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Four-Phase-Model for the Implementation of Shared Services

DOCTORAL DISSERTATION

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Declaration of Originality

I, the undersigned, solemnly declare that this doctoral dissertation is the result of my own independent research and was written solely by me using the literature and resources listed in the Bibliography.

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Martin Helmut Wenderoth

Vienna, 10.10.2013

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Abstract

This 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 this 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 this thesis are addressed to both practitioners and scientists. With regard to the scientific society, this thesis should contribute to the comprehensive scientific analysis of the shared service concept. Furthermore, the complexity imminent to shared service activities should be outlined and structured. Causal connections and interrelations between the different phases of implementing shared services should be 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 should give clear and concrete decision support and offer information on how to plan, organise, transform and operate shared services.

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Abbreviations

ABC	Activity Based Costing
acc.	according to
AP	Accounts Payables
AG	Aktiengesellschaft – Public Limited Company
AR	Accounts Receivables
BCUC	Buckinghamshire Chilterns University College
BSC	Balanced Scorecard
Ed.	Editors
e.g.	for example
ERP	Enterprise Resource Planning
et. al.	and others
etc.	etcetera
EU	European Union
excl.	excluding
FRG	Federal Republic of Germany
FTE	Full Time Equivalent
GBP	Great Britain Pound
GmbH	Gesellschaft mit beschränkter Haftung – Private Limited Company
hc.	honorus causa
HR	Human Resources
incl.	including
IT	Information Technologies
KPI	Key Performance Indicator
MBO	Management by Objectives
MNE	Multi National Enterprise
Mr.	Title for a man
Ms.	Title for a married or unmarried women
NIE	New Institutional Economies
NPO	Non Profit Organisation
OTC	Order to Cash

p.	page
PC	Personal Computer
pp.	pages
resp.	respectively
ROI	Return on Investment
SCM	Supply Chain Management
SCPP	Structure Conduct Performance Paradigm
SOX	Sarbanes Oxley Act
T&E	Travel and Expenses
UK	United Kingdom
US	United States
VP	Vice President
vs.	versus
VUCA	volatile, unsecure, complex, ambiguity
w.o.y.	without year of publication

1. Introduction

1.1. Problem Definition

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. Following Bergeron (2003), the shared service concept can be defined as "*... a collaborative strategy in which a subset of existing business functions are concentrated into a new, semi-autonomous business unit that has a management structure designed to promote efficiency, value generation, cost savings, and improved service for the internal customers of the parent corporation, like a business competing in the open market.*" While the general concept 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).

The present scientific work strives to elaborate under which conditions and in which way shared services should be implemented within organisations. In uncovering causal connec-

tions during the implementation process and identifying factors for the success of shared services, this work contributes to comprehensive scientific analysis and structuring with regard to the complex topic of shared services.

1.1.1. Historic Development of Shared Services

The shared services approach is very often positioned as a new trend or tool for the optimisation of support functions (A.T. Kearney Inc., 2004). As pointed out by Dressler (2007), the general approach of shared services is not new, and while it is nowadays classified as an approach for optimisation, its basic principles and roots go back to the first ideas regarding division of labour.

Adam Smith (1723 – 1790)

As Slack et al. (2009) point out, the first concepts regarding the division of a labour concept were formalised in 1746 by the Scottish philosopher, Adam Smith, in his work titled *Wealth of Nations*. By using the example of pin making, he determined that division of labour represents a qualitative increase of productivity and is more efficient (Olten, 1994).

Frederick W. Taylor (1856 – 1915)

Taylor brought the concept of Smith into perfection. According to Mullins (2007), he believed that every work process is capable of being segmented into discrete, smaller activities and that 'one best way' to perform each task exists. At the core, he could prove that a worker could perform more activities within the same time with a specialised work process than in work processes where the worker should conduct a series of complex activities (Dressler, 2007). Following Woll (2003), Taylor pointed out the following: "It is only through enforced standardisation of methods, (...) that this faster work can be assured."

Henry Ford (1863-1947)

Henry Ford used the findings of Taylor and put them into practice. The production of the legendary T-Model was the first example of a synchronised assembly line (Dressler, 2007). Hence Ford is quite frequently called "father of the assembly line" (Gabler Wirtschaftslexikon, 2009).

It has to be pointed out that neither Smith, nor Taylor, nor Ford laid the foundation for shared services, as their innovations basically focused on the operative processes within

manufacturing organisations. However, even at this time, what we today call back-office functions and processes, were separated from production processes. The main cornerstone of shared services was laid by Alfred P. Sloan.

Alfred P. Sloan (1875-1966)

Alfred P. Sloan became President of General Motors in 1923. Following Dressler (2007), Sloan's activities resulted in the breakdown of General Motors into divisions; this was the first practical application of divisional structure in business. The structure of General Motors after 1923 could be classified as a division of work by product according to Mullin (2007). However, Sloan was aware of the disadvantages that this new structure he implemented would cause. It soon became obvious that administrative overhead functions in particular were needed in each division. To avoid redundancies, Sloan consolidated all administrative functions into one centralised department. To completely separate the management and strategic headquarter activities from administrative functions, some departments, such as bookkeeping, were even re-located. With this above reasoning, Sloan can be seen as the first user of what we would call today shared services.

General Electric (1986)

In agreement with Quinn et al. (2000), General Electric's 'Client Business Services' can be seen as the first organisation, which implemented a department that nowadays would be called a shared service centre. By implementing this shared service centre, General Electric merged approximately 50 offices from all over the United States into four centres providing services to all others. Adding to this, Kagelmann (2000) noted, that prior to the merging and harmonisation of systems, General Electric had around 34 different payroll accounting systems, 45 different systems for accounts receivables and general accounting as well as 37 different systems for asset accounting.

A.T. Kearney (1990)

Although the birth or expansion of the term 'shared services' is unclear, Quinn et al. (2000) note that some consultants of the US-American consulting company, A.T. Kearney, have a legitimate claim to inventing the name 'shared services'. According to Moller (1997), Jim Bryant, who was responsible for the implementation of a shared service centre at Baxter Healthcare, also claims to have founded the term 'shared services'.

1.1.2. Present Situation of Shared Services in Theory and Practice

In the new millennium, businesses are moving at a frantic pace to develop and capitalise on competitive advantages. As termed by Johnson, Whittington and Scholes, organisations try to 'Structure for Success', (2008). As Mullins (2007) mentions, organisations are part of the external environment in which they operate and, at the same time, are continuously influencing. Hence, 'Structure for Success' stands for the wish of organisations to fit their business format into their operating environment.

According to Wang (2009), the recession in many countries of the world as a result of the financial crisis has led to more organisations improving their operations, making use of shared services and even rationalising their use of the concept by moving a wider range of functions under fewer and more-centralised roofs. Rober Cohen, vice-president at Basware, says the following: "...more organisations are being charged with finding ways to cut costs, and the shared service concept is a natural conclusion" (Bedell, 2010).

1.1.2.1. External Drivers and Enablers of Shared Services

Following Kagelmann (2000), the main external drivers or enablers of shared services in today's business environment are as follows:

(1) Globalisation and increased competition
According to Yip (1989), the drivers of industrial globalisation can be categorised into four groups - market, cost, governmental and competitive drivers.

Market drivers depend on customer behaviour and the structure of the distribution channels. Under this driver of change, Yip summarises the alignment of customer needs, the rise of global customers and distribution channels as well as marketing concepts or campaigns, which are launched on a global scale. Cost drivers refer to the productivity of an organisation compared to the competition. This comparison is based on reaching economies of scale through the use of global sourcing opportunities. In other words, becoming a global customer in its own right entails making use of comparative cost advantages between countries and keeping own costs under tight control. Governmental drivers refer to the legal, fiscal and political environment offered by a specific country. National policies and rules can decrease barriers to entry and as such enable organisations to enter into new

global markets. Finally, competitive drivers are inherent in organisations themselves, as they refer to the customer choice of products and their respective image - known as the advantage of the first entrant to a market.

All drivers mentioned enhance the globalisation of an industry with increased competitive rivalry and, as a result, price pressure from customers and competitors as well as cost pressures to maintain the bottom line of an organisation also increase. For these reasons, organisations need to think about their current structure and how the structure should be organized in order to be competitive on the market, thus ensuring long-term business success and existence.

(2) Dysfunctional effects of 'classical' organisational structure

As Malik (2006) pointed out, there is not a best solution regarding organisational structure. However, it needs to be recognised that structure creates behaviour (Ross, 2012). An organisational structure without friction does not exist and the chosen structure is always the result of trade-offs and compromises. Following Drucker (2006): "*Good organisation structure does not by itself produce good performance. But a poor organisational structure makes good performance impossible (...). To improve organisation structure (...) will therefore always improve performance.*" Hence managers had to find innovative, efficient and effective ways to organise back-office functions in order to handle the increased requirement from the market side.

In the following, the most typical organisational approaches for back-office functions are mentioned, briefly explained and tendencies promoting the shared service approach are extracted.

Corporate Departments

The allocation of support processes to corporate departments is a widely used approach, as pointed out by Kagelmann (2000). However, these corporate departments are frequently criticised as having a reputation of being very hierarchical and bureaucratic, leading to inefficiencies and cost disadvantages. In general, internal customers (e.g. Business Units) are expecting from their internal service providers the same quality level, customer orientation and of course comparable price level, as if they were to receive the services from an external service provider (Weber, et.al. 2006). This criticism of corporate departments in-

creases the amount of pressure placed on them. Frese (1995) gives the example of the creation of an internal market for support process and the usage of transfer prices.

Decentralised Departments

The allocation of support processes to decentralised departments, such as business units, increase customer orientation and quality level. However, as in corporate departments, market pressure is missing. Additionally, the decentralisation of support processes leads to redundancies, since similar resources need to be created in different departments, avoiding the generation of economies of scale. It is worth mentioning that in-depth specialisation and corresponding know-how also might not be achieved, as indicated by Kagelmann (2000).

Outsourcing

Shared services and outsourcing, regarding the general content, have many characteristics in common, as Dressler (2007) pointed out. However, the shared services approach is healing those dysfunctions associated with outsourcing. According to Wißkirchen (2006), these disadvantages include dependence from the outsourcing partner, loss of both know-how and potential future core competencies, transaction costs, a lack of knowledge of how the processes are really conducted and finally the service costs, which are oriented towards market prices. In addition to those arguments against outsourcing, Kagelmann (2000) adds that costs for implementation, coordination, communication and the control of outsourcing projects can eat up expected gains. Indicated by Jouanne-Diedrich (2004), as a result of these disadvantages, many companies have already started back-sourcing, meaning the reintegration of previously outsourced functions or departments after unsuccessful out-sourcing projects. Hoffelder (2012) reports that some US companies, like Johnson & Johnson or McCormick, are recently in-sourcing previously outsourced functions, as they claim such functions are cheaper in-house. Following Pisano and Shih (2012), especially US companies recognise that they are losing competitiveness being a major reasons why they start to "in-source" back to the US.

From the above brief explanations of the typical organisational approaches for back-office functions, which will be further analysed in chapter two of this dissertation, it can be seen that there is always more than one way to do things and that each way has its merits and demerits, with associated risks and rewards (Sako, 2010). Hence all classic organisational

approaches have their specific disadvantages, which support and lead to the creation of shared services.

(3) New information and communication techniques as enablers

As Mullins (2007) highlights, the impact of information technology on the structure, management and functioning of most organisations is significant and also demanding of new patterns of work organisations, or in the words of Gordon E. Moore, the co-founder of Intel Corp, "Technology intensifies the law of change" (Bergeron, 2003).

With regard to shared services, information and communication technologies can be seen as key driver towards and the main enabler of the creation of shared services. Dressler (2007) mentions the personal computer (PC), Enterprise Resource Planning (ERP) systems, the Internet and modern communication techniques in addition to the development of mobile phones and personal digital assistants (PDAs) as the tools of this phenomena. Following Bergeron (2003), these tools serve as intellectual levers and provide the connectivity needed for shared services.

Whereas the development of the PC 'only' enabled organisations to move parts of their administrative activities from paper into digital format, the breakthrough and most considerable enabler regarding shared services has been the development of ERP systems (Dressler, 2007). Following Schulman et al. (1999), a sophisticated ERP software is an integrated system in which transactions, such as the booking of an order, only have to be entered once for the software to recording the transaction in all concerned modules, such as invoicing, logistics, etc. Hence, the software is interlinking activities throughout an organisation's recordkeeping. Furthermore, ERP systems heavily contributed to the harmonisation and integration of data, such as material master or customer master data. Marsden (2010) highlights that IT has provided a range of tools to aid in the collection, storage, manipulation, analysis, interpretation and communication of data.

For both Kagelmann (2000) and Dressler (2007), the Internet as well as modern communication techniques have enabled organisations to easily share information by using intra- or extranet solutions. The transfer of data nowadays is very cheap and can take place to and from anywhere in the world, at whatever time, without restrictions. Meall (2010) exempla-

rily illustrates the potential advantages arising from the use of electronic payment mechanisms, known as e-invoicing.

1.1.2.2. Present Situation and Outlook

Different triggers with regard to shared services as described above lead to the wide distribution of the shared services approach among organisations. Already in 1999, Schulman et al. highlighted that 20% of Fortune 500 companies are actively pursuing shared services and Quinn et al. published in 2000 a list of nearly 60 large-scale enterprises that "discovered the gold of shared services." In 2011, the consulting company Accenture (2010) published that 75% of the Fortune 500 companies are using some form of shared services to achieve higher performance.

The importance of the concept can be underlined by analysing the activities of consulting companies with regard to shared services. Online research conducted in September 2011 on the homepages of the Top 50 consulting firms - according to the Vault's Top 50 Consulting Firms prestige ranking 2011(Vault, 2011) - produced the following results:[1] Seven out of the Top 10 as well as 22 of the Top 50 consulting firms have special programs, consulting specialists and white papers or studies regarding shared services. Furthermore, the 'Big Four' auditing companies - PricewaterhouseCoopers, Deloitte, Ernst & Young as well as KPMG - are offering services and publications for the implementation of shared services.

To clarify the present situation of shared services and to give an outlook towards the future of the concept, literature as well as studies from recent years conducted by different consulting and auditing companies have been analysed. As such, some of the main findings will be outlined in the following sections.

Accenture, 2009
The global cross industry research project on the subject of shared services conducted by Accenture in 2009 interviewed 275 executives with responsibility for shared services in their respective organisation. The results highlight that cost savings will still be a top priority for shared services, even though other, more sophisticated objectives will evolve. Ac-

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[1] for detailed results, please refer to Appendix A-01

cording to this study, the so-called "Masters" in shared services rated their performance against initial objectives roughly 40% higher, on average, than rated by other respondents.

Accenture, 2010

Accenture claims that 75% of Fortune 500 companies report having some form of shared services, ranging from simple accounts payable processes up to full business services across finance, human resources, supply chain management, information technologies, etc.

Aon Hewitt, 2011

The study performed by Aon Hewitt in 2009 explored how HR organisations were responding to the demands of increased globalisation. Following this study, organisations are moving more towards globally coordinated approaches and HR Shared Services will remain a key focus area for many HR organisations.

Bain & Company, 2011

In Bain's 2011 *Management Tools and Trends* survey, 28% out of 1,230 executives polled responded that they were already using shared service centres. However, they also predicted a 25% growth in usage of shared services for 2011, leading to a projected usage of 53%.

Bearing Point, 2007

In 2007, Bearing Point asked 500 decision makers out of finance and accounting in large-scale enterprises based in Germany, Austria and Switzerland about their experiences and expectations with regard to shared services. With respect to decision makers, the potential of shared services was not fully exploited, allowing them to predict that there is strong potential for this in the future. Additionally, these decision makers see the aptitude of shared services in crossing the border of repetitive processes and expanding into other functional areas, such as controlling or planning (Daus & Raschke, 2007).

Boston Consulting Group, 2007

Whereas Bearing Point focussed on the financial sphere, the Boston Consulting Group concentrated on Human Resources. In their 2007 study*, The Future of HR in Europe – Key Challenges Through 2015*, they polled 1,335 executives from 27 countries in Europe. The results indicated that HR executives should consider outsourcing partners or the use of

shared services for service and administrative functions in order to increase efficiency and effectiveness (Strack et al., 2007).

Deloitte Touche Tohmatsu, 2004

Deloitte consulting, a member of Deloitte Touche Tohmatsu, performed a practice study in 2003/2004. The survey was distributed among 1,000 companies in Germany, of which 56 participated in the study. Deloitte came to the conclusion that shared services are a real alternative to the outsourcing of business processes and functions. Companies that have implemented shared services experience a decrease of costs due to economies of scale and process improvements as well as an improvement in cost management and controlling (Hermes & Schwarz, 2004).

Deloitte, 2009

Compared to the previously mentioned study by Deloitte in 2004, the 2009 study by Deloitte polled 265 shared service leaders, representing 702 individual shared service centres. Following this study, 45% of the respondents gained 5% to 10% in productivity improvements after 12 months. The authors of the study furthermore state that there is the growing view of shared service organisations as a strategic enabler, being used to facilitate enterprise growth, improve business focus and enhance talent management among other strategic pursuits.

Hackett Payroll, 2012

The Hackett Group and the American Payroll Association surveyed 139 companies around the world. Fifty-seven per cent of the top performing organisation where operating their payroll functions within a shared service environment (Hackett, 2012). Following the Payroll Practitioners Monthly (2012), 81% of the payroll professionals claimed that working in such environment adds a high value to their payroll accounting.

Horváth and Partners, 2012

In 2012 Horváth and Partners conducted a study among 30 international companies in regard to their experience with shared services in Eastern Europe. Key findings of this survey included that the performance of shared service operations had been evaluated positively and that the respective cost reduction targets had been met. From this the authors of the study conclude that Eastern Europe is a good location for shared services. Furthermore,

the authors highlighted areas where optimisations would be necessary, especially in the HR area, as Eastern European shared service organisations have relatively high fluctuations, resulting in costs for recruitment and training.

IBM Business Consulting Services, 2005

A survey conducted by IBM in cooperation with the Economist Intelligence Unit concentrated on finance function and asked 210 senior finance professionals from 45 countries their opinion concerning finance shared services and outsourcing. Key findings of this survey showed that shared services are already a commonly used element and an integral part of the success of finance functions. However, these finance professionals stated that the shared services approach is no longer offering a strategic advantage, as the approach has already emerged as a tactical necessity (Rogers & Stewart, 2005).

Kagelmann, 2000

The dissertation of Uwe Kagelmann at the University of Rostock in 2000 analysed the shared services concept as an example of finance function in large-scale enterprises. Thirty-three out of 81 companies participated in the empirical study. In this current empirical study, the objectives, processes, transfer price problems, location issues, responsibilities and legal forms of shared services will be examined.

KPMG, 2007

The Economist Intelligence Unit prepared on behalf of KPMG International the *Rethinking Cost Structure* report. This report was based on a global survey of 427 senior executives in combination with 21 expert and practitioner interviews (Jones & Kay, 2007). With regard to the question of "How important will the following strategies be as part of your cost management over the next three years?" 41.3% of the study participants stated that shared service centres will be very important (12.8%) or important (28.6%).

Pérez, 2008

The dissertation of Pérez from 2008 analysed the shared service concept on the basis of three explorative case studies as a result of manifold expert interviews. Her research objectives included how large enterprises are structuring their internal support functions, which new developments can be found in practice, which critical success factors have been rele-

vant and which recommendations can be given concerning the structuring and organisation of the internal support function under consideration of the shared service concept.

Towers Watson, 2009

The 2009 survey by Towers Watson, *Evolving Priorities and the Future of HR Service Delivery*, involved 332 organisations from all types of industries and continents. Less than 30% of the 332 organisations polled did not use the shared service concept for delivering HR services. The top three reasons for using shared services were the focus on strategic issues instead of transactional activities (48%), the objective to achieve longer-termed operational cost savings (40%) and the obtainment of standardised HR processes (40%).

Wenderoth, 2011[1]

The survey focussed on the critical success factors of shared services among 84 managers and consultants - mainly coming from Germany, Austria and Switzerland – who had experience with shared services. Results highlighted that the key success factors concerning the implementation of shared services include a tailored changed management program, the location decision and the service level agreement.

While there is only a limited number of scientific and theoretical papers on the subject of shared services, the recent survey-like studies, as just described, indicate that shared services are more than a current business trend. Also it can be deduced from the results that the shared services concept has just entered into a growth phase and that the total potential of shared services has yet to be fully exploited. The depth and breadth of the concept seems to develop very quickly. New areas, such as shared services for non-repetitive functions, like controlling, will be developed soon. In addition to large scale enterprises, which are currently using this concept, small and medium-sized companies must yet discover this model.

1.2. Status Quo of Research Regarding Shared Services (Literature Review)

The study of the present literature on the shared services concept can be characterised as a predominantly practice oriented phenomenon. This is because there is only a limited amount of scientific research regarding the topic. Hence, the overall level of knowledge on the subject of shared services can be evaluated as unsatisfying. As Kagelmann stated al-

ready in 2000, a majority of publications on the subject can be seen as popular scientific papers and, even though the concept is quite popular in theory and practice, there is a shortage of empirically founded work on shared services.

An analysis[2] of the literature database 'Business Source Premier'[3] and 'Academic Search Complete',[4] as done by Knolmayer and Mittermayer (2003) and Hollekamp (2005) on the subject of 'Outsourcing', leads to 2,325 hits for 'Shared Services'. Compared to 'Outsourcing' where you can find 40,659 hits, the ratio is 18:1. The relation between these terms when using the Internet search engine Google leads to 118,000,000 hits for 'Outsourcing' compared to 7,000,000 hits for 'Shared Services', which is a ratio of 17:1.[2]

The relations mentioned emphasis that the shared services concept is under-proportionally represented. Upon examination of the context of the management and scientific literature available, the following picture emerges:

- An examination of the literature concerning decisions and activities that have been made with regard to shared services shows that practice oriented management literature dominates; scientific literature hardly exists. Furthermore, a one-sided focus on single or specific aspects can be observed.
- There is nearly no empirical research examining the interrelations of activities or their effect on the success of shared services. The empirical work that exists was mainly performed or sponsored by consulting companies and focussed on specific aspects, such as possible savings from shared services.
- Literature analysing the theoretical founding of the shared services concept is also lacking. If economic theories were used to explain shared services, they focussed on specific aspects of the topic, or different theories were used to explain the same issue. As a result, a holistic explanation of the concept cannot be established to date.

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[2] Analysis was performed on July 15th, 2011

[3] Business Source Premier (BSP) is the most substantial database of full texts in the field of business administration, management and economics and runs on EBSCO-Host

[4] Academic Search Complete (ASC) is the world's most valuable and comprehensive scholarly, multi-disciplinary full-text database and runs on EBSCO-Host

1.2.1. Classification of Publications

Those publications dealing with shared services as a whole are mainly coming from practice oriented management literature and can be distinguished by describing the general nature of shared services without delivering a scientific or theoretical background and foundation. In general, these publications can be classified into the following five categories: 1) description of the shared services concept by defining its objectives, advantages and disadvantages, risks and possible legal and organisational forms; 2) presentation of approaches towards the establishment of shared services; 3) description of specific aspects of shared services; 4) publications interlinking different aspects of shared services; 5) application of shared services within the public and non-profit sector.

In the following, each of the categories will be revisited one after the other and respective publications will be assigned and commented on.

(1) Description of the shared services concept by defining its objectives, advantages and disadvantages, risks and possible legal and organisational forms

The first category can be characterised by articles or publications mainly focussing on the advantages of shared services without any methodical or theoretical foundation. General articles on shared services, like *Why shared services will benefit everyone* by McKinlay (2006), *Sharing creates stability* by Engle (2006) or *Shared Services: From Vogue to Value* by Ulrich (1994), *Shared Service Centres* by Seal, et.al. (2008), *The role of shared services* by Herbert and Seal (2009), *Saving Shared Services* by Grossmann (2010), *Shared Services within the context of International Human Resource Management* by Wenderoth (2011[3]) or *Shared-Service Organisations Help Reduce Complexity* by Mirakaj (2011) can be assigned to this group of publications.

More sophisticated than journal articles are books, like *Essentials of Shared Services* by Bergeron (2003), which describes the shared services concept from its early beginning till today, spotlighting different aspects using a self-created case study. The publication *Shared Service Centres – Delivering value from effective finance and business processes* by Kris and Fahy (2003) gives insight into the different elements of shared services. Likewise, in a very limited form, Wiederholz (2009) Bader (2008) and Wenderoth (2011)[1] all

describe the different success factors as well as the strategic and operative aspects of shared services.

Furthermore, publications in this category mainly focus on the description of objectives, risks and legal or organisational forms of shared services. Their findings or conclusions are mainly based upon or supplemented by case studies or personal experience. Many of such publications are prepared during or after internships or are based upon consulting activities by respective service providers (consulting companies). Such publications can be exemplified by case studies conducted on Wells Fargo (Jones, 2007), Gauteng (Jekwa, 2007), Avaya (Donelly, 2005) or Rolls Royce (Pickard, 2009).

 (2) Presentation of approaches towards the establishment of shared services
The second category of publications focuses on a single aspect or on a specific activity conducted during the development, implementation or operation of shared services. As a single aspect of shared services, those activities concerning the strategic decision towards the implementation or the organisational and legal form of shared services can be understood. Specific activities could involve conducting a feasibility study or the trade-off with regard to a location for shared services.

The implementation of shared services as a whole is very nicely explained in *Shared Services – Adding Value to the Business Units* by Schulman et al. (1999). *Mining for Corporate Gold* by Quinn et al. (2000) also explains the different elements of shared services and provides suggestions and advice regarding implementation. Unfortunately, both publications are neither theoretical, nor empirically founded. Like many publications in this category, the experience of the authors as consultants provides the basis of the study. A further publication fitting into this grouping is the nicely written and entertaining story titled *Shared Services – A Manager's Journey* by Melchior (2008). Other publications focus on the general implementation process of shared services - superficially referred to as best practices – and include *5 Best Practices AP (Accounts Payable) Pros Use to Make Shared Services a Success* (IOMA, 2007[6]) and *Full Disclosure – The Basics of Designing and Implementing a Shared Services Concept* (Carr, 2009). Other authors refer to issues that are possibly important from their viewpoint, for example, *Key Issues in Migrating Your AP (Account Payable) Operations to Shared Services* by Goodmann (2007) or the *Develop-*

ment of shared services for the personnel management of SAP as published by Heidbüchel (2008).

Activities, like a feasibility study or a calculation of a service level agreement and the agreement on those as sub-processes within the establishment of shared services, are intensely focused on in the works of Klingbiel (2005, 2006). Additionally, a variety of advice for the creation of or even sample service level agreements can be found (IOMA, 2010). Authors, such as van Herwaarden and Schwarz (2006), propose, for example, a sub process consisting of seven-steps for the selection of an optimal location for shared services.

 (3) Description of specific aspects of shared services

The third category includes publications, which describe specific aspects of shared services, such as the importance of change management, IT or questions concerning near- or off-shoring of the service functions.

A collection of essays by Keuper and Oecking (2007) explores the shared services concept from various viewpoints, like strategy, controlling, IT and change management. From a strategic perspective, the publication of Davis (2005) titled *Integrating shared services with the strategy and operations of Large-scale Enterprises (MNEs)* should be mentioned. A number of articles, such as *Shared Service Centres and the challenge of managing VAT in a multi jurisdictional environment* by McKinney (2006), *Shared Services and Cost Pooling Agreements* (Feinschreiber and Kent, 2009) and *Shared Services Transformation: Conceptualisation and Valuation from the Perspective of Real Options* by Su et al. (2009) touch upon special subjects, such as transfer pricing, tax issues or valuation related questions. Challenges with regard to the finance function in organisations are addressed by Keuper et al. (2008). Increased attention on compliance and internal controls, including Sarbanes Oxley (SOX), lead to another wave of publications, like *Global Shared Services – A Risk Strategy?* by Gunning (2008) or *An Eye on Compliance* by Bedell (2010.) Platzer (2010), Sterzenbach (2010) and Weber (2012) concentrate on the importance of controlling with regard to shared services and Keuper et al. (2009) emphasise the impact of IT on service delivery.

Countries are analysed as potential locations for shared service centres with regard to the advantages and disadvantages they offer to large-scale enterprises. Apart from India, as a traditional offshore country (see Carmel & Abbott, 2007 or Mohan & Witt, 2006), Eastern European countries, such as the Czech Republic, have been analysed (see Honsová, 2006 or Sochor, 2007).

(4) Publications interlinking different aspects of shared services

Publications in the fourth category try to combine or interlink organisational, functional and employee related aspects of the shared services concept.

Weber et al. (2006) attempted to provide an analytical approach towards the different choices for the routing of internal service functions. In their manual for practitioners, they emphasised the interaction between shared services and internal departments that receive customers. Compared to Weber et al. (2006), Dressler (2007) provided an overview of shared services and business process outsourcing and brought together these ideas into one context, where the respective possibilities and limits were described. Based upon literature research, expert interviews and case studies, Wiener (2009) focused on financial shared services and the resulting consequences for their future transformation, interlinking different aspects. The empirical study of Kagelmann (2000) describes the main criteria of the concept systemically, basing the idea on theoretical concepts, such as the transaction cost or the principal-agent theory as opposed to other studies. Pérez (2008) evaluates the shared service concept as a new form concerning the steering of internal services based on a variety of case studies and theoretical concepts.

(5) Application of shared services within the public and non-profit sector

Grounded in the success of shared services in the private sector, politicians and all those responsible in the public sector wanted to also gain from the benefits. As an example, the Gershon Review (2004) on public expenditure in the United Kingdom projected annual efficiencies of GBP 21.5 billion by 2007/08 divided into cashable (60%) and non-cashable gains from process improvements (40%). *Shared Services in Local Government - Improving Service Delivery* by Tomkinson (2007) provided a holistic analysis, different case studies and an outlook on shared services in the public sector. Behjat (2007) focuses on process management within the public sector under special consideration of shared services. Posi-

tive results from the UK had been heavily published, such as *Best of both Worlds"* by Arkin (2008[1,2]).

However, shared services in the public sector have not been only a UK phenomenon, as made clear by *Municipal shared service collaboration in the Alberta Capital [Canada]* by LeSage et al. (2008) and *Shared Services in Australian Local Government: Rationale, Alternative Models and Empirical Evidence* by Dollery et al. (2009). Within the public sector, special attention has been given to the healthcare sector, where cost pressure on a global scale is heavily pushing hospital managers to save money on all frontiers. The dissertation by Reichwein (2009) focussing on the German healthcare system or the article by Wenderoth (2011[2]) focusing on Romania can serve as an example in this regard. Furthermore, articles like *Shared Services: lessons from the Public and Private Sectors for the Non-profit Sector* by Walsh et al. (2008) highlight that the shared service concept is also expanding towards the non-profit sector.

Taking everything into account, one can say that different publications analyse, explore and describe the shared services concept from their specific perspective. Additionally, one can say that independent, empirical studies for the efficient development of strategies for shared services, in particular regarding success, are missing.

1.2.2. Shortcomings of Empirical Studies

Following Zikmund et al. (2009), scientific methods, such as empirical studies, require systematic analysis and logical interpretation of empirical evidence in order to confirm or disagree with previous conceptions. Empirical data can either be collected in a qualitative way (e.g. interviews) or in a quantitative way (e.g. questionnaires). Furthermore, Zikmund points out that the establishment of general laws on any phenomena require three steps:

Step 1:   The development of a concept or hypothesis

Step 2:   The testing of the concepts and hypotheses by using the basic research

Step 3:   Making inferences and drawing of conclusions about the phenomena.

To date, the different empirical studies presented to the market are evaluated with respect to these criteria and are subdivided into non-empirical studies and empirical studies in the following sections:

1) Non-empirical studies

The majority of studies with regard to shared services are not empirical and mainly focus on the demonstration of frequencies and cognitions. On the basis of subjective and practise oriented explanation approaches, the advantages are opposed to the disadvantages of the concept. In addition, the motives and success factors of shared services are derived from the results and it should also be noted that many studies in this category focus on the specific functions of an organisation.

Most studies provided by international management consulting companies fall into this category. A study by Bearing Point from 2007 focuses in particular on the finance function. Here, the experiences of the survey participants with regard to functional areas that could form part of a shared service centre, cost aspects, the optimal location and the transformation process are evaluated. Furthermore, the participants were questioned with regard to their perceptions on the future of shared services. According to Dressler (2007), a very consistent study was provided by the Hackett Group in 2005. The research approach was a long-term study in which 100 large-scale enterprises were accompanied on their way towards shared services, allowing the identification of general trends. The Human Resource function, the next main area where share services are being developed,was also investigated by consulting companies. Here, studies from the Boston Consulting Group from 2007, Mercer from 2008, Towers Watson from 2009 and Aon Hewitt from 2011 need to be mentioned.

A brief overview of the current research regarding shared services as done in paragraph 1.2.1. as well as above leads to the following conclusion: A majority of studies appear to be randomised with regard to the shared services concept as a whole because the number of interviews or the geographic distribution might not be representative. As the studies mainly focus on specific functions, they do not even partially allow one to draw conclusions for the concept or organisations as a whole. However, if one ignores the aforementioned disadvantage, one very important deficit would be remaining – independency and objectivity. As these studies are performed by or on the behalf of consulting companies, a bitter aftertaste will always be left.

2) Rarity of empirical studies

Real empirical studies regarding shared services are not very common. Studies from A.T. Kearney and Deloitte in 2004 and 2009, respectively, distinguish themselves from other studies by consulting companies, which have already been mentioned. These studies are exceptional because of their balanced demographic approach. For both studies, the main objective was to identify recipes for success regarding the implementation and operation of shared service centres. As the studies of Deloitte focussed primarily on large-scale enterprises based in Germany, the results were benchmarked with similar studies from other countries. However, even though these studies prevail over those mentioned above, the general criticism also applies.

Based on interviews with the heads of well established shared service organisations from large enterprises, such as BASF, Henkel, Marks & Spencer, Philips, SAP, Siemens, Solvay and Surrey County Council, Hollich et al. (2008) presented a comparison study of shared service implementations. Their work provides insights into the SAP Best Practice Network for Finance and HR and aims to deliver a conceptual framework to assess both current and future best business practices with regard to shared services. However, as the participating companies form part of the mentioned SAP Network, criticism with regard to independency and objectivity also has to apply to this very interesting publication.

The SharedXpertise forum is a global, membership-based community of professionals focussing on transforming their business processes and functions via shared services and outsourcing. With regard to Dressler (2007), SharedXpertise conducted for the fourth consecutive year in 2006 an empirical study to gain insight with regard to the implementation of shared services. This study is compared to many others, as it is internationally oriented and balanced from a demographic perspective (Dressler, 2007). Furthermore, it needs to be mentioned that only organisations with experience using shared services participated in the survey. As the study is repeatedly performed, trends can be identified, allowing for estimates about the future. Again, unfortunately, the study lacks any theoretical foundation.

Another independent study on the acceptance of shared services was conducted by the FHTW Berlin (University of Applied Science) in cooperation with an independent Offshoring Institute. Using interviews, 57 German based large-scale enterprises were integrated into the survey. Similar to the study of the SharedXpertise forum, only organisations

that had experience with shared services participated. Even though the study was very balanced, it mainly focussed on the 'Near- versus Off-shoring' question and thus did not allow for the drawing of fundamental conclusions for the concept as a whole.

The dissertation of Kagelmann (2000) on shared services as an alternative organisational form has to be mentioned. Apart from its independence and scientific quality, the study focuses primarily on the financial function of large-scale enterprises, which again, makes it difficult to derive general statements for the concept as a whole. Likewise, the dissertation by Pérez from 2008, which is unfortunately only theoretical and case-study based, was also independent.

From this summary of existing empirical studies, it should have been illustrated that most have methodical deficits. As already mentioned, the presented studies are mainly practice oriented with clear focus on the presentation of frequencies and perceptions. Nearly all studies abstain from the creation of a hypothesis and cause and effect connections in order to analyse and interpret the objectives and enablers of success. Hence a consistent and independent survey on the success criteria relevant to shared services in large-scale German enterprises has not been conducted so far.

1.2.3. Theoretical Foundation of Shared Services

A theoretical foundation of the shared services concept barely exists. The only publications that try to explain the shared services concept with theoretical concepts are the dissertations of Kagelmann (2000) and Pérez (2008). Kagelmann and Pérez use concepts from new institutional economics, such as the principal-agent theory, the transaction cost theory, the resource-based view and the property-right theory, to explain parts of the shared service concept. Other theoretical concepts, like neoclassical economics, industrial economics, game theory, resource-dependence or the network view, have so far not been taken into consideration.

The absence of a closed and consistent theoretical construction makes it necessary and essential to revert to a large variety of theoretical concepts, which need to be classified and evaluated with respect to their possible contribution towards the theoretical foundation of the shared services concept.

1.2.4. Summary of Findings

Upon review of the existing literature, publications and studies concerning shared services, we can come to the conclusion that the shared services approach is discussed in a broad and comprehensive way. However, the publications appear to highlight only certain aspects of the concept. From a scientific perspective, it has to be recognised that a structured, integrated and theoretical and empirically founded model for the realisation of shared services has not yet been conducted. This gap in current research should be closed with the present dissertation.

1.3. Research Objective

The **main objective** of this 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, as the criticism regarding the status quo of research regarding shared services has shown, 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 re-

search 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.

1.4. Methodology

An investigation of the literature has shown that there is no integrated and structured model for the realisation of shared services. 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:
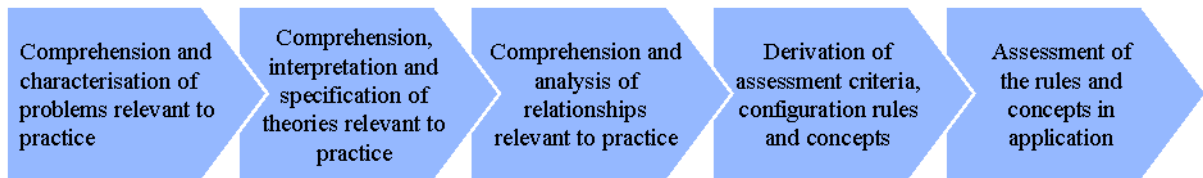
Figure 1: Application-oriented research process according to Ulrich (1981)

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 should be used for the development of the integrated and structured model for the realisation of shared services. Hence, the following five steps should be performed:

Phase 1: Comprehension and characterisation of problems relevant to practice
In this step of the research process, the general problems of shared services will be collected from practice. The questions that occur and can be derived will be structured and classified. Also, it has to be proved that there is need for explanation and empirical research with regard to the problem.

In Chapter 1 of the dissertation, this phase of the research process is covered. The general problem as well as the research objective and the methodology are described and defined.

Phase 2: Comprehension, interpretation and specification of theories relevant to the problem
Scientific and practice oriented literature, including existing empirical studies, will be analysed. Chapter 1 and 2 of the dissertation should meet the demands of this phase of the research process. Chapter 1 provides holistic literature research on the subject of shared services. In chapter 2, the term *shared services* is defined and differentiated from other relevant concepts, such as business process outsourcing. The different types of shared services already existing in practise as well as the objectives pursued by organisations aiming for shared services are analysed and described.

Phase 3: Comprehension and analysis of relationships relevant to the problem

By means of a comparative analysis of shared service solutions, an integrated Four-Phase-Model will be developed, which structures the different decisions and activities immanent in shared services' projects. Critical achievement factors that are important for the success of the different phases and for the project as a whole will be derived from and judged on the basis of literature. By the end of this stage of the research project, first results with respect to the model should be available.

In Chapter 3 of the dissertation, the Four-Phase-Model will be developed and described on the basis of strategic management considerations. The Four-Phase-Model consists of the phases Strategy, Organisation, Transformation and Operation, which will be described in this section of the dissertation.

Phase 4: Derivation of assessment criteria, configuration rules and concepts

The interrelations and critical success factors of the Four-Phase-Model will be explained on the basis of economic theories and brought into a scientific meaning founded upon causal connections. Based on the causal connections, hypotheses will be developed and examined in an empirical study at large-scale enterprises based in Germany. The result of this phase of research should be an integrated, empirically founded and structured model for the realisation of shared services based on theoretical concepts.

Chapter 4 describes the causal connections of the Four-Phase-Model on the basis of economic theories. Firstly, economic theories appropriate for the description of shared services as a whole or as part of the concept are selected. Regarding the causal connections, hypotheses will be developed, which will later be verified in the empirical study.

Following the theoretical foundation, Chapter 5 is concerned with the empirical study. The research method chosen will be justified and the research design will be explained, followed by the presentation and interpretation of the findings of the empirical study.

Based on the Four-Phase-Model (Chapter 3), the theoretical foundation of the causal connections (Chapter 4), the findings from the empirical study (Chapter 5) and the results from the evaluation of the expert interviews (Chapter 6), the final integrated and structured model for shared services projects will be developed in Chapter 7 of this dissertation.

Phase 5: Assessment of the rules and concepts in application

The final section of the research process assesses if the findings concerning the Four-Phase-Model are relevant to practice. The scientific contribution of the research will be displayed and areas for possible further research will be suggested. This will be done in the last chapter (Chapter 8) of the dissertation.

2. Shared Services: Definition, Objectives and Differentiation

In the following chapter, the term *shared services* will be defined and differentiated from other approaches concerning the organisation of the back-office or support functions. The different types of shared services and the objectives pursued with implementing shared services will be presented.

2.1. General Definition

The literature, as reviewed in the previous chapter, has shown that the concept of shared services is tangent to nearly all areas of an organisation. As such, there are also manifold definitions of the concept available. In the following, the term *shared services* is described from a semantic perspective, different characteristics will be elaborated and, finally, different definitions will be provided.

2.1.1. 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.

2.1.2. Structured Representation of the Shared Service concept

As already mentioned, the term *shared services* is utilised from different perspectives and in various contexts. The following figure illustrates the diversity in which the term is used:[5]
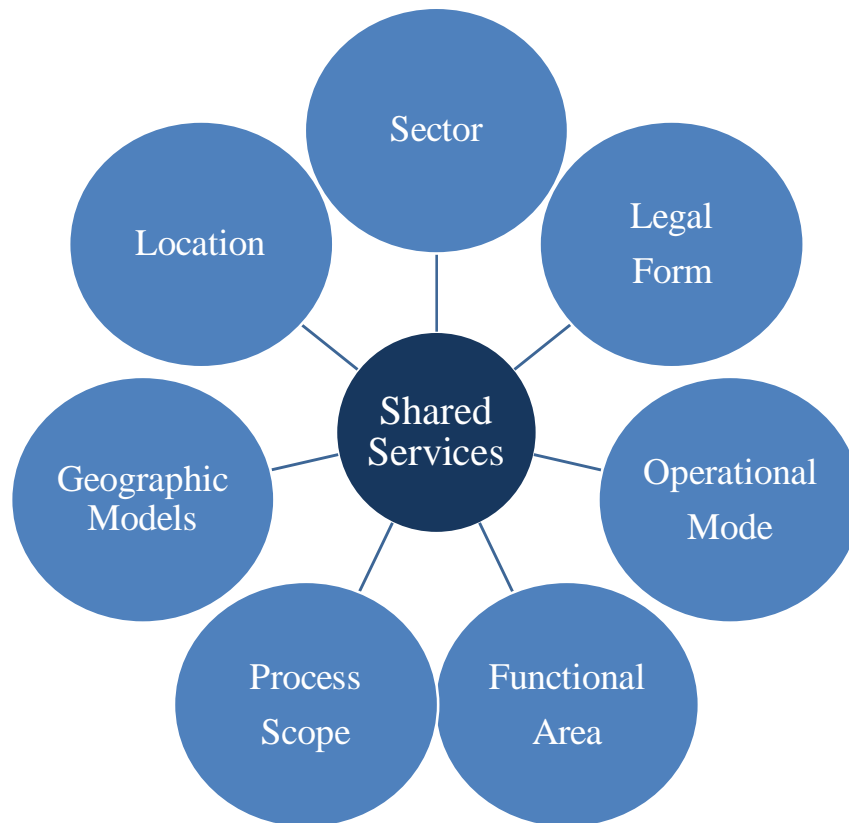
Figure 2: Structured representation of the shared service concept

In the following, the different perspectives will briefly be revisited and explained in order to derive in 2.1.3. a definition of shared services.

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[5] The following illustration does not make a claim for completeness

Sector:

-> Private Sector // Public Sector // Non-Profit Sector

As the introduction has already shown, the shared service concept is widely used within the private sector. Reilly (2007) highlights that the shared service concept is a large-organisational phenomenon that can be found in two-thirds of firms that employ 5,000 or more people, but in only 17% of those with 250-1,000 employees. As Cecil et al. (2000) highlight, it takes a minimum of about 100 people to make a centre worthwhile, leading to the fact that large private organisations are more likely to use shared services (IOMA, 2007[5]). Despite such numbers, the Controller's Report (IOMA, 2012[1]) announced that finance shared services are nowadays becoming more common among mid-size companies, where the number of shared service users rose from 14% in 2005 and 17% in 2007.

However, shared services are implemented in both private and public sectors (Su et al., 2009). Especially in the public sector, maintaining first-class public services at a time when budgets are being frozen or cut is a challenge. Doing so while simultaneously increasing motivation and job satisfaction for staff sounds impossible. The shared service concept is straightforward and based on the simple fact that the reason for the existence of any local council, health board or police authority is to enable the effective local delivery of front-line services (McKinlay, 2006).

According to Walsh et al. (2008), shared service organisations within the public sector have one of the following appearances:

a) Classical Business Model

   A public body establishes a separate shared service organisation, which provides services to the public body.

b) Dedicated Shared Services Centres

   A separate shared service organisation is established and sub-contracted to perform specific business functions.

c) Peak Body Support Model

   A peak body within a particular sector provides a range of services for its members in return for a membership fee, a subscription fee or a combination of both.

d) Co-location Model

   A number of organisations share common premises, common resources and facilities, such as secretarial services, photocopying, joint insurances, etc.

e)   Amalgamation or Merger Model

Organisations in a similar field of service amalgamate with each other to form a single larger organisation and as a result consolidate and streamline administrative functions.

Especially in the UK, where the Gershon Report (2004), titled *Releasing resources to the Front Line,* showed huge saving potentials to the local authorities (Tomkinson, 2007), nearly all such forms mentioned can be found. Dickinson (2012) states according to the UKauthorITy Report, that after moving to shared services, 34.2% of the surveyed local authorities in the United Kingdom saved less than GBP 100,000, 31.0% saved between GBP 101,000 and GBP 500,000, 19.3% saved between GBP 501,000 and GBP 2 million and the remaining saved over GBP 2,000,000. Some 5.9% of local authorities, which of course is made up of the largest authorities in the UK, claimed to have saved of GBP 10 million.

Legal Form:

-> Separate Legal Entity vs. Internal Department

Shared service organisations can either be managed as internal departments within an organisation, or as a completely separate legal entity. Independent from the latter, it should be mentioned, that independent from the legal form, a shared service organisation must compete vigorously with outside vendors that perform the same service (IOMA, 2007[2]) in order to deliver the expected benefits.

In the case that the shared service organisation is managed as an internal department, it is mainly structured as a department within a larger sub-part or as a line function to the headquarters of an organisation (Perez, 2008). The key advantage of an organisation as an internal department results from the non-necessity of creating an own legal entity and the consequential costs, e.g. foundation or auditors fees (Kagelmann, 2000).

A separate, own legal entity for a shared service organisation provides a completely different philosophy to those working within the organisation, which is based on customer and market orientation. Following Perez (2008), a separate legal entity is especially important when an organisation seeks to sell potential overcapacities of a shared service organisation to external customers, like a business competing in the open market. As shared service organisations are generally semi-autonomous - the main shareholder or owner is the parent

company - in most cases the organisational form of a private limited company is chosen (Kagelmann, 2000).

Following Mirakay (2011), the maturity of the enterprise and of the shared service organisation itself determines whether it can run as its own commercial-grade business. If the latter is the case and the shared service organisation should go commercial, much more capital than normal would be needed (Marshall, 2001). Furthermore, organisations would need to think and act like entrepreneurs and provide a market offering that is compelling or unique, an entry strategy that is well suited to a company's capabilities and the needs of potential clients as well as the organisational capability to execute according to the requirement of the business model (Williams, 2001).

Operational Model:

-> Basic Model, Customer Quality Oriented Model, Market Oriented Model, Competition Model

Quinn et al. (1999) distinguished four major operational or usage models of shared services, which are called the basic, the marketplace, the advanced marketplace and the independent business model. A similar classification was used by Hollich et al. (2008), which will in the following be utilized to explain operational models that can be found in practice:

Basic Model:

The Basic Model has the primary objective to reduce costs on a stable qualitative level to the internal clients within the organisation. As such, this organisation is in general a kind of internal department with a hierarchical governance structure that charges its services on the basis of a loose agreement with the internal customers, who are to use the shared service organisation. Mainly transactional services are co-located to a shared service organisation operating according to the Basic model.

Customer Quality Oriented Model:

The Customer Quality Oriented Model has the objective to reduce costs and increase the quality level provided to the internal clients within the organisation. Like The Basic Model, this model is also in most cases organised as an internal department with a hierarchical governance structure. In contrast to The Basic Model, a formal service level agree-

ment, aiming to increase the quality of the services, forms the basis for charging the costs to the internal customers. The costs are charged on a market oriented basis, established as a result of benchmarking and compared to external service providers. Also in this model, internal customers have to use the shared service organisation that in general provides transactional services and in some cases specific, dedicated transformational services.

Market Oriented Model:

The Market Oriented model has the primary objective of reducing costs simultaneously to a high quality level for internal clients within the organisation and to generate additional profit by attracting external clients. The organisation of shared services in The Market Oriented Model can take place as an internal department or as a separate legal entity. Further, joint ventures with external service providers are possible in this operation model. The governance structure is hierarchical and based on building relationships. Costs are charged to internal customers on the basis of a service level agreement and to external customers based on a legally binding contract or agreement, which is based on market oriented prices. A service catalogue defines which transactional and transformational services are offered to the customers. In contrast to the previously described models, here internal customers have the choice to use the internal shared service centre or to go to external service providers if they offer better prices at the same quality level and according to pre-defined standards.

Competition Model:

Shared service organisations operating according to the competition model are striving to generate profit within their independent business responsibility. They are organised as separate legal entities with a governance structure according to the contracts. Legally binding contracts, together with service level agreements, define the mode in which the market prices are charged to the customers. Profits remain within the shared service organisation. A service catalogue defines which transactional and transformational services are offered to the customers, like in the previous model, and the internal customers also have the choice of which service provider they utilize.

Shared services are designed around an organisational culture, strategy and goals as well as according to an own organisational structure. Hence all the operational models are equally valid and used by companies, which apply the shared service model.

Functional Area:

 -> Finance, Human Resources, IT, etc.

Referring to Porter (1986) and his famous value chain, the activities of an organisation can be grouped into primary and secondary activities. Whereas primary activities are basically involved in the creation or production of the product or services and consequent distribution and marketing, secondary activities deliver the infrastructure to the organisation that allows the primary activities to take place. Following Porter's methodology, support functions[6] can be assigned to secondary activities.
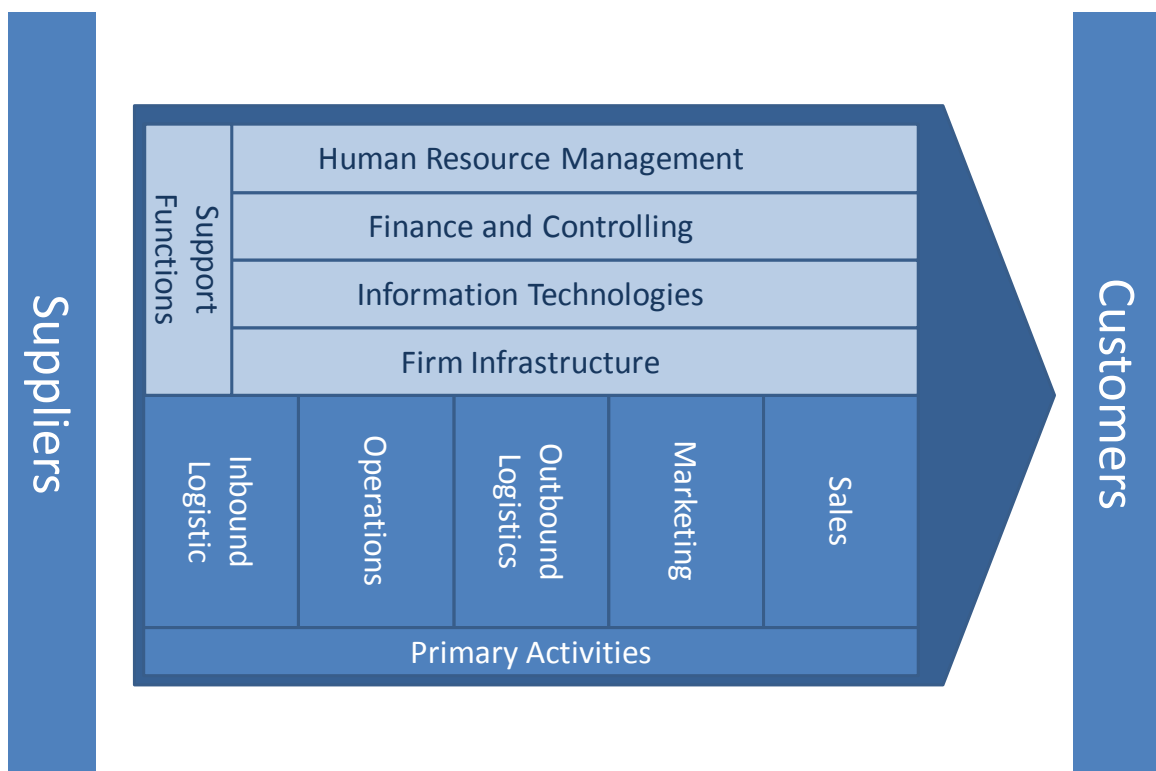
Figure 3: Porter's value chain[7]

In literature and practice, shared service organisations can be specialised within certain functional areas, like Human Resources, Finance and Accounting, Information Technologies, etc. However, there are also companies that have relocated nearly all support functions to a shared service organisation.

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[6] Within literature, for the description of organisational support functions, like Finance and Accounting, Human Resources, Information Technologies, Facility Management, etc., the terms back-office functions, overhead functions and support functions are synonymously used.
[7] Own illustration in the style of Porter, 1986

Process Scope:

-> Complete Business Processes vs. Single Activities

The underpinning philosophy of shared services is the split of transactional and transformational work activity (Redman et al. 2007). Following Ulrich (1994), transaction-based services deal with the processes and activities relating to the meeting of administrative requirements. In contrast to the latter, transformation based services consist of non-routine and non-administrative activities, which are primarily designed to transform an organisation.

According to Carr (2009), the functional analysis process of developing a shared services strategy should include end-to-end processes in the equation, like illustrated in the subsequent table:

Order to Cash	Procurement to Payment	Hire to Retire	Accounting to Reporting	Others
• Marketing • Selling • Order entry • Customer service • Invoicing • Dunning process • Cash Management • Treasury	• Ordering • Inventories • Contract management • Fixed assets • Creditors • Travel expenses	• Personal administration • Expense accounting • Taxes • Payroll accounting • Insurances • Pensions • Bonus / Remunerations	• General ledger • Financial accounting • Consolidation • Management reporting • Reporting • Taxes	• Car pool • Facility Management • Tax planning • Internal Audit • Complaint Management • IT-Service • Customer hotline

Table 1: Exemplary processes for shared service organisations following Shah, 1998

Whereas the list of processes above mainly concentrates on transaction type processes, many organisations are nowadays starting to re-locate even high-end activities outside of their home market, as Porter and Rivkin (2012) reveal based on the US example. Karmarkar (2004) points out that processes will need to be much more specific and carefully managed than ever before, being synchronised to those of other firms or customers. From a process perspective, implementing shared services requires several steps, such as the simplification of processes, their standardisation and finally their consolidation, which could lead either to shared services or even to outsourcing (Su et al. 2009).

Geographic Models

-> Centre per Country, Region, Global

Following Porter and Rivkin (2012), improvements in information, communication and logistics technology force managers to decide where to locate each activity of their value chain, as they can spread activities around the globe and coordinate them in a global system. Following Schulman et al. (1999), there are five possible geographic models that need to be distinguished:

1. Organisational Units:

   Shared service centres are duplicated by organisation for each region.

