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Four-Phase-Model  
for the Implementation of Shared Services

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2013



## Abstract

The thesis focuses on the implementation and conception of shared services within large-scale enterprises in Germany. The review of the existing literature, publications and studies concerning the shared service concept led to the conclusion that shared services are discussed in a comprehensive way in practice and science. However, at the same time, the publications appear to highlight only certain aspects of the concept.

The main objective of the thesis is the development of an empirically founded, integrated and structured model for the implementation of shared services. In order to do so, a model is developed based on an analysis of the present scientific and general literature describing the manifold decisions and activities during the implementation of shared services. This results simultaneously in a description of the causal connections and the impact, interrelation and contribution of the activities to the success of shared services in practice. The developed model was theoretically founded on the basis of economic theories and theories of organisational and management research. The resulting hypotheses were derived from the theories tested in an empirical study among 500 large-scale enterprises, the 25 most important consulting companies and 133 institutions for higher education in Germany. Findings from this empirical study were supported by six qualitative interviews with experts in the area of shared services.

The results of the thesis are addressed to both practitioners and scientists. With regard to the scientific society, the thesis contributes to the comprehensive scientific analysis of the

shared service concept. Furthermore, the complexity imminent to shared service activities are outlined and structured. Causal connections and interrelations between the different phases of implementing shared services are revealed and critical success factors detected. The latter builds the bridge to the practitioners; in this case, those primarily from large-scale enterprises in Germany considering the implementation of shared services. For such practitioners, the model, the causal connections and interrelations as well as the success factors provide clear and concrete decision support and offer information on how to plan, organise, transform and operate shared services.

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## 1. Introduction

Political changes, like the Arabian spring, the explosion of the atomic power station in Fukushima, Japan, the financial crisis resulting from the insolvency of Lehman Brothers and the subsequent far-reaching decisions with regard to the euro bailout fund, are just some examples demonstrating how volatile, unsecure, complex and ambiguous – or simply VUCA – the world in which we are living has become (Guwak & Strolz, 2012). All such events on the outside lead to an insecure macro- and microeconomic business environment in which organisations are globally competing with one another. Internally, at the very least, improvements in information and communication techniques are forcing organisations to decide on the best location for activities of their value chain within their global network of activities (Porter & Rivkin, 2012).

Emerging from the latter was a growing acceptance among professionals of the shared service approach. While the general concept of shared services is not new, the term shared services and the underlying concept can be seen as a new topic in business management. Dressler (2007) points out that shared services are “no new idea, but much more than a trend.”

However, the shared service concept is also the subject of controversial discussion. Public discussion and especially political perception criticise the shared services concept as a job destroyer (Dressler, 2007). Contrary to this point of view, from a purely business perspective, shared services are a strategy to optimise existing cost structures without compromising quality and simultaneously enabling organisations to focus on core competences (Hollich et al., 2008).

## 2. Defining Shared Services

### 2.1. Semantic Representation

From a semantic perspective the term *shared services* can be divided into ‘Shared’ and ‘Services’:

#### **Shared**

Shared is defined as “(...) *to have or use something with other people (...)*”. Reflecting the previous definition from the Longman Dictionary of Contemporary English (2009) and under consideration of the organisational concept of shared services, shared synonymously defines the mutual utilisation of the resources and infrastructure available within an organisation. From the latter results the opinion that the organisational concept simply relates to the consolidation and centralisation of support functions (Wiener, 2009).

#### **Services**

Service is defined as “(...) *a particular type of help or work that is provided by a business to customers, but not one that involved producing goods (...)*” (Longman, 2009). Considering the shared service approach, service can be defined twofold – from a view of products (the services) that the shared service centre provides and from a view of the method in which those products are provided. The (internal) customer decides which management and administrative products he wants to gather from the shared services, representing the key differentiating factor of centralisation.

According to this semantic representation, shared services can be defined as the common usage of organisational resources and/or infrastructure in order to provide a particular type of managerial and/or administrative product to a business.

## 2.2. Definition

The definition of shared services also depends largely on the perception of the people defining it (Bangemann, 2005). As such, a small selection of different definitions of the term shared services found in related literature will be presented in the following.

Source	Definition
Schulman, Dunleavy, Harmer & Lusk, 1999	The concentration of company resources (...), typically spread across the organisation, in order to service multiple internal partners at lower cost and with higher service levels, with the common goal of delighting external customers and enhancing corporate value.
Quinn, Cooke, Kris, 2000	Shared Services (...) refers to the practice of (...) organisations deciding to share a common set of services (...).
Kagelmann, 2001	Shared services are an organisational approach for the provision of internal services to more than one organisational unit by means of the common utilisation of resources within one organisational unit.
Forst, 2002	Under shared services, a single business unit provides dedicated management of an internal support service across the organisation
American Productivity and Quality Centre, 2005	Leading-edge companies are moving away from autonomously run operations to efficient, customer-focused functions known as 'shared services'. Under shared services, scattered operations are pulled together into mega-service centres, which then serve all of the company's business units around the globe. This results in the creation of a separate support organisation with P&L responsibility that 'sells' its services to other operating units.
Davis, 2005	Shared services provide support services to the subsidiaries of Multi National Enterprises (MNEs) in different regions of the world
Kroll, 2005	Shared services is an activity within the corporation that delivers a range of services that others value, at a



	cost quality level and speed that are competitive with alternatives
Tomkinson, 2007	Shared services is the shared provision by more than one local council of a specified service in which service aims and objectives are mutually shared and for which local people are the end customer.
Wiener, 2009	Financial shared services are independent organisational areas which provide financial services and competencies on a market and customer oriented basis by means of a professional platform to the operative units of an organisation.

