An Integrative Literature Review And Empirical Validation Of Motives For Introducing Shared Services In Government Organizations

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AN INTEGRATIVE LITERATURE REVIEW AND EMPIRICAL VALIDATION OF MOTIVES FOR INTRODUCING SHARED SERVICES IN GOVERNMENT ORGANIZATIONS

Abstract

The aim of this research is to gain understanding of the meaning of shared services and possible motives for introducing shared services in government organizations. We review and clarify definitions of shared services and derive a definition applicable for the government context. Based on analysis of the research literature using content-analyses procedures, we present an empirically grounded research framework of motives for introducing shared services. This framework was validated in 16 interviews with shared services experts from New Zealand and Dutch government organizations. Our literature analyses suggest that cost reductions are a major motive for introducing shared services. However, experts are skeptical about government organizations being able to achieve cost reductions from shared services initiatives. This is of concern as achieving back office cost reduction (of which shared service models are an important component) is a major public policy goal in many OECD countries. As organizations realize the difficulties in reducing costs, other motives for using shared services increase in significance. Alternative motives such as improvement of service delivery and consistency, exchange of internal capabilities and better access to external resources.

Keywords: shared services motives, government, public sector, shared services definition.
“Public administration has entered a new age. In the 1980s, "less" government was the prevailing idea; in the 1990s and early 21st century, "New Public Management" was the dominant theme. Today...reforms are focusing on the quality of services for citizens and businesses and on the efficiency of administration (the "back office" of government).”

1 Introduction

It has been suggested that a shared services approach is the “new age” of public sector management. In the 1990’s, the “New Public Management”, based on agency theory, and providing a great deal of autonomy to CEO’s to meet their KPIs and source services as they saw fit was “de rigueur”2. However, this philosophy resulted in considerable potential for fragmentation and duplication in areas such as IT, and in some cases, it was difficult for Public Sector organizations to source their IT requirements cost-effectively (Tate et al., 2007). More recently, under pressure from budget cuts, political reforms, and increasing calls for service quality, cost containment and transparency, government organizations are searching for strategies to improve the cost effectiveness of back-office functions without reducing the quality of those services (Redman et al., 2007). The trend has been to consolidate back-office functions using shared services models (Cooke, 2006); this has been adopted as explicit public sector policy in many OECD countries3. Bergeron (2003) explains the shared services concept as a collaborative strategy in which a subset of back-office functions are concentrated in a new, semi-autonomous unit to promote efficiency, value generation, cost savings, and improved service delivery for the internal customers of the parent organization. The public sector has emulated the growing number of shared services implementations in the private sector (Janssen et al., 2012). However, as Dollery and Akimov (2007) suggest, empirical evidence on the effects of shared services adoption in the public sector is limited. Burns and Yeaton (2008) argue that the implementation of shared services could be more difficult in the public sector than in the private sector.

Lack of clear goals and misunderstanding of the potential benefits of shared services are deterrents for organizations contemplating the adoption of a shared services model for one or more back-office functions. “Something that is understood can be managed; something that is not understood leads to firefighting and suspicion.” (Strikwerda, 2003 cited in Maatman, Bondarouk and Looise, 2010). The aim of this research is to gain understanding of the meaning of shared services and possible motives for introducing shared services in government. Our research question is: What are motives for introducing shared services in government organizations? We answer this question by conducting a systematic literature review, developing a candidate set of motives, and validating these empirically with 16 experts from 13 different organizations in the Netherlands and New Zealand.

This paper is structured in the following manner: section 2 describes the history and concept of shared services. Section 3 illustrates the methodology of the study. Section 4 presents the results from the literature review and interviews. The main findings from the interviewed experts are then discussed and compared with research literature in section 5. We end this paper with our main conclusions and contribution in section 6.

2 The shared services concept

In the late 1980’s, large corporations combined some of their back-office functions, such as accounting, from separate business units into one single unit and the concept of shared services was

2 Ibid.
3 Ibid.
introduced (Redman et al., 2007). More companies followed and in the early 1990’s the shared services initiatives of managers in US firms were also adopted by European and Asian firms (Davis, 2005; Redman et al., 2007). Early shared services initiatives commonly provided accounting and finance functions (Ulbrich, 2006). More recently, shared services models have also been used for IT services, human resource, customer services, procurement, public administration, and asset management (Janssen, 2005; Janssen, Joha and Zuurmond, 2009; Murray, Rentell and Geere, 2008; Nasir and Abbott, 2011, Furtmueller, 2012, Tate and Furtmueller, 2012; Tate, Furtmueller and Wilderom, in press).

