Effectiveness of the Financial Shared Services (FSS) Model in Europe

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Certificate of Authorship

I hereby declare that this submission is my own work and to the best of my knowledge and belief, it contains no material previously published or written by another person, nor material which to a substantial extent has been accepted for the award of any other degree or diploma at Charles Sturt University or any other educational institution, except where due acknowledgement is made in the dissertation. Any contribution made to the research by colleagues with whom I have worked at Charles Sturt University or elsewhere during my candidature is fully acknowledged.

I agree that this dissertation be accessible for the purpose of study and research in accordance with normal conditions established by the Executive Director, Library Services, Charles Sturt University or nominee, for the care, loan and reproduction of dissertation.

Omer Softic

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Signed Date

…27/03/2016.....................
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Dedication

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Abstract

This dissertation explores and analyses the elements that determine the effectiveness of a Financial Shared Services (FSS) model in Europe through the identification and focused discussion of key contributing factors towards the successful and productive implementation of the FSS. In particular, this dissertation focuses on identifying a proposed model composed of critical steps required to increase the chances of successful FSS implementation. Particular importance is given to understanding the impact of a clear corporate strategy in the context of shared services, mandate, levers of success, and organisation and governance which are most important in supporting the effective execution and sustaining the process of successful FSS implementation.

The second part of the dissertation examines the most commonly used levers of effectiveness: people, process, technology, location, and organisation and governance which individually act as variables that determine the level of effectiveness of a Financial Shared Services Centre in Europe. Although each of these levers contributes a different value and associated benefits to FSS implementation, research shows that the people factor is the most significant and the most important element. Consensus among the research subjects affirms that without the right people, success would not be possible in setting the process in motion and delivering the end product. On the other hand, once successfully executed, the greatest effectiveness in reducing the cost and obtaining the financial benefits is achieved by the choice of the appropriate location and the continuous improvement in processes and technologies.

The findings of the research confirms that Financial Shared Services is the next natural step in the evolution of an organisational structure which needs to effectively respond to the pressure of a competitive market and an ever-changing regulatory environment. Inspired by the need to positively respond to increasing risk and technological innovation; Financial Shared Services proponents show that this strategy offers an ideal platform for the standardisation of global processes and a rapid implementation of new technologies to enhance automation. Furthermore, this proposed model enables companies not only to upgrade their people, process technology, and organisational structure, but also ensures the realization of significant cost savings for implementing financial services reaching up to 65%.
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Chapter 1: Introduction

Chapter 1 provides an overview of the research project which includes a comprehensive discussion of the main elements of the study. This focuses on the conceptual framework and facilitates better understanding of the overall setting within which the research project unfolds. Included in this chapter is a detailed discussion of Financial Shared Services (FSS) as a concept, its history and evolution and the presentation of the research questions and the problem statement of this research project. The justification for the research which follows is supported by the related literature findings. The conceptual framework, on the other hand shows the proposed model for greater FSS success that will be validated through the use of various methods described under the chapter on methodology. The chapter ends with a brief summary of the main elements previously described.

Chapter 2 examines current literature on shared services and provides more details on the key elements of the proposed model for FSS success and the levers. These elements of the financial shared services proposed model ensure ultimate FSS success and seek to answer the dissertation’s problem statement and the research question.

1.1 Background to the Research

1.1.1 Introduction

“Shared services” is defined as the concept of combining or consolidating multiple back office functions within a corporation located within a single area, designed to provide customer-focused services across an entire enterprise at very competitive rates (Legare & Bechtel, 2001; Ulrich, 1995; Borman, 2010). According to Schulz & Brenner (2010), “shared services is an organizational concept that consolidates processes, within the group in order to reduce redundancies; delivers support processes; has cost cutting as a major driver; that has a clear focus on internal customers; is a separate organizational unit that is aligned with external competitors and is operated like a business” (pp. 210-219).
The shared services model has been rapidly growing ever since it was founded back in the ’80s, resulting in more shared services being set up across the world. For example, PWC (2010) reported that in Hungary alone at the beginning of 2010, there were more than 80 shared services and more than 30,000 highly educated professionals employed in this industry. Similarly, research by Deloitte (2011) shows that 30% of all company respondents in the 2011 survey are located in Europe compared to 29% in the US and Canada. By end of 2009 more than 80% of the global 2000 largest companies were getting shared services support for their back office work, from either an internal or an external third party shared service centre (Marshall, 2010). For example, IBM among others, after initial success turned this model into a profitable business, providing services to third parties across the globe. However, this type of model called Business Process Outsourcing (BPO) is not the subject of this research and companies engaged in providing services to third parties are excluded from this study.

Although shared services is applicable among a number of functional business areas within an organization, this research is mainly focused on captive (in house) Financial Shared Services (FSS) and attempts to identify the best shared services model which enables an organization to generate substantial financial and non-financial benefits. This research project, thus, asserts the importance and magnitude of FSS in the overall shared service world. Research conducted by Deloitte (2011) reveals that 93% of all shared services provide financial service within their shared services organization. This confirms assumptions that financial shared services is still the main driver behind shared services initiatives around the world, and as such, deserves closer examination.

Financial Shared Services is perceived as an effective way to reduce cost in finance and accounting. Claims about savings generated by FSS initiatives range anywhere between 20% and 50% (Jarman, 1998; Mohan & Witt, 2006; Gilbert, 2009; Schulz & Brenner, 2010; PWC, N.D.). However, there is little empirical evidence that explain why such disparity in cost savings occurs and the reason for company operations resulting in different levels of success. Similarly, there is very little empirical evidence that indicate the level of savings derived from different finance functions. By the same token, very few examples demonstrate which factors influence the generation of savings and determine their level.
An analysis of the 2009 crisis and a bleak economic forecast for 2016 and beyond illustrates that the use of shared services has become an unstoppable trend among large international companies and their executive management. Moreover, the use of FSS is increasing among midsize national companies and governmental organizations in Australia, Canada, New Zealand, Sweden, Germany, UK, and Singapore (Aitken, 2012; Arya, 2011; Deloitte, 2011; Grossman, 2010; Marshall, 2010; Mercer, 2011; Redman, et al., 2007; Ulbrich, 2006, 2010; Niehaves, & Krause, 2010). It is a widely recognized fact that shared services provides a very attractive model to reduce back office cost and improve the quality of customer experience (Accenture, 2011; Borman, 2010; Deloitte, 2011; Derven, 2011; Higginson, 2011; Niehaves, & Krause, 2010). Hence, as a response to constant competitive pressure to reduce costs and improve the shareholder’s value, shared services is becoming a natural next step in the evolution and maturity of organizations.

While shared services is applicable among a number of functional business areas, this research mainly focuses on Financial Shared Services (FSS) and attempts to identify the best shared services model in this context. This FSS model enables an organization to acquire substantial financial and non-financial benefits, thereby, affirming the growing importance of FSS and its magnitude in the overall shared service world. Research conducted by Deloitte (2011) reveals that 93% of all shared services provide financial service within their shared services organization. Thus, assumptions that financial shared services are still the main driver behind shared services initiatives globally deserve a closer examination.

Research suggests that depending on how activities are organized and executed will directly influence the success of shared services implementation (Borman, 2010). However, as of today, there are limited research findings that identify the success rates of implementing FSS and the relationship between the key levers of success and the effectiveness of FSS. PWC, one of the leading consulting firms in this field, in documenting FSS experiences in their publications state that companies can enjoy savings between 30-50% by deploying shared services (PWC, N.D.). However, PWC does not identify what the model should look like and which levers need to be utilized to achieve the desired outcomes.
Similarly, the percentage of companies which actually achieve the high-end savings target is unknown. Therefore, this area needs to be explored in greater detail to reinforce the importance of the steps to achieve success and identify levers that are driving the effectiveness of FSSs. Finding answers to such questions could help companies close the information gap and move them closer to generating more substantial savings through informed FSS implementation.

Finally, in addition to financial effectiveness and levels of success, there is very little academic or industry research addressing the impact of FSS on the local talent pool, as well as examples of mitigating actions by companies given the limited career opportunities resulting from FSS implementation. It is of great importance for large multinational companies to understand how to develop future leaders especially in European countries, where virtually no one is open to relocation. Opportunities which, over a long term, prevent the shortage of potential future business leaders in the company must be provided systematically over the short and medium term.

1.2 Research Problem and Proposition

1.2.1 Research Problem
1. What are the key drivers of effectiveness of the FSS model in Europe?
2. What is the impact of the FSS structure on the FSS effectiveness indicators?

1.2.2 Research Proposition

The research focuses on how to maintain competitiveness by leveraging the Financial Shared Services model to cope with the constant changes in the business environment predominantly driven by legal and regulatory requirements, new technologies, and timely access to accurate and reliable information. Further, this dissertation asserts the importance of transforming business in line with the latest trends which seek to effectively respond to industry challenges: volume, velocity, relevance, digital data capturing, and better controls.

This research addresses these main research questions and identifies the key steps in organising activities to improve shared services success and the key levers for improving the effectiveness of the FSS.
1.3 Justification for the Research

While related literature is “unanimous” in identifying shared services as a “proven model”, it is still obscured by conceptual misunderstanding and faced with resistance by some business leaders and executive management (Strickwerda, 2006a). Indeed, shared services is a complex business model and there are numerous examples of potential areas where the implementation of this model can go wrong: failure to implement on time and budget, disappointments in delivering planned benefit, inability to satisfy customer requirements, and technology focused implementation are some of the main concerns among FSS proponents and critics (David, 2005; Boroughs & Saunders, 2007; AAP General News Wire, 2011, Jun 27).

Similarly, Borman (2010) acknowledges that shared services success is not guaranteed. He referenced findings by Wagenaar (2006), who discusses a number of the failures of a major shared services initiative in The Netherlands. On the other hand, Borman (2010) references Sarikas and Weerakkody (2007) who enumerate numerous systems and process challenges that companies need to overcome in order to enjoy shared services benefits. Keeping in mind potential obstacles in implementing and sustaining shared services, it is critical for business leaders to understand the consequences and opportunity losses resulting from failure to deploy the best in class shared services model or in extreme cases completely ignoring the stimulus to respond to 21st-century organizational challenges (Strickwerda, 2012).

Therefore, in spite of the increasing challenges, it is widely recognized that the fundamental argument of Financial Shared Services is a valid one and that this business model has enormous untapped potential (Forst, 2001). However, to maximize fully the potential of shared services, the process should be seen as a transformation journey that upgrades people, process, technologies, and governance, supplemented by a strategic choice of location (Herbert & Seal, 2009; Borman, 2010; Derven, 2011).

Similarly, other researchers suggest that how activities are organized and executed will directly influence shared services success (Borman, 2010). The importance of organizing and embedding success factors in the FSS initiative informs their effectiveness. This is clearly
demonstrated in a number of recent industry survey findings conducted by leading professionals and practitioners (Accenture 2009; Deloitte, 2011). The survey results show that the key difference between effective shared services centres or the so-called “Masters” and the one on the opposite side is the extent to which businesses have embraced the use of the key levers for success. In summary, literature suggests that five critical steps are needed to organize Financial Shared Services and transformation activities in order to increase the success rate for implementing an FSS model (Accenture 2009; Borman, 2010; Deloitte, 2010). Figure 1.1 illustrates how the critical steps need to be organised and executed to increase the probability for FSS success. Furthermore, literature identifies these five critical levers that need to be utilized to improve the effectiveness of the FSS (Shah, 1998; Karoll, 2007; Hesketh, 2008; Herbert & Seal, 2009; Borman, 2010; Derven, 2011).

**Figure 1.1**
**Critical Steps & Levers of Success**

![Critical Steps & Levers of Success](image)

*Source: Developed for this study.*

The FSS model in Figure 1.1 shows the framework which facilitates the understanding of the contribution of these five critical steps towards a successful shared services implementation. Furthermore, the model serves as the guide to identify the extent to which an enterprise utilizes these levers in order to achieve predefined benefits and deliver shareholders’ value by implementing FSS. The literature asserts that these five levers are viewed by many practitioners.
as the key drivers of the effectiveness of a Financial Shared Services centre. In other words, these are instrumental drivers for achieving superior improvement in financial and non-financial performance indicators (Shah, 1998). Thus, this research seeks to validate what the existing literature asserts.

1.4 Methodology Overview

Many of previous research in this area were sponsored or conducted by big consulting companies with significant financial vested interests in the outcome of the process (Duncan & Fass, 2009; Deloitte 2011; and PWC, 2009). This type of research is generally conducted using online structured surveys, giving no opportunity to yield results outside of the prescribed fixed format and providing very little room to capture new knowledge on emerging trends and new areas of discourse on FSS.

On the other hand, emerging academic research is based on qualitative methodology and case study approach, articulating concerns about generalization and paradigm applicability outside a specific industry (Redman, et al., 2007; Hesketh 2008; Borman, 2008 & 2010; Ulbrich, 2010; McIvor 2011). Many of these previously referenced studies were conducted using interviews with leading executives in shared services both in the private and public sectors.

This research project utilized the qualitative research method to gather information on the research questions and problem statement. A qualitative analysis was based on multi-case studies approach of at least seventeen companies with proven record of using Financial Shared Services in Europe. The data collection was conducted through face-to-face and/or over the phone interviews, utilising a semi-structured survey instrument. All interviews are recorded and later transcribed verbatim to preserve the originality and integrity of the data input.

Henceforth, the larger proportion of the application of the research method found in the survey instrument focused on the effectiveness of the Financial Shared Services model which demanded a deeper discussion of financial and nonfinancial indicators. Furthermore, current literature suggests that success and the effectiveness depend on the extent to which companies use shared services levers of success to achieve standardisation and automation which, in many cases, ultimately determine the level of benefits, resulting from the deployment of this financial
shared services model (Duncan & Fass, 2009; Deloitte, 2011). Consequently, to obtain a deeper knowledge of this subject, the use of a qualitative research method was perceived to be appropriate and effective (Gable, 1994; Yin, 2003; Veal, 2005, pp. 125-130). However, while qualitative methods often provide a new perspective to existing research, these could raise questions on the general applicability of findings for a wide range of audiences cutting across industries. To strengthen triangulation, the researcher gathered information from several different sources with the goal of improving credibility and confidence in the research findings (Miller, Strang, & Miller, 2010, p. 347).

Therefore, this research used the qualitative data gathering methodology and a general inductive approach for data analysis. The data analysis focused on multiple case studies of companies with their Financial Shared Services centres located in Europe, providing the microlevel assessment of ways companies organise their activities and the extent to which they utilise levers of effectiveness to achieve the ultimate success. The research findings provided new insights on how to achieve a greater degree of success in implementing FSS and to obtain a higher level of efficiency from the use of the proposed model.

1.5 Outline of the Dissertation

Proposed Headings:

- Table of Contents
- Certificate of Authorship
- Acknowledgments
- Dedication
- Abstract
- List of Figures
- List of Tables
- Chapter 1 – Introduction – A brief summary of the dissertation
- Chapter 2 – Research Issues – Extensive literature review of relevant research
- Chapter 3 – Research Methodology – A description of the research methodology
1.6 Key Definitions and Language

**Business Case** clearly shows all the benefits resulting from the transformation and implementation of a Financial Shared Service strategy: lowering the cost of providing financial services, improving the quality of financial information, increasing efficiency in processing transactional data, enhancing customer experience, improving data availability, and a guidance for expected effectiveness (Derven, 2011; Triplett & Scheumann, 2000; McReynolds & O'Brien, 2002; Niehaves & Krause, 2010).

**Change Management** is the process of continually renewing an organization's direction, structure, and capabilities to serve the ever-changing needs of external and internal customers (Moran & Brightman, 2000). Heavy focus on change management elements such as communication, training, and executive alignment is of pivotal importance (Deloitte, 2011).

**Key Success Levers** are elements which will make the FSS a successful journey depending on how well companies utilize these elements and to what extent they utilize a number of key success levers: Location, People, Process, Technology, Organization and Governance (Shah, 1998; Karoll, 2007; Hesketh, 2008; Deloitte, 2011). In other words, in order to fully exploit its potential, Financial Shared Services should be seen as a transformation journey that gives rise to an upgrade of location people, process, technologies, and governance that will support predefined strategy (Herbert & Seal, 2009; Borman, 2010; Derven, 2011).

**Financial Shared Services** is a business concept that combines or consolidates multiple back office functions within a corporation into a single area, designed to provide customer-focused services across an entire enterprise at very competitive rates (Legare & Bechtel, 2001; Ulrich, 1995; Borman, 2010). According to Schulz & Brenner (2010) “shared service is an
organizational concept that consolidates processes, within the group in order to reduce redundancies; delivers support processes; has cost cutting as a major driver; that has a clear focus on internal customers; is a separate organizational unit that is aligned with external competitors and is operated like a business” (pp. 210-219).

**Strategy** is often the primary driving force behind a company’s decision to implement shared services. FFS strategy is clearly defined and embedded in the organisation before any other transformational steps take place. A strategy, which is successfully executed, can have a growing impact on successful companies as their competitive edge in the new century (Forst, 2001).

1.7 Delimitations and Key Assumptions

The researcher assumed that administering face-to-face interviews to an adequate number of strategic shared services practitioners and professionals would be possible within a prescribed timeframe and that participants would be willing to provide the needed information facilitating a comprehensive data analysis.

The researcher identified target companies within a given time frame and retrieved required secondary data fields necessary for analysis, validation, and triangulation. The resource requirements were available and the proposed timeframe was adequate within which all necessary information was collected.

The in-depth research was limited to a small number of companies operating Financial Shared Services located in Europe. The risk existed that the respondent companies might be operating at different levels of maturity and/or adopted the shared services strategy earlier than others. Hence, it is possible that some of the findings may not be applicable to all the respondent companies operating within different industries. While the findings may confirm that Financial Shared Services is a viable model, at the same time, adopting shared services is a complex journey where many companies fail to derive positive results in its implementation.
Target companies and individual participants were available and willing to participate in the research and provide necessary documentation within the specified timeframe. Their primary motivation for participating in this research project was the opportunity to access the research findings and FSS maturity scans, which was already a sufficient incentive for organizations and individuals to accept this challenge to participate in the research. No other incentives were offered for participation in this research.

The research focused on seventeen companies each represented by a business leader who provided sufficient data from which generalizations might be drawn as applicable to companies of a similar size operating within the same industry. Given this, the report findings should be consistent and conclusive.

1.8 Summary

Chapter 1 provided the high level overview of the research approach and steps taken to conduct the study. A brief background on shared services explained the growing need to leverage the proposed model as a response to the ever-changing environment within which businesses operate. An introduction of the theoretical model emphasized the importance of the five critical steps towards the effective implementation of Financial Shared Services to improve the success rate and share key levers of. Depending on the way the critical activities are organised, the success rate should be enhanced through the implementation of the proposed Financial Shared Services model. Similarly, this chapter asserted that the five key levers represented by: people, process, technology, location, and organisation and governance are the main drivers of effectiveness of European Financial Shared Services.

The qualitative methodology of data collection and analysis was briefly explained to ensure a better understanding of the overall research study. In the contexts of the sample size and the methodology used, the researcher discussed some assumptions and limitations associated with the use of this qualitative-inductive approach. Furthermore, some key definitions were enumerated to facilitate a better understanding of the nuances of meaning and the technical concepts used providing a clear and comprehensive overall perspective of this research project.
The next chapter focuses on the findings of previous research projects captured by the current available literature on the topic of shared services. In particular, a comprehensive literature review was conducted to provide a substantial background towards a fundamental understanding of the emerging trends in financial shared services, success in its implementation, and maximization of the proposed model by achieving a high level of efficiency in gaining financial and non-financial benefits. Based on the findings derived from the literature review, the specific problem statement which lies at the core of the research proposal is identified, articulated, and refined.
Chapter 2: Research Issues

2.1 Overview

Constant competitive pressure to reduce costs and improve the shareholder’s value has made research on a viable shared services model imperative (Accenture, 2011; Borman, 2010; Deloitte, 2011; Derven, 2011; Higginson, 2011; Niehaves & Krause, 2010). The 2009 crisis and a bleak economic forecast for 2016 and beyond have given impetus to the adoption of, shared services which has become an unstoppable trend not only among large international companies and their executive management, but also among midsize national companies and governmental organizations in Australia, Canada, New Zealand, Sweden, Germany, UK, and many other countries (Aitken, 2012; Arya, 2011; Deloitte, 2011; Grossman, 2010; Marshall, 2009; Mercer, 2011; Redman, et al., 2007; Ulbrich, 2006, 2010; Niehaves & Krause, 2010).

According to Higginson (2011), data from fDi Markets show that between January 2010 and August 2011, there were 104 investment projects for shared services from 86 companies in the global context. She claims that shared services is no longer a concept in business philosophy, but a proven approach that streamlines processes, reduces cost and improves services quality. She even goes one step further by quoting professional services firm, Deloitte, saying, "A CFO that doesn't accept shared services as a concept should be looking for another job." However, the road to a successful implementation of shared services is a difficult one and failing to realize this can be catastrophic for an enterprise (Boroughs & Saunders, 2007).

Unfortunately, there is limited quality literature available on shared services failures and the impact these failures have on an enterprise. However, from time to time there are newspaper articles that reveal some information behind failures to successfully implemented shared services. For instance, a recent news article in Australia “Shared Services boss goes in shake-up” (Jun 13 2012, ABC Premium News) reveals that the South Australian Government has axed the head of its troubled Shared Services agency. The article confirms that the basic goal of the shared services to save money by consolidating back office work in payroll and purchasing area was not achieved. Furthermore, the article points out that the cost of implementing the shared
services, in this instance, has more than doubled in this case, from an estimated $60 million to $128 million.

Similarly shared services initiatives in other Australian states like Queensland have already been dropped because of serious problems. This prompted the government to review whether or not it should be proceeding with the current guidelines for implementing shared services (SA: Shared services a failure, say SA Libs, 2011, Jun 27, AAP General News Wire). However, this is not to say that shared services was not the right model, but to indicate that the empirical evidence presented as the basis for implementing shared services and scope of shared services was inadequate (Dollery & Akimov, 2008).

2.1.1 Defining the Shared Services

While recognizing the importance of cost to business and that achieving cost targets are generally used to determine success of shared services projects, it could be argued that cost reduction alone should not be the only measure of FSS success. Reputable academics like Strikwerda (2006a) argue that cost savings achieved through shared services centres range between 20%–50% (Table 2.1) including some other non-financial benefits. Yet this concept has yet to gain ascendency with business management or among executives because of a flawed conceptual understanding of shared services centre.
The fact is that there is limited literature and only a handful of attempts made to characterize and define what shared services are all about. However, even these differ in defining what a shared services centre is, its characteristics, and what constitutes successful shared services implementation. Hence, in both literature and practice, the term SSC does not possess a standard meaning (Schulz & Brenner, 2010). This prompted a number of studies to define this term more precisely and help companies better understand how to position themselves when adopting this business model (Ulrich, 1995; Bergeron, 2003; Janssen & Joha, 2000; Schulz & Brenner, 2010).
On the other hand, the general population and the practitioners in industry are far from achieving a common understanding of shared services and adopting this definition. Therefore, further analysis of relevant literature in this study should help management understand what the most commonly documented characteristics that shared services possess and what these represent in the ever-changing business environment.

A combination of findings by Legare & Bechtel (2001); Ulrich (1995); and Borman (2010), define shared services as a “concept of combining or consolidating multiple back office functions within a corporation, into a single area, designed to provide customer-focused services across an entire enterprise at very competitive rates.” The problem with this definition is that it does not specify the organizational structure of shared services centres or the governance model necessary to keep it together, prompting other researchers to formulate a more comprehensive single definition of what characterizes shared services in its most common forms. According to Schulz & Brenner (2010) SSC is an organizational concept that consolidates processes within the group in order to reduce redundancies, delivers support processes, focuses on cost cutting as a major driver, and gives priority to internal customers. It is a separate organizational unit that is aligned with external competitors and is managed like a business. This definition seems to be more complete and relevant in today’s business environment which, hopefully, will withstand the test of time.

One of the most interesting definitions found so far in modern literature comes from internal documents published by the University of Michigan which explain shared services in the context of its transformation journey. Figure 2.1 illustrates the University of Michigan’s (2011) definition as follows: “Shared Services is a way of organizing administrative functions to optimize the delivery of cost-effective, flexible, reliable services to all ‘customers.’”
Figure 2.1
What is Shared Services?

Shared Services is a way of organizing administrative functions to optimize the delivery of cost-effective, flexible, reliable services to all “customers”.

Source: University of Michigan, 2011

2.1.2 Origin of Shared Services

All three of the above definitions identify shared services as an internal organizational structure, operating independently as a part of a large organization or as a separate business unit within the enterprise. However, managers and industry professionals sometimes refer to shared services as a model of back office service delivery which can be applied in an outsourcing or captive (in-house) mode: The decision on how to utilize this model will depend on individual company size and its preferences (Sherman, 1999; Janssen & Joha, 2008).

Literature suggests that this platform was established as captive in-house model by the private sector to develop their business without adding additional cost at the same rate of growth (Scheumann & Keating, 1997; Arya 2011). The use of the shared services model is traced back to Ford motor company, which has been operating a shared services centre (SSC) for finance in
Europe since the early 1980s. Other early adopters of SSC include DuPont, Digital Equipment, and General Electric who established shared service organizations in United States in late 1980s (Triplett & Scheumann, 2000; Marshall, 2010, Ulbrich, 2006).

A second wave of companies adopting shared services, including Hewlett-Packard, Down Chemicals, Dun & Bradstreet, IBM, and Baxter International Inc. Allied Signals followed that lead in the early 1990s by opening its world-class financial shared services centre, which reportedly managed to generate some $40 million in annual savings by consolidating, restructuring, and process reengineering (Triplett & Scheumann, 2000; McReynolds & O'Brien, 2002). Some 30 years later, by end of 2009 more than 80% of the Global 2000 largest companies were getting shared services support for their back office work, from either an internal or an external third shared service centre (Marshall, 2010). Some companies like IBM, after initial success, turned this into a profitable business by providing services to third parties.

**Table 2.2**

**Example of firms operating shared services.**

<table>
<thead>
<tr>
<th>ABN Amro</th>
<th>Galileo International</th>
<th>P&amp;O North Sea Ferries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allergan</td>
<td>GE Capital</td>
<td>PWZ</td>
</tr>
<tr>
<td>Allied Mills</td>
<td>GSK</td>
<td>Pearson</td>
</tr>
<tr>
<td>American Express</td>
<td>Heineken</td>
<td>Philips</td>
</tr>
<tr>
<td>Airbus</td>
<td>Highland Distillers</td>
<td>Polaroid</td>
</tr>
<tr>
<td>Armstrong World Industries</td>
<td>Hyperion</td>
<td>Progress Software Europe</td>
</tr>
<tr>
<td>Avensys</td>
<td>Informix</td>
<td>Readers Digest</td>
</tr>
<tr>
<td>Basel</td>
<td>IDV</td>
<td>Renault - Nissan</td>
</tr>
<tr>
<td>BNP Paribas</td>
<td>ING</td>
<td>Reuters</td>
</tr>
<tr>
<td>Boots Healthcare International</td>
<td>Johnson Controls</td>
<td>Sabic</td>
</tr>
<tr>
<td>Borealis</td>
<td>KLM Cargo</td>
<td>Sealed Air Corporation</td>
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<tr>
<td>Canon</td>
<td>Kimberly Clark</td>
<td>Shell</td>
</tr>
<tr>
<td>Cilogic</td>
<td>KPN</td>
<td>Solotex</td>
</tr>
<tr>
<td>Deutsche Post/DHL</td>
<td>Mercedes Benz</td>
<td>Symbol</td>
</tr>
<tr>
<td>Dietsmann</td>
<td>Mintel</td>
<td>Syntax Roche</td>
</tr>
<tr>
<td>DSM</td>
<td>Motorola</td>
<td>TWA</td>
</tr>
<tr>
<td>Exide</td>
<td>Nestle</td>
<td>TW4 (Time-Warner)</td>
</tr>
<tr>
<td>Evans Halshaw</td>
<td>Nike</td>
<td>Telewest</td>
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<tr>
<td>ECN</td>
<td>FO Nedlyd</td>
<td>Trinity Mirror</td>
</tr>
<tr>
<td>Fort James</td>
<td></td>
<td>Union Carbide</td>
</tr>
</tbody>
</table>

*Source: Adopted from Strikwerda (2006b).*
Even though the shared services journey started in Europe, the model was fully utilized and rapidly deployed in the US. When the Ford Motors Company came up with the shared services idea in Europe in the early 1980s, it was more by accident than a strategy. Basically, it was when in a Ford’s Finnish subsidiary, a large group of finance people left the company at the same time. Getting replacements in place so quickly was not feasible for Ford’s management (Bangemann, 2005). When the Ford’s management realized the potential problem on hand, they set up a task force consisting of several Swedish and some other European employees to ensure continuity of operations and the closing the books on time. This task force of highly competent people managed to perform necessary tasks and keep the situation under control from a remote location more by necessity than a management strategy showed that it was possible to perform most finance activities for Finland from Sweden (Bangemann, 2005).

Some 20 years later this concept came back to Europe and it has been rapidly expanding ever since and more and more Financial Shared Services Centres (FSSC) are being organized there. For example, PWC in April 2010 reported that in Hungary alone there are more than 80 shared services centres and more than 30,000 highly educated professionals are engaged in this industry. Similarly, Deloitte in its 2011 research shows that 30% of all respondents have their shared services in Europe compared to 29% in the US and Canada.

Even though the SSC concept has been around for more than 30 years now and there is still a debate raging over its common definition, this does not prevent the private and public sectors from exploiting the SSC’s opportunities. Although several factors are contributing to the growing popularity of shared services operating models, the element over which consensus has been achieved as documented by related literature is the cost reduction it generates for the business enterprise (Scheumann & Keating, 1997; Jarman, 1998; Triplett & Scheumann, 2000; Legare & Bechtel, 2001; Bergeron, 2002; McReynolds & O’Brien 2002; Ulbrich, 2003, 2008, 2010; Janssen & Joha, 2008; Niehaves & Krause, 2010; Derven, 2011; Atkins, 2011).
2.1.3 Shared Services Benefit Beyond the Cost

Having recognized the importance of cost, it is pivotal to note that with shared services maturity and experience in delivering superior results utilizing the SSC model, a number of new benefits in the FSS portfolio are being documented and gaining ascendancy (Schulz & Brenner, 2010). Various studies of companies and surveys over the past two decades indicate that the impetus for the adoption of a shared services model is coming from a large and quick payback, direct headcount reduction, standardisation and leveraging common technology, such as a single instance of enterprise resource planning (ERP) platform built on industry best practices designed to achieve high productivity and low employee turnover, better quality and improved customer satisfaction, among others (Triplett & Scheumann, 2000; McReynolds & O'Brien, 2002; Niehaves & Krause, 2010).

Moreover, recent literature argues that shared services should not be viewed as a cost-cutting exercise alone, but rather as a challenge of organizational redesign in terms of people, process, technology, and governance structure (Wang & Wang, 2007; Janssen & Joha, 2008). Furthermore, the literature suggests that general leading theories of organizational design be examined in the preparation of shared services exercise. An effective organizational design approach, for instance, emphasizes organizational support for the shared services strategy, collaborative partnership network design, optimal shared services process design, policy and regulation system design (Wang & Wang, 2007; Janssen & Joha, 2008).

More advanced literature and theories like those seen in 1998 emerged after Davenport warned business professional and practitioners about loss of potential competitiveness because of the utilization of standardized enterprise systems which impose their own logic on a company's strategy, culture, and organization, often forcing companies to change the way they do business (Strickwerda 2012). Similarly, he argues that firms today have to adapt continuously to changes in the market, technology, labour markets, changes in the political environment, and that this adaptation requires a high capacity of information processing, sensing, sense-making, decision making, enterprise systems, etc. In addition, increased complexity and legal and tax regulations force companies today to improve the controls of the organization in the areas of risk management, compliance, and in the implementation of SOX (Strickwerda, 2012).
2.1.4 Potential Risks Associated with SSC Implementation

To be in a position to maximize fully the benefits of shared services model and achieve the desired outcomes of better quality, lower cost, and happy customers, businesses have to undergo a difficult and complex implementation journey, a journey that for many companies ends in disaster or a Financial Shared Service Centre that fails to meet business expectations and basic business requirements (Boroughs & Saunders, 2007; Derven, 2011). Therefore, it is strongly recommended that companies approach every Financial Shared Services deployment with care and expertise; otherwise a significant number of shared services initiatives could end up failing to meet their desired productivity goals and customers’ expectations (Karoll, 2007; Duncan & Fass, 2009).

2.1.5 Summary

In summary, to stay competitive and relevant in the 21st century, businesses need to design the right support organizational structure for shared service centres. In this context, business and organizational design is finding a way out of the trap of existing efficient routines and breaking into technologies that incorporate new knowledge into new levels of efficiency and competitiveness (Strickwerda, 2012, 2010, 2006a, & 2006b). Unfortunately, there is very little reliable literature or guidelines available to help the average manager understand the critical steps that need to be undertaken to ensure success. However, some examples can be found by referencing Karoll (2007) and Hesketh (2008). Therefore, this study is structured using the best examples from related literature to identify the critical steps and the key levers which guide the implementation of processes to ensure a successful organization and management of shared service centres.

2.2 Literature Review

The introduction shows that while shared services is a “proven model”, it is still hampered by conceptual misunderstanding and faced with resistance from business leaders and executive management (Strickwerda, 2006a). The fact remains that SSC is a complex business
model and there are potential areas where the implementation of this model can go wrong: failure to implement on time and budget, failure to deliver planned benefits, failure to satisfy customer requirements, and too much of a technology focus are some of them (David, 2005; Boroughs & Saunders, 2007; SA: Shared services a failure, say SA Libs, 2011, Jun 27, AAP General News Wire).

Similarly, Borman (2010) acknowledges that implementation of successful shared services is not guaranteed. He cited findings by Wagenaar (2006) who enumerated a number of the failures attributed to a major shared services initiative in The Netherlands. On the other hand, Sarikas and Weerakkody (2007) discuss numerous systems and process challenges that companies need to overcome. Prior researches in other areas suggest that how activities are organized and executed directly influence the implementation of successful shared services (Borman, 2010). Therefore, this dissertation seeks to identify the necessary steps and levers needed in order to help companies successfully manage shared services centres in the future. Furthermore, this study focuses on how to initiate the shared services journey and identify the fundamental obstacles and necessary levers of shared services needed to achieve maximum return on investment.

The approach of structuring literature review to determine which critical steps and levers guided successful shared services initiatives finds support in most advanced literature and empirical research. This is clearly demonstrated in a number of recent survey findings conducted by leading professionals in the industry (Accenture 2009; Deloitte, 2011). These survey results conclude that the key difference between successful shared service centres (or the so-called ‘Masters”) and those which have not realized their goals is the level to which they have embraced the use of the key levers for success. This dissertation, in this context, seeks to highlight potential practical issues which confront this proposed SSC model and discuss opportunities for further research in this area.
2.3 Strategy

Based on a number of research papers and case studies, the most common objectives of the shared service implementations are the following: (1) the increase of quality via standardisation, optimization of processes and improvement of services; and (2) the reduction of operating costs by lowering human resources and infrastructure costs (Pricewaterhouse Coopers 2009; Ulbrich, 2006; Legare & Bechtel, 2001; Borman, 2010). These two objectives when aligned and embedded in the heart of shared services strategy should lead to happy customers through the utilization of effective business models that provide competitive advantage to an enterprise and deliver a number of other financial and non-financial benefits (Forst, 2001).