The small selection of definitions above makes obvious that a generally accepted definition does not exist. Under consideration of the research objective of the doctoral dissertation - the development of an integrated and structured model for the realisation of shared service - the definition of shared services should be as follows:

*“Shared services are a collaborative strategy in which a subset of existing functions are concentrated into a new, semi-autonomous organisational unit that has a management structure designed to promote effectiveness, efficiency, value generation, cost savings, and improved service for the internal and/or external customer, like a business competing in the open market.”*

By using the definition, albeit slightly modified, but generally based on the definition provided by Bergeron (2003), the scope is broad enough to include the different perspectives and contexts in which the term *shared services* is used.

### 3. Research Objective and Methodology

The **main objective** of the dissertation is the development of an empirically founded integrated and structured model for the realisation of shared services based on theoretical concepts. In order to do so the following **sub-objectives** have to be accomplished:

#### (1) Development of a Model

Firstly, a model that describes the manifold decisions and activities, which must be made in shared service projects in a structured way, needs to be explained. This results simultaneously in a description of the causal connections and the impact and contribution of the activities to the success of shared services. Through this, the underlying structure and the elements of the model are determined. The general development of the model will be guided by the following central questions:

- Which aspects determine how support functions are performed within an organisation?
- How should shared services most efficiently be structured and organised?
- How should processes and people be relocated within a shared service organisation?
- How should a shared service organisation be managed and controlled?

#### (2) Theoretical foundation

In a second step, interrelations and success factors must be explained on the basis of economic theories. Consequently, different activities regarding shared services, which are subject to an empirical study, are brought into a scientifically founded causal connection. For the derivation of the causal connection, theories of organisational and management research will be consulted. From the large number of potential theories, those,

which explain shared services or significant aspects of the concept, are to be selected.

### **(3) Hypotheses**

Thirdly, hypotheses with regard to causal connections and success factors have to be developed and subsequently examined within the empirical study. The results of this examination need to be considered within the model.

### **Target Groups of the Dissertation**

In the first instance, the resulting model is addressed to the **scientific society**, as it should meet the following expectations:

- a) contribute to the comprehensive scientific analysis of shared services
- b) structure the complexity imminent to shared services' decisions
- c) uncover the causal connections and interrelations between the different activities
- d) detect the critical success factors in shared services' projects

Furthermore, the resulting model is addressed to **practitioners** - in this case, primarily to large-scale enterprises in Germany considering the implementation of shared services. For such organisations, the model aims to give clear and concrete decision support. Its causal connections and interrelations as well as the detected success factors can offer information on how to plan, organise, transform and operate shared services.

### **Research Methodology**

Following Ulrich (1981), scientists in the area of business administration have been faced with the challenge of developing and presenting concepts and models that can contribute or even solve real problems of organisations and management. This task

of the organisation and management theory can only be solved by the combination of theoretical statement with practical findings. On the basis of this paradigm, Ulrich developed the following comprehensive application-oriented research process:

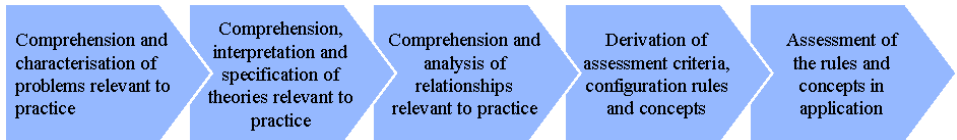


Figure 1: Application-oriented research process according to Ulrich (1981)

While basic research is concerned with questions derived from theories, problems in applied research are derived from practice. As a result, theory and practice are closely interlinked (Ulrich, 1981). As the previous explanations should have clarified, this is especially the case for shared services. Against this background, the comprehensive and application-oriented research process according to Ulrich had been used in the dissertation.

## 4. Four-Phase-Model

In order to implement shared services within an organisation, manifold points have to be taken into consideration, decisions have to be made and measures have to be implemented. Derived from the definition of shared services as a “(...) *collaborative strategy* (...)”, the shared service approach can be seen as one decision area of corporate strategy. Shared services are, on the one hand, part of corporate strategy, in so far as they describe one organisational form in which mainly administrative tasks could be performed in order to increase the effectiveness and efficiency of an organisation. Furthermore, a decision with

regard to shared services has far reaching influences on the corporate structure of an organisation.

Hence, corporate strategy must define which objectives have to be reached and which resources need to be utilized in order to establish implementation concepts and to control the realisation of the activities. Following Grant (2010), corporate strategy defines the scope of an organisation in terms of the industries and markets in which it competes. Corporate strategy decisions include investment in diversification, vertical integration, acquisitions, and new ventures, the allocation of resources between the different businesses of an organisation as well as divestments.

This broad spectrum of tasks provides the framework for structuring the complexity inherent to the implementation of shared services, which can be rendered more precisely by referring back to the central questions:

- Which aspects determine how support functions are performed within an organisation? This central question is concerned with the *strategic dimension* of an organisation towards the provision of internal support functions. The question should guide towards the classical make or buy decision and is concerned with whether it should be centralised, decentralised or apart of a shared service.
- How should shared services most efficiently be structured? This central question defines the scope and sets the clear boundaries of shared services, i.e., the *organisational dimension*. A sketch with regard to the general configuration and the design of shared services is provided, establishing the general structure with regard to management, planning, operating and control processes.
- How should processes and people be relocated to a shared service organisation? This central question is concerned with

the transfer of people, processes and resources to a shared service organisation, meaning the *transformational dimension*. It also concerns the implementation of new procedures and structures and the broad area of change management.

- How should a shared service organisation be managed and controlled? This central question concerns the *operative dimension*, i.e., mechanisms that should be used in order to manage the shared service operation and the relation to its customers.