In research literature, different terms for the shared services concept are used. These include ‘shared services’ (e.g. Ulrich, 1995), ‘shared services center’ (e.g. Corradini et al., 2005), ‘shared services network’ (e.g. Becker, Niehaves and Krause, 2009), ‘shared service organization’ (e.g. Schulz et al., 2009), and ‘shared services model’ (e.g. Maatman, Bondarouk and Looise, 2010). Throughout this paper, the term ‘shared services’ or ‘shared services model’ will be used to refer to this inter-organizational sourcing model for the delivery of back-office functions.

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Just as in the case of the shared services terminology, there is no generally accepted definition of shared services. Schulz and Brenner (2010) analyzed the characteristics of shared services definitions. Combining the elements that are described in at least 50% of their literature sample, they arrived at the following definition: “Shared services is an organizational concept that: consolidates processes within the group in order to reduce redundancies; delivers support processes; is a separate organizational unit within the group; is aligned with external competitors; has cost-cutting as a major driver for implementation; is focused on internal customers; and is operated like a business.” These seven characteristics were derived from an analysis of articles published between 1995 and 2009. However, many papers published since 2010 also cite one of the definitions studied by Schulz and Brenner (2010), suggesting they have ongoing relevance. However, some authors have proposed alternatives to these influential definitions. Miles (2011, p.1) defines shared services as “an organizational arrangement for providing services to a group of public or private sector clients via a service provider which replaces the previous in-house or contracted-out function.” This encompasses the idea that the shared services concept refers to a separate organizational unit with a focus on internal customers. Miskon et al. (2010, p. 378) define shared services as “the internal provisioning of services by a semi-autonomous organizational unit to multiple organizational units involving the consolidation of business functions supported by a sharing arrangement.” This has a similar focus to that of Miles (2011), but with an additional emphasis on the consolidation of processes.

An example of shared services in the public sector is the bringing together of all financial services from three government departments in one organizational unit. The three original departments are both the owners and the internal customers of this new financial services unit. To further explain the concept of shared services, it is helpful to highlight the difference with two other organizational sourcing models: centralization and outsourcing. Centralization and shared services have in common the notion that functions are moved to a centralized location. However, with centralization control is taken over by corporate management while shared services imply dispersed or federalized responsibility to multiple units; the shared services customers collectively take control (Burns and Yeaton, 2008). The difference to outsourcing is best understood when considering the unit that is delivering the services. Outsourced services are provided by an independent third party, while shared services are delivered by a separate organization within the group (Corradini et al., 2005).

3 Method

In order to study motives for introducing shared services in government, we first conducted a systematic literature review (Kitchenham et al., 2002). Subsequently, we used the motives derived from the literature analysis as input for the second step: empirical validation and extension of the shared services concept by interviewing experts in the field.
3.1 Literature review

We followed the five-stage literature review method of Wolfswinkel, Furtmueller and Wilderom (2013). This resulted in a selection of 63 relevant articles for the analyses. Of these papers, 6 used a quantitative method, 53 used a qualitative research strategy (case studies and interviews) and the remaining 4 adopted a mixed method. To arrive at a generally applicable framework of motives for introducing shared services, we also included articles with a private sector focus (27 papers). Public sector shared services were the focus of 20 papers, and 10 papers considered both private and public sector organizations. Six articles did not mention on which sector they focused. Only two of the 63 papers were published before 2000, while around half of the total were published after 2010, indicating the increasing research interest in this phenomenon.

The literature review method outlined by Wolfswinkel, Furtmueller and Wilderom (2013) draws on grounded theory to analyze and code the articles identified in the literature search. In this content-analysis we carefully read and analyzed the 63 articles. Using open coding, excerpts were annotated in the text and we documented the concepts in a concept matrix (Webster and Watson, 2002). Through an inductive approach using axial coding, we developed a categorization of motives. We continuously refined the concepts and categories by going back and forth between the various excerpts of shared services motives while reading and analyzing each of the 63 articles. Based on similarities and differences between the concepts, we identified 13 key categories of motives for introducing shared services. In a final round of reading and discussing the categories, we counted the number of articles mentioning each of the 13 categories. If a specific motive was multiple times in a single article, the article was counted only once. Section 4.1 presents the outcome of our systematic literature analysis.