Nevertheless, the literature is full of examples where cost reduction is often the primary driving force behind a company’s decision to implement the shared services. Unfortunately, some companies fail to realize that financial benefits alone may not necessarily be the priority of shared services customers and could derail the SSC strategy and adversely impact FSS initiatives (Wang & Wang, 2007). Therefore, to prevent potential conflict within a company, the factors that matter the most to the customers need to be clearly defined and integrated into the Financial Shared Service strategy, the first critical step in the shared services journey (Figure 2.2)

Figure 2.2

Source: Developed for this research.
Hence, if the financial shared services exist to serve as the right platform for global process standardisation and the key driver for profitable growth, then cost-effectiveness should be the ultimate outcome of a complex journey to set up a best-in-class FSSC and factors beyond cheap labour need to come into play (Global outlook; Shared Services–Operational shift, FDI, Apr/May 2008). In fact, it is generally agreed that successful shared services implementation typically requires a significant investment in people, processes, and technology (Bergeron, 2003, p. 194).

2.3.1 Shared service is transformation not cost cutting exercise.

It is widely recognized that the fundamental argument of shared services is a valid one and that this business model has enormous untapped potential (Forst, 2001). However, to maximize fully this potential, shared service should be seen as a transformation journey that gives rise to an upgrade of people, process, technologies, governance, and complemented by a strategic choice of location (Herbert & Seal, 2009; Borman, 2010; Derven, 2011). These five elements, often referred to as levers of shared service transformation which “must be” embedded in the financial shared services strategy, are designed to meet current customers’ expectations and prepare businesses for the new era. A strategy when successfully executed can have a growing impact on successful companies as their competitive edge in the new century (Forst, 2001).

Therefore, for the purpose of this study, cost savings alone is not seen as a fundamental outcome of a successful shared services model, but rather the output of a well-defined and implemented “strategy,” the first critical step in a successful shared services journey (Hesketh, 2008). A well-defined shared service journey requires that the service provider must be customer focused, service-oriented, business-based, and profit conscious (Forst, 1997). Basically, a business has to understand its customers’ requirements for each service type delivered by clearly defined Critical Business Requirements (CBRs), Critical Customer Requirements (CCR) and the price they are willing to pay.


2.3.2 Shared Service Organizational Setup

A shared services centre should be a business-based profit-focused centre that knows the total staff and non-staff delivery costs. Time and resources in this centre are adjusted based on demand of service, priced at highly competitive rates, and regularly compared to external services providers (Shah, 1998). Simply stated, a well-defined baseline for the implementation of FSS is required that is measured against the best-in-class external service providers with a contributor mindset predisposed to serve internal customers, while possessing the necessary technical competencies.

In other words, FSSC strategy should differ from traditional staff functions in that it leverages the delivery of services and provides a common standard platform to all customers that it serves, interaction plans or a governance model (Schulz & Brenner, 2010). FSSC should utilize different technologies, possess necessary competencies, and provide work based on the predefined Service Level Agreements (SLA) with all customers (Herbert & Seal, 2009). FSSC measures the delivery of internal services through monthly metrics and regular customer satisfaction surveys; enables chargeback activity-based costing to reward right and punish undesirable customer behaviour; eliminates work fragmentation, embraces continuous improvement as a way of life and gives line management a clearer idea of what work is done for them and what they should expect in the future (Forst, 1997; Gunning, 2008).

2.3.3 Summary

In summary, there are a number of companies that embraced the shared services best practices and made a difference in their industry. Companies like IBM, Hewlett Packard, and Shell were so successful in utilizing shared services levers of success and adopting their strategy to the extent that they operate as independent entities providing services not only to their internal business units but also to external customers at market rates (Sharma, 1999). This level of operational excellence not only delivers value to the bottom line due to low cost of services but puts rigor into back office support and runs it like core business, ensuring profitable growth and potential business spinoffs in the future (King, 1998). In contrast, those who fail to embrace the right shared services strategy are generally not referenced in reviewed literature. Therefore, shared services strategy must be clearly defined and executed as the first step that will set all other elements in motion towards the best in class delivery model.
2.4 Change Management and FSSC

2.4.1 Recognizing the Magnitude of Change

In reviewing selected literature, it becomes apparent that a transformation journey is a complex and difficult one. Implementing a FSSC is a large scale cultural and process transformation that requires organizational change, challenges organizational redesign, and promotes greater collaboration on behalf of customers and business partners (Shah, 1998; Wang & Wang, 2007). Implementation of FSSC is an opportunity for enterprises to “upgrade” their systems, processes, people, location, and organization and governance structure in order to remain competitive in the 21st-century business environment (Shah, 1998; Strikwerda, 2012).

Resistance and failure to realize this new business and organizational trend could drive many companies out of business. Therefore, the change management necessary to recognize this trend for an organizational structure is a critical step in the shared services journey. Guimaraes and Armstrong (1998) suggest that large initiatives such as Total Quality Management (TQM), Business Process Reengineering (BPR), and others entail significant change management. The literature contains numerous stories of companies which fail when implementing change in this context. It is estimated that 70% of BPRs end in failure.

Therefore, knowing that shared services initiatives are even more complex, it is essential that all stakeholders including people targeted by change understand why the company is implementing change and what are the alternatives, what will the desired state look like, what benefits are driving the change, and how will the change impact each and every stakeholder. In particular, what the change means to the key stakeholders and targets of change is of essential importance for FSS success (Derven, 2011). Therefore, managers are strongly advised to approach shared services transformation with care and expertise otherwise they may end up disappointing their customers and putting the company at risk (Karoll, 2007; Janssen & Joha, 2008; Duncan & Fass 2009).
2.4.2 Securing Management and Employees Buy In

Accenture (2007) demonstrates that change management activities required to prepare the entire organization for transition to the new shared services model is vital to its success. The strong commitment and full support from executives and senior management are vital prerequisites and that management has internalized the shared services option as the new way of doing business is of essential importance (Ulbrich 2006; Ulbrich 2010).

However, management support alone is not a guarantee of success. Ulbrich (2010) discusses the case of a Swedish government agency whose employees did not embrace the shared services idea and were not willing to move into the new shared services centre. This prevented the full implementation of SSC model. This example shows that as much as the management support is critical, support from key business stakeholders and those with core competency for success of future shared services need to be secured. Unfortunately, apart from few other similar claims, there seems to be very little research and other literature that put change management at the heart of shared services initiatives and highlight the risks in failing to do so.

Accenture (2007) notes that employees directly involved in the Shared Services program usually hit a "valley of despair" or low point in the change acceptance curve, at a time when the program most needs them to be engaged. A typical example occurs at the beginning of the build phase when employees begin to realize that the program is moving forward. Hence, necessary timely action needs to be taken by capable project resources that possess the right skills to help people move forward.

At the same time, managers must be conscious of the importance to engage the right audience like work-councils in some countries. They must be mindful that once published, communications about shared services will alert employees to the fact they actually will be affected. The leaders and managers at the operating units become frustrated because they do not think their unique requirements are being met, yet they are being asked to help create the solution while simultaneously running current operations (Accenture, 2007). A strong change management strategy will help the organization navigate and work through the valley of despair as expeditiously and effectively as possible.
2.4.3 Managing the Resistance

Duncan & Fass (2009) identify change resistance as the number one obstacle towards successful shared services deployment. Furthermore, in a comparison of attitudes on the significance of barriers to shared services success, masters of shared services rate change resistance lower among successful FSS than others who were not so successful in setting up their model. Hence, in the case of poor change management and failure to manage customer expectation, resistance to change may jeopardize the adoption and deployment of a best-in-class shared services model that delivers superior results beyond customers’ expectations (Scott, 2008; Ulbrich, 2010).

A related literature review reveals the emerging evidence focused on the importance of change management to leverage the full value of a shared services initiative. Change management elements such as communication, training and executive alignment are pivotal towards the full realization of FSS goals (Deloitte, 2011). An example of a change management model that companies could utilize is found in Figure 7.1 in the appendix of this dissertation. However, the definition used in this dissertation is derived from Moran & Brightman (2000) who note that change management is the process of continually renewing an organization's direction, structure, and capabilities to serve the ever-changing needs of external and internal customers. This definition, however, does not specify the targets of change, which in many instances are strategic to FSS success and, ultimately, customer satisfaction.

Furthermore, Moran & Brightman (2000) identify change management as a cyclical process which needs to be constantly reviewed. To implement change effectively, one needs to be doing multiple tasks at the same time while always keeping an eye on balancing order and chaos. Thus, change management cycles repeatedly go through the following multiple phases: 1) understand the current situation; 2) determine the desired state and develop a change plan; 3) enlist others and develop a critical mass; and 4) track and stabilize results. Furthermore, change management is not about managing change but a shift of management focus from change to the people facing change (Moran & Brightman, 2000).
2.4.4 Consequences of Poor Change Management

The importance of change management and the focus on people affected by change is highly supported by the research study conducted in the US which resulted in a relatively disturbing conclusion. This US research reported that 80% of projects fail not because managers did not know how to execute the change, but because of a lack of social intelligence and soft skills, like leadership, teamwork, adequate communication, and ability to resolve conflicts (Srica, 2008). It is clear that all of the failure factors noted in Srica’s (2008) findings are predominantly on the human side of the project which can be prevented by a strong change management strategy (Srica, 2008). After all, if people feel threatened by change or as in case of shared services they may be faced with a possible job loss, they will most likely resist the change to the very end. As Lucretia Mott said, “One should expect resistance with any great change. It shakes the very foundation of privilege” (Moran & Brightman, 2000).

In addition to local issues, the literature highlights the significant role of change management in establishing shared services and its sustained existence. According to Legare and Bechtel (2001), implementing a shared services model requires significant shift in corporate culture and accountability as well as overcoming a significant number of unanticipated obstacles that will accompany the process of establishing FSS. Therefore, shared services teams will need to learn to regard other parts of business as their clients and customers who make decisions about volume of services, service level agreements, and type of services being used by management, and so on. On the other hand, SSC should concern themselves with customer satisfaction, the design of costing and charge back model, pricing, and benchmarking and performance measurements (Legare & Bechtel, 2001).

For all the reasons listed above, Legare & Bechtel, (2001) suggest that best way to ensure the successful implementation of shared services is to involve change management professionals who are skilled in leadership development, organizational design, culture change, and communication. Unfortunately, they do not provide significant details about the change model used in their case studies; however, they recognize leaders as the catalyst of change and the ones who develop strategy, vision, and guiding principles. They also affirm the need for experienced core teams to turn vision into a workable operational plan.
The second important element in the Legare & Bechtel (2001) case study is the development of a change readiness plan before an organization considers the execution of shared services deployment. They stress the importance of building commitment to change at every level by delivering continuous communication and conducting training and workshops. Finally, embedding a customer-based culture built on the voice of customers and their requirements strengthens FSS effectiveness. At the same time, to ensure that the original model is sustained or improved, it is necessary to follow up with constant communication about performance and delivery levels, which could be integrated in the overall shared services operational framework and the governance model (Legare & Bechtel, 2001).

2.4.5 Key Principles of Successful Change Management

In contrast to the article previously discussed Accenture (2007) provides more details about change management and discusses factors that shape change management solutions. These change management solutions and considerations include some of the key principles of change management and a heavy emphasis on communications, vision for the global good, transparency, managing resistance, and sponsor’s clarity that there is no turning back and customer engagement. Unfortunately, both articles omit linking enterprise’s performance bonuses directly to the success of the shared services program and making change management everyone’s business.

Therefore, in order to equip management and deployment teams with a competitive advantage and prepare them for the shared services journey, it is essential that the shared services initiative is recognized as the strategy at the start, and as such, integrated as a part of a broader organizational change management platform or a separate initiative that lies at the heart of the shared services deployment strategy (Sharma, 1999; Schmeling & Balogh, 2007; Gunning, 2008; Marshall, 2009). Given its importance, it is critical that shared services is initiated early strengthened by stakeholders’ awareness (Figure 2.3).
2.4.6 Summary

In summary, given the importance and its crucial role in a successful outcome, change management should be initiated as soon as the decision to embark on the financial shared services journey is made at the top executive level. The process must be sustained until the FSSC governance model is fully in place and the transition to the shared services operation is completed (Accenture, 2007). Indeed, change management is one of the most important factors for a successful shared services transformation (McCaughey, 1988; Kroll, 2007; Boroughs & Saunders, 2007). On the other hand, if not properly executed, change management is the most widely cited factor for unsuccessful attempts to establish Shared Services Centres and the never ending story of failures in shared services journeys (Sriva, 2008). Thus, change management is the second critical step in ensuring the success of FSSCs.
2.5 Building a Business Case for FSSC

2.5.1 Defining the benefits of FSSC

Having addressed change management questions, CFOs or other business leaders engaged in initiating shared services projects need to convince other stakeholders within the organization about the value of shared services (Wang & Wang, 2007). Hence, developing a comprehensive business case which clearly shows all the benefits resulting from the proposed transformation and implementation of a shared services strategy, such as lowering cost, improving quality, increasing efficiency, and enhancing customer experience is extremely important (Derven, 2011; Triplett & Scheumann, 2000; McReynolds & O'Brien, 2002; Niehaves & Krause, 2010).

In the context of the discussion of financial benefits, there seem to be many inconsistencies about what percentage of savings can be achieved and from which phase of operations might these savings originate. Kroll (2007), in her case study, reports that Verizon Communication Inc. is saving $500 million annually: Most of these gains to the amount of 60% comes from process reengineering, another 20% from economy of scale, and an additional amount ranging from 10–20% comes from labour arbitrage. Therefore, it should not be surprising that companies reporting the highest return on investment place the greatest initial emphasis on redesigning processes while reshaping their organization and technology to support the new design (Cecil, 2000).

2.5.2 Potential Issues in Defining FSSC Benefits

Unfortunately, there is very little academic literature and empirical evidence that report where FSS benefits originate, but there is a myriad of journals and articles which provide success stories and substantial savings. Global Business Services (GBS), a Bristol-Myers Squibb Co., unit contributes to the New York-based firm some $1.5 billion per year, a substantial amount for any company. Bristol-Myers plans to invest this cost-savings generated in areas like sales, marketing, and research and development to further increase their competitiveness in the market (Ferrarini, 2000).
PricewaterhouseCoopers (N.D.) claims that based on its research experience, companies can generate savings between 25–50% by deploying the shared services model, but it does not explain from where this savings is derived. Similarly, other major consulting companies and literature cite and report savings up to 40% (Jarman, 1998; Peters & Silver, 2005; Mohan & Witt, 2006; Gilbert, 2009). However, it is advisable that these percentages are cited with caution and understood minimally as an indicator of potential savings when a company manages to implement a world-class Shared Services Centre.

Table 2.2 adapted from PricewaterhouseCoopers (N.D.) demonstrates why companies need to strive for the best-in-class FSSC. The table shows what is considered to be a benchmark for delivering financial services and determines what the opportunity cost might be if a company fails to implement effective financial shared services.

Table 2.3
Savings Potential

<table>
<thead>
<tr>
<th>Costs</th>
<th>Finance&lt;sup&gt;1&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target costs&lt;sup&gt;3,4&lt;/sup&gt;</td>
<td>0.5%</td>
</tr>
<tr>
<td>Median&lt;sup&gt;5&lt;/sup&gt;</td>
<td>1%</td>
</tr>
<tr>
<td>Lowest quartile&lt;sup&gt;3,5&lt;/sup&gt;</td>
<td>1.6%</td>
</tr>
<tr>
<td>Savings potential as a percentage of total costs&lt;sup&gt;5&lt;/sup&gt;</td>
<td>30–50%</td>
</tr>
</tbody>
</table>

Source: PricewaterhouseCoopers (N.D.)

Furthermore, unlike the data derived from other professional literature, PricewaterhouseCoopers (N.D.) moved one step further by offering a functional model to evaluate a company’s savings which could be used for developing a high-level business case.
Table 2.4
Savings Evaluation Model

<table>
<thead>
<tr>
<th>Evaluate your business</th>
<th>Example company</th>
<th>Your company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Benchmark</td>
<td>M EUR</td>
</tr>
<tr>
<td>Revenue</td>
<td>500</td>
<td></td>
</tr>
<tr>
<td>Finance costs</td>
<td>1-1.8% (^1)</td>
<td>5-8</td>
</tr>
<tr>
<td>Potential savings function</td>
<td>30-50% (^3)</td>
<td>1.5-4</td>
</tr>
</tbody>
</table>

Source: PricewaterhouseCoopers (N.D.)

This evaluation model was chosen to demonstrate one example of opportunity loss, when the company fails to implement a best-in-class FSSC model, usually resulting from the failure to utilize all available levers: Location, People, Process, Technology, and Organization and Governance.

The second more important case of opportunity loss that companies need to focus on is linked to their inability to compete in the 21st century and fight for their existence. Academic research done by Strickwrda (2012) warns FSS practitioners about the emergence of new business models and a new type of customer value proposition with a more precise design of processes and organizations which enable companies to respond to complex business environments. It specifically addresses improvements in the internal controls of the organization like risk management, compliance, SOX controls, and others.

On the other hand, a comprehensive understanding of a country in scope as a potential future location, it could significantly influence a company’s shared service direction and its business case. Costs in countries like Vietnam, India, Philippines or Mexico can be as little as one-seventh of the American or western European wages and salaries and could significantly strengthen implementation of FSSC (McReynolds & O'Brien, 2002). Furthermore, hiring local people in the new location for their skills and strengths generally contributes to additional financial savings and results in better performance (Cecil, 2000). Thus, developing a strong business case is of vital importance to gain the full support for the initiative. Business case, thus, is the critical step three in the SSC journey (Figure 2.4).
Figure 2.4
The Third Critical Step – Business Case.

Source: Developed for this research.

2.5.3 Summary

In summary, findings by recent surveys conducted by Deloitte (2011) and Accenture (2009) confirm that management is viewing shared service benefits beyond cost savings. In fact Deloitte (2011) asserts that more and more organizations are recognizing the emerging reality that other benefits generated from shared services are just as much or more valuable than cost reduction. These include better controls, data visibility, and creating a platform for growth, among others. In this context, Higginson (2011) quotes Deloitte saying that, "A CFO that doesn't accept shared services as a concept should be looking for another job." This could be interpreted in many ways, but given the dynamism of globalization and technological advancement, this statement indicates that companies failing to respond to 21st-century organizational needs may not be around long enough to compete.

Regardless of the approach in building a business case, it is important that management undertakes this exercise with great care, clearly understanding the advantages of moving into this new business model, where exactly does the gain come from, and how these gains can be
realized and sustained over time. Having a clear vision and understanding how to utilize success levers make this process easier (Janssen & Joha, 2008). It is advisable that management does not overpromise in its initial business case, but rather over deliver on its original commitment (King, 1998; Mercer, 2011). Thus, business case is essential, and as such, is the third critical step in the SSC journey.

2.6 Defining Use of Essential Levers for FSSC Success

Gary & Gerald (2009) in their article, “Lessons from the Masters,” summarize their findings of several decades that shared services have been delivering impressive results for companies in terms of cost, quality, productivity, customer services, and other key business metrics. However, it is important to note that their findings focused on impressive results depend on setting the best-in-class model and anything less than that will not produce the same results. In other words, companies who do not implement the best-in-class FSSC model will be incurring an opportunity loss that will differentiate them from those who are successful in their FSS implementation.

Therefore, successful shared services initiatives, in the context of this research, is defined as the ability to meet customer requirements for scalability, efficiency, and delivery of financial benefits that go beyond mere labour arbitrage. Benefits are generated by simplification, standardisation and automation, economies of scale, improvement in quality, reliability, and customer satisfaction. The financial gains and benefits, reported by a number of literature sources, are enjoyed by the best-in-class FSSCs (Wang & Wang, 2007; Schulz & Brenner, 2010; Mercer, 2011; Derven 2011). Therefore, to achieve this goal, this dissertation seeks to identify these fundamental elements and the key levers which enable FSSCs to realize the financial gains and benefits for best-in-class performance.

Finding what motivates a company to adopt a best-in-class FSS model becomes strategic given the significant growth and expansion of shared services worldwide. Empirical evidence suggests continuous growth and interest in shared services and an upward trend in recent past (Aitken, 2012; Arya, 2011; Deloitte, 2011; Mercer, 2011; Grossman, 2010; Marshall, 2009). In
2014, Deloitte organized a conference on shared services and global business services which attracted more than 600 participants in Budapest alone, indicating an unwavering interest in FSS.

According to PricewaterhouseCoopers (2009), finance and accounting shared services centres (FSSC) are now “mainstream”. Before the downturn, the number of companies deploying FSSCs more than tripled, from 14% in 2005 to 50% in 2007. This trend was interrupted during the 2009 recession. However, companies utilizing this concept enjoyed the flexibility of FSSC to reduce their workforce during bad times and remain financially stable. Furthermore, mandated headcount reductions visible in 2009 resulted in finance and accounting skill shortages in some locations, causing knowledge erosion in worst hit areas.

Right after the 2009 financial crisis, shared services became an unstoppable trend among large international, national companies, and governmental agencies (Deloitte, 2011; Higginson, 2011). However, to make the FSSC a success journey will depend on how well these companies deploy a number of fundamental elements and the extent to which they utilize key success levers: Location, People, Process, Technology, Organization, and Governance which are discussed in greater detail below (Figure 2.5) (Shah, 1998; Karoll, 2007; Hesketh, 2008; Deloitte, 2011).

**Figure 2.5**
The Fourth Critical Step – Defining Levers

*Source: Developed for this research.*
2.6.1 Location

Once the shared services strategy is defined, the next natural step in the process of establishing shared services is to select a location of the FSSC. The choice of the location depends on a number of key elements, each carrying different levels of significance, depending on individual company’s circumstances and its strategic direction. However, research conducted by Deloitte in March 2011 shows that four out of five new shared service centres have been set up outside the United States, predominantly in countries with lower labour rates.

The findings of Cecil (2000), reports that salaries and wages are usually the main priority for selecting a location. This should not be a surprise to anyone, knowing that the skills to perform certain tasks in the scope of shared services exist outside the home location and costs in countries like Vietnam, India, Philippines or Mexico can be as little as one-seventh of the American or western European wages and salaries (McReynolds & O'Brien, 2002).

As much as the cost is an important element for choosing a new location, factors other than labour arbitrage have an impact on selecting the right location. Therefore, balancing cost and quality regardless of whether it is a mature centre wanting to move to the next level or an organization just getting started, requires a qualitative and quantitative assessment (Higgison, 2011). Most critical of all include a well-educated workforce, labour laws and flexibility, good infrastructure, a school system to support talent supply, global companies’ presence, language capabilities and attractive governmental incentives (Cecil, 2000; Shared Services – Operational shift, FDI, Apr/May 2008).

Furthermore, diverse workforce, good education system, road infrastructure, proximity to airports, telecommunication infrastructure and affordability, economic and political stability, government regulation, tax environment and other government initiatives play an important role in process of selecting an international location that will meet a company’s strategic requirements (McReynolds & O'Brien, 2002; Thuermer, 2005; Higgison, 2011). Companies which fail to consider the importance of these factors may realize that cables can be laid, buildings can be built in a matter of months, but to educate the required number of people is a long term process (What shared services centres want London, SDI, Jun 5, 2003).
Moving to a new location, near or off-shore, with new people provides an opportunity to “break the mould” and facilitate transformational change that will drive a customer-focused shared services culture (Herbert & Seal, 2009). Some of the most attractive locations referenced in the reviewed literature include Latin American countries like Costa Rica, Jamaica, Brazil, Chile, and Mexico. Slowly emerging diverse languages and cultures in Asia with countries like Malaysia, Philippines, Vietnam, China, India, and Singapore and in Europe's multiple countries are required to support the EU market and global operations. Most notable are FSSCs in UK, the Netherlands, Ireland, Poland, the Czech Republic, Hungary, Romania, Estonia, and Bulgaria, (Thuerm, 2005; Mohan & Witt, 2006; Peterson, 2007; Higgison, 2011).

2.6.1.1 Summary

In summary, a choice of new location can bring significant benefits to an organization, and therefore should be the first lever contributing to the success of FSSC. However, moving to a new location does carry a number of risks which need to be examined and managed accordingly. Inflation, fluctuation in exchange rates, wages and staff turnover, large enough labour pool to meet the demand that come with the promotion and number of other players might contribute to the overheating of the local market (Thuerm, 2005; Vernon, 2006; Higgison, 2011). These could very well dictate how long shared services can operate from a particular location as we have seen in the experiences of Amsterdam and of Dublin in Europe, and many other companies that choose to be in India are now moving away from the higher priced hubs of Mumbai, Bangalore, and Delhi to secondary, lower-cost cities such as Sangli, Pune, and Hyderabad (What shared services centers want from London, SDI, June 5 2003; Thuerm, 2005).

2.6.2 People

Many companies setting up new FSS realize that starting up a completely new entity is a challenge: New staff, new culture, new systems and processes. Hence, the development and enhancement of human resources, especially management, becomes an essential condition for sustainability of the centre (PricewaterhouseCoopers LLP, 2008).
Moreover, Financial Shared Services operations need to have an active leadership from the top of the company management down to the functional area managers, who are chosen for their skills at accounts payable, accounts receivable, general accounting, fixed assets or other accounting disciplines and not only for their entrepreneurial abilities (Marshall, 2001). Leaders will be carefully matching people with job requirements in order to build a customer-focused team that understands services being provided and delivers superior value beyond expectation, while minimizing risk of losing customers and its employees (Sherman, 1999).

In addition, hiring new staff can have further advantages; therefore, companies with a whole new staff generally report good results, simply because they can hire the right people for the job based on their education, skills, and strengths and train them in specific skills if necessary (Cecil, 2000). This is especially valuable when a company is implementing new ERP, instead of training existing people and undergoing a major training program. In this instance, it simply hires the new staff with that knowledge. Furthermore, it is generally accepted that in the case of using existing employees, companies have lower expectation and less rigorous selection criteria, yet the employees’ motivation and readiness to accept new customer-oriented culture may give rise an issue later on (Cecil, 2000).

In contrast, relying on current employees to occupy core positions within the new organization can pose several cultural and transformational challenges. In the case of a Swedish government agency, employees did not embrace the shared services idea and were not willing to move to the new Shares Services Centre, therefore preventing full implementation of SSC model (Ulbrich, 2010). Furthermore, implementing metrics oriented new culture where existing staff is measured on how well they deliver their services could pose significant risk. Hence, a balanced approach of managing good business knowledge combined with new starters with fresh skills and ideas needs to be explored where emphasis is placed on technical and interpersonal skills rather than employment status itself (King, 1998).

To strengthen the employees’ competencies and motivation in order to encourage proactive and customer-oriented behaviour, FSSC must implement performance measurement systems and offer attractive compensation packages. These include gifts, awards, bonuses, pay at risk, flexible hours, benchmarking, “Up or Out” programs, and others (PricewaterhouseCoopers LLP, 2008; Cecil, 2000). In shared services, people who fully embrace a services-oriented
culture and proactive quest for improvement are critical of how the rest of the organization will perceive the centre and how well the FSS staff will be interacting in the future.

2.6.2.1 Defining Local Talent Management Strategy

As companies move in the direction of upgrading people, it is important to recognize that FSS staff is only one side of the coin. Locally-retained teams must be well-managed and aligned with future organizational plans (Shah, 1998). Basically, if the shared services trend is not managed systematically from the human talent point of view, both from the locally-retained segments of the organization and FSS, the resulting limited talent pool could potentially jeopardize a company’s supply of locally-sourced future leaders in a transformed area.

Furthermore, to ensure continuous engagement during and after the transformation period, companies must have a comprehensive locally-focused people-oriented strategy. It is critical that people who are directly affected by an FSS and face potential job loss and reduced career opportunities locally are managed adequately. Examples of retention packages, clear career plans, redeployment plans, re-training and managed movements within companies, separation policies, and cultural sensitivities must be considered (Shah, 1998).

2.6.2.2 Potential Talent Management Issues

Claims like the one made by Gunning (2008) place vital importance on the continuous investment in shared services teams and that employees are important for FSS success. Many will be the “future of finance”. This validates the view that FSS is truly a talent pool and breeding ground for key finance skills and leaders substantiating the theory of FSS productivity supportive of a company’s diversity plans. Derven (2011) makes a related claim that the shared services agenda manages the talent pool more effectively because all the functions in one organization provide greater visibility of people and talent which needs to be further analysed for potential consequences.
So far the literature is silent on how multinational companies operate in countries where there are no local finance teams. One question that remains unanswered is how the needs for financial leaders in those locations are met, as well as what criterion is used to select candidates. Another query focuses on the impact of using people from a few of the Shared Service Centres around the world or hiring senior managers externally. If companies are to adopt the view that all talent comes from a limited number of FSS locations, the resulting scenario would be configured in this fashion: all HR professionals will come from Mexico, IT professionals from India, and accountants from the Philippines, etc. There is little literature on the potential cost of localizing shared services employees or whether this is feasible at all. Therefore, these are some of the basic questions that threaten the success of the FSSC journey and need to be managed insightfully and systematically.

Similarly, companies that are outsourcing their services on a larger scale should be well aware that as a consequence of the nature of the services they offer, there will be no local accounting and finance talent developed in the process who available for future growth. In numerous instances, because of cost cutting measures, many local employees are retrenched and/or dismissed taking with them an irreplaceable knowledge base. Hence, talent development is an important factor companies cannot afford to ignore (Peterson, 2007).

The issue of developing local talent for future leadership is a real one and requires an urgent response so that global companies dealing with the potential erosion of a diversified talent pool will learn how to respond and understand the most effective way in which they should deploy and utilize shared services talent. Future academic research must focus on practical issues on talent pool faced by early adopters of FSS looking at the impact of a different culture, values, the need to relocate globally and the cost of doing business in a specific location vis-à-vis replacing local business leaders with those coming from external sources on the other. Perhaps a quantitative research or a case study will generate better understanding of the impact and consequences of replacing senior business leaders in FSS establishments.
2.6.2.3 Summary

Managing talent pool is of critical importance for successful companies with a focus not only on the people within FSS but also among those who are affected locally by this innovation. Therefore, to enable FSS to realize its customer-oriented targets and objectives, “people” play a fundamental role towards a successful implementation of a high performing FSS (King, 1998). Furthermore, it is important that companies understand the local talent management strategy for limited number of locally retained roles and groom new leaders. There is no academic literature or professional journals that talk about the talent pool issues locally as result of the adoption of FSS. There, is almost no empirical evidence to show how companies supplement loss of talent pool with new leaders. All existing literature on shared services looks at one side of the talent pool which is a great concern for the industry and an area for future research.

2.6.3 Process

Having defined a strategy around people, successful shared services transformation need clearly to define its end to end processes strategy. Higginson (2011) claims that the notion of shared services is no longer simply a concept or philosophy, but is a proven approach that streamlines processes, reduces costs, and improves service quality. Hence, to achieve this goal end to end process view is necessary.

Similar findings were reported in a case study conducted by Derven (2011) where implementation of successful FSSC required a large-scale cultural and process transformation. A claim was raised by Shah (1998) where he identifies shared service organizations as process based, designed to facilitate end to end processes like purchase-to-pay or order-to-cash. Hence, to enable profitable growth, an FSSC should be built on the premise of process simplification, standardisation and optimization, automation, continuous improvement, and customer satisfaction.

Literature refers to process reengineering as typically the tipping point when the shared services transformation moves from simply being a low-cost provider of services to moving towards becoming the supplier of choice and process excellence (Forst, 1997). Therefore, process reengineering is considered to be among the biggest reasons why companies reporting the highest return on FSS investment place the greatest initial emphasis on redesigning processes while reshaping their organization and technology to support the new processes (Cecil, 2000).
On the other hand, companies reporting the worst results view technology as their saviour and installed new systems without first solving their process problems and precisely determining how well technology will support and enable future processes. In addition, companies that focused only on consolidating on the organizational level, without reengineering their processes and technology, also report disappointing results (Cecil, 2000). A so-called “shift and fix” approach rarely mentioned in reviewed literature indicates that this could have been a case for less successful implementation of FSS.

Furthermore, to allow for a standard processing approach and to ensure that the improvements introduced through process reengineering are not dissipated by action in other areas, an end-to-end process is emphasized. Examples of this are procure-to-pay, order-to-receipt or record-to-report (Borman, 2010). Moving to ongoing end to end process reengineering can lead to an annual cost effectiveness improvement of 20% or more (Cecil, 2000). Therefore, the next essential lever of successful shared services capable of delivering profitable growth is a customer-based end to end process-oriented approach.

2.6.3.1 Obstacles for Process Reengineering

Although end to end process is essential to the success of FSS depending on the approach and scope of the transformation, it is usually one of the first elements that decreases in importance when deployments are technology based. The reason for this is that generally the implementation of FSS is followed with the implementation of a large scale ERP system that usually represents around 90% of total cost (Hesketh, 2008). Hence, making systems work becomes the priority over the process engineering.

To overcome technical trap in the deployment of FSS, companies could link their reward systems to end-to-end process excellence rather than functionalities in the system. Reward systems operate effectively when a part of performance bonus given to FSS and process partners is based on the performance of the complete purchase-to-pay process, rather than merely accounts payable (5 Steps to Successfully Launch a F&A Shared Services Centre, The Controller’s Report, March, 2012).
2.6.3.2 Summary

Findings by Morgan and McKinsey in 2004 indicate that 60% of the cost reduction opportunities generated by shared services result from process reengineering (Kroll, 2007). Therefore, to harvest full benefits from day one, a FSSC needs to have predefined end to end processes and procedures which enable incoming tasks to be performed in a well-established way from the very beginning. Therefore, leveraging process is essential for a successful implementation of high performing FSSC. An approach without process focus, standardisation, and simplification brings a non-viable practice into shared services, requiring the additional training of new or existing resources and an increase in headcount. Thus, this adds inefficiencies and cost elements that can lead to unhappy customers and a bad image for FSS.

2.6.4 Technology

The literature suggests that shared service implementations are very often followed by large investment in systems and enabling cutting edge technologies which are generally not affordable for individual business units (Ulrich, 1995; Freedman, 1997; Shah, 1998; Grossman, 2010). Additionally, implementation of the FSS is often seen as the key to an ultimate delivery of the business case benefits for an Enterprise Resource Planning (ERP) investment that spans across the company.

Evidence shows that simultaneous implementation of these levers is the fastest path to maximum benefits and the least amount of rework; however, moving to a shared services operating model and implementing an ERP system all in the same program can be overwhelming from a change management perspective. Also, this can diminish the importance of process and organizational reengineering (Wilson, 2004).