2. Country:

   Shared service centres are located by country processing data for each organisational unit.

3. Centre of Excellence:

   Based on the process approach, where each process is delivered by the organisation seen to be '.best in class' to all other organisations in the form of a shared service centre

4. Regional:

   A single shared service centre within one region (e.g. Europe, North America, South America, Asia Pacific, etc.) delivers its services to all internal clients within that specific region. Region can incorporate the previously mentioned organisational form, centre of excellence and country model.

5. Global:

   A single shared service centre delivers its services to all locations of an enterprise worldwide.

The internationalisation of support functions is, according to Markel (2012), on the management agenda. Due to the continuous pressure to reduce costs, the regional approach and global approach are increasingly becoming popular within organisations. This significantly reduces the amount of work for compliance because all services are provided within one place, leading to consistent processes and procedures (Meall, 2004, 2005). Following Colmann (2006), the consolidation and not the centralisation of similar work in as few locations as possible is critical to shared services implementation.

One of the reasons for the increased centralisation of shared services on a regional or even global level might be that it takes a minimum of about 100 people to make a centre worthwhile, and with up to about 600 people, a company can continue benefiting from economies of scale (Cecil et al. 2000).

Location:

-> On-Shore vs. Near-Shore vs. Off-Shore

Referring to shared services, three different location alternatives, namely 'On-Shoring', 'Near-Shoring' and 'Off-Shoring' are differentiated in literature and practice (Bader, 2008). 'On-Shoring' is referred to as a situation, where an organisation decides to relocate parts of its business to another location within the same country. 'Near-Shoring' can be defined as the relocation of parts of an organisation to another country on the same continent. When a company decides to move parts of its organisation to another continent, it is called 'Off-Shoring' (Wenderoth, 2009).

In order to choose the best location, it is both important and necessary to analyse the environmental conditions (hard and soft facts) of the different location alternatives. Hard facts in the sense of shared services include the infrastructure, quality, availability, skills and costs of the workforce, the availability of government grants, tax, statutory and legal requirements as well as political stability. Soft facts include an assessment concerning cultural diversity or convergence between the culture of the parent organisation and the host country as well as the highlighting of critical cultural aspects that have to be taken into consideration (Kris & Fahy, 2006; Wenderoth, 2011[1]).

Carmel and Abbot (2007) point out that distance introduces difficulties due to issues of communication, control and supervision, coordination creating social bonds and building trust. The latter results in the overall tendency towards 'On-Shoring' or 'Near-Shoring as in either of these approaches, the customer expects to benefit from one or more of the following constructs of proximity: geographic, temporal, cultural, linguistic, economic, political and historical linkages. In order to overcome the issues mentioned, many companies use within their shared service organisations a mix of local talent and expats as the persons they trust to keep an eye on the local operations and bring in the culture of the parent company (Celarier, 2012).

In this context, the approach towards virtual shared service centres also emerged. A virtual shared service organisation can be defined as an organisation in which physically dispersed groups follow the same procedures and standards while all reporting to a single shared service executive (Hildreath, 2005). Within such kind of organisation, the employees may be connected through distinct office locations or by telecommuting from home. In 2004 the management consulting company JP Morgan estimated that approximately 19% of companies were using some type of virtual shared services. Even though the approach seems to be appealing, Colmann (2006) argues that the approach of virtual shared service centres does not really work in practice due to the fact that you have to have people together in a single location to be managed in such a way that creates the feeling of being a part of the shared services' organisation.

2.1.3. Definitions

The description of the different perspectives and contexts in the previous part has shown the variety of usage for the term *shared services*. Likewise, 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
Miller, 1999	A (...) shared service centre might be described as a consolidated back-office for a multinational company that is intended to perform transaction-oriented work at a favourable cost
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
Heery & Noon, 2001	Shared services are HR services that are concentrated in a call centre or service centre within an organisation and accessed by managers from different busi-

	ness divisions and strategic business units via telephone or company intranet. In large multinational companies shared services may be provided from a single centre to managers across the globe, with service centre staff fielding enquiries and offering advice to managers on a broad range of company policy.
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.
Wikipedia, 2011	Shared services refers to the provision of a service by one part of an organisation or group where that service had previously been found in more than one part of the organisation or group. Thus the funding and resourcing of the service is shared and the providing department effectively becomes an internal service provider. The key is the idea of 'sharing' within an organisation or group.

Table 2: Shared services – selected definitions

The small selection of definitions above makes obvious that a generally accepted definition does not exist. Under consideration of the research objective of this 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.

2.2. Objectives Pursued by Shared Services

2.2.1. Characteristics of Shared Services

The small selection of definitions as provided under 2.1.3. illustrated that an overall generally accepted definition does not exist. According to Hollich et al. (2008), the shared service concept can also be explained by the following characteristics:

The shared service concept...

...enables an intelligent distribution of – mainly – information processing work within an organisation;

...drives the selection, isolation or separation and the bundling of similar non-core processes;

...consolidates mainly supportive, administrative and repetitive business processes, referred to as transactional tasks;

...in some cases also comprises specialised professional tasks where competence, judgment and expertise are required, referred to as transformational tasks;

...streamlines and reengineers the processes in most cases after standardisation and consolidation;

...manages processes of the parent organisation as an own independent business, respectively, like a marketable product;

...bases the charging on usage of the services in combination with pre-defined service level agreements and benchmarked to the market level;

...organises service delivery ideally from a semi-autonomous processing hub, which is geographically unconstrained;

...is mainly based on customers within the parent organisation, but can also offer its services to external customers, depending on the organisations maturity.

2.2.2. Objectives

Following the work of Kagelmann (2000), companies applying the shared service approach are striving to reach manifold objectives, which will be briefly explained in the following. The objectives are ranked according to the importance assigned to them by the participants in Kagelmann's study:

■ Cost reduction and/or avoidance

The key, respectively, the number one objective of companies departing on their journey towards shared services, is a reduction of costs within the support functions. According to the analysis of a variety of case studies by Pérez (2008), 75% of companies have the objective to reduce costs, which goes in line with the results of Deloitte (2009), stating that 72% primarily aim to decrease expenses.

Concerning the cost saving potential, many studies indicate the theoretical saving potential of moving to shared services to be on a level of 15-40% (Bearing Point, 2005; O. Wyman, 2007; Deloitte, 2007). Following A.T. Kearney (2004), the global average of expected cost savings is on a level of 18%, versus achieved cost savings on a level of 14%. Such kind of cost saving should be reached by improved productivity (economies of scale), standardisation of processes among business units, reducing the amount of management required to deliver a quality service and employing lower paid staff to specialise in data entry and transaction processing (labour arbitrage), as recommended by Kris and Fahy (2003).

Due to the charging of costs according to the 'costs-by-cause' principle, a higher level of transparency is aimed for. This transparency should in turn lead to a higher cost awareness among those using the services (Kagelmann, 2000) and concerning the selection of different delivery channels.

- Enhancing output quality

Directly after cost reduction, which is the top objective pursued by organisations implementing shared services, quality management is the second most important reason. Following Hentschel (2008), 32.1% of the organisations implementing shared services aim to increase the quality of the services they offer and 21.4% of the organisations aim to improve the service level.

Reilly (2000) mentions that from the standpoint of quality development, there is a desire for the support functions to be more professional in the services done, achieve greater consistency and accuracy and to be more aware of best practices internally and externally. In order to achieve these goals, support functions in shared services should strive for customer orientation by being more customer driven instead of focusing too much on the products offered, becoming more accessible to their customers - for example, by offering 24/7 services - improving the supply of information and operating user-friendly services, e.g., by establishing an internet or intranet platform with important information, allowing self-services and/or giving better quality support. Key enablers of such kinds of quality improvements highlighted are the standardisation, consolidation, reorganisation and reengineering of the processes in combination with continuous process improvement programs. Following Garvin (1987), quality should be seen as a competitive opportunity to meet customer's needs and preferences. With regard to Quinn et al. (2000), quality improvement is

about the on going search for better ways to meet client needs and increase productivity; it is about never being satisfied with the status quo.

As Ulrich mentioned in 1995, a key success factor for shared services is to unlearn traditional channels of delivery, or as Reilly (2000) highlighted, a change in attitude is required. Especially the necessity to compare and benchmark service offerings to external, independent service providers acting on the market leads to an increased quality understanding and awareness among the people in a shared service centre, according to Westerhoff (2006).

■　Concentration on core competencies

Johnson et al. (2008) define a core competence as a resource, processes or skills, which provide competitive advantage. Depending on the business in which an organisation is active, core competencies can differ significantly. Following the survey of Kagelmann (2000), enabling the parent organisation to focus on its core competencies is one of the top objectives pursued by companies applying the shared service concept. In fact, it is ranked third out of the seventeen objectives that Kagelmann identified.

According to Reichwein (2009), placing concentration on the core competency objective has the following impacts: (1) implementation of shared services releases the parent company from the necessity to establish and maintain support functions within its business units, (2) parent companies can focus resources on the core business, avoiding the dilution of resources in dealing with non-core activities and (3) increasing the attractiveness of the core business in case of an intended sale. The latter is important and needs to be mentioned because business units without comprehensive support functions are more attractive for a potential sale, respectively, mergers and acquisitions, as they are less complex, more flexible and easier to integrate (Schimank & Strobl, 2002).

In turn and as illustrated in figure 4, the support processes become the core business of the shared service organisation. At the same time, the parent company becomes the internal customer of the shared service organisation. The parent company is enabled to focus on core competencies and can offer its products or services to customers. If the shared services are organisational and legally separated, the shared service organisation can likewise offer its services to external customers, just like a business competing on the open market.

Parent Company

Shared Service Organisation
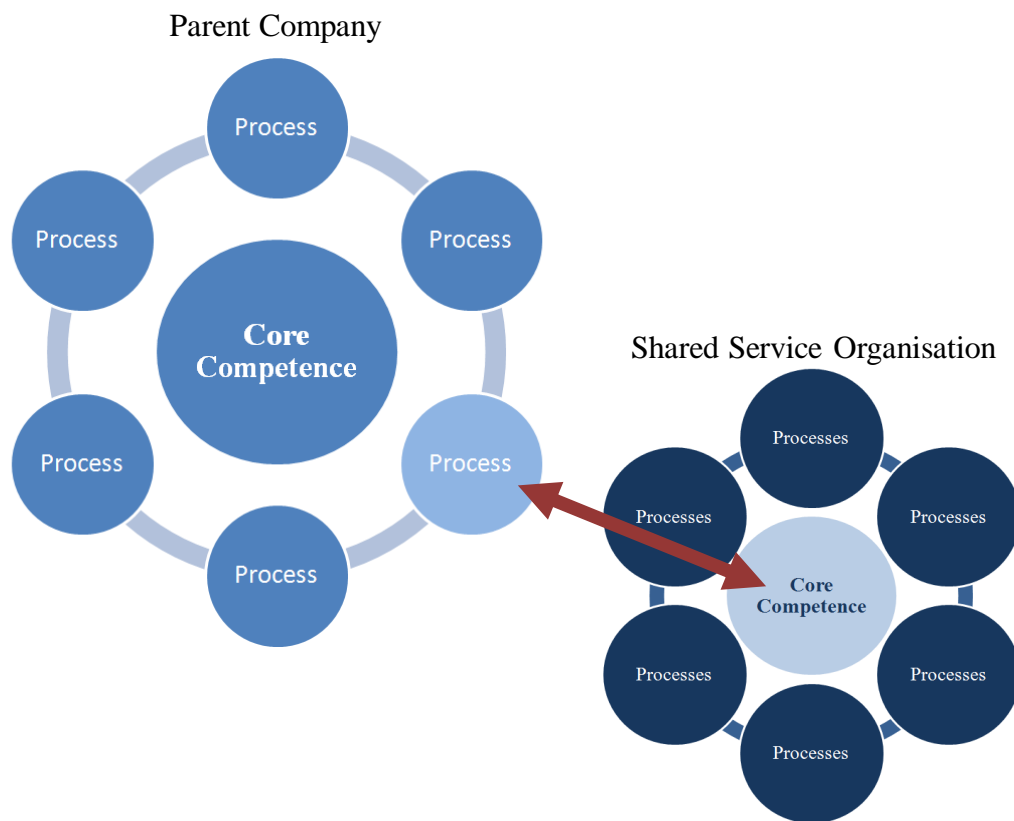
Figure 4: Shared services – core competence in support processes[8]

■   Increasing service attitude

As already mentioned, centralised organisations are frequently stigmatised with having an ivory tower mentality. Many organisations also implement shared services in order to target higher customer satisfaction, which is ranked fourth in the research of Kagelmann (2000). The implementation of shared services can be the impetus for building a service orientation within an organisation (Mohan, 2006), as within the term *shared services*, the key word is 'service. However, as McGregor-Lowndes and Newton (2009) highlight, building a strong customer-service culture around the provision of administrative and management services requires careful staff management.

■   Creating internal customer-supplier relationships

Hand in hand with increasing the service attitude comes the objective of creating an internal customer-supplier relationship. In general, service level agreements are used in order to develop an internal culture of customer-supplier relationships. A service level agreement is

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[8] Own illustration in the style of Bergeron, 2003

a written document defining the terms of services offered to the internal customers (IOMA, 2010[1]) and the relationship between the parties (Mohan, 2006). The service level agreement should be discussed and developed together with the internal customers to find the level of service that provides the best overall value, rather than the level that costs the least (Cecil et al. 2000). Here, attention has to be placed on not trying to make the service catalogue overcomplicated by trying to regulate all components (Tucci, 2012).

Besides the written service level agreement, communication can be seen as one of the most important best practices (IOMA, 2008[2]). Companies can learn about customers and their demands by actively listening to their needs, sharing metrics that have been developed to show progress and developing a true partnership (IOMA, 2008[1]). Some shared service centres use account or key account managers as the single point of contact with the internal clients, having the role of ensuring good two-way communication (Reilly, 2007).

■   Support of the general group strategy

Already revealed under the point 'Concentration on core competences', the processes that are re-located and consolidated within a shared service centre are support processes to the parent company. As Farndale et al. (2009) pointed out, the decision to create a shared service centre is largely a factor of corporate strategy. The shared service concept enables the leaders of the shared service centre to orientate and align their service offerings and support processes towards the group strategy of the parent company. By doing so, the shared service organisation supports the core processes of the parent company in the best possible way. In conclusion, a productive linkage of shared service strategy and business or group strategy can even transform the shared service concept from a support function to a strategic enabler (Deloitte, 2009).

■   Reducing cycle times

Customers of a shared service organisation have certain expectations and demands, one of which is a short cycle time. According to Krajewski, Ritzman and Malhotra (2009), cycle time can be defined as the maximum time allowed for work on a unit at each station. Re-phrasing this definition to shared services, cycle time could be defined as the maximum time allowed for the completion of a specific service activity or process for internal and/or external customer. Ramphal (2011) points out that cycle time is an important metric and essential ingredient within a shared service environment. Forty-two per cent of the respon-

dents in an IOMA study concerning the metrics tracked in accounts payable shared services used the cycle time as a key performance indicator for measuring self process (IOMA, 2007[4]).

According to Johnston, Clark and Shulver (2012), taking a customer perspective and understanding the whole end-to-end process is key for good service design. The standardisation, consolidation and reorganisation and reengineering of processes, as mentioned in the previous point, together with process mapping, walk-through audits and a service transaction analysis can help to reduce the cycle time and in turn increase customer satisfaction. Durfee (2005) mentions that the subtle, but important differences in customer expectations should be taken into consideration. Whereas for one customer a short cycle time might be of special importance, another customer might favour process accuracy. Combining and balancing out those different customer expectations and demands is a critical and sensitive task of the shared service management, where sensitiveness is crucial.

■ Improved knowledge management

Mullins (2010) defines knowledge management as the promotion and formalisation of learning within the workplace with the aim of aligning training with the needs of the business. By moving previously decentralised employees into a shared service organisation, the knowledge available within the different business units is consolidated, leading to a much broader pool of experts from which the parent organisation can benefit, thus multiplying the know-how available within the whole organisation. Besides process knowledge being necessary for transaction oriented services, holistic and process overlapping knowledge, being used for transformational services, are very often consolidated in so-called centres of expertise (Reilly, 2007; Pickard, 2009).

■ Creating a platform for business growth

Today's business environment can be characterised by a huge amount of mergers and acquisitions out of which a huge amount fail, not least because of difficulties in the post-merger integration (EIU[2], 1999). Shared service organisations can be very useful in a post merger integration, as they facilitate the integration, respectively, make it more swift. Group strategies can be more easily implemented within a consolidated environment, also enabling better control over the business and greater synchronisation, etc. (Mulani, 2009). When considering the benefits of the shared service approach, one of the objectives various

companies have when they implement shared services is to facilitate mergers and acquisitions (Accenture, 2009).

■ Flatter organisational structures

The reorganisation of processes necessitates organisational change, as highlighted by Karmarkar in 2004. The reorganisation of support functions to a shared service organisation can help the parent company establish flatter organisational structures and reduce hierarchical levels (Kagelmann, 2000). Furthermore, the creation of shared service organisations also leads within itself to flat, role-based organisations with fewer managers and less than half the job grades than other companies (IOMA, 2007[3]).

■ Support adaptation concerning globalisation

In a few years, over 1,300 million people will carry out there work virtually, meaning electronically connected from anywhere in the world (Johns and Gratton, 2013). Another indicator that in the continuing globalising times in which we are living nowadays, from a competition perspective, the world needs to be treated as a single market, demanding an international vision and mindset among employees. Ellis and Williams (1995) pointed out, that the nature of the spatial mindset adopted by senior executives has far reaching consequences concerning the geographical and competitive boundaries of a firm. In the previous section, which addresses the geographic model and the location, some ideas have been presented as to how the shared service concept is influencing an organisation's strategy with regard to globalisation, especially when it comes to the consolidation of support functions across country borders.

■ Improved financial risk management

A study conducted by IOMA (2011[1]) indicated that gaining a centralised view on cash and risk is, with an agreement rate of 55%, one of the key drivers as to why organisations migrate to shared services.

The Sarbanes-Oxley Act from 2002, commonly called SOX, created as a reaction to a number of major corporate and accounting scandals, like the one of Enron or Tyco International, has given organisations a huge reason to centralise and standardise their finance processes in order to improve consistency and accountability (IOMA, 2008[1]). Following

Durfee (2005), SOX has been providing an extra nudge for shared services, as it is much easier to comply when all key controls are centralised in one location.

According to Mercer (2011), standardisation is one of the largest contributors for reducing risk. Standardization and harmonisation of processes refers to the definition of generally accepted guidelines and standard operating procedures, which describe and regulate how specific processes are executed. The standardisation as mentioned above in combination with the implementation and usage of 'state-of-the-art' information and communication technologies within a shared service environment should improve the overall risk management of an organisation (Wißkirchen & Mertens, 1999).

■   Enabling cultural and organisational change

The assumptions in literature concerning the implementation of shared services are mainly derived from single, usually very large, organisations with a clear hierarchical structure (Walsh, Gregor-Lowndes & Newton, 2008). Very large organisations with such clear hierarchical structures can be compared to a heavy and large oil tanker - difficult to manoeuvre and in the position of having to compete against small, agile and innovative companies, which we could compare to flexible speedboats. In order to make organisations with large, hierarchical structures more agile and innovative as well as to break through the historically grown and crusted structures within, the shared service concept has become a popular organisational change approach for managers (Ulrich, 2006). This statement by Ulrich (2006) can be underlined, as the shared service concept and its underlying assumptions are raising deep seeded questions, which are touching the DNA of organisations. As Speedy (2008) defines the situation, the shared service concept helps to promote organisational change.

■   Motivation of employees

According to Mullins (2010), motivation can be defined as the driving force within individuals by which they attempt to achieve some goal in order to fulfil some need or expectation. Employees working in a centralised environment are frequently prejudiced as being very bureaucratic, having an ivory tower mentality or just producing overhead costs (Herbert & Seal, 2009). Such kind of prejudice can lead to discouragement and de-motivation of employees. By moving employees to a shared service organisation, overhead costs no

longer exist because the services, respectively, the product they are producing, is the core of their business (see above), increasing motivation.

In order to encourage proactive and customer-oriented behaviour, management's focal point within a shared service environment is to increase employees' competencies and motivation (PWC, 2008). Arnoud and Falzon (2012) recommend already incorporating employees during the design phase of a shared service organisation in order to identify the capabilities required. Job enlargement and job rotation of staff in other positions broadens the employees' responsibilities and are further means of increasing employee motivation (Miller, 1999). Furthermore, many people use shared service organisations as a stepping-stone towards international careers (Reilly, 2007). According to Accenture (2003), people working in a shared service organisation have clear career paths and are more integral parts of a team. Filippo Passerini, head of Procter & Gambles Global Business Services, mentioned in an interview - in response to the question of why so many people are interested in working for his shared service organisation - that people want to work hard, do well and receive recognition and as they are doing something extraordinary, their motivation is increasing (Bloch & Lampres, 2008).

■ Improvement of working capital

Working capital consists of the stocks, debts, cash and creditors that an organisation possesses (Brealey et al. 2010). The EIU (1999) quoted that organisations were able to reduce their working capital by up to 50% via the implementation of shared services for their finance function. According to the example of Halliburton (2008), such savings can especially be achieved by improving performance in the areas of netting and cash pooling. Furthermore, the standardisations of procedures among group companies, for example, in terms of a group-wide dunning process, can help to reduce accounts receivable and as such improve the working capital of an organisation. Also, the application of electronic invoices being directly delivered to the customer can help to shorten the time from issuing an invoice until the receipt of payment. Especially the latter depends on legislation in the various countries and whether they accept electronic invoices (Hollich et.al. 2008).

■ Step towards external outsourcing

In the process of establishing shared services, outsourcing has to always be considered as a realistic option. Kris and Fahy (2003) furthermore point out that many managers come to

the conclusion to outsource as they see moving the problem out of the organisation as the most prudent and easiest course of action to end interdepartmental disputes, poor service and 'unreasonable' costs. Already in 1998, Callan noted that some companies have decided to implement shared services as an interim step towards shared services. However, the decision to outsource also has special prerequisites and requirements that need to be met and this will be highlighted under 2.3.3.

As a matter of course, the starting or decision point in each organisation is different, depending on the basic prerequisites' in terms of standardisation and consolidation of processes existing within an organisation. Quinn et al. (2000) highlighted, that in order to understand the processes and comprehend the functions and costs, organisations should, at a minimum, consider carful consolidation and move to shared services as an interim step. Following Davinson (IBM, 2007), the majority of private sector organisations that have outsourced-back office functions took this as a second step and first considered and implemented shared services before thinking about third party outsourcing or joint ventures.

■ Generation of additional external revenues

The definition of Bergeron (2003), as provided above, highlighted that shared service organisations should operate "*like a business competing in the open market*". For some organisations, the latter is not enough, as they have invested huge amounts of money in recent years into the establishing of a shared service organisation. As a consequence and as they are convinced that the services they are offering internally can also meet external requirements, they are expecting that their shared service organisations will go beyond the walls of the corporation and offer their services to the external market (Booz & Co, 2002). By doing so, and with the provision of services as their core, they can become an independent business and consequently contribute to their parent company's turnover and profit (Williams, 2001). However, it needs to be mentioned that this depends heavily on an organisation's long-term strategy and its willingness to invest in a non-core business (Marshall, 2001).

2.2.3. Risks and Limitations of Shared Services

As with any management approach, in the case of shared services, it can also be said that where there are benefits, there are also risks. Following Su et al. (2009), implementing shared services incurs risks, such as unexpected implementation and long project timelines,

operating cost escalation, high over standardisation of systems and processes, lack of corporate flexibility, unbalanced power concentration, increased system complexity, unclear service accountability, dampened employee morale and ineffective communication. In the following, each of the associated risks will be elaborated:

■ Unexpected implementation cost and long project timelines

Implementing shared services is not for free, as there are different types of investments that need to be made during the implementation of shared services as well as when shared services are up and running. According to Callan (1998), implementing shared services generally requires a major upfront investment in systems and restructuring charges.

From a system perspective, one of the main cost drivers are investments in the right technological infrastructure (Reilly, 2000). In recent years, many managers did not see a reason for translated user interfaces and having a common ERP platform (Smyrlis, 2008) as a prerequisite for well functioning shared services. The establishing of such interfaces to other functions or IT systems, or even the implementation of a mutual ERP platform for a whole organisation, can lead to significant investments.

Also, the relocation of employees, or even the establishing of social plans because of downsizing in one country and the upsizing with associated recruitment and training costs in another country, are creating costs that have to be taken into consideration. Furthermore, as the implementation of shared services is generally something absolutely new to the organisation, in-house expertise might also not be available, leading to either the recruitment of specialists from outside the company or the contracting in of external consultants (Bergeron, 2003) that coordinate and guide the project.

Further, the time required to implement shared services, which can vary significantly, needs to be taken into consideration,. On average, approximately two years are needed to successfully launch shared services (A.T. Kearney, 2004). Following Pérez (2008), a careless planning of the implementation project, incorporation of possible problem areas and over optimism regarding timelines can be root causes for higher implementation costs and longer project timeline, causing, according to Bergeron (2003), an extended time to break-even.

- Operating cost escalation

During the blueprint, respectively, in the preparation phase of a shared service project, the operating costs are also forecasted, leading to estimated prices for the services to be charged to the parent company. For determining such charges and identifying if a shared service project has led to real cost savings, a baseline in terms of the current costs has to be established (Bergeron, 2003). The main reasons for the escalation of operating expenses is that the projected cost savings are not, or not completely taking place. Reasons for this can be that the customer base is not broad enough and does not provide sufficient economies of scale (Callan, 1998). Bergeron (2003) introduced a 'golden rule' regarding the minimum company size: "The larger the company, the more distributed and diffuse the processes, and the more duplication of effort, the more likely the shared services model is applicable to the company."

According to Miller (1999), cost drivers regarding the operating costs include poorly documented or understood internal processes by shared service employees, resulting in an unnecessarily high work load and poor output quality. If the quality of the output is poor or not acceptable to the business unit due to inadequate quality checks during or before delivery to the customer, additional costs for controlling will be generated. Furthermore, poor output quality might increase mistrust or even the establishing of shadow staff (see below). A lack of quality in the input and master data of the shared service recipient is also one cause for the escalation of operating costs (Kagelmann, 2000). Furthermore, internal efficiency might be low due to cumbersome processes or week IT infrastructure, as Miller (1999) points out.

- Over standardisation of systems and processes

The consolidation and standardisation of the services provided by the shared service organisation to the customer at the parent company, leading to economies of scale, is one of the key success drivers of shared services. However, such a kind of standardisation also demands clear rules in terms of content, the course of events, error detection and feedback system and system requirements (Kagelmann, 2000). As "one size does not fit all" (Callan 1998), there must always be room for the tailoring of standards. Hollich et al. (2008) argue that variations of processes will be enforced by local legal requirements and cannot be avoided or controlled by the enterprise itself. When such a process of adaptation does not

exist or can only be reached with much effort or cost, the systems and processes can be seen as over standardised.

- Lack of corporate flexibility

As already mentioned in the previous paragraph, standardisation is key to the success of shared services. Striving for a balance between flexibility, on the one side, and standardisation, on the other side, is a major challenge and risk. From the shared service perspective, greater flexibility and responsiveness carries with it the risk of sub-optimal performance (Sorensen & Peckham, 2002). From the shared service customer perspective, standardisation can prove to be inflexible for the specific needs of different business units (Speedy, 2008).

- Unbalanced power concentration

Following Parkinson's Law, a manager wants to multiply subordinates, not rivals (Mullins, 2007). In doing so, the power of the respective manager within an organisation is increased. Upon implementation of shared services, managers are deprived from direct access to their support functions, leading to a loss of power in their area of influence. At the same time, the power of those support functions is concentrated within a shared service organisation. Such a power shift can lead to conflicts between the different organisations. Some managers may even strive to get their power back and employ so-called "shadow staff". Shadow staff are brought in when a business unit manager needs further support function work competed, e.g. assistance, in lieu of the shared service organisation (Ulrich, 1994).

- Increased system complexity

Shared services come with increased complexity (McReynolds & O'Brien, 2002). Different processes, technologies and organisational structures can lead to incompatibilities (Wißkirchen, 2006). For all mentioned areas, processes or workarounds will now have to be designed. As already stated above, the major objective of shared services is to arrive at standardised processes. Aligning the systems and processes already implemented and in practice within a given business unit to the standardised processes at the shared service organisation can be very cost and time intensive (Pérez, 2008) and, furthermore, increase the complexity of the system.

■ Unclear service accountability

Establishing shared services can lead to a kind of 'silo' thinking in terms of 'us' versus 'them' (Bergeron, 2003). This can especially be the case when interfaces between the shared service organisation and the business unit are not clearly defined. Furthermore, regulations concerning governance and compliance will have to be implemented, known and accepted by both the business units and the shared service provider. Unclear governance and compliance can generate big risks and reduce the performance gains of shared services (Bedell, 2010). In addition, the expectations of both parties will have to be aligned (Miller, 1999). It is potentially important to highlight that the mutual cooperation, openness and proactive behaviour of both parties is one guarantee of success.

■ Ineffective communication

People in business units are interacting with the shared service organisation using multiple electronic (e-) channels, like e-expenses for entering invoices or travel expenses into the organisation, e-procurement with regard to purchasing, accounts payable and inventory management, and many other kinds of e-workflows. Call centres would be the first point of contact to the business units in order to deal with a respective request from the customer. Order to cash (OTC) software is able to directly link an incoming invoice to the corresponding order in the system and pay the debt to the supplier on time according to the stipulated payment conditions within the system. All such approaches have the target to replace the human factor in repetitive work and activities by electronic systems. However, the big risk in this regard is the depersonalisation of the shared service organisation to the staff at the business unit, as there will always be the need for face-to-face discussion and communication (Speedy, 2008). Furthermore, as pointed out by Hibberd (2009) it has to be ensured that those working in a shared service organisation are sufficiently close to the line managers in order to understand real business issues.

■ Dampened employee morale

Jack Welch, the former CEO of General Electrics, stated that the clearly defined courses of business - meaning organisation, processes and procedures - are easy, but the more human and harder to define issues of business - meaning the people - are what is hard. This statement is also true with regard to shared services, as there are many sources for risk with regard to the human factor. First, it needs to be mentioned that people might leave because they either do not want to move from the business unit to support functions, or from one

location to another (Callan, 1998). This, of course, might result in the loss of know-how, especially in that quality employees normally leave first (Kagelmann, 2000). Furthermore, according to Miller (1999), employee morale can be dampened because the shared service organisation might be understaffed, resulting in missed deadlines, poor service quality or burn-outs among employees. Following Bergeron (2003), in order to retain employees, the need exists for training in the nuances of customer service, total quality management principles as well as within the new processes, procedures and responsibilities.

2.3. Conceptual distinction from other organisational approaches

A study of the relevant literature has shown that the term *shared services* is frequently confounded, confused or even misused in association with other organisational concepts. Due to the latter, the shared service approach will be differentiated from other organisational concepts. Each of the concepts to be presented have dedicated features, advantages and disadvantages. Sako (2010) points out that there is more than one way to do things and that each way has its merits and demerits with associated risks and rewards. Hence, it could be said that the different organisational concepts that will be presented are in a kind of concurrence against each other, with regard to service quality, efficiency, effectiveness, costs, etc. Figure five below illustrates the field of tension (Deimel & Quante, 2003) in which the different approaches occur.

As such, a 'one-size-fits-all' recipe for the organisation of support functions does not exist (Weber et al. 2006). The internal support functions, which have to be provided, differ from company to company, depending on the branch or phase of the lifecycle in which the organisation operates. Furthermore, the organisational concept to be chosen also depends on the organisational culture, strategies and goals of the parent company. Both the latter as well as the organisational form for the provision of the support functions have to match, leading to strategic fit and increased competitive advantage.
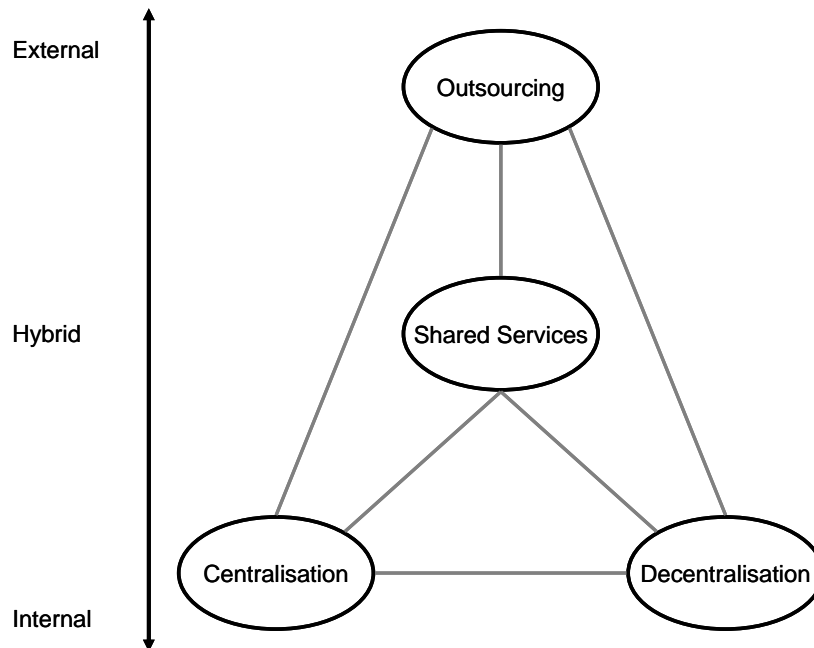
Figure 5: Organisational forms - field of tension[9]

2.3.1. Shared Services vs. Decentralised Departments

The organisational form of decentralisation emerged out of a phase of corporate restructuring in the 80s and 90s of the last century (Herbert & Seal, 2009). Following Mullins (2007), decentralisation can be defined as an organisational form in which specific delegation is given to sub-units or groups within an organisation such that they enjoy a measure of autonomy or independence. A further definition as stated by Farndale et al. (2009) refers to decentralisation as the transfer of ownership to local units maintaining local autonomy.

The advantages associated with decentralisation (Mullins, 2007):

- enables decisions to be made closer to the operational level of work
- increases responsiveness to local circumstances
- improves thr level of personal customer service
- more in keeping with developments in flatter and more flexible structures
- support services, such as administration, are more likely to be effective if provided as close as possible to the activities they are intended to serve
- provides opportunities for training and development in management
- typically has an encouraging effect on the motivation and morale of staff

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[9] Own illustration

In short, decentralisation provides flexibility (Martinez, 2002). However, this flexibility also has a price, meaning that this mode of operation also runs the risk of missing opportunities for synergies across the organisation, cost inefficiencies and producing variable levels of service quality and inconsistencies in practice (Schulman et al. 1999). Pérez (2008) summarised the differences of decentralisation compared to shared services as follows:

	Decentralisation	Shared Services
Description	Internal support functions are provided in a decentralised way, close to the strategic business units	Consolidation of support functions or processes in one or more organisational unit
Input focus	Functional centred	Process centred
Output focus	Customer centred (for business units)	Customer centred (for business units)
Location	Within Headquarters	Separate site, physical location
Governance	Hierarchical	Arm's length
Relations to business units	Formal role Personal relations Employed at business units	Contractual (Service Level Agreements) underpinned by personnel relations Business units have the choice to use the shared service organisation
Relations to head office	Report to Business Units	Semi-autonomous Reports to multiple business units acc. to contract
Objectives	Meeting business units demand, co-ordination and control	Process efficiency through Business Process Reengineering and the elimination of duplicated tasks Divisions focus on core activities
Outlook / Culture	Front-office: proactive, focussing on customer satisfaction	Back-office: reactive Front-office: proactive, focussing on continuous improvements
Cost recharge	via distributions	via transfer prices

Table 3: Shared services versus decentralisation following Pérez (2008)

The table above shows that the shared service concept tries to minimise the risk associated to decentralisation in the subsequent ways:

a) consolidation of the support functions in order to generate synergies between business units

b) consolidation of the support function in order to generate economies of scale leading to cost reductions

c) providing standardised services in order to increase service quality and inconsistencies

As the planning and control over service quality should remain at the business unit, respectively, the customer of the shared service unit, ownership is only partially transferred to the shared service unit. Service level agreements set the standards concerning the responsiveness of the service delivery and lay the foundation for the cost charges. The costs for the services are charged by means of a transfer price, indicating the different cost drivers and cost components. Further, internal transparency is aimed to increase.

2.3.2. Shared Services vs. Centralised Departments

Based on the definition of decentralisation previously provided by Mullins (2007), centralisation can be defined as an organisational form in which activities of an organisation are concentrated within a particular location and group, taking autonomy and independence away from decentralised sub-units or groups within an organisation. As indicated by the definition, centralisation usually encompasses policies and procedures that provide some level of uniformity (Martinez, 2002). A study by the Institute of Management and Administration (IOMA, 2007[2]) lead to the conclusion that smaller companies are more likely to have a centralised approach toward the provision of support services. In contrast, a recent study by the Business School St. Gallen and Harvard University showed that during the recent and still continuing economic and financial crisis, more than half of the large-size enterprises in Europe and North America increased the number of employees within the corporate centre (Domke, 2012).

Advantages associated with centralisation (Mullins, 2007):
- Easier implementation of common policies for the organisation as a whole
- Provision of a consistent strategy across the organisation;
- Prevention of sub-units becoming too independent;
- Easier co-ordination and management control
- Improved economies of scale and a reduction in overhead costs
- Greater use of specialisation, including better facilities and equipment
- Improved decision-making, which might otherwise be slower and a result of compromise because of diffused authority

In practice, the term *shared services* is frequently equated with 'centralisation' and many people think that the terms are interchangeable, as functions or business processes are consolidated in both organisational forms (Pérez, 2008; IOMA, 2007[2]). The key difference

between the organisational forms is the term 'service'. It is a focus on providing the services the business units need, at the quality they require, that differentiates a shared service operation from simply centralised operations (Kroll, 2005). While centralisation was characterised by the service provider setting levels of service delivery and performance, the main principle of shared services is meeting client requirements at the lowest possible cost. Seal and Herbert (2009) summarises the differences between centralisation and shared services as follows:

	Centralisation	Shared Services
Description	Consolidation of support functions in a centralised department	Consolidation of support functions or processes in one or more organisational units
Input focus	Functional centred	Process centred
Output focus	Self-serving (for top management)	Customer centred (for business units)
Location	Within Headquarters	Separate site, physical location
Governance	Hierarchical	Arm's length
Relations to business units	Formal role, impersonal relations, business units are obliged to use the centralised departments for the services they consume	Contractual (Service Level Agreements) underpinned by personnel relations Business units have the choice to use the shared service organisation
Relations to head office	Report to multiple Head Office directors	Semi-autonomous Reports to multiple business units acc. to contract
Objectives	Co-ordination and control	Process efficiency through Business Process Reengineering and the elimination of duplicated tasks Divisions focus on core activities
Outlook / Culture	Back-office: passive, reactive	Back-office: reactive Front-office: proactive, focussing on continuous improvements
Cost recharge	via distributions	via transfer prices

Table 4: Shared services versus decentralisation following Seal and Herbert (2009)

The table above outlines that though similar to centralisation, shared services provide individual services, which are customer oriented and hence demand oriented, whereas in the centralised environment, the focus is on headquarters and is thus supply oriented. Further, shared services are accountable for cost and quality, something traditionally missing in centralised functions (Bangemann, 2005).

2.3.3. Shared Services vs. Outsourcing

From a semantic perspective, the term *Outsourcing* is a contraction of either 'Outside' and 'Resourcing', or 'Outside', 'Resource' and 'Using' (Riedl, 2003). In broad terms, outsourcing can be described as the practice followed by the management of an organisation, involving contracting out in-house functions, that companies do not particularly do well, to outside firms (Kumar & Eickhoff, 2005).

Following the Gartner Group (2003) outsourcing can be defined as follows: "*(…) the delegation of one or more IT-intensive business processes to an external provider that, in turn, owns, administrates and manages the selected processes based on defined and measurable performance metrics*" (Kim and Won, 2007).

In accordance with Brown and Wilson (2005), the advantages associated with outsourcing include the following:

- Leverages operating efficiency and migration to more efficient business processes
- Enables changes in corporate culture and processes
- Allows for in-house staff to focus on core competencies
- Provides access to expert knowledge in old and new technology areas
- Responds quickly to legislative mandates, new technologies and business needs
- Offers cost savings on equipment and staffing through vendors' economies of scale
- Offers access to technology without capital investments
- Saves management time and money through the reduced need to oversee day-to-day operations

According to the Economist Intelligence Unit (EIU, 1999[1]), outsourcing and shared services are complementary management approaches. Both are solutions to pressures of cost and competitiveness and both derive from the growing realisation among corporate strategists that focusing on core competencies remains a competitive imperative. As Cecil et al. (2000) point out, those companies too small to set up their own centres are especially looking into alternatives, like outsourcing and joint partnerships.

However, outsourcing can be a tremendous danger when organisations are not careful enough in what they are outsourcing (Gautreau II, 2005). All areas related to the core com-

petencies of an organisation are normally seen to be a 'no-go' for outsourcing, as they are how the organisation best provides value to end customers (Kumar & Eickhoff, 2005). Furthermore, as highlighted by Pisano and Shih (2012), outsourcing processes belonging to the core competence could be disastrous as a company could lose its ability to create new commercially viable offerings. Managers rationalise outsourcing decisions by saying that they can reverse if quality or performance is low, but this logic overlooks the lasting damage outsourcing inflicts on a firm's own capabilities and those of other companies that serve the industry (Pisoan and Shih, 2009).

The outsourcing concept also has its own issues, like Sarbanes Oxley or SOX, as the responsibility to maintain effective internal control over reporting is not delegable, as Iyer (2006) pointed out. Maintaining control of back-office work is a cooperative task – the client and the provider share decisions and risks as they provide guidance and requirement to employees, managers and outside parties (Gunn, 2002).

Sako (2010) mentions that there are also many obstacles concerning outsourcing with regard to the security of the service due to the sensitivity of some data, the credibility of the vendors, lack of customised service and an expertise of vendors. Additionally, the loss of internal know-how and expertise is frequently cited to be a major drawback of the outsourcing concept.

Following Gunn (2002), many organisations outsourcing back office staff activities have the risk of running headlong into the client's cultural walls, which are clearly obvious to everyone inside, but usually unseen by outsiders. He points out that the outsource provider and client need sophisticated and deep insight in cultures and control if they are to form a productive, long lasting partnership.

Pisano and Shih (2009) argue in this regard that the US has lost or is in the process of losing the knowledge, skilled people and supplier infrastructure needed to remain competitive. Due to all the difficulties associated with outsourcing, the Institute of Management and Administration (IOMA, 2007[1]) reported a renewed interest in expanding in-house services or bringing some services back in-house. Carr (2008) further highlights that many companies (including General Electric), who have outsourced processes, brought them

back in-house. As such, the shared service concept positioned itself as a preferred alternative to outsourcing.

Shared Services are sometimes mistakenly implemented as outsourcing. In fact, the differences between shared services and outsourcing are significant in many aspects (Wang & Wang, 2007), as the following table shows:

	Outsourcing	Shared Services
Description	Contracting out in-house functions to an external vendor	Consolidation of support functions or processes in one or more organisational units
Input focus	Process centred	Process centred
Output focus	Customer centred (for customers)	Customer centred (for business units)
Location	External Vendor	Separate site, physical location
Governance	Fixed contract	Arm's length
Relations to business units	Contractual (Service Level Agreements). Business units have the choice concerning the vendor they want to use	Contractual (Service Level Agreements) underpinned by personnel relations Business units have the choice to use the shared service organisation
Relations to head office	Autonomous Reports to Head Office directors	Semi-autonomous Reports to multiple business units acc. to contract
Objectives	Reducing costs for the customers and generating profit for the vendor	Process efficiency through Business Process Reengineering and the elimination of duplicated tasks Divisions focus on core activities
Outlook / Culture	Front-office: proactive, focussing on improvements	Back-office: reactive Front-office: proactive, focussing on continuous improvements
Cost recharge	via market prices	via transfer prices

Table 5: Shared services versus outsourcing

The previous table makes transparent that shared services and outsourcing are cousins: related, but with different ways of delivering back office services to a business through centralising and downsizing (Carr, 2009). In the end, the existing corporate structure and the long-term strategy of an organisation will affect the firm's choice between outsourcing and shared services (Sako, 2010).

2.3.4. Summary

The organisational concept of shared service can be positioned as a hybrid form between decentralisation, the traditional head office centralisation and third-party outsourcing based on contractual relations (Seal & Herbert, 2009). The shared service concept tries to combine and absorb the advantages of the different approaches and at the same time heal the disadvantages associated with the different concepts. It allows business units to focus on core activities while also allowing the wider organisation to retain control of services and avoid the significant burden of negotiating and monitoring external contractors (Seal, Herbert & Ross, 2008) at a competitive price level.

3. Structured Concept for the Implementation of Shared Services

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. The literature research conducted in point 1.2. of this dissertation has led to the conclusion that a structured, integrated as well as theoretical and empirically founded model, that brings the different activities into logical order, describes their interdependencies and identifies the criteria for meeting the objectives of a shared service project, has not yet been provided.

A model will be developed in this part of the dissertation describing the manifold decisions and activities, which must be made in shared service projects in a structured way. This results simultaneously in a description of the causal connections and the impact and contribution of the different activities to the success of shared services. The whole process, from the strategic decision to implement shared services via the organisation and transformation up to the operation of a shared service organisation, will be structured in four phases.

The resulting model represents the first result of this scientific paper and establishes the framework for the development, respectively, derivation, of the hypotheses. The hypotheses themselves will be the foundation for the description of the causal connections. Furthermore, the Four-Phase-Model creates the structure for the design and composition of the empirical work.

3.1. Basic Considerations

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 had, 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. On the other hand, shared services are transforming and shaping corporate strategy by adding new dimensions (Wenderoth, 2011[2]).

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 definition highlights certain elements or aspects of the shared service concept as discussed in part 2 of this dissertation, like the degree of vertical integration and the allocation of resources between the different businesses 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.

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:[10]

- Which aspects determine how support functions are performed within an organisation? This central questions 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 (e.g. IT) 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

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[10] see 1.3. Research Objective

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 in figure six. 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.

Figure 6: The Four-Phase-Model[11]

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

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[11] Own illustration

3.2. Four-Phase-Model

On the grounds of the basic considerations, the Four-Phase-Model had been developed in the previous section. In this portion of the thesis, the different phases of the Four-Phase-Model will be closely examined and specific activities will be assigned to the relevant phases. Based on the findings concerning shared services in the respective literature, the content, connections and dependencies of the different phases will be elaborated.

3.2.1. Strategy

The first phase consists of the analysis of the initial situation of the organisation and the definition of general objectives regarding the provision of the support functions. Based on these objectives, the different approaches can be analysed and feasibility studies can be conducted, leading to a selection of the strategy that will be followed by the organisation. Hence, the central question in the strategy phase, i.e., the starting point, is how to perform the support functions and influence all other phases of the Four-Phase-Model.
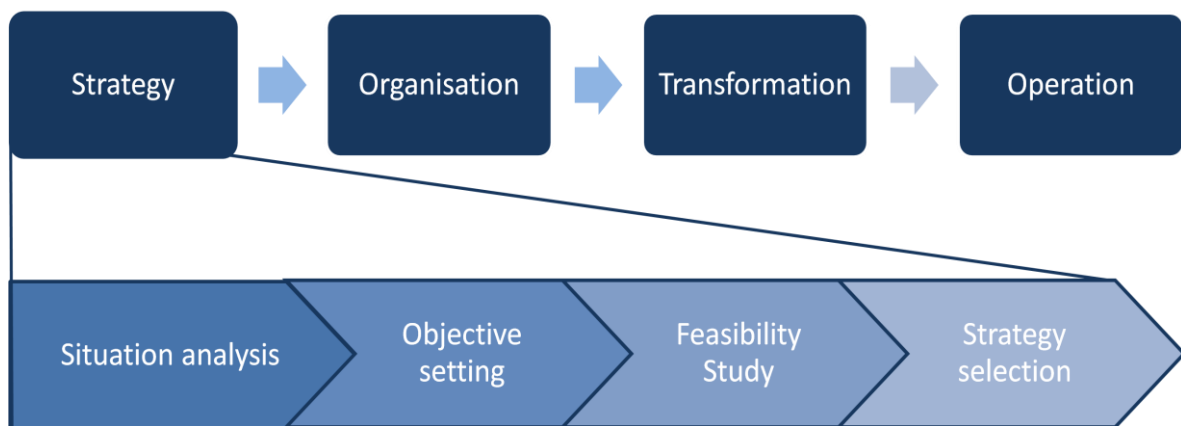
Figure 7: Overview of activities in phase 1: Strategy Phase[12]

3.2.1.1. Situation Analysis

The starting point for any kind of strategic decision is an analysis of the macro- and micro-environment, the industry, competitors and other stakeholder groups as well as an in-depth analysis of the organisation itself, highlighting its strength and weaknesses. Many man-

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[12] Own illustration

agement tools, like the PEST-Analysis,[13] Porter's Five-Forces model, the SWOT-Analysis[14] and Stakeholder Mapping, are available to perform these tasks (Johnson et al. 2008; Grant, 2010; Porter, 2008) and can provide a holistic picture.

With regard to the processes themselves, many organisations are simply unaware of where costs are coming from. Worlitzer (2012) recommends in this regard the usage of a cost-driver analysis as a preliminary step and as a beginning point for any further decisions with regard to the processes to be the subject of a transfer to shared services.

Based on the results of this analysis, the management of an organisation has to decide how it is going to strategically position itself concerning support functions in order to increase operational effectiveness. According to Porter (1996), strategic positioning means performing activities differently from rivals or performing similar activities in a varied way. In contrast, operational effectiveness means performing similar activities better than rivals perform and includes, but is not limited to, efficiency. As such, the different business processes will have to be evaluated if they are to positively contribute to the strategic positioning of the parent company by adding value to the organisation. Such information is indispensable for the objective setting phase and, in considering the general purpose of an organisation,[15] a first impulse can be given to the organisation in regard to organisational adaptation.

3.2.1.2. Objective Setting

The setting of general objectives represents the first step towards strategy selection. From a group perspective, objectives concerning support functions – as discussed in 2.2.2. - could revolve around reducing costs, improving the process quality and stabilizing the overall business, resulting in reduced cycle times and thus enabling the organisation to focus on its core business, etc. In the objective setting process, further aspects, like the organisational culture, stakeholder interests, or existing business relations, have to be considered.

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[13] PEST is the acronym for Political, Economical, Social and Technological
[14] SWOT is the acronym for Strength, Weaknesses, Opportunities and Threats
[15] There are many discussions about the general purpose of an organisation.
From a financial perspective, the general purpose of organisations is generally defined as the maximisation of shareholder's wealth, or, alternatively stated, the maximisation of the market value of its existing stocks (Levy & Sarnat, 1994; McLaney, 2011; or Brealey, et al. 2010).
For the present dissertation, the general purpose of an organisation as defined by Drucker (2006) is as follows: "There is only one valid definition of business purpose: to create a customer"; or in the words of Malik (2007, 2011), "The primary objective of organisations is to make customers satisfied."

3.2.1.3. Feasibility Study

The feasibility study is of particular importance during the strategy phase as it creates the basis for the final strategy selection. During this phase, the different organisational forms, as discussed in 2.3., are compared to one another, highlighting the specific advantages and disadvantages, all while considering the specific organisation. As the feasibility study is highly complex and has an important impact on the future structure of an organisation, organisations tend to use consultants for such activities in order to have a neutral and unbiased view (Millard, 2009) and not at least to provide branch specific benchmark data (Frase-Blunt, 2004). According to Dressler (2007), the feasibility study can be divided into the following process steps:

Step 1: Baseline and Benchmarking

The baseline helps to create a starting position against which the other organisational forms in question will be evaluated (Mohan & Witt, 2006). A baseline is created, meaning that statistical data on the existing costs and cost drivers are collected (Mohan, 2006). Following Schulman et al. (1999), a company should baseline three basic metrics: cycle time, cost and volume. Based on this information and data, key performance indicators are developed and benchmarked internally and to other organisations in a similar industry. Mercer (2008) highlights that costs and the business case are the baseline on which any potential organisational forms will be validated, however, they should not become the sole driver.

Step 2: Shadow Organisation Assessment

During this step, an assessment approach is developed and various sample analyses are conducted. Furthermore, interviews with people currently working in the different functions take place in order to gain a deeper insight into activities, background, organisational structures and professional profiles.

Step 3: Technology Assessment

The technology assessment focuses on a survey of the existing technology landscape and the preparing of an inventory on the existing number of ERP systems in place, their overall level of standardisation, interfaces, etc. After this assessment, business requirements are collected and consolidated in order to develop a technological vision for the future.

Step 4: Process Assessment

The process assessment focuses on a survey of the current processes landscape. In this step, sub-processes are mapped and a preliminary process triage takes place. Furthermore, language and quality requirements are collected.

Step 5: High-Level Business Case

Under consideration of the previous steps, a high level business case is developed for each organisational form in question, determining preliminary cost savings, possible service improvements, highlighting advantages and disadvantages and leading to an outline of a business case.

3.2.1.4. Strategy Selection

Based on the business case(s), the management has to select the appropriate strategy to be followed. Management will have to make a trade-off, choosing what not to do in order to gain strategic fit. As Porter (1996) highlights, strategic fit among many activities is fundamental not only for competitive advantage, but also for the sustainability of that advantage, as it its harder for a competitor to match a set of interlocked activities. Following Quinn et al. (2000), shared services must be looked at from the highest level to ensure that there is congruence between the goals, objectives and principles of the shared services and those of the organisation.

Key in this step on deciding on a change in how support functions are delivered to the parent company is the top management, as they make the commitment as to whether or not an investigation will take place and how much, if any, funds are to be utilized for a shared service organisation (Davis, 2005). If the top management decides to fund a shared service organisation, they will have to generally decide, based on the high-level business case, the legal form of the shared service organisation and its operational mode, the functional areas concerned and the process scope as well as the possible geographic regions and even locations, if possible. Those fundamental decisions will have a great influence on the organisation and the operation of the shared service organisation. Furthermore, once a strategy is selected, the management will also have to decide on the respective organisational structure in terms of implementation, i.e., the project team along with sponsors, steering committee, etc.

For details on the decision areas, please refer to the explanations given under 2.1.2. As such decisions are based on a high-level business case, it is a matter of course that such decisions might be subject to revision in later phases, especially in the second phase, when the shared service design is created. This can also be seen as one example for the interlinking within the model and the possibility of feedback loops. Phases two through four rest on the basic assumption that the management of an organisation has decided to implement shared services.