3.2 Interviews

Using the literature analysis of motives for implementing shared services as a framework, we conducted expert interviews with practitioners engaged in shared services implementations in the public sector. We conducted interviews in New Zealand and the Netherlands, both countries in which (in line with OECD trends) governments encourage the use of shared services. For example, the national government of the Netherlands is currently introducing a shared services center for delivering several back-office functions (Donner, 2011). Policy plans for a national shared services center for HR and procurement in the Netherlands even date back to 2003 (Kabinetsbesluit tot oprichting van een SSC HRM, 2003). The New Zealand government shows to be supportive of shared services as well; evident in publications on the potential of shared services (King, 2007) and endorsing shared services through cabinet decisions (Better Public Services Advisory Group Report, 2011; Key, 2012).

We used governmental websites, online news websites, LinkedIn and the university network to search for governmental organizations in New Zealand and in the Netherlands that utilize shared services. We focused on providers of shared services, as they have knowledge on the different motives of all their customers. Also, shared services customers have a focus on their own business, while providers’ core business is the delivery of shared services. Therefore, we expected a more comprehensive discussion with providers around the shared services concept.

We contacted organizations and practitioners through email and telephone and requested them to take part in an interview. Using snowball sampling, we also asked interviewees whether they could recommend other experts who might be willing to participate. The final sample comprised of 16 practitioners. Most experts were working in management positions for shared services providers. Without exception, the discussed shared services organizations had internal customers who were also the owners of the shared services. These 16 interviewees worked at 13 different organizations. Organizations at both national government level and local government level were included. We conducted the interviews in two countries, with eight of the experts working in New Zealand and eight
of them in the Netherlands. Table 1 presents the function, government level and nationality of each of the interviewed experts.

The semi-structured interviews started with open questions about what the interviewed experts thought were the motives for introducing shared services: “What were the motives for introducing shared services in your organization?” Following that, we asked them to discuss the 13 categories of motives in our research framework. The interviews lasted between 50 and 105 minutes. The interviewer took notes during and after the interviews and a digital audio recorder was used to record the interviews. Interview transcripts were emailed to the interviewees for validation. Enriching the interview data, some interviewees supplied business cases, reports and press releases on the introduction of shared services in their organization. The results of the analyses of the interview data and background information are presented following the results of the framework development.

<table>
<thead>
<tr>
<th>Expert</th>
<th>Function</th>
<th>Type of shared services</th>
<th>Level of government (national/ regional/local)</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Shared services consultant</td>
<td>Finance</td>
<td>National</td>
<td>New Zealand</td>
</tr>
<tr>
<td>2</td>
<td>Program manager shared services unit</td>
<td>ICT</td>
<td>National</td>
<td>New Zealand</td>
</tr>
<tr>
<td>3</td>
<td>Group manager IT services</td>
<td>ICT</td>
<td>National</td>
<td>New Zealand</td>
</tr>
<tr>
<td>4</td>
<td>Manager shared services unit</td>
<td>Finance</td>
<td>National</td>
<td>New Zealand</td>
</tr>
<tr>
<td>5</td>
<td>Procurement manager</td>
<td>Procurement</td>
<td>National</td>
<td>New Zealand</td>
</tr>
<tr>
<td>6</td>
<td>Group manager commercial support</td>
<td>Procurement, ICT, Finance, HRM</td>
<td>National</td>
<td>New Zealand</td>
</tr>
<tr>
<td>7</td>
<td>Chief Information Officer</td>
<td>ICT</td>
<td>National</td>
<td>New Zealand</td>
</tr>
<tr>
<td>8</td>
<td>Director shared services unit</td>
<td>ICT, Finance, HRM</td>
<td>National</td>
<td>New Zealand</td>
</tr>
<tr>
<td>9</td>
<td>Information manager municipality</td>
<td>ICT</td>
<td>Local</td>
<td>The Netherlands</td>
</tr>
<tr>
<td>10</td>
<td>Policy advisor municipality</td>
<td>ICT</td>
<td>Local</td>
<td>The Netherlands</td>
</tr>
<tr>
<td>11</td>
<td>Program manager municipality</td>
<td>ICT</td>
<td>Local</td>
<td>The Netherlands</td>
</tr>
<tr>
<td>12</td>
<td>Head of ICT department</td>
<td>ICT</td>
<td>Local</td>
<td>The Netherlands</td>
</tr>
<tr>
<td>13</td>
<td>Manager ICT team</td>
<td>ICT</td>
<td>Local</td>
<td>The Netherlands</td>
</tr>
<tr>
<td>14</td>
<td>Director shared services consulting firm</td>
<td>ICT</td>
<td>National, regional and local</td>
<td>The Netherlands</td>
</tr>
<tr>
<td>15</td>
<td>Senior manager ICT department</td>
<td>ICT</td>
<td>National</td>
<td>The Netherlands</td>
</tr>
<tr>
<td>16</td>
<td>Shared services consultant</td>
<td>Mixed</td>
<td>National, regional and local</td>
<td>The Netherlands</td>
</tr>
</tbody>
</table>

