



## DRIVERS INFLUENCING SHARED SERVICES ADOPTION

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### ABSTRACT

Organizations seeking improvements in their performance are increasingly exploring alternative models and approaches for providing support services; one such approach being Shared Services. Shared Services has the potential to provide positive and powerful impact to the organizations with the support of Information Systems (IS) as the platform for Shared Services application and implementation. Due to this situation, Shared Services is becoming one of the choices in IS area for researcher to conduct a research. Shared Services results a lot of positive outcomes especially improving on the organizations financial expenses. Although various studies have been identified in discussing about the benefits of Shared Services, drivers of Shared Services that influence its adoption have received little research attention. This paper has identified several drivers that influence organizations to adopt Shared Services. By using NVivo as a tool to analyze the content from selected journal articles, 5 drivers of Shared Services adoption were identified. This suggesting the strength and benefits in adopting shared service. By identifying the drivers, it could encourage the top management as the decision maker to implement Shared Services in their organization. Thus, this could lead to the business operation to operate more effectively.

### Keywords:

*Shared Services, Drivers, IS literature, NVivo, Adoption.*

### 1. INTRODUCTION

The needs for organizations to constantly improve their product and service offerings to customers and enhancing their business model with lower operational cost, has always been challenges to them. The situation become more challenging with the occurrence of global financial crisis. Managers of both large public [1] and private [1, 2] sector organizations have started to look for alternatives to encounter the problem and shared services is seen as a potential solution [2] with specifically focus to improve on support processes [3, 4]. For the purposes of this study, Shared Services is defined as [5] *"the internal provisioning of services by a semiautonomous organizational unit to multiple organizational units involving the consolidation of business functions supported by a sharing arrangement"*. In other way, Shared Services is related with the integration and combination of business functions, such as Human Resource of Information Technology, finance, into a separate unit, and the provisioning of related services to the other business units [6]. Because of

the capabilities of Shared Services and its possible impact in organizations along with the existence of IS as a medium for shared services concept to be implemented, shared services are one of the well-known area for research in the IS field. From the IS perspective, Shared Services is relevant as an enabler in functional areas such as HR, Finance and Marketing with the supports by IS applications and infrastructure. It also can act as organizational arrangement for the IS function in the whole organizations. With current administrative system is strongly supported by corporate IS architecture and applications and along the internet as the door to access the information, sharing barrier have not become a problem anymore [7]. Current findings showed that IS Shared Services is growing really fast even tough Shared Services have been actively adopted in Finance or HR compared in organizations [8, 9]. With Shared Services, organizations which implement IS function can have variety of options in improving their business plan. Lacity and Fox [8] mentioned that *"successful management of IT shared-services was recently listed as one of the seven habits of effective CIOs"*.



Since the benefits of Shared Services has been established, it is encouraged to CIOs and IT professionals to learn hence gaining clear understanding about Shared Services. IS can act as a medium to explore Shared Services deeper for example by identifying opportunities for Shared Services, analyzing the strategic implications and preparing business case in order to provide better understanding to the researcher and practitioner about Share Services. Shared services not only have been implemented in private sector, instead there are many publications that mentioned the success of Shared Services in public sector such as cost savings, improved services and efficiencies [10].

Shared Services is one of the IS discipline that require rigor and relevance [7, 11, 12]. Due to its capabilities and benefits, it is encouraged to practitioners to implement Shared Services in their businesses. Researcher should study further about shared services to gain better understanding about Shared Services implementation and benefits so that it can be implemented in various areas.

This paper aims to identify the drivers that influence the adoption of Shared Services. All the stages in identifying the drivers were explained in detail in the sections.

## 2. LITERATURE REVIEW

Shared Services are considered as a reliable support function while providing various benefits and at the same time minimizing organizations drawbacks. According to this fact, Shared Services can improve entire competitive position and an organization's success respectively [13-15]. Based from McIvor et al. [16], "*Shared services has been viewed as a strategy for achieving both efficiencies and improved service performance levels, as organisations have strived to reduce costs and enhance performance in back-office functions.*"

There have been numerous reports in the practitioner press of successful private sector Shared Services implementations, and related potential benefits [6, 16]– examples are such as General Electric [8], Bristol Myers Squibb [17], Digital Equipment Corporation [8], New Zealand Defense Force [18], and Reuters Asia [8].

