. Typically sixty to seventy percent of an organisation’s transactional services can be standardised with the remaining portion requiring customisation. The second type of service is of a professional nature. It is knowledge based and usually delivered through a consultative relationship (Van Denburgh & Cagna, 2000).

Human resources demonstrate the two types of services. Payroll processing and benefit administration are transactional of nature whereas job analysis and workforce planning are professional services. Both types of services are accommodated in a shared services business unit model.

As demonstrated, the scope of a shared services business unit ranges from transactional services to specialised services and expertise that assist the organisation to gain a competitive advantage in the marketplace (Van Denburgh & Cagna, 2000). According to Quinn, Cooke & Kris (2000:24) shared services evolve from a basic model to a marketplace model, to an advanced marketplace model up to an independent business:
• Basic model. In this model the shared services business unit functions within the internal customer's operation. The customer designs, owns, and measures the processes. The focus is on cost reduction through reducing or eliminating duplication and standardising processes. Shared services focus on economies of scale and charges for services to fully recover costs. This approach tends to be limited in its ability to accommodate change because it takes its strategic direction from the customer.

• Marketplace model. In this model the shared services business unit develops its own processes and methodologies. It does not only provide transactional services but also professional services. Governance and service functions are separated. Metrics for design and performance are performed from start to finish by separate shared services business units with specific areas of focus such as human resources or finance. Since the shared services business unit controls an entire process, increased flexibility and responsiveness can be achieved.

• Advanced marketplace model. This model takes the end-to-end approach further by bundling functional competencies (human resources, finance, information technology) with cross-functional synergies (systems, knowledge, people) to create a total shared services solution. The focus is on providing the internal customer with a total solution, not just getting the transactions processed at the lowest possible cost. As markets and customer needs change, the shared services business unit is, through its adaptability, responsive to new requirements quickly and efficiently. Pricing is based on the marketplace. If surplus capacity exists, possible external sales are possible.

• Independent business model. In this model the shared services business unit is a separate business entity where profit is retained. It does not only have the parent
organisation as customer, but serves multiple organisations. The objective is to generate revenues and profits.

According to Quinn et al. (2000:24) this is an evolutionary process and can be presented as in Figure 1.2.

**FIGURE 1.2: A CONTINUUM OF SHARED SERVICES**

<table>
<thead>
<tr>
<th>Basic</th>
<th>Marketplace</th>
<th>Advanced marketplace</th>
<th>Independent Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Consolidation of transactional administrative work</td>
<td>• Includes professional services</td>
<td>• Client choice of supplier</td>
<td>• Separate business entity</td>
</tr>
<tr>
<td>• Focus on economies of scale</td>
<td>• Separation of governance and service functions</td>
<td>• Market based pricing</td>
<td>• Profit is retained</td>
</tr>
<tr>
<td>• Services charged out to recover fully loaded costs</td>
<td>• Services charged out to recover fully loaded costs</td>
<td>• Possible external sales</td>
<td>• Multiple organisations as clients</td>
</tr>
<tr>
<td>• Objective to reduce and standardise processes</td>
<td>• Objective to reduce costs / improve service quality</td>
<td>• Objective to provide clients choice of most cost effective supplier</td>
<td>• Objective is to generate revenue and profits for service company</td>
</tr>
</tbody>
</table>

Source: Adapted from Quinn et al., 2000:24

In the continuum of shared services, the evolutionary process from the consolidation of transactional services, through professional services up to the full market model where services are being rendered to organisations outside the organisation, are demonstrated.

The basic and marketplace models of shared services seem like a new adoption of centralisation. It is anything but centralisation. As Del Rosario (2001) states: "In the old centralisation days, you merely adopt the systems and procedures being done in
head office or the largest location closest to the head office. In the new 'shared services' model, there's a complete rethink of how work is done, which may necessitate a redesign of processes". Benchmarking and re-engineering are the order of the day if a shared services business unit wants to adapt to a changing business environment.

Adopting a market driven focus is a critical success factor for any business unit, and just like any other business unit a shared services business unit must provide value if it is to survive. In order to succeed, shared services business units must have as their foundation a market- or service-orientation. To achieve this, many organisations must undergo significant changes in the way their people, knowledge, processes and technologies work together. Rather than thinking about shared services as a cost centre, employees and management must change and adopt an entrepreneurial mindset. This requires changes in the way employees work, relate to each other, are compensated, motivated, and trained (Van Denburgh & Cagna, 2000).

In terms of shared services governance, companies vary in their approach and structure. Some organisations house it in the organisations head office as part of the dominant business unit or establish a separate business unit. Other organisations may adopt a management structure based on representatives from the different business units.

In the establishment of a shared services business model it must be recognised that internal customers require different degrees of services. Each service must be broken down into activities. It must then be determined if the customers need each activity and to what extent. To do this, a thorough analysis of costs is needed. Staff
time and costs, non-staff costs, technology investment and usage, and all other related costs must be identified and determined. According to Van Denburgh & Cagna (2000) the criteria for determining the costs of services should be thorough, supportable and well documented.

Finally, the shared services business unit is perceived and staffed as if it is an independent vendor in a sourcing alliance with written agreements. Internal customers specify what services they need and how much they are willing to pay for them. If the shared services business unit cannot meet the customer's service and price requirements, the customer has the option to buy the services from outside sources. In the first two to four years of a shared services operation, internal customers are normally prohibited from using other service providers (Van Denburgh & Cagna, 2000). This is to give the shared services business unit the opportunity to establish itself and a chance to grow. After this period, the internal customers are free to seek better prices and services from outside service providers.

The optimal situation arises when the shared services business unit can not only compete successfully for internal customers, but can also attract customers from outside the organisation (Figure 1.2), thus generating external revenues and becoming a profit centre for the larger organisation.

1.2 PROBLEM STATEMENT
Moving from a traditional organisation to a shared services business unit through the shared services evolutionary continuum, and eventually to an independent business model requires a significant investment in technology, infrastructure, planning and time. Once committed, the process is as rigorous as planning and implementing a
new business venture (Van Denburgh & Cagna, 2000). From the basic shared services model through to the independent business model, and during each other phase, the shared services business unit needs to be managed.

The shared services business unit executive finds himself in the position of managing a business unit that:

- Is service orientated.
- Operates in an evolutionary process.
- Operates in a changing environment.
- Runs on business principles.
- Is an income generating business unit in its own right.
- Crosses national and international borders.
- Considers communication between business units as an ongoing process.
- Is customer and process-focused.
- Continuously improves and benchmarks business processes against the best.

The leadership challenge is now to practise these business processes in a shared services environment, to make them successful and efficient and to add value to the organisation (Gunn, Carberry, Frigo & Behrens, 1993).

1.3 OBJECTIVES OF THE STUDY

The objective of this study is to identify key success factors that underpin the successful management of a shared services business unit from the basic model to the independent business model. Specific objectives of the study are:
- To identify through the literature study key success factors, that when actively pursued, will assist in the successful management of a shared services business unit.
- To determine whether organisations that have implemented shared services, have implemented sound shared services, and not shared services as a disguise for centralisation or the retrenchment of employees.
- To determine what model of shared services is being used by organisations that have implemented shared services, and if they intend the present model to evolve along the shared services continuum.
- To identify common key success factors present in successfully managed shared services business units from the basic model through to the independent business model.

1.4 METHODOLOGY OF THE STUDY

The study is of a qualitative nature. The research design of the study is exploratory. The research objective is to explore and identify key success factors that are required to successfully manage a shared services business unit.

The study takes the form of secondary data analysis (literature study) to research the history, development and implementation of shared services business units. Exploratory interviews with management consultants from consulting organisations as well as shared services business unit managers of organisations within South Africa that have implemented shared services was held. This was to gain an understanding of the model of shared services implemented as well as an understanding in the management of a shared services business unit. In total eight interviews were conducted, two with consulting organisations and six with
organisations that have implemented shared services. During the interviews the following areas received specific attention:

- Whether a shared services business model was implemented.
- What model of shared services is currently used.
- What functions and activities had been placed in the shared services business unit.
- What key success factors in the management of shared services the organisations had identified, and a discussion thereof.
- Service level agreements (SLA).
- Dispute resolution.
- Metrics and performance measurement.
- Continuous improvement.
- Communication.
- Trust.
- Boundaries.
- Culture.
- Teamwork and empowerment.

1.5 LIMITATIONS OF THE STUDY

Shared services is not recommended for every organisation (Quinn et al., 2000:81). If the objective of the organisation is re-organisation, centralisation, retrenchment of employees or cost cutting under the guise of shared services, and not a true shared services organisation as explained in chapter two, it was excluded from the study. While the study includes secondary data analysis (literature review) on international organisations as part of the study, experience from South African organisations that
have implemented shared services, as well as business consultants, form the basis of the interviews.

Exploratory interviews were held with experts in the field of shared services. The sampling of the interviewees was not random, as there are currently very few organisations implementing shared services in the South African business environment.

The study result is a generalisation of key success factors as a result of the complexities of a shared services business unit, whereby the shared services business unit might either only consist of accounts payable (basic model), or refer to an advanced marketplace model.

As shared services is a relatively new business model there are very few professional books although it does feature strongly in articles in professional journals, magazines and electronic data (on-line database). The professional books on shared services provide the basis of the literature study, complimented by the articles in professional journals, magazines and electronic data.

1.6 DIVISION OF THE STUDY

The dissertation consists of five chapters, chapter one providing the introduction to the study, the problem statement, objectives, methodology and limitations of the study.

Chapter two consists of the literature study of shared services. This chapter explains what shared services are and what they are not, and if a shared services model can
be applied to every organisation. The chapter identifies the critical factors that influence the establishment / implementation of a shared services business unit and critical issues to consider before and during implementation of a shared services business unit.

Chapter three considers the key factors that managers of shared services business units need to take into consideration in the successful management of a shared services business unit.

Chapter four reports on the interviews with the management consultants and business managers of shared services business units, as well as the findings of the interviews.

Chapter five consists of a conclusion regarding shared services and the key success factors identified through the literature study, as well as the empirical study with regard to key success factors in the management of a shared services business unit. Recommendations regarding the management of key success factors in a shared services business environment and a final word conclude the study.
"When Sun Microsystems realised it was on the brink of a steep growth curve, it selected shared services, not because of any problem today but to avoid problems in the future" (Quinn et al., 2000:215)

2.1 INTRODUCTION

According to Gunn et al. (1993) it is not only business rules that have changed, but the game is new. Global competition necessitates everyday improvement. Technology enables us to take advantage of knowledge. Teams are replacing command and control hierarchies. Time honoured strategies such as decentralisation or centralisation without improving work processes or technology solutions without standardised source data, will no longer work.

"Shared services is a new management concept for addressing these issues" (Gunn et al., 1993). According to Suri at BHP "shared services provides business leaders with a resource for accessing quality services that is within the organisation, knows the organisation and its leaders, shares its culture, and is accountable for providing cost-effective services that meet customer requirements as well as or better than outside suppliers. No other organisational structure I know of can provide all this" (Forst, 2001).