The dimensions as described above can be transformed into phases within the implementation process of shared service. These phases are summarised in the Four-Phase-Model as illustrated below. The model provides a logical, systematic and structured approach towards the implementation of shared services. All phases are interlinked to the following phases, representing a flow of activities. Nevertheless, the Four-Phase-Model does not exclude possible feedback loops to previous phases. As an example, it could be possible that a weakness in the structure of the organisational phase is detected during the implementation of the transformation phase. Also, it could be possible that the second phase is skipped when an organisational blueprint exists and is accepted overall, and an organisation moves after the strategy phase directly to the transformation phase.

The Four-Phase-Model as illustrated below is integrating the knowledge and findings from the mainly descriptive publications to the different aspects with regard to shared services and represents a holistic and closed system.



Figure 2: Four-Phase-Model – Comprehensive overview

## 5. Theoretical Foundation & Hypothesis

Economic theories and models have the target to explain the cause-and-effect relations of empirically observed and proved phenomena in a logical and correct order (Wied-Nebbeling & Schott, 2004). Here, the main objective is to support the Four-Phase-Model that was developed through economic theories. In doing so, the whole model will be placed within a scientific framework, further explaining the causal connections that fall in-between phases. Grounded in these causal connections,

hypothesis will be developed and examined in an empirical study at a large-scale enterprise based in Germany.

As economic theories, Neoclassical Economics, Industrial Economics, Game Theory and theories from the New Institutional Economics, like the Property Right Theory, the Transaction Cost Theory and the Principal Agent Theory had been evaluated. Furthermore, from the area of Strategic Management and Organisational Behaviour, the Resource-Based View and the Network Model had been considered.

The different theories, approaches, concepts and models that have been discussed in the dissertation are based on varying assumptions and strive for different objectives, which is not surprising, as they were not developed to explain the shared service approach. Hence, none of the theories, approaches, concepts and models can explain shared services in full. The finally selected explanatory theoretical approaches are summarized as follows:

- a) Property Right Theory, which explains variables regarding the advantageousness of different organisational frame conditions (e.g. Governance) within the 'Organisation' phase.
- b) Transaction Cost Theory in order to identify which services or activities should be transferred to a shared service organisation during the 'Strategy' phase and how shared services should be structured in the 'Organisation' phase in order to be efficient.
- c) Principal Agent Theory as an explanatory approach during the 'Transformation' phase, specifying how processes should be transferred to the shared service organisation.
- d) Resource-Based View regarding the fundamental decisions in the 'Strategy' and 'Operation' phases



e) Network Model concerning the distribution of functions between the parent organisation and the shared service unit during the 'Operation' phase.

From the selected theories, approaches, concepts and models selected above, the following hypothesis had been derived:

#### Property-Right Theory:

Hypothesis: **Hyp<sup>PropRi1</sup>**

*The higher the organisational and legal integration of services into the shared service organisation, the more likely it is that a separate legal entity for the shared service organisation is chosen.*

Hypothesis: **Hyp<sup>PropRi2</sup>**

*The higher the legal independence of the shared service organisation from the parent company, the higher the efficiency of the shared service organisation and service provision.*

#### Transaction-Cost Theory:

Hypothesis: **Hyp<sup>TransCo</sup>**

*The higher the comparative transaction cost advantages for the internal provision of services within a shared service organisation compared to other organisational approaches, the higher the degree of shared service utilisation.*

Hypothesis: **Hyp<sup>ProdCosts</sup>**

*The higher the comparative production cost advantages for the internal provision of services within a shared service organisation compared to other organisational approaches, the higher the degree of shared service utilisation.*

**Hypothesis:** Hyp<sup>FactSpec</sup>

*The lower the factor specificity of business processes, the higher the degree of shared service utilisation.*

**Hypothesis:** Hyp<sup>Frequ</sup>

*The more frequent different processes are transferred to a shared service organisation, the lower the structural complexity.*

**Hypothesis:** Hyp<sup>Stand</sup>

*The higher the degree of business process and technological standardisation, the lower the structural complexity of a shared service project.*

**Hypothesis:** Hyp<sup>Uncert</sup>

*The higher the degree of behavioural and environmental uncertainty with regard to shared services, the lower the degree of shared service utilisation.*

## Principal Agent Theory

**Hypothesis:** Hyp<sup>DysBe</sup>

*The lower the dysfunctional behaviour of the agent, the higher the degree of shared service utilisation.*

**Hypothesis:** Hyp<sup>InAsCM</sup>

*The better the communication during the change management, the lower the resistance to change.*

**Hypothesis:** Hyp<sup>InAsCo1</sup>

*The more detailed the communication and flow of information is stipulated within the agreements between parent company and shared service organisation, the better the communication and the flow of information between the parties function.*

**Hypothesis:** Hyp<sup>InAsCo2</sup>

*The better the interpersonal relations between those persons interacting in a shared service organisation and those in the parent company, the better the communication and the flow of information between the parties.*

**Hypothesis:** Hyp<sup>InAsCo3</sup>

*The more the communication between the parent company and the shared service organisation is regulated by processes, models and tools, the better the communication and the flow of information between the parties.*

### Resource-Based View

**Hypothesis:** Hyp<sup>Strat1</sup>

*The higher the strategic importance of the business processes, the less likely the degree of shared service utilisation.*

**Hypothesis:** Hyp<sup>Strat2</sup>

*The higher the strategic importance of the utilised resources for the business processes, the more likely that the organisation chooses an expansion strategy.*

**Hypothesis:** Hyp<sup>Operat</sup>

*The more important the operative importance of the utilised resources for the business processes, the more likely that the organisation chooses a relieve strategy.*

