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A taxonomy of management challenges for developing shared services arrangements

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KEYWORDS

Shared services;
Challenges;
Resource dependence perspective;
Efficiency perspective;
Population perspective;
Knowledge perspective

Summary Shared service centres (SSCs) are an organisational arrangement to deliver services. During SSC development organisations encounter a variety of challenges affecting its success or failure. Yet in this embryonic research field a systematic insight into management challenges is absent. Drawing on literature a taxonomy of 15 challenges is suggested that are illustrated with three case studies. Resource dependence, efficiency, population and knowledge perspectives are used as complementary views to provide a deeper understanding. Based on these four perspectives change management has to deal with resource dependencies and power struggles, achieving efficiency by minimising and managing costs, achieving survival in the long run within turbulent organisational environments and finally coordinating knowledge integration. Our results show that the (degree of importance of the) challenges encountered vary per situation. We argue that it is imperative to combine the theoretical perspectives to attain a richer understanding of the situation at hand. Our findings can be used as a solid basis for attaining an elaborate theory for the development of SSCs to mitigate implementation risks by managers.

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Introduction

Sharing of services is a management strategy in which similar business functions are consolidated in an organisation unit (Bergeron, 2003). This organisational arrangement is often labelled as a shared service centre (SSC) or shared service organisation (SSO). As semi-autonomous units, SSCs deliver support services to internal clients within organisations primarily to save costs (Schulz & Brenner, 2010) and to generate value and improve services (Bergeron, 2003). Many SSCs are being established in public and private organisa-

tions to achieve a higher level of efficiency (Cooke, 2006; Davis, 2005; Kamal, 2012; Schulz & Brenner, 2010). "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).

The decision of establishing SSCs is often based on a business case showing the long term costs and benefits of economies of scale and specialisation in comparison to the current, often fragmented, situation without taking into consideration the implementation process. This leaves decision-makers and managers largely unaware of the difficulties encountered when developing and implementing SSCs in organisations. "The introduction of a SSC is a critical

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and strategic decision [...] with significant complexity and risks” (Janssen & Joha, 2006, p. 104). Lacity and Fox (2008) identify shared services as one of the most critical areas of focus for Chief Information Officers.

Achieving cost-efficient operations with SSCs is a challenging task and there are many examples of SSCs that have failed to deliver their promise of reducing costs (Farndale, Pauwe, & Hoeksema, 2009; Wagenaar, 2006). A large range of SSC development challenges can be found (e.g. Cooke, 2006; McIvor, McCracken, & McHugh, 2011; Reilly, 2009). However, most literature focuses on a limited set of challenges and a systematic overview of SSC development challenges is absent. In practice this leaves managers wondering what challenges they will encounter when developing SSCs. Furthermore, this leaves a void for theory development.

The research question addressed in this paper is: *what challenges can organisations encounter when developing in-house SSCs?* Based on a literature review a taxonomy of challenges that organisations need to deal with when trying to achieve cost-efficient operations with SSCs is developed. These challenges are detailed using three case studies. Four theoretical perspectives are used to provide a deeper alternative understanding of the challenges encountered: a resource dependence perspective, an efficiency perspective, a population perspective and a knowledge perspective (Grant, 1996; Ulrich & Barney, 1984).

The taxonomy provides a comprehensive list that enables managers involved in a SSC development project to attain a broader multi-disciplinary view and to determine which challenges to tackle in the situation at hand. The theoretical value of the taxonomy is that it consolidates the variety of challenges found in literature and the case studies and it shows that different challenges are encountered in the cases. As such it can be used as a solid basis for attaining a more elaborate theory for the development of SSCs.

Background: shared service centres

In literature many definitions of SSCs exist. Based on characteristics of SSCs of Schulz and Brenner (2010) as well as a definition provided by Bergeron (2003), we define SSCs as semi-autonomous organisation units that deliver previously distributed support services to internal clients within organisations primarily to save costs. The focus of this study is on SSCs as insourcing arrangements in which SSCs are created within the boundaries of an organisation. These SSCs are the result of a consolidation of previously distributed services into semi-autonomous organisation units. Figure 1 provides an example in which previously distributed services

are consolidated into an in-house SSC within an organisation.

Two types of SSCs can be distinguished when focusing on the kind of services they deliver. There are SSCs that deliver “services for transaction-oriented processes” and there are SSCs that deliver “complex, knowledge-based processes” (Goold, Pettifer, & Young, 2001; Schulz & Brenner, 2010, p. 212). Transactional services “deal with all the processes and activities related to meeting the administrative requirements of employees” (Ulrich, 1995, p. 14). Complex knowledge-based services deal with “non-routine and non-administrative [...] activities [...] primarily designed to transform a firm” (labelled as transformational SSCs by Ulrich (1995, p. 15)). Both types will be investigated in this research.

Method

This research takes an interpretive epistemological stance aimed at providing a deep insight into “the complex world of lived experience from the point of view of those who live it” (Andrade, 2009; Schwandt, 1994, p. 118). Interpretive research is typically used for “relatively under-developed theoretical constructs” (Irani, Love, & Jones, 2008, p. 157), which is the case for SSC as limited theory development is available. The SSC development challenges included in the taxonomy of this research can be used as a solid starting point for developing components of organisational theory dealing with the development of SSCs. Literature review and case study research were used as the main research instruments. Literature was used to develop the taxonomy and case study research was used to gain a richer insight.

Literature review

A literature review was conducted to create an overview of SSC development challenges using the systematic scanning approach proposed by Levy and Ellis (2006). An extensive search was performed using Elsevier (Scopus), ACM, IEEE Xplore and Google Scholar initially using the keyword “shared service center”. In addition, backward and forward searching on references and authors was used (Levy & Ellis, 2006). Doubles as in “authors that had the definition [of SSCs] in two or more of their papers” (Schulz & Brenner, 2010, p. 212) were left out, maintaining only the most cited doubles. Articles not dealing with SSCs as “the organizational form of back-office functionalities” were also left out (Schulz & Brenner, 2010, p. 212). The resulting

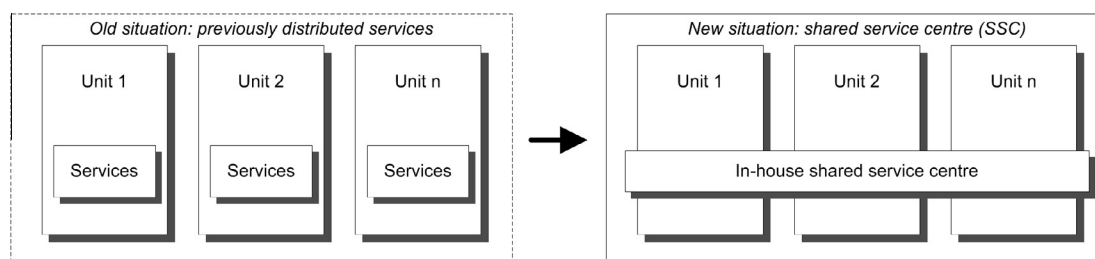


Figure 1 From previously distributed services to an in-house SSC (adapted from Janssen & Joha, 2007).

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