From the introduction to the study it seems that shared services are similar to centralisation. But according to Del Rosario (2001) it is anything but centralisation. The idea is to share resources – organisational staff and technology – while providing
defined services at a cost and service level that exceed the requirements of the customer. In the following discussion attention will be given to what shared services is, what shared services is not, the characteristics of shared services, reasons to move to a shared services environment, the benefits of shared services as well as a brief overview of implementing shared services.

2.2 WHAT IS SHARED SERVICES?

From the definitions in paragraph 1.1 it is clear that central to the idea of shared services is the concentration of similar activities. According to Deloitte Consulting (2001):

- Shared services is “commonised” support processes and systems to provide a better service to operational units. Van Denburgh & Cagna (2000) are of the opinion that sixty to seventy percent of an organisation’s service transactions can be standardised, with the remaining portion requiring customisation. This implies that business support processes and systems should be identical and the same across operational units and as such provides economies of processes and systems.

- Shared services is an internal support organisation focussed on (internal) customer satisfaction, continuous improvement and best practises. Because processes and systems are standardised the best processes and / or systems are used that will satisfy customer requirements. Del Rosario (2001) describes it as “a focus on standardised best-practise processes”.

- Shared services re-design business processes with the emphasis on value creation. No one practise could satisfy requirements, but certain processes can be combined and re-engineered to create efficiency and effectiveness and as such add value.
• Shared services is a separate business, and as a separate business unit must be financially sustainable. As with any other client, the internal client will only pay for the value it received. As such, shared services must provide a better than perceived service, and not just the bare minimum. It should also not be a cost centre that recovers its cost via "charge outs", as there is then no motivation for improving service levels. Does a separate business unit also mean it is self-governed? This may not be the case initially, where in the basic model it will report to a senior organisation official (Schulman et al., 1999:10), but in the advanced market model it is certainly the case where the shared services executive officer represents the shared services business unit at executive level.

From the above it can be summarised that shared services is an independent business unit that focuses on internal customer satisfaction through the "commonisation" of business processes and systems, and the continuous improvement of these business processes and systems.

2.3 WHAT SHARED SERVICES IS NOT

If shared services is an independent business unit that "commonises" and continuously improves business processes and systems and focuses on internal customer satisfaction, what will shared services not be?

• Shared services is not "centralisation" or "decentralisation". It incorporates elements of each. Figure 2.1 indicates which characteristics of centralisation and de-centralisation are incorporated in a shared services environment. It also groups the characteristics of a shared services business unit together.
Schulman et al. (1999:11) are of the opinion that "centralised" processing brings with it a corporate mentality that is unresponsive to a changing business environment. The focus is orientated upwards to corporate headquarters. In a centralised environment, business units take what they get, live with it and have no resources. There is little accountability by corporate staff for costs or service levels. By contrast, in a shared services environment, service providers are outward orientated towards the business units they serve, are equal partners, and accountable for their cost and service levels. Shared services, when correctly performed enhance decentralisation as it allows each business unit to focus on the strategic part of its operations and leave the transactional service to another party. In effect each business unit "outsources" these services to an internal third
party service provider. "Some call the concept 'insourcing'" (Schulman et al., 1999:13).

- Shared services is not a simple cost reduction measure that is achieved through process consolidation and process elimination (Shah, 1998). If processes are consolidated with the only purpose to save costs and not add value and empower team members (employees) it is not shared services but rather centralisation, as the focus is upwards and not outwards. The focus of shared services is to provide a customer orientated organisation.

- Shared services is not an internal push to have all non-core activities and business processes performed by outside service providers. If outside service providers supply the non-core activities it is outsourcing, even though both outsourcing and insourcing takes a dispersed set of activities or transactions and consolidate them into a centralised processing environment. Both place activities into the hands of experts who can apply innovative technologies and concentrated knowledge to provide solutions. Where outsourcing assigns the work to an outside third party, shared services enables an organisation to keep its expertise in-house and to build upon the skills, knowledge and experience already in place (Hirchfield, 1996:4). Quinn et al. (2000:14) describe it as "sleeping with the enemy". Shared services have the advantage that the organisation retains ownership of the activities and processes that will add to the competitive advantage of the organisation.

- Shared services is not an excuse for the retrenchment of employees. "Consolidation activities have lowered employment by 30%" (Gunn et al., 1993). Figure 2.2 indicates the reduction in head count (administration), while enhancing business value.
Although shared services will lead to "job losses" and retrenchments as duplication of staff and processes are eliminated (Van Denburgh et al., 2000) those that remain must undergo a culture change from doing a "job", to add value and customer satisfaction.

- Shared services is not the re-engineering of existing business and support processes without considering the context of the larger business processes they support. If the re-engineered service or process is not aligned with the larger business processes, it will not add value and synergy but rather add conflict.

- Shared services is not limited to transaction based activities. According to Shah (1998) it begins with transaction based processes, but eventually evolves into professional services. Figure 2.3 visualises how a human resource shared
services model reduces the transactional workload over time, with a subsequent increase in professional services over the same period.

FIGURE 2.3 TRANSFORMATION IN HUMAN RESOURCES SHARED SERVICES

Shared services is not “centralisation” or “decentralisation”. It is not an excuse to retrench employees or to save costs through process consolidation without a corresponding addition of value. Shared services is not the processing of “high volume, low value” transactions through an outside service provider. The following discussion will look at the characteristics of a shared services business unit.

2.4 CHARACTERISTICS OF SHARED SERVICES

From the definition in paragraph 1.1 and the preceding discussion the following characteristics can now be assigned to a shared services business unit:
• Shared services runs like a business. It is not a cost centre providing overhead service. According to Shah (1998) it can be called the internal outsourcing of back-office operations. To run like a business also means "self governed" (Schulman et al., 1999:10).

• Shared services is a high volume – low cost transactional service provider. By consolidating back-office operations and business process re-engineering greater economies of scale can be achieved (Shah, 1998).

• Shared services has a high degree of specialisation. By freeing up "professionals" from transactional activities, these professionals can concentrate on more specialised technical areas (Shah, 1998). By providing different services, it can deliver a more diversified service to the customer. These specialised services are also referred to as “centres of excellence” (Uhlrich, 1995).

• Shared services leverage the skill base in an organisation. Individual business units might not be able to afford the services of specialists. Because shared services have a larger clientele base, they can afford the services of specialists and offer these services to other business units (Shah, 1998). These specialists are now protecting the overall assets of the organisation and not meeting individual clients needs (Quinn et al., 2000:110). Figure 2.4 reveals how specialist services are directed upwards towards the top executive team and board of directors, while spanning the organisation.
FIGURE 2.4: SHARED SERVICES DIRECTED AT SPECIALIST FUNCTIONS

Specialist functions are services directed upwards to the board and top executive team.

Specialist functions for all staff groups include:

- Corporate policy
- Strategy
- Policy
- Enterprise wide strategies and initiatives

Source: Adapted from Quinn et al., 2000:110.

- Shared services is customer and process focussed. A shared services business unit domain may not be within the organisation. It may even be of a virtual nature. Regardless of its nature or domain, it is focussed to work in a process orientated manner while meeting customer requirements, and exceeding these requirements (Shah, 1998).

- Shared services use leading edge enabling technology. Technology drives shared services. Without technology the business method of shared services is not possible. Business units on their own may not be able to afford this leading edge enabling technology, but by pooling resources the cost of enterprise-wide software such as SAP, Baan, Oracle and other can be justified.

- Shared services provides high quality service standards through the use of metrics (performance measures). A shared services business unit will have a
service level agreement (SLA) with its customers (business units) as well as performance targets and systems to report on how well (or not) the shared services business unit is performing with its customers (Shah, 1998).

- Shared services is a process of continuous improvement. Shared services allows an organisation to focus on operational excellence. It is much easier to drive change and improvement in a single location with forty people than fifteen locations with six people each (Shah, 1998).

- Shared services continuously benchmarks its processes and use best practises. Shared services can continuously benchmark itself against the “best in business” and improve the quality of their transactions and services by utilising best practises and through re-engineering (Schulman et al., 1999:177).

- Shared services employees' rewards and incentives are performance based. A shared services business unit might have its own reward, compensation and incentive system that differ from the larger organisation (Shah, 1998). These incentives might be team orientated and focussed on key performance measures or value added.

From the previous discussion we know what a shared services business unit is, what it is not, and what characteristics can be ascribed to it. The following discussion will address the reasons why an organisation will move to a shared services business environment.

2.5 REASONS FOR MOVING TO A SHARED SERVICES ENVIRONMENT

What are the compelling reasons for an organisation to move to a shared services environment? According to Schulman et al. (1999: 27) the reasons are:
• Customers and the business environment are demanding it. According to Schulman et al. (1999:28) the best example is the European Union (EU) and a single currency. Organisations are facing a spectrum of customers spread across countries and picking their suppliers because supplier organisations cannot unify their processes fast enough. In the fragmented Europe, businesses built, marketed and sold on a national basis. With a borderless Europe, customers will be able to search on price.

• Globalisation. Globalisation goes hand in hand with customer and business partner demands. Organisations must combine information from multiple business entities across the globe. Transactional efficiency and support process effectiveness are increasingly important in this global environment. IBM's human resource centre services 305,000 employees from three service centres (Theaker, 2001). According to Schulman et al. (1999:28) “The environment cries out for the consolidation of support activities and processes into shared services centres”. Companies must create more unified systems and processes to gain a global customer view. ERP software provides the opportunity to do this from a technical perspective.

• Complex organisational arrangements. “Global alliances, acquisitions, joint ventures and competitors have resulted in companies being simultaneously customers, vendors, competitors and distributors” (Ulrich, 1995). Support functions must respond faster and with more knowledge. To meet these demands, the shared services organisation offers both application (human resources \ accounting and other functional knowledge) and specialisation (business knowledge).

• Shared services creates flexible and dynamic organisations. According to Ulrich (1995), separate staffing departments cannot quickly shift resources to meet
disparate staffing needs. If each division has its own staff function, resources may not represent hiring activity. With a shared services staff function, resources can be shifted quickly to meet business needs.

- **Shared services enhances corporate value.** Corporate value will be added as the organisation does not only invest in new ERP technology, but business processes will be streamlined, best practises followed, and cost savings achieved that will add value to the organisation.

- **Shared services liberates business units by transforming non-core activities into core activities.** Staff functions are run as independent business units, freeing up operating units to focus their energy on their core business without worrying about the efficiency of support services.

- **Shared services creates motivated teams to provide consistent, reliable and cost effective support.** As shared services works on a team principle (Quinn et al., 2000:124) and the empowerment of employees to take decisions, it leads to motivated teams that provides a consistent reliable cost effective service.

### 2.6 BENEFITS OF A SHARED SERVICES ENVIRONMENT

Companies that are implementing shared services are constantly reaping benefits that go far beyond cost cutting and head count. These benefits are both tangible and intangible. According to Schulman et al. (1999:16) organisations believe “they have not garnered everything possible from a shared services approach”.

**Tangible benefits are:**

- **Creating working capital improvements.** Working capital improvements are gained from standardising, concentrating and netting treasury activities, operating receivables, payables, and inventory management in a shared services business.
unit. This creates economies of scale, improves control and decreases expenses (Schulman et al., 1999:16).

- **Shared services increase productivity.** This means doing more with less. Alcoa Business Support Services had been processing 7,000 envelopes per month with 12 employees. The addition of Alumax raised the total to 11,000 envelopes per month with the addition of one employee (Forst, 2001).