**Hypothesis:** Hyp<sup>Knowl</sup>

*The more knowledge based resources are transferred to a shared service organisation, the more likely it is that the organisation follows an expansion strategy.*

**Hypothesis:** **Hyp**<sup>Property</sup>

*The more property based resources are transferred to a shared service organisation, the more likely it is that the organisation follows a relieve strategy.*

**Hypothesis:** **Hyp**<sup>Ability</sup>

*The better the capabilities of the shared service organisation in the service provision, the higher the degree of customer satisfaction.*

**Hypothesis:** **Hyp**<sup>ResAdv</sup>

*The stronger the services provided by the shared service organisation help the parent company to reach its objectives, the higher the degree of customer satisfaction.*

## Network Model

**Hypothesis:** **Hyp**<sup>Inc</sup>

*The more incentive systems are manifested within the relation between the shared service organisation and the parent company, the lower the degree of steering and control.*

**Hypothesis:** **Hyp**<sup>Info</sup>

*The better the implemented information politics, the flow of information and communication, the lower the demand for steering and control.*

**Hypothesis:** **Hyp**<sup>Power</sup>

*The more power the parent company has over the shared service organisation, the lower the demand for steering and control.*

**Hypothesis:** **Hyp**<sup>TrustSat</sup>

*The higher the trust in the abilities of the shared service organisation, the higher the degree of satisfaction in the parent company.*

Besides the variables above also variables that are relevant to the success of a shared service project, especially those variables, which are important to practitioners had been analysed. Following the works of Haenecke (2001) and Mellewigt (2003), the target approach, which can be classified as a traditional approach to the determination of an organisation's success, was chosen to measure the success of shared services and is also widely spread among practitioners as well as in empirical research (Welge, 1999). The targets of an organisation are seen as the main criteria for future activities. Organisations establish targets and derive success upon target achievement. The more targets reached, the more successful the organisation (Haenecke, 2001; Mellewigt, 2003). Even though the success of the shared service organisation should be separated from the success of the parent company, a general positive correlation can be assumed. Under consideration of the selected theories and the already determined variables, the following success factors for shared services had been derived.

### Success factors of shared services

**Hypothesis: Hyp<sup>Struct</sup>**

*The lower the structural complexity, the more likely the success of the shared service organisation.*

**Hypothesis: Hyp<sup>LegInd</sup>**

*The higher the legal independence of the shared service organisation from the parent company, the more likely the success of the shared service organisation.*

**Hypothesis: Hyp<sup>Coop</sup>**

*The stronger the parent company and the shared service organisation cooperate, the more likely the success of the shared service organisation.*

Hypothesis: **Hyp**<sup>SatTrust</sup>

*The higher the level of satisfaction and trust of the parent company with the shared service organisation, the more likely the success of the shared service organisation.*

## 6. Research and Evaluation Method

The empirical evaluation of causal connections and success factors during shared service projects is the focus of this dissertation. The testing of the hypotheses developed and derived from theories forms the basis of the alignment of the Four-Phase-Model to the practice and real-life requirements. In order to do so, the basic data was appraised by using the method of primary research. The data gathered are evaluated by means of analytical, statistical methods in order to identify information on the real life behaviour during shared service projects.

The quantitative-exploratory approach has been chosen to identify the causal connections and success factors in shared service projects, supported by interviews with professionals in the area. As Zikmund et al. (2009) point out, the combination of different scientific methods during research is an indispensable prerequisite for increasing the validity of results gathered by means of a survey and for drawing the right conclusions and recommendations.

As the scientific objects of this study, the core of the research forms the quantitative base of data, which was gathered via primary research in Germany among 500 large-scale companies, the 25 most important consulting companies as well as institutions for higher education. As the instrument of data analysis, SPSS Statistics 17.0 was used.

The method of distributing the questionnaire via the Internet was chosen for the following reasons:

- Evaluation of the results was to be made as anonymous as possible in order to ensure that all respondents answer the questionnaire as openly and honestly as possible.
- An expected high number of respondents require an automated data collection tool.
- Participants of the survey are able to answer the questionnaire online within ten to fifteen minutes and do not have to perform additional steps, like returning the questionnaire.
- The request to complete the questionnaire contains the hyperlink to the website, thus avoiding taking up necessary storing space within the mailing systems of the participants.
- By making it convenient and easy for the participants, the hope is to maximize the number of participants.

However, it needs to be highlighted that the use of an online questionnaire also has a variety of disadvantages (Thielsch & Weltzin, 2009), which are listed with corresponding accommodation in the followings:

- Programming of the questionnaire is time consuming and difficult: Using the specialised online service from “2ask” made the programming of the online questionnaire an easy experience and did not require significant IT knowledge. By using “2ask”, the answers from the research participants are also protected from unauthorised access by the security and password system of the service provider.
- Multiple participation: Multiple participation was avoided through the installation of cookies.
- Representativeness: Three problems are associated with the representativeness of an online questionnaire: the identification problem, the return-rate problem and the communication problem. An identification problem arises when it can not be ensured that the recipient of the invitation

to the survey is also the person answering. The return-rate problem focuses on questionnaires that are returned incomplete and the communication problem results from asynchrony between the moment when questions in the questionnaire arise and the moment when they are answered. It is also mentioned that clarifying questions are only asked upon the initiative of the survey participant.

In order to counter the risks associated with the representativeness, the following measures were taken besides the conducting of a Pre-Test:

- Telephone contact: Representatives from the 100 largest enterprises in Germany were called upfront and informed of the survey.
- Invitation e-mail: All participants were personally addressed within the invitation e-mails based on extensive upfront online research.
- Reward and Incentive: As an incentive, the survey participants had the chance to request an executive summary of the survey results. Furthermore, for each completed questionnaire, a donation of € 5.00 was given to a non-profit organisation that the participant could select from a pre-defined list.
- Reminder: A reminder e-mail was sent approximately two-weeks before closing of the online platform.
- Contact details: Through a dedicated e-mail account - [forschungsprojekt-sharedservices@gmx.at](mailto:forschungsprojekt-sharedservices@gmx.at) - provided in the invitation e-mail, introduction of the questionnaire and on the footer of each page, all participants had the chance to get in contact in case of uncertainty or when questions arose.