Table 1. Information on the 16 interviewed shared services experts.

4 Results

4.1 Framework development: motives for shared services in literature

Of the analyzed literature, 58 articles mentioned at least one motive for utilizing shared services. Using open and axial coding (Wolfswinkel, Furtmueller and Wilderom, 2013) of the identified themes, the motives were classified into 13 categories. Table 2 summarizes the motives framework and the frequency of articles mentioning each motive. The detailed analyses revealed that some selected motives play a considerable role in the shared services literature, while others receive only limited attention.

Cost reductions: this motive has received significantly more attention than any other in the shared services literature. Cost reductions can be achieved by lowering the cost per unit through economies of scale (Selden and Wooters, 2011) or by reducing the number of employees and thereby lowering staff costs (Dollery, Grant and Crase, 2011). However, empirical evidence of successful achievements of cost reductions with shared services is scarce (Dollery and Akimov, 2008; Dollery, Akimov and Byrnes, 2009; Furtmueller, Wilderom and Tate, 2011). Published cost savings are in the form of reports from organizations themselves or they are based on perceptual data from case studies,
interviews and surveys (Miskon et al., 2010; Zeynep Aksin and Masini, 2008). As Dollery and Akimov (2008) discuss, there is little ‘hard’ rigorous evidence supporting financial gains through introducing shared services, but equally, there is little evidence to suggest that shared services are not effective in reducing costs.

<table>
<thead>
<tr>
<th>Motive</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost reductions</td>
<td>51</td>
</tr>
<tr>
<td>Improve quality of service</td>
<td>32</td>
</tr>
<tr>
<td>Improve efficiency / effectiveness / productivity</td>
<td>24</td>
</tr>
<tr>
<td>Access to external resources</td>
<td>19</td>
</tr>
<tr>
<td>Standardize processes</td>
<td>15</td>
</tr>
<tr>
<td>Focus on core competencies</td>
<td>15</td>
</tr>
<tr>
<td>Concentration of innovation</td>
<td>10</td>
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<tr>
<td>Improve customer orientation</td>
<td>10</td>
</tr>
<tr>
<td>Exchange of internal capabilities</td>
<td>10</td>
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<tr>
<td>Improve control</td>
<td>9</td>
</tr>
<tr>
<td>Consistent management information</td>
<td>4</td>
</tr>
<tr>
<td>Improve compliance with legislation and standards</td>
<td>4</td>
</tr>
<tr>
<td>Mitigate risk</td>
<td>3</td>
</tr>
</tbody>
</table>

Table 2. Content-analyses of motives in research literature.