- **Cost savings.** Cost savings through shared services centres can be in the order of thirty percent (30%), sometimes more, depending on how far-reaching the objectives are (Lester, 2001).

- **Professional services and corporate governance.** As the shared services business unit liberates its professional staff from transactional processes, they can focus on what they are supposed to do – provide professional services and corporate governance to the executive team (Quinn et al., 2000:110).

According to Schulman et al. (1999:17) many of these tangible benefits are the direct result of leveraging technology.

Intangible benefits include inter alia:

- **Promoting the “one company” approach.** This benefit is internally observed as employees all feel that they are members of one company. Outsiders also observe the organisation as a single entity.

- **Leveraging and speeding up the adoption of “best practises”**. As best practises are now concentrated in a single business unit, the speedy adoption thereof is much easier through an accelerated learning curve.

- **Shared services drives the transformation of businesses more easily and thereby focuses on value adding.**
- The effective maintenance of standardised transaction processes throughout the organisation enhances effectiveness and efficiency.

2.7 DRIVERS FOR A SHARED SERVICES ORGANISATION

Transformation is the key driver to a shared services environment. The business, processes, technology and people must transform.

Figure 2.5 indicates how employees must transform from an organisation centred mindset to a customer focus mindset. People (employees) must transform in the following manner:

FIGURE 2.5: PEOPLE TRANSFORMATION

From |
---|
Staff | Supplier / Partner
Cost centre | Business unit
Control | Value
Functional specialist | Service provider
Allegiance to department | Allegiance to customer

Source: Adapted from Shah, 1998.

The main obstacle in transforming people is fear. Moving them out of their comfort zones into a zone of uncertainty creates fear. Effort is required to allay fears about
downsizing, loss of control, reallocation and new work procedures. Measures like training to attain new skills; reassuring staff and commitment from senior management will assist in the people transformation process.

As shared services are based on process re-engineering and best practices, processes need to transform. Process improvements very much occur on an individual basis, are not shared across an organisation and are implemented against unknown benchmarks. A move to a shared services environment requires a re-design of current processes, the establishment of best practices and value delivery. Figure 2.6 illustrates how processes must transform from being fragmented, undefined and un-aligned with business processes into a shared services environment where business process are defined, "commonised" and value adding.

**FIGURE 2.6 PROCESS TRANSFORMATION**

<table>
<thead>
<tr>
<th>From</th>
<th>To</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Processes not aligned with business needs.</td>
<td>• Processes designed to deliver value based on business needs</td>
</tr>
<tr>
<td>• Processes, products and service costs not well defined.</td>
<td>• Process orientation with product / service knowledge.</td>
</tr>
<tr>
<td>• Redundant, fragmented and unique processes</td>
<td>• Common processes and leading practises.</td>
</tr>
</tbody>
</table>

Source: Adapted from Shah, 1998.
Shared services have greatly been accommodated by developments in technology, and more specifically ERP software and hardware to support it. Traditionally business have independent and unique software. This independence created platforms that could not communicate (transferring of data) with each other. Although investment in new technology should not be the main driver towards shared services, it becomes the impetus for change.

The transition to shared services requires an evaluation of all existing systems, architecture and infrastructure within an organisation. The transformation of technology goes hand in hand with the transformation of processes and procedures. Figure 2.7 illustrates the required transformation of technology.

**FIGURE 2.7 TECHNOLOGY TRANSFORMATION**

<table>
<thead>
<tr>
<th>From</th>
<th>To</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Applications not integrated</td>
<td>- Single integrated system</td>
</tr>
<tr>
<td>- Not aligned with business processes</td>
<td>- Business processes enabled</td>
</tr>
<tr>
<td>- Modifications extensive and costly</td>
<td>- Reduced maintenance of data</td>
</tr>
<tr>
<td>- Information inconsistent</td>
<td>- Integrated data warehouse</td>
</tr>
<tr>
<td>- Lack of integrity (multiple sources)</td>
<td>- Data validation at source</td>
</tr>
<tr>
<td>- Multiple charts of accounts</td>
<td>- Single chart of accounts across units</td>
</tr>
<tr>
<td>- Not timely</td>
<td>- Information timely and relevant</td>
</tr>
<tr>
<td>- Mainframe or client server</td>
<td>- Flexible environment</td>
</tr>
<tr>
<td>- Multiple operating environments</td>
<td>- Standards</td>
</tr>
<tr>
<td>- Technology strategy not evident</td>
<td>- Business and information technology strategy aligned</td>
</tr>
</tbody>
</table>

Source: Adapted from Shah, 1998.
To successfully implement a shared services environment an organisation must transform its:

- People,
- Process and procedure, and
- Technology.

If an organisation cannot transform its people, processes, procedures and technology, shared services will remain a phrase within the organisation. Money will be spent and wasted in an effort to utilise technology, and a stigma will be attached to shared services as a "fad" (Uhlrich, 1995).

2.8 ROADMAP TO SHARED SERVICES

The move to a shared services environment is not the subject of this study, but a brief discussion of the implementation process is needed as the steps involved in the implementation of a shared services business unit provides a guide to the key success factors needed for the management of such a shared services business unit. Shared services does not happen. It is a time consuming process loaded with obstacles. Schulman et al. (1999: xvii) refer to it as "embarking on a shared services journey". It is necessary to briefly map the road onto which organisations need to travel to reach a destination. Reaching a shared services destination is not the end of the journey yet, as it is but a brief stopover on the shared services journey. Shared services is transforming to a virtual service, as some organisations like Ford Europe (e-HR shared services) take it to a new dimension (Skerry, 2001).

Figure 2.8 presents the roadmap that an organisation needs to follow if it wants to implement a shared services environment.
Each of the four phases, that is mobilisation, assessment, design and implementation will be discussed in more detail.

### 2.8.1 MOBILISATION

This is the hard selling phase of shared services. The board of directors and senior management must be made aware of something called “shared services”. This is where senior management gets educated into what shared services is, what it is not,
the advantages and disadvantages, as well as alternatives. Too often the supporting processes are seen by executives and senior managers as “non-value added” (Schulman et al., 1999:1) and as such receives little management attention. When these processes operate as freestanding businesses, they indeed add value. The commitment of senior management is of crucial importance, because without it the process is destined for failure. This is also the opportune time for senior management to appoint one of their own to take ownership of the process, drive it and take the full responsibility and accountability for it.

During the mobilisation phase, the “seller” of the shared services concept will focus on:

- The concept of shared services, what it is, what it is not and the characteristics of shared services.
- The compelling reasons for an organisation to pursue shared services.
- Shared services as the correct business model for the organisation.
- Organisational and international challenges that will affect the organisation and the implementation of shared services.

In the preceding discussion (paragraphs 2.1 – 2.7) these points have been addressed.

2.8.2 ASSESSMENT

After the concept of shared services have been bought by the board, executive committee and the employees, an analysis of the current business model of the organisation is required. This is the “as is” analysis. Current processes, procedures, people and organisational requirements are being evaluated to determine whether
they fit the value added goals of the organisation. Products, services and the cost of delivery are determined, as it will set the standard against which changes will be measured. Quinn et al. (2000: x) describe the following “as is” scenarios:

- The “as is” picture – current products and services,
- The “as is” picture – current product and service costs,
- The “as is” picture – comparison to external benchmarks,
- The “as is” picture – client satisfaction,
- Shared services and its relationship with process re-engineering and redesign,
- Shared services and its relationship with information technology,
- Building the business case to proceed.

After the “as is” analysis a business case will now be presented to the board and senior management to gain approval for the next step of the shared services process.

2.8.3 DESIGN

This is the blueprint of how the shared services business unit will operate. It lays down the structure of the shared services business unit, services that will be delivered (transactional and professional), the location of the shared services business unit and service level agreements. According to Quinn et al. (2000:127) location can for example be a “green field” location – that is a new location and often in a different country - to gain further advantages like lower taxes, flexible labour force and employees with different skills. Location can also be a “brown field” location, whereby the shared services centre is retained within the organisational current structure with the specific benefit to retain skilled and experienced manpower. This final business case is then presented to senior management for approval before the implementation.
Quinn et al. (2000:117 - 136) developed shared services through the following points:

- Shared services as a separate entity,
- Separation of shared services from governance functions,
- Separation of transactional processing from professional and advisory services,
- Shared services reporting,
- Internal structures of shared services,
- Locating shared services centres,
- Culture and language of location,
- Leading the shared services organisation,
- Leading the transactional processing centre,
- Leading professional and advisory services.

After acceptance of this business blue print, the organisation will move towards the final phase of establishing a shared services centre, namely implementation.

2.8.4 IMPLEMENTATION

The shared services program and project is now being implemented. Strong program and project management is integral to success, as are strong change management skills (Schulman et al., 1999: 185). This is also the phase that the change management process is completed and staff deployed to the shared services business unit. The continuous process of evaluation, business process re-engineering and benchmarking starts to take place. According to Cecil (2000) this process of re-engineering, implementation, evaluation and benchmarking can take up to three years.
2.9 CONCLUSION

The above discussion introduces us to the world of shared services. The concept of shared services is explained as an internal independent business unit that "commonises" business practises and procedures through the consolidation of these services. Through continuous re-engineering and benchmarking it adds value to the organisation. Shared services is not "centralisation or decentralisation" but incorporates elements of both. Shared services is not the retrenchment of employees, nor the outsourcing of business activities. Shared services is characterised by continuous improvement utilising leading edge enabling technology. It is customer and process focused with performance based rewards and incentives. Organisations are moving to a shared services business model because the global business environment is demanding it. Shared services create a flexible and dynamic organisation and enhance corporate value. To effectively transform an organisation to a shared services organisation, organisations must transform its people, processes and technology. To implement shared services in an organisation, the support of senior management must be obtained, the current "as is" situation must be analysed, the shared services business unit designed and implemented. Implementing a shared services business unit is no small undertaking (Hirchfield, 1996).

Once an organisation has implemented a shared services business unit, either a basic model or an advance market place model, the key success factors that will influence the management of a shared services business unit have to be determined. This is the issue discussed in chapter 3.
CHAPTER 3
KEY SUCCESS FACTORS IN A SHARED SERVICES ENVIRONMENT

“Staff operations which have reconfigured report a 31% improvement in cost and an astounding 45% improvement in service levels. There are not many other opportunities where you get gains like this.”

(Quinn et al., 2000:215)

3.1 INTRODUCTION
A shared services business unit is not a “big bang” occurrence. Figure 2.7, Road to shared services, shows that it is a process going through four phases that is. mobilisation, assessment, design and implementation. Depending on the size and model (basic to independent business unit model) of the shared services business unit, the initial process can last between twelve and eighteen months (Quinn et al., 2000:39). After the successful implementation of a shared services business unit, the question can now be asked “What factors will influence the success of a shared services business unit?”