Including the general information, the definition of shared services and the “Thank You” page, a total of 20 pages were present with 29 questions asked. The questionnaire contained



only closed, selection type questions in order to increase the comparability of answers. Selection type questions gave the participants the chance to select from a range of pre-defined answers. For this paper, scales according to the multi-level Likert method were used. Possible answers to such kinds of questions vary greatly from 'fully agree' to 'don't agree', with the mean category of 'neither agree, nor disagree'. According to Laatz (1993), such kinds of questions are most commonly used as the answers can be very easily analysed with regard to averages, mean values and standard deviations. Furthermore, one selection type question was used where the participants could select an answer from a set of pre-defined answer possibilities.

The *questionnaire was structured* into the following parts:

- A. Information and Instructions: Information regarding the questionnaire, its content and how the questionnaire should be used, the assurance of confidentiality, an announcement of the contact information and a short acknowledgement for the general availability to participate in the survey.
- B. General Information: Information regarding the participant, the organisation he/she is working for and the position, which the survey participant holds in the respective organisation.
- C. Definition of Shared Services: A short definition of shared services and how the term is used within the survey.
- D. Significance of Shared Services: Here questions regarding the general strategic direction followed by organisations implementing shared services, the frequency and the areas in which shared services are used were asked.
- E. Strategy Phase: Questions here regarding the strategic and/or operative importance of the business processes relocated to shared services, the transfer of knowledge and other resources, and production and transaction costs were asked.

- F. Organisation Phase: Questions within this phase revolved around the stability and standardisation of the processes being transferred to shared services, the organisational form and the transfer of property rights when moving to shared services.
- G. Transformation Phase: Focus in the transformation phase was placed on questions related to dysfunctional behaviours, change management, the importance of communication, the communication process and personal relations.
- H. Operation Phase: The abilities of the shared service organisation, the distribution of power between the parent company and the shared service organisation, the steering and control of a shared service unit, information politics and trust were the focus of questions in the operation phase.
- I. Overall Evaluation of Shared Services: A general evaluation of the advantages generated by the shared service organisation, and the overall and general satisfaction and the utilisation of shared services in the future were the subject of this part of the questionnaire.
- J. 'Thank You' Page: Here survey participants had the chance to enter their e-mail address in the event they wanted to receive the results of the survey. Further, they could select which non-profit organisation would receive the donation, which was the incentive of participation.

Overall, the questionnaire was structured in a clear, understandable and comprehensive way. Headings above the questions and short introductory notes facilitated the completion of the questionnaire. Time consuming categorisation questions were completely waived. The first version of the questionnaire underwent a *Pre-Test with experts and practitioners* in order to verify whether the questions were understandable and complete. It was also verified if the questions had been formulated in a neutral way. The different recommendations were integrated

into the questionnaire. Main concern had been the formulation of some of the questions. Respective recommendations were integrated and the questions updated.

Regarding the chosen evaluation methodologies, univariate and bivariate techniques had been applied. *Univariate techniques* have been used for the descriptive analysis of the data. Via figures like the arithmetic mean or the standard deviation, questions measured with an interval-scaled Likert-scale can be illustrated. As the arithmetic mean is heavily influenced by outliers when the basic population is small, the median was additionally indicated. In order gain deeper insight into the different data structures, nominal-scaled variables are illustrated by using the absolute and relative frequency. In addition, graphical instruments, like pie charts, point diagrams and bar charts had been used. Besides indices and diagrams, tables are used to illustrate complex relations. Within this dissertation, *bivariate techniques* represent the key instrument with regard to the evaluation of the research results. In order to test the hypothesis, the statistical methods of correlation analysis were used. The **correlation analysis** is a technique that can be used to measure correlations, causal connections and the estimation of prognoses. Hence, the correlation analysis verifies structures, testing the logical coherence of the developed hypothesis (Attestlander, 2010). In simple terms, the correlation analysis evaluates the strength and direction of two independent variables (Mayer, 2005). Concerning the interpretation of the research findings, the following limits were defined, referring to the works of Backhaus et al. (2011), Attestlander (2010), Laatz (1993), Janssen and Laatz (2013) as well as Bortz and Döring (2006):

<b>Correlation Coefficient (r)</b>	<b>Interpretation</b>
0.8 - 1.0	strong linear correlation
0.5 – 0.8	medium linear correlation
0.2 – 0.5	small linear correlation
0.0 – 0.2	no to low linear correlation
<b>Level of Significance</b>	<b>Interpretation</b>
> 0.05	not significant
< 0.05	significant
< 0.01	highly significant

## 7. Expert Interviews

A total of six interviews were conducted with professionals in the area of shared services on the occasion of the CFO Dialog 23 conference in Berlin in November 2012. These experts provided a cross selection of organisations in that it included those, which have already been pursuing shared services for several years (Bayer and Daimler), those which are just beginning to extend the scope of their shared service operations (E.ON and Sparkasse) and one organisation, which has just embarked in the direction of shared services (Celesio). Also, one interview was conducted with a representative of arvato Bertelsmann, an organisation using shared services, providing business consulting and even offering services as an outsourcer to other organisations.