3.2.2. Organisation

The second of the Four-Phase-Model is destined to refine the general high level business case in order to develop a detailed blueprint and road map for the shared service project, respectively, the final organisation. The basic and essential part of this phase is the determination of the final structure, the shared service initiative and the final organisation that is to be created. Furthermore, it needs to be decided how and in which way processes should be standardised and which electronic landscape will be used. As indicated in the figure below, the sub-phases 'standardisation of processes' and 'harmonisation of the technological landscape' strongly influence one another. IT, i.e., the owner of the sub-phase of 'Harmonisation of the technological landscape', is responsible for providing the tools needed to meet customer demand, which are defined within the sub-phase 'Standardisation of business processes'.
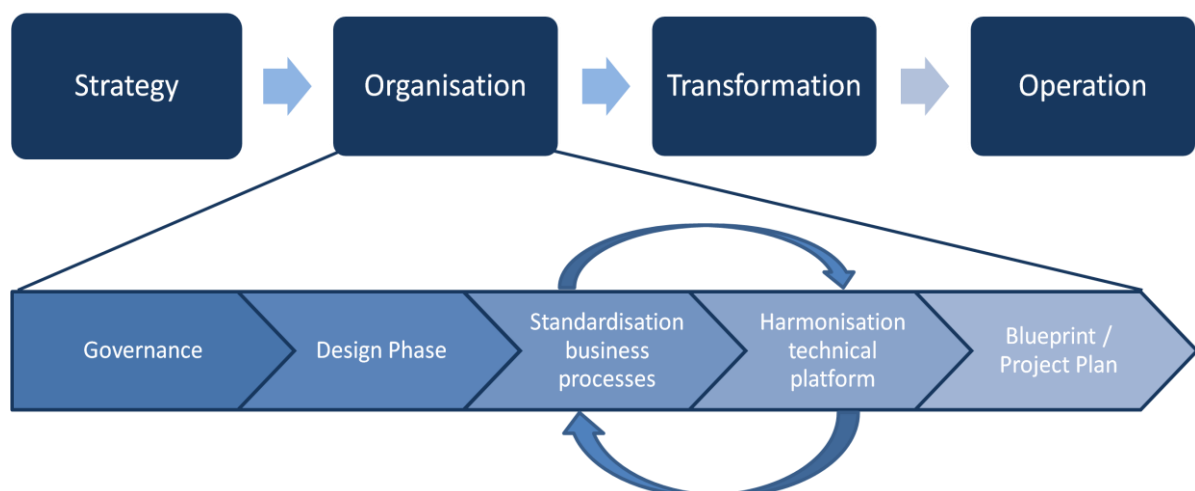
Figure 8: Overview of activities in phase 2: Organisation[16]

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[16] own illustration

3.2.2.1. Governance

Based upon the strategic decision to continue into the direction of shared services, the next step is to establish the overall structure of the shared service initiative, starting with the governance model. Depending on the organisational culture, size and the level of formality and terminology used, different governance structures might be possible. Nevertheless, it is important to realise that independent from the latter, a certain governance model is necessary. In the following, the governance model for the project, as proposed by Schulman et al. (1999), that consists of the top management team, the steering committee, the project manager / office, the project team and business experts with their respective responsibilities and estimated time involvement, will be briefly explained:

Top Management Team:
The key decision making body in each organisation is the top management team, independent if called the operating group or board. Besides selecting the strategic approach that should enhance, provide or even strengthen strategic fit in the organisation, there are three specific tasks to be performed by the top management team in order to ensure the success of a shared service initiative, namely, to remove obstacles, resolve issues and demonstrate commitment. Especially the latter, the commitment from the top management teams, seams to be an important factor, as it has been identified as the most important factors towards the successful implementation of shared services (Galunic & Hermreck, 2013; Walsh, McGregor-Lowndes & Newton, 2008; Hollich et al. 2008). Due to his responsibility for the total operating costs of the organisation and impulse transmitter regarding efficiency increases (Schmutte et al. 2012), the Chief Operations Officer (COO) could be approached as being the sponsor of the shared service project. Furthermore, the top management team, together with the sponsor of the project, needs to provide the project management and the project team with the needed resources, e.g., money or people in order to meet the project objectives. Schulman et al. (1999) estimate an expenditure of time of approximately one to two hours per month for the shared service initiative.

Steering Committee:
The steering committee should be made up of people who represent the potential shared service partners, respectively, senior-level stakeholders (Wang & Wang, 2007). According to Accenture (2003), the major objective of the steering committee should be to drive and

champion the business case and, as Walsh, McGregor-Lowndes and Newton (2008) high-light, to focus on key business problems to be solved and ensure forward progress. Schul-mann et al. (1999) put the tasks of identifying resources, removing obstacles, authorising initiatives, validating major recommendations as well as the setting of targets and their review on the agenda of the steering committee. Furthermore, the steering committee should develop together with the project team, or at least approve the vision and the mission statement of the shared service initiative. The time expenditure is estimated to be on a level of four to six hours per month.

Project Manager:

Choosing a project manager is important, as this person should be able to work through all the different phases of a shared service project (Carr, 2009) and be comfortable with systems, process redesign and large scale change management (Frase-Blunt, 2004). Hence, the project manager has the tasks of driving efforts, raising issues and challenging the status quo, providing best practice experience as well as modelling and analysing experiences (Schulman et al. 1999). The project manager is also obliged to periodically inform the steering committee of progress and ask for their approval. Such kind of institutionalised information could be incorporated within a project plan, indicating the expected project time and milestones or decision points. The time involvement of the project manager can range from 50% to full-time, depending on the project scope.

Project Team:

The project team should be cross-functionally equipped with individuals who are experts in particular areas of the company and have the necessary skills base to lead and deliver the project results (Tomkinson, 2007). Edmondson (2012) recommends an approach called 'Teamings', meaning, to use specialists from remote disciplines and departments in order to inspire each other and bring new thoughts and perspectives into the discussion, especially when organisations have to complete an activity that is absolutely new for the organisation, which would be the case in a first shared service project. Schulmann et al. (1999) assign the following tasks to the project team: collection of data, developing recommendations, managing initiatives, identifying saving potentials and being accountable for the results. The time involvement of project team members is estimated to be between 50% to full-time.

Business Experts:

This group of individuals is involved in the project team on an as-needed basis, providing process knowledge and validating recommendations. Time involvement is estimated to be between two to three hours per month, depending on project needs (Schulman et al. 1999).

3.2.2.2. Design Phase

Based on the strategic direction provided by the top management team, the project team has to refine the decision and prepare an organisational concept to be presented to the steering committee as the basis for decision-making. As mentioned above, such decisions provide the general direction and have a significant impact on the complete project. According to the management consulting company A.T. Kearney (2004), the most successful implementations start in the design phase, where decision are first made on structure, make-versus-buy strategies, location and operating models.

Under consideration of the decision concerning the legal form of the shared service operation and the intended operation mode, a model, respectively, organisational concept for the shared service organisation, will be created, incorporating the corresponding key considerations.

The project team must also elaborate on decisions concerning the geographic approach and possible locations. In order to choose the best location, the project team will analyse the environmental conditions (hard and soft facts) of the different location alternatives. Hard facts, in the sense of shared services, include the infrastructure and quality, availability, skills and costs of the workforce, the availability of government grants, tax, statutory and legal requirements as well as political stability. Soft facts include an assessment concerning cultural diversity or convergence between the culture of the parent organisation and the host country as well as the highlighting of critical cultural aspects that have to be taken into consideration (Wenderoth, 2011[1])

3.2.2.3. Standardisation of Business Processes

Standardisation of processes is still one of the top drivers for organisations moving to shared services (IOMA, 2012[2]). Yet, before an organisation considers the standardisation of business processes, decisions concerning the functional areas that should be handed over to a shared service organisation will have to be made. To be answered is whether the

shared service organisation should focus on the finance function, human resources, information technologies, etc. Of course, functions that are core to the business are not prime candidates for transfer to a shared service organisation (O'Neill, 2005). Most organisation start with one function first and later, when they see the success of the shared service organisation, they increase the functional scope. O'Neill (2005) points out that implementing one or two functions and leveraging the experience as a prototype for all internal procedures within the shared service organisation while also proving that shared services add value to the business tends to be the best mode of operation. Derived from the chosen functional area or areas, the process scope will have to be defined. Questions to be discussed and decided on should not include only single functions to be transferred to a shared service organisation, like accounts receivable or payables, but should also require the transferring of complete end-to-end processes, like order-to-cash or hire-to-retire.

With regard to Su et al. (2009), several step are necessary in order to transfer processes to a shared service organisation once a decision towards the functional area and the process scope are made. These steps include the simplification of processes within the different local organisation, their standardisation on a global basis, followed by the consolidation and transfer to the shared service organisation. Following the definition of shared services underlying this dissertation, shared services should act "(...) *like a business competing in the open market.*" Resulting from this, the rules applied to shared services should match those of outside providers. Following Dittrich and Braun (2004), the standardisation of business processes is an essential pre-requisite to prove that processes can be handed over to an external company, which in turn leads to the conclusion that such a statement is also valid for a handover from the parent company to a shared service organisation.

Different tools, such as process reengineering or process re-design, could be utilized to standardise processes. According to Schulman et al. (1999), business process reengineering is defined as the fundamental analysis and radical redesigning of business practices and management systems, job definitions, organisational systems and beliefs and behaviours in order to achieve dramatic performance improvements. The US Government Accountability Office (GAO, 2010) reported that the reengineering of business processes and the incorporation of disciplined processes is one of the key challenges of the US federal financial system. What is true for the US also seems to be true for many private organisations, as business process reengineering is one of the 25 top management tools (Bain, 2011). In differ-

ence to business process reengineering, process redesign is defined as changing strategic value-added business processes and the systems, policies and organisational structures that support them in order to optimise productivity. As Hammer (2007) points out, process design, meaning the exact specification of which people must perform which task, in which order, at which location, under what circumstances, with what information and to what degree of precision, determines the performance of a process.

With regard to the shared service concept, one of the key considerations is whether to standardize and harmonize business processes before or after the move to shared services. In this regard, standardization and harmonization of processes refers to the definition of generally accepted guidelines and standard operating procedures describing and regulating how specific processes are executed (Wenderoth, 2011[1]). Following Schulman, et al. (1999), reasons for reengineering before implementing shared services include the following: first, when the volume and productivity of a business process are out of control; second, when the company is replacing its information systems, especially if moving to a new ERP system; and third, when a company is in a post merger/acquisition position and needs to integrate the activities of an acquired company or many acquired companies. Business process reengineering should not be performed when moving to shared services, as this is when there is an urgent need to pull the disparate business processes together as soon as possible in order to put them under control.

At the end of this sub-phase, the project team has developed in close cooperation with the business experts a clear plan of how the processes are standardised and transferred to the shared service organisation, incorporating new policies, standard operating procedures, interfaces, etc. Also, all processes should be tested and validated to assure they deliver the expected results.

3.2.2.4. Harmonisation of the Technological Landscape

Under consideration of the information-intense aspects of most shared services, information technologies are playing an important part in the implementation strategy and simultaneously are representing one reason why shared service organisations fail to deliver the promised benefits (Kris & Fahy, 2003). With regard to Schulman et al. (1999), shared service structures and processes have to be designed to capitalise on and match technological innovation, implement new technology to reduce costs and enhance performance. Accord-

ing to Bergeron (2003), there are three general categories of information technologies that are relevant to the implementation and long-term operation of a shared service organisation, namely, the IT infrastructure in terms of the servers and general network, general-purpose information technologies, like ERP-Systems, and process-specific information technologies in terms of EDI or workflow software.

As a consequence, a move to shared services will inevitably lead to an adjustment or change of an organisation's existing technological landscape. Organisations implementing shared services will have to make decisions with regard to the following (Hollich et al. 2008):

a) Business oriented solutions to be used, like the ERP system, call centre technology systems and e-applications (e-payment, e-invoicing, e-procurement)

b) Generic solutions, such as workflows, scanning systems, imaging tools, web access equipment, data base management as well as specialised additional applications for matching and optimising payments, electronic data interchange (EDI), etc.

In making the decisions as mentioned above, the existing systems and electronic architecture, the level of standardisation, policies, procedures, practices, budgets and the geographical spread of the organisation should be taken into consideration (Schulman et al. 1999). Referring to Quinn et al. (2000), the chosen electronic landscape should also ensure an adequate segregation of duties enabling effective governance and ensuring compliance with corporate policies and standards.

Following the Unit4 (2011), a global business software company based in the Netherlands with over 30 years of experience in the IT sector, a successful harmonisation of the technological landscape and a move to shared services rests on five points:

a) A strong customer management capability built around effective call centre technology

b) Well deployed ERP systems reflecting the requirements of the shared service organisation and the existing systems

c) The effective use of intranet and other knowledge management technologies or self-service portals in order to open multiple channels for service delivery

d) An e-business strategy to enable key manual processes to be web enabled over time

e) Integrating technologies to ensure full support of business processes

Special thought should be given to e-procurement technology - web-based tools for handling the purchase of indirect goods - which nearly completely transformed corporate procurement processes. Kris and Fahy (2003) state that the benefits of e-procurement are twofold. On the one hand, e-procurement allows automated contract settlement, consolidation of suppliers, the gain of optimised prices and increased supplier collaboration together with better information to make more informed purchasing decisions. On the other hand, by using e-procurement, the whole procurement process becomes much more efficient and paperless, as the whole processes is managed electronically.

According to Gueritz from Sixhills Consulting Ltd. (2001), e-procurement could, compared to industry benchmarks, lower transaction costs by over 70%, shorten the order cycle time from one week to two days, result in higher compliance levels of over 90%, reduce inventories by up to 50% and lower prices by up to 10%.

At the end of this sub-phase, the project team has developed, in close cooperation with business experts and under consideration of the business requirements, a technological landscape for the shared service organisation, considered the platforms and delivery channels to be used and established a migration plan of data from the parent to the shared service organisation.

3.2.2.5. Blueprint / Implementation Plan

The blueprint of the future shared service organisation combines the decisions made within the design phase, within the standardisation of business processes and within the harmonisation of the technological landscape.

The blueprint represents a very detailed plan of further procedures and the transformation, respectively, migration of the support functions from their current location to the shared service organisation (Dressler, 2007). The transformation could take place as a 'big bang', or in phases, depending on the transformation strategy chosen. The migration strategy needs to define the sequence and speed of the implementation and a plan for data migration and necessary go-live support. Of critical importance is that normal business activities should not be disturbed by means of the shared service implementation (Schwartz, 2008). The blueprint is the final concept to be presented to the steering committee, i.e., a key milestone in order to receive approval for the start of the transformation phase and the

launch of the shared service organisation. It could be said that the blueprint drives the remaining work (Accenture, 2006). Further, it should be noted that the steering committee, without question, needs to be involved during all organisational phases and throughout further project steps related to the progress. This involvement is achieved by means of status reports and the authorisation of initiatives based on decision proposals prepared by the project team.

3.2.3. Transformation

Upon the decision of the steering committee to follow the blueprint and to go ahead with the project, the transformation phase begins. This is the most challenging phase, as the shared service organisation has to prove that it is actually functioning and able to deliver the expected results.

The transformation phase of the Four-Phase-Model consists of three sub-phases, starting with change management. It should be noted that an adequate change management approach is a key success factor and even though this sub-phase is assigned to the transformation phase, change management activities should accompany the project from the very first moment of implementation. The sub-phase of change management was assigned to the transformation phase, as within the overall process, here it comes to its core and is most critical. Furthermore, the service level agreements are finalised in this phase of the process. At the heart of this phase lies the successful transformation, specifically, the rollout of the business processes and IT and data migration.
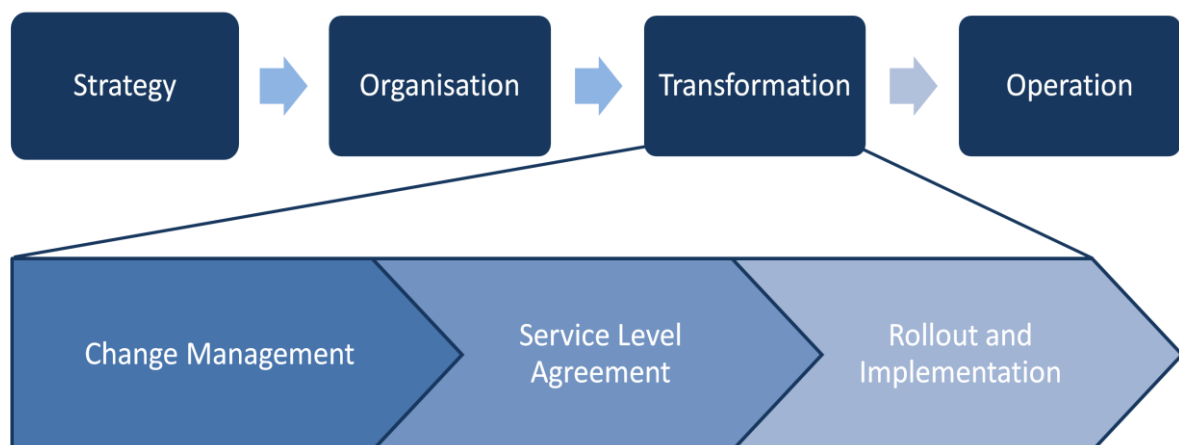
Figure 9: Overview of activities in phase 3: Transformation[17]

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[17] own illustration

3.2.3.1. Change Management

Recent research by Wenderoth (2011[1]) on the topic of critical success factors of shared service projects involved 84 professionals in the area of shared services, mainly (87%) from Germany, Austria and Switzerland. This study highlighted that the highest impact regarding the success of a shared service project can be reached by implementing a change management program once a decision towards shared services is made. The high importance of change management was also assigned by Colman (2006), Burah (2007), Wang and Wang (2007) and AON Hewitt (2011),

Following the classification of Nadler and Tushman (1989), the implementation of shared services can be seen as a planned transformation. The decision towards the implementation does not appear out of nowhere; contrariwise, it is the result of deep analysis and evaluations, i.e., in terms of their framework a proactive tuning. The implementation of shared services can be classified as a transformational change because the implementation leads to major changes in the behaviour of the members of the organisation and a fundamental reappraisal of values, beliefs and attitudes. Perhaps the biggest change with which the employees are confronted with during the implementation of shared services is that they are requested to develop a service-mentality, as their previous colleagues are now their customers (Frey et al. 2006). The placement of a shared service project in the framework of Nadler and Tushman can be taken from the following illustration:
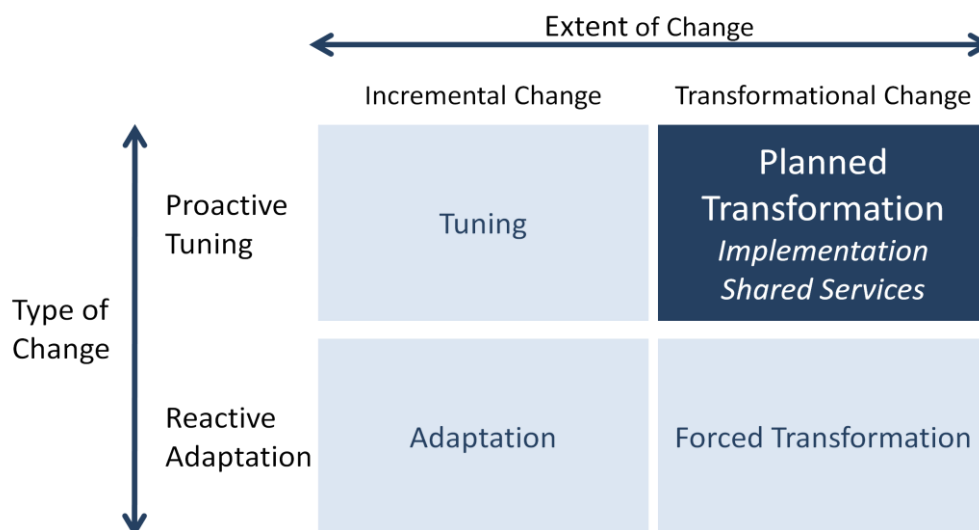
Figure 10: Types of change – implementation shared services[18]

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[18] Own illustration in the style of Nadler and Tushman, 1989

There are many different models and approaches concerning change management within theory and practice, for example, Kotter's famours 'Eight Stage Process of Creating Major Change'. In order to place special emphasis on the requirements of behavioural change, the Four-Phase-Model for the realisation of shared services will be placed within the context of Lewin's three-step behavioural change model (BCUC, 2000):

Three-Step-Behavioural Change Model   **Four-Phase-Model**

Step 1: Unfreezing the present level   →   Organisation Phase

Step 2: Moving to a new level   →   Transition Phase

Step 3: Refreezing the new level   →   Operation Phase

Step 1: Unfreezing the present level   →   Phase 2: Organisation Phase

It has to be mentioned that planned transformation is a strategic change with the luxury of time. At any rate, even if it is a planned transformation and time is available, a sense of urgency should be established. With regard to Kotter (1995; 1996), such sense of urgency is extremely important in order to gain the necessary cooperation. People involved in the change process or affected by the change have to realise that the defined change is essential for the further development of the organisation. As already mentioned in 3.2.2.1., a change program for the implementation of shared services needs the visible support of the top management of an organisation in order to demonstrate its importance and motivate all levels of the organisation to support the project and work towards its achievement (Wenderoth, 2008). Furthermore, a vision with a clear, memorable and also simple picture of the future has to be painted in the heads of the employees (Luecke, 2003). As Kotter (1995) highlights, a change program can lead to various confusion and incompatible projects if a vision is missing and if the top management and all other involved persons do not 'walk the talk'. In order to become aware of which forces work for or against the planned change, Lewin's 'Force-Field Analysis' can be used (Carnall, 2007).

The previous remarks lead to the following task in the organisation phase of shared services: planning of the change management strategy, establishing a sense of urgency, gaining visible support from all involved with the project - including top management - developing a clear and memorable vision and identifying possible forces working against the change and providing adequate counteractive measures.

Step 2: Moving to a new level   →   Phase 3: Transition Phase

In the sub-phases of IT and business process transformation it is necessary to select the appropriate behaviour changes required to achieve the objectives of the change program. Hence, at this stage, special emphasis should also be placed on adequate training in order to help employees overcome blocks of change, such as fear of doing something wrong, or feeling disempowered because they do not know how new systems work (Kotter, 1995; 1996). With regard to Carnall (2007), training programs in change management programs should contain the following:

- Clear objectives towards the skills and knowledge that are acquired
- Allow employees to work at their own pace
- Improve learning outcomes by using different learning approaches
- Incorporate feedback loops.

Especially with regard to the change towards the service-mentality and customer orientation, special training needs to be conducted. Being that in this stage, the change program is running at full speed, it is essential to generate short-term wins, as Kotter states. Such short-term wins are essential in order to not slow down the process and keep those involved motivated. Luecke (2003) points out that the celebration of milestones can neutralise scepticism, give people acknowledgement regarding their achievements, ensure the support of the top management and boost morale. On the back of this short term win, improvements should be consolidated and if necessary, maybe even more demanding change programs should be further initiated. Kotter (1995) points out that new organisational forms are fragile and subject to regression.

The previous remarks lead to the following task in the transition phase of shared services: development of adequate training programs to enable the behavioural change and deliver the necessary knowledge concerning processes and tools as well as the active celebration of milestones.

Step 3: Refreezing the new level   →   Phase 4: Operation Phase

The re-freezing stage seeks to stabilise the organisation at a new point of equilibrium. At this stage, the new working mechanisms and changed behaviour should already be part of the new organisational culture (BCUC, 2000), even though they can not be deeply ingrained in the organisation. With regard to Beer, Eisenstat and Spector (1990), such rein-

forcing mechanisms include the creation and empowerment of new teams, new policies and procedures as well as further training and development programs. As the shared service organisation is completely new, the management should be free to align the procedures, structure and policies with the vision, tasks and objectives of the new organisation. Kotter refers to this stage of the process as anchoring new processes in the culture of the organisation (1996).

Furthermore, the final result of the change management activities has to be crosschecked against the vision. Does the new organisation match the expectation? On the one hand, financial or productivity parameters can easily be controlled via data coming from accounting. Yet, on the other hand, soft facts, like employee attitude and behaviour patterns, need to be monitored. Beer et al. (1990) recommend the use of employee attitude and opinion surveys to control this aspect. Moreover, customer opinion surveys can show if a behavioural change towards a service-mentality and customer orientation has been achieved.

For all steps within Lewin's mode it is essential to recognise that there can not be too much communication (Colman, 2006). This seems to be important, as many managers have a wealth of information, but do not consider this advantage of information, meaning, that while a manager may have been talking about and considering shared services for weeks or months, the subject is completely new to the audience, which has to process and evaluate the provided information. It needs to be further highlighted that the direct approach from the top management should be present on all levels in order to achieve a real buy in, as the recent study of Galunic and Hermreck (2013) has emphasised.

3.2.3.2. Service Level Agreement (SLA)

Unlike central departments, shared service organisations usually operate under a Service Level Agreement (SLA) that promotes clear standards of delivery (Accenture, 2003), which is one of the key success factors in shared service implementation (Colman, 2006[2]).

Following Söbbing (2008), the term SLA is legally not defined. A SLA can be defined as a mutually binding agreement negotiated between a service provider and a customer that defines the specific level and quality of the support services that a shared service organisation will provide to its parent company and outlines penalties and incentives that may arise from not performing or exceeding the expected service levels. The inclusion of appropriate

and clearly defined performance measures and metrics in service-level agreements is important for ensuring the usefulness of this tool (GAO, 2010) and at the same time is an indicator of how much trust there is between the shared service organisation and the parent company (Coleman, 2006[2]).

A SLA should consist of three parts (IOMA, 2010):

I.   General Information

The general information of a SLA contains information about the purpose of the agreement and the underlying vision.

II. Service Performance

In service performance, the mission statement is provided, followed by the scope of the agreement, including its boundaries. Furthermore, the hours of operation, the service expectations, working assumptions and the service constraints are stated. Hence, in this part, a definition of which services are provided in which way and how the provided services are measured is provided (Colman, 2006[2]).

III. Administration of Agreement

The final part of a SLA specifies the terms of agreement (start and end date), the general content of periodic quality reviews, the service level agreement maintenance focusing on possible revisions and the way in which issues are to be resolved. Furthermore, links to related documents (policies, process descriptions, disaster recovery plans, etc.) and web sites are provided.

According to O'Neill (2005), the SLA can either be overblown or overly simplified. Overblown SLAs become bogged down in complex calculations of cost allocations, while overly simplistic SLAs fail to have any meaningful performance criteria. Striking a balance between these two extremes is a major success factor and should be the foundation for a fact-based dialogue between the contracting parties. Colman (2006[1]) points out that establishing a SLA will lead to a discussion of who owns what part of the process and who is accountable for which part. He moreover points out that, irrespective how professional the development and implementation of a shared service organisation and the supporting SLA were, many issues will come up later when the organisation is up and running. Hence, a SLA will always be subject to mutual adjustments and adaptations, which will be required to ensure the smooth running of the service and the alignment of the organisation towards the changing operational imperatives (Herbert & Seal, 2009).

3.2.3.3. Rollout and Implementation

In the rollout and implementation phase, the new standardised and optimised processes, including the new policies and standard operating procedures as discussed in 3.2.2.3., are implemented. Also, the new IT platforms and delivery channels on the basis of the harmonised technological landscape are implemented and the data from the old systems are, according to the migration plan, transferred to the shared service organisation, as discussed in 3.2.2.4.

Furthermore, the employees are transferred to the shared service organisation and move into the new premises. These new locations should be aimed at enhancing communication and teamwork, but also allow for privacy (Fayard & Weeks, 2011). Additionally, new recruited employees need to be inducted and trained, allowing for a transfer of knowledge (Pavey, 2005).

Concerning the realisation of the rollout and implementation, Dressler (2007) distinguishes two different models: the parallel or shadow operation and the pilot operation phase:

■ Parallel operation

In this implementation model the selected processes and systems are run at the same time at the old place of service provision as well as in the new shared service organisation. Dressler (2007) defines three stages within the parallel operation. In stage 1, the key personnel from the shared service organisation travel to the decentralised units in order to get an idea of the old processes. In stage 2, e.g. one month later, the decentralised personnel travels to the shared service organisation in order to support the new process within the shared service organisation. Stage 3 contains the final handover of the processes from the decentralised unit to the shared service organisation. Concerning the transfer of processes, the parallel operation has proven to be standard, even though its success depends on the cooperation of the personnel in the decentralised unit, who might loose their job after the transfer of activities.

■ Pilot operation

The pilot implementation model represents the less risky approach to the implementation of shared services (Pérez, 2008). Here, either single processes (Su et al. 2009), or

a pilot group of countries (Mercer, 2011) are implementing shared services. Especially when multifunctional shared service centres - incorporating finance, human resources, IT and other functional areas - are to be created, organisations tend to implement the shared service organisation gradually. The research of Pérez (2008) has shown that the majority of organisations prefer this option, as it allows them to gain experience and avoid possible pitfalls in future projects. Also, this approach allows for the reworking of minor process mistakes, the improving of IT support and the detection and correction of weaknesses in the cooperation or interfaces (Dressler, 2007).

3.2.4. Operation

The final phase of the Four-Phase-Model is the operation of the up and running shared service organisation. As the shared service organisation should be acting like an independent business competing on the open market, respective management controls will also need to be implemented. A management system has to be developed and, according to Kaplan and Norton (2008), become an integrated set of processes and tools that a company uses to develop its strategy, translate said strategy into operational objectives and, as a result, monitor and improve the effectiveness of the utilised processes and tools. With regard to the latter, the steering and control of the running operation and the support services delivered to the parent company are within focus in order to meet predefined objectives. Incentive systems for the employees working in a shared service organisation have to be implemented in order to avoid dampened employee moral and keep the fluctuation rate low. Additionally, a culture that allows the identification of the employees within the shared service operation has to emerge. Especially in the beginning, the shared service management has to allow its employees to make progress and have success, thus leading to motivation among the workforce, which ultimately contributes to the to success of the shared services (Amabile & Kramer, 2011). The information flow with the parent organisation has to be ensured and mechanisms for managing the service level and continuous improvement will have to be implemented. The key activities as outlined above are illustrated in figure eleven below.
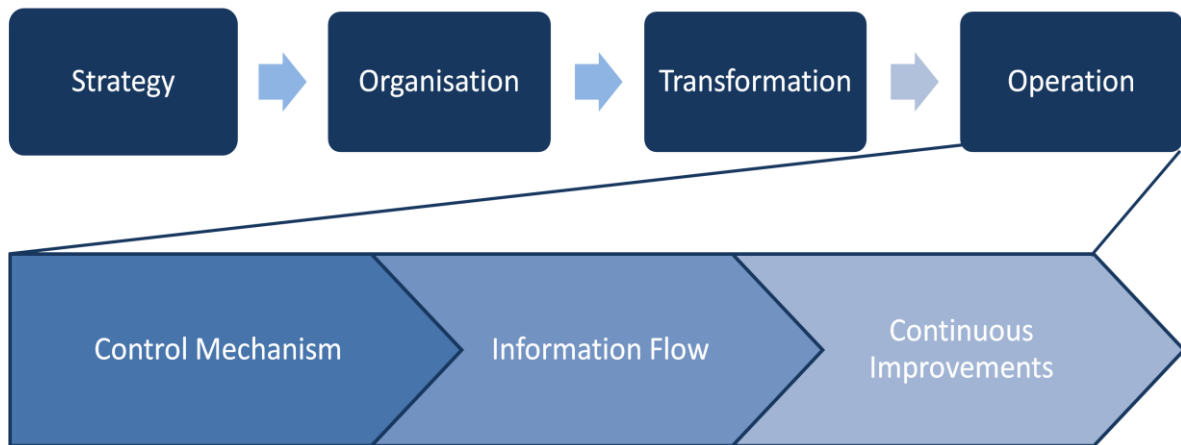
Figure 11: Overview of activities in phase 4: Operation[19]

3.2.4.1. Control Mechanism

In order to reach the objectives of the shared service organisation, its management needs to exercise 'control' over the behaviour and actions of the people within the service centre. According to Zimmermann (1997), control mechanisms serve, on the one hand, to co-ordinate the exercise of decision rights that are dispersed among individuals and, on the other hand, measure how effectively decisions have been translated into action. The latter is aimed to influence the behaviour of people towards target achievement, respectively, to increase performance. Hence, according to this understanding, the control mechanism is likewise representing a performance management system.

The SLA represents the backbone of both the control mechanism and performance management system - which operates between the shared service organisation and the parent company - as it clearly defines which services should be delivered to the customer. The steering and controlling of internal service organisations are not trivial activities, especially considering that they involve several problems with regard to the right measures to be taken, the comparability of data, a strongly fluctuating cost basis and the difficulty in measuring productivity gains (Hoffmann & Reinhard, 2012). Therefore, the control mechanisms that are used within a shared service organisation should be designed around the systems and processes (Schulman et al. 1999). According to Schimank and Strobl (2002), a control mechanism for a shared service organisation should consist of activity

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[19] Own illustration

based cost (ABC) accounting, a process and quantity oriented planning system and project controlling to ensure the implementation of continuous improvements.

ABC is the generic term for different systems that aim to distribute the fixed costs of an organisation by the utilised and demanded activities and not solely via the used amounts of time (Cooper 1990[1], 1990[2], 1990[3]). Characteristic of ABC is the focus on the general and administrative expenses, respectively, the secondary activities of an organisation, and the final product, being the primary element to which costs are allocated (Horváth, 2011; Weber & Schäfer, 2011). The output of the ABC in a shared service organisation should provide detailed information of the existing costs in an organisation. Besides the absolute value of the existing costs, key performance indicators (KPIs) should also be developed and support the monitoring of results (Boamah et al. 2009). The table below presents a selection of possible KPIs according to Kris and Fahy (2003):

Travel and Expenses (T&E):	- T&E reports per full-time equivalent (FTE) - Costs per T&E report
General ledger / Consolidation:	- Number of days to close - FTE days for close - Materiality cut-offs
Accounts receivables:	- Cost of remittance - Remittance per FTE - Days outstanding - Credit checks per FTE - Customers per FTE - Incorrect invoices
Accounts payable:	- Cost per accounts payable invoice - Accounts payable invoices per FTE - Percentage of payments auto-matched - Volume of internet and online purchases
Fixed assets:	- Cost per fixed asset - Fixed assets per FTE
Cash and bank:	- Percentage of FTE payments - Idle cash balances

Table 6: Selection of KPI's used within shared service organisations

The ABC should also provide information about the causes of costs in the shared service organisation in order to find ways to influence their corresponding levels. Such causes of costs are referred to as cost drivers, meaning an indirect way of obtaining a quantitative estimate of a qualitative phenomenon (Marangoni & Fezzi, 2002). Further important information to be derived from cost reporting is how much the shared service organisation

can charge its customers for the specific services and how the existing costs compare to others (Triplett & Scheumann, 2000).

By means of the process and quantity oriented planning system, the cost oriented objectives and targets can be established, representing the standards against which future performance will be measured (Mullins, 2007). The comparison of the actual performance against the set standards might show deviations that should lead to corrective or supportive activities as part of a continuous improvement program. In order to ensure that the corrective or supportive actions are implemented, the project controlling can support the management and report progress to the project sponsor or steering committee.

It should be noted that the control mechanism does not refer only to the costs and their level; other important elements, like cycle time, quality levels, etc., should be monitored and consolidated in order to enable the shared service management to properly manage the running operations. The actual performance in all parameters, generally represented in KPIs, should not only be discussed by the management of the shared service organisation, but also discussed with the customer (external or the parent company) in regular performance and quality reviews as well as with the different teams in the shared service organisation in order to increase performance, i.e., generate internal competition and open discussion with employees on the topic of performance.

The incentive system should also be linked to financial performance and the KPIs of the shared service organisation. As having even only a modest stake in the business and having a chance to provide own inputs into organisational development can increase motivation and be a facilitator of organisational change (IBM, 2007). An incentive system in combination with pensions, seniority credits, the overall wage rates for employees, together with training and new carrier development activities, can help to keep fluctuation low and avoid the loss of know-how, respectively, the so-called brain drain.

3.2.4.2. Information Flow

Within the shared service organisation, management has to ensure a smooth flow of information by making use of the variety of electronic vehicles, like the intranet, 'traditional' team meetings or even letters from the management.

Further, the information flow between the shared service organisation and the parent company is of special importance, as they are very sensitive and can determine the general way and tone of cooperation. Kris and Fahy (2003) recommend the use of the BSC as a basic for dialogue with clients about future improvements, as the BSC provides a closed and comprehensive picture about the way the shared service organisation operates.

The BSC approach was developed by Kaplan and Norton in the early 90s of the last century under consideration of the unilateral focus of management systems on the financial perspective. Following Kaplan and Norton (1997), the BSC can be defined as a management system used to align the vision and strategy of an organisation, improve internal and external communications and monitor organisational performance against strategic goals. The BSC complements the financial measures of an organisation, representing the result of past performance with three other perspectives: the customer, the process and the perspective of organisational learning and growth (Horváth & Partners, 2004). How the different perspectives of the BSC are interlinked and support the strategy of an organisation is visualised in the strategy map (Kaplan & Norton, 2004). The inventors of the BSC model also provide different case studies concerning the BSC approach in the shared service organisation of companies like Mobil and Shell and provide two different models to their development: the strategic partner approach and the company within a company approach (Kaplan & Norton, 2001).

With regard to shared service organisations, the four traditional perspectives as indicated above could be used (Schulman et al. 1999). The following is according to Kris and Fahy (2003):

- The financial perspective can be represented by the financial returns of the shared service organisation
- The customer perspective can be represented by the way internal clients and customers perceive and evaluate the services
- The process perspective can be represented by the internal productivity in running the units
- The organisational learning and growth perspective can be represented by the extent to which the shared service unit is able to demonstrate innovation and value.

3.2.4.3. Continuous Improvements

Shared service operations have to continuously work on their process or reengineer and innovate their approach towards service delivery. As a result, implementing continuous improvements in the shared service environment can be placed on the same level as innovations management in other organisations. According to Hammer (2004), operational innovation means coming up with entirely new ways of how a shared service organisation performs tasks. Due to the latter, the following principles and ideas for the implementation of continuous improvements in a shared service organisation, as presented in the following illustration, are derived from the drawbacks and deficits of innovations management in German organisations as analysed and described by Wildemann (2008).
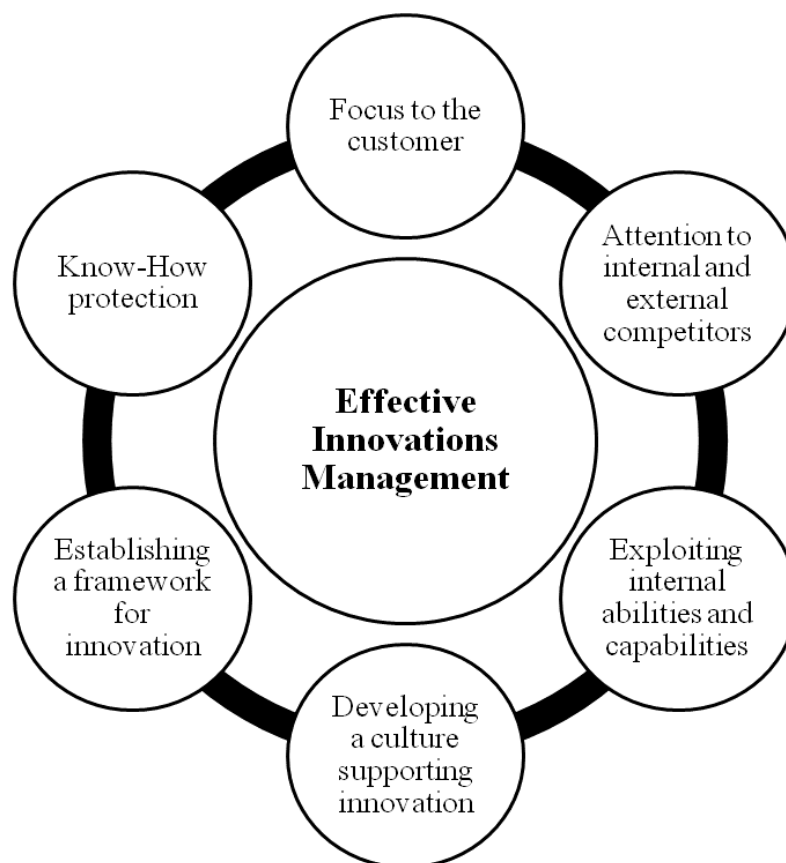
Figure 12: Principles for continuous improvements in shared service organisations[20]

Focus to the customer

As Ed Zore, the CEO of Northwestern Union points out, "Innovation as itself doesn't count for the customer. Only those things count which seems to be important and which add

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[20] Own illustration

value to him" (Zore, 2008). Hence, one of the key elements for the management of innovations and continuous improvements in shared service operations is the customer. In close cooperation with customers, either being internal in terms of the parent company or external, the offerings of the shared service organisation have to be brought in line with customer demand in terms of quality, time and price. Customer satisfaction has to be measured on a recurring basis. By doing so, areas of friction can be identified and counteractive measures can be initiated. Within the mutual discussion and evaluation of the customer satisfaction are new areas for improvements. As Schulmann et al. (1999) point out, real process improvements can only be realised by looking onto the whole process chain and cooperating with all parties involved.

Attention to internal and external competitors

In order to identify changes in the market, internal and external competitors have to be observed. The product offering of competitors - which in the case of shared services, includes outsourcing providers - and their way of providing services has to be analysed in a systematic and thorough way. Benchmarking can be used in order to compare the performance of one's own shared service organisation with the performance of other internal or external service suppliers. Besides the basic points mentioned above, real innovative shared service organisations need to look beyond one's own nose (Wildemann, 2008). They have to carefully watch the development in other branches, where for example, new technologies are already being utilized. Adapting technologies, procedures and process to the shared service organisation can lead to a sustainable competitive advantage.

Exploiting of internal abilities and potentials

Managers frequently point out that employees of an organisation are the most important resource. However, the results of Wildemann (2008) have shown that more than 35% of organisations participating in the study had no competence development programs. In order to put some life into the previously mentioned platitude of managers, shared service organisations should start from the beginning of their activities with competence development programs that change the general attitude of employees towards continuous improvements and enable them to exploit their ideas via the usage of systematic techniques and relevant tools (Wenderoth, 2010). Recent findings from positive psychology highlight that programs based on the individual strength inherent in the employee show the best results. Such kinds of activities can be supported by general hard and soft skill training

courses. Following Kris and Fahy (2003), employees in shared service organisations need to be regularly trained with regard to systems, processes and behaviour.

Develop a culture supporting continuous improvements

If an organisation wants to continuously improve its processes, it also has to establish a supportive organisational culture. At the search engine company Google, for example, employees are encouraged to think about new ideas and conduct their own experiments (Iyer & Davenport, 2008). In order to increase the function of overlapping discussion and exchange of ideas, the instalment of cross functional teams needs to be supported. Online or intranet platforms for the cooperation of teams and as a kind of knowledge pool have to be established. Continuous improvements should become an essential and elemental part of the job description of all employees and in doing so, the everyday work of every employee will be aimed at ensuring the long-term success and competitiveness of the shared service organisation.

Establishing a framework for continuous improvements

A formal framework for the management of continuous improvements, supporting the previously mentioned cultural aspects, has to also be established. Contact persons for the announcement of ideas have to be known by all employees and the evaluation process of proposals has to be transparent. All personnel should be aware of the quality standards and criteria that proposals should meet and how their contribution is valued and honoured by the company.

Know-how protection

The protection of own-developed business solutions is another very important element. Skarzynski and Gibson (2008) state that ordinary people make innovation happen, develop new processes and are consequently those, who take their knowledge with them when they leave an organisation. Hence, labour contracts of employees should contain non-competition clauses as well as contain a non-disclosure agreement. Even though such agreements are hard to enforce, they should signal to the employees that one of their obligations towards the company is to remain secret with regard to its internal processes.

3.3. Summary

The following illustration summarises the previous discussion and comprehensively represents the Four-Phase-Model. In the centre of the illustration is the Four-Phase-Model, consisting of the phases Strategy, Organisation, Transformation and Operation. Above these phases, the central questions leading to the phases are indicated. Below, the activities, i.e., sub-phases that have to be performed during the implementation of shared services, are assigned to the paralleling phases of the Four-Phase-Model.

Figure 13: Four-Phase-Model – Comprehensive overview[21]

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[21] Own illustration

4. Theoretical Foundation of the Four-Phase-Model

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). The main objective of chapter four 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, a hypothesis will be developed and examined in an empirical study at a large-scale enterprise based in Germany. The result of this phase of research should be an integrated and structured model for the realisation of shared services, which is based on theoretical concepts and empirically founded.

4.1. Selection of Theories

As elaborated under point 1.2. - status quo of research regarding shared services - and under point 2.1.2. - structural representation of the shared service concept - there are manifold theories that should be able to anchor the shared service concept with regard to content and methodically. Current literature on economic theories in the context of shared services (see 1.2.3.) generally refers to application of the transaction cost theory, the property-rights theory, the principal-agent theory, the resource-based view and the value-based view (Kagelmann, 2000; Pérez, 2008; Reichwein, 2009).

Hence, it becomes obvious that there is not a single, closed and consistent theory explaining the cause and effect relations within shared services. This lack of clarity is the result of two reasons. First, most theories were developed before the emergence of the shared service concept and not founded especially for explanation of such a concept. Second, the theories can not explain the shared service concept holistically, as they put specific aspects or facets into focus. Due to the latter, the focus within the selection of theories is to identify those theories, which explain certain phases of the Four-Phase-Model.

Following the example of Hollekamp (2005), who focused on the outsourcing concept, the following theories will be considered: neoclassical economics, industrial economics, the

game theory, the theory of institutions and strategic management and organisational research. In the following, the different theories will briefly be explained.

4.1.1. Neoclassical Economics

The 2nd half of the 19th century was characterised by rapid economic growth throughout Europe and North America and the emergence of a strong and stable entrepreneurship. Following Rogall (2006), the neoclassical view on economics, represented mainly by Carl Menger, Leon Wallras and later by Alfred Marshall, emerged at about this time. The neoclassic view is based on the marginal utility theory implying that households are trying to maximise their benefits and private organisations are trying to maximise their profit (Winter et al. 2009), which implies that individuals and organisations act always as though they are rational (LeRoy Miller, 2007). In order to act rational, the different alternatives, respectively, costs of production, are put side by side using methods of comparative cost accounting (Picot et al. 2008).

The neoclassical view could provide an explanation approach, especially with regard to the 'Strategy Phase' of the Four-Phase-Model. As far as the plausibility and the feasibility of a shared service approach, the neoclassical view could explain why individuals decide in a certain way. However, as mentioned before, the neoclassical view rests upon the rationality assumption and uses primarily cost accounting methodologies or mathematic models. Evaluating different concepts, i.e., basing decisions regarding the start of a shared service project singularly on cost accounting methodologies, would be unidimensional and neglect the manifold criteria that will also have to be taken into consideration, such as the overall corporate strategy or the culture of an organisation. Likewise, location related soft facts, like the availability of a skilled workforce, language issues, or ethical questions, etc., would not be taken into consideration. In summary, the neoclassical view is an inappropriate explanatory approach as it excludes from contemplation soft facts, uncertainties and the organisation of economic activities.

4.1.2. Industrial Economics

Industrial economics describes market and industrial structures and their implications on organisations. The Structure-Conduct-Performance Paradigm (SCPP) is a key element of industrial economics and was developed by Mason and Bain in the 1940s and 50s of the last century as a principal approach to study the behaviour of industrial organisations.

Nowadays, the SCPP is recognised as one of the most efficient and reliable means to ana-lyse the market power-profitability relationship in an industry (Grigorova et al. 2008). Fol-lowing Szerb (2007), the SCPP is used to analyse the relation among market performance, market conduct and market structure. Following this paradigm, the market structure, mean-ing, for example, the number of market participants, barriers of entry, product differentia-tion or diversification and vertical integration, determines market conduct (see also Porter, 2004) and based on this, sets the level of performance. According to (Winter et al. 2009), the SCPP ascribes the economic success of an enterprise primarily to external opportunities and success potentials being demonstrated in a strategically advantageous market position, leading to a sustainable competitive advantage.

The SCPP could be used as an explanatory approach within the 'Strategy' and the 'Organi-sation' phase of the Four-Phase-Model, but there are also many critics of the SCPP. Rühli (1995), for example, criticises the general concentration of the concept on the external ef-fects. Also, the missing consideration of outside effects coming from the broader environ-ment, respectively, systemic or environmental dynamics, is found faulty. Further, it is ar-gued that the SCPP leads to generic strategies that can be copied by any other market player, hence not creating a sustainable competitive advantage (Porter, 1996; Mellewigt, 2003). Focusing on shared services, the SCPP can be criticised because the cooperation of organisations is mainly described and looked at from a branch and not from an organisa-tional perspective. Likewise, SCPP does not provide any clear statements with regard to the utilisation of resources within an organisation, i.e., the application of effective man-agement structures. Especially due to the latter, the usage of the SCPP as an explanatory approach for shared services is limited, leading to an exclusion of the SCPP.

4.1.3. Game Theory

The game theory - developed by John v. Neumann in 1937 and expanded further by Morgenstern in 1944 was then followed up on by Nash and Selton, who received the Nobel prize in 1994 for their studies (Hellmann, 2009; LeRoy Miller, 2007) - outlays the classical economic theory of strategic interactions between organisations (Varian, 2011) and nowa-days even examines strategic trade and industrial policy (Salvatore, 2004). Such interac-tions, called 'game', can be characterised by situations in which there is a mixture of con-flict and cooperation. Specifically, two or more participants, called 'players', pursue their own interests and no participant can dictate the outcome. The fact that each participant has

room for manoeuvre leads to uncertainties for the players and enables them to apply pressure to other players (Mansfield & Yohe, 2004). In different situations of the game, the motives for specific decisions by the players can be identified in order to outlay the strategic considerations leading to the respective move, assuming the occurrence of rational interactions (LeRoy Miller, 2007). According to Swoboda (2005), game theory is especially suited for the interpretation and analysis of social relations and offers an explanatory approach for conflicts and cooperation.

The game theory might be suitable as an explanatory approach with regard to the transformation and 'operation' phase of the Four-Phase-Model, where conflicts are most likely to emerge. Notwithstanding, it has been decided not to use the game theory as an explanatory approach because of three reasons:

1) The game theory does not sufficiently count the interactions of players and the possible shift of power from one player to another, which is especially the case in shared services.

2) The game theory implies the rationality assumption, implying that each participant is trying to optimise or maximise personnel utility function, respectively, benefits. As already explained, these assumption can not be utilised for shared services as they would lead to a unidimensional interpretation and further wrong decisions.

3) The game theory does not take into account the different aspects of the internal organisation of functions, e.g., the creation of internal customer-supplier relationships as would be the case with shared services.

4.1.4. New Institutional Economics

The term New Institutional Economics (NIE) was coined by Williamson in 1975. NIE represents a more recent theoretical approach analysing the effects of institutions on economic units, like organisations or households. The primary objective of NIE is to explain what institutions are, how they arise, what purpose they serve, how they change and how they should be reformed (Klein, 1999). NIE differs from the neoclassical view as it assumes space regarding prices and market power, a continuous disequilibrium of the market, incomplete contracts, asymmetric information and changing knowledge as well as excluding the rationality assumption, respectively, the '*homo oeconomicus*' (Picot et al. 2008).

According to Weise et al. (2002), an institution can be defined twofold. On the one hand, an institution is a social, economic, governmental or ecclesiastical unit that serves certain purposes. Here, the sphere of responsibilities, the scope of activities and the objectives are emphasised. On the other hand, an institution represents a comprehensive body of norms and regulations that coordinate relations between people. Institutions have the objective to influence and steer the behaviour of the market participants. From the latter and under consideration of the behavioural science perspective on decision theory, it can be deduced that NIE gives attention to organisational questions, targeting the long-term survivability of organisations (Picot et al. 2008). Picot et al. (2008) outline that the most important approaches that emerged out of the NIE are the Property-Right-Theory, the Transaction-Cost-Theory and the Principal-Agent-Theory.

4.1.4.1. Property Right Theory

The Property Rights Theory can be traced back to Coase (1960), who initiated a flurry of property rights research that, according to Mahoney (2004), reached its peak with the works of Alchian (1965) and Demsetz (1967). The theory aims to analyse the impact of different forms of the organisation, composition and distribution of property rights on the behaviour of economic groups and the resulting factor allocation. Furthermore, the theory aims to analyse the emergence, distribution and modification of property rights (Ebers & Gotsch, 2006). According to Simschek (2005), the general underlying recommendation of the Property-Right Theory signifies that an internal distribution of property rights should be aimed at as a target oriented behaviour and can be achieved based on the allocation of consequences to the responsible entity.

Ebers and Gotsch (2006) highlight that the Property Right Theory rests on three pillars: the assumptions of individual utility maximisation, the existence of property rights and the consideration of transaction costs and external effects. External effects occur when one individual does not possess all the property rights associated with a single given good. Property rights are regulated by means of contracts, whereas the enforcement of such contracts leads to costs (see transaction costs below) occurring for the exchange, supervision and execution of the property right (Wied-Nebeling & Schott, 2004). In turn, high transaction costs and external effects are a sign for the inefficient utilisation of organisational resources.

In general, the Property Right Theory is understood to be a universal theory that can be applied to many areas. However, a universal theory can always be criticised for not being precise enough. Also, the Property Right Theory is questioned because it is representing more of an ex-post explanatory approach, which might come from the fact that the theory does not possess a closed system of premises and conclusions. Connected to the latter are the existing difficulties in the operationalization of the theory and the specification of the utility functions (Ebers & Gotsch, 2006). According to Schreyögg (2008), the Property Rights Theory can also be criticised because of the narrow view of individual benefits and contracts, disregarding other system specific phenomena.

As an explanatory approach, the Property Right Theory may help to answer questions concerning governance and design within the 'Organisation' phase of the Four-Phase-Model. Under consideration of the criticism as previously mentioned, it becomes obvious that the Property Right Theory can not explain completely the shared service approach, but the theory can explain variables regarding the advantageousness of different institutional and organisational frame conditions.

4.1.4.2. Transaction Cost Theory

The foundation stone of the Transaction Cost Theory was the essay *The Nature of the Firm* by Coase in 1937. His theory bases the existence of organisations with the thesis that the utilisation of the market has a cost and that the establishment of an organisation can avoid such transaction costs (Weise et al. 2002). Later, this approach was picked up and further developed by Williamson (1983) in the 1970[s]. Following LeRoy Miller (2007), transaction costs can be defined as all costs associated with making, reaching and enforcing agreements: "*A transaction may thus be said to occur when a good or service is transferred across a technological separable interface*" (Williamson, 1981). They occur due to imperfect information from and on the market. According to Winter et al. (2009), initiation costs, bargaining costs, control costs and adjustment costs can be differentiated.

The Transaction Cost Theory focuses on the efficient organisation and utilisation of economic relations in certain institutional arrangements and offers methods that explain where (in the market or within an organisation) which transactions can be sourced and organised in the cheapest way possible (Zentes et al. 2005). The theory's main field of application is the selection of effective and efficient coordination mechanisms for the structuring of

transactions (Picot, 2005). Furthermore, the Transaction Cost Theory allows for systematic analysing and explaining of shifts and changes regarding organisational boundaries. Also, the Transaction Cost Theory constitutes a variety of hybrid organisational forms in between the extremes of an absolute free market and hierarchy (Picot et al. 2008). According to Knolmayer (1994), legal, social and economic approaches as well as the general existence of institutions can be explained via the Transaction Cost Theory. Hence, under consideration of the argumentation above, the Transaction Cost Theory might be suitable as an explanatory approach with regard to the 'Strategy', 'Organisation' and within the 'Operation' phase of the Four-Phase-Model. Also, evidence from other scientific works, like Kagelmann (2000), Pérez (2008) and Reichwein (2009), suggests that the Transaction cost Theory might be a suitable explanatory approach.

Criticism concerning the theory emerges out of the one-sided consideration of costs because the motivation of those implementing shared services is not singularly focused on monetary elements, as shown under 2.2.2. Also, some cost comparisons might be difficult to obtain, as there are significant overlaps between transaction and operation costs. Further, the Transaction Cost Theory neglects efficiency gains or the influence of the management perspective. Kaglemann (2000) noted that the Transaction Cost Theory can in general be applied as an explanatory approach for shared services, but with limitations. As with regard to the neoclassical view, it also needs to be stated here that the variety and differentiation of shared services can not be evaluated singularly on cost aspects. However, even though the theoretical concept has some weaknesses and can not explain the shared service approach in a satisfactory way, the theory is selected as an explanatory approach in order to examine important variables in the 'Strategy' and 'Organisation' phases. Pérez (2008) stated that the Transaction Cost Theory should enable researchers to answer questions, like those regarding which services should be transferred to a shared service organisation, which should remain at the business units - as they are strategically important - or which should be classified as 'Headquarter Services' and remain at headquarters.

4.1.4.3. Principal Agent Theory

The Principal-Agent Theory can be traced back to the first articles by Jensen and Meckling in 1976. They describe the theory as follows: "*a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent*" (Jensen &

Meckling, 1976). Following this definition, the relationship between principal and agent is a basic form of the cooperation of economic groups with self-interested, divergent objectives, imperfect information and ethics in an economy, characterised by division of labour (Kaas, 1992).

The Principal-Agent Theory can be divided into the positive and normative field. The positive field describes and explains institutional relations in praxis, whereas the normative field derives mathematically based proposals concerning the optimal contractual relation between principal and agent (Dietl, 1999). The research question of this dissertation follows the positive field.