In the context of HR transformation, it is estimated that the delivery of HR systems typically accounts for 70-80% of the total cost of a transformation project. Therefore, a disproportionate segment of the budget spent on technology can give a shared services project too much of a technology focus and may result in a systems-led project, where success is defined in terms of testing, data conversion, and technical integration rather than the delivery of benefits (Boroughs & Saunders, 2007).
2.6.4.1 Potential Risk Associated with Technology Implementations

It is reported that Arcelo Mittal recently abandoned a significant chunk of its $1.6 billion consolidation project due to the complexity of the technology which coupled with implementation cost represents around 90% of total cost (Hesketh, 2008). Similarly, the US Navy spent about $1 billion on SAP-based software installations that were redundant and incompatible and failed to meet the Navy’s requirements (Songini, 2005). Therefore, it should not be a surprise to anyone that technology very often can and will undermine the importance of a customer-driven process approach and potentially complicate the optimal use of the financial share services model.

Hence, it is critical not to let technology obscure the original requirement or allow the size and scope of technology change to dominate the more fundamental organizational and procedural change. At the end, technology provides a tool for transformation and is not the main driver for change (Boroughs & Saunders, 2007). Transformation leaders must clearly understand that information technology cannot achieve wonders and that other elements play an equally critical role in FSS (Ulbrich, 2006). According to Wilson (2004), for instance, governments which were technology focused during the implementation of shared services and ignored business process and organization transformation have failed to realize the full benefits of their investments.

2.6.4.2 Importance of Technology in FSSC

Despite potential risks associated with technology utilization, literature is full of examples that support the importance of information technology in FSS, with emphasis on enabling technologies such as workflow management, document management systems, web portals, EDI and interactive voice response (Boroughs & Saunders, 2007; Niehaves & Krause, 2010). However, it should be noted that companies reporting the worst results saw technology as their saviour and installed new systems without first solving the problem of how well they would redesign processes (Cecil, 2000).

On the other hand, leading shared services providers like Hewlett-Packard and IBM consider information technology as the key success factor and a competitive differentiator (Ulrich, 1995). Similarly, TAR Company sees the enterprise resource planning system as underpinning its shared services. However, the ERP is viewed not from the perspective of
technology implementation but rather as a business process solution and a platform for process reengineering. Its contribution is evaluated in terms of its ability to facilitate process improvements, and ultimately, automation which yield greater benefits than what was originally anticipated (Cecil, 2000; Borman, 2010).

A common IT platform, generally an ERP, is perceived as essential to shared services based on the research by Borman (2008) who remarked that “ERP is fundamental, and made the transition to shared services much easier than it otherwise would have been.” Therefore, it could be argued that standardizing processes in shared services without a common platform would be difficult and very ineffective. Thus, driving the focus on consolidating without reengineering processes and technology could lead to disappointing results (Cecil, 2000).

2.6.4.3 Summary

In summary, if businesses are to make global standardisation possible, practitioners and professionals recommend the use of an ERP platform approach with significant focus on process and organizational reengineering (Shah, 1998; Borman, 2010). Literature demonstrates that investment in ERP systems is a necessary enabler for the adoption of future cutting edge technologies and the key driver of automation. However, deploying ERP alone is not sufficient to achieve best-in-class performance, therefore the use of enabling technology known as enterprise application integration (EAI) is necessary to achieve desired operational goals (McReynolds & O'Brien, 2002). Thus, technology is another essential lever and a key element towards a successful implementation of shared services and the key enabler for standardisation, process optimization, and simplification, elimination of redundancy, automation, operational excellence and ultimately profitable growth.

2.6.5 Organization and Governance

Having discussed the use of available levers of shared services: Location, People, Process, and Technology, it is necessary that an appropriate organizational and governance structure is created to ensure that these levers are constantly in motion. Continuous improvement methodologies like lean 6-sigma designed to utilize these levers are ways of achieving positive
results for FSS. Regular governance meetings with local, regional, and global management, for instance, review service level agreements (SLAs), metrics and KPI reports, regular customer satisfaction surveys to ensure effectiveness in FSS implementation (Gunning, 2008).

FSSCs must be properly organized to best support the business and to fully exploit shared services benefits. Moving into shared services, thus, means committing to an organizational transformation which could create a separate business unit (Wilson, 2004). Similarly, reviewed literature supports an organizational structure where successful shared services are semi-autonomous or fully-autonomous business units, designed to deliver efficient customer-oriented services at superior levels and managed with the efficiency of a business enterprise (Bergeron, 2003; Boroughs & Saunders, 2007).

However, the prevailing majority among practitioners and professionals explicitly emphasize the independent organizational form of an FSS. A unit clearly separate from other areas of business, with its own responsibilities and its own management processes (McWilliams, 1996; Callan, 1998; Williams, 2001; Marshall, 2001; Wilson, 2004; Marshall, 2009; Schulz & Brenner, 2010).

Ulbrich (2006) defines shared services as an organizational entity which provides well-defined service. These service offerings are governed by service level agreements (SLA), which are built from the context of the customer and his/her critical requirements. In short, a shared services organization begins and ends with customer requirements as the guiding principle of its existence (Urlich, 1995). The independent FSSC organizations that perform well are also more sensitive to opportunities available in the market like Houston-based Shell Services International which became an independent shared services firm in 1998, marketing its services to other oil and gas companies (Ferrarini, 2007).

FSS customers, the management, employees, and other business units need to be confident about the competency and reliability of the FSSC organization. Therefore, maintaining transparency, clear communication, and customer management procedures is necessary to avoid ambiguities about the FSSC. Hence, to sustain robust governance processes means ensuring prioritization, charge backs, continuous improvement, performance monitoring, and communication systems are effectively in place (Peters & Silver, 2005).
2.6.5.1 Defining Service Level Agreements (SLA)

To ensure that a relationship is a thorough and systematic process, it is necessary that it is clearly defined (Derven, 2011). The literature is almost unanimous on the need and importance of Service Level Agreements (SLAs) despite disparities on what these might include. The conventional SLA specifies clearly what services are provided, when they are to be delivered, the turnaround time for service delivery, roles and responsibilities, various dependencies that may be faced, quality, technical support, operational dependencies, guarantees, duration, availability, and improvement objectives (Legare & Bechtel, 2001; Bergeron, 2003; Peters & Silver, 2005; Webster, 2007). Some literature argue that service-level agreements need to specify not only costs and services, but also non-performance penalties and clauses that allow customers to exit from the agreement in case of non-performance or non-delivery (Marshall, 2009).

To get the right SLA first time, customers must acquire familiarity with benchmarking and consult best practices of Service Level Agreements and charge back guidelines to business units, keeping in mind historical SSC target goals and the need to reference the baseline and the original FSS objectives (Gundavelli & Mohanty, 2004).

Furthermore, customers must be fully aware of the FSS periodic performance reporting using the balanced score card that focuses not only on customer satisfaction, but on various financial and operational performance dimensions that measure the success of the shared services strategy over time (Legare & Bechtel, 2001). A balanced score card, for instance, measures the number of transaction processed by different functions, time to process transactions, number of calls to the FSS or total transaction cost, and comparing past, present, and expected performance levels in the future.

2.6.5.2 Summary

In summary, financial shared services is a corporate strategy aligned closely to the enterprise strategy to improve overall cost and profitability. Reduced cost in a FSS is the result of superior processes built on the needs of the customer, standardised processes, common and the latest ERP technology as the enabler for automation, highly competent, customer-oriented, proactive people, and an effective organizational and governance structure. However, for shared
services to be successful from the customer’s point of view, it is essential that a stable and systems-oriented organization and governance structure is in place. This governance model clearly defines how customers interface with shared services, what kind of information is shared at which level, what communication channels are utilized, what service management framework facilitates operations and delivery, what metrics are reported and measured, and what issues are resolved by existing resolution methods and escalation processes (Bondarouk, 2011).

2.7 Implementing and Sustaining FSS

2.7.1 Defining Implementation Approach

Having defined the appropriate FSS strategy and the extent to which existing FSS has theoretically embraced transformation through the use of levers, putting the model into practice is the most critical task. Poor implementation is more often than not the key reason for failure in most management strategies. Failures are mostly the result of poor execution and implementation of a strategy rather than poor strategy (Hesketh, 2008). Therefore, the development of shared services is a journey that requires strong strategic management, effective corporate governance and change management practices, clarity about areas that would benefit most from consolidation and streamlining, and a strong project management team (Colman, 2006; Joha & Janssen, 2010; Marshall, 2009; Derven, 2011).

Furthermore, related literature suggests that the implementation stage is the step where most of projects fail or are derailed from the original design, especially when companies are simultaneously implementing large ERP systems (Hesketh, 2008). Hence, for an organization to stay on course, it is essential to be rigorous about articulating the business requirement and to be clear about exactly how each component of the technology fits into the process to ensure the completion of the deliverables. Management needs to be sensitive to the possibility of the technology trap which diverts attention from the successful completion of the original requirements. Technology, at times, also allows the size and scope of the technology change to dominate the more fundamental implementation of organizational and procedural processes (Boroughs & Saunders, 2007). Related literature firmly asserts that while technology is an enabling tool for transformation, not its main driver.
2.7.2 Importance of Getting the Right People on Board

Relevant literature affirms the view that implementation should be taken seriously with the care and help of professionals or experienced people and good project management discipline is critical in ensuring that financial shared services delivers on its promise of improved business performance (Queree, 1994; Bray, 1996; Boroughs & Saunders, 2007). Getting the right and enthusiastic people on board to implement strategy and deliver results is of pivotal importance.

According to Kroll (2007), the focus on project management capability is critical, and most technical project failures arise from flawed project management rather than technology failings. Therefore, management needs to focus time and effort early in the project to identify resources with strong program management credentials for the implementation of shared services. Kroll (2007) identifies project management as the “single” most important indicator of likely success in implementing financial shared services. After all, people execute all the activities within FSS, and without the right skill set and attitudes, this would not be possible.

2.7.3 Some Critical Factors in Project Management

Reviewed literature does not focus on the implementation stage critical to the success of FSS initiatives. Where it does, it does so very briefly. On the other hand, there is large selection of books, articles, and other materials that discuss critical success factors of project management which can help companies understand how to stay on track and avoid the technical implementation of financial shared services. According to Jones (2007), a strong and clear Project Charter agreed upon by all stakeholders provides adequate strategic information and guidelines project managers need to resist most of the “specification creep” that one encounters in the FSS implementation process.

Indeed, the centrepiece of the FSS are people and the creation of the core project team as small as possible which possesses the composite skills needed to complete the deliverables of projects. This is a non-negotiable feature of the FSS and is of paramount importance for effectiveness in project execution. In addition, supporting this team with a staff of competent and experienced good people ensures the efficient realization of FSS goals (Jones, 2007).
Hence, developing a comprehensive integrated project plan is of essential importance. A project plan that has an FSS strategy at its core, a well-integrated robust change management in place, and governance by a steering committee composed of senior managers ensures that strategy is executed with precision, standards are maintained, and timetables are strictly followed (Wilson, 2004).

A pre-defined robust change management plan needs to be carefully integrated and executed. Thus, change management experience is of great importance when core teams are assessed for their skills. A change management plan provides information on the practical steps which support people through the organizational transformation and securing their buy-in while optimizing the workforce by planning redeployments and ensuring employees training (Chang, 2009). Thus, the fifth critical step in implementing shared services successfully is important and necessary to increase the chances of FSS success (Figure 2.6).

**Figure 2.6: The Fifth Critical Step – Implement and Sustain**

![Diagram of the Fifth Critical Step](Source: Developed for this research.)

**2.7.4 Summary**

In summary, implementing shared services requires the deployment a team which understands business unit requirements, ensures that “to be” processes support the customers’ current and future needs, addresses legal requirements, and focuses on a global standard
approach. The technologies involved in enabling the process should be closely integrated and capable of sustaining growth and automation. Addressing these requirements systematically through an established process utilizing comprehensive a project plan maximizes the chances of success and provides senior management with flexibility in modifying the approach to meet their needs (Bergeron, 2003, p. 220). Reviewed literature does not provide details focused on the best approach to implementation or lessons learned, but a consensus exists among the sources that many companies fail at the implementation stage. On the other hand, companies that successfully implement shared services develop a robust governance model to sustain success and growth.

2.8 Research GAP and Research Questions Raised

2.8.1 Research GAP

Literature reviews affirm that SSC is an effective way to reduce cost in finance and accounting. Claims about cost savings range anywhere between 20% and 50%, (Jarman, 1998; Mohan & Witt, 2006; Hesketh, 2008; Gilbert, 2009; Schulz & Brenner, 2010; Higgison, 2011). However, there is little empirical evidence that explain why such disparity in cost savings exists and why companies produce the results that they do. Similarly, there is no available information on details or a breakdown by function, which shows whether the savings are coming from leveraging, location, people, process or technology. An article by PricewaterhouseCoopers (N.D.) discussing its data on the industry shows that companies can realize savings between 30-50% by deploying the shared services model. However, it does not describe the model and its features and elements and what levers might be utilized to achieve desired goals.

Furthermore, PWC does not discuss the percentage of their clients who actually achieve high end targets and what is the most common reason for failing to do so. The gap between lower and upper bracket of 20% shows a significant variation, but there is no discussion of the reasons to account for this difference. Therefore, the opportunity to explore this area further to understand what the steps might be undertaken and what levers of success might be utilized to perform as a best-in-class FSS exists. Findings which provide information to resolve these issues will enable companies to close the gap and realize higher savings.
Local talent management for multinational companies is not a subject of discussion in existing related literature because of limited career opportunities available locally. At the same time, it is important for multinational companies to understand how to develop professionals and leaders for potentially hundreds of future business roles in host countries worldwide. Gunning (2008) emphasizes the importance of continuous investment on the development of shared services teams and FSS employees who will be the future of finance. Thus, FSS viewed as a talent pool and breeding ground for key finance skills and leaders could be counterproductive in the pursuit of companies’ diversity plans. Derven (2011), on the other hand, believes that shared services manages talent pool more effectively, because all functions found within one organization provides greater visibility of people and talent need. These concepts need to be examined for potential consequences which may include the eventual dominance of FSS, significant cultural change within the organization, and the financial stress caused by International Service Employees (ISEs) moving around the world.

2.8.2 Research Proposition and Questions

This dissertation project focuses on the constant changes in the business environment predominantly driven by legal and regulatory requirements, new technologies, and timely access to accurate and reliable information. Furthermore, it examines the importance of transforming business in line with the latest trend and addresses industry challenges like volume, velocity, relevance, digital data capturing, and better controls. As such, this research seeks to address the following questions:

1. What are the key drivers of effectiveness of the FSS model in Europe?

2. What is the impact of the FSS structure on the FSS effectiveness indicators?
2.9 Theoretical Framework

2.9.1 Overview of the Research

The survey of related literature affirms a theoretical framework of the study that focuses on the importance of mandate, strategy, and planning in building FSS units in the general context. To enrich this paradigm this research seeks to determine the role of the five levers location, people, technology, process and controls, and organization and governance among sample companies operating in the European business environment. The use of the inductive approach will provide information whether the five levers are in fact used by these Europe-based companies, to what extent these are used, and their role in generating targeted goals expressed via financial and non-financial benefits.

The theoretical framework, as illustrated below, reveals how the key levers of success, namely: Location, People, Process and Controls, Technology, Organization, and Governance impact the effectiveness of the financial shared services model. For the purpose of this research, the effectiveness of the financial shared services model is defined as the improvement in financial and non-financial indicators above industry quoted average of 25-50%. The research determines the extent to which companies are leveraging this model in Europe to build a platform for a global process standardisation, the cornerstone for process automation and cost-effective data processing represented by improvements in: overall cost of financial services, gross profit to sales, and cost of finance and accounting as % of gross sales and transaction cost on one side as well as improvement in quality and availability of data, velocity of data processing and closing, and headcount and talent pool availability on the other. These are the financial and non-financial indicators that ultimately determine the delivery of superior services, increase in shareholder’s value, and improvement in customer satisfaction.
2.10 Summary

Reviewed literature indicates that the shared services model in one or the other form has been implemented by most Fortune 500 companies. However, not many are enjoying its full benefits (McReynolds & O'Brien, 2002; Thuemer, 2005; Ulbrich, 2006; Hesketh, 2008; Higgison, 2011). Research shows that cost reduction is the main driver behind FSSC implementation but it goes without saying that labour arbitrage is not the main part of it (Deloitte, 2011). In fact, process reengineering, standard work, automation, improved controls, flexible and a skilled work force, and financial incentives are viewed by management as strategic, long term initiatives which align with enterprise cost-cutting measures to ensure
profitable growth (Higgison, 2011). However, for an enterprise to maximize the benefits offered by a financial shared services unit it needs to carefully examine its current and future requirements and based on these requirements, design a customer-focused, process-oriented FSS model (Forst, 2001; Legare & Bechtel, 2001; Ulbrich, 2006; Herbert & Seal, 2009). A financial shared services delivery model is supported by a common ERP system and other enabling technology carefully selected to support global process standardization, automation, and sustainable future growth, as the critical components of a cost competitive 21st-century organization (Cecil, 2000; Borman, 2008; Strikwerda, 2012). It is important to assert that technology is not a solution in itself and should not dominate FSSC implementation (Cecil, 2000).

Companies must manage their strategy with a robust project plan supported by a change management program which is widely recognized as one of the most critical elements of the FSS journey (Accenture, 2007; Ulbrich, 2010). Change management is regarded as one of the first steps and a never-ending exercise which after a successful implementation is replaced by an ongoing governance model (Shah, 1998). The governance model addresses the ongoing relationship between FSS and its customers and the service management framework and the measurement of shared services success against customer targets, balanced between financial and operational metrics (Forst, 1997; Gunning, 2008).

The existence of a robust management plan is critical for the implementation of the FSS model. This is only possible when core project teams in charge of implementation are composed of experienced professionals who possess extensive knowledge on project management and related skills (Bray, 1996; Kroll, 2007). Only a successfully implemented FSS plan, aligned with an overall enterprise strategy, can satisfy customer and business requirements. It is the key to overall profitability and provides a platform for increased controls and future growth (Deloitte, 2011).

Once successfully implemented, FSS does not guarantee benefit realization. Based on existing literature, it is clear that reduced cost is the ultimate goal and not a component of FSS (Accenture, 2009). The effectiveness of FSS is dependent, on the extent which companies utilize the key components or levers of success which facilitate implementation among best-in-class
shared services. The extent to which companies decide to leverage Location, People, Process, Technology, Organization and Governance determines the level of benefits resulting from FSS implementation (Accenture, 2009; Deloitte 2011).

**Figure 2.8: Critical Steps and Levers for Success**

![Figure 2.8: Critical Steps and Levers for Success](image)

*Source: Developed for this research.*

Failure to utilize some or all of above-mentioned levers directly results in opportunity loss, which can in some cases be measured by relatively low financial savings on one side and a potential reversal of the project on the other. However, latest academic literature points to the emergence of new business models and new types of customer value propositions. Continuous change in the market, technology, labour markets, changes in the political environment and legal requirement, SOX among others inform FSS implementation. These new conditions require a high capacity of information processing, better controls and risk management (Gunning, 2008). Hence, failure to respond through the use of a new organizational model like financial shared services can significantly reduce company competitiveness, and in extreme cases, result in the end of the game (Strikwerda, 2012).
Chapter 3: Research Methodology

3.1 Overview

This dissertation project examines how a model consisting of strategy, mandate, and the key levers of success, namely, location, people, process and controls, technology, and organization and governance determines the effectiveness of the financial shared services. In the context of this research, the effectiveness of the proposed financial shared services model is illustrated by improvements in the performance of financial and non-financial indicators exceeding the industry quoted average of 25-50%. The research clarifies the extent in which companies are leveraging this proposed model which includes strategy, mandate, and the key levers of success namely location, people, process and controls, technology, and organization and governance in the European context to build a platform for global process standardisation. This is a cornerstone for process automation and cost-effective data processing shown by improvements in: overall cost of financial services, gross profit to sales, cost of finance and accounting as % of gross sales and transaction cost on one site and the improvement in quality and availability of data, velocity of data processing and closing, headcount and talent pool availability on the other. These are some of the financial and non-financial indicators that ultimately illustrate the beneficial results in the forms of delivery of superior services, increased shareholder’s value, and better customer satisfaction that result from an informed application of the critical steps and levers.

Section 3.2 introduces the major paradigms on which the research project is based.

Section 3.3 rationalizes the use of these paradigms which inform the methodologies which are subsequently used in the gathering of the data for the research project.

Section 3.4 focuses on the methodologies employed to analyse the data derived from the application of the methodologies.

Section 3.5 summarizes the content of the chapter on methodology in preparation for a detailed discussion of the data derived from the research process in Chapter 4.
3.2 Introduction

Shared services seems to be an unstoppable trend following the 2009 crisis and the bleak economic forecast for 2016 and beyond, among large international companies and their executive management as well as midsize national companies and governmental organizations in Germany, UK, Australia, Canada, New Zealand, Sweden, Singapore, and many other countries (Aitken, 2012; Arya, 2011; Deloitte, 2011; Grossman, 2010; Marshall, 2010; Mercer, 2011; Redman, et al., 2007; Ulbrich, 2006, 2010; Niehaves & Krause, 2010). It is a widely recognised fact that shared services is a very attractive model to reduce back office cost and improve customer experience (Accenture, 2011; Borman, 2008 Deloitte, 2011; Derven, 2011; Higginson, 2011; Niehaves & Krause, 2010). Hence, as a response to constant competitive pressure to reduce costs and improve the shareholder’s value, share services is becoming a natural next step in the organisational evolution of a company.

While shared services is applicable among a number of functional business areas, this dissertation project focuses on Financial Shared Services (FSS) and identifies the best shared services model that enables an organisation to which it is attached to acquire substantial financial and non-financial benefits. The growing importance of FSS and its size in the overall shared service world need to be documented and rationalized. Research conducted by Deloitte (2011) reveals that 93% of all shared services provides financial service within their business organizations. This shows that financial shared services is the main driver behind shared services initiatives globally, and as such, deserves a closer examination.

According to Higginson (2011), data from the Financial Times’ service—the fdi Markets, one of the most comprehensive online database of cross border greenfield investments available, shows that between January 2010 and August 2011, globally there were 104 investment projects for shared services from 86 companies. She claims that shared services is no longer a concept of business philosophy but, a proven approach that streamlines processes, reduces cost and improves services quality. Therefore, an in-depth study of the effectiveness of FSS would significantly enable business leaders to understand the economic justification and non-financial motives for leveraging this model.

Literature appears to be unanimous in identifying shared services as a proven business model, but it remains conceptually misunderstood and resisted by some business leaders and
executive management (Strickwerda, 2006a). It is true that the shared services is a complex business model and there are numerous examples of potential areas where the implementation of this model can falter: failure to implement on time and budget, disappointments in delivering planned benefits, shortfalls in satisfying customer requirements, and a technology-focused implementation are some of the main concerns of professionals and practitioners (David, 2005; Boroughs & Saunders, 2007; AAP General News Wire, 2011, Jun 27). However, if properly executed, risks can be mitigated and/or totally eliminated.

Similarly, Borman (2010) acknowledges that shared services success is not guaranteed; he cites findings by Wagenaar (2006) who enumerated a number of the failures of a major shared services initiative in The Netherlands. On the other hand, Borman (2010) cites Sarikas and Weerakkody (2007) who outlined numerous systems and process challenges that companies need to overcome these shortfalls and enable companies to enjoy shared services benefits. Keeping in mind potential obstacles to implementing and sustaining shared services, it is critical for business leaders to understand consequences and opportunity losses resulting from failure to deploy the best-in-class shared services model or, in extreme cases, completely ignore these negative criticisms and, instead, positively respond to 21st-century organizational challenges (Strickwerda, 2012).

In spite of these challenges, it is widely recognized that the fundamental argument of financial shared services is a valid one and that this business model has enormous untapped potentials (Forst, 2001). Thus, to maximize the potential of shared services fully, it needs to be viewed as a transformation journey that provides limitless opportunities for the upgrade of people, processes, technologies, and governance procedures complemented by a strategic choice of location (Herbert & Seal, 2009; Borman, 2010; Derven, 2011).

Similarly, other researchers observe that how activities are organized and executed directly influence shared services success (Borman, 2010). The importance and impact of organising and embedding success factors determine the effectiveness of FSS demonstrated with clarity in a number of recent survey findings conducted by leading professionals in the industry (Accenture 2009; Deloitte 2011). These survey results illustrate the key difference between effective shared services centres or the so-called “Masters” and failed attempts at FSS implementation is the extent of utilization of the key levers for success. In summary, literature
asserts there are five critical steps utilized (Figure 3.2) to organise financial shared services and transformation activities which ensures success in implementing an FSS model (Accenture 2009; Borman, 2010; Deloitte, 2010). Furthermore, literature identifies five critical levers that enhance the effectiveness of the FSS (Shah, 1998; Karoll, 2007; Hesketh, 2008; Herbert & Seal, 2009; Borman, 2010; Derven, 2011).

The FSS critical steps and levers of success model previously presented in Figure 2.8 are the major components of the framework needed to understand their tangible and quantifiable contributions to a successful shared services implementation. Furthermore, the model shows the role and quantifiable contribution of the levers of success to achieve predefined benefits and create shareholders’ value. These five levers are largely viewed as the key drivers of the effectiveness of a financial shared services centre resulting in superior achievements and substantial improvement in financial and non-financial performance indicators (Shah, 1998).

### 3.3 Justification for the Chosen Paradigm and Methodology

There is a variety of dimensions in conventional research such as context, theme, and methodology which are popularly applied in business (Ticehurst & Veal, 2000). Regardless of dimension, however, the conduct of business research within and outside of the academe is the documentation and analysis and rationalization of business practices or praxis (Punch, 1998; Kriel, 2006). Hence, the research process is also a quest for the appropriate research methodology that is most suitable to respond to the statement of the problem or the hypothesis.

This dissertation project applies a qualitative research method to investigate the research question and address the problem statement. A qualitative analysis is focused on multi-case studies approach of 17 companies cutting through industries with proven record of organizing financial shared services. On the other hand, majority of the research projects in this area are sponsored or conducted by big consulting companies with significant financial interest in FSS (Duncan & Fass, 2009; Deloitte 2011; and PWC, 2009). Prior research projects were generally conducted through information secured using online structured surveys with little to no opportunity to include information and insights that fall outside the prescribed format. Therefore,
these fixed response structured surveys offer very little room to capture new knowledge on emerging trends and new topics.

The majority of the emerging academic research is based on the qualitative methodology and a case study approach, enhancing opportunities for the formulation of generalizations and application outside a specific industry (Redman, et al., 2007; Hesketh 2008; Borman, 2008 & 2010; Ulbrich, 2010; McIvor 2011). Moreover, these referenced studies are conducted through interviews with leading executives in shared services, both in the private sector but also the public sector.

The data gathering method for this dissertation, on the other hand, was mainly derived from the need to answer research questions focused on the effectiveness of the financial shared services model which includes strategy, mandate, and the critical levers for success composed of location, people, process and controls, technology, and governance and organization and an in-depth discussion of the financial and non-financial indicators.

Furthermore, reviewed related literature on the topic showed that success and effectiveness depend on the extent which companies are utilizing shared services levers of success to achieve standardisation and automation. In many cases, the use of these levers ultimately determines the level of benefits, resulting from the financial shared services model (Duncan & Fass, 2009; Deloitte, 2011). Consequently, in-depth knowledge on this subject requires the utilization of a qualitative research method (Gable, 1994; Yin, 2003; Veal, 2005, pp. 125-130). However, while qualitative methods often provide a new and in depth perspective to existing research, it could raise a question of generalization and applicability of research findings to a wider and/or larger audience cutting across different industries.

To strengthen triangulation, the researcher gathered information from different sources to improve the reliability and enhance the credibility of research findings (Miller, Strang, & Miller, 2010, p. 347). The extensive examination of related literature was complemented by the thorough analysis of company reports and other primary sources in the quest for documentation of the performance levels of shared services units of target companies to supplement the results of interviews with strategic informants.
This research, thus, used a qualitative in-depth research method and initially a general inductive approach for qualitative analysis. Multiple case studies of companies with financial shared services centres located in Europe were conducted through the interviews of strategic informants composed of vice-presidents, managing directors, directors, and heads. These strategic informants provided the micro-level information and data on the ways in which companies organised their shared services activities and the extent to which they utilised levers of success, and most importantly, its impact on financial and non-financial aspects of company operations. The findings may help new companies to achieve a greater degree of success in implementing FSS and obtain benefits and better value from the use of this model.

Thus, the study of financial shared services that specifically focus on finance and accountancy within large mad medium-size multinational organizations requires the substantial application of both inductive and deductive research approaches. The emerging literature on financial shared services shows that existing knowledge in this area of business organization is still is in its infancy, and need to be enriched by more substantial academic studies on the subject (McLellan, et al. 1995; Redman, et al., 2007; Hesketh 2008; Ulbrich, 2010; Mclvor 2011).

3.3.1 Research Approaches and Methodologies

There are various methods used in research which are generically classified as quantitative or qualitative. A quantitative research is a formal, objective, systematic process in which numerical data are used to obtain information about the world. Qualitative research method is used to describe variables, to examine relationships among variables, and to determine cause-and-effect interactions between variables (Burns & Grove, 2005, p. 23). Quantitative method collects numerical data for analysis using mainly statistical tools to produce results for the items found in the questionnaire and presents quantifiable outcome.

On the other hand, qualitative research is based on the collection of non-numerical data using appropriate methods and means. Denzin and Lincoln (2005, p. 3) define qualitative research as “a situated activity that locates the observer in the world. It consists of a set of interpretive, material practices that makes the world visible. These practices transform the world. They turn the world into a series of representations, including field notes, interviews,
conversations, photographs, recordings, and memos to the self. At this level, qualitative research involves an interpretive, naturalistic approach to the world. This means that qualitative researchers study things in their natural settings, attempting to make sense of, or to interpret, phenomena in terms of the meanings people give them.” Thus, a qualitative method produces texts and treatises from the application of items found in the questionnaire to quantify the outcome. Figure 3.1 illustrates the shared characteristics and contrasts between these two methodologies and approaches.

**Figure 3.1: Approaches and Methodologies**

![Figure 3.1: Approaches and Methodologies](image)

*Source: Ticehurst and Veal (2000, p. 19)*

Cavana (2001) asserts that quantitative results are generally products with research process conceptually based on deductive reasoning (Figure 3.4). On the other hand, qualitative research methodologies are moored on the utilization of inductive thinking (Figure 3.4). Page and Meyer (2000) observe that a combination of these two approaches is increasingly used in contemporary research where methodologies are informed by the demands of the problem statement and/or hypotheses. Kriel (2006) explains that the quantitative research bears the paradigm of the experimental method which affirms that phenomenon is fundamentally quantifiable substantiating the primacy of objectivity and positivist thinking. It also asserts the predictability of phenomenon based on the application of proven laws and generalizations.
Qualitative research, on the other hand, seeks to expand the horizon of knowledge beyond what can be quantified and predicted. It is a quest for diversity and differentiation in phenomenon and human life which cannot simply be reduced into the explicit existing knowledge categories, generalizations, and taxon of modernist (or positivist) thinking. Central to the idea of qualitative research is the development of a deep understanding of human behaviour to reveal people’s values, interpretive schemes and belief systems (Cavana et al., 2001, as cited by Kriel 2006).

3.3.2 Deductive and Inductive Reasoning in Business Research

While deductive and inductive reasoning are popularly used in business research, innovations on these paradigms are increasingly being evolved. The ultimate factor that informs the research methodology is the statement of the problem and/or the hypothesis: the best research method, thus, is the series of processes for data gathering that yields the most accurate and
comprehensive quantifiable and/or non-quantifiable information. An example of the best research method designed to get the best information is depicted in Figure 3.3.

**Figure 3.3: Inductive Reasoning – Phase One**

![Diagram of Inductive Reasoning]

*Source: Innovative Model of the Study (Kriel 2006)*

The above model (Figure 3.3) shows the integrated application of both inductive and deductive reasoning process used by Pieter J. Kriel in his 2006 doctoral study focused on the relationship between morality, ethics, and justice to quality of work life. In this present research project, data from life is analysed to formulate a viable hypothesis from which data gathering proceeds. Ultimately, the data gathered is used to validate the hypothesis and/or substantiate the problem statement.
Ultimately, this dissertation project focused on financial shared services provided pertinent information on the infrastructure, management, activities, and performance of FSS units. Unfortunately, this type of information was not available in the company reports and public documents and was generally non-existent as an item in standard corporate report requirements and formats. Thus, given the fact of the non-availability of data in public domain, the interview of strategic informants remained as the sole instrument for data gathering for this research project which sought to acquire a better and more comprehensive understanding of FSS and its different facets.

3.4 Research Steps and Procedures

3.4.1 Research Design

A qualitative multi-case study research approach, administered through a semi-structured data gathering process like phone and/or face-to-face interviews using a number of items requiring fixed responses in order to establish validity and a number of open-ended questions is the most appropriate for this genre of research (Gable, 1994; Borman, 2010). Semi-structured survey instruments are designed to enable the respondents to express their views freely with an openly designed survey rather than a standard questionnaire (Flick, 2009, p.4). The semi-structured survey instruments also provide opportunities for generating new views and potentially identifiable elements of shared services with greater clarity, beyond merely articulating one’s views on the existing fundamentals of shared services (Bajpai, 2011, pp. 69-88). This type of research method focused on interviews and case studies is preferred by majority of academic researchers in this area (McLellan, et al., 1995; Redman, et al., 2007; Hesketh, 2008; Ulbrich, 2010; McIvor, 2011). Thus, a similar approach will be instrumental towards the completion of this research project focusing on the FSS, copy of which can be found in appendix A.

Thus, in the context of this dissertation, a semi-structured instrument was designed around the five key questions that would enable researcher to use it as a guide during the data
gathering process and enable inductive approach in discovering patterns during subsequent analysis.

Question 1, focuses on the importance of location and the size of personnel

Question 2, documents the importance of strategy

Question 3, discusses the financial and non-financial targets and the indicators for these targets

Question 4, the impact of FS on the organization of companies

Question 5, the use of levers and their effects on the effectiveness of the shared services

Using this qualitative approach enabled the researcher to capture new useful information which could expand the existing knowledge base on FSS and enrich the latest trends in the industry with new ideas. At the same time, the results were useful in determining the extent to which respondent companies use the critical levers to drive effectiveness and improve chances of success in implementing the FSS. Most importantly, this qualitative method of data gathering provided access to information regarding the performance of financial shares services units and their success indicators.

The conduct of the qualitative data-gathering process included 17 respondent companies with financial shared services organizations based in Europe. The researcher selected 18 respondents who are executives and officers from the 17 multi-national organizations cutting across industries who operate financial shared services centres in Europe. The respondents were vice-presidents, managing directors, directors, and heads of target companies, and/or individual leaders who were interviewed face-to-face or over the phone.