The interviews were conducted in a semi-structured manner, following the general structure of the questionnaire. The ten general topics addressed to each interview partner included:

- 1) Strategic direction followed during the implementation
- 2) Operative versus strategic importance of business processes
- 3) Utilisation of shared services in practice

- 4) Organisational form for shared service operations
- 5) Standardisation of processes and technologies
- 6) Dysfunctional behaviours and change management
- 7) Abilities of the shared service organisation
- 8) Distribution of power between shared services and the parent company
- 9) Satisfaction with shared services

## 8. Summary of Findings

The most important **findings from the review and study of literature, publications, empirical and non-empirical studies** can be concentrated into the following core statements:

- Shared services are a collaborative strategy in which a subset of existing functions are concentrated into a new, semi-autonomous organisational unit that has a management structure designed to promote effectiveness, efficiency, value generation, cost savings, and improved services for the internal and/or external customers, like a business competing in the open market.
- External drivers of shared services include the globalisation, increasing competition and dysfunctional effects of 'classical' organisational structures.
- The main enablers for shared services are new information and communication techniques.
- A review of existing literature, publications and studies has shown that the shared service concept is discussed broadly and comprehensively in practice as well as within the scientific community.
- A structured, integrated as well as theoretical and empirically founded model for the realisation of shared services does not exist.

- A consistent and independent survey on success criteria of shared services in large-scale enterprises in Germany does not exist.
- Organisations using shared services pursue a huge variety of objectives, like the reduction of costs, enhancement of the quality of the output of the processes, the enabling of the parent company to concentrate on its core competencies, increasing the service attitude within administration, establishing internal customer-supplier relationships, etc.
- Risks associated with the implementation of shared services include unexpected implementation costs and long project timelines, the escalation of operating costs, an over standardisation of systems and processes, a lack of corporate flexibility, unbalanced power concentrations, increasing complexity, unclear service accountability, ineffective communication and dampened employee moral.
- Shared services can be positioned as a hybrid organisational form between decentralisation, centralisation and third-party outsourcing, trying to combine and absorb the advantages and at the same time healing the disadvantages of the different competing organisational forms.

The **Four-Phase-Model** developed from existing economics literature in the area of shared services include the core elements as described below:

- The model consists of the following four phases: ‘Strategy’, ‘Organisation’, ‘Transformation’ and ‘Operation’.
- The ‘Strategy’ phase intends to identify those aspects that determine how support functions are performed within an organisation.
- During the ‘Strategy’ phase, the situation of the organisation is analysed, the objectives to be reached are set, a feasibility study is conducted and finally a general strategic direction is defined and decided.

- The ‘Organisation’ phase defines how the shared service organisation should be structured and organised in order to be efficient.
- During the ‘Organisation’ phase, the governance structure and the general design of the shared service organisation has to be decided, the business processes and technological platform need to be standardised and a project plan for the transformation needs be developed.
- The ‘Transformation’ phase focuses on the relocation of processes and people from the parent company to the shared service organisation.
- During the ‘Transformation’ phase special attention is given to the overall change management and the final agreement of the service level agreement while the rollout and implementation take place.
- The ‘Operation’ phase is concerned with the management and control of the already up and running shared services.
- Within the ‘Operation’ phase, control mechanisms are implemented and the flow of information within the shared services as well as between the shared services and the parent company are optimised.

The research section is grounded on an **empirical study** based on 127 participating organisations in Germany, representing a return ratio of 22.0%.

Category	Total Population	Basic Population	Participation		Adjusted Participation	
Large-size Enterprises	500	426	55	12,9%	79	18,5%
Consulting Companies	25	21	18	85,7%	15	71,4%
Institutions Higher Ed.	133	130	36	27,7%	33	25,4%
<b>Total</b>	<b>658</b>	<b>577</b>	<b>109</b>	<b>18,9%</b>	<b>127</b>	<b>22,0%</b>

Furthermore, **expert interviews** were conducted with six specialists in the area of shared services coming from arvato

Bertelsmann, Bayer AG, Celesio AG, Daimler Group, E.ON Energy & Trading and the Sparkassen Group.

**Key findings of this research** are summarised as follows:

- Shared services are strongly used in business practice. Only 10% of the practitioners and 19% of the researchers claim that shared services are low or not at all used in practice.
- The preceding objectives for the use of shared services is the reduction of costs and the enabling of the parent company to focus on core competencies (relieve strategy), followed by improving the quality of the processes.
- Currently, shared services are mainly used in transaction oriented processes, like order-to-cash, or hire-to-retain, whereas the experts see a tendency to also move transformation and qualitatively demanding processes towards shared services.
- An expansion strategy is preferentially chosen when the strategic importance of the business processes is high and when knowledge based resources need to be relocated to shared services.
- Standardised business processes, information systems and technological platforms allow companies to more frequently transfer processes to shared services.
- The less specific processes are to the company, respectively, the more general and common they are, the more likely they can be performed in shared services.
- A high organisational and legal integration favours the relocation of shared services into an own legal organisation.
- A high legal independence of the shared service organisation from the parent company increases its efficiency and allows for the offering of the services to other companies.
- During the 'transformation' phase, a comprehensive change management concept can help to reduce resistance to change.



- Shared services can become a competitive advantage for the parent company.
- Shared services that support and accelerate the strategic objective of the parent company and that are able to meet set expectations lead to a high level of customer satisfaction.
- Clear information policies reduce the demand for steering and control of the shared services by the parent company.
- Descriptive statistics and findings from the expert interviews highlight that organisations have gained significant advantages from the utilisation of shared services, that they are satisfied with their current shared service operations and that they intend to continue or even increase the usage of shared services in the years to come.