3.2 KEY SUCCESS FACTORS IN A SHARED SERVICES BUSINESS UNIT
Adopting a market- or customer-driven focus is a critical success factor for any business unit, and like any other unit, a shared services centre must provide value if it is to be successful. Managers of shared services business units can now ask, “What key factors do we need to control to be effective, efficient and to add value”? The following key factors are required for a shared services business, not only to provide service, but also to add value and be successful.
3.2.1 Service level agreement (SLA)

Establishing a shared services business unit allows internal clients to choose the type, level and quality of services they want at a price they are willing to pay. The service provider (shared services business unit), on the other hand, can charge an appropriate fee for the services they provide. Internal clients pay the true cost of the service they receive, just as if they have gone to an outside service provider. This means that a shared services unit must not only match the performance levels of an outside service provider, but also exceed the expectations of the customer, or the customer will exercise their right to use alternative service providers. This arrangement or contract whereby the type, level, quality and cost of the services are stipulated is referred to as the service level agreement (SLA). Apart from regulating the relationship between the parties, the SLA also serves as a vehicle to train the client as to the costs of the services (Triplett & Scheumann, 2000). Quinn et al. (2000:150) and Schulmann et al. (1999:167) are both of the opinion that an SLA should be kept simple. An SLA should not create a bureaucratic infrastructure with pages of legalistic “what ifs”. Quinn et al. (2000:150) is of the opinion that when the trust between the parties are low, the SLA should address the fears of the parties and will be a more complex document. According to Schulman et al. (1999:167) the principles of an SLA are:

- Keep it simple.
- Keep it brief.
- Use the SLA to factually document the existing service / performance levels.
- Limit the time spent on the non-value added activities.
- Establish responsibilities and metrics for both the shared services centre and the business units.
- Meet and communicate regularly to fix issues quickly.
- Evolve to a more simplified format as trust builds.
- Ultimately there should be no need for a documented agreement.

According to Quinn et al. (2000:151) a service level agreement should answer the following questions in a concise and simple manner:

- What does the client expect?
- What will we supply or deliver?
- How frequently do we need to supply it?
- To what quality standards?
- At what price?
- What are the clients' obligations?
- What happens if we don't meet these expectations?
- What happens if the client doesn't meet its obligations?
- What recourse do we have if there is failure on either side?

A completed and signed SLA doesn't mean that the end of the SLA process has been reached. According to Triplett & Scheumann (2000) it is the beginning of a mutually beneficial relationship that needs continuous improvement and maintenance.

### 3.2.2 Dispute resolution

According to Schulman et al. (1999:169) the biggest fear of a shared services organisation can be summarised in the question "What if my business partners send me input that is not what has been promised (messy input), but believe I am still
responsible for doing what I have agreed to do (value output)?” Each time there is an exception as defined by the SLA, that exception must be captured, tracked, understood, and then fixed. Dispute resolution will be based on the SLA dispute resolution model proposed by Schulman et al. (1999:171) and as presented in Figure 3.1.

By using the model, cascading and linking creates an environment in which not only conflict is resolved and prevented, but creates an environment in which continuous improvement can flourish. Schulman et al. (1999:261) is of the opinion that a dispute resolution model should form part of the service level agreement. According to the model, each individual occurrence of conflict is identified for both its “reason” and “cause”. The “reason” is why it is an exception (symptom), while the “cause” gets closer to the root of the problem. Problems are prioritised according to the impact on the partner and shared services business unit as well as the potential risk involved. The problem/cause is researched and the results communicated to the service provider and customer. The researched problem is solved and the adjustments documented. Metrics are put in place to measure work in progress (WIP), volume, cycle time and improvements. Accountability is defined according to the root cause, type and function within the organisation. The lessons learned, actions to prevent it from recurring, and improvements are documented in an action plan that becomes part of the SLA.
3.2.3 Metrics

Shared services groups and the customer need to find ways of fixing a value to what needs to be done and what has been achieved. The process of determining what has been done and fixing a value to it are referred to as performance measures.
"Performance measures are like metrics: it measures the same activities that are grouped into an area of focus" Schulman et al. (1999:256). Measuring the success of a shared services business unit is not an easy task. According to Schulman et al. (1999:253) this is due to the following reasons:

- While shared services is not a strategic operation, it is surely tactical (Schulman et al., 1999:35) and must always be taken as an integral part of a corporate strategy. Because of the part it plays in corporate strategy a wide range of metrics must be developed, from relative simple metrics at the activity level to measure activity, to macro metrics at the corporate level where strategic performance measures can grade the entire operation.

- Because the relationship between the shared services business and the business units is quite involved, from partnership to customer / supplier, a different set of metrics must be created to measure the relationship, adherence to the SLA, and measuring the value added.

- The end-state vision of a shared services organisation is different from the current operating state, and as such different sets of metrics will be needed in the advanced market place model and in the basic model.

Metrics should not be used on a day-to-day basis, but they can be tracked and audited by following an entire cascade of metrics. It is also important to keep track of these metrics as they also measure not only team performances, but also the individual team member / employee. Shared services metrics must support management by focusing on activities and processes rather than functions.
Figure 3.2 illustrates the evolution of metrics from a current state to a shared services organisation.

**FIGURE 3.2 CASCADING OF METRICS.**

Before shared services

- Limited Use of Best Practises
  - Pilot pro-cards
  - Minimal EFT
  - Pilot pay on receipt
  - Manual dispute resolution
  - Sporadic use of customer feedback

- Disparate & Fragmented Practises and Policies
  - Inconsistent time reporting practices
  - Un-coordinated close schedules
  - Multiple chart of accounts

- Performance Baseline
  - General ledger - reconciliations complete and timely
  - Accounts payable - payment to terms
  - Payroll - accurate & timely processing

Operating shared services

- Balanced Scorecard
  - Few, high-level business metrics
    - Cascade metrics
    - Value measures
    - Electronic real-time

- Faster, better, cheaper

- World Class Best Practise
  - Zero defect payroll
  - 100% Payment to terms
  - Maximum DSO performance
  - Proactive management reporting & financial synthesis
  - 100% Customer satisfaction

- Technology Investment

- Executive Support for Policy Changes

- Standardisation
  - Move to common policy & standards
  - Elimination of variables in accounts payable processing
  - New materiality policies

Source: Adapted from Schulman et al., 1999:255.

In Figure 3.2 the relationship between metrics is described as a pyramid cascading down from high-level strategic performance measures to the activity level. The
relationship of the pyramids is connected over time as the organisation moves from its current state to a shared services environment.

According to Schulman et al. (1999:256) metrics are qualitative calibrations of performance along a single dimension such as time, cost or accuracy. Examples of metrics include the time it takes to process a payment, the accuracy with which a transaction is captured, or the cost to service a printer. From the examples it can be seen that metrics vary along the dimensions of time, accuracy or costs. The characteristics of the best metrics are the following:

- Metrics are discrete (measuring a single item like transaction process time).
- Metrics are quantitative (the same measurements can be compared).
- Metrics are comprehensible (anyone should be able to understand the metric).
- Metrics must be visual (represented by a graphic i.e. graph, diagram).

Strategic performance measurement takes as its base that the establishment of controls is necessary but in no way sufficient. Schulman et al. (1999:257) is of the opinion that it is harder to create a set of simple metrics that tie operational performance to the strategy than it is to simply measure everything. Strategic performance measurements seek to create a set of simple, well-thought-out and hierarchical metrics that drive success among the following three critical dimensions:

- Strategy. Performance measures provide an ongoing mechanism for measuring the organisation’s success in meeting strategic goals.
- Processes. Performance measures provide actionable, real-time data and use targets for operational excellence in critical processes to create incentives for improvement and resource allocation.
People. Performance measures align individual objectives with those of the organisation, ensuring organisation wide commitment to common goals.

A key to create a set of well-integrated metrics is to choose the right top-level metrics. Top-level metrics should measure the end-to-end processes within the shared services unit. It should measure the operation from the client’s perspective and not from an internal perspective. The entire set of metrics in a shared services operation must cascade down the pyramid and roll up the pyramid, linking each metric. Schulman et al. (1999:259) propose a series of questions that needs to be asked in designing a metric:

- Does the metric support the business unit and organisational strategy?
- Does the metric support the business processes?
- Is the metric easy to understand?
- Can the metric be presented in visual terms? (graphs).
- Can the metric be calculated from obtained data?
- Is the metric relevant? (An indicator of the performance being measured).

The need for constant self-evaluation and external evaluation through the use of quantifiable metrics is a requirement for the successful management of a shared services business unit (Quinn et al., 2000:211). Metrics will also assist management in determining which performances to reward and which to penalise (Cecil, 2000).
3.2.4 Continuous improvement

Companies that simply consolidate functions and processes and go no further, will cut costs and improve productivity, but after a few years will experience no further gains. Realising additional gains year after year requires continuous improvement (Cecil, 2000). A shared services organisation almost by definition focuses on service delivery and continuous improvement, and must therefore focus on continuous improvement. Continuous improvement goes hand in hand with metrics and benchmarking. According to Quinn et al. (2000:194) “What gets measured, gets done”. A benchmark is a measured "best in class practice" level of performance and is recognised as the standard of excellence. Benchmarking is then the process of measuring and comparing ourselves qualitatively and quantitatively against the “best” standards of other similar service providers and organisations (Quinn et al., 2000:91).

Hays (1996:174) is of the opinion that “Learning is a key capability in a continuous improvement culture”. In a learning culture, managers and employees who are concerned with customer needs, people and processes that can lead to continuous improvement should be valued. Hays (1996:175) is of the opinion that for continuous improvement, an organisation should establish a learning culture that has adaptive mechanisms to gather on-going information (metrics) about the needs that it is trying to serve, and the effectiveness of meeting those needs. Schulman et al. (1999:260) are of the opinion that learning organisations with long-standing continuous improvement programs such as total quality management (TQM) or business process reengineering (BPR) that have moved to a shared services environment, have an advantage with continuous improvement, as continuous improvement is a natural process for them.
3.2.5 Change management

Moving from its current state to a shared services environment is a major change in the way an organisation changes. Figure 2.4 (People transformation), Figure 2.5 (Process transformation) and Figure 2.6 (Technology transformation) indicates how an organisation must change from its current state to its future state. Schulman et al. (1999:239) are of the opinion that resistance to change is the largest danger to a successful shared services organisation. In essence a shared services organisation strives for excellence. "Many people settle for mediocrity. They resist the idea of striving mightily for excellence" (Bateman & Snell, 1999:609). The reasons people resist change are presented in Figure 3.3.

**FIGURE 3.3 RESISTANCE TO CHANGE**

![Diagram showing general reasons for resistance and change-specific reasons for resistance]

General reasons for resistance

- Inertia
- Timing
- Surprise
- Peer Pressure

Resistance to Change

- Self - interest
- Misunderstanding
- Different Assessment

Change – specific reasons for resistance

Source: Bateman & Snell, 1999:610.
- Inertia. People don’t want to disturb the status quo. They are happy in doing things the old way. Process re-engineering frightens them as it is a deviation from accepted practises.

- Timing. People resist change because of poor timing, either personal (away on leave) or operational (financial year end).

- Surprise. If change is sudden, unexpected or extreme, resistance is a reflexive reaction. You would not say to your transactional team “tomorrow we assume the governance function of travel reimbursements”. It should be communicated well in advance, and even with their inputs. Using the conflict resolution model will assist in improvement and change management with new processes.

- Peer pressure. Teams will resist new ideas, although individual members will not. If the group is cohesive, peer pressure will cause individuals to resist change.