Corporate respondents included Vice-Presidents (VP) 5, Managing Directors (MD) 2, Directors (DS) 6, and Heads (HS) 5. Industries represented in these interviews were the following: Medical Technology (1), Assurance (1), Apparel and Fashion (1), Food (4), Technology (1), Insurance (1), Energy and Petrochemical (1), Healthcare (1), Hygiene (1), Auto & Machinery (2), Telecom (1), Retail (1), Banking (1), and Consulting (1). Majority of these business organizations have their main offices in Europe: Denmark (1), Germany (2), the Netherlands (1), Russia (1), Sweden (2), Switzerland (2), the United Kingdom (2), and the
United States (6). Shared services centres for these companies are located in the following countries: France (1), Germany (7), Hungary (3), the Netherlands (2), Poland (8), Russia (1), Spain (1), Sweden (1), Ukraine (1), United Kingdom (4),

The interviewees represented 17 multinational companies whose combined revenue exceeds $1 trillion dollars converted from the original currencies into USD using the mid-market rate in April 2014. The companies represented have their head offices in eight different countries as indicated in Table 3.1. Most of the companies, approximately 2/3, are Europe-based and have combined revenue in excess of $814, 673 billion or some 81% of the total revenue represented in the research sample. The other 1/3 of the companies, six of them in total, has their head office in the USA and a significant footprint in European region. Table 3.1 shows the location of the headquarters and the countries of origin of these multi-national companies operating the financial shared services units in the region.

<table>
<thead>
<tr>
<th>Company Head Office</th>
<th>17</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>6</td>
</tr>
<tr>
<td>Switzerland</td>
<td>2</td>
</tr>
<tr>
<td>Germany</td>
<td>2</td>
</tr>
<tr>
<td>Sweden</td>
<td>2</td>
</tr>
<tr>
<td>UK</td>
<td>2</td>
</tr>
<tr>
<td>Denmark</td>
<td>1</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>1</td>
</tr>
<tr>
<td>Russia</td>
<td>1</td>
</tr>
</tbody>
</table>

The companies represented in the research are widely spread across 13 different industries with largest population of 18% operating in the food industry. The next group of companies representing auto and machinery industry comprises of one company whose headquarters is located in the US and the other one in Europe.
The next largest industry represented by two respondent companies is the insurance business and both have their headquarters in Europe. The remaining 10 industries represented in the sample have one participant each as illustrated in the table below. The industry affiliations for these companies are presented in Table 3.2.

<table>
<thead>
<tr>
<th>Industry Affiliation</th>
<th>Affiliations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>3</td>
</tr>
<tr>
<td>Insurance</td>
<td>2</td>
</tr>
<tr>
<td>Auto</td>
<td>2</td>
</tr>
<tr>
<td>Medical technology</td>
<td>1</td>
</tr>
<tr>
<td>Technology</td>
<td>1</td>
</tr>
<tr>
<td>Apparel &amp; Fashion</td>
<td>1</td>
</tr>
<tr>
<td>Banking</td>
<td>1</td>
</tr>
<tr>
<td>Energy</td>
<td>1</td>
</tr>
<tr>
<td>Telecom</td>
<td>1</td>
</tr>
<tr>
<td>Healthcare</td>
<td>1</td>
</tr>
<tr>
<td>Hygiene</td>
<td>1</td>
</tr>
<tr>
<td>Retail</td>
<td>1</td>
</tr>
<tr>
<td>Assurance</td>
<td>1</td>
</tr>
</tbody>
</table>

As discussed previously, most of the companies or 2/3 of the total number, have their head offices in Europe. It is therefore logical to assume that these companies have shared services facilities operating in the European region. 29 sample shared services units are operated by the 17 selected respondent companies present in the region. The largest number of shared services is located in Poland, which hosts 8, followed by 7 shared service centres in Germany, and 4 in the United Kingdom. The location of the FSS by country is presented in Table 3.3.

<table>
<thead>
<tr>
<th>Shared Service Locations</th>
<th>Locations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poland</td>
<td>8</td>
</tr>
<tr>
<td>Germany</td>
<td>7</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>4</td>
</tr>
<tr>
<td>Hungary</td>
<td>3</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>2</td>
</tr>
<tr>
<td>Ukraine</td>
<td>1</td>
</tr>
<tr>
<td>Spain</td>
<td>1</td>
</tr>
<tr>
<td>Sweden</td>
<td>1</td>
</tr>
<tr>
<td>France</td>
<td>1</td>
</tr>
<tr>
<td>Russia</td>
<td>1</td>
</tr>
</tbody>
</table>
Table 3.3 shows that 59% of the shared services centres are based in Western Europe which is the more developed and naturally more expensive part of the region, while the other 41% are in Eastern Europe. This contradicts the notion that financial shared services operate in the less developed, therefore, less expensive part of the region.

Initially, data collection was designed, whenever possible, to be conducted through a series of face-to-face interviews. This allowed the researcher to observe the behaviour and body language of the respondents, giving the additional value and insight to the process. In cases where for various reasons face-to-face interview was not possible, over-the-phone semi-structured in-depth interviews were conducted. All interviews were facilitated by the researcher over a specific period of time, as defined in the project plan. Interviews were designed to collect all necessary information through the individual interview process, which lasted for approximately 60-90 minutes. Moreover, provisions were made for an additional second and third 30-minutes interviews should there be a need to secure responses for follow up questions and further clarifications.

The semi-structured interviews were conducted with respondents from companies represented by at most two senior managers. Ideally, senior people from shared services like CFOs, SSC Directors and/or one shared services manager who are closely involved in FSS transformation and the delivery of financial services to the business make the best respondents for interviews. The mix of leaders was designed to balance the view of shared services value and benefits to the organization at both strategic and operational levels. The semi-structured interviews were directly focused on securing informed responses to the research questions which the dissertation sought to answer (Bajpai, 2011, pp. 69-88). These questions were thus designed to enable the researcher to understand financial shared services effectiveness from the customer point of view on one side and the extent to which the levers of success are used within the organisation from the shared services leaders point of view and correlation of these levers and effectiveness on the other (Borman, 2008). The cross-section of the rank and position of the key/strategic informants representing the 17 target companies are summarized in Table 3.4.
Each respondent was briefed about the purpose of the academic research and informed about its confidentiality, the method of data collection, and his/her right to withdraw the interview should they choose to do so. In return, the respondents will receive a copy of the research report and will have an option to receive free of charge a maturity scan of their financial shared services in light of research findings. These services will help the respondent companies to further improve the effectiveness of their own organizations. No other incentives were offered to the respondents in exchange for their time. The shared services leaders were organized into four groups representing their role and seniority level in the organization at the time of the interview (Table 3.4).

All interviews were recorded and transcribed verbatim to ensure that nothing is accidently missed by the researcher (Weathington, Cunningham, & Pittenger, et al., 2012, p. 404). In addition to the qualitative data collected through the interviews and observation, additional information were obtained by a review of publicly available documents and from any additional interviewee derived documentation (Veal, 2005, pp. 98-104). This enhanced the process of data verification, where possible, to substantiate the information and perspectives provided by the key/strategic informants.

Since the research process was informed by the nature of the hypothesis and/or the problem statement, designing a research project on financial shared service was guided by a number of factors. Europe was chosen as the location of the study on the FSS model because of a number of factors: firstly, the researcher’s home base at that time was Brussels, the capital of Europe of the European Union and Belgium; secondly, the researcher wanted to conduct as many face-to-face interviews as humanly possible; thus, from the cost point of view, only shared services in the proximity of Brussels were considered; and finally, the shared services initiative

<table>
<thead>
<tr>
<th>People Interviewed</th>
<th>18</th>
</tr>
</thead>
<tbody>
<tr>
<td>DS – Directors</td>
<td>6</td>
</tr>
<tr>
<td>VP – Vice Presidents</td>
<td>5</td>
</tr>
<tr>
<td>HS – Heads</td>
<td>5</td>
</tr>
<tr>
<td>MD – Managing Directors</td>
<td>2</td>
</tr>
</tbody>
</table>
started in Europe but for various reasons not many European companies managed to maximize its full potential.

The contiguity of the countries of the region and their membership in the European Union provide easy access to key stratégie informants and qualified respondents from among the available executives and officers of selected business organizations and establishments. These facilitated the task of data gathering through the electronic media, communications systems, and travel. As previously mentioned, the selection of business organizations was based on the availability of data on FSS from the random selection of participants at shared services conferences, but also from the review of company reports and the enthusiasm of the prospective key/strategic informants, regardless of sex or gender, from the target business organizations to cooperate and participate substantially and meaningfully in the research process.

The researcher noted very early in the process that one indication of the corporate infancy of the FSS was the invisibility of direct information on the FSS and actual records and documentation of its performance in the publicly accessible company documents and reports of business organizations. This non-inclusion or exclusion of FSS units in official company reports illustrates the incipient character of the FSS as a strategy in corporate growth. This non-availability of quantitative information on the FSS from documentary and official sources left the researcher no recourse but to use the interview technique as the logical method for data gathering for this dissertation project.

3.5 Developing the set of open ended questions

The set of open ended questions were crafted to facilitate the easy response of interviewees and their data inputs, where needed. The structure of the questions followed the major areas of discourses articulated in the research questions of this dissertation project to ensure the precision and comprehensiveness of the data gathering process. Thus, in this study focused on the effectiveness of financial shared services, the topics covered were the following: the importance of strategy, the mandate, the critical levers (i.e. location, people, processes and controls,
technology, and organization and governance), and other critical activities towards effectiveness and a productive adoption of the FSS model by business organizations.

A qualitative multi-case study research approach, administered through a semi-structured survey instrument, with a small number of fixed responses and a larger number of open-ended questions was formulated for this research project (Gable, 1994; Borman, 2010). A semi-structured survey instrument was designed with an expectation that the prospective respondent’s viewpoints are more likely to be expressed in an openly designed survey rather than a standard questionnaire (Flick, 2009, p. 4). This research process is the preferred method recommended by the majority of academic researchers in business (McLellan, et al., 1995; Redman, et al., 2007; Hesketh, 2008; Ulbrich, 2010; Mclvor 2011).

In addition, the semi-structured survey instrument sought to provide opportunities for generating fresh views, potentially identifying elements of the FSS, and enriching respondents’ current positions on the existing fundamentals of shared services (Bajpai, 2011, pp. 69-88). This approach enabled the researcher to capture new useful information, expand the existing knowledge base, and share the latest FSS trends in the contexts of the participating industries. At the same time, the questionnaire tested the level and frequency of levers usage and expanded the understanding of how FSS achieves success and to what extent individual success indicators differ among the practices of respondent companies.

The following were useful guidelines in crafting the questionnaire:

1. Identification and focus on the major ideas articulated in the research questions;
2. Selection of the main concepts, i.e. strategy, mandate, business case, change management, the critical success levers, location, people, process and controls, technology and data, organization and governance, and the financial and non-financial dimensions of performance included in the study;
3. Crafting of questions that reflect an understanding of the theoretical basis of the research; and
4. Provision for flexibility to enable the key/strategic informants to respond to the items in the questionnaire with ease, accuracy and precision within a relaxed but professional environment.
The Final Interview Semi-structure Instrument:

1. Define/describe your Europe-based shared services center(s) in terms of location and size.
2. Is the adoption/implementation of financial shared services an appropriate strategy for your enterprise? Please explain your answer.
3. Did your company achieve the defined FSS financial and non financial targets through the use of specific/defined indicators?
4. Did your company organise its structure and activities to ensure the implementation of FSS?
5. Were the five levers of success, people, process, governance, location, and organisation and governance used in strategizing for the FSS? What were the effects of using these levers?

3.5.1 Pre-Test

The semi-structured instrument was pre-tested in a controlled environment and revisions were made where needed to ensure clarity and the accuracy of responses providing opportunities for the key/strategic informants to share insights and opinions. During the pre-testing phase it became apparent that individual understanding of the topic and detailed knowledge would vary for each respondent. Similarly, the level and command of the English, the language used in the instrument, would vary for every individual respondent. Thus, a number of visual aids had to be developed to stimulate discussion on a given topic and a better understanding of the questions asked. To improve success in retrieving valuable information, the researcher prompted the respondents and asked for more details and examples where needed. All interviews were recorded and verbatim transcriptions were produced for data recording, tracking, and analysis.

3.6 Administering the Semi-structured Instrument

Data-gathering process designed through the use of a series of face-to-face or over-the-phone semi-structured in-depth interviews was conducted by the researcher over a specific period of time. The researcher was fully aware of the limitations of the interview method.
specifically that its application and its productive and fruitful use is fully dependent on the magnanimity and cooperation of the key strategic informants. Appointments were made with the company and/or FSS executives to facilitate the scheduling of the interviews depending on the availability of the key strategic informant. Each prospective key strategic informant received a short Powerpoint presentation introducing the FSS model, some discussions on FSS-related literature, and a copy of the interview instrument for their pre-interview reflection on the subject matter for discussion. The researcher collected all possible information during the interview process. Each interview lasted approximately between 60 and 90 minutes. Provisions were made for second and third 30-minutes follow-up interviews focused on responses to additional questions and clarifications.

The semi-structured interviews were conducted with a maximum of 17 different business organizations with FSS units located in Europe cutting across industries. These companies were represented by 18 senior executives and officials. The respondents were composed of shared services leaders like CFOs, SSC Directors, and shared service managers. The mix of leaders was designed to create a balance between the strategic and operational views of shared service value and the benefits FSS brings to the business organization. The responses to the research questions using this semi-structured approach (Bajpai, 2011, pp. 69-88) contributed substantially towards a better understanding of financial shared services effectiveness from customer point of view, the extent the levers of success are used within the organisation from the shared services leaders’ point of view, and the correlation between these levers and effectiveness (Borman, 2008).

All interviews were recorded and transcribed to ensure nothing is accidently missed by the researcher (Weathington, Cunningham, & Pittenger, et al., 2012, p. 404). In addition to the qualitative data collected through the interviews, new information were obtained by observing participants behaviour and body language during the face-to-face interview, a review of publicly available documents and any additional interviewee provided documentation (Veal, 2005, pp. 98-104). This enhanced the triangulation of data and the documentation of the perspectives discussed.

The researcher noted the following general and unique features of the interview process on this research project focused on shared services:
1. As expected, the key/strategic informants have different levels of proficiency in the English language. To ensure the validity of the response, the researcher, in some instances, had to ask related questions and make the necessary clarification to establish a common understanding of the subject matter or topic under discussion. Limitations in language proficiency, at certain conjunctures, required the researcher to provide terms to enable the respondent to express his/her ideas with greater clarity.

2. While majority of the executives and officers were male, some respondents were women key/strategic informants for the FSS of business organizations. No significant variation (and/or gendered) response was evident in the information and opinions provided by male and female interviewees. It might be interesting to note, at this conjuncture, that there seems to be an undocumented increase of women employees within FSS units worldwide. Given this, the researcher further observed that FSS units worldwide indeed provide more opportunities for the training of women whose competencies are enhanced by exposure to FSS work requirements. Over the long-term, thus, more women will occupy key/strategic positions in FSS units. In this data-gathering process, two women key/strategic informants represented the largest income-generating among the multinationals situated in the retail and energy sectors which are not traditional and conventional positions for women based on their industry configuration. The combined incomes of the companies they represented constitute more than half of the combined income of the remaining respondent companies represented in this study. The third woman key/strategic informant was from the fashion sector which a conventional professional career placement for women.

3. Majority of the respondents could not provide exact quantitative information “off-the-cuff” to substantiate their statements. Indeed, some of the respondents while even as they occupy important positions, might have, at that conjuncture, no authority to release this genre of information.

4. Responses of key/strategic informants were significantly informed by the longevity of their exposure to the FSS, their positions in the FSS units and/or business organizations,
their familiarity with business practices within the industry and its requirements and their length of service in the company. A number of respondents, in fact, used and referred to industry requirements and standards (particularly for those within the automotive and banking industries) to determine success and effectiveness of their FSS initiatives;

5. The structure of the interview was mediated, in some frequency, by more intense and animated discussions and first-hand narratives focused along the areas of expertise of the respondents, their struggles to enhance the effectiveness of the FSS, and the tensions between the local units and the business organizations over issues of decision making and policy implementation which included the limitations imposed by local legislations and unions over the wage question.

3.7 Sampling

The researcher assumed that conducting face-to-face interviews with an adequate number of shared services professionals would be possible within a prescribed timeline and that participants would be willing to provide the necessary information which would make detailed analysis possible.

The researcher identified target companies within a given timeframe and retrieved required secondary data fields necessary for analysis, validation, and triangulation. The resource requirements were within the researcher’s control and the allocated timeframe was sufficient within which to collect all necessary information.

This in-depth research was limited to a small number of companies operating financial shared services located in Europe. The reality that each company is operating at a different level of maturity and point in time from the adoption of the shared services strategy was affirmed by the data gathering process. Hence, it is possible that some of the findings might not be applicable to companies of all sizes and operating in different industries. The findings confirmed that financial shared services is a proven model, but at the same time is a complex journey and many companies fail to implement and utilize an appropriate FSS model that minimizes risks resulting in failure.
Target companies and individual prospective respondents were available, willing to participate in the research and provided necessary documentation within the specific timeframe. The key/strategic respondents appreciated the privilege and opportunity to participate in a research project. The prospect of special access to research findings of the study and the opportunity to avail of FSS maturity scans provided sufficient motivation for organizations and individuals to accept this challenge to contribute insights to the research project. No other incentives were offered for participation in this research.

The sample size of 17 companies represented by a minimum of the same number of business leaders resulting in a minimum of the same number of interviews provided sufficient data to formulate a reasonable degree of generalizations within similar size companies operating in the same industry and to ensure that report findings were consistent and conclusive.

After the completion of pre-test procedures, the final samples were selected from among the executives and/or officers of different Europe-based FSS and the companies they represented cutting across industries (Figure 3.1). Once the list was finalized the researcher initiated the first interaction with prospective respondents randomly selected via LinkedIn network based on their current job title. The second interaction with the most of the prospective respondents involved in this research was a meeting between the researcher and prospective respondents at shared services conferences in Noordwijk, The Netherlands which took place from 18th–20th September, and Budapest, Hungary from 25–26 September 2013. This conference was attended by more than 600 of Europe's leading CFOs, Financial Controllers, Global Business Services Leaders, Shared Services Heads, BPO Contract Managers and CIOs responsible for Shared Services Strategies. During this meeting the researcher managed to secure agreements of understanding and participation from majority of the prospective respondents. The selection approach used for this research is depicted in the Figure 3.4.
The initial invitation was extended to 53 participants representing companies that operate shared services in Europe. Unfortunately, because of various reasons the interviews were conducted only with 18 people who satisfied the research criteria and accepted the challenge, resulting in a successful participation rate of 34%. The research was scheduled for completion by mid-Jun 2014 and because of unforeseen circumstances and unavailability of business leaders, the data gathering was extended until early 2015.

The researcher at the end selected 18 respondents who are executives and officers from 17 multi-national business organizations cutting across industries which managed shared services centres located in Europe (inclusive of the Russian Federation). As depicted in Figure 3.5, the researcher finalized the interview schedules and the documents required for the process as part of the data gathering preparation.
Figure 3.5: Initiation Approach

Source: Developed for this research.

The respondents were Vice-Presidents (5), Managing Directors (2), Directors (6), and Heads (5). 13 industries represented in these interviews were the following: Medical Technology (1), Apparel and Fashion (1), Food (4), Technology (1), Assurance (1), Energy (1), Healthcare (1), Hygiene (1), Auto (2), Telecom, Retail (1), Banking (1), and Insurance (1). These 17 multinational business organizations have their main offices in Europe and the United States: Denmark (1), Germany (2), the Netherlands (1), Russia (1), Sweden (2), Switzerland (2), the United Kingdom (2), and the United States (6). The 29 shared services centres under discussion are located in the following countries: Poland (8), Germany (7), United Kingdom (4), Hungary (3), The Netherlands (2), Ukraine (1), Sweden (1), Spain (1), France (1), and Russia (1).

The interviewees represented 17 multinational companies whose combined revenue exceeds $1 trillion dollars converted from the original currencies into USD using the mid-market rate in April 2014. The companies represented in the sample have their head offices in eight different countries as indicated in Table 3.1. Most of the companies approximately 2/3 are European-based and have combined revenue in excess of $814, 673 billion or some 81% of the total revenue represented by the total number of research samples. The other 1/3 of the
companies, six of them in total have their head office in USA and a significant footprint in European region.

As earlier mentioned most of the companies or 2/3 of the total have their head offices in Europe and operate shared services centres in the European region. Hence, a total of 29 share services locations is managed by 17 respondent companies within the region. The largest number of shared services is located in Poland with a total of 8, followed 7 shared services centres in Germany, and 4 in the United Kingdom. Based on the sample below, 59% of the shared services centres are based in the Western European, the more developed area and more expensive part of the region and the other 41% are found in Eastern Europe. The interviewees responded candidly to the questions previously provided by the researcher which facilitated the conduct of an organized discussion on the gathering of information focused on the major concerns of the problem statement and the research questions.

3.8 Data Analysis Strategy

3.8.1 Data Analysis, a General View

Decisions involving the research process were primarily influenced by the research questions and the type of data collected. However, based on preliminary findings, a general inductive approach for qualitative data analysis was used. As expected, the first review of the collected data from the interviews gave rise to the initial coding list for systematic interview processing. This coincides with the recommendation by Flick (2009, p. 441) who states that coding starts with the first interview and/or field notes.

The codes evolved during subsequent data review and were finalized only during the coding process itself. According to Lapan, et al. (2012) coding involves the classification of elements in text and data that are related to the study topic and are useful for analysis. This naturally develops into an inductive approach to data analysis and further clarifies the research approach.

The purpose of an inductive approach is to condense collected information into a brief summary and to establish clear links between research objectives and the summary findings
derived from the raw data. This facilitates theory-building and the emergence of the underlying structure of experience or processes which are evident in the raw data (Murray, 2003). This is contrasted to the deductive research approach which allows the researcher to formulate a hypothesis by using the existing theory and using information to support its findings. A proposed data analysis approach is to utilize Coding, Reflective Memos and Mind Mapping to reach conclusions.

After the problem statement was formulated, it was validated against identified findings associated with financial indicators like total cost of FSS, gross profit to sales, cost as % of sales, transaction cost, infrastructure cost including system, buildings, communication., etc. on one side and non-financial indicator: quality, data availability, velocity in data processing and closing, customer satisfaction talent pool availability, total headcount, level of standardisation, level of automation (% of EDI), better controls, data visibility and creating a platform for growth on the other. Hereafter, the effect of financial shared services levers, Location, People, Process, Technology and Governance and Organisation and the impact these have on the above identified variables became discernible.

To this end, the NVIVO software was utilized to process the qualitative data gathering results of the individual transcribed interview texts. This procedure was useful in determining how the main concepts included in the research process were clustered based on their individual word frequency count. This indicated the importance of the selected concepts to shared services in the context of each interview (Figure 3.6). This sample software additionally established links between shared services and the concepts of strategy, mandate, business case, change management, location, people processes and controls, technology, organization and governance, and financial and non-financial benefits as well as among these variables.
The use of this software also illustrated through a visual of a sample of cloud formation bearing a main concept in the FSS study and the manner in which it related with other concepts within the individual interviews. Similarly, the configuration established the primary importance of each of the critical levers for success, for instance, people (Figure 3.7) on the main concept of shared services with cost, strategy, process, organization, and company positioned at proximate areas of importance.

**Figure 3.7: Nvivo – Word Cloud**

*Source: Developed for research.*
Tabulations based on the interviews were subsequently constructed to strengthen and verify the data resulting out of the coding system. Similarly, comparative tabulations focused on strategy, mandate, the critical levers of success (location, people, process and controls, technology, and governance and organization), and financial and non-financial indicators were constructed based on the data inputs of all key/strategic informants. The transcribed responses of all 17 interviews were tabulated and classified individually under the following categories: strategy, mandate, change management, location, people, processes and controls, technology, organization and governance, implementation and sustainability, the financial indicators, and the non-financial indicators. Cross-tabulations of the transcribed responses facilitated the emergence of comparisons and contrasts among the individual responses to each category and the formulation of resulting generalizations and/or differences among the respondents articulating their company policies and practices as well as their personal views focused on the FSS.

Once the problem statement was validated by the respondents, it was further examined in the context of findings associated with financial indicators (i.e. total cost of FSS, gross profit to sales, cost as % of sales, transaction cost, infrastructure cost including system, buildings, communication, etc.) and non-financial indicators (i.e. quality, data availability, velocity in data processing and closing, customer satisfaction talent pool availability, total headcount, level of standardisation, level of automation [% of EDI], better controls, data visibility and creating a platform for growth). Most important in this research project was establishing the beneficial and positive effects of utilizing financial shared services levers, Location, People, Process, Technology and Governance and Organisation and the impact these have on the previously enumerated variables.

These codes and tabulations were the bases of the presentation of the findings of the study and facilitated the subsequent analysis of the data leading towards the validation of the research question and the statement of the problem. In addition, a deductive approach was applied to validate the initial findings.
3.9 Data Analysis: Reliability, Validity, and Generalizations

The primary data collection was conducted in a structured way using a number of predefined semi-structured survey instruments administered through face-to-face or over-the-phone interviews. The semi-structured surveys and data collection carried out through interviews were recorded, and at a later stage, transcribed word-for-word for coding and analysis purposes. Additional notes and observations made during the engagement were expanded following individual sessions, resulting in the redefinition of some questions and better prompting in the subsequent sessions. Given the fact that the source of primary data was obtained from respondents directly linked to shared services, in form of written documentation and face-to-face or phone interviews ensured the accuracy and reliability of the information. Furthermore, transcribed data was recorded accurately and cross-checked to ensure that the raw data was captured with precision.

Secondary data was obtained from publicly available sources like corporate web sites, stock exchanges and other written documents. However, before these were used for research purposes, the data was cross-referenced and checked against multiple sources to ensure maximum reliability and accuracy. In addition, further measures were taken at the start with the research questioner and the interviews. These were based on prior research and literature review where FSS was seen as a platform built on the premise of industry best practices designed to achieve high productivity, low employee turnover, better quality and improved customer satisfaction (Tripplett & Schumann, 2000; McReynolds & O'Brien, 2002; Niehaves & Krause, 2010).

To ensure clarity and adequate facilitation skills prior to the interview, the semi structured questions was pretested in a controlled environment and necessary corrections were made where this was required. All interviews were recorded and verbatim transcription produced for analysis purposes.

Given the fact that in-depth research is limited to European-based financial shared services, there might be some issues with formulating generalizations that apply globally. Therefore, to validate in-depth findings and the formulation of generalizations focused on the
findings a further analysis of a wider selection of respondents might be required. Indeed, the findings apply to organizations of a similar size operating in related industries and geographical locations.

3.10 An Overview of the Three-Stage Analytical Process

The data analysis methodology for this research project is fundamentally based on data segregation of the responses focused on how the information derived from the 17 interviews might be utilized to answer the hypothesis which seeks to document whether, as a proposed model, the use of strategy, mandate, and the five levers of success, from the perspective of the respondents, results in effectiveness and success in FSS operations. This analytical method evolved out of the goal of maximizing the results using the inductive method to capture all possible nuances of information that can be derived out of the interview as a data gathering instrument. While interview is conventionally perceived as a method for qualitative data gathering, this analytical method modified and transcended this traditional appreciation of the value of the interview instrument by seeking to extract quantities derived from the responses of the interviewees.

Thus, the most important aspect of this analytical process, therefore, was to derive quantities from qualitative (interview) responses. The information derived from the application of what is conventionally regarded as a qualitative method for data gathering was analysed in terms of frequencies of responses and the results were presented in a modified Likert scale. The analytical process focused on how closely the company followed a defined model and the results they achieved represented in quantitative terms. For instance, a scale showed how many out of the 17 respondents agreed that strategy lies at the core of FSS effectiveness, and in fact, whether this was used in their shared services journey and the results it achieved. The scale showed how many interviewees disagreed to the primacy of strategy in FSS implementation as well as other variations in the responses of the 17 interviewees to this item and the effectiveness associated with it.
The next stage in the analytical process strengthened the validity of the quantitative information that has been segregated and tabulated. Quotations or statements made by the respondents during the interviews were discussed and analysed in the accompanying expository-theory building texts in the hope that the analysis method captured information that might have otherwise escaped notice. The most important result that was derived from this stage of the analytical process was the documentation of the specific reason for the effectiveness of strategy in the context of the corporate-FSS experiences of each respondent and its implications on the FSS practices within the respective industries in which the respondent companies were based. The expansion of these goals embedded in strategy enriched the model proposed by the statement of the problem of this research project as illustrated by sample Table 3.5.

**Table 3.5: Strategies Deployed**

<table>
<thead>
<tr>
<th>Strategy</th>
<th># of Occurrences</th>
<th># of Occurrences in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce the cost or be more cost competitive</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standardize/harmonize process</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improve the customer focus</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To support the growth</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuous Improvement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Focus on quality</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maximizing the current pool of resources</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial share strategy to improve controls</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improve the agility, flexibility or/and scalability</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In the discussion of strategy, this method of data analysis identified the goals of FSS implementation which, in the context of related literature predictably ranged from financial and non-financial benefits (Shah, 1998) and/or corporate growth and expansion initiatives and the effective strategies deployed by the respondent companies.

A meticulous analysis of responses focused on strategy included, as a consequence, sub-discussions on leadership, leadership-style, centralized structures, the egalitarian or highly
centralized decision-making processes within respondent companies and their infrastructure, the level of competency of available human resources, evolution of the strategic initiative vis-à-vis a non-strategic initiative, among others. This is illustrated by two sample comparative charts below focused on strategic and non-strategic initiatives which describe characteristics of both those approaches and what the company respondents believed their impact on the effectiveness was. Furthermore, an analytical attempt was made to illustrate the possible areas of risks in the deployment associated with strategic vis-à-vis non-strategic initiatives of FSS.

This proposed data analysis process, thus, was composed of the following: (1) data segregation; (2) quantification-frequency count with graphic illustrations; and (3) exposition and theory-building substantiated by quotations from the interviews. This analytical process was applied separately for the different components of the proposed FSS model for effectiveness: strategy, mandate, and the critical levers of success focused on the individual variables: people, location, processes and controls, and organization and governance. These components of the model were closely examined in the contexts of the financial and non-financial benefits generated by the implementation of the FSS. Hopefully, after the completion of the steps in the analytical process, the points of intersection among these components emerged and converged into a coherent configuration affirming the validity of the proposed model of FSS effectiveness and success composed of strategy, mandate, and the critical levers of effectiveness (people, location, technology, process and controls, and organization and governance).

The three-stage analytical process as applied to the topic of mandate, on the other hand, showed, in quantifiable terms, which of the respondent companies were mandated and which are not. More crucial were the variety of reasons why such companies were mandated or not mandated. Equally important was the discussion on whether the mandate brought more benefits, both financial and non-financial to the respondent company and the FSS vis-à-vis a non-mandated company. Another possible area of discourse was the structure of mandated companies vis-à-vis non-mandated companies and how resources were deployed and distributed to best achieve the goals of specific FSS operations. Lastly, the application of the analytical process rationalized why companies shift from non-mandated to mandated shared service initiatives and how one such shift was completed in compliance with infrastructural and resource and human
capital requirements. Thus, Table 3.6 illustrates the configuration of the possible quantification of variables discussed which relate to mandate.

Table 3.6: Use of Mandate

<table>
<thead>
<tr>
<th>Strategy</th>
<th># of Occurrences</th>
<th># of Occurrences in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mandate as a prerequisite for SSC success</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mandate as implementation of SSC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Both: From No to Yes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Partial Mandate: Business unit Mandate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No Mandate – Consensus</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The three-stage analytical process focused on the critical levers of success specifically focused on location provided quantitative information regarding the sub-regional sites of shared services of respondent companies between Western Europe and Eastern Europe. In this context, quantitative information on the emerging reasons for the choice of locations were tabulated and analysed. The possible rationalizations for the choice of locations ranged from company culture, cost-effectiveness and competitiveness to the availability of competent human capital with multilingual skills. Contextual variables like peace and order and security, the impact of local laws and legislation and arbitrage, and the likelihood of the occurrence of calamities played significant roles in the choice of locations by respondent companies.

A qualitative and graphic discussion and the quantification of information for people as a critical lever of success in FSS operations focused on the following shareholders: the human capital within the respondent companies and its customers and clients and the talent pool available in certain locations. This critical levers of success was informed by the extent of staff participation in decision-making processes, benefits and incentives and the impact of workers councils and labour legislation on the human resources of respondent companies. Customers, on the other hand, showed sensitivity to the quality of service delivery and cost-effectiveness. These variables were significant in the application of the three-stage analytical process.

The application of the three-stage analytical process on the data focused on process and controls significantly highlighted FSS goals of centralization and standardisation and the
utilization of various technologies available like the ERP to complete this process. The use of these analytical tools on the transcribed interviews indicated whether the respondent companies appreciated in quantitative terms the contribution of process and controls towards enhancing the effectiveness of FSS operations.

The application of the three-stage analytical process on technology as a lever of success highlighted a number of quantifiable bases of information including the constant shifting and frequently expensive, technologies available to fine-tune FSS operations. Access to these technologies depended on the capacity and resources of the respondent companies. Thus, in this context, a number responding companies affirmed the importance of scalability and/or, alternatively, asserted that, at the end of the day, competent people are excellent and inexpensive substitutes for limited access to these technologies. Others might yet insist that people and not technology are the real drivers of process control and standardisation, or invoke a clear avoidance of technology dependence and the expense of needless investment, or assert that customer satisfaction is the final arbiter of what changes need to be made and which technologies might be utilized.

The application of the three-stage analytical process on organization and governance focused on routine business practices within the operations infrastructure which included regular scheduled meetings, the SLA, the KPI, good communications system, among others, which ensured the effectiveness of shared services. Emerging variables emphasized the importance of efficient governance structure, an inspiring and dynamic leadership, the value of passionate and committed employees, and the efficiency of the communications system.

The final area of discussion in the analysis of data focused on the financial and non-financial benefits showed effectiveness that resulted from the use of the proposed FSS model composed of strategy, at its core, mandate, and the five critical levers of success: location, people, process and controls, technology, and organization and governance as articulated by problem statement

A quantitative presentation of the information derived from the interviews of the 17 respondent companies on the financial and non-financial indicators provided substantial data on
the effectiveness of the proposed model as illustrated by a sample tabulation of the results of the data gathering on the indicators shown in Table 3.7.