However, the ‘soft’, perceptual and anecdotal evidence suggests shared services are beneficial for achieving cost reductions. **Improve quality of service:** Moving to a shared services organization is believed to improve the quality of service due to the focused attention of management (Zeynep Aksin and Masini, 2008). Such improvements can be achieved through the use of process improvement strategies (Nasir and Abbott, 2011) and by better consistency and accuracy (Reilly, 2010). **Improve efficiency / effectiveness / productivity:** Another motive for many organizations is to improve efficiency, effectiveness and productivity of their service delivery. Bringing together similar support processes into centrally provided shared services is believed to increase productivity which in turn promotes efficiency (Wagenaar, 2006) and effectiveness (Miskon et al., 2011). **Access to resources:** This can mean access to expertise, people, skills, services and technology. One potential advantage is that shared services enable the concentration of high quality resources, making them more easily available to all internal customers (Redman et al., 2007). Further, it can be difficult for smaller organizational units to reach a certain level of competence across all functions and processes because resources are limited (Hynson, Tate and Johnstone, 2005). By combining the resources of several internal customers, shared services are able to attract and deliver higher levels of expertise (Ulbrich, 2010). Shared services settings may also offer better career paths and flexibility for employees, boosting their motivation (Rothwell, Herbert and Seal, 2011). **Standardize processes:** By standardizing processes, shared services make reductions in duplicated processes possible (Mclvor, McCracken and McHugh, 2011; Nasir and Abbott, 2011). Standardized delivery of processes ensures a consistent and streamlined provision to clients (Furmueller, Wilderom and Mueller, 2010; Selden and Wooters, 2011). **Focus on core competencies:** Using shared services for the delivery of support processes is seen as an instrument to free up management time, which may be more effectively used by focusing on core competencies (Sako, 2010). **Concentration of innovation:** Shared services offer one central location for the maintenance of support processes. Hence, organizations trying to develop and exploit new applications of process delivery, can concentrate their investments on this one location, instead of splitting the innovation efforts across different organizational units (Furmueller, Wilderom and van Dick, 2009; Borman and Janssen, 2012). **Improve customer orientation:** With introducing shared services, organizations seek to draw together activities that were previously performed similarly in various departments. Work can be handled more quickly, and in a more targeted manner, putting the customer in focus (Ulbrich, 2006). The introduction of change processes for implementing shared services can be regarded as an opportunity to model the standardized processes to be more customer focused (Grant et al., 2007). **Exchange of internal capabilities:** Shared services are sometimes aimed at improving the exchange of knowledge and best practices between
organizational units. Shared services models can deliver processes to several internal customers and in doing so, can significantly enhance the internal exchange of knowledge and working practices between the involved organizational units. Best practices are broadly available to the internal client network (Nasir and Abbott, 2011) and specialized know-how gained in one unit can be more easily transferred to other stakeholders (Frei, 2008). Improve control: When organizations are comparing the pros and cons of different sourcing strategies, shared services is seen as a means of maintaining internal control over the delivery of services (Baldwin and Irani, 2001; Farndale, Paauwe and Hoeksema, 2009). Additionally, using shared services can eliminate complicated local control by concentrating on one central point that is providing the services (Maatman, Bondarouk and Looise, 2010). Consistent management information: By utilizing shared services, information on similar processes that is maintained and used by different units in an organization, can be centralized and combined in one central location. Such a centralization of information can result in consistent information and provide an efficient way of communicating between the organizational units (Turle, 2010). Improve compliance with legislation and standards: Organizations report that shared services can help them to keep up with changes in legislation and standards (Dollery, Grant and Crase, 2011). Instead of each unit needing to check compliance of their processes, this can be organized at one location through the use of shared services. Mitigate risks: Risk can be related to uncertainties surrounding the development and deployment of new services. Such risks can be mitigated by concentrating the investment of time and resources (Janssen and Joha, 2006). Organizations prefer to share such responsibilities with other customers of shared services and in that way reduce the associated risks for each individual business unit. Another type of risk comes in the form of organizational units working together. How others act in a partnership is often uncertain, but using shared services often comes with a formal contract and setting up a new organizational unit. This increases the trust between partners and reduces the sense of risk in partnerships (Murray, Rentell and Geere, 2008).

4.2 Motives for shared services in governmental practice

To initiate a dialogue with experts on the motives for shared services in government, we asked interviewees to think of the motives that were important for their organization. The results are summarized in Table 3.

In line with public sector policy in many countries, it is not surprising that cost reductions, achieved via economies of scale and lowered staff costs, were a major motivation. Expert 7 states: “In most of the [projects] I have seen, most of the prime drivers were about a cost reduction.” Other significant motives were ‘improving the quality of service’ and ‘access to skilled resources’. Expert 8: “With adopting shared services we wanted to improve the level and quality of services provided and deliver continuous improvement.” and Expert 9: “Access to expertise possible through the availability of more budget or through partner organizations.” This second motive reflects the fact that expertise in some fields, such as ICT is limited, because public sector organizations have difficulty recruiting and retaining personnel. The motive ‘consistent management information’, although identified from literature, was initially not mentioned by any of the interviewees.

