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Abstract

Many shared service centres are being established in the Dutch government as part of an e-government program, primarily in order to save costs. However, as literature shows, developing shared service centres proves to be a complex task. In this exploratory research, an initial taxonomy is created presenting various organisational, managerial and technological challenges that organisations can encounter when developing shared service centres. Initial data from three case studies of shared service centres in the Dutch government is presented. Results enlist a number of diverse challenges that organisations need to deal with when trying to achieve cost-efficient operations with shared service centres.

Keywords: Sourcing, SSC, Challenges, Issues.

1   Introduction

Many shared service centres (SSCs) are being established in the Netherlands, primarily in order to save costs (Schulz and Brenner, 2010). A SSC is a specific type of in-house sourcing arrangement potentially capable of reducing costs and improving service quality through the delivery of specialised, value-added services across the entire organisation (Grant et al., 2007; Schulz and Brenner, 2010; Strikwerda, 2010; Ulbrich, 2006). "By cutting out duplicate support processes and non-strategic activities, and organizing them in so-called shared services, a tremendous theoretical potential exists for optimisation and extensive economies" (Ulbrich, 2006, p. 196). Although the concept of SSCs is not new, SSCs have gained considerable momentum in the past decade, mainly because of technological developments (Adler, 2003; Farndale et al., 2009; Strikwerda, 2010). This accounts for the Dutch government also, in which several new SSCs are developed as part of an e-government program. In a major cost-saving operation announced by the Dutch Ministry of Finance a saving of € 500 million is proposed with the (further) development of SSCs. And recently in December 2010, the council of Ministers agreed on a program called "compact government" in which SSCs are a core component. An example of a SSC in the Dutch government is P-Direkt, which, as a separate organisation unit, offers payroll and human resource management services to the Ministries. In doing so, P-Direkt claims to have achieved a cost-saving of €102 million in 2008 and aims to realise a cost-saving of €280 million (P-direkt.nl, 2008).

Even though SSCs have the potential to be capable of cost savings or service quality improvements, major difficulties with this specific type of sourcing arrangement are also recognised. E.g. difficulties in "reconciling IT systems or work processes" (Reilly, 2009, p. 21) or a lack of trust and resistance of end-users due to a "lack of understanding of the opportunities provided by the SSC" (Janssen and Joha, 2006, p. 107). "The introduction of a SSC is a critical decision on a strategic level. It implies a long-term decision with significant complexity and risks." (Janssen and Joha, 2006, p. 104). In the Dutch government, the initial implementation failure in 2005 of the aforementioned SSC P-Direkt is a striking example. This phase received a great deal of media attention, with comments such as "a completely overloaded ICT operation driven far over the edge" (Lievense, 2005).

In essence, SSCs can have great contributions, but achieving cost-efficient operations with SSCs proves to be a complex task. In literature, all kinds of challenges which organisations face when establishing SSCs are mentioned (e.g. Cooke, 2006; Janssen and Joha, 2006; Reilly, 2009; Ulbrich, 2006). However, a taxonomy of these challenges is missing. This research question is *which challenges are organisations facing when establishing SSCs?* To answer this question, in this exploratory research an initial taxonomy is created presenting various organisational, managerial and technological challenges that organisations can encounter when developing SSCs. First, the initial taxonomy of SSC development challenges from literature is presented in section 2 of this paper. Section 3 explains the research approach that is used. And section 4 presents initial data from three case studies of SSCs in the Dutch government.

2   SSC development challenges

Table 1 presents an initial taxonomy of challenges that organisations can encounter when developing SSCs. Following Dwivedi et al. (2009), who categorise issues related to e-government implementation and adoption in technical, organisational, managerial, and socio-political aspects, the SSC development challenges in the initial taxonomy are categorised in technological, managerial and organisational areas. Socio-political challenges are not identified and as such not included.