**Table 3.7: Sample of Non-Financial Indicators**

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Total Score</th>
<th>Growth</th>
<th>Cost competitive</th>
<th>Process improvement</th>
<th>Standard process</th>
<th>Customer Service</th>
<th>Internal controls</th>
<th>Flexibility/Agility</th>
<th>Data availability</th>
<th>Talent Pool</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>20</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>2</td>
<td>20</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>3</td>
<td>20</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>4</td>
<td>20</td>
<td>no</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>5</td>
<td>18</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>6</td>
<td>18</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>n/a</td>
<td>n/a</td>
<td>yes</td>
</tr>
<tr>
<td>7</td>
<td>16</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>n/a</td>
<td>yes</td>
</tr>
<tr>
<td>8</td>
<td>18</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>n/a</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>9</td>
<td>16</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>n/a</td>
<td>n/a</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>10</td>
<td>14</td>
<td>n/a</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>11</td>
<td>12</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>12</td>
<td>12</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>n/a</td>
</tr>
<tr>
<td>13</td>
<td>12</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>14</td>
<td>12</td>
<td>n/a</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>n/a</td>
<td>yes</td>
<td>n/a</td>
<td>yes</td>
</tr>
<tr>
<td>15</td>
<td>10</td>
<td>n/a</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>n/a</td>
<td>yes</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>16</td>
<td>10</td>
<td>yes</td>
<td>no</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>yes</td>
</tr>
<tr>
<td>17</td>
<td>6</td>
<td>yes</td>
<td>no</td>
<td>yes</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

In sum, the three-stage analytical process as applied to the critical levers of success resulted in this quantifiable information focused on respondents whose companies have used all, some, or those which have never found beneficial use for them. An application of this analytical process affirmed a renewed appreciation of people, their competence and commitment vis-à-vis dependence on technology or a low-cost and efficient option. This appreciation of people in the context of an effective FSS converged with location choices that offer a wider supply of young and competent multi-lingual talent pool at lower cost. On the other hand, respondent companies showed a strong awareness of the strategic importance of customer satisfaction as the leitmotif of all FSS growth initiatives.

Most importantly, this three-stage analytical process illustrated through the examination and quantification of the information on financial and non-financial indicators derived from the interviews that effectiveness was achieved through the adoption of the proposed model composed of strategy, at its core, mandate, and the critical levers of success: location, people,
process and controls, technology, and governance and organization in FSS operations as articulated by the statement of the problem of this research project.

3.11 Summary

The interview technique, an example illustrating the inductive method, validated the hypotheses focused on the effectiveness of the use of strategy, mandate, and the critical levers of success in FSS units established in Europe which constitute 64% of shared services centres worldwide.

Through the use of a semi-structured questionnaire with a considerable amount of flexibility to ensure accuracy, validity of responses, and a discussion of personal insights, the instrument was administered to 17 respondents from business organizations and/or FSS units. The interview texts, as transcribed, were processed through the use of tabulations and cross-tabulations supplemented by the NVIVO software which produced the illustrations showing the inter-relationships and interdependence among the major concepts of the study.

To maximize and enhance the value of the interview as an instrument for data gathering, this dissertation research project utilized the three-stage analytical process composed of the following processes: (1) data segregation; (2) quantification-frequency count with graphic illustrations; and (3) exposition and theory-building substantiated by quotations from the interviews. This analytical process was applied separately for the different components of the proposed FSS model for effectiveness: strategy, mandate, and the critical levers of success focused on the individual variables: people, location, processes and controls, and organization and governance. These components of the proposed model were discussed and analysed in the contexts of the financial and non-financial benefits generated by the implementation of the FSS. This section provided an overview of the steps in the analytical process, the points of intersection, and the convergence of the variables into a single coherent configuration affirming the experiential and quantitative validity of the proposed model of FSS effectiveness and success composed of the elements of strategy, mandate, and the critical levers of effectiveness (people, location, technology, process and controls, and organization and governance).
Chapter 4: Data Analysis and Discussion

4.1 Introduction

The previous chapter provided justification for the approach utilized in the research and discussed in detail the research methodology used to analyse the data derived from the application of the instrument. Chapter 3 also described the various methods used to process the data in support of the pre-established research questions. This chapter presents a brief description of the data and the results of the data analysis and the application of the research methodology in the task of providing answers to the research questions focused on identifying “the key drivers of effectiveness of the Financial Shared Services model in Europe.”

This chapter applies the findings from the research, and most importantly, validates the model as a viable option for the continuous improvement of FSS effectiveness in the region. Thus, this validated model is important and useful for companies regardless of the maturity stage of their FSS journey. Utilizing the results of this research, this chapter presents an enterprise strategy that seeks to realize the most fundamental business objective to increase stakeholders’ value, and how effectiveness is best achieved by applying this proposed model to an FSS initiative. To maximize both financial and non-financial success, strategy is crucial in continually driving improvement within the FSS operations. In addition, it keeps business focused on what is important and ensures that resources are properly utilized and deployed in the right direction. In sum, this chapter presents evidence derived from the findings of the research process that the best results are achieved by having a clear mandate.

Because of the scale and complexity of changes that come with the application of FSS, in particular, during the infancy stages when many stakeholders are affected, this chapter asserts that having a corporate mandate is necessary for the success of the endeavour. For the same reason, success in driving operational efficiency findings demonstrates that FSS is a two-way street, with both parties making a commitment to work together to achieve this objective. To help FSS move along the efficiency scale, this chapter shows a continuous need for utilizing the various levers.
Using levers such as People, Process, Technology, Location, Organization and Governance ensures that the adoption of FSS will achieve the ultimate goal and deliver the results set out by the strategy. Chapter 4 illustrates that having the right people with the necessary skills at every step of the journey, regardless whether a company is just starting to implement the FSS or is already very mature, guarantees success. Process improvement and process standardisation are the most common benefits of FSS however; companies achieve some level of benefit before they embark on the FSS journey, while others do so after adopting FSS.

Technological advancements and constant changes in legal and business requirements compel all companies to consider system upgrades and technological changes. This chapter presents cases where technology was the enabler of FSS and vice versa. However, the effort of implementing and upgrading systems centrally is different and less costly. This gives companies more flexibility to sustain and remain current with the technological advancement and constant change. Chapter 4 reveals that the use of levers is a never-ending journey, and presents cases where companies regularly not only change processes and technology but also change locations.

Findings presented in this chapter demonstrate that location plays a very important part in achieving FSS goals and is one of the largest contributors to overall savings. This appears in various forms, starting from leveraging location within a country, a nearby country or in some cases a combination of both. In some instances, more mature centres retain a small portion of high-end services in Europe, and then move out financial services to lower-cost countries. Chapter 4 presents how organizational maturity affects overall efficiency and how some companies leverage various locational options and refine choices of location as they mature.

The fourth element of the ideal model represented by organization and execution is evident in light of various models adopted by the respondent organizations. Basically, to initiate and effectively implement financial shared services, strong organizational support and swift execution are absolutely necessary. However, once FSS is implemented and integrated in the operational organizational structure and governance, in order to remain effective and dynamic, FSS must continually challenge existing operational efficiency.
Finally, this chapter presents the impact of the ideal FSS model on the effectiveness indicators by ranking the level of structural efficiency of sample business organisations on each of the four elements of the FSS ideal model. The ranking is measured using a 5-point Likert scale ranging from the highest rank (5) assigned to those organisations which extensively, but not necessarily, used all available tools or components of the model, and the lowest rank (1) to those organisations that demonstrated little or no use of available tools. This chapter concludes with a discussion on the outcome of the research and a number of proposals for further study.

4.2 Description of data

4.2.1 Description of the Sample Data

This research is based on in-depth interviews of senior management professionals responsible for managing Financial Shared Services for large multinational corporations based in Europe and North America. Eighteen face-to-face and/or phone interviews were conducted with leaders and organization heads from 17 organisations operating with a minimum of one FSS in Europe. Although there were 18 respondents, two represented the same organisation and shared the interview process. The respondents’ positions within their companies varied from Vice Presidents, Operation and Finance Directors to Heads of Shared Services. Interviews were conducted during the period from 28th November 2013 to end of 2014. Further follow-up interviews were made where needed, extending the interaction period with the interviewees to early 2015. The seventeen multinational organisations who participated in this research had combined revenue of about US$ 1 trillion in 2013. Multinational organisations selected for participation in this research have head offices in the USA (6), Switzerland (2), Germany (2), UK (2), Sweden (2) and one each in Denmark, The Netherlands, and Russia. Europe-based organisations (about 65% of the sample) had combined revenue of about US$ 0.81 trillion or about 81% of the total revenue of the respondent companies. US-based organisations also have significant footprints in the region including at least one financial shared service in Europe.

Organisations included in the research sample were widely dispersed in terms of industries: The respondent companies represented 13 different industries with the largest
proportion (3 out of 17 or 18%) operating within the food industry. Other respondent companies represented insurance (2), automotive and machinery (2), technology (1), apparel and fashion (1), banking (1), energy and petrochemicals (1), telecom (1), healthcare (1), hygiene (1), retail (1) and assurance (1). These selected Europe- and US-based multinational organisations operate a total of 29 shared service centres in Europe. These companies also operate FSS outside Europe, which are not included in this discussion. The largest number of FSS are located in Poland (8), followed by those in Germany (7) and the UK (4), as illustrated in Table 4.1. This table shows that about 59% of the share service centres are based in Western Europe, which is the more expensive part of the region. The remaining 41% are located in Eastern Europe.

**Table 4.1: Breakdown of the Shared Services Locations in Europe**

<table>
<thead>
<tr>
<th>Shared Service Locations</th>
<th>29</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poland</td>
<td>8</td>
</tr>
<tr>
<td>Germany</td>
<td>7</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>4</td>
</tr>
<tr>
<td>Hungary</td>
<td>3</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>2</td>
</tr>
<tr>
<td>Ukraine</td>
<td>1</td>
</tr>
<tr>
<td>Spain</td>
<td>1</td>
</tr>
<tr>
<td>Sweden</td>
<td>1</td>
</tr>
<tr>
<td>France</td>
<td>1</td>
</tr>
<tr>
<td>Russia</td>
<td>1</td>
</tr>
</tbody>
</table>

4.3 Discussion and Analysis

4.3.1 Impact of corporate strategy on the effectiveness of the FSS model in Europe.

Considering the complexity and their impact on people and corporate culture, shared services initiatives need a concrete and systematic corporate strategy to ensure success and a positive outcome. Some companies chose to define implementation of shared services as a strategy in its own right, supporting growth, standardisation, simplification, automation, cost reduction, customer satisfaction, and the strengthening of internal controls. On the other hand,
some companies placed shared services as an integral part of a greater organisational transformation, and a critical component of a future operating model to achieve corporate goals. Ostensibly, strategy formulation is the first step in the adoption of the Financial Shared Services (FSS) model.

Figure 4.1 as formulated in Chapter 2 earlier, illustrates that strategy lies at the core, and informs all other elements and key factors that ensure the success of FSS. All (17 out of 17) interviewees confirmed that for effective outcomes, FSS and its implementation process must be guided by the corporate strategy and a corresponding structured or systematic plan. Although some interviewees qualified their responses based on their experiences with shared services, consensus is evident that this model with strategy at its core inevitably produces the greatest positive and beneficial results. Respondent 11 argued that shared services are so important for global companies to improve the bottom line, that it actually becomes a strategic benefit in itself, “if you’re a global corporation, it can be tremendously value added to your company and actually become a strategic benefit.”

Moreover, Respondent 11 confirmed the importance of corporate strategy and stated that “multi-national companies, international companies that haven't thought of shared services I think are crazy.” Indeed, corporate strategy that defines the importance of shared services through responsible and decisive leadership sets into motion the other steps in the FSS paradigm which includes change management, business case, the levers for success, and implementation and sustainability which are considered the key drivers of FSS success. To strengthen the argument giving primacy to strategy, Respondent 1 asserted, “Once the strategy is outlined then the next step is business case.”

4.3.2 Interviewees differed regarding the order of individual elements of the paradigm. Some interviewees (Respondents 1, 2, 3, 7, 12, 13, and 14) questioned whether step two “Change Management” and step three “Business Case” should be interchanged. These respondents believed that once the strategy is outlined at whatever level, the next step should be the adoption of a business case. They argued further that it would be difficult to start a change management unless the business case is clearly defined with only very few people knowing
about the strategy. One of the interviewees, Respondent 13, stated, “It’s a very high secret project as you can imagine. Once the business case is approved then the change of management starts.”

Similarly, Respondent 2 argued that they needed a business case to initiate change management and convince the old board members that the shared services should be centralized: “We needed to convince old board members… and share the business case.” Respondent 1 also explained how the business case should always be the first and most concrete step for FSS. This must be undertaken after establishing a sound corporate strategy. In this context, Respondent 1 also contributed this insight to the discussion on the sequence of steps to be undertaken to ensure a successful and productive FSS: “Once the strategy is outlined, the next step is business case and there cannot be a change of management before the business case… Once the business case is approved then the change of management starts.”

On the other hand, some respondents stated that depending on the strength of corporate strategy and what is most important to the enterprise, the business case may be less relevant. Respondent 6 commented that the business case should not be just about shared services but actually changes the focus of the entire organisation. This is specifically true for cases where companies utilise FSS to strengthen internal controls, in particular, those companies which are subject to an internal control environment mandated by the Sarbanes-Oxley Act. The Sarbanes-Oxley Act of 2002, also known as the Public Company Accounting Reform and Investor Protection Act and more commonly called Sarbanes-Oxley or SOX, is a US federal law that sets new or expanded requirements for all US public company boards, management and public accounting firms. This Act enforces greater controls to protect investors by improving the accuracy and reliability of corporate disclosures made pursuant to securities laws, and for other purposes.

Whilst an improvement in internal controls in some cases may be mandated by law in order to protect investor’s interest, the primary concern is based on an increase in the use of electronic data interchange and the development of more sophisticated digital imaging systems to prevent fraud. Respondent 17 stated that in his company, they “strengthen internal controls.”
Thus, with a clear strategy that outlines critical success factors, the business case is more about the realization of non-financial benefits than anything else: “If your strategy is clear and specifies that this is one of the critical success factors..., then business case is just a base around things like being more agile, being more flexible in terms of adapting to economic changes, being more scalable, rather than hard figures and dollars.”

All respondents were unanimous in asserting that effectiveness of the shared services depends on the number of levers utilized in the transformation, as well as the quantity and quality of financial and non-financial benefits that accrue to the enterprise.

**Figure 4.1: Critical Steps and Levers of Effectiveness**

![Figure 4.1: Critical Steps and Levers of Effectiveness](image)

*Source: Developed for this research.*

The FSS model in Figure 4.1 provides a basic paradigm consisting of steps flowing from the adoption of a corporate strategy, and shows that many variations in priority and intensity in achieving the FSS goal(s) among business enterprises exist. Respondents 1, 2, and 5 observed that in their own corporate contexts, the presentation of a business case precedes the adoption of
strategy. In some instances, the idea of the FSS was generated from the grassroots, from middle management, or from some business units, according to Respondents 2 and 17. Nevertheless, without being mindful of the sequence of steps in the FSS paradigm, all elements within the FSS units of the respondent companies were present in all corporate projects with varying degrees of priority. The research results indicated that priority was set at individual company level and was not directly linked to the industry, size of the company, or the location from which it operated. However, there was a strong correlation between mandate and the importance of some steps. Furthermore, these variations in the design, planning, and implementation asserted the importance of strategy as the propelling force for achieving the goals of the FSS model.

4.3.3 Strong and clear strategy as a key to effectiveness and success

Although the respondents were divided over which step should come first, initiation of the change management programme or development of a robust business case, the data showed that the Financial Shared Services (FSS) initiative started with a strong and clear strategy. Considering that the fundamental business objective was to maximise the benefits for the stakeholders, the strategy in this context identified the FSS as the vehicle to achieve that objective by setting up a number of country, regional or global service centres. Strategy explicitly defines why a company needs to implement the model and the consequences it may face if it fails to do so. Thus, considering the complexity of the shared services initiative and its impact on people and corporate culture, the journey needs a concrete strategy in order to ensure success and a positive outcome. This was affirmed by 94% of the respondents to the interviews.

Considering the fact that some of the shared services were established more than two decades ago when many respondents were not employees of the company, the research could not conclude how many financial shared service initiatives were considered as an integral part of an enterprise strategy or a strategy in its own right. All participants (17/17) agreed that strategy should define financial shared services as a vehicle to support corporate or business unit objectives of reducing cost and/or being more competitive. Thus, cost is the most important consideration for the success of FSS initiatives, in general. On the other hand, 16 out of 17 respondents confirmed that cost was not always the only objective of their strategy and other factors played equally important roles.
According to Respondent 8 who represented the largest organisation among the interviewees, “shared-services is not just about cost, they’ve been about those additional sources of value and risk-mitigation, concentration of processes, effectiveness, business-continuity, and those sorts of things.” Therefore, to be effective, shared services must deliver value beyond mere cost saving. Respondents’ emphasis was on standardisation and harmonization (11 out of 17), customer focus (9 out of 17), growth (8 out of 17), continuous improvement (8 out of 17) and quality (7 out of 17). A limited number of respondents, 5 out of 17, asserted the importance of a strategy that emphasized FSS as strategic initiative to improve controls and believed that strategy maximises the current pool of resources and improves agility, flexibility and/or scalability within their organisations. Thus, the strategy emphasizes non-financial benefits as well, with a strong top-down approach, structured implementation, and customer focus as demonstrated in Table 4.2.

Table 4.2: Result of Strategies Deployed

<table>
<thead>
<tr>
<th>Strategy</th>
<th># of Occurrences</th>
<th># of Occurrences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce the cost or be more cost competitive</td>
<td>17</td>
<td>100%</td>
</tr>
<tr>
<td>Standardize/harmonize process</td>
<td>11</td>
<td>65%</td>
</tr>
<tr>
<td>Improve the customer focus</td>
<td>9</td>
<td>53%</td>
</tr>
<tr>
<td>To support the growth</td>
<td>8</td>
<td>47%</td>
</tr>
<tr>
<td>Continuous Improvement</td>
<td>8</td>
<td>47%</td>
</tr>
<tr>
<td>Focus on quality</td>
<td>7</td>
<td>41%</td>
</tr>
<tr>
<td>Maximizing the current pool of resources</td>
<td>5</td>
<td>29%</td>
</tr>
<tr>
<td>Financial share strategy to improve controls</td>
<td>5</td>
<td>29%</td>
</tr>
<tr>
<td>Improve the agility, flexibility and/or scalability</td>
<td>4</td>
<td>24%</td>
</tr>
</tbody>
</table>

The respondents’ articulated two main goals in the adoption of the FSS model: financial and the non-financial benefits guided by the corporate strategy. All 17 respondents asserted the importance of cost savings, or being more cost competitive, as evidenced by the adoption of a range of different initiatives in the following areas: low-cost location, more effective processes as result of standardisation, gains from continuous processes improvement, ease of deploying
technology centrally, lower cost of human capital management, tax benefits, government incentives, elimination of redundancies and efficiency gains due to the economy of scale. However, in most cases, these were perceived as the outcome of implementing the shared services strategy rather than the key corporate strategy.

Respondent 8 noted that “when we started it was very much with cost-play, that continues to be important for us but there are other factors that we consider as well.” In fact, they were so cost effective that a company reported one billion USD saving from annually as result of their global FSS initiative. Unfortunately, it was not possible to determine how much of that is related to the European FSS strategy. Respondent 8 stated that “we’re realizing a billion dollars a year, year on year in terms of savings. I haven’t got anything that would specifically relate to Europe.” Respondent 13, on the other hand, stated that “cost is important for company…, it is the most important thing. But just looking at the cost would trigger the wrong decision.” This included reduction in internal controls and additional risk for the company. Respondent 3 observed that part of their strategy for implementing FSS was “the cost reduction and harmonization and quality” and they had to produce a detailed business case to set the targets. Similarly, 5 out of 17 respondents explained that their FSS experiences started as cost-reduction models that eventually evolved into value-added non-profit measures, resulting in improved customer satisfaction, quality of services, and enhanced data for financial statements required for timely decision making. Respondent 1’s experiences showed that cost and headcount were important as financial indicators, but at the same time non-financial benefits also emerged such as standardisation, controls, velocity, and flexibility: “Yes. So definitely, cost, headcount were important… but then some non-financial benefits like standardisation, controls, velocity, and flexibility.”

On the other hand, Respondents 1, 4, 6, 7, 8, 10, 14, and 16, or 8 out of the total 17 respondents believed that the FSS model is an excellent response to the challenges of corporate growth in a globalizing world. In this context, Respondent 7 stated that “at the start . . . . you will eliminate redundancy, be more competitive, meaning reduce costs… then once you’re maturing along the curve, probably accommodate future growth.” Significant insights came from a number of respondents over the issue of strategy defining the importance of agility, flexibility or/and scalability:
Respondents 3, 7, 11, 13, 14, 16, and 17 asserted the importance of creating an FSS centre that is most suitable and appropriate for upsizing or downsizing resource requirements in line with corporate needs. Furthermore, from the viewpoint of Respondents 3, 5, 9, and 11, strategy was the vehicle to ensure FSS effectiveness and long term sustainability in a very competitive market. Moreover, Respondents 4, 8, and 11 observed that the industry base from which they operate also significantly influenced their corporate and shared services strategy and the strategic requirement to build an effective FSS. The respondents also noted that the financial benefits and positive gains from FSS were experienced by their competitors through the adoption of the FSS corporate strategy and servicing finance and accounting remotely. Respondent 11 affirmed that to be more competitive in his industry with FSS, “you get a chance to react more quickly if your revenues fluctuate.”

In addition, the respondents observed that although finance and accounting lie at the core of shared services strategy, the possibilities for opening other functions and services exist. Respondent 8 noted that future areas of growth and diversification include multiple functional service centres for human resource capital management, procurement, customer service, and supply chain management, among others. A productive and effective variation also perceived by Respondent 8 is the location of function-specific FSS for the entire organization in a single area i.e. accounting in London, customer service in Mumbai, procurement in Rio de Janeiro, etc. Another factor highlighted by respondents in order to improve the effectiveness of strategy was to present it in the context of structural strengthening and better utilisation of available resources: Respondents 6, 14, and 17 believed that the strategy where the FSS is attached to an existing facility or its larger organization enhances its chances of success. Clearly, the constant flow of management support and leveraging resources and technologies ensure FSS effectiveness and productivity. Respondents 4, 6, and 14, thus supported the advocacy of a strong centralized organization as a corporate strategy that will ensure a successful FSS journey.
4.3.4 Interviewees recognise the importance of leadership involvement and support.

Although respondents were divided over what constitutes the best strategy for FSS and the ratio of financial versus non-financial benefits and what exactly they were, it is evident that the Financial Shared Services (FSS) initiative among respondent companies started with strong executive leadership. Generally, a charismatic CFO who perceives FSS as a challenge and an opportunity to upgrade the existing organization, people, processes, technology, and the governance structure in line with best practices and a leading organisational model for the industry can make FSS more effective. Therefore, the FSS initiative is portrayed as a critical part of greater organizational change, and a platform (including manpower resources) to support corporate growth in which executive leadership places full confidence. Thus, the initiative uses a structural approach to reach the goal and implement the FSS successfully despite its complexity and the absence of paradigms and business practices. Respondents 5, 6, 8, 13, and 14 presented examples of the advantages of working with a supportive CEO who propels the FSS corporate initiative towards effectiveness and sustainability. Respondent 14 admitted that the change in top management was a pre-requisite in order to see positive developments in the organization resulting from FSS initiatives: “Shift of group CFO with a new mind-set. The old CFO was more conservative and did not really buy into the shared service centre concept and the new CFO was fully supportive of the concept and he wanted everyone to align as soon as possible.”

The overwhelming presence of challenges to implement FSS and the existence of variations in approach how to execute it calls for strong and competent human resources and incisive leadership that articulates and pursues FSS goals with clarity and consistency. It is not surprising that the respondents strongly advocated consistency and an unwavering commitment to the strategic initiative. Some companies initially did not believe in the emergence of some possible difficulties, and in some instances, a need of change in executive leadership. Respondent 17 explained how, in his company, the lack of strong leadership and clear direction resulted in complicated and expensive exercises until the new CFO came on board. Once the new CFO came on board and strongly voiced that FSS “is the way forward,” everything became much easier and everyone wanted to cooperate and align efforts as soon as possible.

Some respondents noted that company leadership and the CFO are the main drivers behind strategy and are directly responsible for its success. Furthermore, team members are
carefully selected, well-trained and well organized for the shared services journey. In the case of a very large global company selected as a respondent in this research, the charismatic CFO who initiated the FSS strategy and successfully deployed and implemented FSS ended up as the CEO of the company. Respondent 8 stated that they had “very clear mandate from the CFO at the time who is now our CEO.” In addition to strong executive support dedicated to drive FSS success, effectiveness of shared services can be further characterised by deployment of the strategy and strong customer focus and emphasis on both financial and non-financial benefits resulting in successful implementation.

A summary of the strategic approach to achieve effectiveness is illustrated in Figure 4.2. Furthermore, 11 out of 17 or 65% participants believed that the strategy for implementing SSC needs to be clearly mandated for organizations to enjoy the full potential of the FSS, and to improve the level of effectiveness. Mandate is discussed and elaborated extensively later in the chapter.
4.3.5 Structured approach and customer focus to achieve effectiveness.

The FSS strategic initiative is a well-structured program positioning the shared services strategy at its core. The preparation period where each and every step is carefully planned minimizes change resistance and maximizes the likelihood of success. The core teams are carefully defined and staffed with the best resources charted to develop a more detailed shared services program plan including the following: a robust business case, specifying the value of shared services and implementation targets; a detailed change management plan identifying the main areas of change and a high level action plan how to address them. These are followed by defining levers of success which include people, process and controls, technology and data, location and the organisational structure and governance model for ongoing customer satisfaction. A structured shared services approach has defined budgets and strict timetables for
the implementation of the program and the imaging of results. Respondents 9, 12, 13, 14, and 15 focused on the importance of the FSS management team and its workforce as the centrepiece of the effectiveness of corporate strategy. Team members, for instance, are carefully screened, trained and organized to implement the FSS plan. Hence, the quality and efficiency of the transformation team, an upgraded workforce, operational management and the deployment of efficient service delivery models are the key components for effective FSS as noted by Respondent 14.

Strategic shared services initiatives are customer focused; however, the initiative is looking not only at the business unit level but also the enterprise as a whole and the value that it will generate for its shareholders. One important aspect of an effective FSS is its impact on people and how they are perceived and articulated by corporate strategy. The importance of employees as stakeholders, external shareholders, and customers cannot be underestimated in the FSS process. Respondents 13 and 14 expressed the view that the upgrading of people or the FSSC workforce is the single most important focus of corporate strategy as the lynchpin of subsequent undertakings in the other levers: technology, location, processes, governance, organization, and implementation. Active stakeholder participation or “walk people along” the FSS journey as advocated by Respondent 12, has profound implications on the options available to change management in this context. Respondent 15 explained importance of communicating impact of strategy with his company and its focus on “people, process, and systems.”

On the other hand, 53% of respondents believed that improving customer focus is an excellent orientation to ensure the success of effective FSS. Respondent 12, for instance, emphasized customer focus as a significant lever of success for FSS which gives priority to “what the customers need, and not what the organizations want.” Respondents 12 and 5 added that customer focus is amplified by their motto “customer is the king” and FSS should be built to provide the services based on customer needs, not based on what others think our customers potentially need. In addition, the success of effective shared services is seen, ultimately, as the joint responsibility of the shared services and business as partners in driving the success and delivering the value to the enterprise and its shareholders. Respondents 5, 6, 16, and 17 asserted that maximum benefits can be derived from the synergy by constant communication between the
FSS and the local organisation, pointing that FSS is an integral part of a future operating model. Respondent 6 stated, “more that you're a partner to the business as opposed to seen as a contractual third party, the better.” Thus, financial transformation is a planned systematic process where each party delivers its product and ensures the greater and long-term well-being of the enterprise and improves shareholders’ value.

4.3.6 Emphasis on Financial and Non-Financial Benefits

Given the fact that a shared service is a part of a strategic initiative, the value defined for shared services is made of equally important financial and non-financial benefits. The financial benefits are the achievement of the cost savings targets, conservatively set between 10-50% depending on how companies decide to utilize the levers of shared services effectiveness. Non-financial benefits are measured by the utilisation of FSS elements offered by the model. This is most evident is the case of Respondent 10 where the company defined effectiveness by taking out accounting and finance from 49 countries, across the world, including those with a very low labour cost into a single location in UK, where the revenue accounts for 50% of the business. Thus, in this case effectiveness was defined by ability to serve all their business units from UK and maintain the FSS in their dominant market. This is an acceptance of the fact that cost benefit of doing so will be minimal at around 10%.

The research shows that the KPIs used to measure shared services financial success included reducing the cost per transaction, meeting the cost as a % of sales targets, and in some cases beating the available benchmarks. On the other hand, non-financial benefits equally played important roles, and increasingly amplified the need for shared services, especially in the improvement of internal controls, process standardisation, and the automation of financial processes.

Respondents’ experiences, on the other hand, provided a comprehensive list of financial and non-financial indicators on the effectiveness and success of FSS corporate initiatives: The respondents enumerated the various positive and beneficial effects of the adoption of the FSS model propelled by corporate strategy: short-term revenue, long-term investments, achievement of financial and non-financial targets were identified by Respondents 1 and 2; whereas synergy,
harmony and cost-reduction targets were mentioned by Respondents 1, 2, 3, 8, and 12; standardisation, by Respondents 4, 10, and 14; improved technology by Respondent 4; constant process improvement and innovation by Respondents 5, 7, 10, 13, and 15; movement toward global shared services by Respondent 5; elimination of redundancy by Respondents 5 and 7; value-added and risk mitigation by Respondent 8; customer satisfaction and trust by Respondents 9, 10, 11, and 12; continuous improvement by Respondents 1 and 17; labour arbitrage by Respondents 2, 4, 9, 11, and 17; flexibility and upgrading and development of people by Respondents 13 and 14; and standardisation of processes, development of people, high quality of service through a service model by Respondent 14.

4.3.7 Implementing FSS as a non-strategic initiative

In spite of all the difficulties in the implementation of FSS, one shared service experience narrated by Respondent 2 affirmed that the FSS initiative, in their context, was undertaken without a clear strategy and was a direct response to budgetary or cost cutting challenges. Thus, FSS attempts oblivious of a clear strategy encounter almost insurmountable difficulties in their shared services journey. Respondent 2 confirmed that the FSS initiative in his company was a result of a direct “budgetary pressure” to “survive,” and a strong desire to change the status quo led to the decision to implement Financial Shared Services (FSS) that was not part of corporate strategy. As a result, the company faced significant change management issues and needed a strong business case to gain executive support. Challenges and risks associated with this type of shared services implementation were downplayed and cost savings was the ultimate goal of the transformation. In this case, the opportunity to upgrade the existing organization, people, processes, technology and the governance structure in line with best practices and a leading organizational model was not part of measuring the effectiveness and the ultimate success of the FSS initiative. Thus, a non-structural approach pays very little attention on setting up a proper transformation strategy, change management plans, defining the levers of success, building a robust transformation, and implementation process to reach the goal of implementing a complex FSS successfully.
To prove the value of shared services by cutting cost and reducing headcount, transformation had to focus on the “low hanging fruit” rather than end-to-end efficiency. In some instances, the business unit cost saving was the key driver and the focus of the governance process, with targets that needed to be achieved at all costs. Respondent 2 emphasized that this was a “low cost initiative” and moving to a tier two city with 30% lower labour costs had immediate benefits. However, in the second year, the FSS only managed to effectively save 10% compared to the original cost. Thus, the obsession for cost reduction alone sometimes can lead to creation of additional work somewhere else in the organization and result in testing the limits of organizational tolerance which could prove fatal for the long-term sustainability of the FSS. In
other words, transformation short-term success and business unit gain could increase enterprise cost and have a negative impact on the long-term FSS journey.

4.3.8 Summary

In summary, 100% of the respondents, composed of corporate executives and officers, affirmed the need to formulate a corporate strategy and a corresponding structured or systematic plan to guide the FSS venture towards a successful implementation and sustainability. Although some interviewees qualified their responses based on their experience with shared services, consensus was evident that this model with strategy at its core inevitably produced positive and beneficial results for the enterprise in creating an effective FSS. Effective shared services strategy is a top-down approach strongly supported by executive management and an engaged CFO. Top-down is an approach where effectiveness is equally valued in the improvement of both financial and non-financial indicators.

For instance, 53% of all respondents believed that increase in customer focus is the measure of success of an effective FSS. On the other hand, 100% of all initiatives, regardless of whether or not this was specifically stated in their strategy, identified cost reduction as the key driver which companies expected to realize in terms of financial benefits and improvement in cost competitiveness.

At the same time, not all companies have a strategy to drive their shared services initiative. In their battle to survive, some have taken a calculated risk to make the first step. Figure 4.4 demonstrates the difference between two initiatives and the impact it has on the journey.
The comparative summary of these two different approaches can be seen in Figure 4.4 above. Respondent 2 confirmed that the initiative at his company was a result of a direct “budgetary pressure” to “survive” and a strong desire to change the status quo. This led to the implementation of Financial Shared Services (FSS) in his own business unit without clear corporate strategy. As result, the company faced significant change management issues and needed a strong business case to gain executive support. FSS leadership exerted significant effort at proving the viability of the initiative to prevent closure. Challenges and risks associated with this type of shared services implementation are enormous, with cost savings being the ultimate measure of its effectiveness and success.
4.4 Importance of Executive mandate as a driver of effectiveness of the FSS model in Europe.

Depending on company culture, economic circumstances, executive leadership style, enterprise and shared services strategy, different companies choose to adopt different implementation and change management approaches. Some companies may choose to mandate the implementation of shared services in order to gain the greatest amount of benefits or to meet budget constraints during tough times. Other companies adopt shared services as a response to strategic needs, changing economic conditions and customer specifications such as supporting business growth, implementing a system, or simply improving internal controls and/or developing agility and flexibility. On the other hand, company culture and management personalities motivate executives to give their finance and operational leaders a choice to decide whether to join the shared services organization. These two radically different approaches have significant influence on the success and effectiveness of the shared services journey and considerably dictate how the transformation resources will be used, and ultimately how the FSS journey will end. Figure 4.5 below explains those two approaches in greater detail.

**Figure 4.5: Mandated vs. Non-Mandated FSS Initiative**

Source: Developed for this research.
Based on the research results, the majority or 65% of the respondents believed that mandate is a prerequisite for a successful shared services implantation. However, Table 4.3 clearly demonstrates variation in both respondents’ personal experiences and the company’s preference to mandate the shared services transformation. Thus, 12 companies, or 71% chose to mandate the implementation of FSS from day one. Even though one respondent was not convinced that mandate was prerequisite for the success, he agreed that mandate is necessary for success. Respondent 3 affirmed that to be successful, “it’s crucial that FSS is mandatory.”

Respondent 4 agreed that “the mandate is by far the best way to do it.” He went on to say that: “You really need to approach it from a top-down perspective versus bottom-up, in my point of view. So it needs to be mandated at the highest levels and that’s where you’re going to be most successful and it will also add to the speed from a transformation perspective as well.”

Similarly, Respondent 5 stated that “the mandate is the most important thing of all” stressing that, “if you don't have that strong mandate…. you're setting yourself up for failure.”

Respondent 9 explained that a “clear mandate and a strong, unmistakable address to the country” is absolutely the right thing to do and “there’s no second solution to that.”