- Self-interest. Teams and individuals will resist change if they think it will cause them to loose something. A shared services organisation not only reduces costs, but also head count. If the financial functions head count has been reduced from 100 employees to 40 employees, a new business process might raise the fear of a further redemption of headcount, which will increase resistance to change.

- Misunderstanding. Even if a new business process or best practise process is implemented, resistance may occur, as team members do fully understand its purpose.

- Different assessment. This mainly occurs as team leaders and team members differ in their assessment of the new process.

According to Schulman et al. (1999:239) change is a process, and as such it is manageable. Successful change requires managers to actively lead it. At the
forefront of this change management process is a visionary leader. The visionary leader sets tone and direction. The visionary leader must have a ruthless consistency, constantly remind people of why the shared services business unit is doing what it is doing; solve business problems through benchmarking, best practises and continuous improvement.

Figure 3.4. represents the change process. The current state is determined, the future state envisioned. Visionary leadership is engaged through clarity, commitment, communication, capabilities, organisation culture, configuration and continuous learning. The shared services business unit is engaged, new processes are implemented to ensure continuous renewal, and the future envisioned state is reached. Here the change process starts again as a new future state is envisioned.

**FIGURE 3.4 CHANGE PROCESS.**

Source: Adapted from Schulman et al., 1999:240.
Lucent Technologies addressed change management by talking to people. According to Jim Lusk (Schulman et al., 1999:246) the message conveyed was clear "Don’t do this behind close doors”. Lucent’s leadership made a huge effort to get in front of people, not just standing in front and only answering questions.

3.2.6 Communication

Quinn et al. (2000:158) states the importance of communication with the following statement; “Plan to communicate at least ten times more than you expect”. Communication in a shared services environment does not only imply communicating with the team members of a shared services business unit, but also with the customer.

Resistance to change business processes, as well as a culture change from doing a job to add value was overcome by Lucent Technologies by continuously communicating with people. Jim Lusk from Lucent Technologies (Schulman et al., 1999:248) put the importance of communication as follows: “Face to face dialogues are held constantly with people. A lot of times it meant saying “I don’t know”. “I don’t know” is a very scary thing for a leader to say, but you have to say it. You have to say, “the situation is constantly changing. This is the way I think it will happen, and hope it will happen”. Then you need to communicate as soon as something has happened, and that might mean you have to go back and say, "things have changed. We’re not able to do it the way I said last week. Instead, we have to do it this way". You must be very open and very honest".
Good communication is also critical towards business units that are the shared services unit's internal customers. Cecil (2000) is of the opinion that one area of concern is the inability to drive communication through the organisation. Communicating only a single viewpoint ignores the interest of all the other groups (business units). Shared services units should develop two sets of communication materials; one for the shared services team members and another for their customers, but still convey the same information and message.

Communication between the shared services unit and other business units is a two-way communication. According to Uhlrich (1995:) “Share information from customer to shared services, and shared services to customer”. In a traditional organisation, information is shared on a “need to know” basis and not everyone knows anything. In a shared services organisation everyone needs to know the customers expectations. Shared services organisations must learn to share from technical experts working together, professionals being co-located and best practise workshops and forums where ideas are shared. Uhlrich (1995:) is of the opinion that a sharing of information through continuous communication builds a shared mindset for the shared services business unit.

3.2.7 Trust

"Service excellence depends on quality communication regarding service expectation and feedback on services given" (Hays, 1996:59). Good communication depends on the existence of a climate of openness and trust. A low level of inter-business unit trust causes communications to be withheld or distorted, thereby making excellent service almost impossible. Low levels of trust will also lead to the appointment of
shadow staff. This is staff appointed in business units to provide the services of the shared services business unit, because the shared services business unit can not deliver what it is suppose to deliver (Uhlrich: 1995). Trust requires that employees (team members) of the shared services business unit and the other business units be willing and able to presume competence and good intent in each other’s actions. Discussions and interactions, in groups or private, within a high trust environment will build on the underlying assumption that the other party is competent to do their job, and has the good intent to do so.

According to Hays (1996:60) the test to trust occurs when data suddenly arises that indicates a problem between the expectations of the customer and the shared services provider. In a low trust environment, each party will explain the cause of the problem as incompetence or misguided intent by the other party. In a high trust environment the source of the problem will be determined as the competence and intent of the parties involved will not be questioned, as competence and good intent are presumed. The existence of the above assumptions sets the stage for a positive and productive work relationship that will add value to not only the shared services business unit, but also to the other organisational business units.

3.2.8 Removing boundaries

According to Uhlrich (1995), the greatest barrier to the success of a shared services operation is the lingering mindset around boundaries within support functions. Boundaries make distinctions between people in the organisation, generalists versus specialists, compensation versus development versus staffing. Such boundaries create hurdles for the flow of information, work and decision-making. Uhlrich (1995) is
very clear by stating, “Shared services will not work if boundaries continue to dominate thinking”.

The removal of boundaries comes when individuals with different roles and responsibilities within the support function have a shared unity towards the overall goals of the function. Boundaries can be removed by creating a common goal that supersedes each individual goal, by moving individuals around to different roles within the function through career transitions, and by building incentives that encourage boundary less behaviour.

Uhlrich (1995) is of the opinion that a boundary less business unit also recognises the multiple roles played by the team members. Within the shared services business unit, the functional (human resources, finance, logistics) professional is not a traditional generalist. While the business professional reports to a senior line manager, the individual must be more of a broker of services, a consultant to the management team. Corporate professionals are not just strategic personnel anymore. Much of the work at a shared services business unit is operational. The focus in a shared services office is day-to-day efficiency, not long-term strategy. Corporate professionals do not create and enforce policy, but share expertise.

These new roles created by a boundary less shared services business unit will create a new set of competencies in consulting skills, team work, business process re-engineering and best practises, which are vital for the management of a shared services business unit.
3.2.9 Culture

Various authors are of the opinion that a new culture is paramount to the success of a shared services business unit. "Understand that culture is the biggest hill to climb" Petke (2001), and "Create a new culture" Cecil (2000). According to Jack Welch "The degree of culture change required to enact shared services successfully is enormous" (Quinn et al., 2000:157).

To make shared services successful, there will have to be a long process of culture change. Quinn et al. (2000:157) are of the opinion that a failure to pay attention to the soft side of change is a recipe for underperformance. Culture change is core to success. "It is what will make shared services endure" (Quinn et al., 2000:157). Bertil Wrethag, ABB’s president of support services said: "We work hard on culture because we wanted a partnership with our clients, but we also knew that unless our own people felt and behaved like partners with each other, we will never get there" (Quinn et al., 2000:158)

Organisational culture is the “personality” of the organisation: It consists out of a collective pattern of beliefs, values, behaviours and philosophy developed over time (Schulman et al., 1999:245). In a shared services environment these patterns of belief, values, behaviours and philosophy are constantly under pressure of change. Figure 3.5 illustrates the movement from existing culture to a future state. The odds of successfully managing a shared services business unit grow as the similarity grows between the existing culture and the behaviours and assumptions of the future state.
When the current culture is in conflict with the desired culture, managers have three options of leading culture changes:

- Modify the change to be more in line with the existing beliefs, behaviours and assumptions of the culture.
- Modify the beliefs, behaviours and assumptions of the culture to be more supportive of the change.
- Prepare for the change effort and shared services to fail.

Schulman et al. (1999:246)

Shared services business unit leaders need to take an active and skilful hand in modifying the current state of culture so that a new culture will emerge to genuinely and totally support performance goals. Culture starts at the top. Leaders’ ability to
successfully understand, realign and build a new shared services culture is a powerful force for creating and reinforcing excellent performance (Hays, 1999:160).

3.2.10 Teamwork and empowerment

Because the typical shared services business unit has a very flat organisational structure (generally three layers) it requires teamwork (Cecil, 2000). The shared services business partner must be on both the shared services business team as well as the chief executive officer's management team (Uhlrich, 1995). Shared services business unit professionals must be able to join and lead teams to solve a particular problem or concern. The team composition changes as business needs change. The ability to form and deploy teams quickly and effectively is critical to service delivery in a shared services environment.

A key goal then is to empower teams (Cecil, 2000). Empowered work teams offer a powerful new resource, but they need to be supported with knowledge and skills (Hays, 1996:169). This implies that teams must be equipped with the necessary tools, skills, knowledge (continuous training) and information to make real and substantive decisions about how their work gets done, as well as empowerment to take the necessary corrective actions.

According to Hays (1996:165) the benefits of empowerment are:

- Empowerment improves response time to customer service delivery needs.
- Empowerment improves response time to recover from service problems.
- Empowerment improves employee job satisfaction and feeling of self worth.
- Empowerment enhances warmth and enthusiasm in customer interactions.
Empowerment increases opportunities for employees to directly improve services. Empowerment of individuals and teams is an energising source of improved performance and positive service effectiveness for a shared services business unit (Hays, 1996:165). "Empowering of employees is a great idea but incredibly difficult to make happen" McEwan (2001).

3.3 CONCLUSION

Chapter 3 identifies key success factors that are required to successfully manage a shared services business unit. A shared services business unit must know what it has to deliver, what value it must add, and how to add that value. Its' customers in return must know what to expect from the shared services business unit. This is all laid down in a service level agreement (SLA). The SLA only guides the shared services business unit in its attempt to deliver service. For the shared services business unit to survive it must adopt a customer-focused culture through continuous improvement, best practises and benchmarking. To adhere to the service level agreement and to continuously improve, the necessary metrics need to be in place. Service delivery is achieved through continuous communication and empowerment of teams that removed boundaries, and through adopting a new culture that is responsive to the internal customers' requirements and needs. By being responsive, trustworthy and competent in their service delivery, a shared services business unit will not only be successful, but will be truly on its way to an advanced market model, where its service will be rendered in the open market not only to generate revenue for the shared services business unit, but also to become a core business in its own right. The following chapter will determine what managers of shared services
business units regard as key success factors for the management of a shared services business unit.
"We worked hard on culture because we wanted a partnership with our clients but we also knew that unless our own people felt and behaved like partners with each other, we would never get there." (Steven Kerr – General Electric).

(Quinn et al., 2000: 158)

4.1 INTRODUCTION

Shared services is an important concept, not only in the context of cost saving or best practises, but from a tactical perspective as well (Schulman et al., 1999:35). The future success of a shared services business unit is largely dependent on its ability to add value (Forst, 2001). In chapter 3 the researcher identified various key success factors that need to be managed in a shared services environment that will assist managers of shared services business units to add value to their business. In this chapter the results that were obtained through an exploratory study, and the reaction of the respondents to the key success factors for a shared service business unit as identified by the researcher, will be discussed. It is important that practitioners of shared services take notice of these key success factors, as it will ensure that shared services will not be viewed as a "fad", but a sustainable value adding business practice.
4.2 RESEARCH METHOD

As stated in paragraph 1.4 (Methodology of the study), the research is of an exploratory nature. The primary aim of the empirical research part of the dissertation is to identify those key success factors that are critical to the management of a shared services business unit. The research was done by means of unstructured personal interviews with representatives of consulting firms that have implemented shared services for organisations, as well as representatives of organisations that have implemented shared services. All references to organisations and representatives imply that the respondents represent the organisations. The respondents are all managers of shared services in their respective organisations.