In its basic form, the theory can be defined like so: An agent (e.g. the manager of a company) is working on behalf of a principal (the shareholders of a company). As the principals usually have little detailed information on how the firm is being operated on a day-to-day basis, they depend on the activities, efforts and achievements of the agent (Mansfield & Yohe, 2004; Kuhn, 2008). When agents do not own all of a firm, there is a separation of ownership and control (LeRoy Miller, 2007). Hence, the principal pays to the agent a compensation for his efforts if he is successful and acts in the principal's interests. If an agent acts in the best possible way on behalf of the principal without any supervision and by this achieves the objective(s) of the principal, it is called an efficient principal-agent relationship (Bowie & Freeman, 1992). However, such kinds of efficient relationships do not come from nothing. Pratt and Zeckhauser (1991) highlight, that "*(...) we cannot expect any business enterprise or business institution to function as well as it would if all information are costlessly shared or if the incentives of principal and agent(s) could costlessly aligned*".

Based on so-called information asymmetries, three agency problems arise, namely 'hidden action', 'hidden information' and 'hidden characteristics' (Picot, 1991). Hidden action rests on the assumption that the principal can not control the agent properly and due to the fact that he sees only results, it is difficult to judge if the decisions made by the agents are best for the principal. Hidden information results from the fact that the principal can not interpret the actions undertaken by the agent properly, e.g., due to missing knowledge. Hidden characteristics contain problems of the principal in the selection of the right agent. The costs resulting from the problems mentioned above, respectively, from the difference between the perfect and the real cooperation, are defined as 'agency-costs' (Brealey et al.

2010). Hence, within the design of a principal-agent relationship, by selecting from the choice of possible settings, the main objective has to be the minimisation of the arising agency costs.

As the delegation of decision making authority from the principal to the agent is part of today's business life, the Principal-Agent theory has a wide area of application and can in general also be used as an explanatory approach with regard to the Strategy', 'Transformation and 'Operation' phase of the Four-Phase-Model. However, due to the simplicity and wide area of application of the approach, it can also be criticised as not being precise enough, which could lead to problems in identifying the agency costs, i.e., a detachment from reality. It needs to also be criticised that the Principal-Agent Theory focuses in a static way on the opportunistic behaviour of the agent, but in a countermove, not on the opportunistic behaviour of the principal. Furthermore, a pure and non-constraining opportunistic behaviour might only rarely be found in practice. Under consideration of the criticism provided and even though the Principal-Agent Theory has some weaknesses and can not explain the shared service approach exclusively, the theory is selected as an explanatory approach in order to examine important variables in the 'Organisation' and 'Transformation' phase.

4.1.5. Strategic Management and Organisational Behaviour

Strategic management has the objective to ensure the long-term survival of an organisation. In order to do so, strategic management has to identify, develop and sustain success potentials (Götze & Mikus, 1999). Organisational Behaviour can be defined as the study and understanding of individual and group behaviour and patterns of structure in order to help improve organisational performance and effectiveness (Mullins, 2007). As can be taken from the definition above, both research areas have the objective to increase organisational effectiveness and efficiencies. Due to the latter, they offer different approaches and concepts to take make or buy decisions from a strategic perspective. Under consideration of shared services, key approaches are those that focus on inter-organisational relations, such as the resource-based view and the network approach.

4.1.5.1. Resource-Based View

Following Mintzberg et al. (2005), Wernerfelt gave the Resource-Based View its name as a result of his article from 1984: *A Resource-based View on the Firm*. He describes organisations as a bundle of resources that are unique and difficult to copy. Ghemawat and Pisano (1997) define such unique resources as the crown jewels of an organisation because they are intrinsically inimitable, meaning that imitation is infinitely costly. Grant (2010) points out, that in times when the external environment is in a state of flux, the firm itself, in terms of its bundle of resources and capabilities, may be a much more stable basis on which to define its identity.

According to the Resource-Based View, competitive advantage can be attributed to the ownership of a valuable resource that enables an organisation to perform activities better or cheaper than competitors. Due to the latter, superior performance can be based on developing a distinct set of resources and deploying them in a well-conceived strategy (Collis & Montgomery, 1995). Hence, the elementary research units are the resources available within an organisation. Barney (1991) defines resources as "*all assets, capabilities, organisational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness.*"

By interpreting the organisations internal resources as a prerequisite for sustainable success, clear requirements concerning resources can be derived. However, even among the ambassadors of the Resource-Based View, disagreement exists regarding the categorisation of the resources available to an organisation (see Barney, 1991 versus Grant, 2010). Problems concerning the operationalisation analogue to the Transaction Cost Theory exist regarding the selection and the value of the criteria used to identify promising resources. Furthermore, there is the danger of focusing too much on the organisational internal perspective. Finally, possible strategic changes based on management or organisational decisions, resulting from changes or risks from the market side, are disregarded.

Besides the criticism, the Resource-Based View provides an explanatory approach for the 'Strategy' phase of the Four-Phase Model as well as for the 'Operation' phase.

4.1.5.2. Network Model

As organisations extended their relationships among themselves (horizontal and vertical integration), researchers took notice and a network approach was developed at the Swedish University of Uppsala in the mid 1970^s (Hakansson & Snehota, 1989). According to Sydow (1992) a network can be described as an organisational approach of economic activities that aim to achieve competitive advantages and are characterised by complex-reciprocal, more - cooperative than competitive - relatively stable connections between legally independent, but connected and related organisations. Network forms are found both inside an organisation and across sets of companies, as Herber et al. (2000) pointed out. Recalling the definition of shared services at the beginning, stating "*(...) a new, semi-autonomous business unit (...)*" that delivers "*(...) service for the internal customer of the parent company (...)*", it can be deduced that a shared service organisation could be classified as an organisation operating within a network model. In internal network organisations, the headquarters sets the standards, but is hardly or not at all concerned with the day-to-day operations of the unit (Herber et al. 2000).

The network approach seems to be a good explanatory approach for the 'Operation' phase of the Four-Phase Model. The interaction between the legally independent entities seems to be the conceptual element of the network model and forms the basis for the development and the smooth running of the parent and the shared service organisation. All activities in the shared service organisation are based on the inter-dependability of the organisations within the network and are performed in order to increase the profitability, respectively, the competitiveness, of the parent organisation.

4.1.6. Summary

The different theories, approaches, concepts and models that have been presented 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 selected explanatory theoretical approaches are summarized and illustrated in the following:

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.

Resource Based View

Resource Based View

Property Right Theory

Network Model

Principal Agent Theory

Transaction Cost Theory

Transaction Cost Theory

Strategy → Organisation → Transformation → Operation
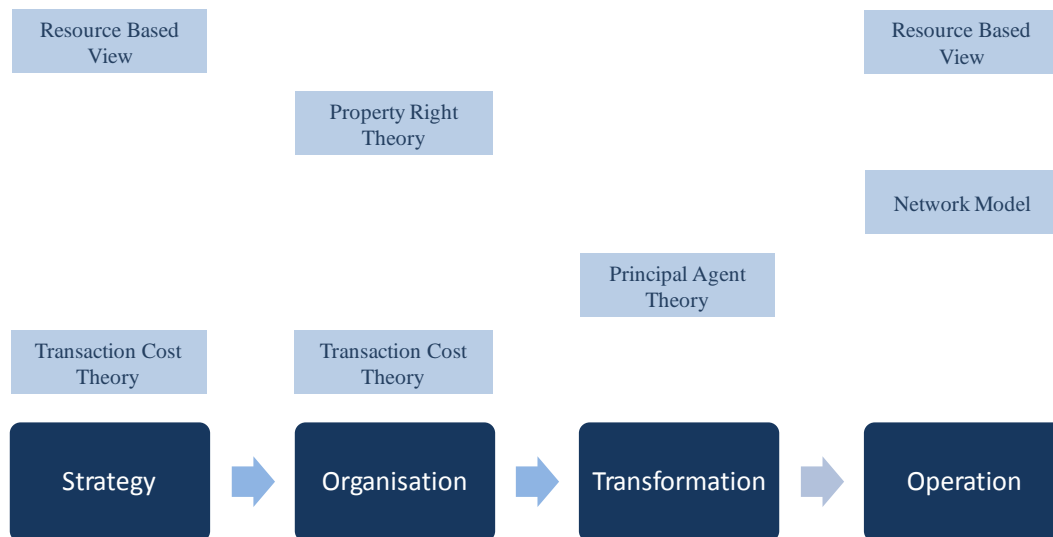
Figure 14: Theoretical foundation of the Four-Phase-Model – Overview[22]

4.2. Derivation of Hypotheses from the Selected Theories

In this part of the dissertation, the theories will be further analysed in order to identify specific characteristics that are suited for the explanation of the causal connections, which occur during the implementation and operation of shared services. The derived hypothesis will be subject of the empirical research, where they will be tested against the social reality.

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[22] Own illustration

4.2.1. Property Right Theory

Following the fundamental works of Coase (1960), Alchian (1965) and Demsetz (1967) concerning the property rights theory, the ownership and proprietorship of a good is bound to multiple utilization and property rights. An organisation or company can in turn be characterized as being made up of a variety of property assets and resources.

The property rights theory distinguishes four types of property rights: the right of proprietor / ownership (usus), the right to keep the earning of a property (usus fructus), the right to change a property (abusus) and the right to liquidate a property (Furubotn & Pejovich, 1974). These four different types of property rights can influence the efficiency of goods and services, depending on their specification.

The scientific community disagrees on the degree determining the transfer of property rights. One group specifies vertical integration only when the direct property rights and the control over the property are transferred in one instance. Another group specifies the transfer already when the property is only partially relocated or can mutually be used on the grounds of a written agreement (Mahoney, 1992; Tirole, 1988).

4.2.1.1. Influence of the Property Right Theory on the 'Organisation' Phase

Basically, the trading of property rights of organisations do not differ from the trading of goods of individuals on the free market (Alchian & Demsetz, 1972; Alchian, 1984). However, in contrast to the trade of goods, the allocation of property rights takes places by means of corporate governance, meaning the internal legal structure of a company in the form of a constitutional, corporate contract (Picot, Dietl & Franck, 2012). Following Malik (2008), corporate governance represents the existential and constitutive controls for functioning organisations, signifying its architectural and functional principals, like the constitutional act of a country.

An organisational integration of previously centralized, decentralized or even outsourced functions into a shared service organisation normally results in a change of the production process (workflow) and the organisational structure (Perry, 1989). A legal integration of previously centralized, decentralized or even outsourced functions into a shared service

organisation, in contrast, results in a change of proprietorship, as those goods and services are now produced by the shared service organisation.

According to Bergeron (2003), the major distinction between a consolidated and centralized back-office function and a shared service organisation is that the focus of the shared service organisation is strictly on the delivery of services, without any policing or governance by the employees of the parent company.

Following the argumentation of the previous two paragraphs, the following hypothesis can be derived:

Hypothesis: **[01] Hyp^{PropRi1}**

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.

Wolff (1995) emphasises that the basic assumption of the property rights theory is that the benefit of the efficient utilization of a good increases the more completely the rights and the property of a good are assigned to a single instance. Hence, with regard to governance, the following hypothesis can be derived from the latter:

Hypothesis: **[02] Hyp^{PropRi2}**

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.

4.2.2. Transaction Cost Theory

Which organisational form (centralisation, decentralisation, shared services, outsourcing) is the most efficient? Cost considerations are of special importance in business life and ex-ante and ex-post production and transaction costs determine which institutional arrangement is more efficient. The level of production and transaction costs is of particular importance for a decision concerning / towards shared services.

4.2.2.1. Influence of the Transaction Cost Theory on the 'Strategy' and 'Operation' Phase

The main objective of any 'make-or-buy' is the reduction, respectively, the minimisation of transaction (planning, adaptation and monitoring) and production costs. According to the Transaction Cost Theory, a transaction should be performed within an organisation as long as the comparative transaction and production costs are lower compared to the provision by an external supplier. Based on this argumentation, the following hypotheses have been derived:

Hypothesis: **[03] Hyp$^{\text{TransCo}}$**

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: **[04] Hyp$^{\text{ProdCosts}}$**

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.

Factor specificity is a term frequently used in the context of investments, referring to goods or services that are tailored to the requirements of a transaction partner. Such goods or services can only be used and exploited of there total potential for that specific transaction. Following Williamson (1990) and Picot (2005), transaction specific investments can be differentiated into material (location and capital equipment) and immaterial (human resources) assets.

- Site specificity: Investments in specific locations
- Physical asset specificity: Investments in specific machineries and/or technologies
- Human asset specificity: Investments in human resources
- Dedicated assets: Investments in specialised know-how and qualifications

The more specific the good or service, the more limited the application area of the material or immaterial assets and the more likely is an in-house preparation of the good or service. Under consideration of shared service, the physical asset specificity can be neglected as services are provided. Furthermore, considering the globalisation and the technological

possibilities in terms of connectivity, site specificity can also be neglected, leading to a focus on the human asset specificity.

Transaction specific investments are another variable with regard to the re-location of administrative and support functions into a shared service organisation. From a strategic perspective it is important to which extent the immaterial assets can generate an added value in- and/or outside an organisation. In connection with the discussion above, the skills, abilities and the know how of the human resources are classified as transaction specific.

Hypothesis: **[05] Hyp^{FactSpec}**

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

The frequency of service provision also influences production and transaction costs. If business processes are frequently transferred to a shared service organisation, the mother company gains learning effects and economies of scale. Furthermore, learning effects in turn reduce the average costs per transaction.

Hypothesis: **[06] Hyp^{Frequ}**

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

4.2.2.1. Influence of the Transaction Cost Theory on the 'Organisation' Phase

Following Dillmann (1996), the specificity of services is similar to the degree of standardisation. Routine activities with clearly defined performance objectives and results can be given to a shared service organisation or outsourcing provider without generating a negative effect on the organisation's own competitive advantage. Hence, the provision of services by means of a shared service organisation has advantages for the structural design, i.e., the internal organisation, can lead to a scale effect, release the management from non-value adding activities and offer simplified management and control of the services. Hence, the high specificity of a service reasons a high degree of standardisation. In placing the standardisation in relation to the structural complexity of the installation of a shared service organisation, it can be concluded that a high standardisation of process leads to lower structural complexity.

Hypothesis: **[07] Hyp^{Stand}**

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

According to Williamson (1983), uncertainty can be divided into behavioural uncertainty and environmental uncertainty.

Behavioural uncertainty	**Environmental uncertainty**
Behavioural uncertainty results from the limited rationality and opportunistic behaviour of those involved.	Environmental uncertainty results from the deficit in information concerning changes in the environment. The attempt to consider parts of the environmental uncertainty within a contract increases the costs. The higher the environmental uncertainties, the higher the costs.
With regard to a transaction partner, the behavioural uncertainty can be differentiated into adverse selection (if and how he can meet his obligations, moral hazard) if he wants to fulfil his obligations and uncertainty with regard to objective criteria for the measurement (if the obligation had been fulfilled).	Ex-post costs: If not all eventualities are considered within the contract, re-negotiations and contractual adaptations might be necessary.
Hence, contracts between parties and business process requirements can only partially be specified.	Ex-ante costs: Increasing environmental uncertainty leads to information, negotiation, conflict and contractual costs.

Table 7: Differentiation of behavioural and environmental uncertainties

Both behavioural and environmental uncertainty influence the degree of shared service application within the organisational phase.

Hypothesis: **[08] Hyp^{Uncert}**

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

The higher the behavioural and environmental uncertainty, the higher the transaction costs. If a transaction is less specific, uncertainty and opportunism are not or are only slightly influencing the transaction costs. The production costs are, according to Kieser and Walgenbach (2010), not influenced by the uncertainties.

4.2.3. Principal Agent Theory

Kralj (2004) summarizes the characteristics of the Principal-Agent Theory and reflects on the critical parameters under consideration of the behaviours of the principal and agent while also considering their interpretation and understanding of the principal agent relation:

■ The welfare of the principal depends on the positive as well as the negative activities and decisions of the agent

■ Activities are based on the rational utility maximization of principal and agent

■ Considering the different utility functions, the principal and the agent have different attitudes concerning the targets

■ There are information asymmetries between the principal and the agent, as the agent has an information advantage against the principal, based on his activities, efforts and knowledge

■ The evaluation of the agent by the principal involves costs for controlling, which reduce his utility function. If the principal does not take this effort, the agent can utilize additional advantages, like increased decision making power and scope of action.

According to Paulitschek (2009), additional characteristics of the Principal-Agent Theory include that there are different interests, as some persons are willing to take risks, whereas others are risk-adverse or risk neutral. Also, the agent might try to keep the status-quo in order to avoid changes. Likewise, the agent might try to keep the workload for him or herself as low as possible, meanwhile trying to increase self remuneration. In contrast, the principal seeks to motivate the agent in order to gain better results, while not having to share too much of the success with the agent.

4.2.3.1. Influence of the Principal Agent Theory on the 'Transformation' Phase

In the following, activities of the agent that are not in line with those of the principal are described as dysfunctional behaviour. Following Soobaroyen (2006), dysfunctional behaviours include managerial short-term orientation, budgetary slack, manipulation of performance measures, behaviours of gaming and information manipulation. Such behaviours can take place in all phases of the Four-Phase-Model and either negatively influence the shared service project or slowdown the implementation and success of the project, mainly during the implementation of shared services in the 'Transformation Phase'.

Hypothesis: **[09] Hyp^{DysBe}**

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

Following Ashwin (2009), information asymmetries are often seen as being the main cause for many agency problems. According to Henrich (2011), communication can be seen as one possibility to ensure the equalisation of information asymmetries and the flow of information between the principal and the agent (vice versa). Furthermore, communication can help to understand the interests and values of the counterpart, which can support the reaching of an interpersonal consensus.

The agency problem can be put down to the operative level where employees (agents) are resistant to changes opposed by the management (principals). Also, here information asymmetries play an important role and can be counterbalanced by communications.

Especially during the transformation phase, where the main changes take place and are implemented, open communication is a crucial element in any change management. According to Carnall (2007), many studies show that managers prefer informal and verbal communication and spend approximately 45% of their time communicating outside the formal authority structure. Kotter already highlighted in 1996 that messages from the management should be repeated, repeated and repeated, which can be confirmed by the recent study of Neeley and Leonardi (2011). Luecke (2003) highlights eleven elements of an effective change communication that could help to overcome information asymmetries: 1) specifying the nature of the change, 2) explaining the reasons, 3) explaining the scope of change, 4) delivering an understandable picture of the future, 5) predicting negative aspects of the implementation, 6) highlighting criteria for success, 7) explaining the reward system, 8) repeatedly communicating the change purpose and the planned activities, 9) preparing a communication plan, 10) making communication a two-way proposition and 11) walking the talk and sending consistent messages, including body language.

Hypothesis: **[10] Hyp^{InAsCM}**

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

Watzlawick et al. (2011) interpret interpersonal communication as the basis for the development of social relations between individuals. Furthermore, communication can be understood as a process through which a task-oriented understanding can be reached. The formal, contractual stipulation of the information flow between the parent company and the shared service organisation, their content, design and form are the subject of the following hypothesis:

Hypothesis: **[11] Hyp^{InAsCo1}**

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.

The interpersonal relations between the communication partners have a significant influence on the quality of communication (Hollenstein, 2011). Based on the works of Watzlawick et al. (2011) and Schulz von Thun (2011), discussing the development of communication and its behaviour related influences, the aspect of the personal relationship between those interacting in a shared service organisation and those in the parent company can be analysed:

Hypothesis: **[12] Hyp^{InAsCo2}**

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.

Furthermore, the standardisation and steering of communication can be evaluated. By applying certain processes and models, the influence of interpersonal and emotional levels can be reduced, leading to communication on a purely objective level.

Hypothesis: **[13] Hyp^{InAsCo3}**

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.

4.2.4. Resource-Based View

The Resource-Based View provides a starting point on how and why organisations differ, which can be linked to the general decisions concerning the internal organisational structure in terms of centralization, decentralization, shared services and/or outsourcing. Following the Resource-Based View, differences between organisations can be derived from the internal, organisation specific configuration of the specific resources and abilities (Prahalad & Hamel, 1990).

Resources can be classified into physical resources (e.g. machineries, location, etc.), financial resources (e.g. internal or external financial resources), intangible resources (e.g. patents and rights) and organisational resources (e.g. internal planning, controlling and management system). Also, resources can be differentiated into knowledge and property based resources (Barney, 1991).

Following the Resource-Based View, the existence and configuration of these resources enables organisations to establish specific competitive strategies, leading to sustainable success. Following Pahalad and Hamel (1990), a sustainable and long-lasting competitive position can be achieved by focusing on the core competencies of an organisation. Core competences in this regard represent specific resources, which are difficult to imitate, and that grant to the organisation a competitive advantage due to its combination and configuration.

A prerequisite for the creation of success potentials are the following criteria:
- Scarceness for other market participants
- Difficult to imitate
- Difficult to substitute with other resources
- Transferability to innovative products and markets

4.2.4.1. Influence of the Resource-Based View on the 'Strategy' Phase

According to Prahalad and Hamel (1990), the focus on the core competencies of an organisation leads, in turn, to a readjustment of the market and competitive environment and a different utilisation of internal resources. Dibbern, Güttler and Heinzl (2001) argue that from a strategic perspective, less important resources and abilities of an organisation are

consolidated within a new environment, based on the technological advancements of the previous years. In the shared service literature, it can be found that especially processes that are non-core are re-directed into a shared service organisation.

Hypothesis: **[14] Hyp^{Strat1}**

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

The first phase of the Four-Phase-Model is dedicated to the selection of the right strategic approach concerning the configuration of the business processes. According to Hendrix, Abendroth and Wachtler (2003), the manifold strategies can be summarised into two general motives and directions: the expansion and the relieve strategy. In an expansion strategy, the organisation focuses on its strategic growth and value adding activities. In contrast, a relive strategy concentrates on cost reductions and risk relocations. Hence, the following hypothesis can be derived:

Hypothesis: **[15] Hyp^{Strat2}**

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

Hypothesis: **[16] Hyp^{Operat}**

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

According to the Resource-Based View, the resources of an organisation are the foundation for achieving a competitive advantage. As mentioned above, resources can be differentiated into knowledge and property based resources. Knowledge based resources are comprised of employees and their knowledge and behaviour within the organisation. Property based resources comprise the tangible resources specified above, like assets andfinancial resources. If these resources meet the criteria mentioned above, they are presenting organisational value and a competitive advantage.

The differentiation of resources into knowledge and property based can be combined with the expansion and relive strategy, as they are pursuing different objectives. For example, a

property based resource - like machinery or the human resources of an organisation - being relocated to a shared service organisation most likely has the objective to reduce costs (relieve strategy). If by utilising a shared service organisation, specific expert know-how, better innovative capabilities or higher quality is achieved, it can be assumed that an expansion strategy is underlying.

Hypothesis: **[17] Hyp^{Knowl}**

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: **[18] Hyp^{Property}**

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

4.2.4.2. Influence of the Resource-Based View on the 'Operation' Phase

Under the assumption that the market is not able to deliver, respectively, to copy the resources existing within an organisation, the Resource-Based View argues that organisations themselves can develop the resources needed to gain a competitive and advantageous market position. However, the market can also develop specific resources that the organisation can utilise complementary. Hence, in the moment when an organisation can not itself develop the resources necessary, it can use those from the market. Under consideration of the term 'service' in shared services, it is assumed that the customer (parent company) is more satisfied when the shared service organisation generates more resources and at a higher quality.

Hypothesis: **[19] Hyp^{Ability}**

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

Hypothesis: **[20] Hyp^{ResAdv}**

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.

4.2.5. Network Model

The Network Model views organisations from the perspective of social networks. Specifically, this view defocuses from the single organisation itself towards organisations being part of a strategic collective (Duschek, 2001). The network approach seems to be a good explanatory approach for the 'Operation' phase of the Four-Phase-Model with regard to the research question 'How should shared service organisations be managed and controlled?'

The interaction between the legally independent entities seems to be the conceptual element of the network model and forms the basis for the development and the smooth running of the parent and the shared service organisation.

The classical boundaries of organisations, defined by administrative regulations, property on assets, the belonging of employees and organisational structures and hierarchies, are breaking up towards symbiotic connections and inter-organisational relations with external partners (Klein,1995; Kern, 1990). Competencies of organisations are shared with other organisations by means of contracts, like in strategic partnerships or joint ventures. In its essence, the network models views an organisation as a system of core competencies and strategic alliances or co-operations. The network model itself can be viewed as a hybrid organisational form, aiming to achieve competitive advantages by combining the core competencies and resources with those of other organisations.

According to Sydow (1992) as well as Moldaschl and Sauer (1998), the term network is not properly and unitarily defined, but can be characterised by spontaneity and informality, a high degree of communication and flexibility and a low degree of central coordination of the network members. Hence, a complex and cooperative behaviour of the legally and economically independent organisations can be characterised as typical for the network model. From the latter it can be deduced that network members search for mechanisms and incentive systems that ensure the mutual and joint action of the members in the long run, as factors, like power, trust and control, can not completely be considered within contracts.

4.2.5.1. Influence of the Network Model on the 'Operation' Phase

The steering and control of a shared service organisation is influenced by the incentive system, the requirements and mechanisms for adaptation and the information politics between the parent company and the shared service unit (vice versa). Establishing incentive systems can heavily involve the business partners and, as Bruch (1998) mentions, also be an indicator for success. Also, all partners involved within such a network have to support the adaptation of processes and procedures in order to reduce transaction and adaptation costs.

Hypothesis: **[21] Hyp^{Inc}**

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.

Open, honest and prompt communication can be a guarantor for the success of a shared service project and reduce costs for steering and control, as the shared service organisation can better generate the necessary know-how and understanding on the needs of the parent company.

Hypothesis: **[22] Hyp^{Info}**

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

If the power is equally distributed between the shared service organisation and the parent company, the available resources, competencies and mutual consensus regulate the network. If the power is unequally distributed, there is the latent risk of conflicts, leading to transaction costs, which should be avoided by means of a service level agreement. As there is always the direct influence of the parent company on the shared service organisation, and because cooperation can be characterised by mutual objectives, common management and fairness and trust, the following hypothesis can be derived:

Hypothesis: **[23] Hyp^{Power}**

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

Trust is an important and essential element within the network model and also essential for the relation between the shared service organisation and parent company, as it reduces complexity and prevents uncertainty. Trust in the ability of the shared service organisation can be one alternative to excessive contracts and service level agreements. Trust in the goodwill, abilities, professionalism and know-how of the partner avoids, respectively, reduces, uncertainties. When there is mistrust, the necessity for control mechanisms is high. Trust reduces this necessity and prepares the ground for an open dialogue between the parent company and the shared service organisation. Also, the shared service organisation will be keen on acknowledging and confirming the trust. If the trust is not misused, the shared service organisation establishes its own reputation. Trust in the shared service organisation can be related to the satisfaction of the parent company with the services provided:

Hypothesis: **[24] Hyp**^{TrustSat}
The higher the trust in the abilities of the shared service organisation, the higher the degree of satisfaction in the parent company.

4.3. Impact of the Four-Phase-Model on the Success of Shared Services

Whereas the variables have been derived in the previous paragraphs, the subsequent section is designated to the analysing of those variables that are relevant to the success of a shared service project, especially those variables, which are important to practitioners. 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 impact of each phase of the 4-Phase-Model on the success of the shared service activity will be derived.

4.3.1. Influence from the 'Strategy' Phase

Johnson et al. (2008) define strategy as "the direction and scope of an organisation over the long term, which achieves advantage for the organisation through its configuration of resources within a changing environment and to fulfil stakeholder expectations." Following this definition, a move towards shared services can be classified as a strategic decision. It involves deep intervention into the configuration and set-up of an organisation's support functions and as such can not be turned back easily and quickly. Literature shows that the implementation of shared services lasts up to two years (Dressler, 2007). Hence, shared services are part of corporate strategy in so far as the concept is a new organisational form in which mainly administrative tasks can be performed in a more effective and efficient way.

Whereas the shared service operation itself is not strategic at all, the general decision towards shared services is a strategic decision and should be derived from an organisation's overall strategy (Schulman et al. 1999). As already mentioned above, a decision to implement shared services is a big investment and a change from the traditional organisational forms that can not easily and quickly be discontinued. Following Westerhoff (2006), the strategic objectives, which organisations primarily want to achieve when implementing or associated to shared services, are either cost leadership, quality improvement, risk relocations and/or the wish of an organisation to focus more on its core competences. As already mentioned above, the different objectives pursued by organisations can be aggregated into two general motives and directions: the expansion strategy and the relieve strategy. According to Hendrix, Abendroth and Wachtler (2003), organisations following an expansion strategy tend to focus on strategic growth and value adding activities, like quality improvements, increasing self capabilities for innovation, etc.; whereas organisations following a relieve strategy tend to focus on cost reductions, core competencies, risk relocations, etc.

Even though the scientific society favours and argues heavily with the expansion strategy, the relieve strategy potentially dominates within practice, as Hendrix, Abendroth and Wachtler (2003) determined. In their research in the area of outsourcing, those objectives that can be assigned to the expansion strategy are less important for organisations than those objectives that can be assigned to the relieve strategy. On the basis of the findings

from Hendrix, Abendroth and Wachtler (2003), as well as assuming a similar behavioural pattern for shared services, the following two competing hypotheses can be developed:

Hypothesis: **[25] Hyp^{ExpSt}**

An organisation following an expansion strategy will be more successful with shared services than an organisation following a relieve strategy.

Hypothesis: **[26] Hyp^{RelSt}**

An organisation following a relieve strategy will be more successful with shared services than an organisation following an expansion strategy.

The Transaction Cost Theory identifies which organisational form is most efficient, based on the transaction and production costs. The overall level of the transaction costs in turn depend on the specificity and uncertainty.

The resource based view follows a similar argumentation with the difference that certain activities are forming the core competencies of an organisation based on its unique internal structure and organisation. These core competencies can not be purchased from the market. Hence, high specificity is an indicator that services should be performed within an organisation, as they form part of the core competence, whereas less or medium specific services could be transferred to a shared service organisation. Hence, the following hypothesis can be derived:

Hypothesis: **[27] Hyp^{PrCoSu}**

The lower the transaction and production costs in the shared service organisation, the more likely the success of the shared service organisation.

Hypothesis: **[28] Hyp^{ServSp}**

The less specific the services that should be relocated to a shared service organisation, the more likely the success of the shared service organisation.

4.3.2. Influence from the 'Organisation' Phase

The structural complexity will be determined by the degree of standardisation of the business processes, the level of harmonisation of the technological platform and the general organisation and governance established for the shared service organisation. Furthermore, the level of uncertainty and frequency influence the structural complexity.

Even though the author is not aware of scientific studies concerning structural complexity, the following hypothesis will be created based on the intrinsic logical relationship:

Hypothesis: **[29] Hyp^{Struct}**

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

In order to be successful, a shared service organisation must compete vigorously with outside vendors that perform the same service (IOMA, 2007[2]). As Perez (2008) pointed out, a separate legal entity is especially important when organisations want to act like a business competing in the open market. Kagelmann (2000) mentioned that, in most cases, the organisational form of a private limited company, with the parent company as the main shareholder, is selected for the shared service operations. Due to the latter, the following hypothesis had been developed:

Hypothesis: **[30] Hyp^{LegInd}**

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

4.3.3. Influence from the 'Transformation' Phase

The parent company and the shared service organisation have to work very close together, especially during the transformation phase, when the service level agreement is finalised, the change management strategy starts and the whole rollout of the new processes and systems take place, including the relocation of employees. In this phase, the success of the shared service project heavily depends on the level of dysfunctional behaviour of the employees in both organisations, the change management applied and the communication and

cooperation between the parent company and the shared service organisation. From the latter, the following hypothesis had been derived and will be tested:

Hypothesis: **[31] Hyp^{Coop}**

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

4.3.4. Influence from the 'Operation' Phase

As explained above, the network approach explains the reciprocal relations and dependence of informal soft facts, like power, incentives and trust. Trust especially influences different phases and steps in the 4-Phase-Modell; like within the feasibility study and strategy selection, when it comes to the standardisation and harmonisation of processes as well as during the whole 'transformation' and 'operation' phase. With regard to Sydow (1992), trust plays an important role in social relations within network relations and forms the basis for continuance. Mellewigt (2003) confirms with his research on the management of strategic cooperation, the hypothesis that the personal interaction between cooperation partners being characterised by mutual respect and personal friendship, positively influences the success of a cooperation. Those relations should be transferred to the following hypothesis concerning the success of shared services:

Hypothesis: **[32] Hyp^{SatTrust}**

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.

4.4. Summary of Hypotheses

In discussing the different theoretical concepts that are relevant for the implementation and proper running of shared services as well as elaborating on factors that have an influence on the success of shared services, a number of hypotheses have been derived. Such hypotheses are summarised in the following and form the basis of the empirical study in which they will be verified and confirmed.

Hypothesis: **[01] Hyp^{PropRi1}**

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: **[02] Hyp^{PropRi2}**

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.

Hypothesis: **[03] Hyp^{TransCo}**

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: **[04] Hyp^{ProdCosts}**

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: **[05] Hyp^{FactSpec}**

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

Hypothesis: **[06] Hyp^{Frequ}**

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

Hypothesis: **[07] Hyp^{Stand}**

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

Hypothesis: **[08] Hyp^{Uncert}**

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

Hypothesis: **[09] Hyp^{DysBe}**

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

Hypothesis: **[10] Hyp^{InAsCM}**

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

Hypothesis: **[11] Hyp^{InAsCo1}**

The more detailed the communication and the 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.

Hypothesis: **[12] Hyp^{InAsCo2}**

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 flow of information between the parties.

Hypothesis: **[13] Hyp^{InAsCo3}**

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.

Hypothesis: **[14] Hyp^{Strat1}**

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

Hypothesis: **[15] Hyp^{Strat2}**

The higher the strategic importance of the utilised resources for the business processes, the more likely it is that the organisation will choose an expansion strategy.

Hypothesis: **[16] Hyp^{Operat}**

The more important the operative importance of the utilised resources for the business processes, the more likely it is that the organisation will choose a relieve strategy.

Hypothesis: **[17] Hyp^{Knowl}**

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

Hypothesis: **[18] Hyp^{Property}**

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

Hypothesis: **[19] Hyp^{Ability}**

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

Hypothesis: **[20] Hyp^{ResAdv}**

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

Hypothesis: **[21] Hyp^{Inc}**

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: **[22] Hyp^{Info}**

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

Hypothesis: **[23] Hyp^{Power}**

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

Hypothesis: **[24] Hyp^{TrustSat}**

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

Hypothesis: **[25] Hyp^{ExpSt}**

An organisation following an expansion strategy will be more successful with shared services than an organisation following a relieve strategy.

Hypothesis: **[26] Hyp^{RelSt}**

An organisation following a relieve strategy will be more successful with shared services than an organisation following an expansion strategy.

Hypothesis: **[27] Hyp^{PrCoSu}**

The lower the transaction and production costs in the shared service organisation, the more likely the success of the shared service organisation.

Hypothesis: **[28] Hyp^{ServSp}**

The less specific the services that should be relocated to a shared service organisation, the more likely the success of the shared service organisation.

Hypothesis: **[29] Hyp^{Struct}**

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

Hypothesis: **[30] Hyp^{LegInd}**

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: **[31] Hyp^{Coop}**

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

Hypothesis: **[32] Hyp^{SatTrust}**

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

5. Empirical Study

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 in the previous chapter forms the basis of the alignment of the Four-Phase-Model concept developed in chapter three 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. As the scientific objects of this study, large-scale enterprises, consulting companies and institutions for higher education in Germany have been selected. In the subsequent paragraph, the research design will be described and the results of the evaluation will be explained and illustrated.

5.1. Definition and Motivation of the Research Method

Success factors are variables that influence the success or failure of an enterprise in the long run. Success factor research determines such factors and rests on the assumption that only a few variables decide upon the success outcome (Walter, 2004; Matiaske & Mellewigt 2002). Following Backhaus et al. (2011), the variables and the generated target criteria form causal connections and those variables that influence the Four-Phase-Model for the implementation of shared services and its success in a sustainable way, can be characterised as 'potential success factors'. In the following, for reasons of simplification, only success factors will be used, excluding the endorsement 'potential'.

Hence, the hypotheses with regard to the causal connections and the success of shared services that have been developed in chapter four are tested by using success factor research. Different scientific methods can be used to analyse empirical evidence in an attempt to confirm or disprove a hypothesis. In distinguishing the scientific methodologies according to the way in which data are gathered, the qualitative and a quantitative approach can be differentiated. In the qualitative approach, experts in this specific area are 'directly' asked about their perception with regard to causal connections by means of interviews and statements. In contrast, by using the quantitative approach, information or data are compiled and interpreted by using statistical methods. Following Haenecke (2003), using the quanti-

tative approach has certain prerequisites, which are accommodated in this empirical study as follows:

- Revealing of the causal connections:
  The theoretical foundation and causal relations were revealed and the respective variables identified. Also, the derived hypothesis was theoretically founded. Wherever appropriate, it was reverted to results and theories of existing publications.
- Consideration of quantitative success factors:
  Neither the variables for the interpretation of the conceptual approach, nor the causes for the success of shared services, can always be expressed in quantitative values. Due to this, the quantitative results of this empirical study shall be integrated into the Four-Phase-Model.
- Testing the timely stability:
  Factors for success change due to different micro- and macro-economical influences and the development of an organisation in itself. Due to the latter it is important to verify the different factors and causal connections.
- Objectivity:
  In order to avoid an influence of the survey results, social interactions with participants were minimised by choosing the method of an online survey.

A limited number of professionals active in the area of shared services will be interviewed in order to support the findings resulting from the quantitative approach.

According to Collis and Hussey (2009), exploratory research is converted into a research problem when there are very few or no earlier studies to which can be referred. As outlined in chapter one (1.2.1.), existing studies in the area of shared services are randomised with regard to the shared service concept as a whole as focus was placed on varying specific functions and most are not independent, being that they have been conducted by consulting companies. In chapter four (4.1.6.) it has been demonstrated that none of the theories, approaches, concepts and models can explain shared services in full and that no closed theory for explaining the emergence and existence of shared services is available. In order to formulate the Four-Phase-Model, a variety of theories, approaches and other works in the area of shared services were referred to. Due to the latter, the criteria for choosing an exploratory approach were met.

In summary, a 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.

5.2. Research Design

With reference to Zikmund et al. (2009), the research design includes a detailed, systematic outline of the research methodology. Within the quantitative portion, the explorative research, the process of data gathering and analysis has to be defined. For economic and time reasons, the structured written survey by means of an online questionnaire, supported by the '2ask' Internet platform, was selected. '2ask' supports the preparation of the questionnaire in a professional manner, hosts the website and collects the results, which can be downloaded into MS-Excel or SPSS format. 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 design phase within an empirical research project can be defined as a master plan specifying the methods and procedures for collecting and analysing the needed information (Zikmund et al. 2009). Here, the structured approach with regard to the gathering and analysis of relevant data will be discussed first. In the following sections, the general methodology, the design of the questionnaire and the pre-test will be described. Furthermore, final data acquisition with special focus on the respective population and return ratios will be reported.

5.2.1. Research Approach

The main objective of the empirical study is the evaluation of the hypothesis. By doing so, the causal connections within the Four-Phase-Model will be uncovered and the validity of the concept will be proved or disproved. In addition, success factors for shared service projects will be revealed. After describing the online survey approach, including associated advantages and possible risks of the approach, the general design and structure of the ques-

tionnaire will be given. Also, an evaluation of the questionnaire via a pre-test among specialists and professionals in the area of shared services will be presented. Finally, the additional expert interviews that were conducted in order to support the findings from the empirical study will be elaborated on.

5.2.1.1. Online Survey

For the research section, the method of a written survey by means of an online questionnaire has been chosen. The use of an online questionnaire is a pragmatic approach, in that when comparing it to an interview, the advantages of lower costs and a lower expenditure of time are clear. With regard to Mellewigt (2003), this aspect is of increasing importance, especially when participants are far scattered.

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 - 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.

5.2.1.2. Questionnaire Design

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 Lekert 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. Screenshots of the whole online questionnaire can be found in the appendix.

5.2.1.3. Verification through a Pre-Test

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. An overview of the experts that were consulted can be found in the appendix. 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. Even

though the length of the questionnaire was evaluated with a '4 = good', some comments still recommended a shortening of the questionnaire. As a conclusion, some questions were completely eliminated from the questionnaire and other questions merged. As a result, the number of questions was reduced from 33 to 29 questions.

Different aspects of the questionnaire were evaluated by the participants of the pre-test as follows:
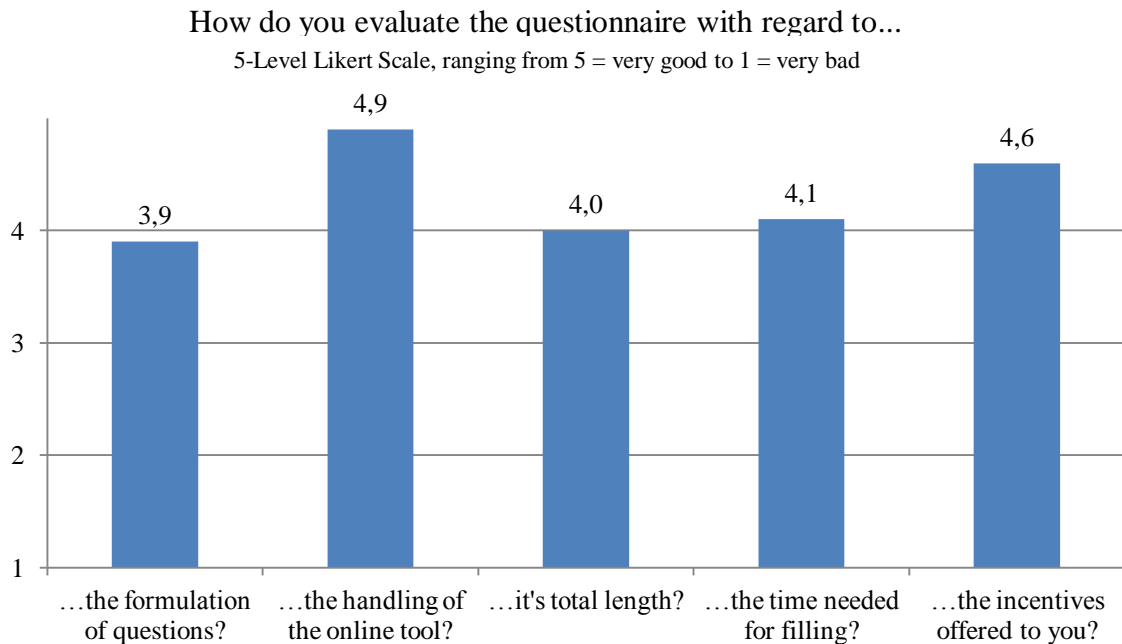
Figure 15: Overview of results pre-test

In total, 30% evaluated the questionnaire as being 'very good' and 70% as being 'good.

5.2.1.4. Expert Interviews

In order to qualitatively support the interpretation of the findings from the empirical study, six interviews with experts and practitioners in the area of shared services took place in Berlin on the occasion of the Econique CFO Dialog 23, on November 5th and 6th.

The interviews were conducted in a semi-structured way, following the general structure of the questionnaire, as outlined under 5.2.1.2., and also in discussing the preliminary results of the survey. In order to completely concentrate on the discussion, the interviews were recorded using the Dictamus' App on an iPad. Later, a transcription was made from the

recordings and sent to the interview partners for corrections, clarification and final approval.

5.2.2. Population

The empirical research focussed on two main target groups: practitioners and researchers in the area of the Federal Republic of Germany. Practitioners consisted of representatives of two sub-groups: 1) large-scale enterprises and 2) consulting companies in the private sector. As the shared service concept is a quite young phenomenon in business practices and science, the group of possible participants had neither been limited to functional areas, nor to branches. The group researchers consisted of professors and teaching staff from institutions of higher education (universities, universities of applied science and universities of cooperative education).

5.2.2.1. Large-scale Enterprises

The limitation of the research to large-scale enterprises in Germany had a variety of reasons. As the structured representation of shared services (2.1.2.) illustrated, shared services are mainly a large-organisational phenomenon (Reilly, 2007). Further, the sample should be distributed among all branches in the private sector in order to derive generally accepted information on the behaviour of enterprises in Germany with regard to shared services. It has to also be assumed that large-scale enterprises have similar available budgets for running shared service projects. Furthermore, large-scale enterprises in the private sector were chosen because within such organisations, the overall size of support functions allow for the gaining of efficiencies and economies of scale. Due to the multinational or even global presence of large-scale enterprises, even off-shoring is a possible option for reducing total costs.

According to Wöhe and Döring (2010), the size of an enterprise can be determined by the number of employees and annual turnover. There is no correlation between these two criteria, as a small number of employees does not necessarily mean a small turnover and vice versa. Due to the latter, both criteria have been used to determine the basic population.

In order to determine the basic population, the 'Amadeus database'[23] Version 7.04 was used with the following search strategy: 1) All active companies and companies with unknown situation; 2) Region: Germany; 3) Category of company size: very large. As a result, the Amadeus database provided an output of 10.644 enterprises. This number was reduced in four steps to 5.766 enterprises:

Step 1: Elimination of enterprises with turnover older than 2010   ./. 2.343

Step 2: Elimination of all enterprises without turnover indication   ./. 1.299

Step 3: Elimination of all enterprises with revenues below € 50 Mio.   ./.   895

Step 4: Elimination of all enterprises from the Public and Non-Profit Sector   ./.   347

The remaining 5.766 enterprises represent an annual turnover of € 4.880 milliards. The sample of the top 500 enterprises represents 8.7% of the number of companies, but with a turnover of € 3.380 milliards, about 69% of the turnover. The detailed list with all companies that were asked to participate can be found in the appendix.

5.2.2.2. Consulting Companies

Consulting companies play an important role in business life. The respective consultants within the companies specialise into certain areas, like shared services. Seven out of the Top 10 and 22 out of the Top 50 Consulting Firms Prestige Ranking 2011 (Vault, 2011) have special programs, consulting specialists and white papers or studies regarding shared services. As has been shown under 1.1.2.2., consulting firms have published a multitude of studies with regard to this area.

Due to the latter, the 25 top consulting companies in Germany, according to the Lünendonk GmbH, were invited to participate in the study. Lünendonk analyses on a yearly basis the leading management consulting firms with regard to their offerings as well as their development in terms of turnover and employees. In addition, consulting companies can hand in a self-assessment on their performance.[24] Hence, under consideration of the findings

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[23] The Amadeus database contains information on around 19 million companies across Europe. The database contains information like Company Name, Place, Country, Turnover, Employees, Stock prices, etc. Detailed information can be found under: https://amadeus.bvdinfo.com/version-20121224/Login.serv?Code=InvalidIpAddress&loginfromcontext=ipaddress&LoginParamsCleared=True&LoginResult=nc&product=amadeusneo&RequestPath=home.serv%3fproduct%3damadeusneo

[24] Detailed information on the Lünendonk Database can be found under:
http://luenendonk.de/category/managementberatung

above, it has been assumed that consulting companies in Germany also have deep insight into the area of shared services and those companies already using the concept.

5.2.2.3. Researchers

Besides the practitioners from 500 large-scale enterprises in Germany and those from the 25 most important consulting companies in Germany, it was decided to also include the area of teaching and research in the study. Compared to practitioners, researchers have access to the most recent publications and scientific discussions, which have occurred amongst students, practitioners and teachers or researchers from other universities. Based on the latter, they might have a different view or insights on the topic of shared services. In order to identify the universities, universities of applied science and universities of cooperative education, the CHE Hochschulranking was referred to. The Center of Higher Education (CHE) in Gütersloh and the Center of Higher Education and Policy Studies (CHEPS) at the university in Twente are leading partners in a project funded by the European Commission. The target of this project is to implement a multi-dimensional and user-driven international ranking of higher education institutions.[25] Based on the German report, the 133 higher education institutions offering courses in business science, business administration and economic science have been filtered out. Via extensive online research utilizing the homepages of the institutions, respective chairs and professorships were identified and asked to participate in the survey.

5.2.3. Return Rate

Due to research specific losses, the basic population with regard to the large-size enterprises reduced from 500 to 426 and with regard to the consulting companies, the basic population reduced from 25 to 21. Further, three institutions of higher education generally claimed not to participate in surveys. The following table highlights the reasons for the different losses:

	Large-size Enterprises	Consulting Companies	Institutions Higher Ed.
Basic Population	500	25	133
- Delivery Failure	5		
- Generally not participating in surveys	53		3
- Not active/experience in that area	16	4	
Reduced Basic Population	426	21	130

Table 8: Basic population

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[25] Detailed information on the CHE Hochschulranking, as well as the ranking itself can be found under: http://www.che-ranking.de/cms/?getObject=2&getLang=de

The main reason for non-participation in the survey was that various companies, as a general rule, do not participate in surveys. In two replies it was highlighted that companies were receiving five to ten surveys per week. Due to such a high volume of requests and under consideration of the associated workload, the general decision was made not to participate in surveys. Sixteen out of the 500 large size-enterprises had no experience in the area of shared services and four out of the 25 consulting companies had also not been active in this area. Under consideration of these enterprises, companies and institutions, which did not reply at all, a total of 109 persons participated in the study, representing an overall return ratio of 18.8%. As in some cases more than one person from a single survey e-mail request participated in the survey and because some enterprises had a holding function and performed services in their shared service centre also for other group companies, participation had to be increased in some areas and decreased in others, leading to a final return ratio of 21.9%. Detailed information can be taken from the table below:

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%
Total	**658**	**577**	**109**	**18,9%**	**127**	**22,0%**

Table 9: Participation

In general, considering the different studies and research papers as highlighted under 1.1.2.2., a return ratio above 15% can be classified as good.

5.3. Evaluation Methodologies

The main target of the finally chosen evaluation methodologies is to identify and apply methods that are appropriate for answering the research questions as indicated in 1.3. Therefore, it is reasonable to evaluate the data in two different steps. First, the data are analysed based on univariate techniques in a descriptive way. In a second step, data are analysed using bivariate techniques in order to test the hypotheses.

5.3.1. Evaluation Methods – Univariate Techniques

Univariate techniques have been used for the descriptive analysis of the data. Essential insights can be gained from single indices and values. Therefore, measured values, indices, percentage values, diagrams and tables will be used. The respective selection depends on the way the questions were measured and in consideration of transparency and visualisation.

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 outliners when the basic population is small, the median was additionally indicated. In order gain deeper insight into the different data structures, nominal-scaled variables will be illustrated by using the absolute and relative frequency. In addition, graphical instruments, like pie charts, point diagrams and bar charts will be applied. Besides indices and diagrams, tables will be used to illustrate complex relations.

5.3.2. Evaluation Methods – Bivariate Techniques

Within this dissertation, bivariate techniques represent the key instrument with regard to the evaluation of the research results. In the following, the operationalisation of the variables as well as the used statistical methodologies will be outlined.

Under consideration of the significance, validity and applicability of economic theories with regard to shared services, a number of theories were selected in chapter 4.1. In chapter 4.2., specific hypotheses with regard to shared services were derived from those theories. As outlined by Bortz and Döring (2006), the operationalisation of such hypothesis defines how they are to be empirically tested. Therefore, indicators are developed and associated to a theoretical idea. In turn, those indicators refer to variables and target criteria. The collection of variables results from single items, which are integrated into indices.

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 independ-

ent variables (Mayer, 2005). Resulting from the latter, the correlation analysis will be used in this paper to test the hypotheses that were developed under 4.2. as well as to test the factors influencing the success of shared services.

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):

Correlation Coefficient (r)	Interpretation
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

Table 10: Interpretation of the Correlation Coefficient (r)

Level of Significance (s)	Interpretation
> 0.05	not significant
< 0.05	significant
< 0.01	highly significant

Table 11: Interpretation of the significance value (s)

5.4. Analysis of Results

From a scientific perspective, as outlined in the introduction, it needs be recognised that a structured, integrated as well as theoretical and empirically founded model for the realisation of shared services does not exist. The present empirical study should close this gap and deficit and provide a statistical basis for the success factors in shared service projects and information concerning shared service projects from the first strategic considerations until a shared service organisation is up and running. The findings from the empirical study will first be presented in a descriptive way before the outline of the results from the test of the hypotheses derived from the economic theories.

5.4.1. Descriptive Analysis

In the following, the most important findings from the empirical study will be presented. The first part of this presentation focuses on the structure of the responders, i.e., the organisations they are working for. Next the general importance of shared services, the frequency and the respective areas in which shared services are used in practice will be out-

lined. Following the sequence of the Four-Phase-Model and the questionnaire, the key findings from the phases of the model will then be presented. Finally, a general and overall evaluation of the shared service concept from the participants will follow. In order not to overload the main body of this dissertation, the illustrations of all questions can be found at the end of the dissertation in Appendix A-09.

5.4.1.1. Structure of the Responders

The structure of the responders is divided into three categories: large-scale enterprises, consulting companies and representatives from institutions for higher education.

a) Large-scale enterprises

Fifty-five persons from the category 'Large-scale enterprises' participated in the survey. As some of the participants answered from a headquarters with a holding function in which services were also performed for other group companies, the number of participants was increased to a total of 79 participants, representing a return ration of 18.5%.

With regard to the position held by the participants within the organisation they work for, the largest group with 44% is represented by Team or Project Managers. This group is followed by Heads of Department with 36% and employees within shared service organisations with 11%. Nine per cent of the participants hold various other functions. From the top management of the organisations, meaning members of the board, respectively, from the general management, there were no participants. As the following table shows, 91% of the participants belonged to the target groups of this survey.

Position within the Organisation	Frequency	Percentage	Acc. Percentage
Board Members, Managing Directors	0	0%	0%
Heads of Department	20	36%	36%
Team- or Project Managers	24	44%	80%
Employees within Shared Service Centres	6	11%	91%
Other Functions	5	9%	100%
Total	55	100%	

Table 12: Large-scale enterprises – Position within the organisation

Whereas the number of direct participants is 79 - representing 18.5% of the basic population - in relation to sales, the return ratio looks differently. The turnover of the 426 large-

size enterprises in Germany - representing the total population - amount to € 2,786 milliards. As the turnover of the participating organisations amounts to € 1,330 milliards, in relation to turnover, the return ratio amounts to 47.7%. Looking at the table below makes obvious that the huge majority of participants (89.0%) came from the group of companies with a turnover of over € 1,0 milliard.

Turnover in Euro	Frequency	Percentage	Acc. Percentage
€ 50 - € 99 Mio.	2	4%	4%
€ 100 - € 499 Mio.	2	4%	7%
€ 500 - € 999 Mio.	2	4%	11%
€ 1.0 Mrd. - € 5.0 Mrd.	16	29%	40%
> 5.0 Mrd.	33	60%	100%
Total	55	100%	

Table 13: Large-scale enterprises – Structure according to turnover in Euro

Also in the category of number of employees, a major portion of participants came from the very large enterprises with over 10,000 employees, representing 73% of the total participants.

Number of Employees	Frequency	Percentage	Acc. Percentage
< 2,000	5	9%	9%
2,000 - 4,999	6	11%	20%
5,000 - 9,999	4	7%	27%
10,000 - 49,999	19	35%	62%
> 50,000	21	38%	100%
Total	55	100%	

Table 14: Large-scale enterprises – Structure according to number of employees

One explanation for this structure of the responders with regard to turnover and the number of employees can be that representatives from nine out of the top 10 largest enterprises in Germany participated in the survey.

b)   Consulting companies

In terms of responders from the Top 25 consulting companies in Germany, quite balanced participation can be reported. Thirty-nine per cent came from the highest hierarchy levels, represented by partners and principals, 28% from the middle hierarchy, represented by senior consultants and 22% from the lower hierarchy, represented by consultants.

Position within the Consulting Company	Frequency	Percentage	Acc. Percentage
Partner	5	28%	28%
Principal	2	11%	39%
Senior Consultant	5	28%	67%
Consultant	4	22%	89%
Other Function	2	11%	100%
Total	18	100%	

Table 15: Consulting companies – Position within the organisation

c) Researchers

Ninety-seven per cent of the participants from the Institution for Higher Education in Germany are professors or hold a chair at a university.