Four other companies or 24% of total companies participating in the research had a different approach to mandate. The two companies operating within the automotive industry had no mandate at the start of their shared services journey, but complications and difficulties in implementing shared services motivated these business establishments to adopt the mandated approach. Respondent 17 asserted that non-mandated implementation resulted in a very complicated and expensive journey ending with the exit of the non-supportive CFO. In his experience, non-mandated implementation costs were “double” in contrast to those incurred later on when the new CFO adopted a mandate approach to implementation. “Mandated… a more centralized approach, where a group CFO would just point out that this is the way forward.”

Similarly, Respondent 10 pointed out that a previous employer who tried both approaches resulted in similar outcomes. He estimated that the cost of non-mandated implementation is more than double; in fact he said “probably 60%,” comparing it to the time when there was only one option. While Respondent 4 explained, “we’ve done it both ways,” initially their shared services were set up as an individual business unit basis, where FSS leaders had to undergo lengthy
negotiation to demonstrate the benefits of FSS. “But now we’re executing more from a mandate perspective and it’s much, much easier.” Respondent 3 explained that:

“If you have to do it on a business unit by business unit negotiation basis, you tend to have non-standard requirements coming into your centres. So you try to customize, if you will, for each individual business unit in order to satisfy their requirements in order to get the work shifted versus employing more of a standardized push-down process. So that’s the cost of time.”

The third group of companies represented by two, or 12%, of all respondents mandated FSS implementation at business unit level. Finally, Respondent 11 affirmed that in the European context mandate may be perceived as something strong; he clarified that they prefer “co-operative style of decision making,” admitting that implementation of the strategy took longer, but once decisions were made, execution was ensured. However, given the industry base, the type of decision making body, and the context from where this company operates, it would seem that this co-operative decision making body is, in reality, the ultimate decision maker. Thus, its decisions are implemented without question. This suggests that in a cultural sense, mandate may not be an appropriate word, but rather might be more appropriately alluded to as decisions from a board, CEO, CFO or other leaders, which to some extent are irreversible and need to be executed with diligence.

Table 4.3: Use of Mandate - Results

<table>
<thead>
<tr>
<th>Strategy</th>
<th># of Occurrences</th>
<th># of Occurrences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mandate as a prerequisite for SSC success</td>
<td>11</td>
<td>65%</td>
</tr>
<tr>
<td>Mandate as implementation of SSC</td>
<td>12</td>
<td>71%</td>
</tr>
<tr>
<td>Both: From No to Yes</td>
<td>2</td>
<td>12%</td>
</tr>
<tr>
<td>Partial Mandate: Business unit Mandate</td>
<td>2</td>
<td>12%</td>
</tr>
<tr>
<td>No Mandate - Consensus</td>
<td>1</td>
<td>6%</td>
</tr>
</tbody>
</table>
In instances where the company mandates the implementation of shared services from the start, the critical elements of shared services implementation like Business Case, Change Management, use of Levers of Success and the implementation approach are prioritized as part the process. Mandated implementation carries significant support from senior management, therefore is widely communicated across the organization affected by the change and beyond. In those cases it is the CFO who is the voice of change, the greatest supporter of the shared services program and therefore directly and indirectly taking charge and setting the example for others to follow.

The finance community reporting to the CFO is not likely to challenge the direction, and in cases where they do, local finance directors and business resource managers are required to show genuine concerns and present the business case for the CFO’s review. Consistent exposure to the message on shared services transformation and its strategic or budgetary importance to the success of the entire business is continuously disseminated at all levels in the organization. As a result, the change management role of the transformation team experiences less resistance, more easily secure buy in from the local business community, and enables its staff to focus on moving the project forward. Respondent 4 comments that, “You get the buy-in at the top and people fall in line and they are more supportive in problem solving to make the initiative successful.”

Embedded within the strategy that organizations use to be successful, the researcher noted that 11 out of 17 respondents agreed that mandating FSS is a prerequisite for its success. However, at a personal level, all respondents believed that the FSS needs to be mandated to enable organizations to realize their full potential. The significant majority of companies in this study operated under a mandated implementation of the FSS. Companies where FSSs are integral parts of the business organizations, as advocated by respondents 5, 6, 10, and 17, displayed a natural propensity towards supporting a mandated implementation of corporate strategy. Moreover, respondents 2, 4, 12, and 14 expressed preference for centralized management structures including decision-making, and found mandated implementation consistent with effective, productive, and sustainable FSS performance.
Preference of Respondents 4 and 6 for a mandated implementation was moored in the experience of a more seamless, non-obstructive process of change and progression. These respondents further noted that mandated implementation is usually characterized by cost-efficient, high impact collaboration and cooperation results within and outside of the companies. While mandated implementation is by no means absolute and non-discursive, Respondent 7 noted that effective results were derived from highly participative mandated implementation practices. One of the most important elements that characterize mandated implementation among the respondents was the strong presence and leadership impact of the CFOs in FSS management.

The transformation team’s change management initiatives in shared services implementation focused on addressing issues caused by the shift to a shared services organization, and the impact it generated among the local employees. Thus, the respondents from the energy and petrochemicals sector resolved issues to move the project forward, including dealing with employees’ issues, labour unions and other regulatory agencies, but most importantly in securing the future for employees where possible. Thus, the discussion shifted from why a facility should join the shared services program to how program management might help the facility to cope with the change. Thus, the debate moved into understanding concerns, training and placing people in new roles whenever this is possible. Respondent 4, in this context, stated that, “people fall in line and they are more supportive, if you will, in problem solving to make the initiative successful.”

Similarly, the business case has a different meaning in the context of a mandated shared services implementation. One respondent suggested when the FSS is mandated; the business case takes on an enterprise view and promotes the greater good of the entire organization, instead of just the business unit. Furthermore, the business case promotes positive gains associated with the shared services program that encompasses both financial and non-financial benefits. In many cases, the value of non-financial benefits outweighed the cost of adopting shared services, especially when it comes to improvements in internal controls, standardisation, and building an agile and flexible organization able to respond rapidly to changing economic conditions and customer needs. FSS is portrayed as an organization that specializes in what it does best and builds a viable future for talent and finance leaders. Respondent 6 explained that once you have a
mandate, “then the business services become the oil or the glue or the strategy of the business for delivery of the broader organisation strategy.”

Mandated shared services implementations carry more weight among those within the finance community, and are likely to attract higher calibre talent. Experienced employees who are competent, technically capable, and morally upright can offer substantial support in successfully completing the complex FSS journey. High calibre people quickly adopt the shared services idea and are willing to go an extra mile to make it a success. This type of person understands the reason for strategic change, and the necessity to respond to the organizational challenge, and keep the company on the front end of organisational change and that failure to respond to this challenge may result in loss of competitiveness and greater loss for all on the board. Thus, 12 out of 17 respondents agreed that mandated shared services implementation efforts move faster and are less expensive to implement. In summary, Respondent 9 added that, “I think there’s no second solution to that.” On the other hand, Respondent 11 explained that “without it makes the whole process longer and much more expensive.” In the experience of respondent 10, non-mandated FSS are 60% more expensive to implement.

4.4.1 Summary

Seventy-one percent of the total respondents where companies started their FSS journey with a clear mandate and affirmed by the fact that others had to adopt the mandate at later point in time concluded that mandate is the key element of a shared services transformation. Having a clear mandate helps lessen the burden placed on the transformation team when convincing internal customers of the value of shared services. It enables the team to focus on what matters the most to the customer from cost, quality, and velocity to customer satisfaction. Delivering financial and non-financial benefits that defines the effectiveness of FSS remains the priority for FSS transformation teams. Focusing on the voice of the customer as a guide for the transformation team builds a partnership and ensures a gentle and seamless transition. Unfortunately, some respondents explained that for various reasons, mandate in some cases was not initially preferred. Only after lengthy and expensive efforts which often resulted in change of leadership, would companies choose to revert to the mandate.
4.5 Impact of Critical Levers on the Effectiveness of the FSS in Europe

Depending on whether a company is starting a shared services journey as corporate strategy supported by clear mandate, the levers of effectiveness are likely to be better utilised. This enhances the chances that companies harvest greater value from the FSS initiative. In some instances, financial and non-financial benefits determine the best way to utilize the levers of effectiveness in the shared services centre, and get the most out of it from cost reduction or savings, as well as the quality of delivery from the customers’ perspective. In other cases where the transformation of finance and accounting services is driven by the desire to improve controls and standardize processes, the key levers focus less on cost savings and more on the process improvement around internal controls. Similarly, in situations where cost is a driver of shared services, implementation focuses on the choice of location and the reduction of headcount in more expensive locations. Thus, cost and headcount are the key indicators of the success of the FSS endeavour.

Success for each company is defined differently, and in most cases not in line with best-in-class definition and practice. The research results indicated that only 35% of companies appreciated and utilized to some extent the full spectrum of available levers of effectiveness. Figure 4.6 enumerates the most utilised levers of success/effectiveness; location, people, processes and controls, technology and data, and organization and governance which ensured the delivery of benefits for their customers and the best possible value.
The other 65% of participants focused on the utilisation of a limited numbers of levers to achieve their goal and for various reasons either ignored, or could not afford to take full advantage that the shared services model offered.

In general, the researcher noted that all five factors are considered significant levers of success (Location, Technology and Data, Processes and Controls, People, and Organization and Governance). The respondents affirmed that the most significant lever of success is people. This was also confirmed by the Nvivo word cloud (Figure 4.7) analysis as the most frequently used word during the interview.
According to data Respondents 2, 3, 6, 7, 12, and 14 believed that the five factors, as enumerated, determined the accomplishments that result from the creation of FSS units in organizations. At the same time, respondents 9, 10, 13, 16, and 17 emphasized the importance of customer-oriented people in the effective functioning of FSS. Respondents 6, 13, 14, and 16 observed that the use of the levers, and their order of importance for companies, depended on the scalability and the size and resources of the business enterprise. Respondents 4 and 5 underscored the primacy of the use of a centralized decision-making model vis-à-vis the choice of location. The difference of priorities informed by scalability and the perception of effectiveness, for example, was evident in the priority given to processes in contrast to other levers by Respondents 3 and 5; technology and data by Respondent 4; compliance and geopolitics by Respondent 11; labour arbitrage, resulting from choice of the location by Respondents 5 and 6; outsourcing by Respondent 7; and service delivery by Respondent 9.
Thus, the conceptual framework introduced in the previous chapter and illustrated by Figure 4.8 below was to some extent confirmed, validating that strategic benefits in the research were primary derived from the use of one of the five levers, which will be individually discussed in more details below.

**Figure 4.8: Conceptual Framework for Maximising FSS Value**

![Diagram of Conceptual Framework for Maximising FSS Value](image)

Source: Developed for this research.

### 4.5.1 Location

Given the fact that the research topic focuses on the effectiveness of shared services operating on European soil, 100% of respondent companies participating in the study managed a minimum of one financial shared service in the defined geographical region. Based on the
research findings, 71% of companies operating the European shared services centres have company headquarters based in Europe. The other 29% are American companies and have their headquarters based in the US. The 17 companies involved in the research operate a total of 29 shared service centres, representing 64% of the total number of service centres operated by all companies. This demonstrates that Europe-based companies are likely to set up their shared services within the Europe region, and potentially forego the chance to fully exploit the global labour arbitrage opportunity.

4.5.1.1 FSSC in Western Europe

The demographic data reveals that more than half of the shared services centres, 15 out of 29 or 52%, were set up in Western European countries. This indicates that obtaining the financial benefits gained by labour arbitrage is possible by migrating finance and accounting functions from expensive tier-one cities like London or Frankfurt, to smaller cities within the same country. This is particularly evident in the case of a German company which organized shared service centres in smaller cities with high unemployment rates, and gained access to a significant pool of young, well-educated people at almost half the cost of the same resource in a top tier city. At the same time, moving the service centre within a country helps to address legal and regulatory requirements as well as cultural and change management challenges.

Respondent 11 explained the cost differential between “people cost in Frankfurt versus people cost or total cost versus total cost, then we had savings probably anywhere between 30 to 50%. This Respondent added that, “East German locations in terms of labour cost are about half of the cost that we have in Frankfurt.” Similarly, Respondent 5 explained that their UK shared service centre is situated in a cheaper city, in this case, Manchester where “the cost of the shared service centre in Manchester as a percentage of net sale value, is around about 0.3 of a percentage point.” Incidentally, the largest number of shared service centres in Western Europe is located in Germany 7 out of 15 or 47%, followed by UK, 5 out of 15 FSS or 33%.

The data disclosed that 80% of shared services centres operating in Western Europe are based in two countries, Germany and UK. These two countries are among the most industrialized in Europe. However, with manufacturing services moving to Asia, they both note a significant drop in the resource industry and high unemployment traditionally industrialized cities. Thus, the shared services centres are taking advantage of the opportunity to fill in the unemployment gap.
Similarly, the data indicates that both UK-based companies participating in the research, despite their international presence, chose to set up their shared service centre only within the UK. Respondent 10 confirmed that his company made the decision to centralise finance and accounting in the UK and from there provide financial services even to a significantly lower cost location across the globe. This particular case demonstrates that the strategic corporate benefit is defined as non-financial value, which outweighs the savings available in low cost countries of Eastern Europe or some South American, African or Asian countries. Thus, the level of financial effectiveness of their success appears to be measured by centralising processes, and providing language capability across the globe. Respondent 10 confirmed that his relatively small team can support all 49 countries in their native languages. Stating that with “107 people, we speak 34 languages.”

The other 20% of shared services are based in the Netherlands where two are located, and one in Spain. It is interesting to note that one of the Amsterdam-based shared services is limited in scope and is significantly smaller from what it was a decade ago when Amsterdam was one of the top shared services locations in Europe. Respondent 15 explained that they “brought all transactional process to Amsterdam, where we had very good talent pool, language, good investment and incentives from the Dutch government and you know by the time we got to early 2000 we got 350 people here.” Because of current labour costs in Amsterdam and the competitiveness of the industry, this company chose to relocate most of its shared services functions to a lower-cost location in Asia.

On the other hand, the second company cited by Respondent 1 which operates shared services in the Netherlands chose to continue to serve all its European subsidiaries from the same location claiming that the Netherlands has the great access to multilingual resources that speak the native language of all their locations at a very competitive rate. Respondent 1 further explained that, “we see there’s a benefit to be in the Netherlands, we have a great availability of local talent in the Netherlands, but also of native speakers, people that are willing to move to the Netherlands to continue their career.” She confirmed that her company managed to “achieve so far 40%” savings by operating FSS from the Netherlands and providing accounting services at “around 1% of total revenue” compared to best-in-class of 0.65%.
### 4.5.1.2 FSSC in Eastern Europe

The analysis of the research data showed that less than half of the shared services centres, 14 out of 29 or 48%, were set up in Eastern European countries. Contrary to the strategy of setting up shared services centres in smaller cities within Western Europe, companies which chose to organize shared services in the eastern parts of Europe did so in the well-established and bigger Eastern European university cities that can produce well-educated professionals with multilingual capabilities. Hence, because the skills and language requirements, obtaining the full financial benefits gained by labour arbitrage was slightly reduced given the premium rates paid to the most suitable employees. Thus, the largest numbers of shared service centres in Eastern Europe are located in Poland, with 8 out of 14 or 57% of the total numbers of Eastern European shared services. In addition, Poland has the overall largest number of financial shared services represented in the research; some 28% of all European FSS centres are located in this country. The second largest representation FSS, of 4 out of 14 or 29%, of all Eastern European Centres are located in Budapest, Hungary.

Similar to the Western European scenario, almost the same percentage of shared services centres included in the sample are located in these two countries. In total, 86% of the participating Eastern European shared services centres are based in Poland and Hungary. This confirms that these two countries are among the most popular countries in Eastern Europe with a significant number of shared services centres and a large number of well-educated and capable shared services employees. Similarly, the data indicates that 100% of Budapest-based shared services centres participating in the research are operated by the US-based companies. Respondent 13 explained that they chose Budapest over 70 other cities across the world and now “Budapest is global SSC, we have only this one at the moment.” He continued to explain that in fact, prior to setting up FSS in Budapest services were provided by a BPO in India:

“India is much, much cheaper than Budapest. Nevertheless we’ve brought those processes in, originally this was a cost neutral so we weren’t even able to bring those processes in at the same cost than the bill that we would pay the BPO but since then we have probably reduced this team probably by 35%.”

Poland was the preferred location for Europe-based companies that chose to leverage low cost labour in the neighbouring country to maximize the financial benefits resulting from their shared services journey. Respondent 12 representing an American company attributed this to
hard work by the Polish government to attract new FSS saying that, “when you go to conferences and you see Poland often represented and the politics stays, they are really pushing it.”

The remaining two Eastern European shared services are based in the Ukraine and in Russia. It is interesting to note that Ukraine is a relatively new member of the European Union and it may take a while to establish itself as a reliable shared services partner. However, a very large Europe-based company operating shared services in Ukraine is convinced that current labour cost levels and access to a great pool of resources is outweighing the geo-political risk the country is currently facing. Respondent 16 justified their decision by saying, “we took the risk because labour arbitrage in Ukraine is very attractive… Just to give you an idea, the cost of the person in Ukraine is 2/3rd of the cost of the same resources in Poland.” On the other hand, the second company operating shared services in the Russian Federation is maximizing the shared services value by moving people out of a very expensive Moscow office and operating centres for its Russian operations in a lower cost area, basically replicating the western European shared services scenario.

The respondents articulated a number of important and salient considerations that contribute substantially to the choice of location as a critical lever to enhance the effectiveness of FSS initiatives: Respondent 1 for instance noted that taxation is an important variable in the choice of location; Respondents 2, 8, and 9 affirmed the advantages of a good location contingent on whether a company requires a less-complex job which pays a lower salary; the availability of a qualified and language proficient labour force is another factor cited by Respondents 2, 6, 7, and 11; the presence of outsourcing options is important for Respondent 6; Respondents 12 and 13 considered government policy, risk mitigation, and political stability as important considerations for effectiveness of location. Evidently, competition among FSSCs within a certain location affects wages and compensation and needs to be addressed to sustain FSS effectiveness according to Respondent 10. Ultimately, company policies and expansion projects determine location choices as discussed by Respondents 13, 14, and 17.
4.5.1.3 Summary

The research results indicate that preference for location predominantly depends on the company culture and to some extent the ownership of the company. Respondent 9 explained that this preference is based on the availability in Europe of the labour force for complex jobs and Respondent 17 asserted that many companies choose Europe as the site of finance and collection related functions which, at best, shows 30-50% cost savings when reorganized through the FSSs. European-owned companies prefer to organize their shared services in lower cost cities in the same country. Where that is not possible, larger companies with net revenues greater than $10B tend to leverage Eastern European locations close to their headquarters and most likely in the neighbouring country. In doing so, these companies still generate significant financial savings but most importantly deliver the value that matters the most to their customers and shareholders. On the other hand, to maximize the financial savings by leveraging location, US-based companies organize their shared services operation in the less costly parts of Europe with strong preference for Poland and Hungary. In addition, the very large European and US companies leverage lower cost locations in Asia or in some cases, regularly move to the lowest cost countries across the globe.

4.5.2 People

While shared services transformation in many instances is an opportunity to upgrade current human resources capable of responding to new and complex challenges posed by new technology, restrictive regulatory framework, language proficiency and customer focus, majority of the company respondents appreciated the long-term value of people as the base for the building of human capital and developing a talent pool. Sixty-five percent or 11 out of 17 respondents in the research shared the view that nurturing a talent pool for finance and accounting professionals results in better human competencies across the company. Respondents also agreed that qualifications, language proficiency and attitudes are the basic requirements for shared services placements.

The respondents to the interview process revealed that the presence of significant players in the market, company’s brand, career plans, and compensation packages play an important role in securing the services of the best people and maximizing the value of this critical lever for
achieving the FSS effectiveness, according to Respondents 1, 3, 5, 10, and 15. Respondent 14 explained that:

If you are a company that has no employer branding or is not well known, you will struggle to attract talented people unless you pay a lot of money. But you know, companies like Shell, and PNG, people are willing to work for those companies and they are willing to accept lower salaries.

Although the propensity of attracting people is highly correlated to the size of the company and the above respondents were below the $15 billion gross revenue range, there is a difference based on the industry within which the individual companies operate and the product they offer to the market. Thus, companies operating in a high tech market appear more successful in attracting people across all markets.

Worker councils and unions are important stakeholders that need to be considered during the hiring, retention, retrenchment, and retirement of workers. According to Respondents 4, 11, and 16, stringent and comprehensive hiring strategies are practised in many FSSs. Thus, hiring a qualified applicant with the right professional expertise, language profession, and other required skills may be influenced by their affiliation to labour unions, as mentioned by respondents 2, 6, 7, 4, 16, and 17. The need for expertise to perform tasks within the FSS functions necessitates the launching of training and human capital development programs according to Respondents 6, 10, 11, and 14. Respondent 6 further explained that the effectiveness of FSS is “ultimately” the result of people. He said, “it's down to the spirit of the leadership and the management involved. You know, without the people, the rest is theory.” Indeed, FSS builds a talent pool of individuals. Given the amount of work and training required to make the transition successful, employees and stakeholders are provided with the opportunity to improve their professionalism and training. Furthermore, with the move toward Global Business Centres (GBS), and end to end process ownership, Respondents 5 and 6 believed that FSS will be the only place where the internal candidates will be able to learn end to end processes and grow professionally.

The respondents of the study concurred with the idea that the key to FSS sustainability is a people-centred organization. Respondent 7 advocated the strategy, “right people, right attitude, and right qualifications” to sustain effective FSS operations. According to Respondents 4 and 15, diversity resulting from interactions among FSS units within one organization in different locations, and an employment process based on qualifications, and attitudes enriches the
discourse and cultural character of the business enterprise. Therefore, the increase of FSS people across various businesses leads to a better productivity and lasting commitment among employees. In the view of Respondent 4, the payment of competitive wages among FSS units of different organizations within the same location, under auspices of unions and workers councils, brings attrition down to an almost negligible annual minimum of 4%. Perks for both local and expatriate workers as noted by Respondents 1, 2, 8, and 9 expanded since the beginnings of FSSs. All these contribute significantly to productivity, commitment, a strong service-orientation, and the eventual effectiveness of FSS. Respondent 7 asserted that, “I’m a strong believer that people will always make a difference!”

4.5.2.1 Summary

In summary, the majority of respondents perceive financial shared services as a breeding ground for future talent, and potentially the only place where future leaders will be able to learn and be trained on end to end financial processes. Respondents overwhelmingly agreed that people are the one lever that makes the difference in driving the effectiveness of FSS. However, attracting and retaining young talent in a very competitive market across the globe, especially in smaller companies, may prove to be difficult.

4.5.3 Process & Controls

Process and Controls are significant in the discussion of shared services effectiveness. Observations show that the impetus towards process reengineering results in efficient time management, cost reduction, efficiency, and greater customer satisfaction among companies who invest in upgrading technologies for process improvement. Process reengineering has been completed by many companies in the areas of accounting and finance and process improvement. As previously stated, 47% of all respondents identified continuous improvement as a strategy, but 100% of them agreed that it is imperative to understand that FSS without a strong focus on continuous process improvement will not survive. According to Respondent 15, the shift focused on process and controls is gradually affecting the functions of procurement, supply chain, and sales as well as pushing business towards more efficient “global process” ownership.
Respondents 1, 2, 5, 11, and 17 declared that the effectiveness of the ERP promotes centralization, standardisation of processes and the upgrading of internal controls. Respondent 8, 13, and 15 stated that greater effectiveness in the control environment is achieved through the use of ERP system, the use of process owners, and the interaction among different process owners.

Respondent 1 documented the use of “lift and shift” during the initial stages of the FSS and the gradual shift to ERP which improved controls and process efficiency. Respondent 2 enumerated the array of aggregate services made available through the ERP system that ranged from budgeting to business analysis, simplifying the processes and improving controls. He explained that the migration of the ERP system into the FSS facilitates the centralization and standardisation of processes. Respondent 11 emphasized the fact that the process documentation in his company was completed because of ERP implementation, which in turn improved the training new people resulting from attrition and changes in the staff. In the estimate of Respondent 11, because of the improvement in processes and internal controls, the company managed to reduce headcount by 25%. Inversely, respondent 13 claimed that the increase in legal requirements for better controls resulted in increased costs, but that the amount of controls within FSS helps to mitigate that. Participant 15 explained that in shared services, he has 40% of the company’s key controls mandated by Sarbain-Oxeley Act in the US. Thus, he argued that “control compliance is the key and the leverage of success.”

4.5.3.1 Summary

In summary, centralising activities within FSS provide an opportunity for process standardisation and process improvement resulting in better controls. While some companies developed FSS strategy on the premise of process and control improvement due to regulatory or for other reasons, it is evident that almost all respondents recognized process improvement as the key element in achieving effectiveness and the long term prosperity of FSS. Some respondents argued that implementation of ERP technology can lead towards better processes and improved controls, while others believed that too much technology can spoil processes and internal controls.
4.5.4 Technology & Data

Closely related to the discussion of process and controls is the use of different technologies for data management and improving processes and controls. Respondents 1, 2, 6, 13, and 14 to the interviews affirmed that the prohibitive cost of technologies disciplines FSS technology-users to establish priorities in coping with their technology requirements, and seek more options for upgrading effectively. Popular technological options among the respondents are ERP, EDI, and various enabling technologies like workflow, OCR, supplier portals, Autorec, and CRM tools. A single ERP solution is a very popular technology among the large companies represented by Respondents 4, 8, and 16. Respondent 8 mentioned that “we’ve pretty much implemented a single ERP system now, with just a few countries left to rule that out.”

Respondent 16 confirmed that her company is very effective in leveraging the global ERP system to standardise processes across the globe and use technology to drive compliance within the FSS model. She explained that when they bought a new company based in France they move them under the new and standard technology and at the same time migrate to the shared service centre in order to avoid double training. On the other hand, the use of workflow tools is the most common technological advancement driving the efficiencies in FSS according to Respondents 1, 10, 13, and 15. Respondent 10 stated that “the biggest challenge has probably been the lack of technology.”

Respondents 2, 4, and 17 confirmed that their companies utilize Electronic Data Interchange (EDI) and “uses 75-95% EDI” for procure to pay, which seems to be an industry standard given their supplier base. Respondent 4 explained that their “direct materials is nearly fully automated with EDI. Sometimes you’re limited by individual country regulatory requirements, but it’s a fairly high percentage. If by law, we’re allowed to utilize EDI, we effectively do so.” On the other hand, Respondent 9 explained that his company is very effective in utilizing ERP for all processes, confirming that “nearly 98%” of everything is done within the ERP system. The respondents assert the importance of scalability to determine what FSS units require in response to their needs, and the size of the business. FSS units are most effective in using enabling technologies which act as integration tools applied to document management, workflow for accounts payable and invoicing where users across the world can submit their receipts for effective processing.
There is a consensus among respondents regarding the appreciation of the value of technology, although Respondent 7 articulately pointed out that automation is not as easy as “pressing a button.” In fact, in many instances the completion of certain processes requires the pressing of many buttons. Respondent 6 stated that in the completion of a number of processes, the inadequacies of automation and technology need to be supplemented by manual intervention. This affirms the insight given by Respondent 5 that human subjects, not ERP, lie at the core of process improvement initiatives.

The discourse on legacy companies is another area of consensus for a number of respondents. Those who managed FSS units that have been in existence for a decade or two utilizing technologies that need to be improved and/or upgraded cope with the growing complexities and diversity of FSS functions, the challenges of competitiveness, and the growth of business organizations on global scale. Some companies who started with a single ERP system for worldwide operations are faced with the constraints of growth and the expanding need to respond to customer satisfaction. Respondent 10 offered two options to this challenge focusing on the costs of technological transformation: total automation or relocation where labour is cheaper.

Companies that are willing to meet investment challenges in technology are provided with an array of innovative technologies available in the market which will enhance effectiveness. According to respondent 6, a tool called Autorec managed by two persons is used in his company to processes millions of insurance transactions amounting to revenue of 1.5 billion. Without this tool, they would need dozens of people to do the same job. According to Respondent 11, to maximise the labour effectiveness, they use Capacity Management System to analyse volume at an item level and manage the level of resources required in the FSS.

The responses of interviewees, as a whole, affirmed the value of technology as it relates to process improvement and automation to achieve goals of competitiveness, customer satisfaction, and cost reduction. Some respondents, specifically Respondent 17, suggested that despite the fact that the use of technologies reflects the “voice of the customer,” utilization of technologies for standardisation and process improvement may be the wrong approach. Respondent 5 reflected on the evolving excessive dependence on technology (i.e. “no ERP, no standardisation”) with deep concern and asserted that human beings, not ERP, drive process
standardisation. This view was resonated by Respondent 4 who believed that too much dependence on technology and what it can accomplish is like “the quest for the Holy Grail,” and that selective utilization of basic technology will suffice in maintaining cost efficient levels of process management and controls and customer satisfaction.

4.5.4.1 Summary

In summary, although there is a general view that the use of technology drives effectiveness within FSS, in practice, very few companies can afford the latest tools. A business needs to choose where to invest its money based on priorities and an expensive technical solution may be outweighed by a cheaper labour force. Thus, for practical reasons, there is a limited use of enabling technologies and most companies select very few among those available in the market.

4.4.5 Organization & Governance

The interviews revealed an array of governance and organizational models, frameworks, and/or orientations used by the companies represented: multi-governance by Respondent 4, organizational change by Respondents 3 and 6, top-down management, service management framework by Respondent 14, and line-management by Respondent 17. These models guide the quest for effectiveness by these FSS centres. On the other hand, the descriptions of the FSS infrastructures given by the respondents illustrated the existing organizational and management configuration within the FSS units, and the manner in which these relate to the entire business organization. These companies might be conveniently and loosely categorized as follows: single or highly centralized for respondents 2, 4, 11, 14, 15, and 17; semi-autonomous for respondents 1, 5, 6, 7, 8, 9, 10, 12, and 13; and autonomous for Respondents 3 and 16.

There is a shared advocacy among the respondents for institutionalized routine business practices such as regular weekly and monthly Service Level Agreement (SLA) and Key Performance Indicator (KPI) reviews. Which are delivered through regular meetings between the FSS leadership and local units managers are important to establish whether short-term, medium term and long-term goals are being realized. Respondent 6 stated that they have a very good
governance structure and a number of bodies oversee the management of the FSS. However, “we don't produce mountains of KPI's.” In spite of the fact that his company has a number of governance bodies, he also argued that it is his responsibility to manage the metrics in the first place and he should be accountable to the CFO. Respondent 6 admitted that “if my metrics are bad, the CFO should be shouting at me, not a business.” On the other hand, most argued that open and transparent communication with the business is the key for success. Respondent 10 explained that “I think you have to have a good communication line with the business.”

The majority of companies and their officers strongly encouraged vertical and horizontal staff interactions to build synergy, appreciate cultural diversity, and develop a passionate commitment to performance delivery among co-workers, which according to Respondents 3 and 10 results in greater effectiveness. In this context, Respondent 10 discussed the quality and excellence of output of their staff, which are fired with passion and committed to their work. Furthermore, he explained that dynamism of communication within an FSS unit and stakeholders in the organization ensures communication effectiveness resulting out of timely interventions and risk mitigation measures. Respondent 10 added that:

“You have to get the engagement with the business. That’s an absolute must. If you don't have continual ongoing communication and good interaction between the business and the shared service centre you won't survive.”

Many respondents suggested methods of fine-tuning governance through a number of mandated strategies that contribute to the effectiveness of their own FSS initiatives: Respondents 6, 7, and 10 emphasized the need to clearly define roles and performance expectations within the FSS units; Respondents 8 and 12 shared the view that effectiveness results out of the effort to expand and enrich the understanding of FSS as the inevitable future in the evolution of business organizations among local, regional, and global stakeholders and players. Respondent 6 noted that effectiveness is also a product of the process of standardising systems as well as the creation of effective and efficient controls, as observed by Respondent 13. Respondent 9 asserted the paramount importance of upholding leadership standards which can be emulated by others within the business unit and the entire organization.
4.5.6 Summary

Clearly, the levers of success contribute substantially toward the effectiveness of any FSS initiative as individual variables. The utilization of these critical levers by FSSs, on the other hand, informed by scalability and sensitivity to the needs and requirements of the organization, cannot be done in isolation and out of the shared services context. The majority of the respondents asserted the primacy of people as the most important of all the critical levers. Choice of location and the value of the standardisation of processes and controls are the biggest cost contributing factors. While the cost of implementing new technology seems to be the main reason for the slow adoption of the latest innovations, some participants argued that efficiency can be gained by the selective use of innovative cost-efficient FSS enabling technologies. The governance and organization, on the other hand, play very important change management and communication roles.

4.6 Importance of the organization and the execution of critical activities to improve FSS effectiveness

Following governance and organizational models, and/or orientations used within the companies represented by respondents: multi-governance by Respondent 4; organizational change by Respondents 3 and 6; top-down management, service management framework by Respondents 10 and 14; and line-management by Respondent 17. These guide the quest for effectiveness by the FSSs. In particular, the service management framework is critical for driving different modes of behaviour at both local and FSS levels. Some respondents argued that the length of the service contracts or the ability to pull out of the service agreement drives different behaviour at both FSS and at a local level. For example, Respondent 10 emphasized that based on his experience, “as a shared service centre we needed to get the business to sign to take the service for another year and in fear at least they could re-establish their own operation locally.” Thus, because of the fact that the service management framework allowed such short contracts, FSS delivered improvements in both cost and quality of services as agreed. In this context, Respondent 10 expressed his belief: “I think that that gives you different focus because you know you have to deliver.”
On the other hand, if the service management framework is providing services for long-term contracts or indefinite contracts, then FSS experiences less pressure to deliver short-term goals, and can independently make decisions on how to organise to achieve long-term success. Respondent 10 compared the framework of a previous company with the current one, stressing that previously there was more pressure to be effective over the short-term, while in the current organisation that is not the case, “here if we don't deliver, we are still going to exist.” Furthermore, Respondent 7 explained that as part of good business practice, one should always check competitiveness and adjust the model to provide services in line with market price. Respondent 7 affirmed that he is constantly checking whether “am I able to provide it at the fair or market price cost or do I need to change the model?” Thus, just like any other business unit, FSS has its own product and is responsible to drive innovation, improvements, and the value it seeks.

However, these organisational models are not exclusive to the operational execution of FSS and how it interacts with process partners, but are also highly important in the execution of the implementation phase. For example, how the teams are organised in the implementation phase directly influences the level of success in delivering corporate strategy and converting it into doable tasks and milestones. Thus, 7 out of 11 company respondents, which included Respondents 1, 7, 10, 11, 12, 13, and 15 reported that they have a single head of finance who manages both local and FFS resources and prevents a power struggle between sending and receiving parties. Respondent 7 commented: I do have the responsibility for local teams in countries but also for the shared service piece, the shared service centre we have. Overall, I’m a shared service provider and it doesn’t matter whether I provide it from the local teams or from the real shared service centre.” Respondent 10 explained that they have a “single organization with one head and 650 employees who are all scattered in 40 locations” and are responsible for more than just financial services. Respondent 11 asserted that in order to achieve enterprise objective; a global lead is required “to ensure that we are taking care of our global needs.”