Today, more than 90 % of all large multinational Western companies already operate Shared Service Centres (SSCs). Currently according to [19], more than 90% multinational Western companies has adopted Shared Service Center (SSC). With the increase of global competition, there are many former market leader were brought down against

innovative companies with flexible internal structures. Shared Services can act as a support to these flexible structures.

Given the potential benefits associated with implementing Shared Services, this paper seeks to provide a driver for shared service adoption in organizations. The motivation for a Shared Services approach stems from the strategic move towards an organizational focus on “core competencies” and rationalization of resources [6, 20, 21]. However there are many factors that could influence organization to implement shared service. Based on [13], developments in Information Technology, globalization, development of a common corporate language/language skills, and European Union and the Euro are some of the factor that influence the adoption of shared services. According to [19], four main drivers have been discovered that shape the future of Shared Services: globalization & complexity, profitability despite cost pressures, demographics, and advances in Information Technology.

However, further research need to be conducted in order to understand the drivers of Shared Services adoption. By understanding the drivers, practitioners will see the importance and the impact of Shared Services can provide to their organizations. This can encourage them to adopt Shared Services in the efficiency of their business. This paper will identify and evaluate the drivers from literature by following a systematic method that will be provided in the next section.

## 3. METHODOLOGY

This paper aims to identify and review the previous studies on the drivers of Shared Services. Based on [7], there are three stages will be applied which are extraction, analysis, and reporting the literature-based findings. The extraction stage is finding the related articles to be reported in this review. Analysis stage is referred as implementing a detailed procedure that explain how to scope and analyze data. Lastly the third stage is referred as synthesizing the analyzed data and reporting the outcome.

In the extraction stage which is finding the related articles for this review, paper from journals and conferences has been used to become the main sources of information. Well-known IS journals database for instance, Springer, Wiley, JSTOR and IEEE were used to search for related journal and conference papers. In order to search for updated literature, the proceedings conferences paper were also considered to be included in the literature.

The key word “shared services” is used to search for related articles in the database as it is the main focus of area in this paper. The term is searched in the title, abstract and keywords section in the papers that appeared in the database searched. This resulted 5 suitable papers from JSTOR, 39 from Springer, 7 from Wiley, and 29 from IEEE. Overall there were 80 related papers that discussed about Shared Services. This paper used NVivo 10 as the analysis tool and to manage the data that were acquired from the extraction stage. NVivo is an effective tools to be used for coding the required data within a single repository. The usage of NVivo has been effectively proven from the previous studies by [5, 7, 22, 23]. Their coding and analysis method using NVivo were adapted in this paper.

In analysis stage involves coding the related statement by using NVivo. There are two levels of coding in this stage. The first level is capturing the surface area of the research which is “Drivers of Shared Service Adoption”. This level is the first node in tree-level nodes using NVivo database. Based on [7], “A tree-level node is a logical location within NVivo, where during the coding process; one can capture and store content and ideas that are logically grouped together.” The factors will be identified inductively from the data after the papers is manually scanned within NVivo. The last stage which is reporting stage is referring to the paper writing process which includes overall processes to produce this paper. In order to summarize the methodology, Figure-1 is designed to illustrate the flow of stages involved in this paper.