Position within the Institution f. Higher Educ.	Frequency	Percentage	Acc. Percentage
Professors, Lecturers	35	97%	97%
Assistant Professors, Research Assistance	1	3%	100%
PhD Students (internal & external)	0	0%	100%
Other Functions	0	0%	100%
Total	36	100%	

Table 16: Institution for higher education – Position within the organisation

5.4.1.2. General Importance of Shared Services

In the first part of the questionnaire, the participants were asked about the general importance of shared services in today's business practice. Here, questions focussed on the general strategic direction organisations follow when they implement shared services, the general current utilisation as well as the end-to-end processes where shared services are applied within the respective organisations.

a) General strategic direction followed by organisations implementing shared services

One of the first steps towards shared services in any organisation is the respective general strategic decision based on the overall corporate strategy and the organisational objectives derived from the strategy. Referring to the work of Hendrix, Abendroth and Wachtler (2003) and as was outlined in 4.3.1., organisations are deciding to either follow an expansion strategy, or to follow a relive strategy. The participants of the survey were asked about which general strategic direction their organisation is following, e.g., when it came to the

group of consultants and researchers, which general strategic direction organisations are generally following from their experience and perception.

An expansion strategy can be broken down into different subcategories, like the wish to create a new organisational form, the desire to increase organisational flexibility or the wish to improve the quality of the processes to be transferred to a shared service organisation. Seventy-three per cent of the practitioners mentioned that they intend to increase the flexibility of the organisation by pursuing shared services, followed by 67% that intend to improve the process quality. Only 36% of the participating practitioners aim to create a new organisational form by using the shared service concept. Researchers estimate priorities differently based on their experience and perception. They assume that organisations primarily try to improve the quality of the processes (81%) by implementing shared services, followed by an increase of the organisational flexibility. Only one of the researchers assume that organisations want to create a new organisational form.

Compared to the expansion strategy, the relieve strategy focuses on releasing the core business of an organisation from the processes to be transferred to a shared service centre. Eighty-six per cent of the practitioners and 69% of the researchers assume that organisations aim to reduce their costs by implementing shared services. Hence, with regard to the relieve strategy, this sub-target is rated highest by both groups of participants. Allowing the business to focus on its core competences was rated in second place with 70% agreement by the practitioners and 64% of agreement by researchers. Fifty-six per cent of the practitioners, compared to *only* 22% of researchers agreed with the statement that organisations are using shared services in order to reorganise the existing structures.

All together the results tend to favour the relieve strategy, followed by the expansion strategy.

b)   Utilisation of shared services in current business practice

How important is the shared service concept within business practice? According to the practitioners, 64% reported very strong or strongly using of shared services within their organisations. Only 2% reported not at all using shared services and 8% reported a minimal use of shared services. Researchers are more conservative with their estimates. They claim that 19% of the organisations in Germany are not at all or only minimally using

shared services. Also, they assume that only 41% are using shared services very strong or strongly.

Utilisation of Shared Services - Practitioners

2%
8%
23%
26%
41%

- Very strong
- Strong
- Medium
- Low
- Not at all

Utilisation of Shared Services - Researchers

5%
14%
22%
17%
42%
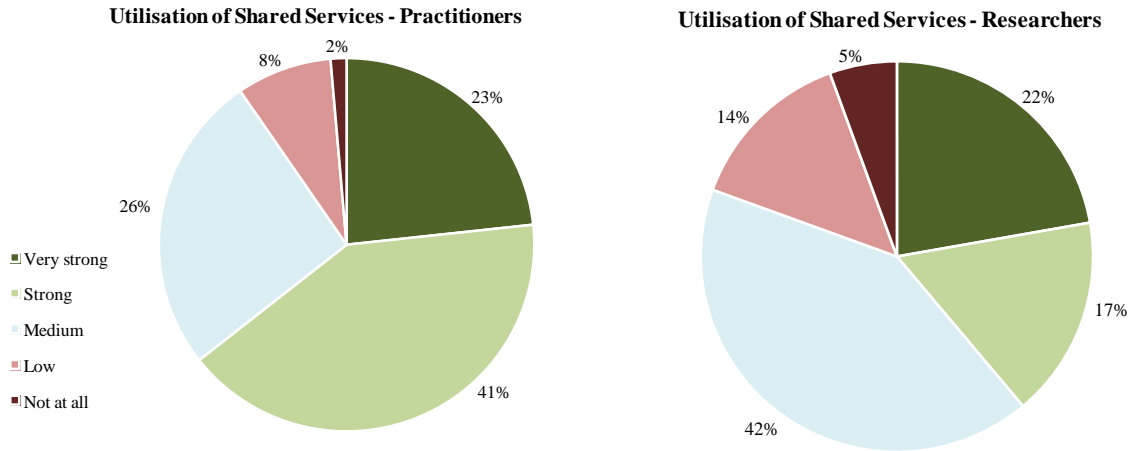
Figure 16: Descriptive strategy – Utilisation of shared services

c) Application of shared services

The shared service concept can be applied in a number of end-to-end processes or even in parts of an end-to-end process. Participants were asked to express those areas in which the shared service concept is applied in practice. Practitioners use the shared service concept in the classical transactional process areas, like the order to cash process (73%), the hire to retire process (66%) and the accounts receivables process (62%). Even with significantly lower results, the same three end-to-end process areas are seen as application areas for shared services by the researchers. Compared to the practitioners, researchers assume that only 31% are using shared services in the procurement to pay area, compared to 52% claimed by the practitioners. A recent study by the APQC[26] revealed that 68% of the respondent member organisations have initiated procurement shared service programs and that 13% plan to initiate such programs (Partida, 2013). Hence, the practitioners' opinion seems to be closer to real-life situations in practice. Shared services can also be applied in other process areas, like IT, fleet management or in maintenance. Researchers assume that 58% of organisations are very strong or strongly using shared services in other areas, compared to only 40% of the practitioners that claimed having transferred other processes to shared services.

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[26] APQC stands for American Productivity and Quality Center, a member based non-profit research organisation (www.apqc.org)

5.4.1.3. Descriptive Analysis: 'Strategy' Phase

In the first phase of the Four-Phase-Model, the general situation of the organisation within its market environment needs to be analysed. Based on this situational analysis, an organisation needs to set general objectives regarding support services. As discussed in 5.4.1.2., objectives in this phase could include reducing costs, improving quality, etc. Based on a feasibility study, the right strategy is selected.

a) Strategic and operative importance

The participants in the survey were asked to evaluate the strategic and operative importance of the processes they are transferring to a shared service centre. By doing so, the participants also revealed if the processes they are transferring are positively contributing to the strategic positioning of the parent company by adding value to the organisation, or not. Both groups of participants assume that business processes transferred to shared services have high operative and low strategic importance for the organisations. However, even though the processes have a predominantly operative importance, 48% of the practitioners and 42% of the researchers assume that the organisation could suffer long-term disadvantages if the shared service organisation were not able to meet its objectives.

b) Transfer of properties

A change in the organisational structure of an organisation frequently results in a transfer of property rights from one area to another (see 4.2.1.1.). The survey participants were asked to what extent knowledge and assets had been transferred to a shared service organisation. The respective illustration in appendix A-09 represents the results to this question with regard to the transfer of knowledge from the parent company to a shared service organisation. Here, practitioners (73%) and researchers (58%) agree that mainly expertise concerning the business processes is transferred to a shared service organisation. Ranked second by the practitioners (49%) is the transfer of technical expertise, which only 19% of the practitioners assume. With 41% of the practitioners and 42% of the researchers, company specific know-how is transferred. Comparatively low is the assumption from both participation groups with regard to the transfer of market specific know-how. Only 14% of the practitioners and 19% of the researchers assume that know-how concerning the market is very high or highly transferred to a shared service organisation.

In terms of assets to be transferred to a shared service organisation, 55% of the practitioners are highly or even very highly transferring human resources to the shared service centre. Also, 44% of the researchers assume that employees are transferred from the parent company to a shared service organisation. All other sub-categories that the participants were asked to evaluate are from the side of the practitioners below 30%, leading to a low or very low transfer. Only the researchers assume with 31% that the parent company is transferring land, building and technical infrastructure to a shared service organisation.

c) Factor specificity

The more a good or service is tailored to the requirements of an organisation, the more likely is preparation of services in-house. In order to identify how specific the services located to a shared service organisation are, the participants of the survey were asked, on the one hand, how far the services located at a shared service centre demand an understanding of the market model, the business processes and the customers of the parent company. The less specific the services, the more likely they are able to be re-located to a shared service organisation. Only 36% of the practitioners and 25% of the researchers assume that the business processes located at a shared service organisation are specific. As a consequence they are not so specific and could even be transferred to an outsourcing company. On the other hand, the survey participants were asked if a re-integration of the employees and the underlying business processes would be difficult if the shared service organisation were to fail. Here, 48% of the practitioners and 44% of the researchers agreed. Under consideration of the low number of practitioners (30%) and researchers (25%), who disagreed, it can be concluded that the outsourcing of services should be carefully analysed in order to avoid problems for the parent company.

d) Competitive advantage

Can the utilisation of shared services even add value to the parent company by increasing its competitiveness? Is it possible that the application of shared services can even be seen as a competitive advantage? One battery of questions focused on this topic and asked the research participants to what extent the advantages and resources resulting from the shared service activities could be utilised as a competitive advantage. The detailed results to this battery of questions can be taken from the respective illustration in the Appendix A-09: Following the results of the practitioners, the process know-how that a shared service organisation develops (75%), the ERP-systems (52%) that are underlying the processes and

the specific know-how (47%) within a shared service organisation can emerge into a competitive advantage for the parent company.

e)   Production costs

If organisations use shared services, one of the objectives is to reduce the costs for the parent company. Resulting from the latter it can be assumed that the lower the costs of the shared service organisation compared to other organisational forms, the more likely a strategic decision towards shared services is made. A majority of researchers and practitioners completely agree or agree to the statements that the total expenses of a shared service organisation are lower compared to other organisational forms and that employees within a shared service organisation can work more efficiently and effectively than in any other organisational form.

f)   Transaction costs

As with the production costs, it is also more likely that a decision towards shared services is made when the transaction costs, meaning the costs for planning, adaptation and monitoring of shared services, were comparatively lower compared to the provision by an external supplier. The results to the respective questions in the survey highlight that the costs for the standardisation of the process landscape, the change management and roll-out, the implementation and organisation of a governance structure as well as the preparatory work to come to the respective strategic decision were evaluated as very high or high. In contrast, the costs for the operation and the steering and control of a shared service organisation were not evaluated as high. Hence, under consideration of the previous paragraph concerning the production costs and in view of the detailed results presented in the appendix it can be concluded that high costs can be expected until a shared service organisation is up and running, whereas the costs for the operation and management of a shared service organisation are comparatively low.

5.4.1.4. Descriptive Analysis: 'Organisation' Phase

Under consideration of the general strategic direction, the factor specificity of the services in question as well as under consideration of the estimated production and transaction costs, a general high level business case was developed. During the organisation phase, this business case is refined and a more detailed blueprint of the possible future organisation is designed as well as a roadmap for the project developed. Further in this phase, decisions

with regard to the governance of the shared service organisation and the scope an extent of process and technological (in terms of ERP-System and other platforms) standardisation and harmonisation are to be made.

a)   Process stability

Are business processes stable in terms of the way in which they are conducted, or do they need to be adopted to the market environment and to external influences - like changes in the legal system, which can have an impact on the way in which the services have to be performed - are important questions to be answered prior to any type of process standardisation. Also, changes as mentioned before can indicate how flexible the chosen technological platform needs to be. Additionally, process stability can refer to possible up- and downturns in the workload, which are an important factors with regard to the scope and extent of standardisation. Descriptive results show that the business process does require continuous learning within the organisation, as organisations are continuously changing due to external requirements or internal demands. However, the results also show that the technological platform does not need to be adapted frequently and that the processes are not so much influenced by changes from the outside or within the organisation. From this it can be derived that organisations face a low uncertainty with regard to process stability in terms of workload and chosen technological platform. Nevertheless, such businesses to be able to adapt easily to changes from within and outside of the organisation and also need to provide mechanisms that ensure continuous learning.

b)   Process standardisation

With regard to the provision of services within a shared service environment, the respective service is frequently combined with the term 'factory'. Hence, terminology includes a payroll-factory, an accounts payable factory, or a payment factory, for example. This term underlies the consideration that support services in an organisation can also be divided into small process steps that can be standardised, like the production of products on an assembly line. To realise this, the processes within an organisation need to be standardised to a large extent. In order to identify the current status of standardisation, the survey participants were asked about the extent of the standardised processes within their organisation, respectively, how researchers assume that the processes are standardised within business practice.

With values on or above 50%, practitioners and researchers claim that the used and available information systems as well as the technical infrastructure in terms of ERP-Systems are very high or even highly standardised. Concerning the business processes in general, 51% of the practitioners compared to 44% of the researchers assume that they are highly or very high standardised. Under consideration of the results shown under point (b) above, this result seems to be coherent. Standardisations with regard to service level agreements and branch specific process standard improvements might be necessary.

c)   Legal independence and integration

How should shared services be organised is another important element to be considered during the organisation phase. Besides a huge variety of hybrid forms, discussions about the organisational structure swing from protagonists - where everything is left in-house and organising shared services is in a central department within the parent company - to protagonists -where a clear separation of the service activities from the parent company is present – took place.
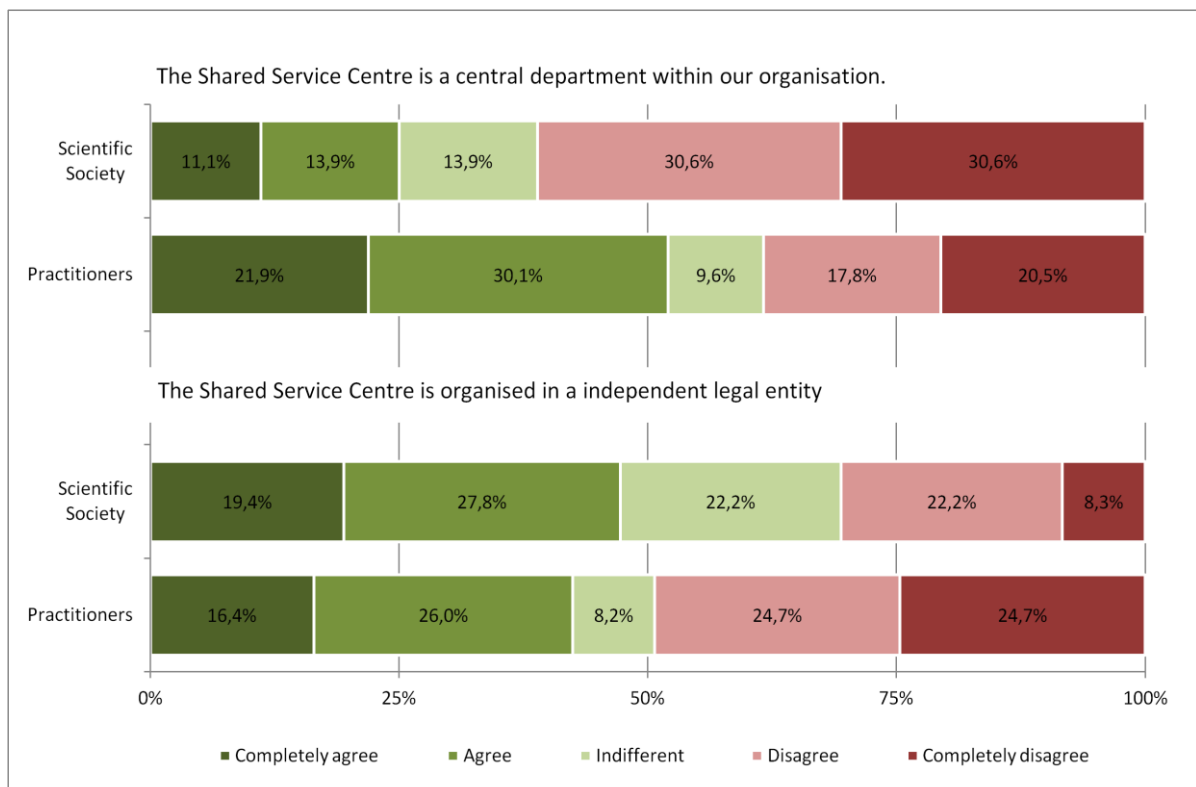
Figure 17: Descriptive strategy – Legal independence

Results to this question show this dilemma. Practitioners are currently predominantly organising within a central department (52% agreement versus 38.2% of disagreement) and not so much in a completely separate legal entity (42.4% of agreement versus 49.4% of disagreement). In contrast, researchers recommend organisation within a completely separate legal entity (47.2% of agreement versus 30.5% of disagreement) and not organisation within a centralised department (25% of agreement versus 61.2% of disagreement).

These results go in line with the question regarding the integration of processes, structures and property rights. Also, 77% of the practitioners claim that the processes are currently strongly integrated (25%) or integrated (52%) within their organisation compared to researchers, out of which 6% assume that processes, structures and property rights are strongly integrated and 47% assuming that they are integrated.
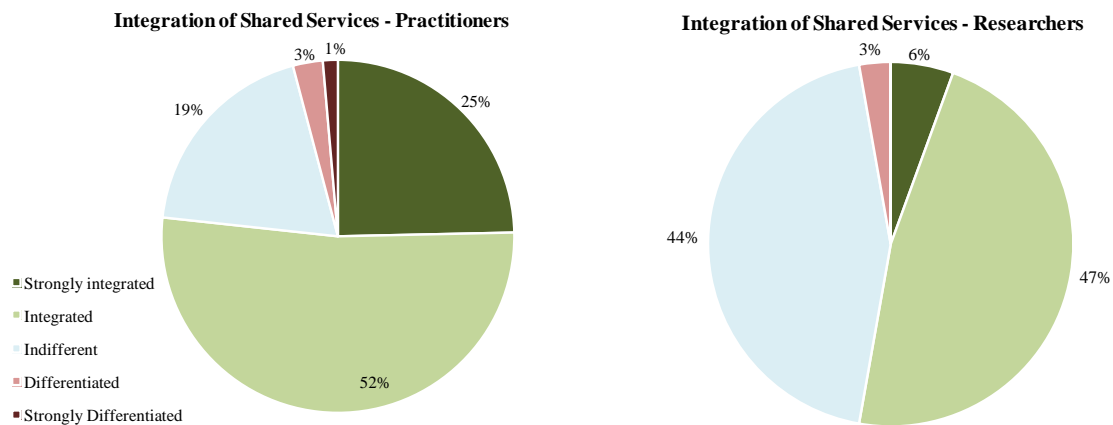
Figure 18: Descriptive strategy – Legal and organisational integration

In contrast to the findings above are the findings to the battery of questions that followed within the questionnaire that asked about the advantages of an independent shared service organisation, separated from the parent company. With results close to or even above 60%, practitioners and researchers claim that a separate legal entity ensures the clear accountability of the shared service management and increases the efficiency of the shared service organisation. Also, 48% of the practitioners and 56% of the researchers agreed that separation facilitates the implementation of a functioning corporate governance structure. Advantages of this organisational form with regard to the quality of the services provided and concerning the possibility that efficiency gains remain within the shared service organisation could not find such high agreement among the participants.

Hence it can be concluded that there is no clear trend with regard to the organisation of shared services. Currently such services seem to be mainly organised in central departments within organisations, whereas researchers assume that they should be organised more in completely separate legal entities. Both groups of participants see advantages resulting from the organisation of shared services within a separate legal entity in terms of the accountability of the management, the efficiency of the shared service organisation and with regard to corporate governance.

5.4.1.5. Descriptive Analysis: 'Transformation' Phase

Within the 'transformation phase', the plans developed in the 'organisation' phase are put into practice. The organisation is transformed from its current stage to a new stage with a shared service organisation having administrative services in its core and providing such services to the parent company, which can in turn focus on its core business. Here, as well as in the focus of this research, change management is of major importance (see 3.2.3.1.).

a)   Dysfunctional behaviours

A dysfunctional behaviour can be defined as "an inappropriate action or response, other than an activity of daily living, in a given social milieu that is a problem for the caregiver" (Molloy, Bédard, Guyatt and Lever, 1997). With regard to shared services, this psychological definition can be transferred into an inappropriate action or response of an employee confronted with or being transferred to a shared service organisation. The survey participants were asked which dysfunctional behaviours they experienced during their shared service project, respectively, when it comes to researchers, which dysfunctional behaviours they assume to take place in practice. Practitioners evaluated highest the protection of the status quo, where 71% of them claimed that it takes place very frequently or frequent. In direct comparison, only 56% of the researchers assume the same. Similar results from practitioners (64%) and researchers (67%) show a so-called 'silo mentality", where people take a look only at their limited area of responsibility and do not take notice of the whole picture. This result goes hand in hand with managerial short-term orientation, which 61% of the researchers assume and 51% of the practitioners recognised during shared service projects. Close to 50% in both categories of participants had been the hiding or refusing information. Only 15% of the practitioners and 25% of the researchers claim that manipulation of performance metrics takes place during shared service projects.

b)   Change Management

The occurrence of dysfunctional behaviours as indicated above can be diluted or even avoided by running a proper change management approach. The participants in the survey were asked to state how frequent they had been using change management instruments. The detailed results can be taken from the graphics in the appendix show that all communication related change management instruments reached results of above 60% by both groups of participants. Only two questions show significantly lower usage. In terms of the open communication of possible negative aspects of the change towards shared services, 45% of practitioners claim to use this instrument very frequent or frequent. The result of the researchers with 58% show that they assume that it should be used more often in practice. Also, both participant groups agree with 38% (Practitioners), respectively 39% (Researches) that the implementation of an incentive system for the successful completion of the project and a smooth transfer of the processes to a shared service organisation is not so frequently used.

c)   Communication and Personal Relations

The flow of communication during a shared service project and also once a share service organisation is up and running is of crucial importance for its success. If communication is bad and leads to intended or unintended misunderstandings, the success of the project can be delayed or even put in danger.

Both participation groups agree that the flow of information between the parent company and the shared service organisation, and of course vice versa, should be stipulated within a written contract, e.g., within the Service Level Agreement. They also agree that such kind of stipulation and agreement positively influences the communication between parent company and shared service organisation. Likewise high agreement rates, above 70%, were found for the questions concerning personnel relations. Good personal relations between those acting in the parent company and the shared service organisation have, according to the responders, a positive influence on communication and improves the quality of interaction. With regard to the tools supporting communication, practitioners agree at over 93% and researchers with 78% that clearly defined processes, models and tools have a high impact on the quality of communication. While there is a general agreement that such tools should be used to achieve a high quality of communication, with regard to the standardisation of such tools, there is disagreement. Seventy-eight per cent of practitioners claim that

standardised processes, models and tools improve the quality of communication, whereas only 39% of the researchers agree to this statement.

As a kind of anchor question with regard to communication, survey participants were asked if they are satisfied with the communication between the shared service centre and the parent company. Here, 45% of the practitioners claimed that they are satisfied or even very satisfied, compared to 61% of the researchers that assume a high satisfaction rate based on their experience and research.

5.4.1.6. Descriptive Analysis: 'Operation' Phase

The final phase of the Four-Phase-Model is the active operation of the shared service organisation in day-to-day business. Besides the flow of information - which has already been touched upon in the previous section on the transition phase - here factors like the overall abilities of the shared service organisation, the distribution of power between the parent company and the shared service organisation and of course the steering and control mechanisms together with the information politics are of importance and need to be considered. Also incentive systems have to be put in place in order to ensure the proper motivation of the people working within and managing the shared service operation.

a)   Abilities

One indicator for the satisfaction of the parent company and of course also for the success of the shared service organisation is its ability to meet the respective targets associated with the concept. Hence, participants were asked in how far their shared services meet the respective criteria, respectively, when it comes to the researchers, how they assume that shared services meet the criteria.

The detailed results as illustrated in Appendix A-09 show high agreement ratios above 50% in nearly all criteria. The highest value was reached at the price and cost reduction potential. Here, 70% of the practitioners claim and 58% of the researchers assume that the shared service organisation is able to meet the corresponding objectives. Only with regard to a short response time can a disagreement be discovered. Only 25% of the researchers assume that shared service organisations are able to have a short response time, compared to 56% of the practitioners, who claim that their shared service organisations are able to act

with a short response time. In conclusion, results show that shared service organisations meet the expectations set.

b) Distribution of power

The distribution of power between the shared service organisation and the parent company was the subject of the next list of questions. Practitioners and researchers mutually agree (75% of agreement each) that the parent company plays an active role in the definition of the objectives of the shared service organisation. On a likewise high level is the overall agreement with regard to the influence of the parent company on the decisions made within a shared service organisation. As a shared service organisation is, according to our definition, a semi-autonomous organisation, these results seem to be concordant to the general theory in this regard. Again, practitioners and researchers agree with only 25% that the parent company is not able to easily decide a back sourcing of processes if the shared service organisation fails.

c) Incentive system

Which mechanisms are helpful and essential for motivating those working in and the management of a shared service organisation? This question was approached from three corners. First, the participants were asked how they evaluate to propose a possible extension of the scope of the shared service organisation, for example, by adding new processes to the organisation, or by enlarging the customer base, etc. Here, 64% of the practitioners and 47% of the researchers agreed. The second point from which incentives were approached was monetary, meaning that the shared service organisation participates in the savings it generates for the parent company. Also with regard to this approach, 63% of the practitioners and 72% of the researchers agreed, that offering such kind of incentive would be very helpful. Finally, the third approach was the rewarding of the shared service organisation if pre-defined quality standards are met. With agreements over 80% from both practitioners and researchers, this approach showed the highest agreement rates.

d) Steering and controlling

Concerning the steering and controlling of the shared service organisation by the parent company, emphasis was placed on the reporting system during the survey.

For nearly all questions, a high agreement above 60% had been identified. As such it can be concluded that a reporting system is of particular importance for the relationship between the shared service organisation and the parent company. As a reporting system that is mutually defined and understood by all parties reduces uncertainty and increases the trust in the partner, this high level of agreement looks consistent. Also a reporting system helps to reduce the demand for steering and control because the parent company is regularly informed of the achievements of the shared service organisation and can easily interfere if necessary.

However, the results also show that in order to implement a reporting system, respectively, tailor it to the demands of the parent company, there is also the need for a transfer of specific know-how and understanding.

A final question of this related to this topic asked the survey participants how they evaluate the relationship between the shared service organisation and the parent company. Seventy-one per cent of the practitioners and 67% of the researchers agree that the relationship is based on mutual respect and trust.

5.4.1.7. Overall Evaluation of the Shared Service Concept

How is the shared service concept generally evaluated by those already using this organisational approach in practice and how is the concept seen by those active in institutions of higher education (referred to as researchers in this paper)? In order to answer this question, three so-called anchor questions were placed at the end of the questionnaire.

Three quarters of the participants agreed that their organisation has gained significant advantages by using the shared service concept. Even though the organisations have obtained such advantages, general satisfaction was evaluated slightly lower with an agreement of 68% from the side practitioners and 56% of agreement by the researchers. Concerning the question of if organisations will increase the usage of shared services in the future, again, high agreement rates were established with 81% from practitioners and 74% from researchers.

Overall, these results as illustrated below provide confidence that the shared service concept is a suitable and important element for organisations to increase their competitiveness

with regard to the support functions. Further, the indication is that this approach will be applied much more in business practice in the future compared to nowadays.
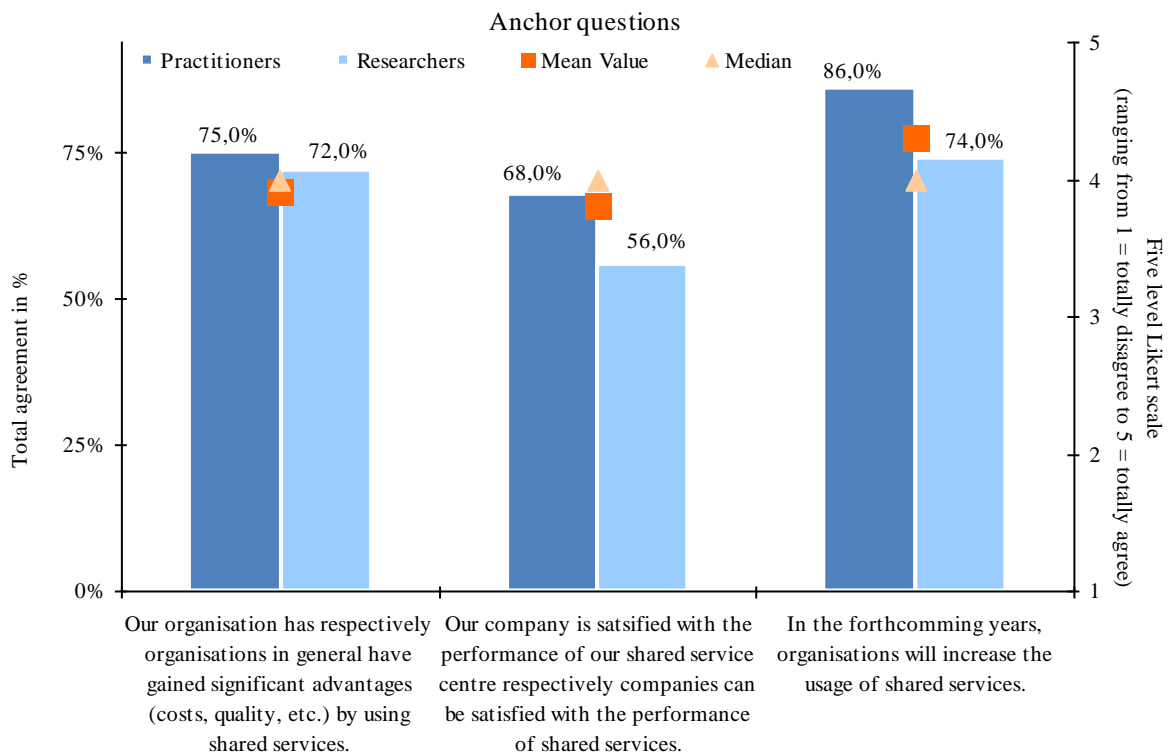
Figure 19: Descriptive strategy – Anchor questions

5.4.2. Examination of Hypothesis

In this part of the dissertation, the hypothesis that was developed under 4.2. will be confronted with the results from the empirical study. Results will be presented according to the phases of the Four-Phase-Model. In the beginning of each paragraph, the research hypothesis together with the underlying research question will be presented. Furthermore, the operationalisation of the hypothesis will be outlined, followed by an elaboration of the research results.

5.4.2.1. Hypothesis: 'Strategy' Phase

The 'strategy' phase of the Four-Phase-Model is concerned with the strategic dimension of an organisation towards the provision of internal support functions and elaborates on the central question of "Which aspects determine how support functions are performed within an organisation?" A general decision towards shared services results in a decision either towards an expansion strategy or towards a relieve strategy (Hendrix, Abendroth &

Wachtler, 2003) as well as with regard to the degree in which the shared service concept should be applied. The respective hypothesis will be presented and discussed in the following:

a) Expansion or Relieve Strategy

Within the theoretical section, different variables were identified, which determine the general strategic direction followed by an organisation with regard to shared services. These variables include the strategic and/or operative importance of the processes as well as the property and/or knowledge based resources to be transferred to shared services. The derived hypotheses are as follows:

Hypothesis: **[15] Hyp^{Strat2}**

The higher the strategic importance of the utilised resources for the business processes, the more likely it is that the organisation will choose an expansion strategy.

Hypothesis: **[16] Hyp^{Operat}**

The more important the operative importance of the utilised resources for the business processes, the more likely it is that the organisation will choose a relieve strategy.

Hypothesis: **[17] Hyp^{Knowl}**

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

Hypothesis: **[18] Hyp^{Property}**

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

In order to operationalise the variables and the target criteria (expansion and/or relieve strategy), respective items were created that were partially aggregated to indices. In order to ensure the validity of the items with regard to the content, the results and the feedback from the pre-test as well as to the design of other studies regarding shared service and the corresponding business and management, scientific literature was referred to.

The *strategic and operative importance* of the processes to be transferred to a shared service organisation are variables. The strategic importance is expressed by the influence of the processes concerning the achievement of the operative objectives an organisation pursues and whether the organisation would suffer significant long-term disadvantages if the shared services were to fail. Concerning the operative importance, the influence on the day-to-day operations was questioned in combination with the conclusion of the analogy that if processes are not important for an organisation in reaching strategic objectives, they must be operatively important.

Item	Variable
q1901	The business processes that are transferred to a shared service organisation are of particular importance to the organisation in reaching its strategic objective.
q1902	If the shared service project were to fail, an organisation would suffer significant long-term disadvantages.
q1903	The business processes to be relocated to a shared service organisation are of particular operative importance for the day-to-day activities of an organisation.

Table 17: Operationalisation of the variable of strategic and operative importance

A five-level Likert scale was used in order to measure the strategic and operative importance, ranging from 1 = *Completely disagree* to 3 = *Indifferent* up to 5 = *Totally agree*.

With regard to *knowledge and property based resources*, survey participants were asked to evaluate to what extent assets are transferred to a shared service organisation. The property based resources referred to the physical and financial resources an organisation is willing to transfer to a shared service organisation. Under physical resources is also the inclusion human resources, respectively, the people that are transferred from the parent company to the shared service organisation. In contrast, knowledge based resources referred to the immaterial and intangible property and resources of the parent company being subject to a transfer. Such intangible property is referred to as the knowledge concerning processes, the company and the market it is operating in as well as concerning the technical infrastructure that is used.

Item	Variable
q2101	Expertise concerning the business processes
q2102	Technical expertise
q2103	Company specific know-how
q2104	Know-how concerning the market
q2105	Land, building and technical infrastructure
q2106	Financial resources
q2107	Trademark and reputation
q2108	Human Resources

Table 18: Operationalisation of the variable of knowledge and property based resources

Item q2101 to q2104 formed and index for knowledge based resources and item q2105 to q2108 formed an index for property-based resources. Participants were asked to evaluate on a five-level Likert scale the degree of transfer, ranging from 1 = *very low*, to 3 = *average*, up to 5 = *very high*.

The target criteria were either the ***expansion or relieve strategy***. The expansion strategy describes a bundle of activities that focus on qualitative improvements, increasing the organisational flexibility and the wish to create a new organisational form. In contrast, the relieve strategy focuses on cost reductions, allows the parent company to concentrate on core competencies and enables the parent company to reorganise existing structures. Based on this differentiation of the two general strategic directions followed by organisations, the participants in the survey were asked to state which of the strategic directions they were following:

Item	Variable
q1301	Creation of a new organisational form
q1302	Increasing the organisational flexibility
q1303	Improving the quality
q1304	Focus on cost reductions
q1305	Concentration on core competencies
q1306	Reorganisation of the existing structures

Table 19: Operationalisation of the target criteria of expansion and relieve strategy

A five level Likert scale ranging from 1 = *Completely disagree*, to 3 = *Indifferent*, up to 5 = *Completely agree* was provided as a range of possible answers. Items q1302 and q1303 were accumulated to an index for the expansion strategy and item q1304 to q1305 was accumulated to an index for the relieve strategy. Compared to the Pre-Test, where the questions were approved by the test group, the expert interviews led to the conclusion that

q1301 and q1306 should be excluded from the index. Both answer options leave little room for distinction, lead generally in the same direction and are, according to the experts, especially with regard to shared services - which itself is an impulse for reorganisation and the establishing of a new organisational form – not in the general strategic focus. Hence based on this feedback, the items have been excluded from the index.

For a verification of the hypothesis, respectively, the correlation between the variables and the target criteria, the correlation coefficient according to Pearson or Spearman was calculated and a significance test conducted. The table below shows the research hypothesis, the Spearman (S) or Pearson (P) significance value (s) and the correlation coefficient (r). The respective statistical measures are interpreted according to the parameters described under 5.3.2.

Hypothesis	Category	Spearman / Pearson	
		s	r
[15] Strat2	Researchers	S 0.152	
	Practitioners	S 0.077	
	Total	**S 0.023**	**-0.218**

Table 20: Evaluation [15] Hyp[Strat2]

Table 20 above shows that there is a low, but significant negative linear correlation between the variable and the target criteria, meaning that organisations tend to choose an expansion strategy also when the strategic importance of the processes is low.

Hypothesis	Category	Spearman / Pearson	
		s	r
[17] Knowl	Researchers	S 0.539	
	Practitioners	S 0.004	0.335
	Total	**S 0.049**	**0.189**

Table 21: Evaluation [17] Hyp[Knowl]

According to the statistical results, [17] Hyp[Knowl] was confirmed by the survey participants. Results show a significantly low linear correlation, e.g., that more knowledge-based properties are transferred to a shared service organisation, the more likely it is that an organisation will choose an expansion strategy.

Hypothesis	Category	Spearman / Pearson	
		s	r
[16] Operat	Researchers	S 0.631	
	Practitioners	S 0.899	
	Total	**S 0.655**	

Table 22: Evaluation [16] Hyp^{Operat}

Hypothesis	Category	Spearman / Pearson	
		s	r
[18] Property	Researchers	P 0.575	
	Practitioners	S 0.705	
	Total	**S 0.521**	

Table 23: Evaluation [18] Hyp^{Property}

Neither hypothesis [16] Hyp^{Operat}, nor [18] Hyp^{Property} could be confirmed by the results from the statistical study. Hence, the operative importance of the processes for the running of the business is not a factor that directly influences the parent company in choosing a relieve strategy. Also a transfer of property based resources does not lead directly to a relieve strategy.

b) Structural complexity

From the literature review it was concluded that the complexity within an organisation is an important factor with regard to shared services. Here, a low structural complexity refers to high standardised and harmonised business processes, IT or ERP systems, whereas a high structural complexity would be represented by a process landscape that is very unstandardised within an organisation or organisations that use different IT or ERP systems. The [06] Hyp^{Frequ} assumes that organisations, which have low structural complexity, meaning more standardised and harmonised processes as well as IT or ERP systems, transfer processes to a shared service organisation more often.

Hypothesis: **[06] Hyp^{Frequ}**

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

The *frequency* of process transfers was measured by the degree in which shared services are utilised in business practice. Item q1501 was measured with a five level Likert scale ranging from 1 = *Not at all*, to 3 = *Medium*, up to 5 = *Very strong*.

Item	Question
q1501	How strong do you utilise shared services, respectively, how strong do you believe that shared services are used in practice?

Table 24: Operationalisation of the variable of frequency

The degree of *structural complexity* was, as described above, measured by the degree of standardisation. Here, the standardisation was sub-divided into five criteria (q3301 to q3305) aggregated into an index. For each of the items, survey participants had the chance to choose on a five-level Likert scale ranging from 1 = *Not at all standardised*, to 3 = *Average standardisation*, up to 5 = *Very high standardisation*.

Item	Question
	How standardised are your business processes with regard to:
q3301	Used information systems
q3302	Agreed service level
q3303	Branch specific standards
q3304	The used business processes in general
q3305	Available and used technical infrastructure (ERP-System)

Table 25: Operationalisation of the target criteria of structural complexity

As the table below shows, there is a small linear correlation between the variable leading to the conclusion that shared services are more often used in practice when the processes are standardised. In conclusion, [06] Hyp^{Frequ} was confirmed by the survey participants.

Hypothesis	Category	Spearman / Pearson	
		s	r
[06] Frequ	Researchers	S 0.115	
	Practitioners	S 0.016	0.282
	Total	**S 0.001**	**0.307**

Table 26: Evaluation [06] Hyp^{Frequ}

c) Degree of shared service application

The degree of shared service application determines the proportion of business processes in which shared services are used in business practice, e.g., how many of the business processes are subject to shared services. Most of the respective variables were derived from the transaction cost theory (see 4.2.2.):

Hypothesis: **[08] Hyp^{Uncert}**

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

Hypothesis: **[03] Hyp^{TransCo}**

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: **[04] Hyp^{ProdCosts}**

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: **[05] Hyp^{FactSpec}**

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

Hypothesis: **[14] Hyp^{Strat1}**

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

The operationalisation of the variable of *strategic importance* ([14] Hyp^{Strat1}) has already been defined under (a) above and will therefore not be repeated.

As defined in 4.2.2.1., *uncertainty* can be divided, according to Williams (1998), into behavioural and environmental uncertainty. Environmental uncertainties refer to insecurities with regard to the respective situation in the environment and its future development. Within his dissertation on intercompany cooperation, Rotering (1999) introduces in this regard the terms *dynamic* and *complexity*. He describes the dynamic of the environment by means of the frequency and intensity in which changes take place and complexity as the amount and diverseness of influencing factors within the environment. Any rational person that has to make a decision is not able to take all eventualities that might take place into consideration. Due to the latter, uncertainty with regard to shared services should be con-

sidered by means of the changes within the processes (q3101), the work load (q3102) the necessity to change ones own behaviour (q3103) and the necessity to adapt the technological platform (q3104) in order to cope with the changes in the environment or within the organisation.

Item	Variable
The business processes...	
q3101	...are continuously changing with regard to external requirements and internal demand.
q3102	...are continuously changing with regard to the work load.
q3103	...require continuous learning and adaptation due to the dynamic within the organisation.
q3104	...need a frequent adaptation of the technological platform on which they are operated.

Table 27: Operationalisation of the variable of uncertainty

The variable was measured with a five level Likert scale ranging from 1 = *Totally disagree*, to via 3 = *Indifferent* up to 5 = *Totally agree*. Items were aggregated into an index.

Transaction costs can be defined as all costs that do not belong to the production costs of the services provided by the shared service organisation. Such costs include all costs associated with the implementation of shared services. Especially those costs that occur during the preparation (q2901), the implementation (q2902 – 2904) and the operation of the shared services (q2905-2906) are considered.

Item	Variable
How high do you estimate to be the time, work and cost efforts regarding the planning, adaptation and monitoring of shared service operations with regard to...	
q2901	...the preparatory work to make the strategic decision.
q2902	...the implementation and organisation of a governance structure.
q2903	...the standardisation of the process landscape.
q2904	...the change management and roll-out of the concept within an organisation.
q2905	...the operation of a shared service organisation.
q2906	...the steering and control of a shared service organisation.

Table 28: Operationalisation of the variable of transaction costs

This variable was measured by a five level Likert scale ranging from 1 = *Very low*, to 3 = *Average*, up to 5 = *Very high*, from which the participants had to choose.

The *production costs* refer to all costs that can be directly allocated to the provision of the services of the shared service organisation. The variable was operationalised by the item

q2701, taking into account the total expenses that occur during the provision of a service. Further, item q2702 referred to the efficiency and the effectiveness of the shared service concept. Participants in the survey had the chance to agree or disagree to the respective statements by choosing from a five level Likert scale ranging from 1 = *Completely disagree* to 3 = *Indifferent*, up to 5 = *Completely agree.*

Item	Variable
	The internal provision of services within a shared service organisation is an advantage for the organisation as a whole, because...
q2701	...the total expenses are lower than in any other organisational form (centralisation, decentralisation, outsourcing).
q2702	...the employees can work more effective and efficient in a shared service environment than in any other organisational approach.

Table 29: Operationalisation of the variable production costs

Following the transaction cost theory, the more specific processes are tailored to the demand of an organisation, the more likely an in-house provision of services. On the basis of the works of Dibbern (2008) and Dillmann (1996), the *factor specificity* of the services is measured by the abilities that employees should have in order to perform services and how difficult a re-integration, respectively, a recreation, of the abilities would be.

Item	Variable
q2301	The abilities of our employees are the result of the deep understanding of our business model (market, customers, processes) of the parent company.
q2302	If the shared service organisation would fail, the re-integration of our employees and the business processes would be very difficult.

Table 30: Operationalisation of the factor specificity

As with regard to the production costs, participants had to choose from a five level Likert scale ranging from 1 = *Completely disagree*, to 3 = *Indifferent*, up to 5 = *Completely agree.*

The target criteria, the *shared service utilisation*, measures on a five level Likert scale - 1 = *Not at all*, to 3 = *Medium* up to 5 = *Very strong* - the degree of shared service application and utilisation in practice.

Item	Variable
q1501	How strong do you utilise shared services, respectively, how strong do you believe shared services are used in practice?

Table 31: Operationalisation of the target criteria of shared service utilisation

The statistical results below show that with the exception of [05] $\text{Hyp}^{\text{FactSpec}}$, none of the other hypotheses could be confirmed by the empirical study.

Hypothesis	Category	Spearman / Pearson	
		s	r
[08] Uncert	Researchers	S 0.894	
	Practitioners	S 0.612	
	Total	**S 0.501**	
[03] TransCo	Researchers	S 0.904	
	Practitioners	S 0.237	
	Total	**S 0.400**	
[04] ProdCo	Researchers	S 0.191	
	Practitioners	S 0.059	
	Total	**S 0.578**	
[05] FactSpec	Researchers	S 0.092	
	Practitioners	S 0.099	
	Total	**S 0.010**	**0.244**
[14] Strat1	Researchers	S 0.374	
	Practitioners	S 0.228	
	Total	**S 0.422**	

Table 32: Evaluation [08] $\text{Hyp}^{\text{Uncert}}$, [03] $\text{Hyp}^{\text{TransCo}}$, [04] $\text{Hyp}^{\text{ProdCo}}$, [05] $\text{Hyp}^{\text{FactSpec}}$, [14] $\text{Hyp}^{\text{Strat1}}$

With regard to the factor specificity of a linear correlation, it was identified that the less specific the services and the underlying processes are, the more likely it is that those processes are performed within a shared service organisation. Under consideration of the nature of services that are normally transferred to a shared service organisation, being generally transaction oriented services, this seems to be consistent with practice.

5.4.2.2. Hypothesis: 'Organisation' Phase

After it had been determined how and in which way support functions should be performed in an organisation, i.e., from coarse to detail, this phase determines how shared services should most efficiently be structured and organised. As outlined under 3.2.2., the organisation phase determines the governance structure of the shared services with main focus on the organisational form, ranging from an internal department to an own legal entity and the business process standardisation and harmonisation.

a) Organisational form

Following the argumentation in 4.1.4.1., the property right theory can explain different institutional and organisational frame conditions that make one organisational form advantageous over another. Also it has been outlined under 4.2.1.1., that the integration of services into a shared service organisation results in a change of property rights and that the focus of a shared service organisation is strictly on the provision of services with least possible interference from the parent company. Following this argumentation, the [01] $Hyp^{PropRi1}$ was derived.

Hypothesis: **[01] Hyp^{PropRi1}**

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 will be chosen.

Concerning the operationalisation of the *organisational and legal integration*, the survey participants were asked how strong the services provided by the shared services are integrated in terms of their processes, structures and property rights. Answers were give using a five level Likert scale ranging from 1 = *Strongly differentiated*, to 3 = *Indifferent*, up to 5 = *Strongly integrated*.

Item	Question
q3601	How strong are the services provided by the shared service organisation integrated in your organisation in terms of processes, structures and property rights?

Table 33: Operationalisation of the variable of organisational and legal integration

The target criteria, the organisational form of a *separate legal entity,* was operationalised by straight forwardly asking the participants regarding the way they have organised their corresponding shared service organisation.

Item	Variable
q3502	The shared service organisation is organised in an independent legal entity

Table 34: Operationalisation of the target criteria of separate legal entity

A five level Likert scale ranging from 1 = *Completely disagree*, to 3 = *Indifferent*, up to 5 = *Completely agree* was provided to the survey participants.

The respective statistical analysis of the data shows that there is a small significant linear correlation between the organisational and legal integration of the services in a shared service organisation and the selected organisational form of a separate legal entity. In other words, the more the services are integrated within the organisation, the higher the legal independence of the shared service organisation.

Hypothesis	Category	Spearman / Pearson	
		s	r
[01] PropRi1	Researchers	S 0.302	
	Practitioners	S 0.013	0.291
	Total	**S 0.233**	

Table 35: Evaluation [01] Hyp^{PropRi1}

Whereas [01] Hyp^{PropRi1} focussed on the area of legal integration, [02] Hyp^{PropRi2} investigates the influence of a chosen organisational form on the efficiency of a shared service organisation. Under consideration of the information taken from the literature and from the expert interviews, it will be assumed that the organisational form of a separate legal entity for a shared service organisation increases effectiveness and efficiency. If the survey participants would not confirm this hypothesis, a conclusion of analogy could be that the organisation of a shared service organisation within the parent company would be more beneficial.

Hypothesis: **[02] Hyp^{PropRi2}**

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.

The *legal independence* was operationalised by indicating the respective beneficial features of such an organisational form.

Item	Variable
The independence and separation of the shared service organisation from the parent company...	
q3801	...facilitates the implementation of a corporate governance.
q3802	...ensures the clear accountability of the shared service management
q3803	...increases the efficiency of the shared service organisation.
q3804	...improves the quality of the services provided.
q3805	...ensures that efficiency gains remain where they are generated.
q3806	...eases the benchmarking of the shared service organisation.

Table 36: Operationalisation of the variable of legal independence

The target criteria of *efficiency* was operationalised by referring to the production costs of the shared service organisation, based on the underlying assumption that the lower the production costs of the service provided, the higher the efficiency of the shared service organisation. The target criteria production costs (q2701-q2702) have already been explained under 5.4.2.1. (c).

Hypothesis	Category	Spearman / Pearson	
		s	r
[02] PropRi2	Researchers	S 0.088	
	Practitioners	S 0.022	
	Total	**S 0.003**	**0.280**

Table 37: Evaluation [02] Hyp[PropRi2]

The statistical results confirm [02] Hyp[PropRi2].

b) Business process and technological standardisation

Implementing shared services is without doubt a complex and difficult undertaking. One of the most important aspects to ensure that the shared service organisation can reach its respective objectives is to ensure that the business processes are aligned and allow for the gaining of efficiencies. If the shared service organisation wants to be competitive, it has to transform the processes relocated from the parent company into strategic capabilities that consistently provide superior value to the parent company and its external customers (Stalk, et. al., 1992). Therefore, processes have to be standardised as much as possible and the technological platforms have to be able to communicate with each other, allowing a safe and continuous real-time transfer of data.

According to Dillmann (1996), the specificity of a service is similar to the degree of standardisation. In turn, a high specificity of a service should correlate to a high standardisation of the processes, leading to [07] Hyp[Stand]:

Hypothesis: **[07] Hyp[Stand]**
The higher the degree of business process and technological standardisation, the lower the structural complexity of a shared service project.

In order to measure the *standardisation* of business processes and the available and used technical infrastructure, items q3301 to q3305 were referred to, which has already been explained as target criteria for structural complexity. Likewise the operationalisation of the target criteria of *structural complexity* has also already been outlined in the context of the variable of environmental uncertainty. In both cases, we will refrain from repeating them here.

Hypothesis	Category	Spearman / Pearson	
		s	r
[07] Stand	Researchers	P 0.722	
	Practitioners	P 0.227	
	Total	**P 0.150**	

Table 38: Evaluation [07] Hyp[Stand]

Statistical results to this question could not prove the hypothesis, leading to the conclusion that there is no correlation between standardisation and structural complexity.

5.4.2.3. Hypothesis: 'Transformation' Phase

After the organisational structure for the shared service organisation was settled in the 'organisation' phase, the 'transformation phase' attempted to find answers to the question of how people and processes should be relocated to a shared service organisation. Here the main focus was placed on change management and the influence of communication on the 'transition' phase (see 3.2.3.1.).

a) Influence of dysfunctional behaviour

With regard to the implementation of shared services generally leading to a re-organisation and sometimes downsizing of an organisation, resistance to change and even dysfunctional behaviour can be expected. Following Lange (2008), dysfunctional behaviour can be defined as "*(...) the pursuit of individual interest by one or more organisational actors through the intentional misdirection of organisational resources or perversion of organisational routines.*" Dysfunctional behaviour can have an influence on the success of shared services as well as on the utilisation of shared services in practice. Management might be reluctant to implement shared services if they expect unpredictable confrontation with stakeholder groups (e.g. employees or trade unions). [09] Hyp[DysBe] takes into account this correlation.

Hypothesis: **[09] Hyp^{DysBe}**

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

With regard to the operationalisation of the variable of *dysfunctional behaviour*, the paper of Soobaroyen (2006), in which he takes the term dysfunctional behaviour in pieces, has been referred to. According to his opinion, dysfunctional behaviour includes managerial short-term orientation, budgetary slack, manipulation of performance measures, behaviours of gaming and information manipulation.

Item	Question
During your shared service activities, did you experience dysfunctional behaviour like....	
q4001	...hiding or refusing of information?
q4002	...managerial short-term orientation?
q4003	...manipulation of performance metrics?
q4004	...silo mentality?
q4005	...protection of the status-quo?

Table 39: Operationalisation of the variable of dysfunctional behaviour

In order to indicate if the survey participants experienced dysfunctional behaviour during their projects, they had to choose from a five level Likert scale ranging from 1 = *Never*, to 3 = *Sometimes*, up to 5 = *Very frequent*.

The derivation of the target criteria *shared service utilisation* (q1501) was already outlined under 15.1.2.1. (b) and therefore will not be repeated here.

Hypothesis	Category	Spearman / Pearson	
		s	r
[09] DysBe	Researchers	S 0.735	
	Practitioners	S 0.786	
	Total	**S 0.937**	

Table 40: Evaluation [09] Hyp^{DysBe}

Based on the results from the empirical study it can be concluded that there is no correlation between the degree of dysfunctional behaviour and the utilisation of shared services.

b) Change management

As already mentioned and outlined previously, the management of change is an important and crucial factor in any kind of transformation project or activity. The results from various studies emphasis the importance of proper change management, as shown in 3.2.3. Many others, like Kotter (2012, 2013), the leader in the area of change management, highlight that proper communication with clear messages can mobilise and connect people within the organisation and as such facilitate change. Liane Schmitt, Head of Personal Development at MVV Energy, entitles such kinds of self-developing change agents as motivated volunteers (Schmitt, 2012). [10] Hyp^{InAsCM} correlates the positive aspects of communication to the overcoming of resistance to change and dysfunctional behaviour.

Hypothesis: **[10] Hyp^{InAsCM}**

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

The variable of *communication* was operationalised by referring mainly to some of the eleven elements of an effective change communication, as elaborated by Luecke (2003). With regard to the application of those elements for effective communication in their respective organisation or change project, the survey participants chose from a five level Likert scale ranging from 1 = *Never*, to 3 = *Sometimes*, up to 5 = *Very frequent*.

Item	Variable
The following instruments were implemented and helped to reduce the resistance to change:	
q4201	Specification and communication of the nature of the change
q4202	Explaining the reason and the necessity for the change
q4203	Explaining the scope of the change
q4204	Developing a picture and a clear vision about the future organisation
q4205	Open communication of negative aspects
q4206	Specification and communication of the nature of the change
q4207	Implementation of an incentive system
q4208	Continuous, regular communication of the project (meetings, mailings, etc.)

Table 41: Operationalisation of the variable of communication during change management

For the operationalisation of the target criteria of *resistance to change*, item q4001 through q4005 - as explained under [09] Hyp^{DysBe} - was referred to.

The statistical results (see table below) show that there is a small significant linear correlation between the change management and the resistance to change. In other terms, the better the communication during the change management from an existing organisational form to shared services, the lower the resistance to change.

Hypothesis	Category	Spearman / Pearson	
		s	r
[10] InAsCM	Researchers	P 0.066	
	Practitioners	P 0.109	
	Total	**P 0.015**	**0.232**

Table 42: Evaluation [10] Hyp[InAsCM]

c) Importance of communication

The organisation of communication plays an important role with regard to the transformation towards shared services, i.e., during the transformation phase and once a shared service organisation is up and running.

The questions concerning the importance of communication were derived from the Principal-Agent Theory and as already mentioned under 4.2.3.1., information asymmetries are one of the main causes for many agency problems (Ashwin, 2009). In order to avoid information asymmetries, respectively, in order to ensure a proper flow of information between the employees and the acting persons in the parent company and the shared service organisation, a standardised and structured way of communication might be helpful. How such communication should be organised and formalised within the service level agreement, how the communication should be regulated and supported by processes, models and tools, and which influence the interpersonal relations have on the communication was investigated using the following hypotheses.

Hypothesis: **[11] Hyp[InAsCo1]**

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.

Hypothesis: **[12] Hyp^{InAsCo2}**

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: **[13] Hyp^{InAsCo3}**

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.

All three variables - the *stipulation of communication within contracts*, the *influence of the interpersonal communication* and the *application of standardised processes, models and tools -* have been operationalised in the same way. Firstly, the survey participants were asked straightforwardly about their opinion concerning the variable (q4401, q4601 and q4801) and second whether they think that the variable improves the quality of communication (q4402, q4602 and q4802) between the parent company and the shared service organisation.

Item	Variable
q4401	The communication and the flow of information should be stipulated within a contract between the parent company and the shared service organisation.
q4402	The stipulation of communication and the flow of information within contracts positively influences the relation between the parent company and the shared service organisation.