Furthermore, the following **success factors** for shared service projects have been derived from the statistical and empirical findings:

- Companies following a relive strategy with a clear focus on cost reductions and which enable the parent company to focus on core competencies are more successful than organisations following an expansion strategy.
- Shared services need to focus on delivering their services with low production costs.
- The complexity of the organisation and the processes should be low.
- Processes should be unproblematic and not specific to the parent company.
- Legal independence of the shared services from the parent company is of significant importance in order to develop an own identity, establish a service culture, offer services on the free market and increase the shared service's efficiency.
- Utilisation of change management is one requirement for a successful transformation.

- Close cooperation between shared services and the parent company and good interpersonal relations between the acting parties need to be established.
- The shared services organisation needs to be enabled and empowered to deliver.
- Shared services' objectives have to be congruent to the objectives of the parent company.
- Information policies supported by reporting and controlling have to be implemented.

## 9. Critical Appraisal

The dissertation contributed to the comprehensive scientific analysis of shared services, structures the present literature and provides a theoretically founded conceptual approach concerning the way in which shared services should be implemented. Overall, this research work provides an overview and at the same time shows the complexity and difficulty of the general topic, the provision of internal services and the implementation of new approaches and how to perform them. A model, guidelines and recommendations for the implementation and structuring of internal service units are provided and interesting questions are raised. Especially, those questions can be seen as a starting point for additional research activities in this direction. The main objective of this critical appraisal is to initiate a discussion in order to stimulate research activities in this area.

A very important point to discuss is the chosen research design. This work is aimed at researching shared services in a comprehensive and sophisticated way. The chosen scientific approach follows the research process according to Ulrich. As part of this work, the combination of an empirical study with

questionnaires paired with expert interviews was chosen in order to receive detailed information on the current state of shared services in practice.

By means of the empirical work, objective data was generated and later statistically evaluated. In doing so, variables were identified that have an influence on the respective management decisions to be made during the implementation of shared services and factors critical for the success of the project were also acknowledged. For future research activities in this area it would be recommended to further integrate qualitative approaches, or at least ask for feedback or comments within the questionnaire in addition to the purely quantitative approach. As a result, specific questions and problems can be touched upon from different perspectives and the derivation of questions can be concretised. Additionally, the incorporation of case studies from specific companies could be considered, providing insights into various other organisations' experiences and showing how these companies managed to handle the process of implementing and improving their shared service operations.

The target group of the research was large-scale enterprises, consulting companies and representatives of institutions for higher education in Germany. Data was gathered by means of an online questionnaire that, in the majority of cases, had telephonically been announced upfront and personally addressed to the recipients. An impersonalised reminder was sent to the survey participants two-weeks before the survey closed. In total, 18.5% of the large-size enterprises, 71.4% of the chosen consulting companies and 25.4% of the institutions for higher education participated in the survey, leading to an overall return ratio of 22.0%, which can – in comparison to other online surveys – be classified as a good result. For future research activities, it would be recommended to also partially run and

discuss the questionnaire face to face or via telephone with the participants in order to be able to avoid comprehensive problems. Further, the target group could be varied, for example, from large-size enterprises to small and medium-sized enterprises or the incorporation of non-profit organisations.

Feedback from the expert interviews demonstrated that shared services are continuously growing with regard to the areas assigned to them and the maturity they have. Due to the latter it would be recommended for future research activities to incorporate within a questionnaire based approach either the length in which shared services are already used or alternatively a classification about the maturity level (e.g., starter, advanced, experienced, professional or expert level). As a moderator variable, such general information could provide valuable insight.

An important target in reference to the development of the conceptual approach was the identification of causal connections within the Four-Phase-Model. In order to do so, the model was theoretically founded based on the Transaction Cost Theory, Principal Agent Theory, Property Right Theory, the Resource Based View and the Network Model. The result of the theoretical foundation was that the hypothesis was derived and incorporated into the research model. For future research activities it would be recommended to diversify the causal connections based on new findings with regard to shared services. Also, other theories could be incorporated or the scope of application of the theories in the presented concept could be extended. Theories from the area of behavioural science could, for example, explain relations between interests, conflicts and power or the reasons for dysfunctional behaviour.

Organisations have done much in recent years to improve the top-line of their business and place focus on business strategies. Some examples of this include highly sophisticated pricing strategies (Nagle & Holden, 1995), approaches to market or customer segmentation (Kotler & Keller, 2011), or the Balanced Scorecard concept (Kaplan & Norton, 1997, 2001, 2004). By using new approaches to operations management, such as Lean Management, Just-In-Time techniques, Total Quality Management, and detailed product cost and capacity calculations (Slack, et.al. 2009), the manufacturing costs of products have decreased thus increasing the bottom-line of organisations. In a similar manner, the sales expenses have been under tight control of the sales managers and finance and controlling departments, setting productivity and cost targets to the sales force (Kotler & Keller, 2011). As Quinn et al. (2000) point out, overhead functions, such as Human Resources, Finance and Accounting, Information Technologies, etc., represent the last frontier for major cost savings.

From the latter results the necessity for companies to optimise the provision of internal services. In order to survive on the international market and remain competitive, those unexploited potentials have to be lifted. Therefore, the shared service approach seems to be a concept without limits that can be implemented on a local, regional or global basis and provides manifold solutions for the problems organisations will face in the future.