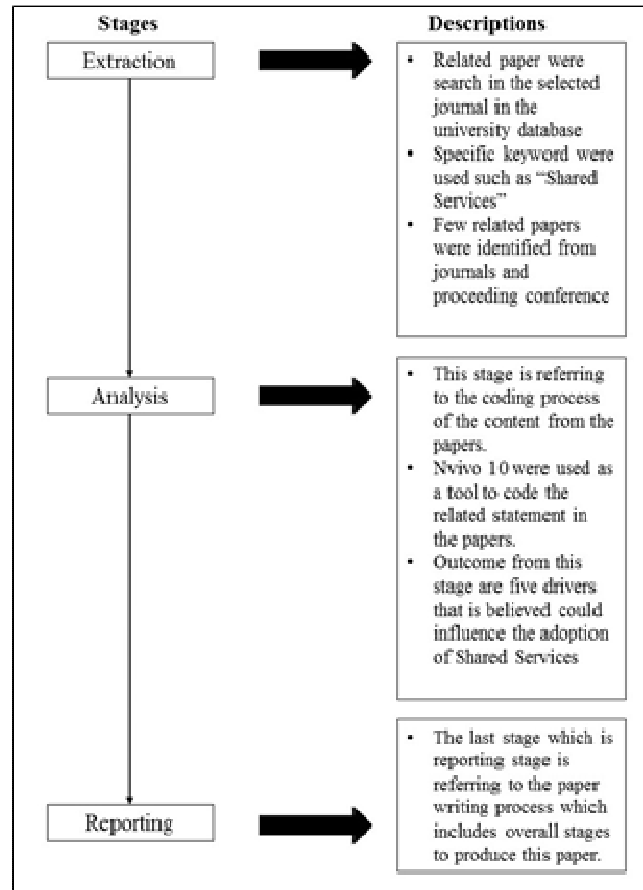


Figure-1. Stages involved in the production of the paper

Coding process involved mapping relevant statements to the nodes. Any suggestion that referred to something that related to Shared Services Drivers whether directly or indirectly was mapped into the ‘Factor’ node. After the coding is done in the ‘Factor’ node, second level analysis is started. In the second analysis, coded content from the ‘Factor’ node were study and review in detail to inductively derive actual drivers from the data coded. Sub – factors included with suitable labels were created to group the arguments that explain the same drivers. The outcome of the process is set of drivers which were derived from the coded literature. The research findings and all the drivers derives from the literature within NVivo, were discussed in the following section.

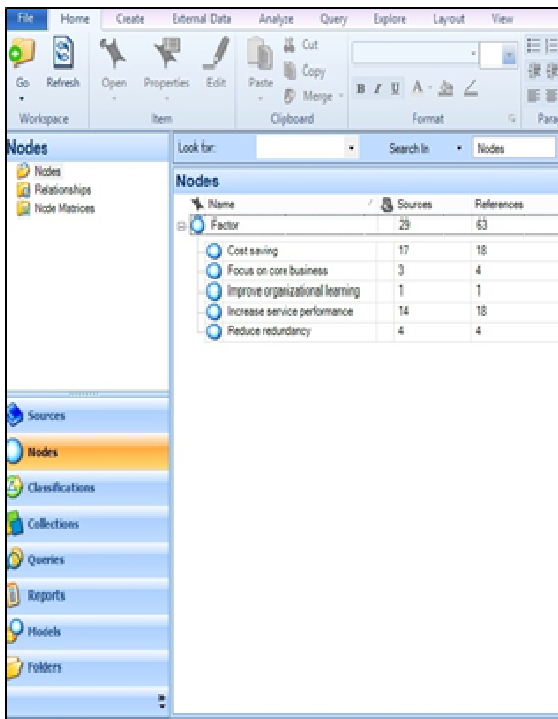


Figure-2. Stages involved in the production of the paper

Figure-2 represent the nodes or factors which contain the coded statement that have been mapped according to the relevancy. These nodes at the end appeared to be the drivers that influence Shared Service adoption.

#### 4. DATA ANALYSIS AND FINDINGS

Table-1 presents the drivers identified after the analysis. The number of coding reference and the number of sources are referring to how many times the related drivers were identified in the literature.