The results in table 3 initially suggest potential differences between the two countries in terms of motives for introducing shared services. Most notably, experts in New Zealand mentioned the motives ‘standardize processes’ and ‘improve customer orientation’ whilst these motives were generally not raised by Dutch experts. However, a closer look at the results suggests that these differences may be attributable to the level (national or local government) at which the shared services were aimed rather than to nationality- the majority of the New Zealand experts worked on national level, whereas Dutch interviewees worked more often on the local level. Departments on national level are probably larger and tend to be more detached from the public and businesses. This could explain different foci for shared services in national government organizations. Improving customer orientation and a focus on core competencies were major concerns of experts working at a national level. Standardizing
processes is probably also mostly relevant for larger organizations, which may have different internal units delivering similar functions. Therefore, we should be cautious in attributing differences in motives to either the level of government or the nationality of the services organization.

<table>
<thead>
<tr>
<th>Expert</th>
<th>Country</th>
<th>Cost reductions</th>
<th>Improve quality of service</th>
<th>Improve efficiency / effectiveness / productivity</th>
<th>Access to skilled resources</th>
<th>Standardize processes</th>
<th>Focus on core competencies</th>
<th>Concentration of innovation</th>
<th>Improve customer orientation</th>
<th>Exchange of internal capabilities</th>
<th>Improve control</th>
<th>Consistent management information</th>
<th>Improve compliance with legislation and standards</th>
<th>Mitigate risks</th>
<th>Frequency</th>
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Table 3. Motives mentioned in interviews.

It is possible that not all factors will be surfaced during open-ended questions. Therefore, in the second part of the interviews, we presented the framework of 13 motives we developed (based on our literature review) to the interviewees. The interviewees had already discussed many of these motives and were asked to comment on the framework of 13 motives. In general, the interviewees confirmed our framework. Nevertheless, a number of differences stand out, which are discussed in the following section.

5 Discussion

Bridging the gap between scientific literature and practice, interviews were used to test the practical usefulness of a framework based on scientific literature. The validation of motives with shared services experts revealed additional information and contrasting views of the experts compared with the findings from literature. First, although experts considered cost reductions as one of the main motives for introducing shared services, the experts found that the importance of this motive changed over time. During the change process towards shared services, organizations came to realize that achieving cost reductions would be very difficult. The interviewees reported that cost reductions were either significantly lower than expected, or cost reductions would not be achieved at all. The discussions with experts revealed several complications that could account for the difficulty of reducing costs. Transitions to shared services are not completed overnight, as setting up a new organizational unit takes time and extra initial investments. Moreover, government departments are relatively small and as Zeynep Aksin and Masini (2008) state, recovering the costs of setting up shared
services is more difficult for smaller organizations. The fixed setup costs are proportionally large, the economies of scale are smaller and the internal government departments served by the shared services units might be obligated by law to continue offering services that will not cover costs anyway, regardless of the extent of savings achieved in the back-office. Additionally, government organizations have to deal with the political culture and climate. Changes in political directions may take place rather frequently. New Zealand, for example, has elections every three years. Consequently, politically motivated changes in the public sector organizational structures and sourcing policies are more regular, so expected benefits may not have time to fully accrue. Furthermore, some interviewees believed that laying-off redundant employees is more difficult in government organizations compared to the private sector. Where private organizations are more likely to use redundancy as a tool, government organizations will instead try to reallocate redundant employees. Since reducing staff numbers is a major part of cost reductions, achieving such results may be significantly compromised by local and national political agendas and labour policies.

A second interesting result concerns the ‘increase of efficiency’. In line with the scientific literature, experts regard improving efficiency as one of the main motives for introducing shared services. Nonetheless, several interviewees stated that shared services can also lead to a decline of efficiency. With the introduction of shared services, processes are centralized and sometimes moved away from the original geographical location of the service delivery. As the processes are detached from the local people, expertise and awareness of local problems diminishes. Interviewees report that dealing with local issues can require additional time and effort to gather the necessary information, and sometimes result in costly mistakes. For example, consolidating the emergency response call centers in New Zealand resulted in some emergency responses being sent to the wrong address, due to lack of local knowledge. This resulted in some high profile negative publicity and a police enquiry. Consequently, local problems may be difficult to resolve, with the risk that local people will lose confidence in the public service and establish new infrastructures to deal with the problems themselves. Either way, the hoped-for efficiency suffers.

A third interesting result was that the ‘exchange of internal capabilities’ seemed more important that we had come to expect from our literature analysis. It appears that government departments, at least those in New Zealand and the Netherlands, are keen to work together. Without collaboration, they are not able to deliver the wide range of services they are legally obliged to offer citizens and businesses. The experts regarded the motive ‘exchange of internal capabilities’ as one of the most important for introducing shared services in government organizations.