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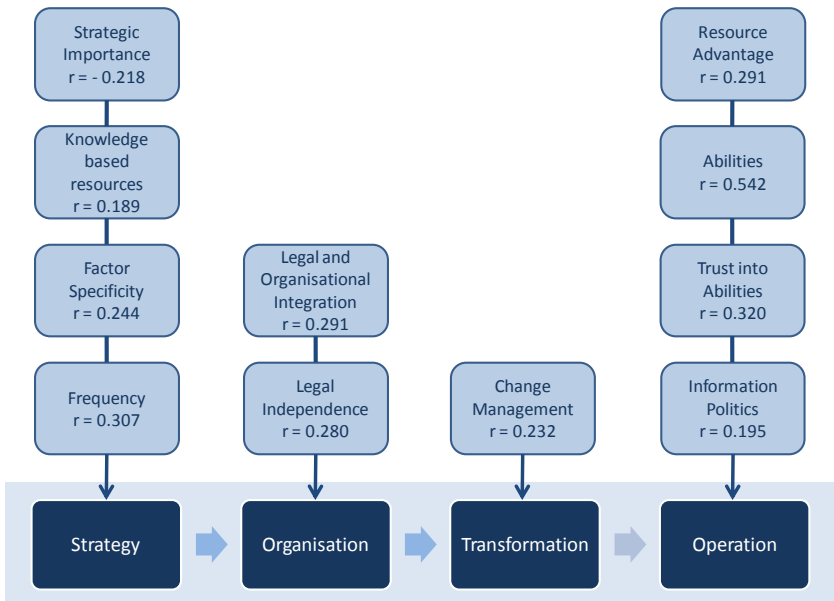
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# Appendices

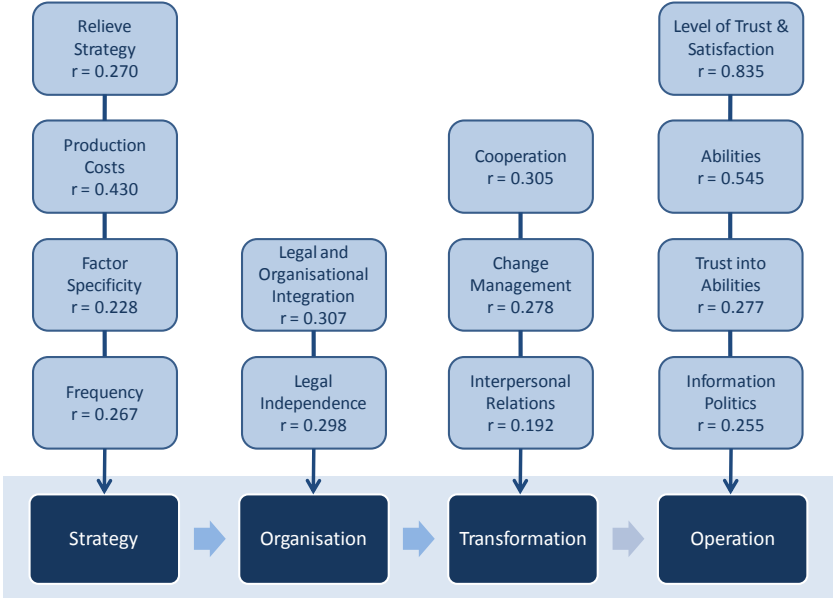
## Hypothesis confirmed by the Empirical Study:

11 out of the 24 hypotheses were approved and confirmed by the findings of the empirical study:



# Success Factors confirmed by the Empirical Study:

Thirteen of the 29 tested success factors were confirmed by the statistical results.



## Publications

### Journal Articles

#### **Critical Success Factors of Shared Service Projects – Results of an Empirical Study**

Advances in Management Journal, Volume No. 4 (5), May 2011, pp. 21-26

ISSN No. 0974-2611

#### **Shared Services within the context of International Human Resource Management**

Prabandhan: Indian Journal of Management, Volume No. 4 (7), July 2011, pp. 3-8

ISSN No. 0975-2854

#### **Application areas of the Shared Service concept within the Romanian Healthcare System**

Timisoara Journal of Economics, Volume 4, Issue 1 (13), 2011,

ISSN No. 1842-7340

### Participation in Conferences

#### **New Trends and Tendencies in Human Resource Management**

**East Meets West**, Pécs, Hungary, 13-14, June, 2008

*“Strength Based Leadership: A management framework for successful employee selection and management development”*

ISBN: 978-963-642-236-3

**International Innovations Conference for Co-operation Development (InCoDe),**

Pécs, Hungary, 16-18, October, 2008

*“Innovation as the basic requirement for the long-term success of Shared Services”*

ISBN: 978-963-642-248-6

**Culture of Business – Capital of Culture, Pécs, Hungary, 16-17, October, 2009**

*“Onshoring, Nearshoring or Offshoring – Cultural aspects in location decisions”*

ISBN: 978-615-5001-09-3

**Spring Wind 2010, Pécs, Hungary, 25-27, March, 2010**

*“Corporate Entrepreneurship – More Than Just Innovations Management”*

ISBN: 978-615-5001-05-5

**The Global Crisis and Economic Development, Varna, Bulgaria, 13-14, May, 2010**

*“The Monetary Policy of the Federal Republic of Germany under Consideration of the Financial Crisis”*

**Lectures**

**Management Effectiveness Training University of Pécs, 27, March, 2010**

2<sup>nd</sup> Year Master Class - Change Management Course

Coordinators / References: Prof. Dr. Farkas, Prof. Dr. Vitai

## **Monographs**

### **Change Management Strategy for Implementing Shared Services**

GRIN Verlag GmbH, 2008, ISBN: 978-3-640-26700-2

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### **The merger of “sanofi-aventis” as an example for Reasons and Consequences of Mergers and Acquisitions in the Pharmaceutical Industry**

GRIN Verlag GmbH, 2008, ISBN: 978-3-640-26705-5

### **Competition Policy in Bulgaria**

GRIN Verlag GmbH, 2007, ISBN: 978-3-640-26691-3

### **Potential Problems between owners and managers and how the basic differences in interest and objectives can be solved, with special attention to share-ownership programmes**

GRIN Verlag GmbH, 2008, ISBN: 978-3-640-26747-7