Table 43: Operationalisation of the variable of stipulation of communication within contracts

Item	Variable
	The personal relations between employees in the shared service organisation and those in the parent company....
q4601	...have a high impact on the way of communication.
q4602	...improve the quality of communication.

Table 44: Operationalisation of the variable of interpersonal relations

Item	Variable
q4801	Clearly defined processes, models and tools have a high impact on the quality of the communication.
q4802	The usage of standardised processes, models and tools significantly improves the quality of communication.

Table 45: Operationalisation of the variable of use of standardised processes, models and tools

With regard to the evaluation of the items above, in all cases the survey participants had the choice to provide their input by choosing from a five level Likert scale ranging from 1 = *Completely disagree*, to 3 = *Indifferent*, up to 5 = *Completely agree*.

The target criteria for all three variables outlined above was a *good flow of communication and information between the parties*. The satisfaction with the provision and the flow of information between the shared service organisation and the parent company was chosen for the respective operationalisation. Survey participants had the chance to express their level of satisfaction by selecting from a five level Likert scale ranging from 1 = *Very dissatisfied*, to 3 = *Indifferent*, up to 5 = *Very satisfied*.

Item	Variable
q5001	How satisfied are you with the communication between the shared service centre and the parent company?

Table 46: Operationalisation of the target criteria of communication

The statistical results as outlined in the table below show that none of the variables correlate to the target criteria and none of the respective hypotheses could be confirmed by the results of the empirical study.

Hypothesis	Category	Spearman / Pearson	
		s	r
[11] InAsCo1	Researchers	P 0.503	
	Practitioners	S 0.150	
	Total	**S 0.240**	
[12] HnAsCo2	Researchers	P 0.660	
	Practitioners	S 0.161	
	Total	**S 0.525**	
[13] InAsCo3	Researchers	P 0.545	
	Practitioners	S 0.779	
	Total	**S 0.845**	

Table 47: Evaluation [11] Hyp^{InAsCo1}, [12] Hyp^{InAsCo2}, [13] Hyp^{InAsCo3}

5.4.2.4. Hypothesis: 'Operation' Phase

Once the shared services are implemented, the daily operation of the shared service organisation starts. Already before, but especially within this phase of the Four-Phase-Model, the management has to decide on how the shared service organisation should be managed and

controlled. The answer to this question is in the equilibrium between, on the hand, the intrinsic motivation of the parent company to influence the decision within and to control the shared service organisation and, on the other hand, the sufficient allowance of space, respectively, the assignment of sufficient freedom to the shared service organisation. Only with the sufficient competencies and freedom can the services be provided in the most effective and efficient way, leading to the satisfaction of the customers within the parent company.

a) Customer satisfaction

Which factors are influencing the satisfaction of the parent company, being the customer of the shared service organisation? Or, putting the question in other terms, what must the shared service organisation deliver and how good does it have to be in order to make the parent company satisfied with the received service? In this point, combining hypotheses derived from the Resource-based View and the Network Model, those questions are approached from three different corners.

Firstly the topic had been approached from the perspective that shared services can become a competitive advantage for the parent company. Especially in very competitive and price driven market, the cost structure of an organisation is of particular importance. The better the end product and the prices that can be achieved on the market in combination with the lowest possible product and organisational costs, the higher the profits and competitiveness of an organisation. Hence, the outstanding performance of a shared service organisation, where better results on cheaper costs than the support functions of competitors are delivered, results in a competitive advantage for the parent company. [20] Hyp^{ResAdv} takes this topic into account.

Second and closely connected to [20] Hyp^{ResAdv} are the abilities of shared services, which are the focus of [19] Hyp^{Ability}. It is assumed that the abilities of the shared service organisation have a positive influence on the satisfaction of the parent company.

Third, as outlined under 4.2.5.1., trust is an essential element with regard to the relation between the parent company and the shared service organisation. Somehow, the relation between trust and satisfaction is like the 'chicken or egg' causality dilemma (Theosophy, 1939). To better understand the metaphorical meaning of this dilemma in the context of

shared services, it could be reformulated as "What comes first, trust in the abilities of the shared services or satisfaction with the services provided?" [24] Hyp[TrustSat] considers the 'operation phase', specifically in reference to the communication between the parent company and the shared service organisation, as one factor increasing trust in the abilities of the shared service organisation, reducing the demand for steering and control.

Hypothesis: **[20] Hyp[ResAdv]**

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.

Hypothesis: **[19] Hyp[Ability]**

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

Hypothesis: **[24] Hyp[TrustSat]**

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

In order to operationalise the variable of *resource advantage*, the survey participants were asked to outline which resource provided by the shared service organisation could be used as a competitive advantage for the parent company.

Item	Variable
To what extent could the following resources provided by, respectively, resulting from the shared service activities, be used as a competitive advantage for the parent company?	
q2501	Specific know-how
q2502	Process know-how
q2503	Management competence
q2504	Infrastructure
q2505	ERP-system

Table 48: Operationalisation of the variable of resource advantage

A five level Likert scale ranging from 1 = *Very low* to 3 = *Average* up to 5 = *Very high* was provided as an answer scale for the questions.

The variable of *abilities* refers mainly to the targets that the parent company have in mind upon beginning a shared service project. Following the different objectives that are associated with shared services and outlined under 2.2.2., abilities were operationalised by referring to costs, know-how, quality, response time, service and customer orientation. In order to specify how the respective shared service organisation meets such criteria, a five level Likert scale ranging from 1 = *Not at all* to 3 = *Medium* up to 5 = *Very strong* was offered.

Item	Variable
How does your current shared service centre meets the following criteria?	
q5201	Price and cost reduction potential
q5202	Know-how concerning the business processes
q5203	High level of quality
q5204	Short response time
q5205	Strong service and customer orientation

Table 49: Operationalisation of the variable of ability

As previously outlined, the variable of *trust* was operationalised by referring to regular communication as an essential factor for the creation of trust in the abilities of the shared service organisation.

Item	Variable
q6001	Regular communication reduces the demand for steering and control from the side of the parent company

Table 50: Operationalisation of the variable of trust

The target criterion was the *satisfaction* of the parent company with the services provided by the shared service organisation. Anchor question q6102 was used to operationalise the target criteria.

Item	Variable
q6102	Our company is satisfied with the performance of our shared service organisation, respectively companies can be satisfied with the performance of their shared service organisations.

Table 51: Operationalisation of the target criteria of satisfaction

A five level Likert scale ranging from 1 = *Completely disagree* to 3 = *Indifferent* up to 5 = *Completely agree* was provided for the questions referring to the variable trust and the target criterion of satisfaction.

The results from these questions as indicated in the table below show that all hypotheses can be confirmed and that there is a correlation between the resources the shared service organisation provides, its abilities, the trust put into the shared services by the parent company and the overall satisfaction of the shared service organisation with the services provided.

Hypothesis	Category	Spearman / Pearson	
		s	r
[20] ResAdv	Researchers	P 0.573	
	Practitioners	S 0.013	0.291
	Total	**S 0.123**	
[19] Ability	Researchers	P <0.001	0.587
	Practitioners	S <0.001	0.561
	Total	**S <0.001**	**0.542**
[24] TrustSat	Researchers	P 0.008	0.436
	Practitioners	S 0.004	0.333
	Total	**S 0.001**	**0.320**

Table 52: Evaluation [20] Hyp[ResAdv], [19] Hyp[Ability], [24] Hyp[TrustSat]

b) Demand for steering and control

The question of how much the parent company should influence the activities of the shared service organisation is the central element of the following hypotheses, which were mainly derived from the Network Model. According to the Network Model, all activities within the shared service organisation are based on the inter-dependability of the organisations within the network and performed in order to increase the profitability, respectively, the competitiveness of the parent organisation. Due to the latter, the core of the respective questions investigates elements, e.g., mechanisms that could be used in order to manage the shared service operation itself and its relation to its main customer, the parent company.

Hypothesis: **[21] Hyp[Inc]**

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: **[22] Hyp[Info]**

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

Hypothesis: **[23] Hyp**[Power]

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

The variable *of incentive* was operationalised by asking the survey participants to correspond to a selected number of statements. It needs to be mentioned that the incentives were not referred to as incentives for individual persons, like the management. A much broader view was taken in terms of prospecting an extension of the shared service organisation's scope or the general participation on savings and the rewarding of pre-defined qualitative objectives.

Item	Variable
q5601	If the shared service organisation is successful, an extension of the scope should be dangled
q5602	The shared service organisation will participate on savings, respectively cost decreases within the parent company that can directly be related to the performance of the shared service organisation.
q5603	The shared service organisation will be rewarded for achieving pre-defined qualitative standards

Table 53: Operationalisation of the variable of incentive

Answer opportunities were provided on a five level Likert scale ranging from 1 = *Not helpful at all* to 3 = *Indifferent* up to 5 = *Very helpful*.

Information politics were approached from the general ways of standardised communication between the parent company and the shared service organisation. Specifically, the general importance of such guidelines, the reporting system that is implemented and finally the attitude towards communication was questioned.

Item	Variable
q5801	The implemented information politics are of significant importance for the relationship between shared service organisation and the parent company
q5802	A functioning reporting system grounds on the transfer of specific know-how from the parent company to the shared service organisation
q5803	Regular communication reduces the demand for steering and control from the side of the parent company

Table 54: Operationalisation of the variable of information politics

The *degree of power* that the parent company has and uses with regard to the shared service organisation was operationalised by asking the survey participants to indicate the influence of the parent company in their respective shared service organisation and to what extent the parent company involves itself in the shared service activities.

Item	Variable
q5401	The parent company has a high influence on the decisions made in the shared service organisation.
q5402	The parent company plays an active role in the definition of the strategic objectives of the shared service organisation
q5403	The parent company can easily decide to back-source processes if the shared service organisation is not successful.

Table 55: Operationalisation of the variable of power

For the variables of power and information politics, participants were able to choose from a five level Likert scale ranging from 1 = *Completely disagree* to 3 = *Indifferent* up to 5 = *Completely agree*.

The more effective and efficient the shared service organisation is in its performance, the better the respective objectives are achieved - mainly in terms of quality and costs – and the lower the *demand for steering and control* by the parent company; the latter being the reason by analogy to use the variable production costs (q2701 and q2702) as indicators for the target criteria demand for steering and control.

Hypothesis	Category	Spearman / Pearson	
		s	r
[21] Inc	Researchers	S 0.813	
	Practitioners	S 0.401	
	Total	**S 0.363**	
[22] Info	Researchers	S 0.071	
	Practitioners	S 0.173	
	Total	**S 0.042**	**0.195**
[23] Power	Researchers	S 0.813	
	Practitioners	S 0.766	
	Total	**S 0.748**	

Table 56: Evaluation [21] Hyp[Inc], [22] Hyp[Info], [23] Hyp[Power]

[21] Hyp[Inc] and [23] Hyp[Power] were not confirmed by the statistical results. The results with regard to [22] Hyp[Info] show that there is a linear correlation between the variable and the target criteria indicating that the better the implemented information politics and the func-

tionality of the reporting system, the lower the demand for steering and control, i.e., the more effective and efficient the shared service organisation can work.

5.4.2.5. Summary of Findings

Illustration 42 below summarises 11 out of the 24 hypotheses that were approved and confirmed by the findings of the empirical study.
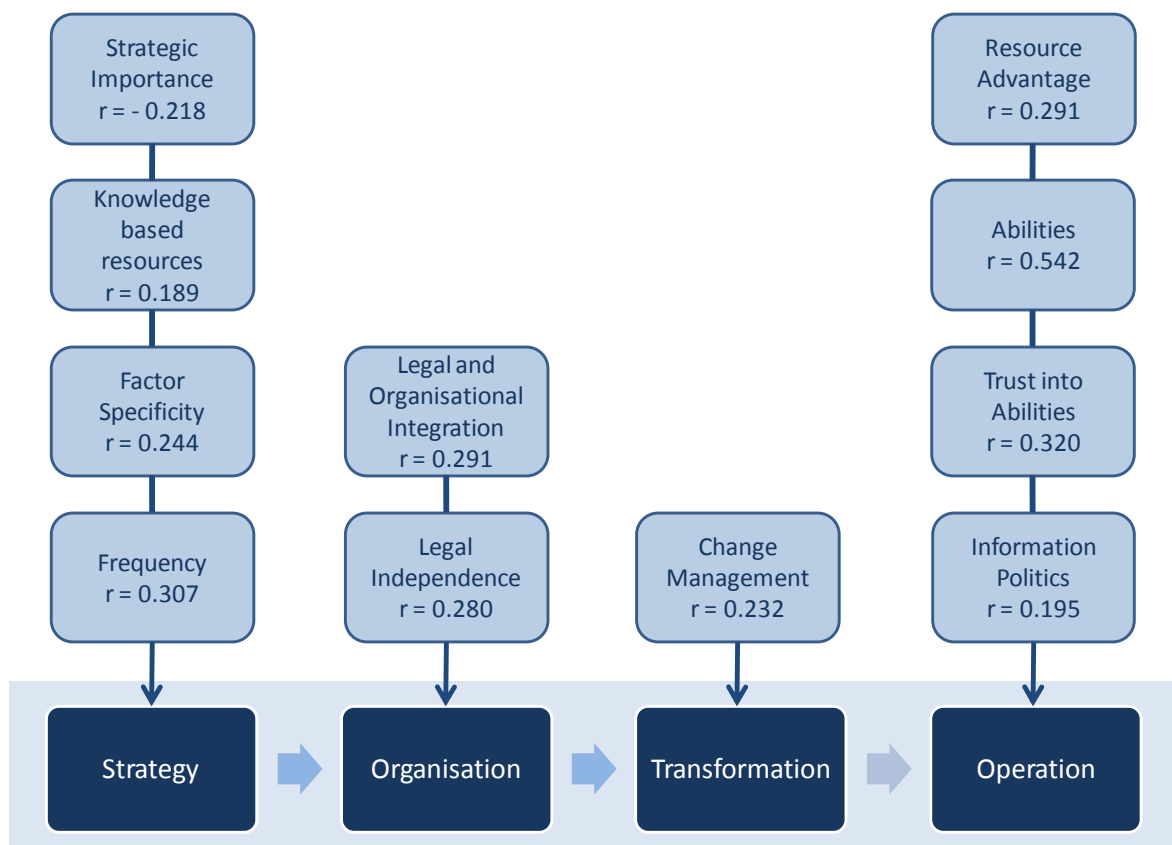
Figure 20: Hypothesis confirmed by the empirical study[27]

5.5. Analysis of Success Factors

Besides the empirical investigation on the causal connections within the Four-Phase-Model, practitioners especially are interested in identifying phases and elements within a process that have a positive influence on the overall success of the project and the organisation as a whole. The influence on the success is measured with regard to the degree of target achievement. This means that the more targets are achieved, the higher the success.

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[27] Own illustration

With regard to the operationalisation of the shared service success, it was decided to approach the topic from three angles. First, whether the organisations gained advantages by using shared services, second whether they are satisfied with the performance of shared services and lastly whether they are going to continue or even increase the utilisation of shared services.

Item	Variable
q6101	Our organisation has, respectively, organisations, have gained significant advantages (costs, quality, etc.) by using shared services.
q6102	Our organisation is, respectively, organisations, can be satisfied with the performance of their shared services.
q6103	In the forthcoming years we, respectively, organisations, will continue or increase the usage of shared services.

Table 57: Operationalisation of the target criteria success

Survey participants were asked to provide their opinion concerning the respective statements above by selecting from a five level Likert scale ranging from 1 = *Completely disagree* to 3 = *Indifferent* up to 5 = *Completely agree*.

The hypotheses derived under 4.3. were investigated as to whether they have direct influence on the success of shared services. Therefore, they are introduced at the beginning of each sub-chapter. If they have not already been operationalised in the previous chapter, the operationalisation will be briefly outlined. In case that they have already been operationalised under 5.4., which is the case for most, for simplification purposes, we will refrain from repetition. Furthermore, all hypotheses of the previous section (5.4.) were evaluated as to whether they have an influence on the success of shared services by changing the respective target criteria of the hypotheses, with the target criteria success as described above.

5.5.1. Success Factors: 'Strategy' Phase

As success factors for the 'strategy phase', a trade-off between the two general strategic directions an organisation can follow when it intends to pursue shared services were defined:

Hypothesis: **[25] Hyp^{ExpSt}**

An organisation following an expansion strategy will be more successful with shared services than an organisation following a relieve strategy.

Hypothesis: **[26] Hyp^{RelSt}**

An organisation following a relieve strategy will be more successful with shared services than an organisation following an expansion strategy.

Further focus was placed on the production and transaction costs, assuming that the level of the transaction costs for the installation of shared services as well as the cost level for 'producing' the services have a direct influence on the success of the shared service organisation.

Hypothesis: **[27] Hyp^{PrCoSu}**

The lower the transaction and production costs in the shared service organisation, the more likely the success of the shared service organisation.

The final, directly derived hypothesis from the theories refers to the effectiveness of the specificity of the services to be relocated to the shared service organisation.

Hypothesis: **[28] Hyp^{ServSp}**

The less specific the services that should be relocated to a shared service organisation, the more likely the success of the shared service organisation.

For the operationalisation of [27] Hyp^{PrCoSu}, the variables of [03] Hyp^{TransCo} and [04] Hyp^{ProdCo} were referred to. [28] Hyp^{ServSp} was operationalised by using the variables of [05] Hyp^{FactSpec} and [06] Hyp^{Frequ}. In addition, [15] Hyp^{Strat2}, [16] Hyp^{Operat}, [17] Hyp^{Knowl}, [18] Hyp^{Property}, [08] Hyp^{Uncert}, [14] Hyp^{Strat1} and [15] Hyp^{Strat2} were evaluated as to whether they have influence on the success of shared services.

Category	Spearman	
	s	r
[25] ExpSt	0.050	
[26] RelSt	0.005	0.270
[27] PrCoSu – [03] TransCo	0.115	
[27] PrCoSu – [04] ProdCo	<0.001	0.430
[28] ServSp – [05] FactSpec	0.018	0.228

Category	Spearman	
	s	r
[28] ServSp – [06] Frequ	0.005	0.267
[15] Strat2	0.500	
[16] Operat	0.658	
[17] Knowl	0.441	
[18] Property	0.157	
[08] Uncert	0.350	
[14] Strat1	0.661	

Table 58: Success factors strategy phase

For the hypotheses under investigation (12 in total), four show a clear linear correlation between the respective variable and the success of shared services. First, it can be concluded that the following of a relieve strategy will result in good chances towards leading to the success of shared services. Production costs are hand in hand with the latter. If the shared service organisation manages to deliver its services with low production costs, the chances of success are highly significant. Also processes that are very general (unspecific) in terms of what they require from the persons performing them are very likely to lead to success. Finally, it can be concluded that the more frequently organisations transfer processes or parts of their processes to a shared service organisation, the more successful they will become.

5.5.2. Success Factors: 'Organisation' Phase

[29] Hyp^{Struct}, which was especially designed under 4.3., focuses on the structural complexity of the processes that are subject to transformation as the result of a shared service organisation. [30] Hyp^{LegInd} concentrates on the legal independence of the shared service organisation from the parent company and its implication on the success of shared services.

Hypothesis: **[29] Hyp^{Struct}**

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

Hypothesis: **[30] Hyp^{LegInd}**

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

For the operationalisation of [29] Hyp^{Struct}, the variables of [07] Hyp^{Stand} were used. Further, [30] Hyp^{LegInd} referred to the target criteria of separate legal entity. In addition, [01] Hyp^{PropRi1} and [02] Hyp^{PropRi2} were evaluated as to whether that had an influence on the success of shared services.

Category	Spearman	
	s	r
[29] Struct	0.067	
[30] LegInd	0.001	0.307
[01] PropRi1	0.367	
[02] PropRi2	0.002	0.298
[07] Stand	0.059	

Table 59: Success factors 'Organisation' phase

In conclusion, neither the structural complexity of the processes to be transferred to a shared service organisation, nor the organisational or legal integration of the services correlate to the success of shared services. However, the legal independence of the shared service organisation seems to be a significant success factor, as [30] Hyp^{LegInd} and [02] Hyp^{PropRi2}, which both approach the topic from different perspectives, show a linear correlation to the success of shared services.

5.5.3. Success factors: 'Transformation' Phase

During the transformation phase, the success of shared services heavily depends on communication and cooperation between the parent company and the shared service organisation, leading to [31] Hyp^{Coop}:

Hypothesis: **[31] Hyp^{Coop}**

The stronger the parent company and the shared service organisation cooperate, the more likely it is that the shared service organisation will experience success.

[31] Hyp^{Coop} referred to single questions related to different variables and was the reason for the operationalisation of the variable of *cooperation* below:

Item	Variable
q4201	Specification and communication of the nature of the change
q4202	Explaining the reason and the necessity of the change
q4203	Explaining the scope of the change
q4204	Developing a picture, a vision about the future organisation

Item	Variable
q4205	Open communication of negative aspects
q4206	Specification and communication of the nature of the change
q4207	Implementation of an incentive system
q4208	Continuous regular communication of the project status
q4402	The stipulation of communication and the flow of information within contracts positively influences the relation between the parent company and the shared service organisation
q4601	The personal relations between employees in the shared service organisation and those in the parent company have a high impact on the way of communication
q4602	The personal relations between employees in the shared service organisation and those in the parent company improve the quality of communication

Table 60: Operationalisation of the variable cooperation

Furthermore, [10] Hyp$^{\text{InAsCM}}$, [11] Hyp$^{\text{InAsCo1}}$, [12] Hyp$^{\text{InAsCo2}}$ and [13] Hyp$^{\text{InAsCo3}}$ had been evaluated if they have an influence on the success of shared services.

Category	Spearman	
	s	r
[31] Coop	0.001	0.305
[10] InAsCM	0.004	0.278
[11] InAsCo1	0.237	
[12] InAsCo2	0.047	0.192
[13] InAsCo3	0.077	

Table 61: Success factors 'Transformation' phase

Results show that there is a significant correlation between the cooperation, which occurs during the transformation phase, and the success of shared services. Additionally the change management approach chosen and relations between the employees in the parent company and the shared service organisation are significant success factors.

5.5.4. Success factors: 'Operation' Phase

Once a shared service organisation is up and running, a basis of trust within the parent company concerning the services it provides must be established. This might be a crucial success factor, as managers that previously supported functions close by, now have to contact the shared service organisation after its gone-live. Based on this consideration, the [32] Hyp$^{\text{SatTrust}}$ was developed.

Hypothesis: **[32] Hyp$^{\text{SatTrust}}$**

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

[32] $Hyp^{SatTrust}$ was operationalised by referring to q6102 in which the survey participant had to state whether they were satisfied with the performance of the shared services. Besides [32] $Hyp^{SatTrust}$, also [20] Hyp^{ResAdv}, [24] $Hyp^{TrusSat}$, [21] Hyp^{Inc}, [22] Hyp^{Info} and [23] Hyp^{Power} were evaluated with regard to their influence on the success of shared services.

Category	Spearman	
	s	r
[32] SatTrust	<0.001	0.835
[20] ResAdv	0.083	
[19] Ability	<0.001	0.545
[24] TrustSat	0.004	0.277
[21] Inc	0.067	
[22] Info	0.008	0.255
[23] Power	0.161	

Table 62: Success factors 'Operation' phase

The statistical results confirm [32] $Hyp^{SatTrust}$, [19] $Hyp^{Ability}$, [24] $Hyp^{TrustSat}$ and [22] Hyp^{Info}. Hence from the statistical results it can be derived that increasing satisfaction within the parent company increases the success of the shared service operation ([32] $Hyp^{SatTrust}$) and in turn, regular communication strengthens trust and leads to satisfaction ([24] $Hyp^{TrustSat}$). Also, the abilities of the shared service organisation in meeting the particular objectives seem to be a critical success factor. Likewise, implementing information politics also correlates to the success of shared services and can be defined as a critical success factor.

5.5.5. Summary of Findings

Figure 43 below summarises all factors that have an influence on the success of shared services based on the results of the empirical study. Thirteen of the 29 hypotheses tested were confirmed by the statistical results.
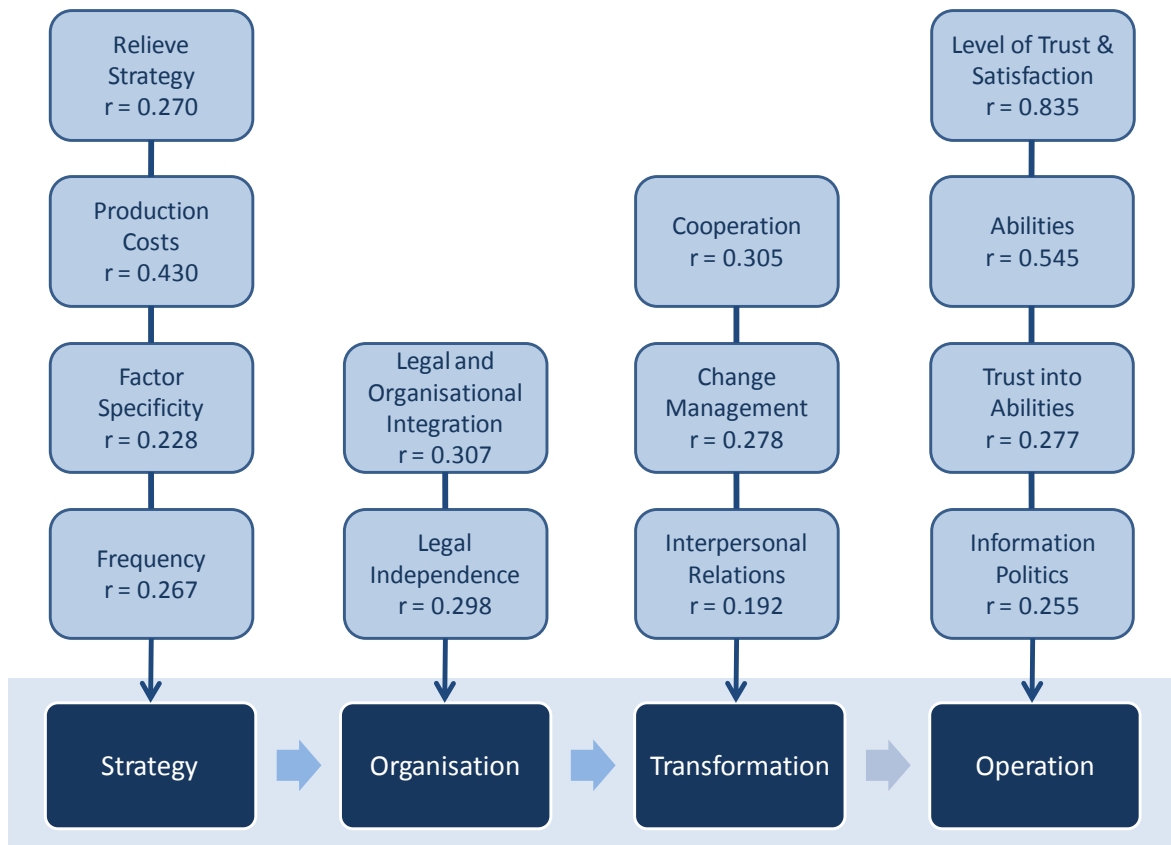
Figure 21: Success factors confirmed by the empirical study[28]

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6. 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. After an introduction of the interview partners, key messages and findings will be presented under 6.2. A complete transcription of the interviews can be found in the appendix.

6.1. Interview Partners

6.1.1. Dr. Hauck, Bayer AG

Bayer AG, with a history of more than 150 years, is a global enterprise focusing on health care, agricultural products and high tech materials. These core areas of Bayer are supported by Bayer Business Services, a dedicated organisation and global competence centre for IT and business services with more than 6,400 employees worldwide. Their product portfolio includes IT infrastructure and applications, procurement and logistics, human resources and management services, and finance and accounting. In 2012, Bayer generated a global turnover of € 39,760 million with over 110,000 employees worldwide (Bayer, 2013).

As Senior Vice President of Bayer, Dr. Hauck is responsible for Group Accounting and Controlling. After studying business administration, Dr. Hauck started his business career in 1990 at Deloitte, where he had the position of certified accountant and tax consultant. In 1998 he changed to Rheinmetall AG, where he took over the position of Head of Group Accounting. By 2003 he changed to Bayer AG, where he took over responsibilities for the global group of accounting and controlling. Since 2011 he has been involved in the reorganisation of global accounting at Bayer AG.

6.1.2. Mr. Kessler, arvato Bertelsmann

arvato Bertelsmann (arvato) is an internationally connected provider of management and outsourcing services. In over 30 countries worldwide, more than 60,000 persons work for arvato, generating a total turnover of € 5,400 million. The broad product portfolio of arvato contains the development of integrated service chains and all kinds of various services, from the preparation to the distribution of printing materials, data management, customer care activities, CRM services, supply chain management, financial as well as IT services (Bertelsmann AG, 2012).

Mr. Fred Kessler had different management positions in a variety of companies, like Infinitas GmbH, Training Circle Europe AG and InterSales Pro. Since 2011 he has been working as a senior executive consultant for arvato in different national and international projects.

6.1.3. Dr. Kröpfl, Sparkassen Abwicklungs- und Service Gesellschaft

Sparkasse Styria, with a balance sheet totalling € 14,300 million, is the largest banking group in southern Austria. Within the 175 branch offices only in Styria, nearly 1,600 employees serve customers of the banking group. Further, Sparkasse in Styria coordinates the activities of the Sparkasse Group in the former Yugoslavian countries, like Croatia, Slovenia, etc. In these countries, approximately 4,600 people are working for Sparkasse (Steiermärkische Sparkasse, 2012).

Dr. Kröpfl completed his PhD in law studies. In the year 2000 his professional career lead him to Steiermärkischen Sparkassen in Graz, where until 2009 he was responsible for national and international financing. Following this experience, Dr. Kröpfl was responsible for the establishing of the Sparkassen Abwicklungs- und Servicegesellschaft, where currently he holds the position of managing director. Furthermore, Dr. Kröpfl is supporting the Southeast European subsidiaries in the reorganisation of their back-office processes.

6.1.4. Mr. Lehnert, Deutsche ACCUmotive – Daimler Group

Deutsche ACCUmotive GmbH & Co. KG. was founded in 2009 as a joint venture between the Daimler Group, holding 90%, and the Evonik Industries AG, with a share of 10%. The core competence of Deutsche ACCUmotive is the development and the production of automotive batteries. Production is located in Saxonia, Germany (Deutsche ACCUmotive GmbH, 2013)

Mr. Lehnert started his career in 1999 as a trainee at Daimler. Since then, he has held different positions within Daimler in the area of international finance and controlling. In 2009 he was promoted to the chief financial officer position at the Deutsche ACCUmotive GmbH & Co. KG, a subsidiary of the Daimler Group, which develops and produces batteries for the automotive sector. As CFO of a Daimler subsidiary, he is the customer of Daimler Shared Service operations.

6.1.5. Mr. Schüller, E.ON Energy and Trading

E.ON, with its headquarter in Düsseldorf, Germany, is the worlds largest power and gas provider with power plants and gas pipelines around Europe, Russia and North America. Nearly 79,000 employees generated a total turnover of € 113,000 million in 2011. With regard to support functions, several group companies of E.ON provide business services, like finance, HR or IT, with the aim to pool professional experience, know-how and leverage synergies between the functional areas (E.ON, 2012). In 2011 E.ON started its activities in the area of shared services, consolidated it functions and intended to cut approximately 1,200 positions. In future shared service organisations of E.ON, about 1,100 persons should be employed - 500 in Germany (Berlin) and 600 in Romania (Paulus, 2012).

After completing his studies in industrial engineering at the University of Kaiserslautern, Mr. Schüller started his professional career in 1996 at Stinnes AG. After two and a half years he changed to E.ON, where he held various positions in the area of finance and controlling in Germany. In 2006 and 2007 he took over the E.ON operations in Hungary, one of the ten largest E.ON operations in Europe, as financial director. After his return to Germany he became Director of Finance and Business Control for E.ON Energy and Trading with a turnover of more than € 100,000 million.

6.1.6. Mr. Straube, Celesio AG

Celesio AG is one of the leading service providers of pharmaceutical and health-care products in Europe. The service portfolio of Celesio contains patient and consumer and pharmacy and manufacturer solutions focussing on distribution. In 2011 with over 40,000 employees the company generated a turnover of € 23,000 million (Celesio AG, 2012).

Mr. Straube studied business administration at the university in Leipzig. In 2001, after his studies, he held the position of controller at Daimler AG. In 2009 he changed to Celesio

AG, where he currently holds the position of Head of Controlling. Mr. Straube is presently involved in the establishing of a shared service organisation.

6.2. Key Findings from the Expert Interviews

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

6.2.1. Strategic Direction Followed During the Implementation

All experts see a clear focus in the area of a relieve strategy that can be characterised by the aim to save costs and release the mother company from activities not belonging to its core business. Mr. Lehnert mentions the following in this regard: *"The clear objective in using shared services at the Daimler Group is to save cost, whereas due to this, we as managers of smaller units can stringently focus on our core competencies."* At Celesio, shared services are clearly seen as a strategic instrument to reach cost savings, a point of view that is shared by Dr. Kröpfl.

However, quality enhancement being one of the main aspects of the expansion strategy is rated second. Mr. Kessler highlights that step one should be to reduce costs and step two should be to increase quality. Dr. Hauck mentioned that at Bayer, the performance of the shared service operation is measured by three criteria: cost, quality and time. In this triangle, quality and costs are rated equally and time is rated lower. Whereas in this moment the

organisation is satisfied with the target achievement with regard to quality and time, the company is heavily working on the cost perspective.

Another explanation for the focus on quality is provided by Mr. Lehnert and Mr. Straube, who argue that the more employees transferred from the parent company to the shared service organisation, the more likely it is that focus is placed on quality. For Mr. Schüller, this also depends on the underlying business processes. He sees a focus on quality, especially for processes where there is a low tolerance for mistakes.

6.2.2. Operative Versus Strategic Importance of Business Processes

From the answers in the interviews, a clear tendency towards operative business processes can be seen as the primary target for shared services. According to Mr. Straube, shared services are derived from the overall group strategy and the transaction oriented, operative business processes are subject to a transfer to a shared service unit. For him, all complex processes that might even require a non-standardised approach are not subject to a transfer. Following Mr. Lehnert, simple, operative processes can easily be transferred to a shared service organisation and offer the chance to gain quick wins with regard to cost savings and increased efficiencies.

With reference to the question of whether it would make sense to transfer strategically relevant processes to a shared service unit, the answers were not so clear. The first impulse within the interviews was a no response; specifically that such a transfer does not make sense. Upon further contemplation, the view changed, leading to statements like "*It could make sense to consolidate strategic relevant processes in a shared service organisation in terms of a concentration of competencies*" by Mr. Kessler, or as Mr. Hauck pointed out, "*It depends on the business process and the place where the shared services are to be located*". Also, at Bayer a clear tendency towards qualitatively more demanding processes is seen, where global teams of internal employees and external freelancers are working together in order to work on cross-functional processes or topics; an approach at Bayer, that if it emerges into a general trend, could lead to the rise of a new occupational profile (Miller & Miller, 2012). General agreement was seen in regard to the overall focus – if strategic relevant processes are to be located in a shared service organisation, than the clear focus has to be on quality aspects. Mr. Schüller highlighted, that irrespective of whether or not strategically relevant processes are subject to a transfer to shared services, it does make

sense to regularly challenge those processes with regard to inefficiencies, possible synergies or potential for standardisations as if they would be subject to a transfer. Already, this could increase efficiency and reduce costs.

6.2.3. Utilisation of Shared Services in Practice

According to feedback from the interview participants, shared services are quite wide spread among large-size enterprises. Mr. Kessler reported, that from his experience as a business consultant at arvato Bertelsmann, large enterprises with an annual turnover of over € 100 million began to move towards shared services approximately three years ago, whereas the smaller ones have not significantly followed this trend. Here especially, he identified and inhibited threshold placing improvements in efficiencies over the fate of individuals from within the organisation.

Mr. Lehnert adds that the concept has much more potential if consequently applied. From his point of view, efforts in installing shared services with a payback period of up to three years seem to be a major hurdle. He also identifies a kind of organisational sluggishness with regard to the willingness to critically question the processes in place, with streamlining and standardising occurring only after the fact. Mr. Straube argues that for many enterprises, the move to shared services is just an intermediate step in the search for cost efficiency. Even today, many large-size enterprises are moving shared services from one low-wage country to another one, a kind of modern economic nomadism.

6.2.4. Recommended Organisational Form for Shared Service Operations

Besides the fact that the chosen organisational form always depends on the business strategy, as Mr. Kessler mentioned in his interview, a general preference regarding a separate legal entity for the shared service operations can be observed. Mr. Lehnert highlights that an own legal entity would be the first choice whenever possible, as it enables a clear performance measurement, provides a clear segregation of duties, increases transparency, leads to higher motivation among employees and offers higher flexibility for the mother company. Mr. Hauck reports that from the beginning, Bayer located shared services in a separate legal entity, called Bayer Business Services. For him, this offers more flexibility in the integration of new organisations after an acquisition or when it comes to the divestment of a business area. According to Dr. Kröpfl, shared services can be organised completely different and more focused and dynamic in an own legal entity. Here, Mr. Straube

was the only interview partner, who argued that the organisational form does not matter for him. From his perspective, technology offers sufficient possibilities to report respective profit centre structures.

One specific point mentioned by Mr. Schüller and Mr. Lehnert refers to the symbolism of an own legal entity for the shared service activities. Mr. Schüller mentions that in his experience at E.ON, the mind-set of those employees moved to a shared service centre in-house did not change. A point of view, which was identical to the experience of Mr. Lehnert, who added that persons moved to a shared service department in-house at Daimler showed the same performance tendencies as before. Here, a clear shift to a separate legal entity, designed to promote efficiency and cost savings with a strong customer and service focus, has a completely different symbolic meaning. Dr. Hauck points out in this regard that employees, which are no longer needed or that do not show the capabilities or willingness to change, should immediately be removed from the organisation and laid off in order to avoid underperformance and a relapse into old behavioural patterns.

6.2.5. Standardisation of Processes and Technologies

The general opinion of the interview partners can be summarized by referring to the statement of Mr. Schüller: "*An extremely high process standardisation and process stability is a necessary prerequisite for successful shared service organisation (…) it is not possible to hand over chaotic processes*". Also, a high level of standardisation enables the shared service organisation to 'produce' services in the cheapest possible way, as Mr. Kessler adds.

Dr. Hauck and Dr. Kröpfl emphasise the topic of upwards delegation. In modern shared service organisations, highly sophisticated workflow technologies are in use. In some cases at Bayer, such workflows led to an additional workload for business functions. Dr. Hauck mentions the example of a process workflow for travel expenses, where a manager in the past handed over all his bills and receipts to his assistant for processing, but now, with the new workflow, the manager has to take care of this task on his own. Dr. Kröpfl had the same experience at ASG, where he received feedback that stated that at times, the old chaotic processes resulted in less work-load than the proper usage of the IT based and structured new workflow procedures.

6.2.6. Dysfunctional Behaviours and Change Management

Following the experience of Mr. Kessler, dysfunctional behaviours can be observed continuously on all levels. Dr. Hauck and Mr. Straube ascribe those dysfunctional behaviour to the fear of losing control over the processes. Even though processes are subject to transfer from a local or decentralised unit to a shared service organisation, the respective owner of the processes is still accountable for the output and potentially responsible for mistakes.

In order to overcome resistance to change, the different organisations have different approaches, ranging from top-down - where at Daimler the shared service structure is imposed on local and decentralised units - to highly sophisticated approaches - like the one at Bayer. At arvato, an eight to nine step change management approach is used, where the rational decision of moving to shared services is heavily supported with communication in order to reduce emotional discord and resistance to change. Also, E.ON placed focus on communication and personal contacts, even though Mr. Schüller mentions that it was a difficult task, an opinion with which he is not alone in having. A study of Buson-Marstell among 480 HR managers in Europe showed that only 23% think that change management is effectively implemented (Kestel, 2011). Bayer uses a stakeholder driven approach, focussing on participation management of the local and decentralised decision makers accompanied by a highly sophisticated communication concept that is implemented depending on the situation. Here, Dr. Hauck points out that Bayer is also openly communicating and discussing the negative aspects that might result from the change.

6.2.7. Abilities of the Shared Service Organisation

The interview partners in unison mentioned that their corresponding shared service organisations are delivering to a huge extent what was expected of them. Also with regard to the question of whether shared service organisations can become a competitive advantage for the parent company, the feedback was positive, approaching the topic from different perspectives.

According to Mr. Schüller, especially in cost-driven industries, shared services can become a competitive advantage if managing to deliver the services at lower costs than an external service provider or cheaper than the competition. Mr. Kessler views the biggest potential for a competitive advantage as being when the shared service organisation is organised in a

separate legal entity and when it offers its services to the free market. Here he referred to the example of Porsche Consulting, which emerged as a self-owned business area of Porsche, delivering a turnover of € 70 million in 2011.

6.2.8. Distribution of Power Between Shared Services and the Parent Company

At celesio, a company just starting with shared service activities, the influence of the mother company is fairly high, as the mother company is promoting the project. At Bayer, the mother company has the governance function, provides the processes, procedures, guidelines and decides where shared service organisations should be opened or closed. The complete strategic steering of shared service activities is done by the parent company, whereas the shared service organisation has to deliver the services according to the provided framework in which the shared service is free to act; an approach also followed by Daimler.

SLAs are seen by all interview partners as an elementary component in the relation between the parent company and the shared service organisation. To this point, Mr. Lehnert mentioned the following: "*By means of a SLA, the service provider knows exactly what he has to deliver. The less being specified, the more is subject of chance. Clearly defined SLA's reduce the demand for steering and control.*" Following Mr. Kessler, a well-defined SLA provides transparency and the basis for performance management. In addition, controlling can facilitate the steering and control of the shared service organisation.

6.2.9. Satisfaction with Shared Services

At the conclusion of the interviews, two anchor question were asked: the first inquired about the overall satisfaction with the shared service operations in place and the second asked whether the interviewees believed that their respective organisation will continue using shared services in the future. The answers are as follows:

Dr. Hauck, Bayer AG
"*Our shared service operations are able to deliver the respective services in a very efficient way. No larger enterprise can simply go along the topic of shared services and lose the opportunities the concept provides. Also I see the trend towards highly sophisticated and qualitatively demanding processes to be subject of shared services.*"

Mr. Kessler, arvato Bertelsmann

"The employees in the shared service units are doing a good job and we can feel how costs are reduced and how the quality is continuously increasing. As a modern company, we will of course continue to invest and use shared services."

Dr. Kröpfl, Sparkassen Abwicklungs- und Service Gesellschaft

"We are satisfied with the level we have achieved and at the Sparkasse, we will continue using shared services in the future."

Mr. Lehnert, Deutsche ACCUmotive – Daimler Group

"In the finance area we are completely satisfied with the performance, whereas in IT it depends on the respective competence center. The shared service organisation relieves us from repetitive standard activities, provides the most important standards and sets the big frame for our activities. Our process experts are within the shared service organisation and I'm confident that we will continue using shared services in the future."

Mr. Schüller, E.ON Energy and Trading

"I had not been satisfied with the performance of the shared services at the beginning, but in the meantime I became very satisfied. Also the E.ON Group generated major cost savings as a result of the shared service activities. Thus, we will continue with our shared service activities."

Mr. Straube, Celesio AG

"In this moment of time, even though we are at the beginning of our activities, we are fine with the performance. Celesio will of course continue using shared services as a strategic option to reduce our costs on a global level without loosing quality."

7. Conceptual Approach for Implementing Shared Services

The conceptual approach presented in this chapter is based on the Four-Phase-Model outlined in chapter three and combines the empirical findings as outlined in chapter five with the qualitative findings from the expert interviews in the previous chapter. By doing so, the conceptual approach adopts the process from the general strategic decision, towards the planning and organisation, through the organisational transformation until the shared service operation is up and running. In each phase, the causal connections will be uncovered in order to allow a systematic implementation of shared services. Wherever possible, recommendations will be given, resulting in a theoretically funded conceptual approach for implementing shared services, dedicated to practitioners and the scientific society.

7.1. 'Strategy' Phase

The central question of the 'strategy' phase is to identify those aspects that determine how support functions should be performed within the organisation. In the 'strategy' phase, the management of an organisation has to decide if support functions should be performed in-house in centralised or decentralised departments, external by using an outsourcing service provider or in a hybrid way by using shared services. Also, combinations of the organisational approaches are possible, depending on the processes.

The descriptive results have shown that 64% of the practitioners acknowledge that shared services are strongly used in practice compared to 10% claiming that it is not used. Further, results have shown that shared services are used in a huge variety of end to end processes, like order to cash, procurement to pay, hire to retire or accounting to reporting. As such, it can first be concluded that shared services are an important element in the organisation of support functions in today's business practice.

If an organisation decides to use shared services, a general strategic direction has to be chosen, leading towards a relieve or an expansion strategy. Additionally, the scope of shared service utilisation has to be decided. The theoretical foundation of the shared service model has shown that this decision is influenced by a number of variables. The importance of these variables for practitioners was determined within the empirical study. According to the latter, the management of an organisation has to consider the following fac-

tors when deciding upon the strategic direction to be followed and the degree of shared service utilisation:
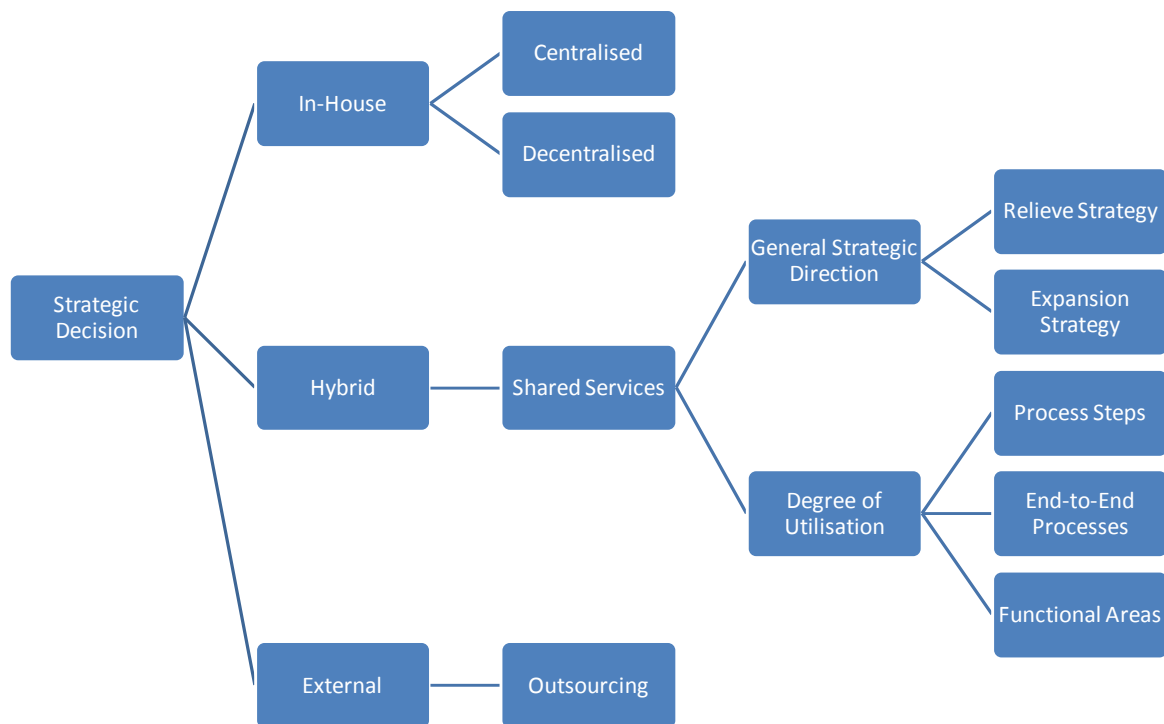
Figure 22: Management decisions during the 'Strategy' phase[29]

7.1.1. General Strategic Direction

Within the theoretical section, four variables were identified that influence the decision with regard to the general strategic direction followed by an organisation: the strategic and the operative importance of the business processes and the knowledge or property based resources to be transferred to a shared service organisation. The underlying theoretical concepts have been derived from the Resource Based View.

With regard to the expansion strategy, the results of the empirical study show that organisations prefer choosing an expansion strategy when the strategic importance of the utilised resources is high ([14] Hyp^{Strat1} – r=0.218) and when primarily knowledge-based resources ([17] Hyp^{Knowl} – r=0.189) are transferred to a shared service organisation. This result shows that expertise with regard to business processes, the company specific know-how and knowledge about the market in which the parent company is operating does influence decisions concerning strategic direction. Those empirical results go in line with the opinion

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[29] Own illustration

of the experts who claimed that they see a tendency towards an expansion strategy with a clear focus on quality when employees that have the respective know how concerning the market, the company and the business processes are transferred to shared services. Also, it is confirmed that the strategic importance of the business processes influences the decision with regard to the strategy selection. In this regard, the experts mentioned that strategic importance influences the decision, but from their perspective, more negatively, as they where recommending not to transfer strategically important processes to a shared service organisation. An analysis of the empirical results with regard to the relieve strategy leads to the conclusion that neither the operative importance of the business processes, nor the transfer of properties influences the strategic decision.

The results of the descriptive strategy lead to the conclusion that there is a tendency among the survey participants to favour the relieve strategy (mean value of 3.94) over the expansion strategy (mean value of 3.76). Also the findings from the expert interviews show that there seems to be a propensity towards the relieve strategy, mainly because the primary objective that organisations pursue in embarking in the direction of shared services is cost savings. As at the same time, organisations do not want to jeopardise on quality, the expansion strategy is close by.

The success factor analysis highlights that organisations following a relieve strategy are more likely to be successful ([26] $\text{Hyp}^{\text{RelSt}}$ – r=0.270), which can not be said with regard to the expansion strategy.

7.1.2. Frequency of Business Process Transfers

The complexity within an organisation influences the degree of shared service utilisation and application as derived from the theoretical section of this dissertation. Hence it was assumed that the more often organisations are or had already been transferring business processes to a shared service organisation, the more they have already aligned to the requirements and reduced their inner structural complexity by standardising their business processes, information systems, technical infrastructure, etc. The respective variable was derived from the Transaction Cost Theory, as the standardisation and harmonisation of processes and underlying technologies lead to higher transaction costs.

Results from the descriptive statistic show that there is a different perception between practitioners, where 64% assume that shared services are strongly or very strong used in prac-

tice and researchers, where only 39% assume a strong or very strong usage. With regard to standardisation, the overall picture looks positive, where the overall standardisation has a mean value of 3.139.

The empirical results show that there is a positive correlation between the structural complexity and the frequency of shared service utilisation ([06] Hyp^{Frequ} – r=0.244). Furthermore, the results of the success factor analysis also show that the frequency of transfers with a correlation index of r=0.267 is also a factor for the success of shared services.

7.1.3. Degree of Shared Service Utilisation

There are five derived variables that influence the degree of shared service utilisation: behavioural and environmental uncertainty, transaction and production costs, factor specificity and strategic importance of the business processes. The variables were theoretically founded by the transaction cost theory and, with regard to strategic importance, by the Resource Based View.

Empirical results show that uncertainty, transaction or production costs or strategic importance do not influence the degree of shared service utilisation. Only factor specificity ([05] $Hyp^{FactSpec}$ – r=0.244) has a correlation to the shared service utilisation. As such, and in line with the Transaction Cost Theory, it can be concluded that the less specific the abilities of the employees and their understanding of the parent companies business model, the more shared services can be utilised; or in other terms, the more generic the requirements with regard to the employees performing the services and the easier the processes can be reintegrated in case the shared service organisation fails, the better shared services can be applied. Also, it needs to be highlighted that factor specificity with a correlation index of r=0.228 is also a factor influencing the success of shared services. Even though a causal connection between the production costs and the utilisation of shared service was not confirmed, the production cost were also identified as a critical success factor with a correlation index of r=0.430.

7.1.4. Recommendations for Practitioners

For practitioners, the following recommendations can be derived from the findings:

1.) Business processes should be evaluated carefully with regard to their strategic importance to the parent company.

2.) If the strategic importance of the business processes is high and if knowledge-based resources need to be transferred, it should be discussed in detail whether the transfer from the parent company to a shared service organisation is beneficial and makes sense.

3.) In order to be successful with the shared service operations, objective setting should go in the direction of a relieve strategy with a clear focus on cost savings

4.) The more the business processes and standards, used information systems and underlying technical infrastructure are standardised, the easier and quicker processes can be transferred to a shared service organisation.

5.) The know-how of the business model of the parent company should be evaluated during the situation analysis, as low factor specificity simplifies the implementation of shared services.

6.) Low 'production' costs for the services of the shared service organisation assumed or detected during the feasibility study indicate that shared services can become successful.

7.2. 'Organisation' Phase

After a decision towards shared services had been made in the 'strategy' phase of the Four-Phase-Model, the 'organisation' phase has to define how the shared service organisation should look , respectively, how it should be structured and organised.

In this phase key questions circle around governance issues, like the organisational and legal integration of the services, the legal framework of the shared service organisation and the standardisation and harmonisation of the business processes and technologies. Especially with regard to the legal form of the shared service organisation, a decision has to be made as to whether to have the shared services as an internal department or if a separate legal entity should be established, within which all shared services will be located. The respective questions are briefly summarised in the illustration below and will be answered in the following paragraphs.
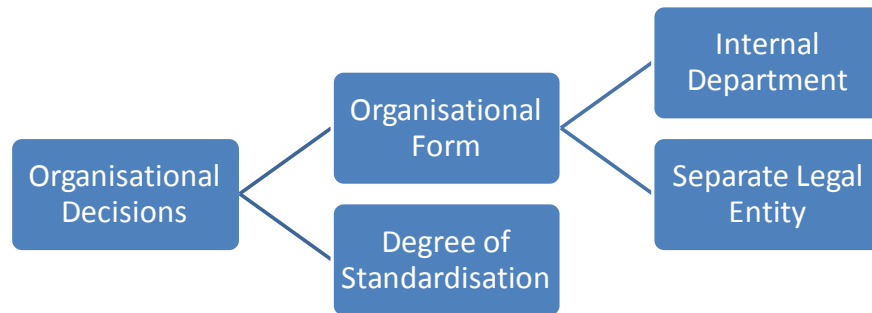
Figure 23: Management decisions during the 'Organisation' phase[30]

7.2.1. Organisational Form

Which variables influence management decision with regard to the organisational form of a shared service organisation? From the Property Right Theory, two variables in this regard have been derived: the organisational and legal integration of services within the shared service organisation and the assumptions concerning the efficiency of the chosen organisational form.

As outlined under 4.2.1.1., the integration of the processes from the parent company to the shared service organisation results in a change of proprietorship, i.e., ownership. Hence it can be assumed that the more the proprietorship, meaning the organisational and legal ownership and responsibility for the production of the services, is handed over from the parent company to the shared service organisation, the more likely it is that an own legal entity is chosen for the shared service organisation. Or in turn, within an own legal entity for the production of the services rests the full responsibility for the services and the performance of how they are provided. The results of the empirical study confirmed this hypothesis ([01] $Hyp^{PropRi1}$ – r=0.291) leading to the conclusion that the more responsibility for service provision embedded within the shared service organisation, the more it can be advised to select the organisational form of an own separate legal entity. Also, the legal and organisational integration of the services is a critical success factor with a correlation index of r=0.307, as success factor research states.

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[30] Own illustration

From the theoretical section it has been derived that a separate legally independent shared service organisation should act with higher efficiency than shared service organisations that are organised as centralised departments. The empirical results show a linear correlation between the variables and confirmed the hypothesis ([02] $Hyp^{PropRi2}$ – r=0.280). Hence it can be concluded that legal independence from the parent company increases efficiency, which is also confirmed by the results of the descriptive statistics. Furthermore, descriptive results tell us that the accountability of the shared service management and the implementation of a corporate governance can be improved by separating the activities. Additionally the results of the success factor analysis point out that the legal independence of the shared service organisation from the parent company with a correlation coefficient of r=0.298 is a critical success factor.