Two interviews were held with consulting firms (Deloitte Consulting and KPMG Consulting) that have assisted organisations with the implementation of shared services and are still assisting their respective clients with the continuous improvement and evolution process of the shared services business unit. Six more interviews were held with organisations that have implemented shared services namely KPMG, ESKOM, Gauteng Shared Service Centre (GSSC), SASOL, Anglo Platinum and South African Breweries (SAB). The unstructured interviews were done at the hand of a questionnaire (Appendix A) that provided the researcher with a framework for the interviews, and also ensured consistency in phrasing questions during the interviews.

The objectives of the approach adopted by the researcher were:

- To determine if the respondents' have implemented shared services.
- To determine the respondents' understanding of the shared services concept.

This was done to ensure that the respondents have really implemented a sound
shared services business unit, and not just a cost cutting exercise or centralisation under the guise of shared services.

- To determine what the respondents' deemed to be key success factors in the management of a shared services business unit.
- To determine the respondents' view on the key success factors as identified by the researcher.

The findings that emerged from these interviews are set out below.

4.3 RESPONDENTS' EXPERIENCE REGARDING THE IMPLEMENTATION OF SHARED SERVICES

The purpose of this section of the questionnaire was to determine whether the various respondents have implemented or have assisted in the implementation of shared services. The respondent's understanding of the concept of shared services was investigated. If any of the organisations have not implemented sound shared services, or implemented restructuring or any other business model under the disguise of shared services, there was no further need to pursue the interview.

4.3.1 Consulting organisations

Both respondents interviewed have assisted organisations in the implementation of shared services business units. This was determined at the outset of the interviews and guided by question one of the interview guide. Both respondents answered in the affirmative to the question that they have assisted organisations with the implementation of shared services. Guided by questions four and five, the consultants indicated that they are aware of the differences between shared services and centralisation and were confident that they had implemented true shared
services. The primary reason (question three) why their clients have implemented shared services, was that the respective shared services function could concentrate on its core competencies, that is human resources (Deloitte Consulting) and finance (KPMG Consulting) respectively and create value through focusing on the core competencies. Secondary reasons referred to further benefits of moving to a shared services environment and included cost savings, administrative economies of scale and anticipated growth in the organisations. In response to question six (What shared services model do they use?) and seven (evolution along the shared services continuum) both respondents indicated that they first implemented a basic shared services model, which is the consolidation of transactional and administrative work. In response to the questions pertaining to the effectiveness and efficiency of the shared services business unit (question ten and eleven), both respondents were of the opinion that the respective shared services business units are efficient, effective and adding value to the organisation as a whole by increasing the number of transactions processed with less staff, by increasing responsiveness to customer queries and by achieving cost benefits. The respondents are still involved with their respective clients and specifically with business process re-engineering and the shared services evolutionary process from the basic model through to the independent business unit. In the relationship with their respective clients, they are constantly aware of key success factors that are required in the management of shared services. Their response to key success factors for the management of shared services will be discussed in section 4.4.
4.3.2 Shared services organisations

Guided by question one, four and five of the interview guidelines, and specifically the interpretation and answers to question four ("What is your interpretation of a shared services business unit?") the response from all six respondents indicated that they understood the concept of shared services, and have implemented true shared services in the respective organisations. The primary reason, and if any, the secondary reasons for implementing shared services (questions two and three), are presented in Table 4.1

**TABLE 4.1 REASONS FOR IMPLEMENTING SHARED SERVICES**

<table>
<thead>
<tr>
<th>Reason</th>
<th>Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary reason</strong></td>
<td></td>
</tr>
<tr>
<td>Cost savings</td>
<td>6</td>
</tr>
<tr>
<td>Retain and concentration of skills</td>
<td>5</td>
</tr>
<tr>
<td>Focus on core competencies</td>
<td>3</td>
</tr>
<tr>
<td><strong>Secondary reasons</strong></td>
<td></td>
</tr>
<tr>
<td>Natural follow-on to ERP</td>
<td>2</td>
</tr>
<tr>
<td>Service delivery</td>
<td>2</td>
</tr>
<tr>
<td>Streamline other business units (focus)</td>
<td>2</td>
</tr>
<tr>
<td>Create transparency</td>
<td>2</td>
</tr>
<tr>
<td>Standardisation</td>
<td>1</td>
</tr>
<tr>
<td>Control</td>
<td>1</td>
</tr>
</tbody>
</table>
All six respondents indicated that their respective organisations have implemented shared services as a result of cost pressures. By implementing shared services, more work is done by less people. This is also reflected in Figure 2.2 (Shared services head count). Five respondents indicated that shared services was implemented to concentrate and retain skills, while three respondents indicated that it was to focus on its core competencies of human resources, accounts payable, accounts receivable and other support processes. No one primary reason to move to a shared services business environment was specifically identified by the respondents. It was always a combination of primary reasons. Cost savings, concentration and retention of skills, and focusing on core competencies were always linked in one way or the other.

Secondary reasons vary from a natural follow-on to the newly implemented ERP (enterprise resource planning) systems indicated by two respondents, service delivery, and the streamlining of other business units and the creation of transparency. Two different respondents indicated standardisation and control as additional reasons. Secondary reasons resulted from the advantages gained by moving to a shared services environment.

Functions implemented under a shared services business unit vary from organisation to organisation. Table 4.2. represents the functions implemented by the six organisations in a shared services business unit. Finance and human resources are the two functions that were completely implemented under shared services by the majority of the organisations. One of the respondent organisations also implemented information technology (IT), procurement and internal audit. Sub-functions, (that are
functions and processes that can be distinguished in the total function) implemented by the respondent organisations are payroll, accounts receivable and benefits administration.

**TABLE 4.2 FUNCTIONS IMPLEMENTED UNDER SHARED SERVICES**

<table>
<thead>
<tr>
<th>Total Function</th>
<th>Sub-function</th>
<th>Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance</td>
<td>Accounts receivable</td>
<td>4</td>
</tr>
<tr>
<td>Human resources</td>
<td>Benefit administration</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Payroll</td>
<td>2</td>
</tr>
<tr>
<td>Information technology</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Procurement</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Internal audit</td>
<td></td>
<td>1</td>
</tr>
</tbody>
</table>

The researcher also wanted to establish what model of shared services the respondent organisations used, and whether these organisations had any plans to evolve to the next model of shared services. This was done through questions six and seven of the questionnaire guideline. The result of question six is presented in Table 4.3.

**TABLE 4.3 MODEL OF SHARED SERVICES IMPLEMENTED**

<table>
<thead>
<tr>
<th>Shared service model</th>
<th>Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic model</td>
<td>2</td>
</tr>
<tr>
<td>Marketplace model</td>
<td>3</td>
</tr>
<tr>
<td>Advanced marketplace model</td>
<td>1</td>
</tr>
<tr>
<td>Independent business unit</td>
<td>0</td>
</tr>
</tbody>
</table>
The majority of the respondent organisations are in the marketplace model, with two
respondents in the basic model and one respondent organisation in the advanced
marketplace model. With the exception of only one respondent in the basic model, all
the other respondent organisations indicated that according to organisational goals
and plans, they intended to evolve to the next model of shared services. Even the
one organisation in the advanced marketplace model indicated that they intended
moving to an independent business unit to become an income-generating unit for the
larger organisation. One of the respondents in the basic model indicated that they did
not intend moving to the next level (marketplace) of the shared services continuum,
and cited the lack of management support for that. Five of the respondent
organisations indicated that there was a split between transactional and professional
services provided by the shared services business unit. One respondent only
provided transactional services and did not foresee that they would add professional
services.

The above discussion provided a basis for the interviews to proceed and determine
key success factors for the management of shared services.

4.4 KEY SUCCESS FACTORS AS IDENTIFIED BY RESPONDENTS

The previous discussion on the unstructured interviews served as an introduction to
the main objective of the empirical research, namely to identify key success factors
for the management of shared services. In contrast to the previous discussion where
a distinction was made between consulting organisations and organisations that have
implemented shared services, the following discussion includes the identification of
key success factors in the management of shared services of all eight respondents.
In question fourteen the respondents were asked: "What in your opinion are the key success factors required for the successful management of a shared services business unit?" The respondents were not asked to prioritise the key success factors identified. The key success factors required for the management of a shared services business unit are presented in Table 4.4. The success factors are not arranged in order of priority, but reflect the number of respondents that have identified the factor as a key success factor. Due to the confidential nature thereof, the respondents' names and organisations have been omitted.

TABLE 4.4 KEY SUCCESS FACTORS AS IDENTIFIED BY THE RESPONDENTS

<table>
<thead>
<tr>
<th>Key success factor identified by respondents</th>
<th>Number of respondents identifying the key success factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>People</td>
<td>8</td>
</tr>
<tr>
<td>Communication</td>
<td>6</td>
</tr>
<tr>
<td>Goals and performance measures</td>
<td>5</td>
</tr>
<tr>
<td>Training</td>
<td>5</td>
</tr>
<tr>
<td>Cost</td>
<td>4</td>
</tr>
<tr>
<td>Continuous improvement</td>
<td>4</td>
</tr>
<tr>
<td>Leadership</td>
<td>3</td>
</tr>
<tr>
<td>Senior management attitude</td>
<td>2</td>
</tr>
<tr>
<td>Technology</td>
<td>2</td>
</tr>
</tbody>
</table>
The key success factors for the management of shared services as identified by the respondents and presented in Table 4.4 will be discussed henceforth.

4.4.1 People

All the respondents identified people as a key success factor for the efficient and effective management of a shared services business unit. People will make or break a shared services centre. Right from the design phase, the “right” people must be appointed within the shared services centre. The "right" people will have the ability to adapt to a new environment. The right people will be goal driven, customer focused and they will be service orientated. People also build relationships, not only within the shared services centre and team environment, but also with the customer. These relationships ensure service delivery and add to the success of the shared services business unit. According to one of the respondents, the "wrong" people did not last, and within six months have either been transferred or resigned from the organisation.

4.4.2 Communication

Communication goes hand in hand with people. According to the respondents communication is not only the transferring of information to shared services centre members and the internal customers. Communication has a deeper meaning. It involves constantly motivating customers and team members. It requires the continuous marketing of the shared services business unit to its internal customers. It involves communicating to all stakeholders.
4.4.3 Goals and performance measurement

Performance measurement not only measures performance levels, but also sets goals to be met. Without these goals the shared services business unit only provides another service, as there is no idea as to the levels of service delivery, and no indication of efficiency and effectiveness. All the employees of the shared services business unit must be aware of what the goals are, whether the goals are being met, and if not, what is being done about it. Two of the respondents are of the opinion that the minimum goals to be met must form part of the service level agreement.

4.4.4 Training

As with communication, training goes hand in hand with people. Employees (team members) constantly need to be trained in respect of new business processes, new business methods, the service they deliver and last but not least they need to be equipped with communication skills. Employees of shared services need to be trained in interpersonal relation skills because they are constantly in touch with the customer.