Corporate mandate and the urgency to move toward shared services are some of the key elements that dictate how companies choose to execute their critical shared services activities. Thus, where the company has a clear mandate, transformation teams spend between 6 to 18 months planning the execution and how to organise critical activities, while heavily depending
on professional consulting companies and experienced people within the field (according to Respondents 1, 3, 5, 7, 8, 9, 10, 12 14, 15, and 17). Respondent 10 explained that in his current company, they spend a year preparing for the execution, and another 6 months on the implementation phase: “certainly we spend a year before we did any implementation…. we then spend another 6 months of doing the implementation planning.”

Most respondents agreed that for a successful implementation of shared services, experienced and knowledgeable people are the key. Respondents broadly recognised that in the initial stage, many companies do not have the right skills to execute the strategy, and recommended partnering with one of the many consulting firms in the industry. Respondent 7 explained that initially his company reached for knowledge and expertise “from the outsourcing because we did not have the capabilities in-house and it would have cost us a lot of time and also effort to bring our internal people into that level of experience.” Experienced teams are more oriented toward delivering on clear goals and objectives aligned toward the rapid implementation of a model that will produce best results, and pay little attention to politics around the FSS.

On the other hand, without a clear mandate, resources are geared toward producing a strong business case and change management programs, while taking shortcuts, optimising the FSS model, and reaching for quick gains. Respondent 2 elaborated on their initiative to create FSS in a tier-two city which was not a corporate strategy, but a decision to “survive the business plan and survive in achieving the budget.” Moreover, the team spent a year on change management “because we needed to convince old board” on the viability of the FSS option. The company also had to refocus on the use of external consultants on the task of delivering value to change management and business case preparation, to convince the old board members that this should be centralized in FSS. Respondent 2 admitted that, “we invited an external consultant who supported us in implementation, because in inside group we didn’t have an expertise.”

4.6.1 Summary

Clearly the most critical activity of all shared services is geared towards competitiveness and customer satisfaction. Strategies focus on the realization of these priority goals, and, where possible, also secure positive gains and benefits for financial and non-financial targets. The most valuable of the critical levers, in the view of nearly all of the respondents, is the human capital of shared services. Thus, the same principle applies also to people involved in execution of
corporate strategy and managing the transformation agenda. Indeed, it takes competent committed individuals to complete quality service delivery through intervention in obstructive processes and control measures, institute appropriate governance measures, derive optimization from technologies, and, through labour arbitrage, achieve maximum cost savings from chosen locations.
Chapter 5
Results and Conclusion

5.1 What are the key drivers of effectiveness of the FSS model in Europe?

The key drivers of financial shared services effectiveness appear to be a combination of multiple factors formulated around a clear and well-defined strategy crafted and influenced by scalability and the adoption of a clear and well defined mandate. Research results showed that cost effectiveness is directly proportional to the optimum use of the critical levers which constitute competent, well-trained, passionate, and committed people, strategically chosen cost-efficient locations, standardised processes and controls, appropriate technologies, and efficient and people-friendly governance and organizational infrastructures. Thus, to ultimately enjoy FSS financial and non-financial benefits, efficient and competent organization and execution are of vital importance.

5.2 Impact of FSS structure on effectiveness indicators

To rank the level of efficiency of sample organisations on each of the four elements of the FSS ideal implementation structure, a 5-point Likert scale was utilised. The highest rank (5) was assigned to those organisations which extensively but not necessarily used all of available tools or components of the model, and the lowest rank (1) was given to those organisations that demonstrated little or no use of available tools or components of the model. The individual scores of four elements of the FSS ideal implementation structure of each organisation were combined to determine the level of structural efficiency of the organisation. Hence, the higher the combined score, there is higher the level of structural efficiency of an organisation. Following the rating score sample, organisations were ranked in terms of the combined total score. Four organisations did very well with perfect scores of 20 points. A very high proportion of organisations (14 out of 17) performed well, with an average score of 3 points in each element of the ideal FSS structure.

The three organisations that fell short in structural efficiency shared these common characteristics: implementing FSS without considering cost competitiveness and under-utilising the levers of success. In one case, the benefits of a clear strategy was counter-productive from an efficiency point of view, and resulted in the creation of a single global FSS in a high cost
location, close to a large and very expensive Western European city. Furthermore, given the stringent geographical and language requirements to provide access to some of the more exotic languages, employees were paid premium rates. In fact, the FSS has the capability to support 34 languages from a single Western European location. Although the head of the FSS division of the respondent organisation argued that the company was successful in implementing the strategy and achieving its desired goals, it was observed that efficiency gains were minimal and not cost competitive.

Similarly, another respondent organisation noted that their strategy was customer-focused and advocated the creation of multiple FSS centres located in the expensive tier-one cities in Western Europe. As a result, they failed to harvest the benefits of the economies of scale derived by other FSS from lower cost locations in tier-two cities in Eastern Europe and missed the opportunity to be more cost competitive. The third respondent organisation in this category was even more challenged: the transformation team failed to secure enterprise support for the FSS initiative. Regional leadership did not have a clear mandate outside the sphere of their regional responsibility. Unfortunately, the FSS was simply created to reduce business unit cost as defined in the budget, instead of helping the entire company to be more cost competitive.

The level of structural efficiencies of sample respondent organisations was evaluated using a few selected indicators. The major indicator of effectiveness of FSS, as clearly identified by the interviewees, was the extent of cost savings as a result of the implementation of FSS. Respondents broadly indicated the range of cost savings that their respective organisations achieved as a result of FSS implementation. On the basis of reported cost savings, it was observed that savings of respondent business organisations ranged from 10% to 60%, although the degree of savings varied. For the sake of convenience, the respondent organisations were grouped based on cost savings under three broad categories: “High” representing savings above 45%; “moderate” representing savings between 25%-45% and “low” representing savings between 10%-25%. Results are presented in Table 5.1 along with data on structural efficiency. The majority of organisations (10 out of 17) had moderate level of cost savings between 25% and 45%. Four organisations achieved more than 45% savings, whereas the three organisations at the bottom did not perform well, and ended up reducing the cost of finance and accounting between 10%-25%.
The top performing companies which most closely followed the model and managed to achieve high savings represented a wide range of industries: Energy and Petrochemicals, Banking, Food & Healthcare. Coincidently, the financial crisis in Europe and very low energy and petrochemicals prices have led to the significant contraction of both organisations, as well as the industries within which they are operating. These circumstantial realities place additional pressure for more effective back office services. However, it is important to note that moderate to high performing companies have been on the FSS journey for a long time, specifically, one to two decades and continually improving their benefits utilising the FSS model. Respondent 15 said that “we have been 20 years in shared services” and Respondent 16 confirmed that their company’s FSS “journey started 15 years ago.” Similarly, the other two companies operating predominantly in the low margin food business were also affected by lower disposable incomes due to the financial crisis and were under tremendous pressure to drive more effective back office services.

The largest company based on revenue, above $200 billion, is within the group of higher margin companies, while the other three are medium size companies with revenue in excess of $10 billion, based on 2013 data. Three out of four higher margin companies have headquarters in Europe, with the other located in the US. On the other hand, the three companies in the low-cost savings range that were rated as not following the model operate in Technology, Hygiene, and Consulting. These organizations are less affected by the European financial crisis, and operate within industries with growth and higher margins; hence, these companies were not under the same pressure to drive higher efficiencies in their back office services including FSS. The lowest rated company by revenue just over $1.5 billion also reported the lowest cost savings. The headquarters of all three companies are located in Europe and are relatively new to the concept of financial shared services with an average of 2 years since their FSS journey commenced.
As expected, levels of structural efficiency and degree of cost savings of individual sample companies reveal, in general, a positive relationship. As Figure 5.1 shows, a higher level of structural efficiency correlates positively with a higher the level of cost savings. In the case of the four most structurally efficient organisations with a maximum score of 20 points, the savings are averaging 50%. Similarly, the second group with moderate savings and a score from 12 to 18 points managed to achieve an average savings of 35%. The last three companies that scored between 6 and 10 points in the overall rating reported an average savings of 17.5%.
The above graph indicates that the cost efficiency of an organisation is closely related to the level of structural efficiency achieved while implementing the FSS. However, overall organisational health and efficiency is influenced by a large number of internal and external factors, and other elements which not only have an impact on the overall efficiency of an organisation, but also on the FSS as a whole. Macroeconomic factors were considered as well ranging from GDP growth, European financial crisis, interest rates and inflation in the European region influence FSS performance: Microeconomic factors at a company level like revenue growth, product offering, cost competitiveness, innovation, process improvement culture, level of internal controls, agility, data availability, talent pool and customer service were included in evaluating organizational health and efficiency. Thus, some of these indicators were considered in the study to further understand FSS effectiveness in dealing with these factors and their alignment across the enterprise. Therefore, from a non-financial point of view, these maybe considered as indicators of FSS efficiency and components in helping a company achieve its objectives.
An attempt was made to analyse qualitatively those non-financial indicators and their impact on the organisation as a result of an effective FSS. Table 5.2 indicates the extent to which respondents emphasized the importance of the use of those indicators to achieve corporate goals. However, it should be noted that some indicators were not mentioned in the interview (referred to as n/a in the table). This does not necessarily show that the respondent company has not benefited from FSS to improve its overall position and achieve its goals. In addition, several other benefits mentioned by individuals in the course of the interview, as they were specific only to a particular case for the purpose of simplification, were excluded from the table below. For undisclosed reasons the respondents were not willing to make any clear commitments in certain areas limiting the formulation of a more comprehensive analytical approach.

Table 5.2: Sample of Non-Financial Benefits

<table>
<thead>
<tr>
<th>Organisations</th>
<th>Total Score</th>
<th>Growth</th>
<th>Cost competitive</th>
<th>Process improvement</th>
<th>Standard process</th>
<th>Customer Service</th>
<th>Internal controls</th>
<th>Flexibility/Agility</th>
<th>Data availability</th>
<th>Talent Pool</th>
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<tr>
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<td>yes</td>
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</tr>
<tr>
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<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
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<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
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<tr>
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<td>yes</td>
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<td>yes</td>
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<td>yes</td>
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<tr>
<td>9</td>
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<td>yes</td>
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<td>yes</td>
<td>yes</td>
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</tr>
<tr>
<td>13</td>
<td>12</td>
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</tr>
<tr>
<td>14</td>
<td>12</td>
<td>n/a</td>
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<td>yes</td>
<td>yes</td>
<td>n/a</td>
<td>yes</td>
<td>n/a</td>
<td>n/a</td>
<td>yes</td>
</tr>
<tr>
<td>15</td>
<td>10</td>
<td>n/a</td>
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<td>yes</td>
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<td>n/a</td>
<td>yes</td>
<td>n/a</td>
<td>n/a</td>
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<tr>
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<td>yes</td>
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<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Although it is difficult to draw a conclusion about the relationship between the ranking and non-financial indicators, the data in Table 5.2 clearly shows that the highest ranking companies are benefiting from the FFS in all the above identified areas. However, based on the
above responses, a pattern of the most common frequencies of non-financial benefits resulting from well implemented FSS strategies as demonstrated in Figure 5.2 can be established.

**Figure 5.2: FSS Non-Financial Benefits Graph**

![FSS Non-Financial Benefits Graph](image)

*Source: Developed for this research.*

Based on the frequencies illustrated in Figure 5.2, all organisations in the sample benefitted from FSS beyond simple cost-cutting and enjoyed non-financial benefits like standard process, better customer service, and the ability to support both corporate and FSS growth. However, the extent to which these positive results might be quantified like reduction in the FTE is difficult to determine. Ultimately, the cost depends on the duration of the respondent company’s FSS journey and the effort that respondent organisations exert in securing these benefits, according to Respondents 4, 5, 7, 8, 11, 15, 16, and 17.

Respondent 7 justified this through an insight: “You’d probably start off once you’re less mature with eliminating redundancy, be more competitive, and reduce the cost. The other pieces come once you’re maturing along the curve.” Respondent 16 enriched this perspective by clarifying that many project people in his organization spent “one year on standardisation of the processes” alone. Thus, the non-financial benefits result from the ability to accelerate process
standardisation, leverage FSS, and enable companies to automate, and rapidly deploy technology and produce tangible benefits. In the view of Respondent 16, through time and effort in FSS, staff performance increased in efficiency. Initially, the FSS unit transitioned 4 people from the local market and replaced them with 4 from their shared services centre. Today, they are adding only 3, with the target to further reduce headcount by the end of year. Respondent 16 explained it thus: “Let me say by end of this year our objective is to get to half of a full time equivalent.”

Results indicate that FSS is considered as a platform for growth for the majority (13 out of 17, or 76%) of the respondent companies. In one instance where the response was clearly negative, the organisation used FSS as a platform to manage negative growth resulting from shrinkage in the banking sector caused by slow economic growth and the financial crisis in Europe. Respondent 11 explained that due to “low interest rate market at the moment” and other economic factors, there is “limited growth” in the industry thus, creating a “structural crisis.” Thus, to reduce fixed cost, the company adopted and implemented FSS as a strategy.

Interestingly, 14 out of 17, or 82% of the respondent companies reporting moderate and high savings organized the FSS to achieve cost competitiveness, while maximising the model to achieve improvements across a broad range of other elements. A conclusion might be drawn from Figure 5.3 that FSS is considered by 100% of the respondents as a platform for process improvement, process standardisation, and improvement in customer service.

**Figure 5.3: Distribution of Non-Financial Benefits**

![Distribution of Non-Financial Benefits](source: Developed for this research.)
However, in one case, process standardisation was not required because the company simply shifted processes and some resources from a very costly tier-one city to a tier-two city, for the same business unit. Nine out of seventeen (or 53%) of the respondents indicated improvements in internal controls as a benefit resulting from FSS. Six out of ten (or 60%) of respondent companies reporting benefits in internal controls are US-based businesses. In other words, 100% of US-based companies see FSS as model for effectively improving the internal controls. This corresponds with a strong legal control environment mandated by the Sarbans-Oxley Act. On the other hand, in Europe where strict legal requirements do not exist, only one-third of European companies are reporting improvement in internal controls through the implementation of FSS. On the other hand, there is an EU directive commonly referred to as EuroSox or officially called "Directive 84/253/EEC," which is designed to enhance confidence in financial reporting by companies. However this directive is far more relaxed and adoption varies from country to country (What is EuroSox, 2007).

Agility and flexibility to respond to economic realities, market conditions, industry trends, legal requirements, and the ever changing digital world was cited as challenges by 10 out of 17 respondents, 40% of them operating in the low margin food industry. This is followed by two organisations operating in the automotive industry, which is currently facing low growth, and increased competition from emerging markets. Other respondents who were passionate about agility and flexibility similarly faced industry challenges like low energy and petrochemicals prices, and the financial crisis significantly affecting the banking sector. Data availability, although critical to the decision-making process, was least mentioned by the respondents. On the other hand, 7 out of 17 respondents mentioned that FSS facilitates faster access to financial data through a central contact point.

Talent pool availability as a result of FSS, clearly demonstrates that the value of FFS transcends simple cost savings. Respondent 13 asserted that “for sure it’s a talent pool,” while Respondent 11 called FSS “a talent growth machine.” The research confirmed that 11 respondents out of 17, or 65%, viewed the implementation of FSS as an opportunity to upgrade the skill set of their workforce by tapping into highly trained pool of people available in
traditional shared services location like Budapest where companies operate more than 80 centres. People who are already familiar with new technologies and are multilingual, service-oriented and customer-focused professionals are able to maximize the opportunities generated by FSS.

Respondent 10 who managed a FSS near a large Western European city stated that, “We currently got 107 people and we speak 34 languages.” This fact documented the availability of native speakers of a wide range of languages in popular Western cities, resulting from cross border labour migration. Similarly, Respondent 15 confirmed that “Amsterdam where we had very good talent pool, language, good investment…but expensive.” This organization, thus, is only utilizing Amsterdam resources for high end services. In addition, some respondents claimed that they use FSS for developing future talent that eventually may be absorbed by the business. Respondent 16 confirmed that shared service centre is part of his company talent development strategy. Thus, the FSS is the first place where they look for Business Controllers with leadership potential, Factory Controllers and/or related positions. Respondent 16 stated that within their company they “see a lot of our talented people who are growing in the shared services centre.”

In summary, efficiency in implementing the FSS should be measured by combining cost savings with a range of non-financial benefits. The non-financial benefits can be clustered in two broad groups: The first seems to be more common across industry and geography, constituting in standardisation, process improvement, customer service, cost competitiveness, and growth (Figure 5.4). On the other hand, the second group is composed of talent pool, internal controls, agility, flexibility, and data availability.
According to Respondent 4, implementing the FSS in the right way enables the business to harvest wasted potential that can be highly value added to the company and actually becomes a strategic benefit. He said, “we think it’s very strategic and it will lead to not only bottom-line performance, but we will be able to deliver value-add product back to the business, that’s the most exciting part about it.”

5.3 Conclusion

In conclusion, effectiveness of European shared services is strongly linked to a proximate adoption of the “Ideal FSS Implementation model” exemplified by a clear corporate strategy at the heart of FSS. Such a strategy is supported by executive leadership, the board, and other senior stakeholders who are committed to disseminate the knowledge and practice of the new operating model to every level within the organisation. Strong support by the top management is the only way to demonstrate the commitment from the rest of the organisation and provide guidance for all other discussions to follow.

The second element of this model is a strong corporate mandate for adoption of FSS within the organisation. Almost all respondents agreed at the personal level that mandate is
necessary for the success of financial shared services although only 71% actually managed to secure it from day one. Some of the larger multinational companies actually started without it and had to introduce it after the years of lengthy negotiations with the business units. Failure to secure the mandate from the beginning was an expensive experience for some respondent companies based on limited input ranges from 40-60% above the mandated implementation. However, the nature and complexity of the European setting, stringent government policies especially in largest and most economically powerful European countries, strong labour unions and cultural standards significantly influenced the crafting of the proposed FSS model. Privacy laws within European Union provide more room for companies to consider cheaper Eastern European countries for transactional services where there is less dependency on language requirements. Furthermore, the single economic zone within European Union provides access to free labour market and different multicultural and multilingual contexts.

Availability of multilingual labour force varies from country to country. For example, in France, there is a strong Arabic speaking population, in Germany, large Turkish speaking while in the Eastern Europe there is a strong preference for English and German as a second language skill set. Thus, these factors strongly influence the approach that respondent companies utilize in executing strategy and using a mandated. FSS approach may slightly vary among business organizations, and ultimately, determine whether a respondent company can focus on delivery of success and effectiveness which is further refined by utilising various levers of effectiveness.

The findings of the research showed that not every lever is utilised by every company. In fact, this depends on many external and internal factors; among these are legal requirements for some industries around data privacy, company’s financial strength to invest in technology or the duration of the financial shared service journey. However, the results indicated that location is one of the most attractive ways to quickly reduce the cost in Europe. Thus, companies that sought to maximize location benefits have implemented the FSS within a country in a tier-two city, or within a neighbouring lower cost country in Eastern Europe. For instance, three out of seventeen companies made a strategic choice to organize their financial shared services in a more costly location in Western Europe, resulting in lower cost savings from labour arbitrage.

Technology was recognised as one of the very important levers among large companies, and in some instances, a deciding factor for migrating finance and accounting services into the
FSS model. Smaller companies struggled to secure necessary funding to invest in new technologies, and heavily relied on process standardisation and continuous improvement to realize the goal of improved customer experience. All respondents agreed that FSS is the ideal vehicle for process standardisation and continuous process improvement. American companies operating FSS in Europe recognise the importance of strong control framework influenced by SoX, while European companies are less concerned about internal controls. To take full advantage of the FSS platform, transformation teams need to have the right people for swift execution, and the right organisation to support their goals. Figure 5.5 depicts the ideal FSS model and how it influences effectiveness indicators.

**Figure 5.5: Ideal Shared Service Framework**

![Ideal Shared Service Framework Diagram]

Source: Developed for this research.
Companies that followed the proposed model more closely managed to generate average savings of 50%. On the other hand, majority of respondent organisations which partially followed the model reported average savings of 35%. Three organisations in the sample that did not follow the model so closely reported only 17.5% cost savings from the implementation of FSS. The research found no significant variation in effectiveness between the US and European companies regardless of size. However, savings are largest among those respondent companies operating in low margin industries challenged by the financial crisis in Europe, and those facing low commodity prices. Similarly, most successful organisations reported benefits beyond just cost savings and recognised FSS as a platform for growth or rapid response to volatile macroeconomic and market conditions, while remaining more cost competitive. The capacity to standardise processes under one roof and drive continued improvement are other benefits that resulted out of FSS implementation among respondent companies.

All respondents agreed that FSS ultimately ensures better customer experience and lower cost. The major difference in the context of benefits that was observed between the US and European companies was an improved internal control environment resulting from FSS implementation: this could be attributed to compliance with requirements for standardisation of all finance and accounting services under one roof, enforced by the SOX Act. To conclude, the findings of this research project show the direct and close correlation between the effectiveness of European financial shared services, and the proposed framework for implementing the FSS and its ability to employ the right people to execute the strategy. In the final analysis, people do define strategy and propel the financial shared services unit towards the realization of its goals.

5.4 Recommendations

1. FSS is a business in its own right and should be managed as such. This proposed model is not only relevant to FSS but also in executing other functions in various industries. The proposed model is an enabler for process standardisation and with some investment in levers can drive significant value. Therefore, there should be a greater transparency focused on the performance of the proposed FSS model within the corporate context and
greater visibility and articulation and official documentation of FSS performance impacting the annual financial statements of companies. This should inspire the continuous improvement and the enhancement in the effectiveness of the FSS but also inform business at all levels and its stakeholders about its impact on strategic objectives.

2. Companies need to expand the documentation of FSS initiatives globally and create a better way to track FSS contribution to strategic goals.

3. FSS practitioners need to start strategizing and determining the real qualitative and quantitative contribution of FSS to corporate growth.

5.5 Future Research

1. Based on the methodology evolved and applied in this dissertation, more extensive research should be conducted to examine how economic crises in Europe, higher unemployment and access to cheaper labour could be utilized by the European governments to take advantage of this situation and bring back some outsourced FSS services from developing countries.

2. In addition it would be useful to study the Western European underutilised pool of resources with native language capabilities and how this can be used as a competitive advantage for European countries that can make the difference in terms of productivity, efficiency, and corporate growth.

3. It may be beneficial to further study the adoption of FSS models in other regions and how these define the effectiveness of backroom finance and accounting services.
References


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Appendices

A. Final Interview Questionnaire
B. Consent from Charles Sturt University to undertake dissertation research on Financial Shared Services
C. Information/Guidelines for Research Participants/Respondents
D. Sample Tabulation of Interviews
E. Sample Cross-Tabulation of Interviews
F. Approval of the Revised Proposal for a Dissertation on Financial Shared Services by the School for Accounting and Accounting Ethics in Human Research Committee of Charles Sturt University
G. Informants/Participants/Respondents’ Individual Information Sheet

A. The Final Interview Questionnaire

1. Define/Describe your Europe-based shared services center(s) in terms of location and size.
2. Is the adoption/implementation of financial shared services an appropriate strategy for your enterprise? Please explain your answer.
3. Did your company achieve the defined FSS financial and non financial targets through the use of specific/defined indicators?
4. Did your company organise its structure and activities to ensure the implentation of FSS?
5. Were the five levers of success, people, process, governance, location, and organisation and governace used in strategizing for the FSS? What were the effects of using these levers?
B. Consent from Charles Sturt University to undertake dissertation research on Financial Shared Services

CONSENT FORM for research on:

“Effectiveness of the Financial Shared Services (FSS) model in Europe”

This research project is being conducted by Omer Softic, student at Charles Sturt University at Bathurst, Australia. His supervisor is Associate Professor PK Basu, Telephone +61 2 6338 4769 Email: pkbasu@csu.edu.au

The School of Accounting and Finance Ethics in Human Research Committee has approved this study under the protocol number #211/2013/06.

The purpose of the research has been explained to me, including the (potential) risks/discomforts associated with the research and I have read and understood the Information Sheet given to me.

I understand that any information or personal details gathered in the course of this research about me are confidential and that neither my name nor any other identifying information will be used or published without my written permission.

I understand that interviews may be audio recorded.

I understand that I am free to withdraw my participation in the research at any time.

I understand that if I have any complaints or concerns about this research I can contact:

Associate Professor Jayne Bisman
Presiding Officer, School of Accounting and Finance Ethics in Human Research Committee
C/- Ms Judy Sharp
Secretary to School of Accounting and Finance Ethics in Human Research Committee
School of Accounting and Finance
Charles Sturt University
Panorama Avenue
Bathurst NSW 2795

Phone: +61 2 6338 4079
Fax: +61 2 6338 4649
Email: jsharp@csu.edu.au

I agree to participate in this research project.

Name:

Signature:

Date:
C. Information/Guidelines for Research Participants/Respondents

21 Sep. 2013

INFORMATION STATEMENT FOR RESEARCH PARTICIPANTS ON:

“Effectiveness of the Financial Shared Services model in Europe”

This research project is being conducted by Omer Softic, a doctoral student of Charles Sturt University at Bathurst, Australia, as part of a thesis on the subject of “Effectiveness of the Financial Shared Services model in Western Europe and the USA.” His supervisor is Associate Professor PK Basu, telephone +61 2 6338 4769; email: pbasu@csu.edu.au

The participants will be required to engage in interviews on the subject. It is anticipated that the maximum time required from each participant will be 4 hours, spread over a six-month time span.

It is anticipated that your participation in this research will not incur any risk of harm or injury to you in any way.

The data collected will be subjected to analysis by the researcher, and the information will not be made available to any person without your explicit permission.

All data will remain secure and completely confidential and will not be individually identified. It will be used to inform qualitative research on the subject and will contribute to research publications by the researcher.

With your permission, interviews may be recorded on electronic media.

You do not have to participate in the project, and at any time you may withdraw from the project without penalty.
NOTE: Charles Sturt University’s School of Accounting and Finance Ethics in Human Research Committee has
approved this project. If you have any complaints or reservations about the ethical conduct of this project, you may
contact the Committee through the Executive Officer:

Associate Professor Jayne Bisman
Presiding Officer
School of Accounting and Finance Ethics in Human Research Committee
c/o Ms. Judy Sharp
Secretary to the School of Accounting and Finance Ethics in Human Research Committee
School of Accounting and Finance
Charles Sturt University
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Bathurst NSW 2795

Phone: +61 2 6338 4079 Fax: +61 2 6338 4649
Email: jusharp@csu.edu.au

Any issues you raise will be treated in confidence and investigated fully and you will be informed of the outcome.

D. Sample Tabulation of Interviews

Interview 1

<table>
<thead>
<tr>
<th>Step (s)</th>
<th>Levers/Indicators</th>
<th>Comments</th>
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<tbody>
<tr>
<td>Strategy</td>
<td>DF1</td>
<td>No, I think that the main ones are these.</td>
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<td></td>
<td></td>
<td>If I remember, it came originally from the board.</td>
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<td></td>
<td></td>
<td>But when it comes to strategy, most companies argue that the reason to setting up shared services, financial shared services, is to accommodate future growth, be more competitive, cost competitive of course, eliminate redundancies in the process, streamlining and improve processes, strengthening internal controls and reduce overall risk. Are there any of these elements that you utilize in your organization or any others that you feel you could add from looking back at your strategy? (3)</td>
</tr>
</tbody>
</table>
Speaker 1: Excellent, excellent. Alright, good. Now let me just go quickly to the next step, just to give you some flavor of what is in literature, then you can tell me whether or not this is the case in your organization and if you think we should add or subtract something. But when it comes to strategy, most companies argue that the reason to setting up shared services, financial shared services, is to accommodate future growth, be more competitive, cost competitive of course, eliminate redundancies in the process, streamlining and improve processes, strengthening internal controls and reduce overall risk. Are there any of these elements that you utilize in your organization or any others that you feel you could add from looking back at your strategy?

DF1: No, I think that the main ones are these (3).

Speaker 1: And here’s one of the dilemmas that I think if we don’t plan this ahead, then usually when we come to the implementation stage, we don’t want to go and reinvent the wheel, but why do you think, what’s the main reason in your view that your company is not going to the full extent to take advantage of the benefits? Is it a cost, is it-

DF1: Yeah, it’s the cost, absolutely.

Speaker 1: OK, so it’s really, so if you’re able to prove the cost benefit by implementing a more mature or a more efficient model, then that would be probably something that would help you get the-

DF1: Yeah, however, of course it’s the short term versus the long term. I mean if the investor… a couple of million euros took to implement a SAP or you need to spend them in marketing this year, so we’re coming to the end and add revenue, then of course, I mean there is that case to make. And at this moment we are tuning the company for revenue at this point and not for investments. So that means that you are delaying these investments, and could be doing more in the long term, but of course at the moment if you’re looking at the short term, and that’s what
you’re looking at, then you have to think of a measure.

Speaker 1: OK. So, now, do you think overall that your company was successful in achieving the financial, non-financial targets that they initially set up?

DF1: Yes (8).

<table>
<thead>
<tr>
<th>Change Management</th>
<th>Speaker 1: OK. So in that case that would become a corporate strategy, then the business case, then the changed management (2).</th>
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<tbody>
<tr>
<td>Business Case</td>
<td>Yeah, I think we started with the business case. And so that was the first step. And then it was kind of a... when the decision was made, clear communication and mandate, those were the first that came up, so it was clear that this was going to happen. And then we worked on implementation strategy (2).</td>
</tr>
<tr>
<td>Levers</td>
<td>Speaker 1: Then, the fourth step is, before we go into the implementation and sustainability and maybe get little bit more meat to the business case, understand how we’re going to achieve this target and levers, I’m going to talk about that later, but it’s a location people process technology and the governance of it all. So to get a little bit more in that detail. And finally is implementation and sustainability of the centre (3).</td>
</tr>
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</table>

Speaker 1: And flexibility here really refers to the scalability up and down your organization, depending on the volume. OK, good. Now, in terms of levers that we talked about earlier, it’s the location, cost versus risk, people, service oriented and skilled people in the new location or whatever, process controls, process and making sure we have a more efficient process which would drive some benefits, technology, organization and governance. Do you think there are some other elements in your organization that drive a greater value than these four here?

DF1: No, I think those are the main ones.(4)
**Speaker 1:** OK, great, great. Now, the next question is, the industry literature indicates that effectiveness, and this is going into the levers a little bit more, effectiveness depends on these five levers: people, process, location, technology and data, that’s a new thing that I have added recently, some people have added that data is really critical to be effective (20:00). In your experience, what would you say, which of these have contributed the most effectiveness or efficiency to your shared services?

DF1: These, absolutely. In some cases you have some a bit more important than others, depending on which kind of technology you have, etcetera. And if you have to go through a system standardization, for example. So there would be a clear consensus if you were going to do it before or after the shared services setup. But I would agree that these should be the main ones, yes (5).

**Location**

**Speaker 1:** OK, now let me go a little bit deeper into this circle and just give you an idea. So what has been identified so far in the literature and perhaps I can give you some idea of where we are heading. Let’s say with the location, what’s important for the location is that we have service-oriented culture, we have good infrastructure in place, flexible labor, flexible tax laws, education system in place available, so you have skilled labor force, cost-effective, it’s a less cheap location if you want, stable, business-focused government, mature service marked, matching enterprise risk model, so sometimes even if some of these things above are more favorable in a location, people may not do it, because it does not match the risk profile.

DF1: Yes.

**Speaker 1:** Do you think this is important and in your view would this location add additional value or benefit?

DF1: Yes, I think the main reason, the main implication for us is tax [flexibility?] but also availability of skill and
labor force, and also language, language skills. Those are probably two of the main items. All the rest are also indeed involved, but not at the same level, I think those are additional goods, let’s say, but are not the key items.

Speaker 1: OK. So the language, would that fit more with location or people at the individual level?

DF1: I think it’s a combination of both, because in certain locations you have more availability of native speakers than in others.

Speaker 1: I see.

DF1: So for example if you compare some of the Eastern European countries, for example the Netherlands, there are more native speakers here than you would find in some Eastern European countries. And it is important to have a native speaker talking to our customers, etcetera, so from that perspective, the roots weigh the balance to one location rather than another (5-6).

Speaker 1: So you more measuring the performance with your team than with the customers (30:00). OK, now here’s a final question. Why Europe? Why would you set up a shared services in Europe?

DF1: Well, for us it was kind of… well, we are a Europe-based company. Basically Europe was big enough to think about creating a shared service center here, we are not big enough to go to India, for example. So that was kind of the situation, we have quite a big business in Europe that maybe profit, but not as big as… we are not that big that, you know, either outsourcing or creating a captive with all the problems that that would bring in India that would be worth it (7-8).

Speaker 1: It’s alright, at this stage, I think that’s just fine. Now where I’m really kind of surprised, given the amount of efficiency that you have achieved, where did you get that? Because you mentioned just now that the system is not the best
right now. So how did you get these… is that location, because of your current location? Where you are currently based in Europe?

DF1: In the Netherlands.

Speaker 1: In the Netherlands. So you have managed to achieve 30% -40% cost saving and 1% gross revenue sales with a shared service entering Netherlands. Is that personal efficiency or-

DF1: Yeah, well, I think there were several items. I think we got off on “duplicating organization” we had two business divisions in Europe which had basically a complete copy of each other, so we’ve had a duplicated level, above level, for let’s say from CFO and to continue, so that was the first start for us to gain a major, basically to centralize and go from a division organization to a geography organization. So that was one, second thing we did was the workflow system. So basically enabled us to go to shared services from here without having to have physical documents in each of the countries and of course we made it very transparent, so we didn’t need as many people as you need to maintain people going to desks for approvals, etc there was a big impact. And then what we have been also working on this, was on a specific, we have been working on our ERP system to make it more automatic and easier to use and [inaudible], so that has brought us also some efficiency. (9-10).

Speaker 1: Have you ever considered virtual shared services? Basically it’s a model where you do exactly what you do in Netherlands, but instead of staffing your people in Netherlands, they report to you and they work out of a different country or a smaller location.

DF1: We were working in that kind of model before for some extent, our local finance team, we were importing not really local business teams let’s say, but essentially, but the distance… it makes it more difficult. The physical
centralization helps a lot, helps with a lot of planning, communication is easier and quicker, if it’s also a financial audits or some consultancy issues, etcetera. It’s easier to come to come to get information. We have been working like that for a while, but it was not the ideal solution for us (11).

DF1: I don’t know. I’m not sure that outsourcing part… I think it was hot five years ago, and now you see even more and more companies, even big ones, that have local captive shared services next to their outsourced. So I would say that’s not the case, I would say global shared services are difficult because of the language, at least for us, because of the language skills necessary. So I think it’s difficult, it depends on the company, I think there’s no answer that fits all. In our case, I think that the regional shared services is the way to go, although further into that with more improvements to make. But it could be that for some companies it’s just one global shared services that could be also.

Speaker 1: OK, interesting. If you had to, if somebody comes and says that they’re considering shared services, what would you say? Is that something that you’d definitely recommend or say “Stay away” or what would you suggest to these people?