Considering the results from the expert interviews, the results as presented above are not surprising. Nearly all experts favoured separation of the shared service organisation from the parent company. They described such an approach as being the first choice for the reasons mentioned in the previous paragraph with regard to the results from the descriptive statistics. From the expert interviews it can also be derived that due to separation, an identification of the employees with the new service organisation can positively be influenced, preconceiving that the employees moved to a shared service organisation are shedding old habits and developing a customer focussed and service oriented mind-set.

7.2.2. Standardisation

Within the theoretical foundation of the Four-Phase-Model, the standardisation and harmonisation of the business processes and the underlying technological infrastructure was mentioned several times as a critical success factor. Surprisingly, neither the results of the empirical study nor the results from the success factor analysis confirmed the respective hypothesis derived from the transaction cost theory. One reason might be that the descriptive statistic showed that practitioners now claim that the used information systems, the available and used technical infrastructure with regard to ERP-Systems and the business processes in general are already highly standardised.

However the results from the expert interviews clearly indicate that a high standardisation of business processes and the harmonisation of the underlying technologies are necessary

prerequisites for the success of shared service organisations. Furthermore, the standardisation allows shared services to deliver services at low costs, as services can be 'produced' like products in a factory.

7.2.3. Recommendations for Practitioners

For practitioners, the following recommendations can be derived from the findings:

1.) It should be carefully decided in how far the ownership and responsibility for the services should be handed over to the shared service organisation.

2.) Whenever possible, organisations shall consider having shared services located in a completely separate legal entity, as it seems to be a success factor and increases the efficiency of the shared service operation and promotes a cultural change.

3.) Business processes and underlying technologies should standardise and harmonise as much as possible before a handover to the shared service organisation.

7.3. 'Transformation' Phase

The main target of the 'transformation; phase is the relocation of processes and people to the shared service organisation in a way that allows the frictionless operation of the shared service organisation. During the 'transformation' phase the SLA also needs to be defined. In doing so, the management needs define the service portfolio of the shared service organisation and which services the parent company should expect at which quality and price level. Besides this and most importantly, the plans developed in the organisation phase need to be put into practice. Furthermore, the whole process needs to be accompanied and supported by change management activities.

Following the latter, within the 'transformation phase', management has to decide how change management should be implemented and which tools should be used in order to avoid dysfunctional behaviour and friction during the relocation. Results of the descriptive statistics have shown that people to be relocated to shared services are predominantly trying to protect the status-quo and suffer a silo mentality. Even though the existing of dysfunctional behaviour does not harm the utilisation of shared services, as the empirical results have shown, overcoming such resistance, respectively, breaking down such mental walls, is an important point during the transformation phase.
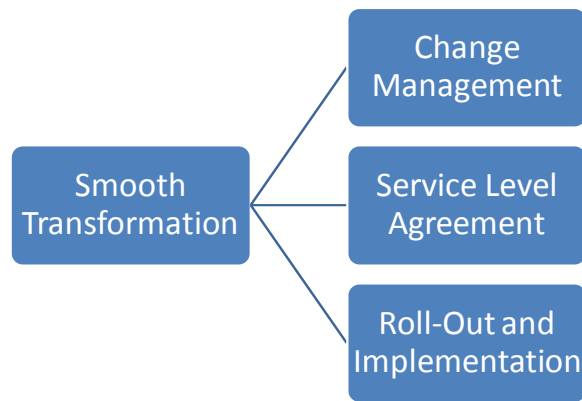
Figure 24: Management decisions during the 'Transformation' phase[31]

Under consideration of the previous paragraphs and taking into account the huge influence the behaviour of employees can have with regard to the success of shared services, all variables with regard to the 'transformation' phase have been derived from the Principal Agent Theory.

7.3.1. Change Management

As acknowledged beforehand, during the relocation from the parent company to a shared service organisation, dysfunctional behaviour from employees can be expected. The results from the descriptive statistic have shown that a broad selection of instruments are used in business practice to minimise the negative impacts of dysfunctional behaviour. Most of these instruments circle around the topic of communication, like explaining the reasons, the necessity, the scope and the nature of the change.

Further, the experts pointed out the importance of shared services and that in their respective specific organisations, they use special tools or concepts, which are implemented depending on the situation. Concepts ranged from top-down approaches to highly sophisticated communication concepts being implemented situationally. Interestingly, only one company (Bayer) openly discussed the negative aspects of the change, which can also be confirmed by the findings of the descriptive statistics, where only 45% of the practitioners and 58% of the researchers claimed that they had been openly communicating the negative aspects of a move to shared services.

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[31] Own illustration

Hence, due to the findings above it was not surprising that a positive correlation between communication and its potential to reduce resistance to change (Hyp^{CM} – r=0.232) was confirmed by the survey participants.

With a correlation coefficient of r=0.278, it is important to mention that change management during a shared service project is a critical factor for success. Under consideration of the manifold findings of studies in this regard, as already highlighted under 3.2.3.1., this finding was also not a huge surprise.

7.3.2. Service Level Agreement

The very high results from the descriptive statistics have shown the importance of a SLA. Also from the expert interviews it can be derived that SLAs are of significant importance, respectively, an elementary element in the relation between the shared service organisation and the parent company. The SLA should at least consist of a clear definition of the service performance and an administrative agreement regulating policies, process descriptions, revisions, prices, etc.

Empirical results have not been able to prove that the communication and the flow of information between the parties can be improved by a detailed description of the flow of information, good personal relations or by regulated processes, or the use of specific models or tools. However, from the success factor analysis it can be concluded in this regard that interpersonal relations with a correlation coefficient of r=0.192 and continuous and strong cooperation between the parent company and shared service organisation with a correlation coefficient of r=0.305 are critical factors for success. Hence, these factors should be considered when either drafting an SLA or when a given shared service organisation is to go live.

7.3.3. Recommendations for Practitioners

For practitioners, the following recommendations can be derived from the findings:

1.) A change management concept should be prepared well ahead of the transformation of shared services.

2.) Within such a concept, address especially the topic of communication by means of a communication plan as well as participation management in order to deal with dysfunctional behaviour.

3.) SLAs should clearly define what the partners can expect from one another.

4.) Team members should fit and have good interpersonal relations with on another.

5.) The parent company and shared service organisation should strongly cooperate with one another in all possible areas.

7.4. 'Operation' Phase

In the 'operation' phase the shared service organisation and the parent company work together in order to reach the predefined targets. This phase of the Four-Phase-Model ends either with a re-integration of the services into the parent company or by a decision to outsource the services to an external company. The main focus of the management during the 'operation' phase is the coordination of the cooperation and to adjust the structures of the shared service organisation to meet the expectations of the parent company. A proper functioning shared service organisation should contribute to the parent company reaching its objectives.
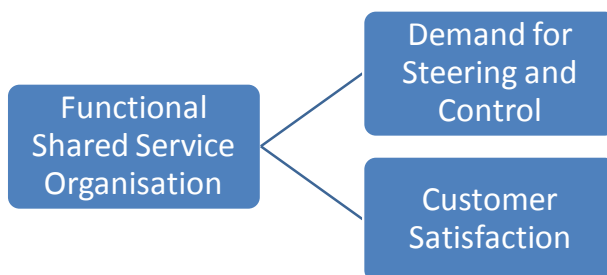
Figure 25: Management decisions during the 'Operation' phase[32]

Following the empirical study, customer satisfaction and the demand for steering and control are important elements to ensure the proper functioning of the shared service organisation. The corresponding variables have been derived from the Resource Based View Model and Network Model.

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[32] Own illustration

7.4.1. Customer Satisfaction

In order to ensure that the task assigned to the shared service organisation is not subject to re-integration or outsourcing, the shared service organisation needs to meet the expectations of the parent company, i.e., the customer. Essentially, the shared service organisation has to satisfy its customer's demand.

The descriptive results have shown that shared service organisations are in general able to meet the expectations of the parent company with regard to cost savings, have a strong service and customer orientation, deliver a high level of quality and have good know how concerning the business processes they are performing. Further the response time of the shared service organisations has been positively evaluated by the practitioners. Those statistical results are consistent with the statements received from the experts.

The empirical results have shown that the abilities of the shared service organisation have a direct influence on the satisfaction of the parent company ([19] $Hyp^{Ability}$ – r=0.542). Hence it can be concluded that the management of the shared service organisation should continuously work on its processes and performance in order to increase the abilities of the shared service organisation, resulting in a steam learning curve. With a correlation coefficient of r = 0.545, this seems to be even more important as the abilities are also a critical factor for the success of the shared services

Another factor that comes hand in hand with abilities is the trust of the parent company in the aptitudes of the shared service organisation. Empirical results show that a high level of trust is a foundation for customer satisfaction ([24] $Hyp^{TrustSat}$ – r=0.320) and also a critical success factor ([32] $Hyp^{SatTrust}$ – r=0.835).

As mentioned above, the services provided by the shared service organisation should support the parent company in reaching its own objectives. With regard to the question of whether shared services are even capable of emerging into a competitive advantage for the parent company, the experts answered positive. If the shared service organisation can deliver the services with an adequate qualitative level and at lower costs compared to external providers or at the same function as competitors, the potential to become a competitive advantage exists. Such an advantage can be important especially in cost sensitive business

areas. Empirical results have shown that generating such a competitive advantage for the parent company, of course, increases the satisfaction of the customer.

7.4.2. Control Mechanism

The management of the parent company and the management of the shared service organisation have to agree on the level and mechanism of control to be implemented. From the theoretical section it has been derived that incentive systems implemented and the distribution of power are factors influencing the demand for steering and control. The respective hypothesis was not approved by the empirical study. However the descriptive results and the statements of the experts highlight that the parent company highly influences decisions and plays an active role in the definition of strategic objectives in the shared service organisation.

With a correlation coefficient of r=0.255, empirical results confirm that a well implemented information policy decreases the demand for steering and control from the side of the parent company ([22] Hyp^{Info} – r=0.195) and can also be seen as a factor influencing the success of the shared service organisation. As mentioned by some of the experts, managers within the parent company have the fear of loosing control over the processes. Results indicate that an information policy with clearly defined communication cycles, supported by regular reporting and controlling, can make managers in the parent company more confident of the processes and return some control to them.

7.4.3. Recommendations for Practitioners

For practitioners, the following recommendations can be derived from the findings:
1.) Objectives and activities of the shared service organisation should contribute to the strategy of the parent company.
2.) The management of the shared service organisation should continuously work on its performance in order to generate customer value and satisfaction.
3.) By providing good performance and transparency, the shared service organisation can increase trust in its activities and simultaneously increase satisfaction.
4.) It would be worthwhile to evaluate if the services of the shared service organisation could be offered on the free market to other companies.
5.) The lever of influence of the parent company over the activities of the shared service organisation should be clearly communicated.

6.) A highly sophisticated information policy should be implemented and supported by reporting and controlling in order to lower the demand for steering and control.

8. Conclusions

The starting point of this dissertation project was the detection of a lack of a theoretical founded, integrated and structured model for the realisation of shared services. The present dissertation closes this gap and contributes to comprehensive scientific analysis and structuring with regard to the complex topic of shared services. Based on an intense study of the respective scientific and managerial literature, a model was developed that systematically structured those activities within shared service projects. This model was also theoretically founded based on economic and managerial theories. Potential causal connections between the different activities were uncovered and empirically tested among some of the largest enterprises, most influential consulting companies and institutions for higher education in Germany. In the following, the most important findings will be summarised, followed by a critical appraisal and an outline of potential topics for further research.

8.1. 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 ration of 22.0%. 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-retire, 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 re-location 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.

8.2. Critical Appraisal and Possible Further Research

The present 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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Appendices

A-01. Vault Ranking Top 50 Consulting Companies

The homepages of the Vault Top 50 Consulting Companies was evaluated with regard to activities in the area of shared services from three angles: first, whether they offer consulting companies in the area of shared services, second if they have conducted studies or offer white papers in connection with this topic and finally if they published own success stories or cast studies.

2011 RANK	FIRM	Homepage	Shared Services		
			Offer Consulting	Studies / White Papers	Success Stories
1	Bain & Company	http://www.bain.com/	YES	YES	YES
2	The Boston Consulting Group, Inc.	http://www.bcg.com/	YES	YES	YES
3	McKinsey & Company	http://www.mckinsey.com/	YES	NO	YES
4	Analysis Group, Inc.	http://www.analysisgroup.com/	NO	NO	NO
5	The Cambridge Group	http://www.thecambridgegroup.com/	NO	NO	NO
6	Deloitte Consulting LLP	http://www.deloitte.com/	YES	YES	YES
7	Oliver Wyman	http://www.oliverwymangroup.com/	YES	NO	YES
8	A.T. Kearney	http://www.atkearney.com/	YES	YES	YES
9	Triage Consulting Group	http://www.triageconsulting.com/	NO	NO	NO
10	Censeo Consulting Group	http://www.censeoconsulting.com	YES	NO	NO
11	West Monroe Partners	http://www.westmonroepartners.com/	YES	NO	NO
12	Cornerstone Research	http://www.cornerstone.com/	NO	NO	NO
13	PricewaterhouseCoopers LLP	http://www.pwc.com/	YES	YES	YES
14	Alvarez & Marsal	http://www.alvarezandmarsal.com/	YES	NO	NO
15	Trinity Partners, LLC	http://www.trinitypartners.com/	NO	NO	NO
16	Booz & Company	http://www.booz.com/	YES	YES	NO
17	Milliman, Inc	http://www.milliman.com/home/	NO	NO	NO
18	Strategic Decisions Group	http://www.sdg.com/	NO	NO	NO
19	PRTM	http://www.prtm.com/	YES	NO	YES
20	Gallup Consulting	http://www.gallup.com/	NO	NO	NO
21	PwC's Diamond Advisory Services	http://www.pwc.com/	YES	YES	YES
22	Health Advances, LLC	http://www.healthadvances.com/	NO	NO	NO
23	Strategos	http://www.strategos.com/	NO	NO	NO
24	The Brattle Group	http://www.brattle.com/	NO	NO	NO
25	Monitor Group	http://www.monitor.com/	YES	YES	NO
26	AlixPartners, LLP	http://www.alixpartners.com/	NO	NO	NO
27	IBM Global Business Services	http://www-935.ibm.com/	YES	YES	YES
28	OC&C Strategy Consultants	http://www.occstrategy.nl/	NO	NO	NO
29	Novantas LLC	http://www.novantas.com/	NO	NO	NO
30	Putnam Associates	http://www.putnam.com/	NO	NO	NO
31	Easton Associates, LLC	http://www.eastonassociates.com/	NO	NO	NO
32	Accenture	http://www.accenture.com/	YES	YES	YES
33	Corporate Executive Board	http://www.executiveboard.com/	YES	YES	NO
34	ZS Associates	http://www.zsassociates.com/	NO	NO	NO
35	L.E.K. Consulting	http://www.lek.com/	NO	NO	NO
36	NERA Economic Consulting	http://www.nera.com/	NO	NO	NO
37	Hewitt Associates	http://www.aon.com/	YES	YES	YES
38	Bates White	http://www.bateswhite.com	NO	NO	NO
39	Pearl Meyer & Partners, LLC	http://www.pearlmeyer.com/	NO	NO	NO
40	Quintiles Consulting	http://www.quintiles.com/	NO	NO	NO
41	Simon-Kucher & Partners	http://www2.simon-kucher.com/	NO	NO	NO
42	FTI Consulting, Inc.	http://www.fticonsulting.com/	NO	NO	NO
43	Charles River Associates	http://www.crai.com/	NO	NO	NO
44	Navigant Consulting, Inc.	http://www.navigant.com/	NO	NO	NO
45	Capgemini	http://www.capgemini.com/	YES	YES	YES
46	Towers Watson	http://www.towerswatson.com/	YES	YES	YES
47	Mercer LLC	http://www.mercer.com/	YES	YES	YES
48	Huron Consulting Group	http://www.huronconsultinggroup.com/	NO	NO	NO
49	IMS Health	http://www.imshealth.com/	NO	NO	NO
50	Kaiser Associates	http://www.kaiserassociates.com/	YES	YES	YES

On the CD-ROM you can also find the respective Excel Table, titled as follows:

A-01. Vault Top 50 Consulting Companies - Online Research 2011-07-10

A-02. Pre-Test: Experts and Results

By means of the Pre-Test, the questionnaire was presented to the following experts in order to gather feedback:

Borbely, Philip	Managing Director
	Deutsche Unternehmensbeteiligungs GmbH.
Buda, Michael	Head of Subsidiary Controlling at
	Viessmann Werke GmbH & Co. KG
Egri, Miklos	Head of GSS Event Management
	Siemens AG – Global Shared Services
Krötlinger, Stefanie	Controlling
	Palmers Textil AG
Leber, Stefan	Head of Group Planning & Reporting
	Semperit AG Holding
Noffke, Ralf	Senior Manager
	Ernest & Young AG
Reiterer, Johannes	Lecturer and Research Assistant
	Fachhochschule Wiener Neustadt
Reuter, Bodo Dr.	Principal
	Rölfs RP Management Consultants GmbH
Ritschel, Sven	Project Manager Shared Services
	B. Braun Melsungen AG
Schentler, Peter Dr.	Managing Consultant
	Horváth & Partners Management Consultants

On the CD-ROM you can also find the respective Excel Table, titled as follows:

A-02. Experts and Results Pre-Test

A-03. Population

A-03.1. Large-scale Enterprises

Using the 'Amadeus' database, large-scale enterprises in Germany were identified. On the CD-ROM you can also find the respective Excel Table, titled as follows:

A-03.01. Population Large-scale Enterprises

This table contains seven worksheets (WS), which will be briefly explained in the following:

WS 'Search strategy':   This worksheet includes the basic search parameters in the identification of large-scale enterprises in Germany. Also, the different steps leading to the base population for the empirical research are explained.

WS 'Basic data':   This worksheet contains the original download from the Amadeus database.

WS 'R1':   In a first step, all enterprises with a turnover older than 2010 were eliminated.

WS 'R2':   In a second step, all enterprises without any turnover indication were eliminated.

WS 'R3':   In a third step, all companies with a turnover below € 50 million were deleted

WS 'R4':   All state owned enterprises and NPOs were deleted.

Base Data	according to Search Strategy	No. Companies		Turnover
		10.644	€	**5.963.855.790.000**
Reduction 1	Elemination of Revenues older 2011 or 2010	2.343	€	973.923.324.200
	Sub-Total 1	8.301	€	4.989.932.465.800
Reduction 2	Elemination of all companies without revenue indication	1.299	€	-
	Sub-Total 2	7.002	€	4.989.932.465.800
Reduction 3	Elemination of companies below € 50.000.000 Turnover	895	€	18.832.395.000
	Sub-Total 3	6.107	€	4.971.100.070.800
Reduction 4	Elemination of State Owned, Non Profit Companies	347	€	90.624.096.000
Base Population		**5.760**	€	**4.880.475.974.800**
Total Sample		5.760	€	4.880.475.974.800
Top 500		**500**	€	**3.379.515.036.347**

WS 'Final Working Table'   Here the final working table is displayed, also showing the participating companies and reasons for non-participation.

A-03.2. Consulting Companies

Using the 'Lünendonk' database, the 25 most important consulting companies in Germany were identified. The respective list of consulting companies can be found on the CD-ROM as a PDF document, titled as follows:

A-03.02. Top 25 Consulting Companies

A-03.3. Institutions for Higher Education

By referring to the 'CHE Hochschulranking', Institutions for Higher Education in Germany were identified. The detailed list can be found on the CD-Rom with the file-name as follows:

A-03.03. Institutions for Higher Education

A-04. Cover Letter and Reminder

A-04.1. Cover Letter

The following cover letter was predominantly personalized and sent to survey participants:

GERMAN VERSION
(ENGLISH TRANSLATION CAN BE FOUND BELOW)

Sehr geehrte/r Herr/Frau   ,

als externer Doktorand im Bereich Betriebswirtschaftslehre an der Universität Pécs in Ungarn, führe ich gerade ein wissenschaftliches Forschungsprojekt zum Thema Shared Services unter den 500 größten Unternehmen, den 25 wichtigsten Unternehmensberatungen, sowie Universitäten und Fachhochschulen in Deutschland durch.

Das Hauptziel dieses Projektes ist es, der Praxis einen integrierten und strukturierten Lösungsansatz für die Einführung von Shared Services auf der Grundlage von wirtschaftswissenschaftlichen Theorien und dieser empirischen Studie zu bieten. Der entstehende Kon-

zeptansatz soll Führungskräften klare und konkrete Handlungsempfehlungen zur Planung, Organisation, Umsetzung und den Betrieb eines Shared Service Centers bieten.

Ich würde mich sehr freuen, wenn Sie, als Vertreter eines der 500 wichtigsten Unternehmen Deutschlands, an dieser Studie teilnehmen würden. Füllen Sie hierzu bitten den Fragebogen aus, welcher für Sie unter folgendem Link bereitsteht:

http://survey.2ask.de/ba8541878f4d3f1e/survey.html

Die Beantwortung des Fragebogens wird etwa 20 Minuten Ihrer Zeit beanspruchen.

Als Dankeschön für Ihre Bemühungen stelle ich Ihnen gerne die Ergebnisse der Studie kostenfrei in Form einer Executive Summary zur Verfügung. Geben Sie hierzu bitte am Ende des Fragebogens Ihre e-mail Adresse an. Weiterhin werde ich für jeden vollständig ausgefüllten Fragebogen einer gemeinnützigen Organisation eine Spende in Höhe von € 5,00 zukommen lassen. Wählen Sie bitte aus der entsprechenden Liste die Organisation aus, welche die Spende für Ihren ausgefüllten Fragebogen erhalten soll.

Die Qualität und die Ergebnisse dieses Forschungsprojektes hängen von Ihrer Beteiligung ab. Ich versichere Ihnen, dass Ihre Antworten streng vertraulich behandelt und nur zu statistischen Zwecken dieses Forschungsprojektes genutzt werden. Sollten Sie Fragen oder Kommentare haben, stehe ich Ihnen gerne jederzeit zur Verfügung. Schreiben Sie mir eine kurze e-mail an "Forschungsprojekt-SharedServices@gmx.at" und ich werde Ihnen in Kürze antworten.

Für Ihre Hilfe und Unterstützung bei diesem Forschungsprojekt möchte ich mich bereits jetzt herzlich bedanken und verbleibe

mit freundlichen Grüßen

Martin Wenderoth
PhD Student, University of Pécs

ENGLISH TRANSLATION

Dear Mr. / Ms.,

As an external PhD student in Business Administration at the University of Pécs in Hungary, I am currently conducting a scientific research project on the subject of shared services among the 500 largest companies, the top 25 consulting firms, and institutions for higher education throughout Germany.

The main objective of this scientific research project is to provide an integrated and structured approach with regard to the implementation of shared services on the basis of economic theories and an empirical study. The resulting concept is intended to provide managers with clear and concrete recommendations for the planning, organizing, implementing and operation of shared service organisations.

I would be delighted if you, as a representative of one of the top 500 companies / 25 most important consulting companies / institutions for higher education in Germany, would participate in this study. In order to do so, please simply follow the attached link and answer the respective online questionnaire.

http://survey.2ask.de/ba8541878f4d3f1e/survey.html

Completing the questionnaire will take about 20 minutes of your time.

As a 'thank you' for your efforts, I would like to send the results of this study free of charge to you in the form of an executive summary. If you are interested, please enter your email address at the end of the questionnaire. Furthermore, for each completed questionnaire, a donation of € 5.00 will be made to a nonprofit organisation of your choice. Please select from the respective list of organisations that will receive the donation for your completed questionnaire.

The quality and the results of this project will depend on your participation. I assure you that your responses are kept strictly confidential and will only be used for the statistical purposes of this research project. If you have questions or comments, please contact me at

any time. Write a brief e-mail to Forschungsprojekt-SharedServices@gmx.at and I will reply to you shortly.

I would like to thank you already now for your help and support in this research project.

With best regards,

Martin Wenderoth
PhD Student, University of Pécs

A-04.2. Reminder Letter

GERMAN VERSION
(ENGLISH TRANSLATION CAN BE FOUND BELOW)

Sehr geehrte Damen und Herren,

ich habe Sie vor ca. 3 Wochen angeschrieben und gebeten an meinem wissenschaftlichen Forschungsprojekt zum Thema Shared Services in Deutschland teilzunehmen. Aktuell sind bereits 75 der 500 größten Unternehmen in Deutschland, 15 der 25 wichtigsten Beratungsunternehmen und 28 von 133 Universitäten und Fachhochschulen diesem Aufruf gefolgt.

Der Fragebogen steht Ihnen noch bis Freitag, 23.11.2012 zur Verfügung. Zur Teilnahme klicken Sie bitte auf den beigefügten Link oder kopieren Sie diesen in Ihren Browser:

http://survey.2ask.de/ba8541878f4d3f1e/survey.html

Gerne können Sie den Link auch an Kollegen, wissenschaftliche Mitarbeiter oder Doktoranten, welche das Thema „Shared Services" ebenfalls anspricht, weiterleiten.

Als Dankeschön für Ihre Bemühungen erhalten Sie die Ergebnisse dieser Untersuchung kostenfrei in Form einer Executive Summary. Weiterhin wird für jeden vollständig ausgefüllten Fragebogen einer gemeinnützigen Organisation eine Spende in Höhe von € 5,00

gespendet. Wählen Sie bitte aus der entsprechenden Liste die jeweilige Organisation aus, welche die Spende für Ihren ausgefüllten Fragebogen erhalten soll.

Für Ihre Hilfe und Unterstützung möchte ich mich bereits jetzt herzlich bedanken und verbleibe

mit freundlichen Grüßen

Martin Wenderoth
PhD Student, University of Pécs

ENGLISH TRANSLATION

Dear Sir or Madam,

About 3 weeks ago, I asked you to participate in my research project on shared services in Germany. Until now, already 75 of the 500 largest companies in Germany, 15 of the top 25 consulting firms and 28 out of 133 institutions for higher education have participated in the survey.

For your participation, the questionnaire is online until Friday, 23rd of November 2012. In order to participate, please just click on the attached link or copy the link to your browser:

http://survey.2ask.de/ba8541878f4d3f1e/survey.html

Please feel free to send the link to your colleagues, or members within your faculty that might be interested in the topic of 'shared services'.

As a thank you for your efforts, you will receive the results of this study free of charge in the form of an executive summary. If you are interested, please enter your email address at the end of the questionnaire. Furthermore, for each completed questionnaire, a donation of € 5.00 will be made to a nonprofit organisation of your choice. Please select from the respective list of organisations that will receive the donation for your completed questionnaire.

For your help and support, I would like to thank you.

Sincerely yours,

Martin Wenderoth

PhD Student, University of Pécs

A-05. Questionnaire

Page 1/20: General Information

Shared Services in Deutschland	Seite 1/20	0%

Generelle Informationen

Herzlichen Dank, dass Sie sich entschieden haben mein Forschungsprojekt zu unterstützen.

Um Ihnen die Beantwortung dieses Fragebogens so angenehm wie möglich zu gestalten und nicht zu viel von Ihrer wertvollen Zeit in Anspruch zu nehmen, wurden die Antwortmöglichkeiten in diesem Fragebogen weitestgehend standardisiert. Bitte beziehen Sie sich bei der Beantwortung der Fragen möglichst auf das aus Ihrer Sicht wichtigste Shared Service Projekt, welches Sie kennen oder bei welchem Sie mitarbeiten. Hierdurch wird Ihnen die Beantwortung der Fragen erleichtert.

Bitte versuchen Sie alle Fragen zu beantworten. Sollten Sie eine der Fragen nicht beantworten können, so fahren Sie bitte mit der darauf folgenden Frage fort. Antworten Sie nach Ihrem besten Wissen, auf der Grundlage Ihrer Erfahrungen oder Ihrer Meinung.

Alle Ihre Antworten werden selbstverständlich absolut vertraulich behandelt und nur für statistische Zwecke im Zusammenhang mit diesem Forschungsprojekt verwendet. Auch wird Ihr Firmenname in keiner Weise mit Ihnen, den Antworten oder den Forschungsergebnissen direkt in Verbindung gebracht.

Sollten Sie Fragen haben, so zögern Sie bitte nicht, mich via Mail (Forschungsprojekt-SharedServices@gmx.at) zu kontaktieren.

Ihr Beitrag unterstützt mein Forschungsprojekt im Bereich von Shared Services, wofür ich mich bei Ihnen herzlich bedanken möchte.

Martin Wenderoth
PhD Student Universität Pécs

Page 2/20: General Information

Shared Services in Deutschland | Seite 2/20 | 5%

Allgemeine Angaben

1. **Allgemeine Angaben**

Welcher der folgenden Kategorien gehören Sie bzw. das Unternehmen oder die Institution der Sie angehören an?

○ Großunternehmen der Privatwirtschaft

○ Beratungsunternehmen, Wirtschaftsprüfungsgesellschaft

○ Universität, Fachhochschule, Berufsakademie

○ Anderes Unternehmen oder Institution:

Zurück | Umfrage erstellt mit Hilfe von '2ask' | 2 a s k | Weiter

Page 3/20: General Information – Large-scale Enterprises

Shared Services in Deutschland | Seite 3/20 | 10%

2. Bitte geben Sie den Namen Ihres Unternehmens an:

3. Bitte wählen Sie aus der beigefügten Liste die Kategorie aus, welche Ihrer aktuellen Position im Unternehmen am nächsten kommt:

|hier klicken|

4. Welche der folgenden Kategorien im Hinblick auf Umsatz und Mitarbeiter kann man Ihrem Unternehmen in 2011 zuordnen?

Umsatz

|hier klicken|

Mitarbeiter

|hier klicken|

Zurück | Umfrage erstellt mit Hilfe von '2ask' | 2ask | Weiter

Page 3/20: General Information – Consulting Companies

Shared Services in Deutschland | Seite 4/20 | 15%

2. Bitte geben Sie den Namen des Beratungsunternehmens an, für welches Sie tätig sind:

3. Bitte wählen Sie aus der beigefügten Liste die Kategorie, welche Ihrer aktuellen Position in dem Beratungsunternehmen für das Sie tätig sind am ehesten entspricht:

|hier klicken|

Zurück | Umfrage erstellt mit Hilfe von '2ask' | 2ask | Weiter

Page 3/20: General Information – Institutions for Higher Education

Page 3/20: General Information – Other Organisation or Institution

Page 6/20: Definition Shared Services

Page 7/20: General Importance of Shared Services

Page 8/20: General Importance of Shared Services

| Shared Services in Deutschland | Seite 8/20 | 35% |

6. Nutzungsfrequenz

	gar nicht				sehr stark
Wie stark nutzen Sie bereits Shared Services bzw. wie stark werden Ihrer Ansicht nach Shared Services bereits in der Praxis genutzt?	○	○	○	○	○

7. Anwendungsbereiche

Welche, oder Teile welcher Prozesse haben Sie bereits in ein Shared Service Center verlagert bzw. werden Ihrer Ansicht nach in der Praxis am häufigsten verlagert?

	nie				sehr häufig
Order to Cash (z.B. Auftragserfassung, Rechnungsstellung, Mahnwesen,...)	○	○	○	○	○
Procurement to Pay (z.B. Beschaffung, Bestandswesen, Anlagevermögen,...)	○	○	○	○	○
Hire to Retire (z.B. Personalwirtschaft, Lohnbuchhaltung, Spesen und Reisekosten,...)	○	○	○	○	○
Accounting to Reporting (z.B. Haupt- und Finanzbuchhaltung, Konsolidierung, Berichtswesen,...)	○	○	○	○	○
Sonstiges (z.B. Fuhrpark, Facility Management, Beschwerdemanagement,...)	○	○	○	○	○

Zurück | Umfrage erstellt mit Hilfe von '2ask' | 2ask | Weiter

Page 9/20: Strategy Phase

Shared Services in Deutschland	Seite 9/20		40%

Strategie-Phase

8. Strategische und operative Bedeutung

In wieweit stimmen Sie den folgenden Aussagen zu?

	stimme nicht zu				stimme voll zu
Die in ein Shared Service Center zu verlagernden Prozesse sind von besonderer strategischer Bedeutung für das Unternehmen.	○	○	○	○	○
Sollte das Shared Service Center nicht erfolgreich sein, entstehen dem Unternehmen signifikante, langfristige Wettbewerbsnachteile.	○	○	○	○	○
Die Prozesse innerhalb des Shared Service Centers haben eine große operative Bedeutung für die täglichen Geschäftsaktivitäten eines Unternehmens.	○	○	○	○	○

9. Transfer von Wissens- und Sachkapital

Bitte beurteilen Sie, wie intensiv Wissens- und Sachkapital (Ressourcen sowie Kernkompetenzen) in ein Shared Service Center transferiert werden:

	gar nicht				sehr intensiv
Expertise hinsichtlich Teilen der Geschäftsprozesse	○	○	○	○	○
Technisches Know-how	○	○	○	○	○
Unternehmensspezifische Kenntnisse	○	○	○	○	○
Markt- und Branchenkenntnisse	○	○	○	○	○
Grundstücke, Gebäude und technische Infrastruktur	○	○	○	○	○
Finanzielle Ressourcen	○	○	○	○	○
Markenname und Reputation	○	○	○	○	○
Mitarbeiter	○	○	○	○	○

Zurück	Umfrage erstellt mit Hilfe von '2ask'	2ask	Weiter

Page 10/20: Strategy Phase

Page 11/20: Strategy Phase

Page 12/20: Organisation Phase

Shared Services in Deutschland		Seite 12/20	55%	

Organisationsphase

14. Prozessstabilität

Die Geschäftsprozesse innerhalb des Shared Service Centers...

	stimme nicht zu				stimme voll zu
...verändern sich inhaltlich kontinuierlich, aufgrund interner und externer Anforderungen.	○	○	○	○	○
...variieren ständig bzgl. des Arbeitsaufkommens.	○	○	○	○	○
...benötigen ein kontinuierliches Lernen und Prozessadaptierungen, aufgrund der Dynamik unserer Organisation.	○	○	○	○	○
...erfordern häufige Anpassungen am ERP-System bzw. an der technologischen Plattform, auf denen die Prozesse angewendet werden.	○	○	○	○	○

15. Prozessstandardisierung

Wie hoch ist die Standardisierung in Ihrem Unternehmen bzw. Ihrer Ansicht nach generell in Unternehmen im Hinblick auf:

	gar keine Standardisierung				sehr hohe Standardisierung
Verwendete Informationssysteme	○	○	○	○	○
Vereinbarte Servicegrade	○	○	○	○	○
Branchenspezifische Prozessstandards	○	○	○	○	○
Eingesetzte Geschäftsprozesse (generell)	○	○	○	○	○
Vorhandene technische Infrastruktur (ERP-System)	○	○	○	○	○

Zurück	Umfrage erstellt mit Hilfe von '2ask' 2 ask	Weiter

Page 13/20: Organisation Phase

Shared Services in Deutschland	Seite 13/20	60%

16. Integration

In welcher Form ist das Shared Service Center in Ihrem Unternehmen organisiert bzw. sollte ein Shared Service Center Ihrer Ansicht nach in Unternehmen organisiert sein?

	trifft nicht zu				trifft vollkommen zu
Das Shared Service Center ist eine zentralen Abteilung innerhalb unseres Unternehmens.	○	○	○	○	○
Das Shared Service Center ist eine weitestgehend unabhängige rechtichen Einheit.	○	○	○	○	○

Bitte beantworten Sie die folgende Frage:

	stark differenziert				stark integriert
Wie stark sind die Dienstleistungen des Shared Service Centers im Hinblick auf Prozesse, Strukturen und Verfügungsrechte in Ihrem Unternehmen integriert bzw. wie stark sollten sie Ihrer Ansicht nach in der Praxis integriert sein?	○	○	○	○	○

17. Wechsel von Verfügungsrechten

Die rechtliche und organisatorische Trennung des Shared Service Centers vom Mutterunternehmen...

	stimme nicht zu				stimme voll zu
...erleichtert die Etablierung einer Corporate Governance.	○	○	○	○	○
...erlaubt die klare Zuordnung von Verantwortlichkeiten.	○	○	○	○	○
...erhöht die Effizienz und Effektivität des Shared Service Centers.	○	○	○	○	○
...verbessert die Qualität der zu erbringenden Dienstleistung.	○	○	○	○	○
...stellt sicher, dass Effizienzgewinne dort verbleiben, wo sie generiert werden.	○	○	○	○	○
...vereinfacht das interne und externe Benchmarking.	○	○	○	○	○

Zurück	Umfrage erstellt mit Hilfe von '2ask' 2ask	Weiter

Page 14/20: Transformation Phase

Page 15/20: Transformation Phase

Page 16/20: Transformation Phase

Page 17/20: Operation Phase

Shared Services in Deutschland	Seite 17/20	80%

Betriebsphase

24. Fähigkeiten

Wie stark hat das Shared Service Center die folgenden Kriterien erfüllt?

	gar nicht				sehr stark
Preis- und Kostensenkung	○	○	○	○	○
Wissen hinsichtlich der Geschäftsprozesse	○	○	○	○	○
Hohes Qualitätsniveau	○	○	○	○	○
Kurze Antwortzeiten	○	○	○	○	○
Starke Dienstleistungs- und Kundenorientierung	○	○	○	○	○

25. Machtverteilung

In welchem Ausmaß stimmen Sie den folgenden Aussagen zu?

	stimme nicht zu				stimme voll zu
Die Mutterunternehmen haben einen hohen Einfluss auf die Entscheidungen, die im Shared Service Center getroffen werden.	○	○	○	○	○
Die Mutterunternehmen spielen eine aktive Rolle in der Definition der strategischen Ziele des Shared Service Center.	○	○	○	○	○
Die Mutterunternehmen können die verlagerten Funktionen relativ einfach wieder eingliedern, wenn das Shared Service Center nicht erfolgreich ist.	○	○	○	○	○

Zurück   Umfrage erstellt mit Hilfe von '2ask'   **2ask**   Weiter

Page 18/20: Operation Phase

Shared Services in Deutschland	Seite 18/20	85%

26. Steuerung und Kontrolle

Wie bewerten Sie die Einführung der folgenden Anreizsysteme im Hinblick auf die Motivation des Shared Service Centers?

	nicht hilfreich				sehr hilfreich
Im Falle eines Erfolges des Shared Service Projektes sollte eine Erweiterung des Aufgabenspektrums in Aussicht gestellt werden.	○	○	○	○	○
Das Shared Service Center partizipiert an den resultierenden Einsparungen und Kostensenkungen, die aus der Shared Service Tätigkeit heraus entstehen.	○	○	○	○	○
Das Shared Service Center wird für das Erreichen vordefinierter Qualitätsstandards belohnt.	○	○	○	○	○

27. Informationspolitik

In wieweit stimmen Sie den folgenden Aussagen zu?

	stimme nicht zu				stimme volll zu
Das eingeführte Berichtswesen ist für die Beziehung zwischen Shared Service Center und Mutterunternehmen von besonderer Bedeutung.	○	○	○	○	○
Ein funktionierendes Berichtswesen setzt den Transfer von spezifischem Wissen vom Mutterunternehmen in das Shared Service Center voraus.	○	○	○	○	○
Regelmäßige festverankerte Kommunikationsmechanismen reduzieren den Bedarf an Steuerung und Kontrolle durch das Mutterunternehmen.	○	○	○	○	○

28. Vertrauen

In wieweit stimmen Sie der folgenden Aussage zu?

	stimme nicht zu				stimme volll zu
Die Beziehungen zwischen Shared Service Center und Mutterunternehmen basieren auf gegenseitigem Respekt und Vertrauen.	○	○	○	○	○

Zurück   Umfrage erstellt mit Hilfe von '2ask'   2ask   Weiter

Page 19/20: Overall Evaluation of Shared Services

Page 20/20: Thank You Page

Closing Page

A-06. Statistical Results

The statistical results can be found on the CD-ROM. The respective files are titled as follows:

A-06.01. Results Descriptive Statistics

A-06.02. Results Hypothesis and Success Factors

The SPSS Data can be found in the file folder

A-06.03. SPSS Data

A-07. Incentives

A-07.1. Executive Summary

The 'Executive Summary' promised to the survey participants was sent out on April 12th. The respective PDF Document can be found on the CD-ROM:

A-07.01. Executive Summary

A-07.2. Donations

As incentive for the survey participants, they were asked to select from a list of NPOs to which for each completed questionnaire, the amount of € 5.00 would be donated. The following NPOs were selected:

Organisation	Number	Value Donation
World Wildlife Fund for Nature	24	€ 120.00
UNICEF	24	€ 120.00
Medicines sans Frontieres	19	€ 95.00
Amnesty International	19	€ 95.00
Aids Fund	18	€ 90.00
Diakonie International	5	€ 25.00
Total	**109**	**€ 545.00**

Screenshot of the respective bank transfers can be found on the CD-ROM:

A-07.02. Donations

A-08. Transcription Expert Interviews

The transcription of all expert interviews can be found on the CD-ROM:

A-08.01. Interview Dr. Hauck (Bayer AG) and Dr. Kröpfl (sASG)

A-08.02. Interview Mr. Kessler (arvato Bertelsmann AG)

A-08.03. Interview Mr. Schüller (E.ON Energy & Trading)

A-08.04. Interview Mr. Straube (celesio AG)

A-08.05. Interview Mr. Lehnert (Deutsche ACCUmotive GmbH – Daimler Group)

A-09. Descriptive Statistics - Illustrations

Here, the illustrations of descriptive results are assigned to the respective chapters within the body of the dissertation:

A-09.01. General Importance of Shared Services
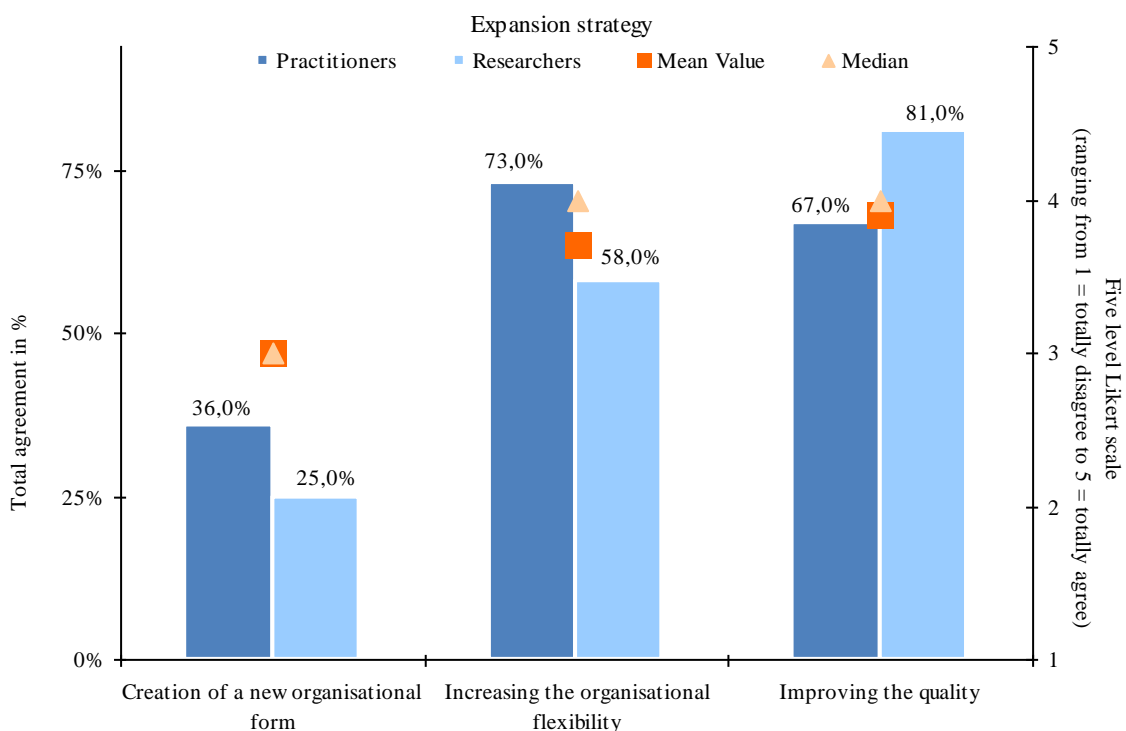
Figure 26: Descriptive strategy – Results expansion strategy
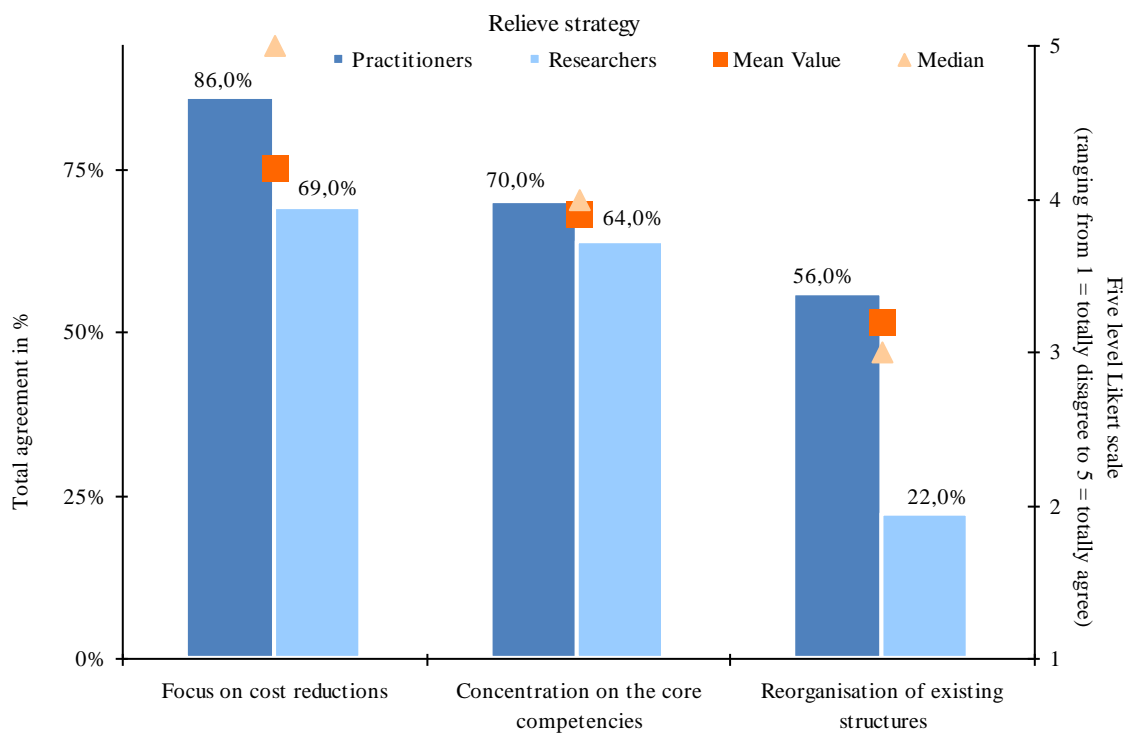
Figure 27: Descriptive strategy – Results relieve strategy
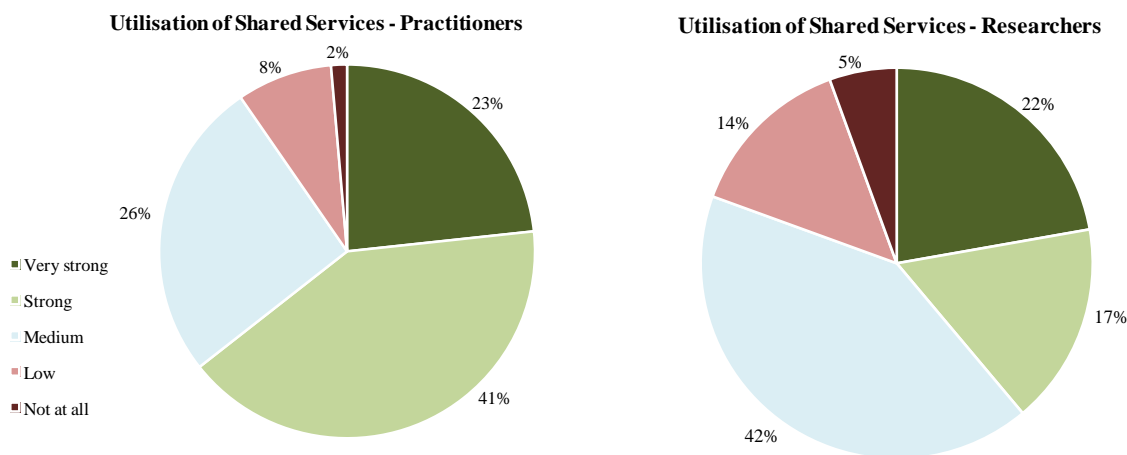
Figure 28: Descriptive strategy – Utilisation of shared services
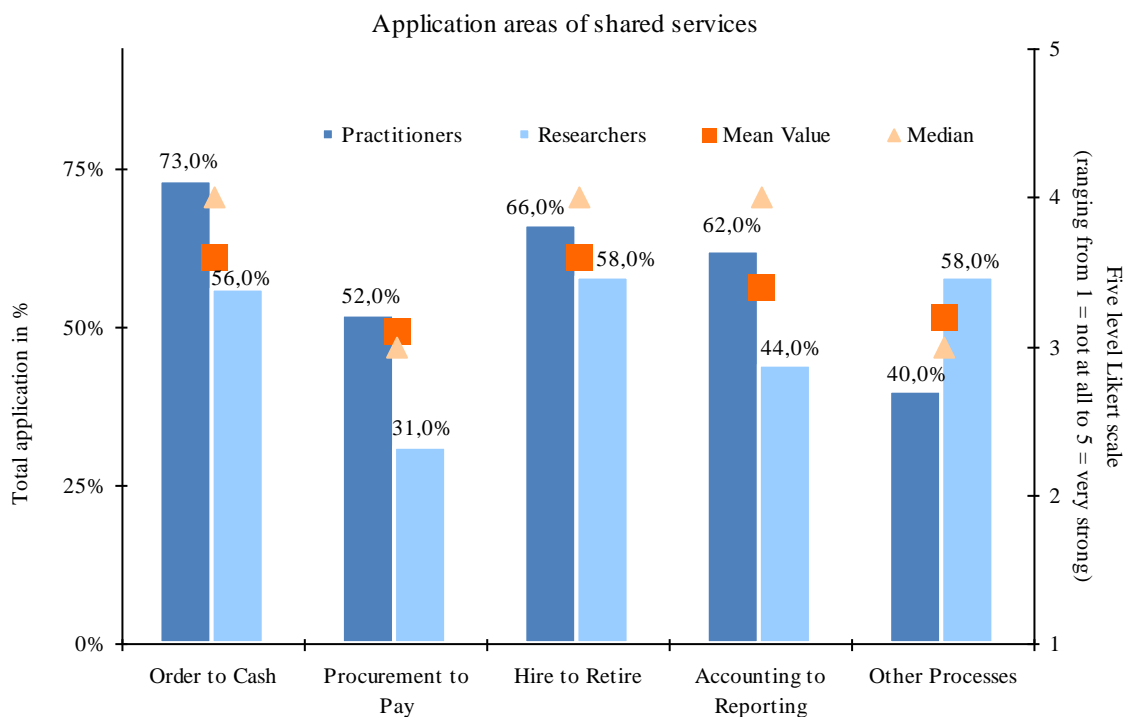
Figure 29: Descriptive strategy – Application areas of shared services