A fourth point is several motives were not valued highly by our experts when compared to the attention these motives received in the shared services literature. ‘Concentration of innovation’ was not valued highly by our experts. A possible argument is that innovation is not very high on the agenda for government organizations. R&D departments are generally limited to large private corporations and government spending on technology is significantly lower than in private sector budgets (West and Lu, 2009). Some interviewees acknowledged that this could be a relevant motive when they were prompted, but none of our interviewees raised this in response to our open questions. Similarly, the interviewees in response to the open questions rarely mentioned ‘consistent management information’. Even when prompted, some interviewees noted that this was not a major shared services motive for their organization. They believed that consistent information could be achieved by standardizing systems and information architectures. This level of standardization can be achieved without introducing a shared services model, and is already government policy in New Zealand. One interviewee noted that his organization was focused on producing consistent management information before considering moving towards a shared services model. Consequently, ‘consistent management information’ although it appears to be an important objective for government organizations in general, is independent of introducing the shared services concept in government.

Although there are differences between the public and the private sector, our research found considerable similarity in shared services motives. As our sample of 63 papers drew significantly on
shared services initiatives in the private sector, we expected some differences between our framework and the interview data. When answering the open-ended interview the experts did not independently mention all 13 motives derived from literature. However, in the second part of the interviews, when we discussed our framework, the interviewees frequently considered the additional motives to be relevant as well. We speculate that these additional motives are less important in the views of the experts than the motives they mentioned themselves. Our interview data revealed a similar attention to certain motives as in the analyzed literature. For example, our experts gave much attention to reducing costs and little attention to improving control. Nonetheless, as all motives appeared to be relevant in at least one of the interviews, we conclude that each of the 13 motives can contribute to the justification of introducing shared services. As no new motives came up during the interviews, we also conclude that the 13 categories are a suitable framework of motives for introducing shared services in government organizations.

Probably the most striking finding is the fact focus on cost reduction in research literature and government policy, despite the fact that those with first-hand experience of implementing shared service centers reported that achieving cost reductions is very difficult in government. It seemed that as the involved organizations using shared services start to realize the difficulty in reducing costs, (initially one of the main motives), a shift of focus occurs towards other motives. Specifically, the motives ‘improving the quality of service’, ‘exchange of internal capabilities’, and ‘access to external resources’ seem to become important goals for government organizations utilizing shared services. Since we conducted the interviews with experts only after shared services were already implemented, it is difficult to indicate how organizations valued the different motives before and after implementation of shared services. However, evolving motives for shared services depending on the results parallels the ‘drift’ phenomenon that is described in information systems literature (Orlikowski, 1993), where the purpose of use shifts as software applications are put in use and the results of the implementation process do not match the original design.

5.1 Limitations and Future Research

We acknowledge some limitations in our interview approach. We conducted the 16 interviews with experts who were generally working as shared services providers. As reported by Berens (2006), providers of shared services tend to be significantly more positive about the success and benefits of shared services. Customers of the shared services might have a different opinion.

In future research, interviews with the customers of shared services can strengthen the findings from this study and enable a comparison between providers and customers of shared services. Another suggestion would be to study the influence of the size of the departments moving to shared services. Economies of scale are seen as a major means to achieve cost reductions, but this benefit might be less applicable in smaller organizations.

6 Conclusions

This study set out to build understanding on why government organizations introduce shared services. This is a global phenomenon, which is being driven from the top levels of government in many OECD countries. A framework of thirteen motives was developed from an inductive categorization of shared services literature, and subsequently validated in interviews with 16 shared services experts in New Zealand and Dutch government organizations. Some important motives included internal quality considerations such as ‘exchange of internal capabilities’, and ‘access to external resources’. However, as in our opening quote from an OECD study, “back office efficiency” (cost reductions) were seen as arguably the most important motivation for introducing shared services in government, but our interviewees were skeptical about whether these could be achieved. However, our interviewees did consider ‘improving the quality of service’, to be a major motivation, which also aligns well with new policy directions in public management. Researchers and managers in the public sector are continually
seeking for management models that will enable them to serve the public better while reducing the demand on the public purse. Currently shared services models are one possible solution to facilitate this. Given the important role of public agencies in society, ongoing evaluation of the success of shared services implementations will provide essential feedback into public policy.

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