Area	Challenge	References
Technological	Complex and diverse processes	Cooke, 2006; Davis, 2005; Farndale et al., 2009; Janssen et

challenges	and IT systems	al., 2009; Reilly, 2009; Strikwerda, 2010; Ulbrich, 2006; Wagenaar, 2006
	Lack of performance indicators	Farndale et al., 2009; Reilly, 2009
Managerial challenges	Alienation	Cooke, 2006; Janssen et al., 2009; Strikwerda, 2010; Ulrich, 1995; Wagenaar, 2006
	Diverse interests, missing shared mindset	Janssen et al., 2009; Reilly, 2009; Strikwerda, 2010; Ulrich, 1995
	Incomplete business case / planning	Strikwerda, 2010; Wagenaar, 2006
	Lack of qualified resources	Borman, 2010; Cooke, 2006; Farndale et al., 2009; Goh et al., 2007
	Poor change management process	Borman, 2010; Cooke, 2006; Goh et al., 2007; Janssen and Joha, 2006; Strikwerda, 2010; Wagenaar, 2006
	Shadow staff	Cooke, 2006; Ulrich, 1995
	Shift of work and power	Cooke, 2006; Davis, 2005; Reilly, 2009; Strikwerda, 2010; Ulbrich, 2006; Ulrich, 1995
	Transfer of personnel	Wagenaar, 2006
Organisational challenges	Lack of clarity of ownership and responsibility (governance)	Cooke, 2006; Reilly, 2009
	Implementation strategy	Wagenaar, 2006
	Organisational design and scalability	Ulbrich, 2006; Wagenaar, 2006

Table 1.   Initial taxonomy of SSC development challenges

One, the *complex and diverse processes and IT systems* challenge refers to processes and IT systems that are difficult to analyse, improve, standardise and harmonise. Two, the *lack of performance indicators* challenge refers to a difficulty in agreeing on performance indicators, resulting in a lack of performance data and an inability to assess the performance of a SSC once operational. Three, the *alienation* challenge refers to a distant relationship between SSCs and end-users, a loss of face-to-face contact and depersonalisation with formalised procedures. Four, the *diverse interests and missing shared mindset* challenge refers to "multiple (sometimes conflicting goals), individual interests, and associated behaviours which can generate resistance to change or create internal conflicts" (Janssen et al., 2009, p. 15). Five, the *incomplete business case / planning* challenge refers to making robust business cases and planning roadmaps when developing SSCs. Six, the *lack of qualified resources* challenge refers to a lack of skill of the SSC staff in terms of "communication, results orientation, cooperation, and customer orientation" (Farndale et al., 2009, p. 552). Seven, the *poor change management process* challenge refers to the lack of effective change management in terms of managing resistance, communicating expectations, involving end-users, achieving necessary cultural changes and getting cooperation from employees in order to achieve an organisational transition. Resistance can be caused by incomprehension of the opportunities provided by a SSC and a fear that "service levels would fall" (Janssen and Joha, 2006, p. 107). Eight, the *shadow staff* challenge refers to the phenomenon that the services of a SSC are not used, but instead staff is hired by line managers to do the work. For instance "administrative assistants" are hired by line managers who do the work instead of the managers using the SSC directly (Ulrich, 1995, p. 23). Nine, the *shift of work and power* challenge refers to a shift of work and power that comes with the reorganisation process, in terms of restructuration of work force, change of career paths, shift of power for managers, difficulty in accepting new roles and relations and damaged autonomy of line managers. A shift of work can also mean that a certain part of the work force looses their jobs (Davis, 2005). Ten, the *transfer of personnel* challenge refers to a transfer of personnel from different departments to a SSC which can be troublesome, as a result of differences in personnel agreements. "Contrary to what the top of the departments and the central government assumed, there appeared to be quite a number of differences among the P&O departments and their prevailing reward and incentives schemes." (Wagenaar, 2006, p. 357). Eleven, the *lack of clarity of ownership and responsibility (governance)* challenge refers to a lack of clarity of or different views on ownership of problems and responsibility when operating SSCs

across organisational boundaries which can result in employees feeling a clear structure of who to turn to with problems has faded after an SSC is established (Cooke, 2006). Twelve, the *implementation strategy* challenge refers to choosing between a top-down (planned, big-bang) or a bottom-up (incremental, soft pressure) implementation strategy of a SSC. A combination between the two, "big bang as the story, soft pressure as the practice", can be regarded as an optimal strategy (Wagenaar, 2006, p. 362). And finally thirteen, the *organisational design and scalability* challenge refers to an organisational difficulty of how to design a specific SSC. Scalability refers to the challenge in choosing an optimal size for a SSC to achieve its full potential. Some of the questions to be dealt with are: "should an organisation have only one centre or several, should it be organised locally, regionally or globally, or may it perhaps be some kind of virtual organisation?" (Ulbrich, 2006, p. 200).