However, training does not only involve the shared services employee. The customer must also be educated. The customer must be educated in terms of what the shared services centre is doing, what it is supposed to do, and what levels of service delivery it can expect. If the customer is not educated, conflict will arise as to who does what and when.
4.4.5 Cost

Cost, and more specifically the control of cost, was another key success factor identified by four of the respondents. As the lowering of cost was a major force in the establishment of shared services, shared services business units are under constant surveillance as to their cost effectiveness. The respondents were also of the opinion that they are achieving cost savings by being efficient and effective in the transactional processes that they perform.

4.4.6 Continuous improvement

The respondents were all of the opinion that continuous improvement is an integral part of the "nature" of shared services. If there is no improvement, customers will get disillusioned and either appoint shadow staff, or move to outsourcing where the perceived best practices will be obtained.

A vital element in the practice of continuous improvement is, according to four of the respondents, "benchmarking". The shared services business unit has to benchmark against the best in their respective industries. One of the respondents is of the opinion that through their continuous improvement and best practices, they are setting industry standards, which are being used for benchmarking.

4.4.7 Leadership

Three of the respondents are also of the opinion that leadership is a key success factor in the management of shared services. The leader must not only have sufficient shared services knowledge, but must also have the required functional (finance, human resources, procurement) knowledge. Leaders must be able to
communicate with the customer, senior management and shared services employees. Above all, leaders must be able to constantly motivate the shared services teams and employees. One of the respondents is of the opinion that leaders with a bad track record within the organisation should not even be considered for a shared services business unit, because the stigma attached to such a person will flow over into the shared services business unit.

4.4.8 Senior management attitude

One of the requirements in the implementation of shared services is senior management “buy-in” (Figure 2.7, Road to shared services). If senior management is not committed from the start, that is from the mobilisation phase of the implementation process, shared services will not be sustainable. One of the respondents is also of the opinion that due to a lack of senior management commitment, shared services may be relegated to the “not working” file.

4.4.9 Technology

As stated in paragraph 1.1, advances in information technology have paved the way for shared services. As the implementation of ERP software and shared services are not linked, the implementation can be done in two separate processes. What is required in the implementation and management of shared services is the same enterprise wide same software. One of the respondents was of the opinion that the same version of the ERP software is required throughout the organisation in order to assist in the management of a shared services business unit, and to achieve maximum performance at minimum costs from the technology.
4.4.10 Conclusion

The respondents have all identified people as a key success factor for the management of shared services. Within the concept of people they include communication, motivation, training, leadership and a customer focus service delivery attitude. People drive processes and best practise methodology. People exploit technology to its fullest potential. If you cannot transform your people, technology, and processes and procedures, shared services is not for you (Shah. 1998: 8).

4.5 RESPONSE TO KEY SUCCESS FACTORS AS IDENTIFIED BY THE RESEARCHER

Table 4.5 presents a list of the key success factors as identified by the researcher from the literature study, as well as the response of the respondents to the identified key success factors. The score sheet as presented in Table 4.5 was handed to the respondents with the request to score each key success factor in terms of importance as a key success factor in the management of shared services; where 1 is unimportant and 4 is very important. A column was included for respondents who did not know about a particular key success factor or the importance of the key factor. The respondents were not alerted to the key success factors as identified by the researcher. If the respondents were not sure about the meaning of the key success factor it was explained to the respondent, without guiding them as to what the score should be. After the scoring each key success factor as identified by the researcher through the literature study was discussed. Due to the confidential nature, the relevant respondents’ names and organisations have been omitted.
## TABLE 4.5 IDENTIFIED KEY SUCCESS FACTORS AND RESPONDENTS’ RESPONSE

| Factor/Score                          | 1 | 2 | 3 | 4 | Don’t know |
|---------------------------------------|---|--|--|--|--|-----------|
| Service level agreement               | 1 | 1 | 6 |   |           |
| Dispute resolution                    | 2 | 6 |   |   |           |
| Metrics \ Performance measures       |   |   |   | 8 |           |
| Continuous improvement                | 2 | 6 |   |   |           |
| Change management                     | 2 | 6 |   |   |           |
| Communication                         |   |   |   | 8 |           |
| Removing boundaries                   | 1 | 6 | 1 |   |           |
| Culture                               | 1 | 1 | 6 |   |           |
| Teamwork and empowerment              | 1 | 7 |   |   |           |
| Trust                                 | 2 | 6 |   |   |           |

Although the key success factors have been thoroughly discussed in chapter three, the following discussion relates the responses and attitudes of the respondents towards these key success factors.

### 4.5.1 Service level agreement (SLA)

Six of the respondents indicated that the service level agreement is very important. One of the respondents did not agree with the importance of an SLA. The organisation did not have an SLA in place, and did not foresee the implementation of an SLA for the shared services centre. The respondent emphasised the fact that the
respective organisation's hierarchical and management structure does not allow for a SLA, but that senior management and the shared services business unit have a memorandum of understanding. The memorandum of understanding is also not a written document that is available for scrutiny, but rather part of the minutes of a senior management meeting. The researcher did, however observe that the specific respondent was negative towards shared services in their organisation, although not to shared services in general or in the industry.

The majority of the respondents were of the opinion that an SLA is a non-negotiable as it determines the services that will be rendered, the level of services rendered, the cost or fees involved in the rendering of the respective services, as well as the objectives and minimum performance measures that need to be achieved.

4.5.2 Dispute resolution

The majority of the respondents were of the opinion that disputes relating to services rendered, the level of services rendered, costs involved, efficiency and effectiveness of the services, and performance measures would arise. As such, a dispute resolution mechanism must be in place to resolve these disputes fast and efficiently. One of the respondents was also of the opinion that the dispute resolution mechanism should be part of the SLA.

4.5.3 Metrics \ Performance measures

The respondents were unanimous as to the importance of metrics \ performance measurement. Apart from the minimum requirements as set out in the SLA, metrics must be in place to evaluate service levels as well as the effect of the implementation
of new business processes. The respondents were of the opinion that without the necessary metrics, shared services business units cannot demonstrate effective operations.

4.5.4 Continuous improvement
As the search for new and effective business processes and methodologies is a constant requirement for a shared services business unit, the respondents were of the opinion that these improvements are essential for shared services to add value. Without continuous improvement, shared services will stagnate and become outdated and a target for outsourcing.

4.5.5 Change management
According to the respondents, change management is also a key success factor in the management of shared services. Change does not only occur in the shared services business unit, but also within the operating teams within the shared services business unit. Change management is not a process that must be seen in isolation within the shared services business unit, but must be institutionalised throughout the organisation, as there is a new way of doing business.

4.5.6 Communication
This is the other key success factor about which the respondents were unanimous. As discussed in paragraph 4.4.2, the respondents are of the opinion that communication is an ongoing process. Shared services managers and employees must talk to each other and the customer. Communication does not always have to
be in a verbal format as other means of communication can also be utilised as to convey the necessary messages.

4.5.7 Removing boundaries

Six of the respondents were of the opinion that boundaries that may exist within the mindset of shared services employees must be removed. The mindset of “them versus us” should not prevail within a shared services business unit. A shared services business unit provides a specific service across the organisation.

Within the shared services business unit, boundaries should also not exist. It is not “my task” and “your task”. Within the shared services business unit, multi-tasking, and multi-skilling are prerequisites to achieve stated objectives. This does not indicate that different teams in the shared services business unit should not exist. Inter-team rivalry could enhance efficiency and effectiveness of the shared services business unit. The respondents agreed that team rivalry should be managed, and inappropriate boundaries, or a fixed mindset should not be allowed to develop.

One respondent could not respond to the existence or the non-existence of boundaries within their specific shared services environment. The respondent was of the opinion that their specific organisational culture does not allow for boundaries.

4.5.8 Culture

The recorded response was that the culture of the shared services business unit must be that of service delivery. The majority of the respondents’ had the objective to establish a service delivery culture within their respective shared services. One
respondent did not see it as a key success factor, and when prompted for reasons, the answer was that they are a service organisation and as such the organisational culture already focuses on service delivery.

What the respondents also want to establish as a shared services culture, is the achievement of goals. To establish a certain level of performance and service delivery is not only a goal that must be achieved, it is a non-negotiable requirement. One respondent’s viewpoint summarises the reply of the respondents: “We achieve those goals in any case; we must continuously strive to do better, and make goal achievement and striving towards continuous achievement part of the shared services culture.

4.5.9 Teamwork and empowerment

The respondents linked teamwork to the removal of boundaries. They also stressed the importance of teamwork in the achievement of goals and performance levels. Team members must also be multi-skilled, so that they can fill in on any team where assistance might be required.

Empowerment must filter down to the individual team members. They must be equipped with the necessary skills to take decisions immediately to enhance service delivery. According to one respondent, empowerment also means that team leaders and shared services managers must take notice of any recommendation from team members in order to enhance work performance and establish best practices.
4.5.10 Trust

The majority of the respondents agree that trust in the shared services environment is a key success factor. Respondents linked trust to the culture of the shared services business unit. Trust exists within the shared services centre and within teams. Trust exists between shared services employees in that they know their team members' work is up to date and up to standard. This implies that a team member will not have to cover for other team members or do their work.

Trust is also important between the shared services business unit and the customer. The respondents are of the opinion that this level of trust should be addressed within the SLA and also with the required communication.

4.6 SUMMARY

The respondents agreed that the key success factors for the management of shared services as identified by the researcher, are indeed key success factors. One respondent did not agree with the SLA, as in their particular shared services business unit they have a memorandum of understanding with the business, based on their existing management structure. Another respondent did not agree with the researcher on the importance of culture. The response was that as a service delivery organisation, the culture of the organisation was already one of service delivery.

In this chapter, the key success factors as identified by the respondents as well as their view on the key success factors as identified by the researcher were discussed. In chapter five, a conclusion and recommendations, some of which have been proposed by the respondents, is made.
CHAPTER 5
CONCLUSIONS AND RECOMMENDATIONS

"A vision should articulate a point out in the future, a final destination".

(Quinn et al., 2000: 177)

5.1 INTRODUCTION
The objective of the study was to identify key success factors that underpin the successful management of a shared services business unit. Chapter two introduced the concept of shared services. Chapter three identified ten key success factors, followed by a discussion of each of the ten factors. The empirical study to determine what managers of shared services business units regard as key success factors, and their response to the key success factors as identified by the researcher, was done by means of unstructured interviews with consultants and representatives of organisations that have implemented shared services. The results thereof are discussed in chapter four. This chapter concludes the study with a conclusion and recommendations.

5.2 CONCLUSIONS REGARDING SHARED SERVICES
In section 1.1, shared services is defined as "the concentration of company resources performing like activities, typically spread across the organisation, in order to serve multiple internal partners at lower cost and with higher service levels, with the common goal of delighting external customers and enhancing corporate value". Globalisation, demands from customers and the business environment, complex
organisational arrangements, and flexible and dynamic organisations are demanding
organisations to move to a shared services environment.