A-09.02. Descriptive Analysis: 'Strategy' Phase
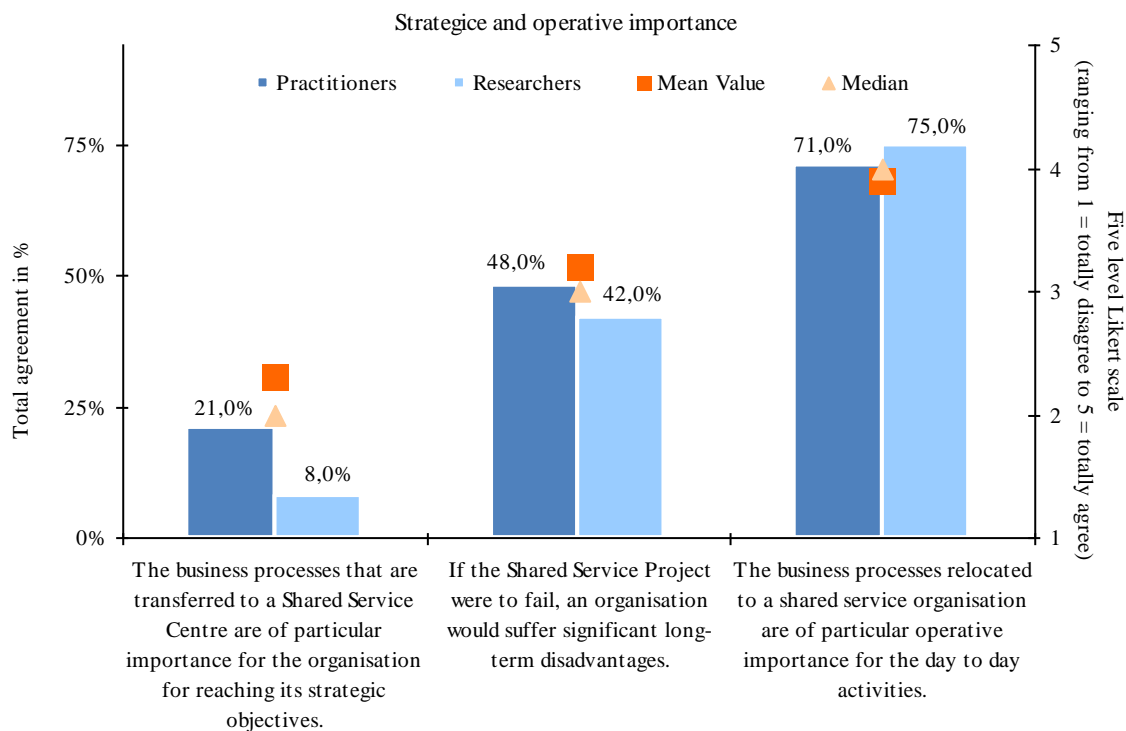
Figure 30: Descriptive strategy – Strategic and operative importance
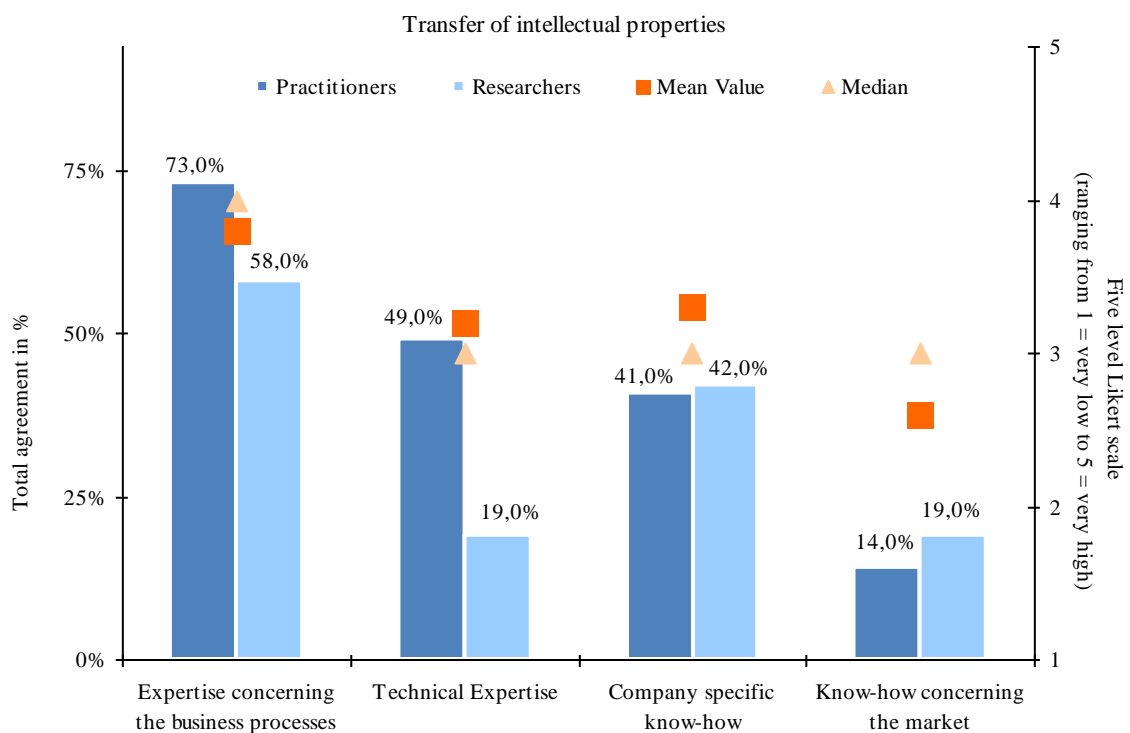
Figure 31: Descriptive strategy – transfer of intellectual properties
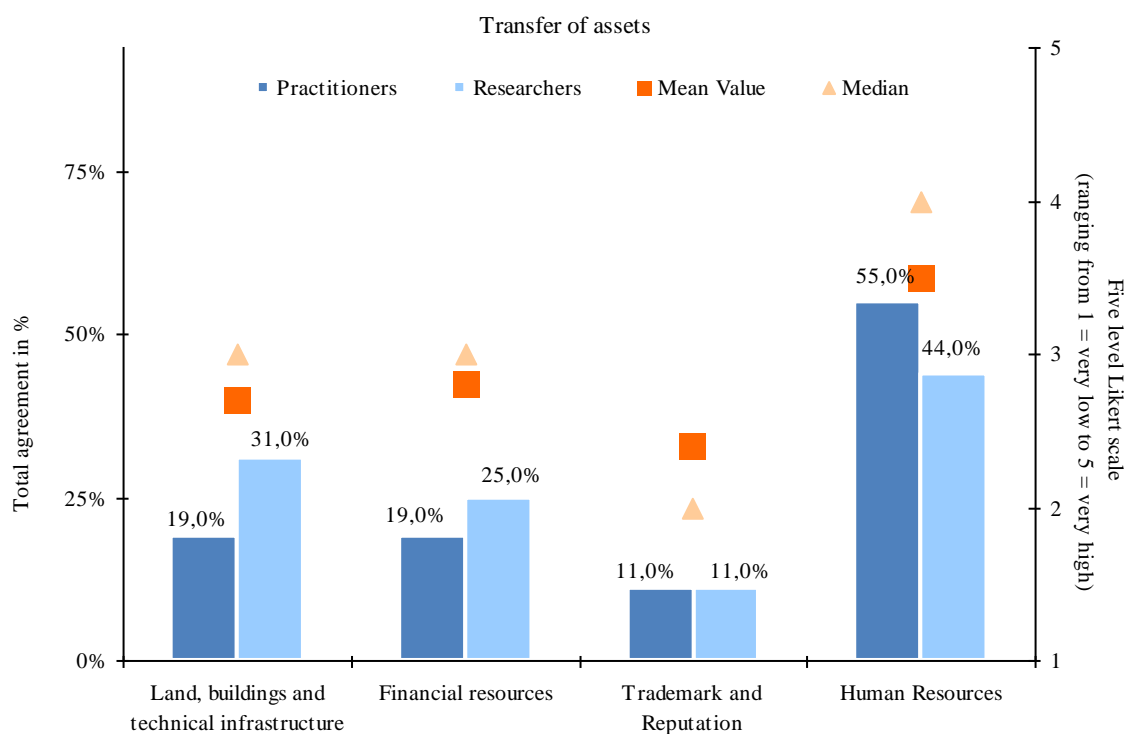
Figure 32: Descriptive strategy – Transfer of assets
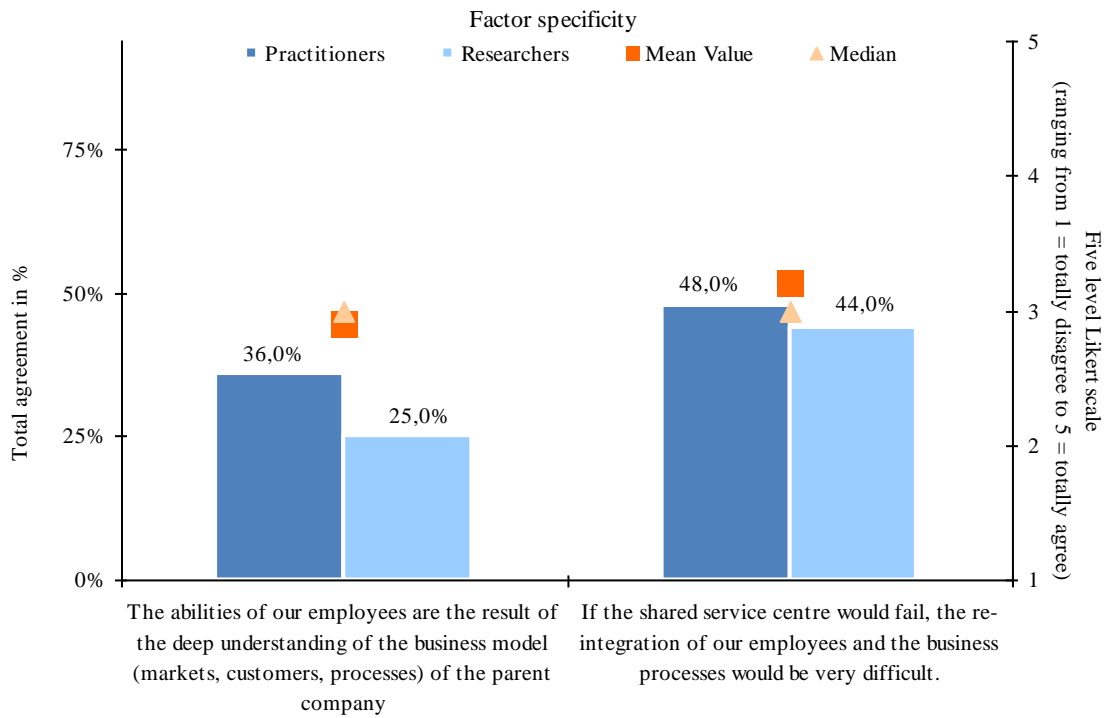
Figure 33: Descriptive strategy – Factor specificity
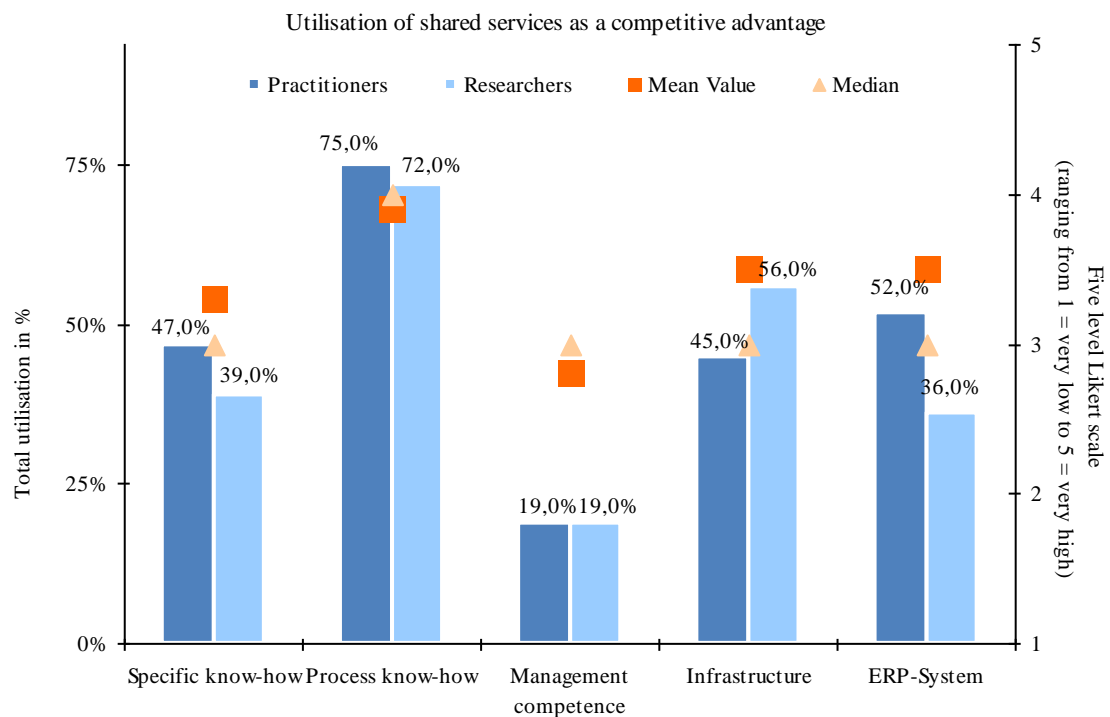
Figure 34: Descriptive strategy – Utilisation of shared services as a competitive advantage
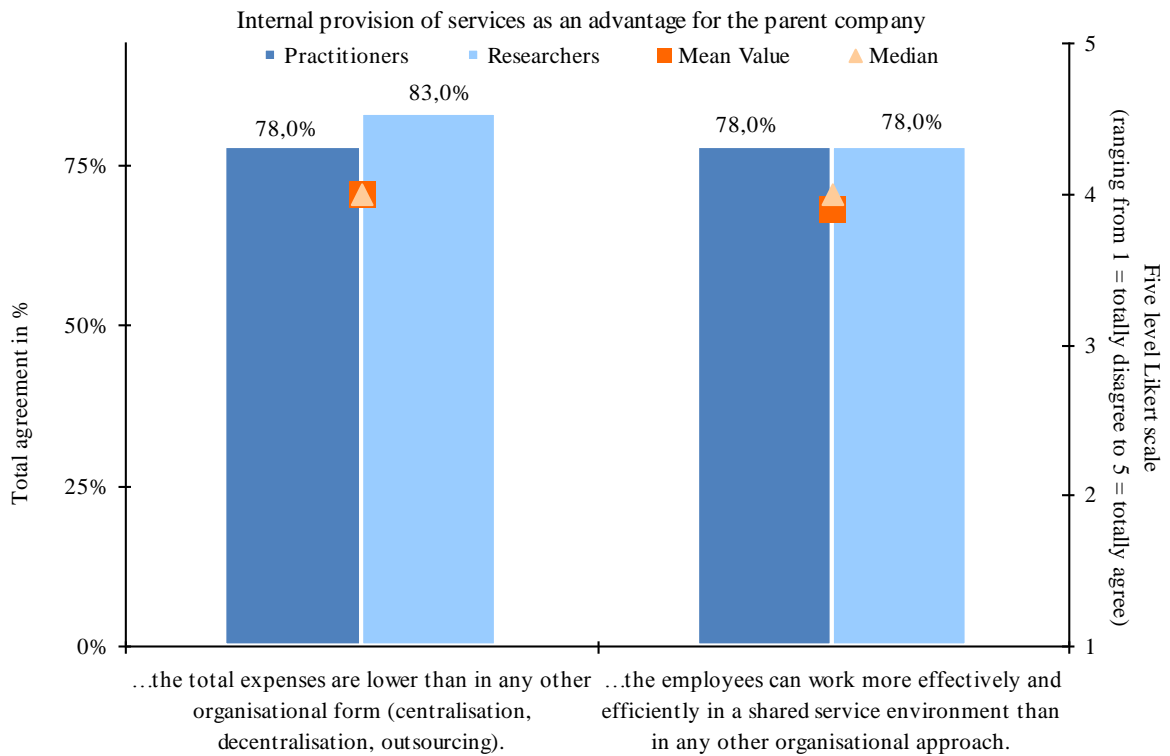
Figure 35: Descriptive strategy – Internal provision of services as an advantage for the parent company
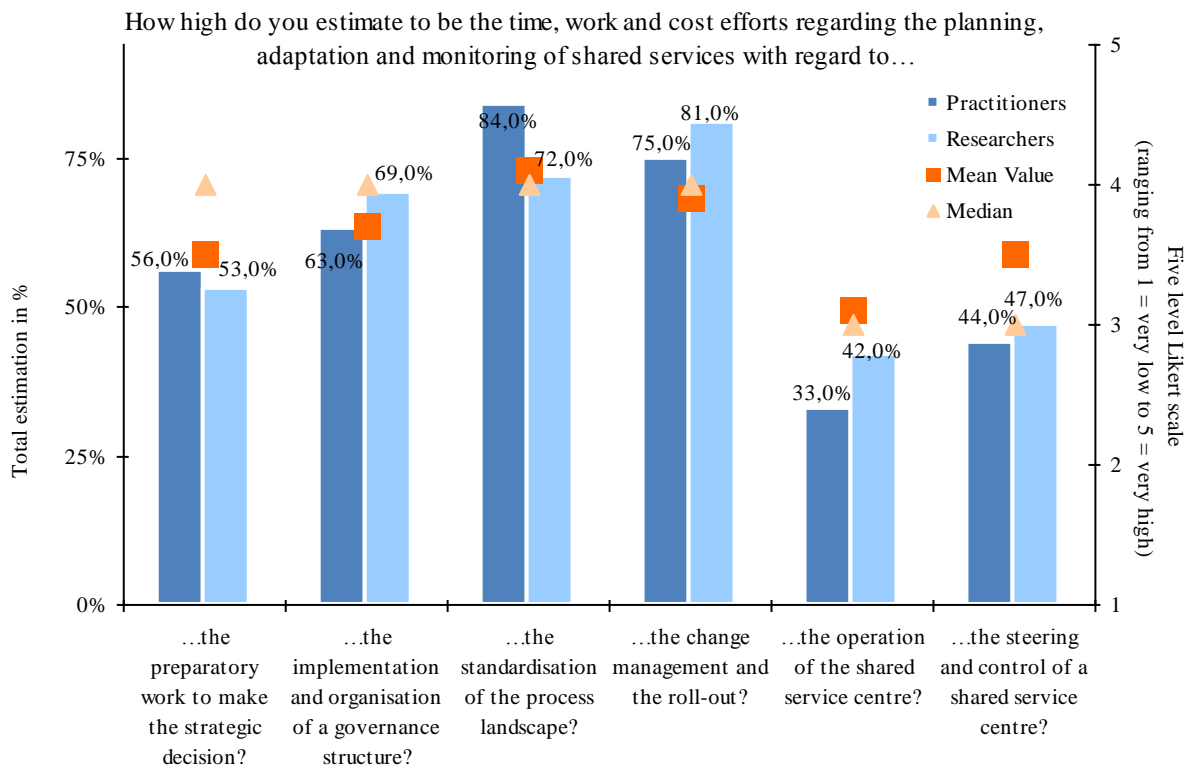
Figure 36: Descriptive strategy – Time, work and cost efforts implementing shared services

A-09.03. Descriptive Analysis: 'Organisation' Phase

The business processes...

■ Practitioners ■ Researchers ■ Mean Value ▲ Median
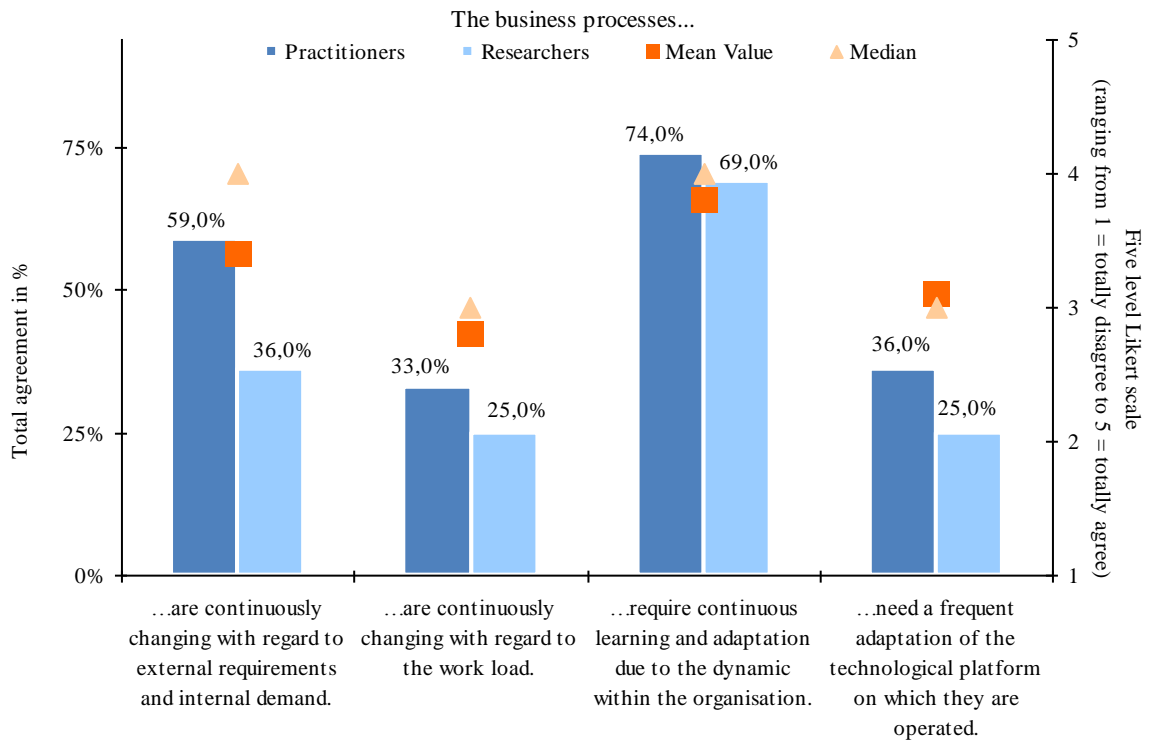
Figure 37: Descriptive strategy – Process stability

How standardised are your business processes with regard to the following:

■ Practitioners ■ Researchers ■ Mean Value ▲ Median
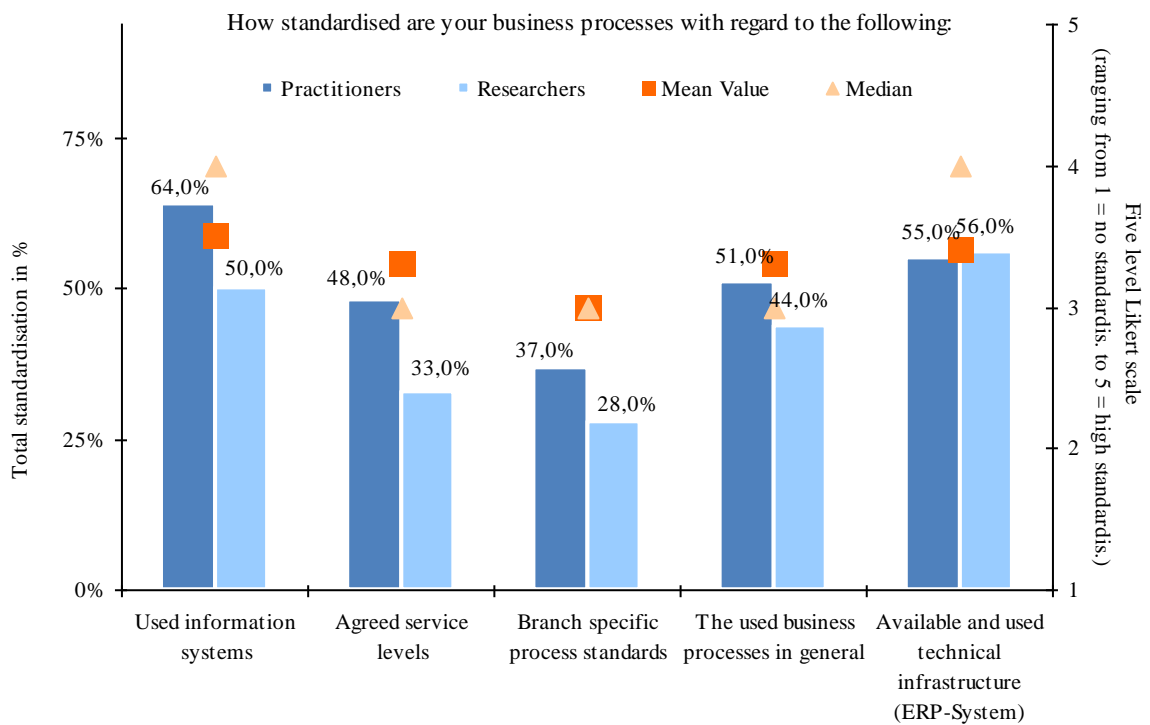
Figure 38: Descriptive strategy – Process standardisation
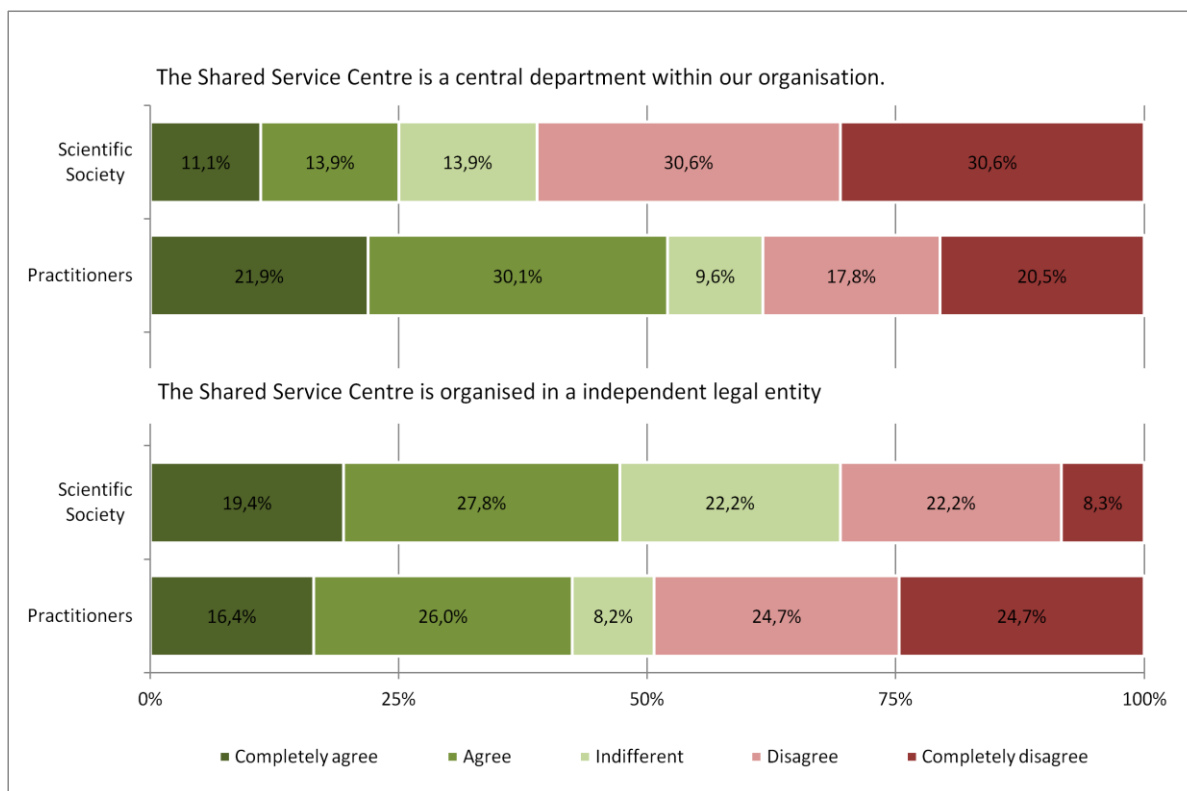
Figure 39: Descriptive strategy – Legal independence
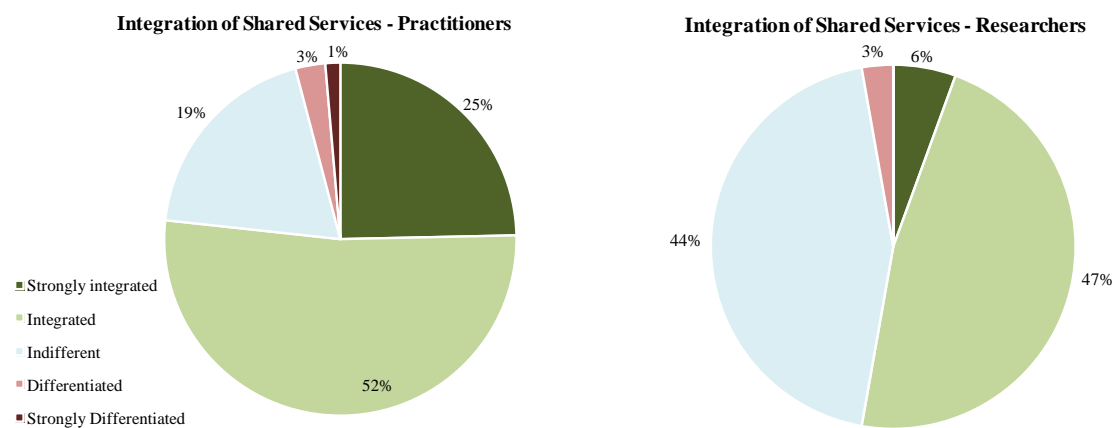
Figure 40: Descriptive strategy – Legal and organisational integration
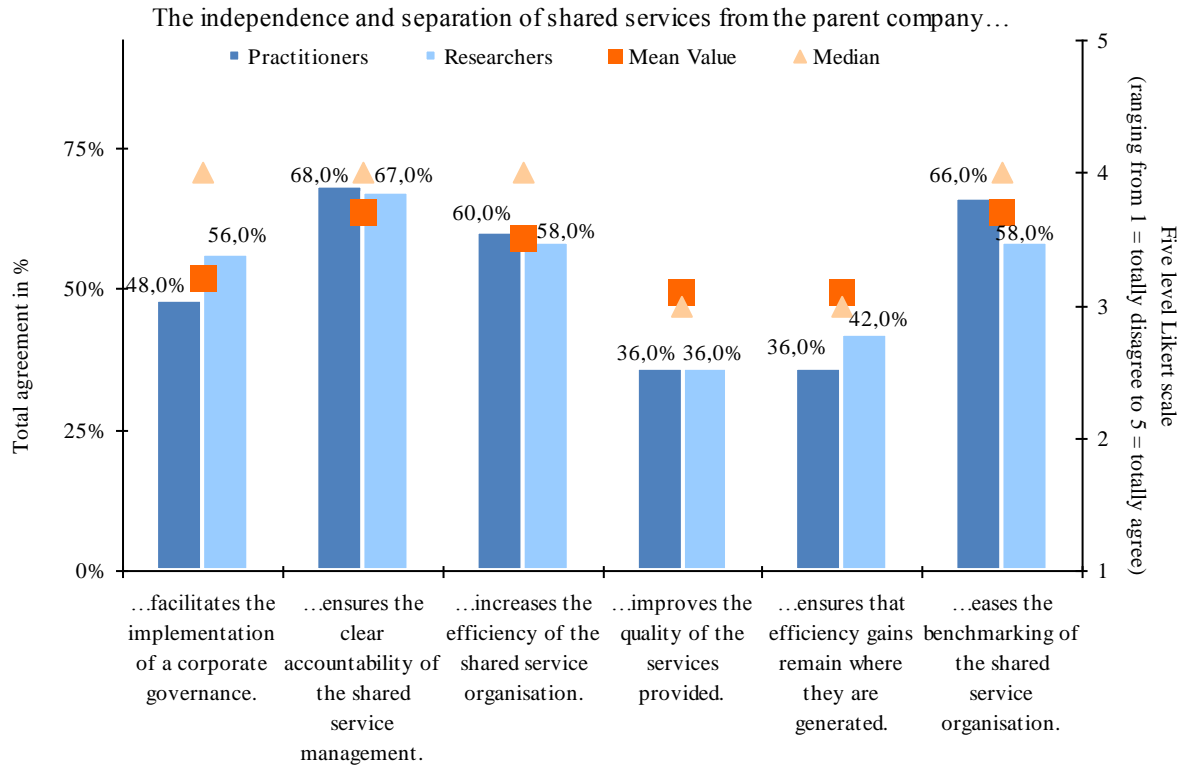
Figure 41: Descriptive strategy – Advantages of legal and organisational separation

A-09.04. Descriptive Analysis: 'Transformation' Phase
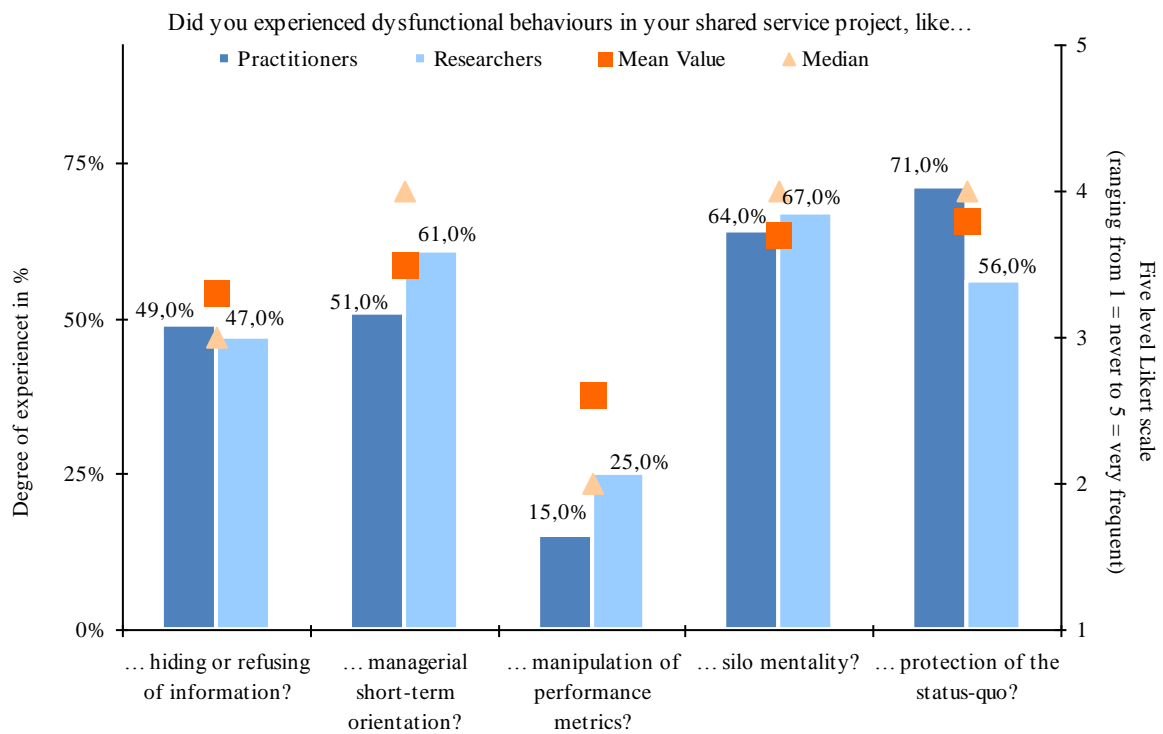
Figure 42: Descriptive strategy – Dysfunctional behaviour
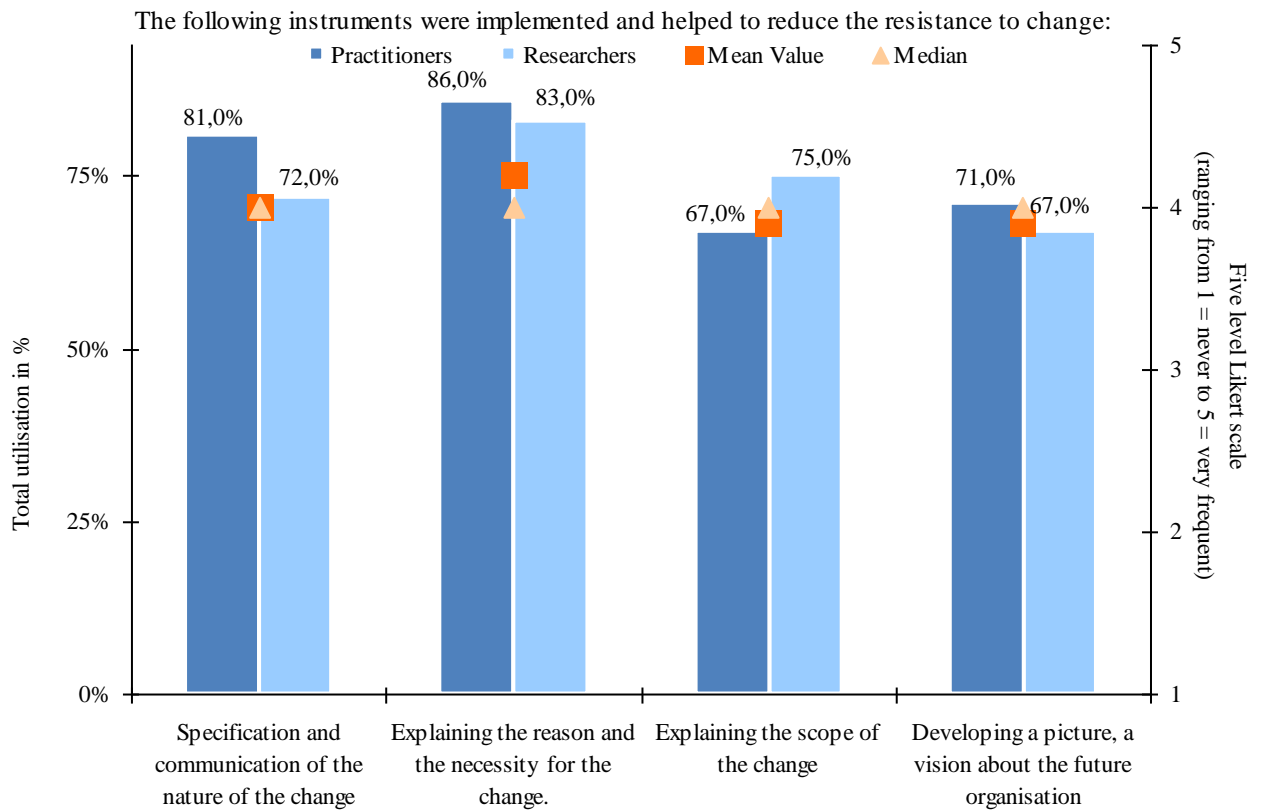
Figure 43: Descriptive strategy – Change management instruments (I.)
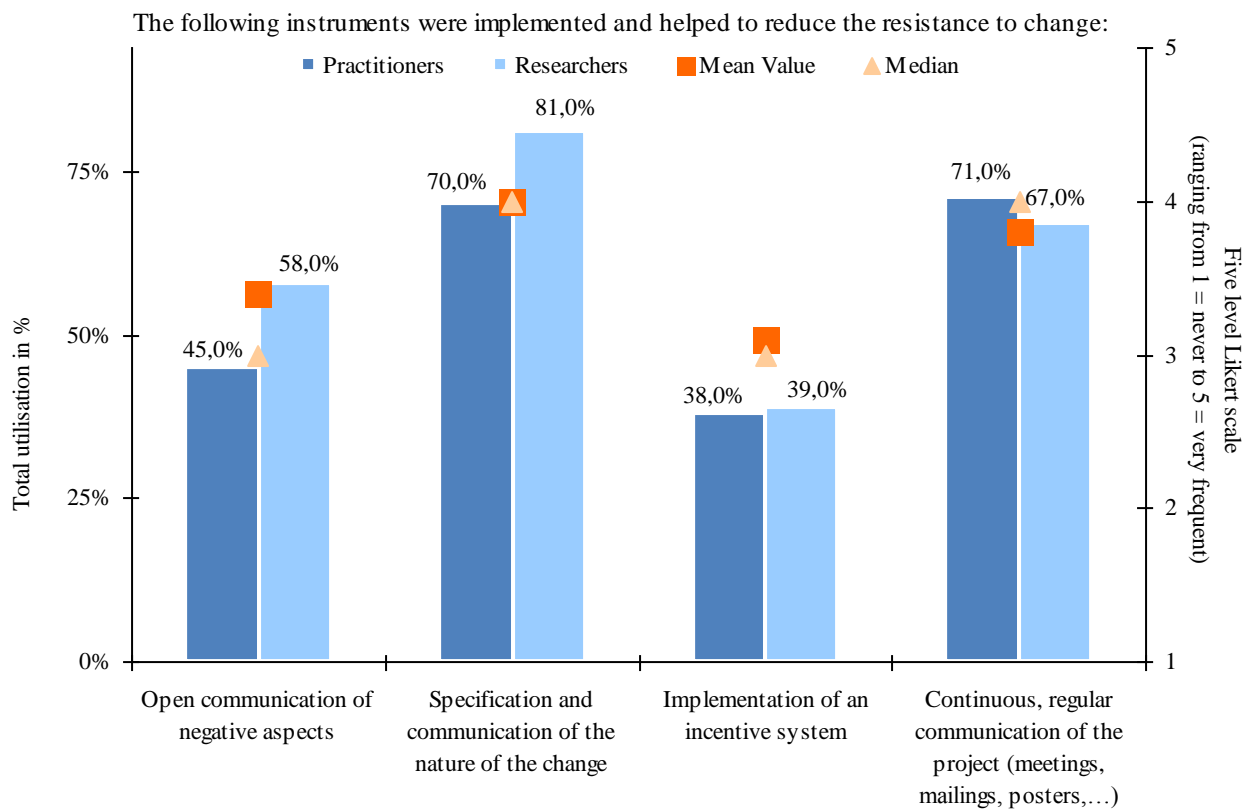
Figure 44: Descriptive strategy – Change management instruments (II.)
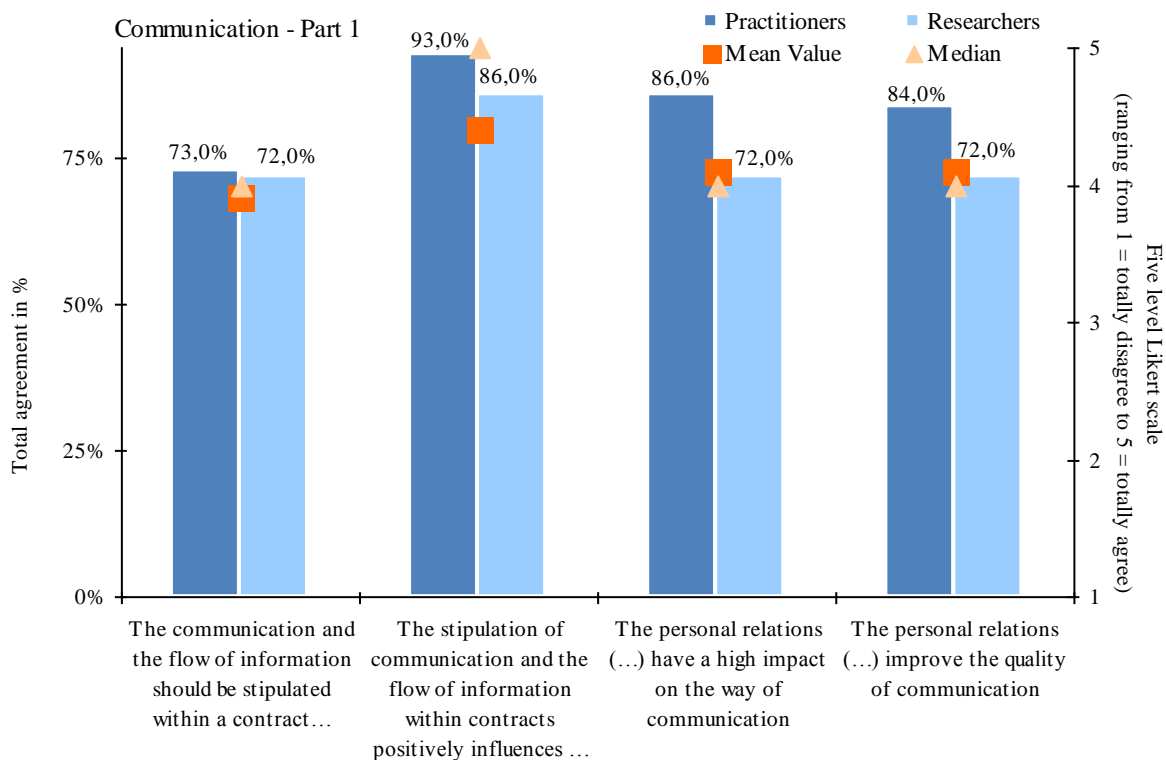
Figure 45: Descriptive strategy – Communication and personal integration (I.)
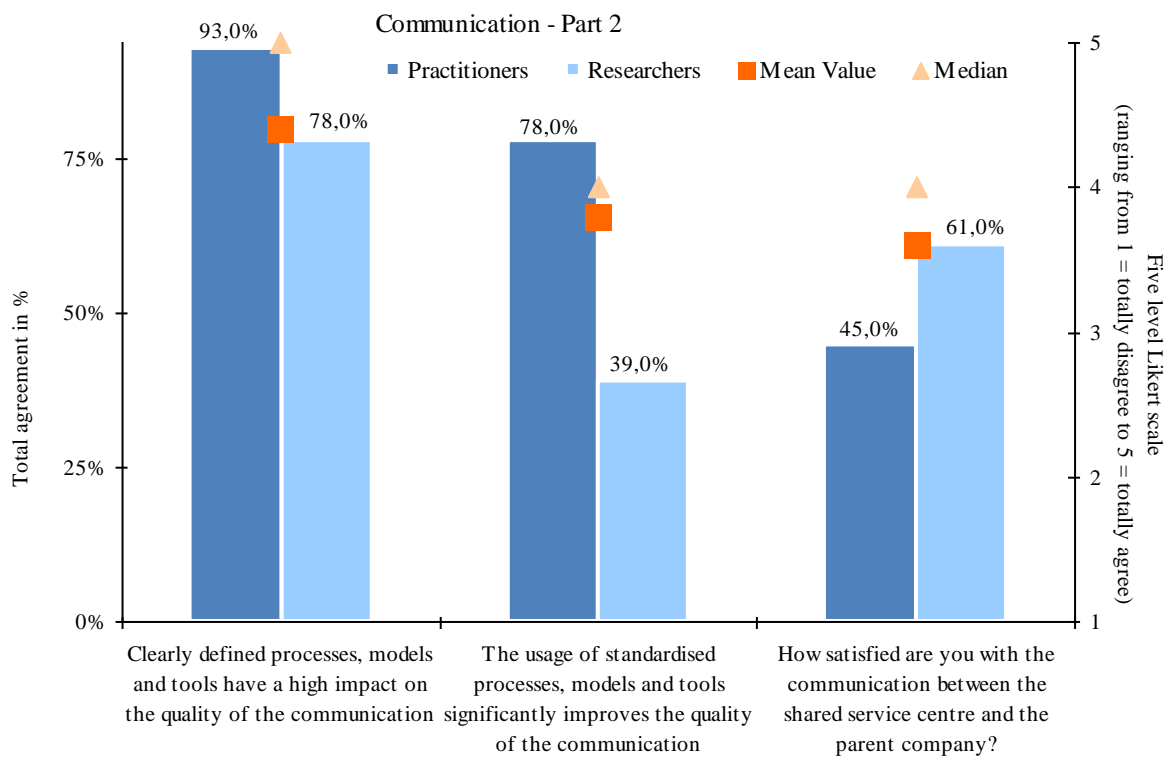
Figure 46: Descriptive strategy – Communication and personal integration (II.)

A-09.05. Descriptive Analysis: 'Operation' Phase

How does your current Shared Service Centre meets the following criteria:
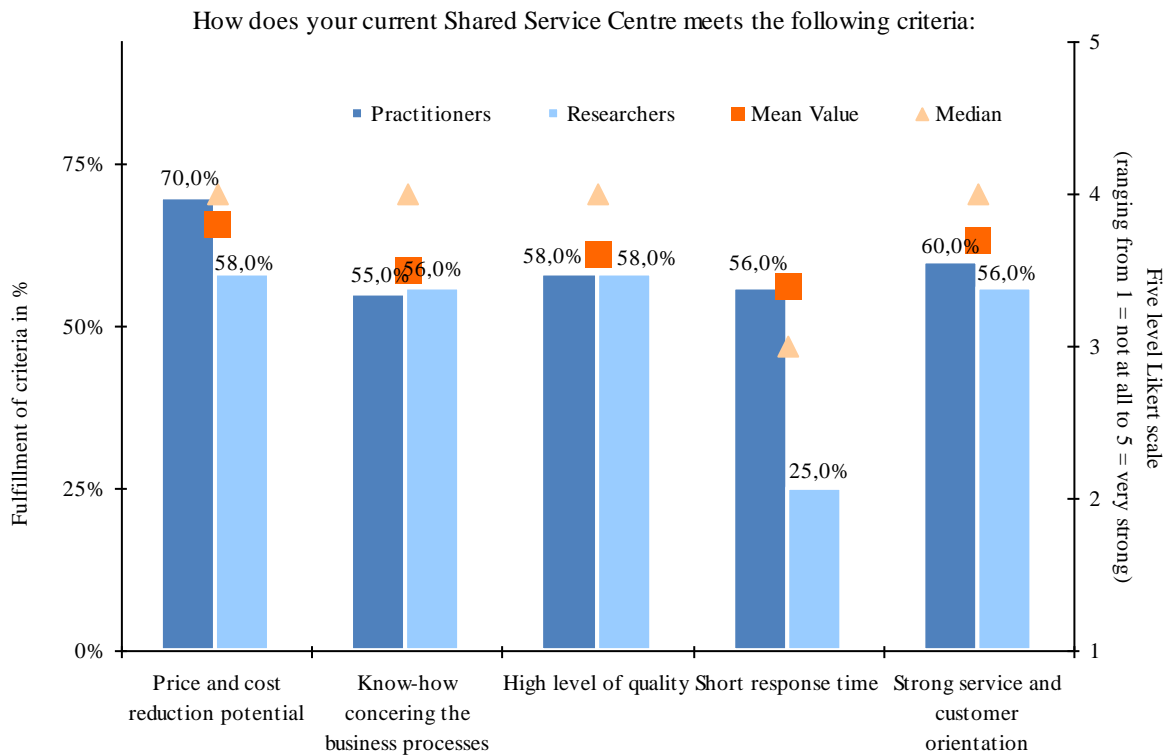
Figure 47: Descriptive strategy – Abilities of shared services

Distribution of power
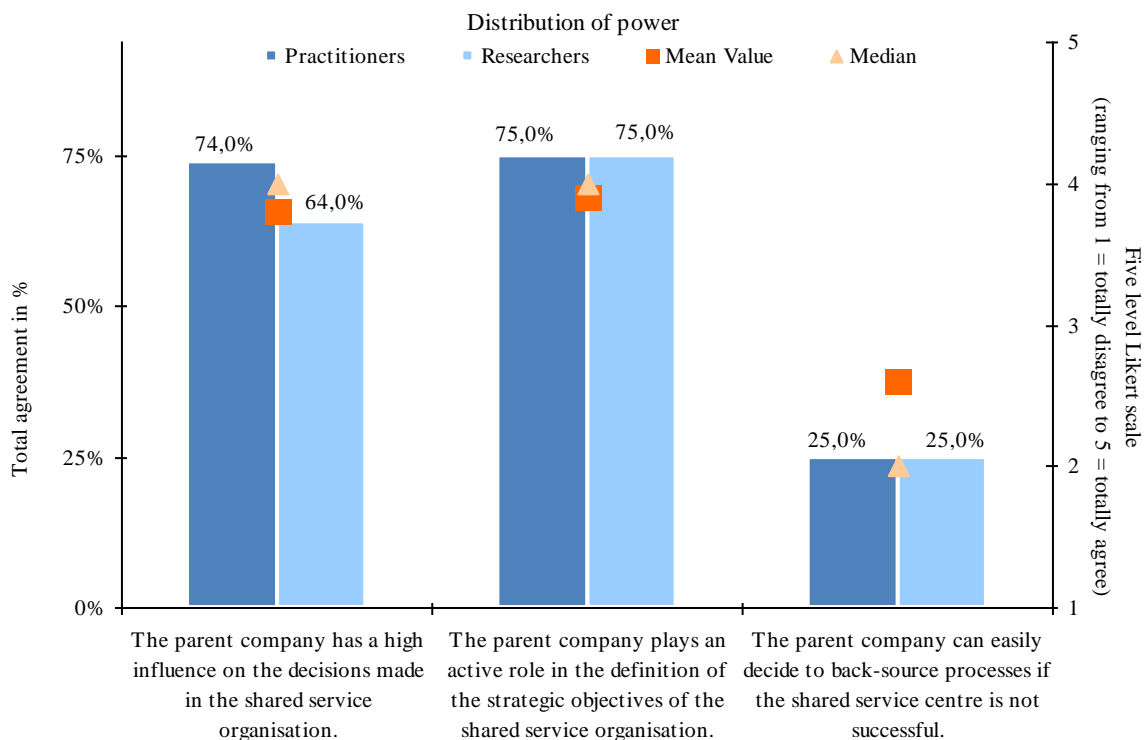
Figure 48: Descriptive strategy – Distribution of power
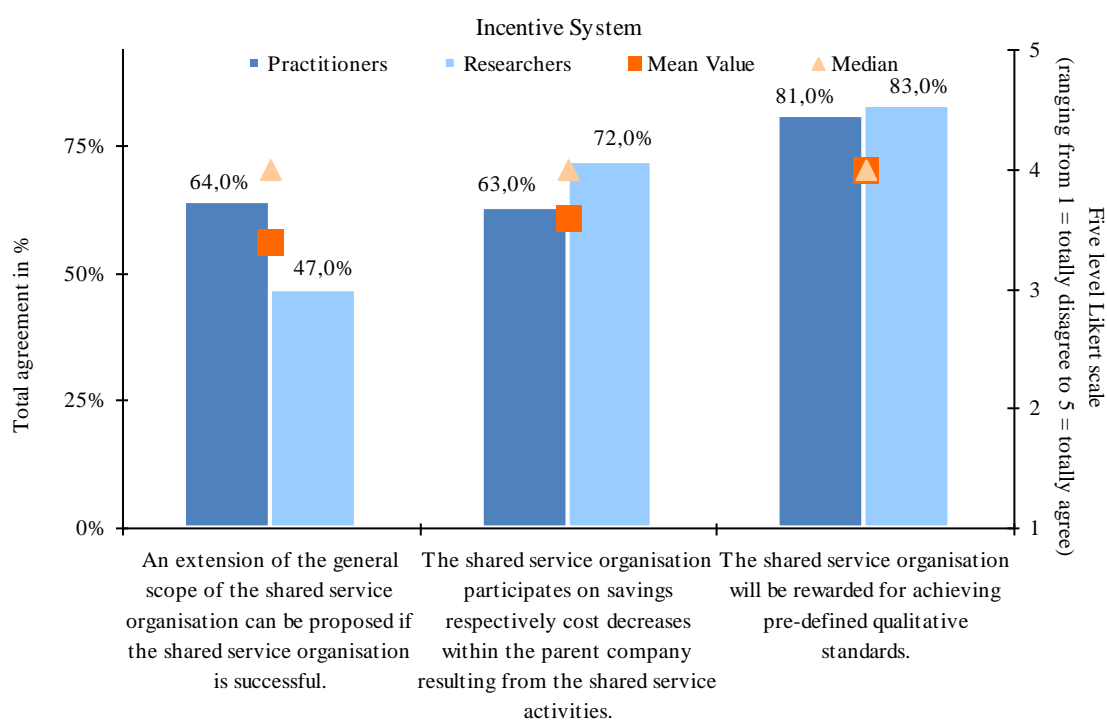
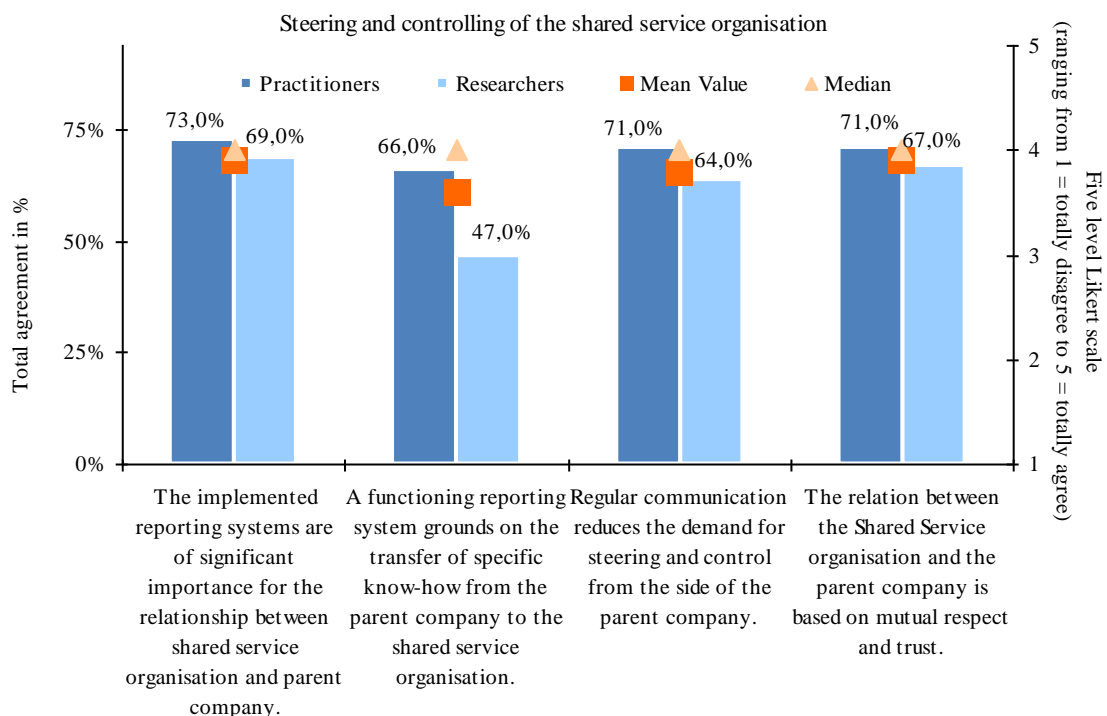Figure 49: Descriptive strategy – Incentive system

Figure 50: Descriptive strategy – Steering and controlling of shared services
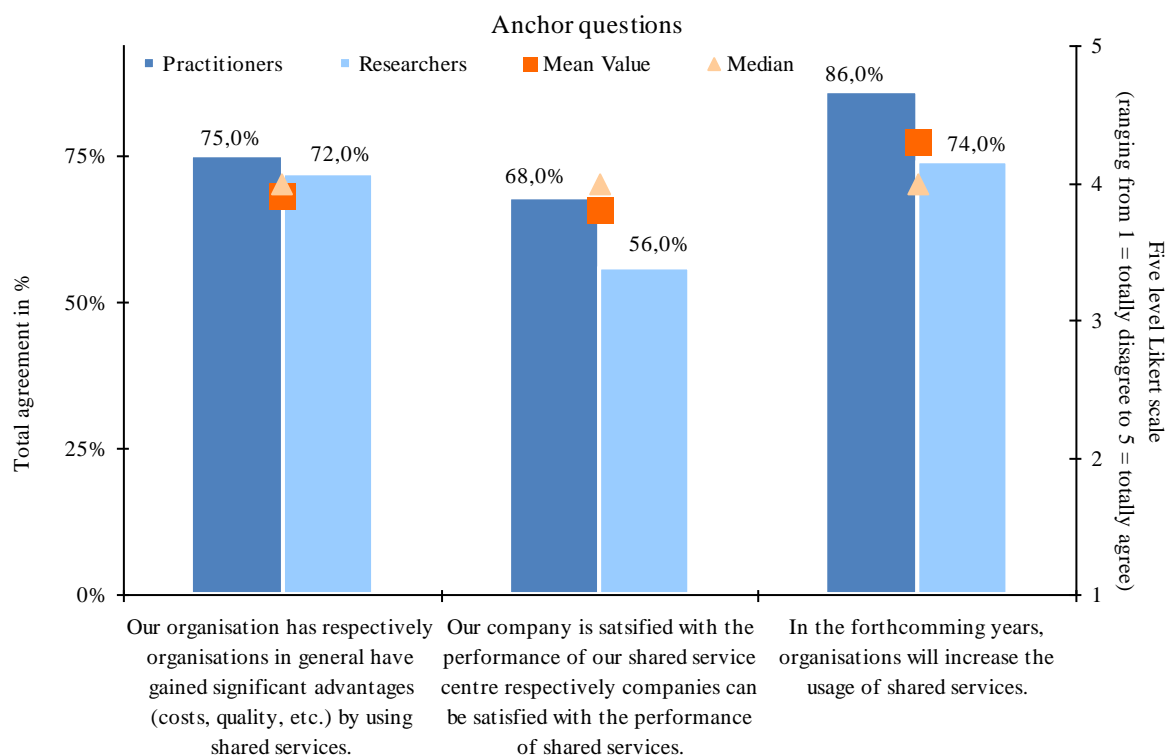
A-09.06. Overall Evaluation of the Shared Service Concept

Figure 51: Descriptive strategy – Anchor questions