To conclude, the initial taxonomy presented in this section includes a set of diverse technological, managerial and organisational challenges that organisations can encounter when establishing SSCs. The taxonomy presents both specific challenges such as "organisational design and scalability" as well as broader challenges such as "poor change management process". Furthermore with several new SSCs that are developed in the Dutch government as part of an e-government program, this research coincides with other observations in e-government in which several similar challenges have been identified. E.g. Kamal et al. (2009) refer to IT integration problems, Weerakkody et al. (2009) mention a whole range of e-government implementation challenges such as technological constraints or necessary paradigm (cultural) shifts and Beynon-Davies and Williams (2003) enlist critical activities of information planning such as cost-benefit analyses that can be related to the "incomplete business case / planning" SSC development challenge.

3 Research approach

This exploratory research takes an interpretive epistemological stance aimed at theory building through an inductive thinking process and aimed at providing a deep insight into "the complex world of lived experience from the point of view of those who live it (Schwandt, 1994, p. 118)." (Andrade, 2009, p. 43). In the information systems research field, interpretive research is commonly used and accepted, typically for relatively under-developed theoretical constructs (Irani et al., 2008). Following the guidelines of Yin (2003), the applied research methodology makes use of a multiple case study strategy that is composed of three interdepartmental SSCs in the Dutch government: 4FM, De Werkmaatschappij and Doc-Direkt (see table 2). These SSCs were chosen because of their relatively difficult establishment and / or large size which made it plausible that diverse issues could be recorded. Furthermore, these SSCs were chosen due to pragmatic reasons: the author could easily access them. The units of analysis in the case studies are the so-called SSC development challenges in the Dutch government. The constructs of these challenges as included in table 1 can be used as components of organisational theory dealing with the successful development and evaluation of SSCs.

Data is primarily collected through 11 semi-structured interviews within the case studies. The majority of the interviews were tape-recorded and the relevant interview material was transcribed. Furthermore, data is collected through e-mails and by using past project documentation. Several key informants in the Dutch government have reviewed the interview material and drafts of the case study report.

Name SSC	Description	Size (FTE)	Interviews
4FM	4FM is a merger of 4 organisations taking care of general and technical support services for 12.000 employees working in 4 Ministries in the Dutch government	+- 220	2
De Werkmaatschappij (DWM)	De Werkmaatschappij is an "umbrella" SSC to which 18 functional organisations are joined in the area of the supporting staff of operational management for the Dutch central government. For instance an expertise centre Work & Health, a coaching organisation called InterCoach and a	+- 500	6

		security service organisation for the central government		
Doc-Direkt (DD)		Doc-Direkt is a merger of multiple archiving organisations for all Ministries in the Dutch government aimed at administering paper archives and preparing for the digitalisation of the Dutch government	+- 370	3

Table 2.   Case study descriptions

4   Results: SSC development challenges from case studies

This section provides an overview of the research results based on initial data from the case studies. Table 3 shows that all identified SSC development challenges in the initial taxonomy were explicitly mentioned in the case studies of this research-in-progress, except for the "lack of performance indicators" challenge.

Area	Challenge	Illustrative quotations	Freq. per case
Technological challenges	Complex and diverse processes and IT systems	"For example in Doc-Direkt, just for the Ministry of Justice 16 systems need to work together to enable the centralised digitalising. This proves to be a complex task."	4FM: 0 DWM: 1 DD: 2
	Lack of performance indicators	Not mentioned in the case studies	0
Managerial challenges	Alienation	"4FM, with a new supplier role as SSC, has to work hard to maintain a good relationship with the Ministries. The distances were shorter before and the relationship was less formal, but as a SSC 4FM is really seen as a supplier."	4FM: 2 DWM: 1 DD: 0
	Diverse interests, missing shared mindset	"The government is composed of many big organisations with various interests." "Clients are very different, for example in terms of number of FTE or organisational objectives."	4FM: 0 DWM: 3 DD: 0
	Incomplete business case / planning	"No business case is written nor used for the planned merging of FaSam and 4FM to FM-Direkt."	4FM: 0 DWM: 2 DD: 0
	Lack of qualified resources	"Less competent personnel is transferred to the SSC. One place has more quality than the other which results in difficulties when combining."	4FM: 0 DWM: 1 DD: 0
	Poor change management process	"You should not underestimate the cultural component or dimension, this is the core component of what you are looking for."	4FM: 0 DWM: 5 DD: 2
	Shadow staff	"For telephone contracts Ministry employees continue to organise this themselves, whereas this should be the job of the SSC."	4FM: 0 DWM: 2 DD: 0
	Shift of work and power	"A SSC always brings a shift and standardisation of work which results in resistance from the Ministries." "There is a power shift. For example for someone who has been a superior for years and is now a co-worker on the same level, this brings resistance."	4FM: 0 DWM: 3 DD: 0
	Transfer of personnel	"Different terms of employment make the transfer of personnel to the SSC a difficult process."	4FM: 0 DWM: 2 DD: 0
Organisational challenges	Implementation strategy	"Letting departments decide for themselves about joining a SSC proves not to be successful in all	4FM: 0 DWM: 1