Table-1. Summary result from content analysis

Drivers	Num. of coding ref.	Num. of sources	List of sources
Cost saving	21	21	[24], [25], [26], [27], [10], [28], [29], [30], [31], [32], [33], [16], [34], [35], [14], [36], [37], [26], [38], [7], [39]
Increase service performance	17	17	[24], [40], [25], [26], [38], [28], [29], [30], [31], [16], [34], [14], [32], [36], [37], [7], [39]
Reduce redundancy	6	6	[40], [41], [42], [43], [37], [7]
Improve organizational learning	4	4	[34], [44], [43], [36]
Focus on core business	4	4	[24], [32], [37], [7]

#### 1) Cost saving:

According to Chiang et al. [24], because of Shared Services implementation can reduce the overall cost, it is becoming more important especially to public administration. Luo [25] also stated that the main reason of adopting Shared Services is to integrate all the operation function from different branches, improve costing in production, implementing more efficient operation processes and save cost. Janssen et al. [28] and Lueg [33] both agrees when implementing Shared Services in the development, the cost of service maintenance can be shared among developers and also the cost can be channeled to improve service levels. With Shared Services implementation between multiple institutions, it will facilitates into cost reduction in term of the access of IT and also regarding maintenance and upgrade cost [34, 35]. Shared Services also able to provide value to the firm in lowering the operating cost by limiting the employees and increase efficiency [36].

#### 2) Increase service performance:

Based on Janssen et al. [40] and Dollery et al. [45], Shared Services consolidation approach brings benefits to organizations in improving their daily operations. In the public sector context, working in collaboration could increase the government efficiency. Janssen et al. [40] also explained that sharing administrative process with public agencies also could enable to improved service delivery. According to Luo [25], one of the impact of the implementation also it could provide balance



between work, experts and technology due to constant communication occurred in the organization thus achieve service standardization. Shared Services as a platform to increase service performance also was supported by McIvor et al. [16] which they see Shared Services as strategy to improve service performance level and efficiency. Su et al. [36] also mentioned that Shared Services can become a successful platform to boost service quality by applying customer-oriented mind set when planning delivering the service.

**3) Reduce redundancy:**

Shared Services also capable to reduce overlap in activities by focusing the entire operation in a single unit [40]. Based on research by Liang and Wan [41] in tourism sector, by adopting Shared Services in the tourism sector, it allow tourism enterprises to share information, services and resources and as a result it could avoid the service inefficiency such as repeatedly provide the same services or facilities to the tourists. .

**4) Improve organizational learning:**

Based on work by Mircea [35] who implemented Shared Services in E- Learning open access system in university, Shared Services could provide value added especially for students and also improving the learning outcome and process. Furthermore, it could support information gathering and analytical procedure to help searching a required data for decision making process. Based on Sousa and Pinto [44] shared services not only revolutionize working ways and creation, but also promote organizational learning. Moreover, Managers, manages knowledge and interactions with the environment. Shared service is used to stimulate organizational knowledge within optimization of diversity and interoperable resources. Reilly [46] also stated that Shared Services could improve organizational learning across organizational boundaries [43] and Shared Services is able to do so by focusing on enabling and assisting knowledge sharing and also technical and managerial expertise [43].

**5) Focus on core business:**

Implementing Shared services also enables business units of a company to focus more on their core businesses and competencies, while giving up the management of corporate service functions [24, 32]. Walsh et al. [37] also reported the goal of shared services units is to free up the time, energy and focus of service providers so they can focus on their core business.

**5. CONCLUSIONS**

Following the systematic literature review approach introduced by Miskon et al. [5] has provide several advantages in writing this paper. By using NVivo as a qualitative tool, it can help managing the data and ideas that was gathered from many papers in the overall study. Other than managing data, NVivo is also capable assist the researcher in literature review process. With proper assist from the tool, it provides efficiency in storing, finding and analysing the data effectively in a single place. From the review of all the paper collected, it clearly shows that adopting Shared Service is expected to improved many organizational aspects such as management, service, cost and also human resource [47, 48]. Thus, based on the drivers that were identified which are cost saving, increase service performance, reduce redundancy, improved organizational learning and focus on core business, it is encouraged that organizations should adopt Shared Services in their business. In future research, investigation can be conducted in the real case study to investigate the impact of adopting Shared Services and verified the outcome with the identified drivers to see their validity. As a conclusion, by providing the drivers of shared service adoption identified in this paper, hopefully others will realize the strength and ability of shared service and encourage them to implement the shared services approach in their organization

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