The following features can be ascribed to shared services:

- The "commonisation" of support processes to provide a better service to
  operational units.
- Shared services is an internal support organisation focussed on internal customer
  satisfaction.
- Shared services re-design business processes with the emphasis on value
  creation.
- Shared services is a separate business unit.
- Shared services is not "centralisation" or "decentralisation" but incorporates
  elements of each.
- Shared services is not a simple cost reduction measure that is achieved through
  process consolidation or process elimination.
- Shared services is not an internal push to have all non-core activities and
  business processes performed by outside service providers.
- Shared services is not an excuse for the retrenchment of employees.
- Shared services is not the re-engineering of existing business and support
  processes without considering the context of the larger business processes they
  support.
- Shared services is not limited to transaction based activities.
The following characteristics will be found in a shared services business unit, irrespective of the shared services business model that is practised in the organisation:

- Shared services runs like a business.
- Shared services is a high volume – low cost transaction service provider.
- Shared services has a high degree of specialisation.
- Shared services leverage the skill base in the organisation and shared services business unit.
- Shared services is customer and processed focussed.
- Shared services use leading edge technology.
- Shared services provides high quality service standards through the use of metrics.
- Shared services is a process of continuous improvement.
- Shared services continuously use best practises and benchmark its processes.
- Shared services employees’ rewards and incentives are performance based.

Benefits of implementing a shared services business unit are both tangible and intangible. They are:

- Tangible benefits:
  - Creating working capital improvement.
  - Increased productivity.
  - Cost savings.
  - Professional services and corporate governance.
• Intangible benefits:
  o Promoting the “one company” approach.
  o Leveraging and speeding up the adoption of best practises.
  o Shared services drive the transformation of business more easily.

If an organisation cannot transform its people, processes, procedures and technologies, shared services is not the business process for the organisation to implement, and any attempt to implement shared services will fail. In such cases, shared services will remain an unreachable goal of the organisation.

The implementation of a shared services business environment can be compared to a roadmap. There is a starting point, stopovers, a destination and the endless road. The starting point is the mobilisation of senior executive support for shared services. Stopovers are the assessment and design phases of the shared services implementation process. The destination is the implementation of the shared services business unit. However, the road doesn’t stop here but runs into the future with continuous improvement.

The empirical research indicated that all the organisations represented in the unstructured interviews have implemented true shared services, though they are not all on the same model of shared services. In the empirical research all the respondents indicate that cost savings was the primary reason for moving into a shared services business environment. Secondary reasons were rather the results of the implementation of shared services.
The literature study identified ten key success factors for the management of shared services, and the empirical research identified nine key success factors. In conclusion these key success factors will now be discussed.

5.3 CONCLUSION REGARDING KEY SUCCESS FACTORS

The management of a single key success factor will not be responsible for the success of a shared services business unit. It requires a holistic approach. All the key success factors need to be present and managed successfully if the shared services business unit wants to be affective, efficient and adding value to the whole organisation. Since the main objective of the study was to identify key success factors in the management of shared services, the key success factors identified are listed below.

5.3.1 Key success factors identified by the researcher from the literature study

The key success factors for the management of a shared services business unit were identified by the researcher through a literature study and confirmed by empirical research. They are:

- Service level agreement (SLA). The service level agreement describes the type of service to be delivered as well as the minimum requirement of the level of service delivery.
- Dispute resolution. Disputes will arise in and outside the SLA. A mechanism must be in place to resolve these disputes fast and effectively.
- Metrics. Metrics are the goals that need to be achieved, and the methodology of measuring those goals.
Continuous improvement. Shared services should continuously re-design their business processes by utilising technology to be more effective and efficient.

Change management. Shared services are constantly changing processes and levels of service delivery. These changes must be managed, otherwise they will be resisted.

Communication. There must be a continuous communication process with both shared services employees and the customer. It is only through communication that the shared services centre and customer will know what is happening.

Trust. By delivering more than what they expect and through effective communication a trust relationship will be established between shared services and the customer. A trust relationship will set the stage for a positive work relationship.

Removing boundaries. A prevalent mindset that “we are doing a job and not providing a service”, or “us versus them” is one of the greatest barriers to the success of a shared service business unit and should therefore be removed as effectively as possible.

Culture. A culture of service delivery and continuous improvement must be established. It is with such a culture that excellent performance will be created.

Teamwork and empowerment. Shared services operate in a team environment. Teams and team members must be empowered to take decisions that will add value.

5.3.2 Key success factors identified through the empirical study

The empirical study identified the following key success factors that are required in the management of a shared services business unit:
- People. People with the correct attitude and values should be appointed in the shared services centre.

- Communication. Communication includes the constant marketing of the shared services business unit and its effective results.

- Goals and performance measurement. Goals must not only be set, but also achieved. Achievement of goals and the performance of service delivery must be measured.

- Cost. Shared services must constantly control its cost to be effective.

- Training. It is not only the shared services employees that must be trained, but also the customer as there is a new and different way of delivering services which impacts on all stakeholders.

- Continuous improvement. Continuous improvement is an integral part of the nature of shared services. The shared services business unit must continuously improve its processes to stay effective and contribute more continued value to the organisation.

- Leadership. Good leadership is required in the management of shared services. Managers with a bad track record should be avoided.

- Senior management attitude. Senior management must believe in shared services and commit to its success. If not, it will fail.

- Technology. The correct technology is required to support shared services.

Based on the identified key success factors, either through the literature or empirical study, recommendations can now be made.
5.4 RECOMMENDATIONS

Shared services is a delivery method of common business processes that provide efficiency and effectiveness to an organisation implementing a shared services unit. To capitalise on both the tangible and intangible benefits of shared services and further enhance efficiency, effectiveness and add value, shared services managers must manage the key success factors, that is:

- **Provide efficient and effective leadership.** All the required traits that are required from good leaders should be present in the leader/manager of a shared services business unit, as well as team leaders. They must be result-orientated through their influence on team members and shared service employees. Managers must be knowledgeable about their functional responsibility and shared services. A team generally only performs as well as its leader.

- **People** drive processes. It is important that the correct people be appointed in the shared services business unit. The right people will be able to implement new processes, are result driven and are able to transform and adapt to the “new” way of doing business. People establish a culture, which often make things work or fail.

- **Communication** is the responsibility of not only the shared services business unit manager, but of all team members. Communication is not to be limited amongst themselves but to the customer as a priority. Talk, talk, and continuously talk to people. Communication is not only about the transfer of information, but also about the establishment of relationships. Communication is about motivating team members and the customer.

- To assist and support shared services employees in their ever-changing environment, they must be constantly trained. **Training** will supply them with the
necessary ability to do things faster, better and more accurately. Employees should be multi-skilled and should be able to perform multiple tasks as and when required.

- The **culture** of a shared services business unit must be one of service delivery. The unit should serve the interests of their customers. Through the culture of service delivery, value will be added to the shared services business unit, the customer, and the organisation in total.

- Shared services are supported by **technology**. The necessary technology is required to support a shared services business unit and the work it delivers. Technology will be leveraged to the benefit of the organisation through effective and efficient utilisation. If the necessary technology is not available, shared services may not be able to function more effectively at a lower cost to the organisation.

- The efficiency and effectiveness of a shared services business unit is dependent on **teamwork and empowerment**. Teamwork means that it is not “your” work, but “our” work. Team members work together, are multi-skilled and support each other. The individual team members, teams, and team leaders must be sufficiently empowered to take decisions that will enhance the work process, satisfy the customer and add value.

- To know what they must do and up to what standards, a **service level agreement** (SLA) must be in place. The service level agreement should not be a legal document of the type that will take the shared services business unit time to understand and implement, but a negotiated document that describes the services to be delivered, the extent of these services and the metrics to measure the performance of the shared services business unit.
- One can only effectively manage what one can measure, and therefore the necessary **metrics** have to be in place. A set of integrated metrics for the shared services business unit will measure end-to-end processes. It should measure the different performance measures and goals from the customer perspective and not the shared services perspective. The established metrics should measure strategy, processes and people. Metrics used should be contained in the service level agreement.

- **Cost savings** is one of the major reasons for implementing shared services, and as such are under constant scrutiny by the entire organisation. Cost control is thus of utmost importance in a shared services environment. Cost savings can only be achieved by efficiency and effectiveness. Efficiency and effectiveness can only be achieved through continuous improvement.

- **Continuous improvement** refers to the establishment of new processes and procedures to do things faster and better. By doing things faster and better, cost savings are incurred, the customer is satisfied, and the shared services centre becomes known for its service excellence. Continuous improvement is achieved by constantly benchmarking against the best, and as such it strives towards becoming the best.

### 5.5 A FINAL WORD

Shared services has become a feasible business strategy for many organisations. Some organisations might be jumping into a shared services model without fully understanding why or how it works. Other organisations might even use shared services to disguise other problems. For these organisations, shared services will become a "fad" rather than a valuable asset. Shared services is not a once-off
process, it is a way of living, continuously demanding change and improvement. This study identified the key success factors that will assist an organisation that has implemented shared services, as well as managers and employees of shared services, to successfully manage shared services and make it a valuable asset to their organisation.
BIBLIOGRAPHY


Appendix A: SHARED SERVICES

Guidelines for unstructured interviews

Date: _____________________________

Organisation: ______________________

Interviewee: _______________________

Position: __________________________

1. Have you implemented a SSBU (Shared service business unit)?
   Answer: ___________________________
   Remark
   _________________________________

2. What was/is the primary reason for implementing a SSBU?
   Answer: ___________________________
   Remark
   _________________________________

3. What are the secondary reasons for implementing a SSBU?
   Answer: ___________________________
   Remark
   _________________________________
4. What is your interpretation of a SSBU?
Answer:

Remark

5. Which one of the following definitions describes SS to you or is applicable to your organisation? – Please tick the applicable box.
   a. "Shared services is the concentration of company resources performing like activities, typically spread across the organisation, in order to serve multiple internal partners at lower cost and with higher services levels, with the common goal of delighting external partners and enhancing corporate value"
   [ ]
   b. "Shared services is the centralisation of support functions like HR\Finance to assist senior management in planning, organise, leading and control – and through centralisation became cost effective"
   [ ]
   c. "Shared service is a new management concept whereby value is created through the minimisation of costs, central reporting, effective centralised control and decision making"
   [ ]

6. What shared service business model do you use i.e. (Please tick)
   - Basic model?
   - Market place model?
   - Advanced marketplace model?
   - Independent business unit?

7. Do you \ does your organisation plan to evolve from where you are to the next SS model?
Answer:

Remark
8. Is the SSBU a separate business unit, or does it report to a functional manager/executive member?
Answer:

Remark

9. Is the SSBU successful i.e. effective and efficient?
Answer:

Remark

10. What is the motivating reason for saying it?
Answer:

Remark

11. What support function have you turned into shared services i.e. HR \ Finance \ Logistics?
Answer:

Remark

12. Is there a split between transactional and professional services?
Answer:

Remark
13. Does your SSBU provide professional services, and if not do they foresee it?
Answer:

Remark

14. What in your opinion are key factors for the successful management of a SSBU?
Answer:

Remark

15. In your opinion, is SS a fad or a viable business process? (Please motivate?)
Answer:

Remark
16. On a scale of 1 – 4 (1 being unimportant and 4 important) how would you rate each of the following factors as a requirement for the successful management of a SBU? (Please tick appropriate box?)

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17. Do you think these factors are required for the successful management of a SBU? If not, please motivate?

Answer: ____________________________________________

Remark: __________________________________________

18. Would you add any other factors apart from those in question 14?

Answer: ____________________________________________

Remark: __________________________________________

19. Other?

Answer: ____________________________________________

Remark: __________________________________________

THANK YOU FOR YOUR TIME
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