		cases, but external pressure to obligate departments to join can be troublesome as well."	DD: 1
	Lack of clarity of ownership and responsibility (governance)	"The governance of SSCs reaches its limits. [...] it is not organised on a structural basis."	4FM: 0 DWM: 1 DD: 1
	Organisational design and scalability	"We should be cautious of excess inflexibility when a SSC becomes too big. Bureaucracy is a big concern and the DG does not see this."	4FM: 0 DWM: 3 DD: 1

Table 3.   Research results showing SSC development challenges identified in the case studies

Three new SSC development challenges were also mentioned by the interviewees. First, the *reinventing the wheel* challenge (frequency: 2, case De Werkmaatschappij) refers to organisations making the same mistakes over and over again when developing new SSCs. "People do not look at each other and people do not learn from each other." (senior civil servant SSC De Werkmaatschappij). Perhaps a reason for this is that the Dutch government, comprising 11 Ministries and 130.000 employees, is such a large and fragmented organisation. Second, the *shift of norms* challenge (frequency: 1, case 4FM) refers to a shift of norms of end-users that new SSCs are facing. The acceptable level of service prior to the implementation of a SSC, is not an acceptable level anymore once implementation is finalised." If your girlfriend bakes a cake you are quickly satisfied, but at the bakery the expectations are higher." (senior civil servant SSC 4FM). And third, the *lack of vision* challenge (frequency: 3, mentioned in all cases) refers to SSCs who perceive a lack of vision from top management, resulting in misunderstandings about what their specific contributions should be. For instance, is their primary goal to save costs or are innovation and an increase in quality imperatives as well? "Why are we on earth?" (senior civil servant SSC De Werkmaatschappij).

5   Conclusion

This paper presents an overview of technological, managerial and organisational challenges that organisations can encounter when sourcing and sharing work with SSCs. Both specific challenges such as "organisational design and scalability" as well as broader challenges such as "poor change management process" are presented. As the research results show, all identified challenges in the initial taxonomy are found also in the case studies in the Dutch government, except for the "lack of performance indicators" challenge. The "poor change management" and "organisational design and scalability" challenges are mostly mentioned in the case studies. Apparently, based on the change management challenge which refers to managing resistance, communicating expectations, involving end-users, achieving necessary cultural changes and getting cooperation from employees in order to achieve an organisational transition, the cultural or "human" component is essential whilst developing SSCs. Moreover, the decision how to arrange a specific SSC (one centralised or several decentralised locations) and choosing an optimal size for a SSC to achieve its full potential is challenging. Based on the interview material, negative experiences have been recorded with centralised SSCs being "too sluggish" (senior civil servant SSC De Werkmaatschappij). In addition, potential new challenges that organisations can encounter when establishing SSCs are identified, being the "reinventing the wheel", "shift of norms" and "lack of vision" challenges.

As a final remark, this research is a first part of a PhD research project which aims to enhance complex SSC decision processes with a so-called decision enhancement studio for SSCs (following the studio-based approach of Keen and Sol, 2008). Based on several of the identified challenges in this paper, the functional requirements for this decision studio will be formulated. E.g. the "reinventing the wheel" challenge can be translated to a need of the Dutch government to share best and worst practices when establishing SSCs, which can be translated to a functional requirement to design a studio environment that enables the sharing of these best and worst practices. Hence, the challenges in this paper are the starting point of the overall research project.

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