DF1: Absolutely, do it, don’t wait (13).

| DF1  | Yeah, I mean I think it says a little bit about it here, help your people, also like to communicate clearly what is the goal, so at the end probably that’s one of the main items of changed management, is having the right people on board. If they’re not on board, it may be bad for the consequences (4). | People |
Speaker 1: OK. So instead of taking the business to a new location you actually brought new people to your location.

DF1: Yes.

Speaker 1: Very interesting indeed. OK, and if let’s say you need a business support manager somewhere in France or whatever, where would you get that person with accounting experience? Would it come from your shared service in Netherlands or would you go external and get somebody?

DF1: Well, it depends, I think we try to [lean toward?] people that are willing to move, to have the possibility to internally get to these positions, absolutely. And of course we prefer to give the opportunity to people that have been good and are willing, because our experience is that somebody externally will need also some more time to learn the company, etcetera, which is significantly reduced if you are somebody internally.

Speaker 1: And if you had to move them, would you offer them some special deals, like ISC, international moving employees, like expatriates, would that be part of your deal?

DF1: Yes, I think we don’t have expatriates that much in the full sense, let’s say. What we do is we help for accommodation for like two years’ time and moving costs, let’s say. So our possibility is mainly moving costs plus at least some relocation budget, but it would be a fixed budget.

Speaker 1: So it’s with an expiry date attached.

DF1: Yes.

Speaker 1: OK. And clearly it may not be so relevant, but do you think that if there is nobody willing to move from the shared services into the France or any other country, that could impact your shared services design, would you think that you guys would reassess whether or not you want to continue the shared services, if the talent was an issue?

DF1: It could be. It could be I think, if that would impact the service level that you’re giving, of course that’s relevant,
that’s absolutely relevant, if your service level is going down, of course. Also from the [data?] perspective, **has to be** makes sense anymore, then you might think about something else (11)

| Process/Controls | Speaker 1: Would you see any benefits of implementing ERP together with shared services? DF1: I think the main benefit is doing at once you don’t have two times the negative impact of change. However, it makes it much harder. Speaker 1: Yeah, OK. And the process controls, do you see when you transition, is it lift and shift or fix and then shift over to shared services approach that you have used in your organization and did you see any benefits coming from that, moving that, improving the process and moving into shared services, did you see any benefits? DF1: Well I think our strategy was lift and shift, but I think it would have been better if we would have changed certain things in the meanwhile. Not much, but at least the base… it would have been fine, I think. Otherwise you have a lot of work afterwards. So you need to spend some more time on the pre phase, let’s say, on the preparation phase, but I would think that would be worth it (5). |
| Technology | DF1: I think we are missing some opportunities on the technology side. There is of course a cost involved in that and when companies are doing as well these two, then you have to cut in some places and we are delaying some investments in that place so that makes it not achieving the level that you could achieve. Although that’s a choice, of course (8). |
| Organization/Governance | I don’t think it really matters if the direct report to the CFO or not. Of course it helps, everything helps, right? I mean, if you have direct report to the CFO, it helps. But if the organization is accepting the shared services, then |
that should be enough in my view (1).

DF1: But basically it was the organizational structure, to change it from business-related to divisional-related to geography and then working on our auto workflow system I would say and the customers portal that was also the second-

Speaker 1: Customer portal. OK, great, wow, this is amazing. Now, from the non-financial point of view, do you measure your quality, velocity, customer satisfaction (40:00), talent pool, head count... sorry, I have another meeting with somebody just after this, I tried to change it but it didn’t work. So, OK, do you measure quality, velocity and customer satisfaction, velocity meaning the speed of processing invoices, providing reports to your customers and things like that?

DF1: Yes, yes.

Speaker 1: Any change-

DF1: I mean some of them are more difficult of course on the velocity of invoicing from input to payment, yes, absolutely and facility standing [40:45] (10).

DF1: Well, I think for everything that we have been discussing, right? I mean, you have put in your percentages all the benefits that shared services have. I don’t think that you can achieve those results if you don’t have in centralized organization.

Speaker 1: I see. I have a favourite professor, he is from Utrecht University, Netherlands. I’m an Australian living in Brussels, that’s my favourite professor. What he argues is simple, that like everything else, organization has to evolve, and in the organizational design, the shared services is a simply next evolution step. Do you agree or disagree with that statement?

DF1: Yes, I would agree.
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<th>Implementation/ Sustainability</th>
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<td>Speaker 1: OK, great. Now, personally I have been involved in this for six, seven years, maybe even more, setting up shared services in Europe and Asia and so on. But what I really found is that the biggest benefits that companies get is truly the internal control, people may not think about that… finance is important, financial costs, that’s why we are doing it. But what people don’t think is that with digital age, there is so much information coming now to finance, there is so many ways to fake an invoice digitally, like you said that you’re working on PDF, but there are criminals out there who are getting better and better. And if we don’t step up with better controls, better systems, better organization, then I think companies are putting themselves at a lot of risk (13-14).</td>
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<th>Implementation/ Sustainability</th>
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<td>Speaker 1: Excellent. Now, just a third one talks about the ERP, high level stunt dives across region. I know depending on the size of a company and history, people may have hundreds of different systems, but clearly the benefit that we can see is by having those ERP systems that have already embedded processes and further standardizing them throughout region and could add additional benefit embedding automated process controls, process documentation in places and an example when people leave, the new one can be trained very quickly, continuous project improvement, culture teams in place and independent or internal controls. Would you see any other efficiency benefits in this area that we could be adding to be more successful in shared services?</td>
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<th>Implementation/ Sustainability</th>
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<tr>
<td>DF1: Not really, not really.</td>
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<td>Speaker 1: OK. Now, the technology and data place. Here, we’re kind of talking about the little as possible in terms of ERP systems, if we can have one SAP across the entire enterprise, that would benefit usage of EDI or e-invoicing for example. Is that something that’s very common at your organization and where are really driving most of the benefit? Is that automation, is it system, where do you think you’re getting that out of? (6)</td>
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DF1: I think in our case, our ERP system is not... well it’s not SAP so it’s not really best in class so we have to do without that. We have workflow toll, and that is giving us a lot of automation, we’re looking to put in place a PO system as well, linked to that, so that we don’t need to use the workload system that much and we we’re working also on an automatic contract match as well. We have some API invoicing available, but our customers are really, very small, we have big companies also smaller companies, and that is not really useful for them, although we are doing PDF invoicing. So digital, it’s really not paper anymore.

Speaker 1: OK, so PDF invoicing is something that’s taking off in your area.

DF1: Yes.

Speaker 1: OK. Data, how much, so you don’t have ERP, but how much does data completeness and cleanliness of the data play role in your view? Is that really critical or-

DF1: Well you know what, this is not really critical. I mean, it’s not like truly critical but it’s important that you have clean vendor and supplier master, but I think it’s not really critical for us at this moment.

Speaker 1: OK. And it’s also the organizational structure, how is your shared service organized, is it cost-centered, semi-automated business unit or?

DF1: It’s more cost-centered.(7)

Speaker 1: I see, so basically before shared services, there was not so much transparency in the process.

DF1: No, absolutely not. Because I mean you only took it to local people to ask for anything, now you have everything in hand from here, so that’s much easier to achieve and it’s available.

Speaker 1: And clearly when you have a transparency, you
know at least where to tackle your issues.

DF1: Yeah, yeah. (10-11)

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<tr>
<th>Financial Indicators</th>
<th>DF1: I don’t think we have any additional. I mean, you know what, there was some… basically tax benefits that we would also gain by doing this, but are specific to all companies out there. (3)</th>
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<td>DF1: We had some tax benefits as a result of creating a shared service, that’s also kind of an additional item for us, for our company to go into the shared services. (3)</td>
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<tr>
<td>Speaker 1: OK. Now here’s a question, my goal of this research is really to help companies to achieve high-end cost savings and average savings in the industry are quoted between 25 to 50%. Now, would you be able to say, in your experience, what is the level of savings that your company’s reaching, given the fact that you are not utilizing all the available technologies that are out there?</td>
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<td>DF1: I think, I would say that we achieved so far, comparable, I would say 30%. And I think if we would go a bit further, I would say 40%.</td>
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<td>Speaker 1: Do you measure these financial indicators in a… like, do you track total cost, that’s I think what you just said, do you measure gross profit, or the percentage of sale, FSD, financial cost as a percentage of sale, do you measure that?</td>
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<td>DF1: Yes (8-9).</td>
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<td>DF1: Well, I think… there are several segments and benchmarks out there. If you say normally at the best in class would be 65%, of the total revenue I think we are</td>
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around 1% of total revenue.

Speaker 1: Wow, that’s really great. I think as you just pointed, some technologies that could help you get further, it’s really amazing.

DF1: No, I think it’s quite good. I think of course we have been on the continuous pressure for cost savings and we have come to a very good level out there, although of course it could be better if we would have… I mean that’s of course taking into consideration that you’re taking out some external cost. But we are really satisfied with that, I think that it doesn’t get very positive, but it could be better. We have to see in the coming year (9).

Speaker 1: Absolutely, great, great. Now in terms of headcount, would you say, what would be in your view reduction in headcount from before and now?

DF1: At least 20%.

Speaker 1: At least 20%. Now, do you see any difference in processing or efficiency between different function in finance, AP, GL, fixed assets, or would you say they’re everything 5% up and down?

DF1: No, I think the major improvements have been in AP, I think that is the easiest to achieve, let’s say. In AR we have achieved some, but it’s harder because we have a lot of small customers, where we need to call, etcetera, so it’s more difficult to make it automatic or digital at least, but it’s intrinsic to our business.

Speaker 1: OK.

DF1: Yeah, I mean fixed assets by centralising some, but is not really crucial, not for us at least (11).
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<th>Non-financial Indicators</th>
<th>Transaction cost</th>
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<tr>
<td><strong>Total cost</strong></td>
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<tr>
<td><strong>Gross profit to sales</strong></td>
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<tr>
<td><strong>Cost as % of sales</strong></td>
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<th></th>
<th><strong>Transaction cost</strong></th>
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<tbody>
<tr>
<td>Speaker 1:</td>
<td>Great. Do you normally measure your transaction costs for AP or any other function and how does that look like?</td>
</tr>
<tr>
<td>DF1</td>
<td>Yeah, it’s quite difficult for us to do that. We are not tracking it down like that. We track it down more as per number, number of commands per person, number of outstanding items, the cost per unit, AP We have various types of invoices and that makes it difficult, I need to look at it a bit more in depth for that.</td>
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<tr>
<td>Speaker 1:</td>
<td>It’s alright, at this stage, I think that’s just fine. Now where I’m really kind of surprised, given the amount of efficiency that you have achieved, where did you get that? Because you mentioned just now that the system is not the best right now. So how did you get these… is that location, because of your current location? Where you are currently based in Europe?</td>
</tr>
<tr>
<td>DF1</td>
<td>In the Netherlands. (9)</td>
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Speaker 1: OK, thank you, people on board. And now if defining benefits and all, what does make kind of a business case for you, financial, non-financial benefits, in terms of cost, headcount and non-finance. Could you give me an idea of whether these elements were important to you or I think you mentioned some tax before, but were some of these considered from a non-financial point of view? What would you say? 

DF1: Yes. I think we were not that much, at least at the beginning stage, not that much focused on the customer. That has changed with time. But only the main ones are the beginning the first ones, the first six, one, two, three yeah (4).
Speaker 1: Alright, good. Are you satisfied with the scope of your shared service center? Do you think there are other functions that could be moved into your organization? For example, budgeting, some of the tax reporting, some of the other non-traditional things.

DF1: Yeah, I think financial reporting, forecasting could be there.

Speaker 1: And why, why would you say it would be possible to do it from there? Is it closeness to your financial result-

DF1: Yeah, I mean it’s a combination, closest to our financial result, also having the routine and the discipline (50:00) on deadlines which helps a lot on those kinds of projects, almost project management thinking.

Speaker 1: I see, so it’s really having a budget and full casting team exercising it with more urgency, with more rigor.

DF1: Yes. Otherwise you have like each business unit is working on it, but it’s not really a well designed process, because there are so many people that are involved. Single [inaudible 50:34] is if could be at least in some sort of, some scope of that certain process.

Speaker 1: So where do you think shared services is moving in general? Financial shared services, where are we heading? Are we going to all become a one single center globally, regionally, virtual or maybe outsourced at the end? (12)

<table>
<thead>
<tr>
<th>Quality/availability of data</th>
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<tr>
<td>Velocity</td>
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<tr>
<td>Customer satisfaction</td>
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DF1: I think it’s also important a customer feedback. That’s also one of the things that we worked on afterwards, because before for us that it was not part of the implementation strategy, but I think it should be. At least there is some feedback, continuous feedback, but specifically at the beginning of the level of satisfaction.
and there is also another one to see that that is improving with time. Of course, at the beginning it’s worse normally, which is not good, logically, in any process of the changing, but it should go up and that’s something that needs to be followed along (5).

Speaker 1: Cost-centered, OK. Would you say that in your organization you have a good governance structure in place, with all the SLAs and operational dependencies clearly identified, do you monitor monthly your results and share them with the customers and whether or not you have annual improvement targets in place?

DF1: Yes, that’s a [boring?] thing.

Speaker 1: I see. Alright, so how often do you meet with your customers?

DF1: Well, I talk to them really often. We don’t meet a lot, I have to say that normally we have more of an informal relationship and then we review every once in a while the score cards, so it’s not really something that’s more internal than external I would say. I very good customers, I would say.

Speaker 1: So you more measuring the performance with your team than with the customers (30:00). OK, now here’s a final question. Why Europe? Why would you set up a shared services in Europe? (7)

OK. Any percentage you could say that changed? You know, I would say customer satisfaction changed by % or something like, would you be able to attach anything that’s measurable to quality or velocity or customer satisfaction?

DF1: It’s difficult to say, I think in customer satisfaction our goal was not even to improve it, but to maintain it equal. We have customers that have that local support and they moved from local support to you know support from the Netherlands. What we wanted to achieve is that people have nothing to complain, which is normally what you
have at the beginning. Because you have service support at distance and not in our office. So it’s maintain and of course in the next years we have improved that quite a lot and I would say on a 10% kind of measure. On quality, I would say that the quality I think is difficult to measure on a mathematical way, in a way I think it would say that we improve a lot of transparency, at the end improving the quality of reports but also of status and etcetera and accessibility to the data, highly important in a company (10).

| Talent pool/ headcount | Speaker 1: Now what is your experience with talent pool availability as a result of shared services about let’s say at a local site, where you have a business in a different country and in Netherlands? How is this impacting your organization and your structure?

DF1: The talent? Well, I think we see there’s a benefit to being in the Netherlands, we have a great availability of local talent in the Netherlands, but also of native speakers, people that are willing to move to the Netherlands to continue their career. From the business unit perspective we have big divisions in the South of Europe, but luckily the economic situation there is not as good, so people are coming to the Netherlands to move to our economical divisions, so we have a good availability of candidates. So it was never a problem, we facilitate that, people can come to our offices, we have a taxi from the train station, etcetera. So we have been working on that as well actively, to make sure that we are not losing talent (11). |

| Mandate | DF1 I would say that I would agree with the statements. However, I think the organization is not as important as are the mandate, that the objective is basically the shared services. I mean it’s not that much the organization, but |
also kind of the need or the urgency to do that, I would say. Although I would agree that if the organization is prepared or in a way facilitated, that would help as well (1).

So generally what people kind of have commented so far is that in most instances mandate is almost a prerequisite for success (1).

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E. Sample Cross Tabulation of Interviews

**Cross-Tabulation on Mandate**

<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Mandate</th>
<th>Comment(s)</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>DF2:</td>
<td>we spent almost six months to convince the board of directors of Russia business unit to approve business case and select location and select me as director of service centre. I came [10:39] after decision was approved. (2)</td>
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<tr>
<td></td>
<td>First of all, it was part of our operational excellence initiative, based on the board of directors from Russia, it was local decision and first of all the decision was not supported on the Amsterdam level in our headquarters. And in Amsterdam we had opposition to the decision, because our local group, CFO, didn’t believe in a SS and said “If you want, you can make local strategy.” Speaker 1: So it was a local strategy. DF2: Yeah, it was a local decision of Russian business unit, but you should understand that Russian business unit is 40% of total team of all business, it’s the main business unit, but it was local decision first. Second, in Russia we have eight regional business units and on that level it was top down approach, that business unit Russian CFO decided, “Yes, it should be,” he was the main sponsor and he implemented top down approach for all eight financial director in headquarter and regional units. That’s why we have different, opposition on high level, but push down approach on</td>
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executive level of the business unit in Russia.

Speaker 1: OK. Do you think if they had a choice, would they join you? One of these units in Russia (10:00), if they had a choice, would they join you?

DF2: Yes, that is sure, because we have after six months [story?] with approval of our business case from decision, “Yes, it should be, we should look at this,” to the final [call?] of business case, we spent almost six months to convince the board of directors of Russia business unit to approve business case and select location and select me as director of service centre. I came [10:39] after decision was approved (2).

3

DF3: …and that we have. And there I can see a lot of improvements made because we went to a more centralized decision model in the last two years. What I mean by that is that, I can say that we have this one head of global business services, so there are no local boards or local reference groups or groups or anything. Everyone working for us, the 650 people, they report to me and my head in Stockholm, regardless if they sit in Brazil, or Shanghai or Damascus or Manheim. They don’t report to the local business (6).

Ok. That’s interesting. Now, here’s another question. Based on the literature review, it’s been argued that depending on how organizations are set up and organized, reporting and the way the shares service strategy is administered—voluntary vs. mandatory, has an impact on the success of this model, would you agree with that? Because what I noticed is that you guys centralize first in getting the organization right.

DF3: Yes. I would definitely agree. I think it’s crucial that it is mandatory (8).

4

… what is the better option for companies, to have a mandate to go to shared services or kind of an option to join the shared service center? In your view, what is more appropriate in these transformations?

DF4: A mandate is by far the best way to do it. You really need to approach it from a tops-down perspective versus bottoms-up, in my point of view. So it needs to be mandated at the highest levels and that’s where you’re going to be most successful and it will also add to the speed from a transformation perspective as well. And we’ve done it both ways, so historically, our shared service centers were set up more on an

DF4- …and that we have. And there I can see a lot of improvements made because we went to a more centralized decision model in the last two years. What I mean by that is that, I can say that we have this one head of global business services, so there are no local boards or local reference groups or groups or anything.
individual business unit by business unit negotiation, but now we’re executing more from a mandate perspective and it’s much, much easier. You get the buy-in at the top and people fall in line and they are more supportive, if you will, in problem solving to make the initiative successful versus if you have to do it on a business unit by business unit negotiation basis, you tend to have non-standard requirements coming into your centers. So you try to customize, if you will, for each individual business unit in order to satisfy their requirements in order to get the work shifted versus employing more of a standardized push-down process. So that’s the cost of time. (4)

<table>
<thead>
<tr>
<th>Speaker 1: Ok. Now, one thing, if you were to start a new implementation of a shared services, how would you say that organization impacts the success? How you organized, does that, in your opinion, impact the success of the shared services and in your view, does the mandate makes any difference in becoming successful shared service center?</th>
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<tr>
<td>DF5: Absolutely. I think the mandate is the most important thing of all. You've got to get your senior leadership people onboard (inaudible) [00:06:58.673] And really it needs to be, I think some organizations fail because they have not the mandate.(inaudible) [00:07:06.408] I think that it's got, like, be mandated right with it's, all that's got to have presence, and you know, in you, when you, you know, we had a strong sponsor in the CFO. What we're doing now is we have got a member of our global leadership team who is sponsoring and owning global business services. And you know, not only is he on that leadership team, he's also seen as a very impactful person with a very strong leader. And so, you know, I think you need that to make this sort of structure work. And I think that's top of the list. You don't have that strong mandate, you, I think you're setting yourself up for failure (2-3).</td>
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</table>
| DF5: Absolutely. I think the mandate is the most important thing of all. You've got to get your senior leadership people onboard (inaudible) [00:06:58.673] And really it needs to be, I think some organizations fail because they have not the mandate.(inaudible) [00:07:06.408] I think that it's got, like, be mandated right with it's, all that's got to have presence, and you know, in you, when you, you know, we had a strong sponsor in the CFO. What we're doing now is we have got a member of our global leadership team who is sponsoring and owning global
- Speaker 1: Now based on literature I’ve viewed it’s argued that depending on how companies are organized and how they organized the activities during the shared service transition, by and large, will depend on the success of the shared services. Now when I say how organized, for example, the finance organization, entire finance organization reporting to a single CFO, you know, so there is no difference between shared services and the local. And also the way that companies are set up, in terms of mandating the shared service journey versus the free on board, if you want.

DF6: Yeah. So we, I mean, for many years, I mean, for many years. We had shared services. But it wasn’t really mandated. And so as a vehicle in the organization, it wasn’t, didn’t have, you know, it, progression was, you know, you could progress internally within what you were doing. But there was very little to bring in from the outside and progress. But now we have a more of a mandated journey within the confines of what we’ve got. And clearly that helps significant progression and cost benefits.

- Omer: Having a mandate for shared services is like a prerequisite in your view?

HF1: You call it mandate or you can call it description of what the shared services are accountable for and that this is communicated widely in the company, that’s important. So either call it mandate or clarity of responsibility and then communicate just clarity of responsibility.

Omer: I think where I’ve seen a little bit of confusion is that sometimes companies say that each business unit has a choice to decide if they want to implement shared services. Based on literature, this is not very well accepted. It always takes longer than if you have clarity of the mandate. That’s the kind of mandate I was thinking about, rather than the scope itself.

HF1: If you want to start a shared service without a mandate, just as you can choose whether you opt into
| 8 | shared-services platform in order to keep business running. Interviewer: Okay, so really ability to run business from remote-areas. Based on literature-review it's argued that depending on how companies organize their share-service center and depending on how the organization is set-up that different level of success may be achieved. As an example, let’s say companies have an option to choose between going to a share-services or mandate, the outcome may be different. Would you agree or disagree with that statement? What is your experience? Is mandate necessary in becoming successful in share-service? HF2: One of the reasons that we believe we have developed such scale and got such a high-degree of penetration, particularly in the finance-area is because of executive sponsorship. So we have a very clear mandate from the CFO who at the time was Pxxxx Vxxx who is now our outgoing CEO and it was made very clear at the executive level that we wanted to do this (4). |
| 9 | Interviewer: Okay, based on the literature that I’ve found so far, it’s argued that depending on how | very end. But that’s not what I’m saying. All I’m saying is that here are the shared services, we implement and the strong guidance is that these and these activities should be in this shared service and give me a reason why they shouldn’t. So this kind of in between mandates, description of services, I think, is required for a successful set up.(1) |

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**this shared service and there is no guidance at all at the beginning, I think that’s tough. That’s really tough. That needs not to be an absolute mandate, a must that you need to participate in the shared service. I think that’s on the other very end. But that’s not what I’m saying. All I’m saying is that here are the shared services, we implement and the strong guidance is that these and these activities should be in this shared service and give me a reason why they shouldn’t. So this kind of in between mandates, description of services, I think, is required for a successful set up.**

**Omer-**

**Okay. Very interesting. Very interesting. Are you satisfied with the scope of shared services in finance area? Is it just a legal entity reporting kind of stuff, budgeting? Do you think that shared services can do more in finance, can take the overall finance and accounting responsibility?**

**HF1- Yeah. I think we can do more. We can do more but it always starts with what’s the starting mandate, the starting scope of delivery, and then you need to prove yourself and then earn the right for getting more. But I guess I think there is room for more.**

**HF2: One of the reasons that we believe we have developed such scale and got such a high-degree of penetration, particularly in the finance-area is because of executive sponsorship. So we have a very clear mandate from the CFO who at the time was Pxxxx Vxxx who is now our outgoing CEO and it was made very clear at the executive level that we wanted to do this.**
companies are organized, how they’re structured, significantly impacts the success of shared services. As an example, having a single CFO managing both shared service centers and local sites or cases where you have a mandate to go to shared services versus a pull-factor. What is your view on that? Do you think it helps to have a mandate for companies to be more successful in convincing others to join or should that be left to the business-unit?

HF4: I think it’s pretty tough to advertise or sell the idea of shared services because it’s probably easier to showcase the economic advantages depending on which country you’re coming from. If you have other countries going more East from here, the arbitrage levels are not so clear and so convincing. In general I would say, yes, you could do conviction work as long as you want but if you have a clear mandate and a strong, unmistakable address to the country I think there’s no second solution to that.

Interviewer: Alright, is that how you guys did it? You had a mandate?

HF4: Yeah.(3-4).

Omer: Okay, now may be just introduce bit of literature here that I have found so far. Basically its argued that depending on how companies are structured, how they organized, their organization prior to shared service idea, helps to be more successful. Would you agree or disagree with that statement think form the mandate versus free on board if you want.

HF5: Yeah.

Omer: The idea and perhaps having a single CFO responsible for the business does that help you in your view.

HF5: Yes I think it does I think that has a big prop to play within the structure you know and whether a shared service center is going to work and you know it depends so if I look at different organization it really depends on you know that willingness that support from the central I think thats one of the keys that we benefit from here is you know they are committed to it. There is one central structure so in
that you talk about the structure you know they are committed to it. There is one central structure so in subliming with what the rest of the business is doing its not going against the rest of the business that’s so segmented and fragmented.

<table>
<thead>
<tr>
<th>Omer</th>
<th>Yeah I know that ... critical success factor if we call it that way but was it mandated by the Head Office or the Board?</th>
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<tbody>
<tr>
<td>HF5:</td>
<td>Yes I mean effectively it was yes so the business don't have any choice ok.</td>
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<tr>
<td>(12-13) HF5:</td>
<td>Yeah so I mean whatever organizations I have worked for previously wasn't mandated so effectively each as a shared service center we needed to get the business to sign up again to take the service for another year and in fear at least they could re-establish their own operation locally so I think that that gives you different focus because you know you have to deliver so there is more pressure here if we didn't deliver we still going to exist. The management team might change.</td>
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<tr>
<td>Omer:</td>
<td>Yes.</td>
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<tr>
<td>HF5:</td>
<td>So that’s the different but the shared service center the company will have a shared service center it’s not going to move away from that because its mandated where as in the environment where its not mandated you are all about making sure that service there is all of a fear factor and the disadvantage of doing it that way and the problem had there was everything we did was very short sighted because we knew we can’t pass a year because if we lost a chunk of the business we have to scale back because of that so we were almost very aware of that here we can be much more long term planned because we know it’s going to be here.</td>
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<td>Omer:</td>
<td>Where you involved in transition of subliming with what the rest of the business is doing its not going against the rest of the business that’s so segmented and fragmented.</td>
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<tr>
<td>HF5:</td>
<td>this business to a shared service center?</td>
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<tr>
<td>11</td>
<td>MD1: It’s probably the other way around where someone has the idea in the management, someone tries it through with some initial pilot activities you know you see first successors and then others follow and then over time, it becomes more and more obvious that the changed structure is helpful you know</td>
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have more of a co-operative style of decision making. Disadvantage is it takes longer but the advantage is if you have a decision then the like hood of the execution is much higher (5).

You know because the entire organization understands mandating. But on the other side if you have organization that is not steered by mandating in other aspects you know or in general aspects and for those kind of organizations I don't think mandating is a healthy exercise. So what I am saying is that the decision process for shared service centre should be aligned or should follow decision process that is coming for the organization let's say in any case.

| 12 | Omer: Ok on the based on the literature, can I ask you that the companies structure the activities generally has an impact on the success of the share services and more of those is basically the pull versus push or the mandate. Sometimes also people reference to the scope of services that perhaps the resistance would be a little bit different if you choose the right catalogue. Do you agree or disagree with that. Or what do you think is the key for you guys to be successful in setting the share services up.

MD2: It’s a tricky one. If you are talking about that how things get transitioned in

OMER: I will just think that it’s just the buying that initial stage step to get people to really agree let’s to it.

MD2: I think that difficult because your tick in lot of organizations you are dealing with people are tough and potentially slicing a bit of it off into transferring into the share services. So the meeting that we were at here in Budapest office months ago. I was interested to hear a guy from Celanese [20:17] so we move something in when someone's retiring and we go to them and say hey would you like this to be a part of

Even where we have got excellent relationships stay, its slow to get things moved in and it tends to be more mandated from the senior level this is going to move. Ya so far it doesn’t change.

OMER : Ok so mandate is the way to go in your view.

MD2 : I think its ya unless someone owns this part put of responsibility, shared service centre in moving something from the left pocket to the right pocket. I think it’s difficult for
share services. So it was very honest but and I think I heard a couple of speak the same thing. It’s the hardest thing that no matter how many senior people are in the organization, it’s about the scope of responsibility and its always a difficult part. Even where we have got excellent relationships stay, its slow to get things moved in and it tends to be more mandated from the senior level this is going to move. Ya so far it doesn’t change.

Omer: Ok so mandate is the way to go in your view. MD2: I think it’s yes unless someone owns this part put of responsibility, shared service centre in moving something from the left pocket to the right pocket. I think it’s difficult for someone to voluntarily say yes I would like to put this part of organization in shared services on the set of leadership. It’s just rare (6-7)

13  Okay. Here’s one thing, think about your initial transition, based on the literature that I have found it’s argued that depending how companies are organized, in terms of who they report to, depending on the mandate versus pool mode it’s argued that if you have a good mandate it’s most likely that you will succeed. Do you agree with that statement? VP1: I think I strongly agree, the number one success criteria is support of the top. Initially we had very strong support then a lot of things happened in the company, in the meantime the company has been acquired so people have changed but I think the success, at least for the Share Service Centre and this may be a very unique situation, I don’t know but I currently … it was not a very let’s say … I don’t know if there was a case or it was not a case but the after affect is that I have two jobs and I’m the Vice President of Finance for EAME and I’m the General and Manager of the Share Service Centre. So that for me has been the biggest success criteria because I didn’t have to negotiate with nobody, with my line managers … what to do and what not to do and that if you want as substitute to the time at the top that we may have lost when we were acquired in terms of what the bring the Share Service Centre. As a matter of fact when I go outside of finance where I am not responsible for we are struggling much more to do the right helps (3)

if you have a good mandate it’s most likely that you will succeed. Do you agree with that statement? VP: I think I strongly agree, the number one success criteria is support of the top. Initially we had very strong support then a lot of things happened in the company, in the meantime the company has been acquired so people have changed but I think the success, at least for the Share Service Centre and this may be a very unique situation, I don’t know but I currently … it was not a very let’s say … I don’t know if there was a case or it was not a case but the after affect is that I
have two jobs and I’m the Vice President of Finance for EAME and I’m the General and Manager of the Share Service Centre.

| 14 | Omer: In your experience do you think that, having a mandate helps or giving business units the autonomy to choose whether not they want to come to shared services, at the initial stage? VP2: To me, it's almost like a pre-requisite. Uh, if, without a strong mandate, uh, you're up to, you know uh, cooperation and collaboration with the local finance directors or controllers. And with a strong mandate obviously it's, it's more about making it happen. Keep in mind that the local finance controllers typically lose, right. There's not too much to gain for them. They lose people, they lose control, they lose visibility they lose status because they've lost people. The gain is typically at the corporate level where you see costs, transactional costs per FTE go down. Or you see cost reduction because of wage arbitrage. So, yeah, a strong mandate for me, is preferred (1-2). |

| 15 | US3: Yes. I don't think we're missing on any of the abilities, say we've got, we're much focussed on learning and development people and communications VP2: To me, it's almost like a pre-requisite. Uh, if, without a strong mandate, uh, you're up to, you know uh, cooperation and collaboration with the local finance directors or controllers. And with a strong mandate obviously it's, it's more about making it happen. Keep in mind that the local finance controllers typically lose, right. There's not too much to gain for them. They lose people, they lose control, they lose visibility they lose status because they've lost people. The gain is typically at the corporate level where you see costs, transactional costs per FTE go down. Or you see cost reduction because of wage arbitrage. So, yeah, a strong mandate for me, is preferred. (1-2) |
and how is their focus area and governance is happening all the time, you know, it's, you know, our whole strategy is based around people, process, systems and, you know, I think 3 years ago we changed our mindsets from back office transactional to customer service, focus service mentality and. I'm trying to even take 10 years improvement and segments to the next level. I'm really trying to push into with our own shared services, you know, that's my key for 2014 as you know okay, lean and six sigma and continuous improvement is good for guys. Now I want you also to really take a step back and really look it through an innovation and, you know, through shared services so...(9)

US3: I think we can definitely do more, I think we could do more in the HR world, I think we can do little bit more in the procurement world, you know, at the end of the day where we are reasonably efficient and effective as a company, you know, it's not like there are hundreds of people hanging around this HR, procurement organizations we can go after, they're much smaller, but I think there's more chance to expand and even within finance I believe there's more that we can take onboard and climb the value chain. So, I'm happy with it but, you know, I think we're pretty advanced, we're pretty mature but absolutely I think we can do more.(12)
US3: No, we could, I mean we have had some challenging implementations. Anything you try to do, anything in Brazil, it’s a challenge, I don't know, Brazil at least, more complex than anywhere else in the world up there and I don’t want to take that out, I don't think so. Now, there's nothing like that, you know, I think that we get a lot of stuff at the front end sales, see, in fact we put a new team in last year doing front end proposals and pricing and working details in North America. So, I think the function is very similar done there, I mean that's what we wanna keep going, we wanna keep evolving and...(13)
Omer: That shared services is a next natural evolution step or natural step in evolution of a company organizational structure.
US3: Yeah, yeah. When did he write it? mid 90s?
Omer: Well, no, recently he wrote a, I think probably a couple of years back. But, it's just, you know, like everything else changes, technology changes, so the
company have to step up the organizational structure as well and bring more discipline.

US3: Yeah... It makes sense but I know traditionally Dutch based companies are being reasonably slow with take of. You got to look at DSM has struggled, DSM is based out of Maastricht [55:55], there is so much struggle with shared service program. I think we got lot of traction and eyes on it [56:00] but yeah, I guess traditionally that some other, maybe companies are being focussed with cultures in Western European, may have had more challenges with worker’s councils and labour agreements and unions and societies and perhaps maybe some American companies or US companies or foreign companies. So, but, yeah, absolutely is the next step of evolution (14).

Speaker 1: My question is, what would you attribute that to? Is it improvement in efficiency, economy of scale or technology improvement?
VP5: It’s for sure in the economy of scale, in combination with process improvement, I would say. Speaker 1: OK, excellent. Now, based on literature review, it’s argued that depending how companies organize and structure their activities, by large will drive the success of shared services model. And by this what I mean is, for example, if you have an ability to mandate shared services versus the pull mode where business decide if they want to go or not to a shared services, and they perhaps a single CFO for both local finance and shared services, does this in your opinion make any difference in becoming a successful during the implementation stage?
VP5: Yes, we have tried both in the Company X groups, so we had, yes, in the beginning, where it was more of a volunteer situation, where the shared services needed to settle the business case of shared services to the different business CFOs, and that was a very troublesome irony, because they could negotiate on scope and they could negotiate some timing and everything became very complicated and more expensive, you could say. And then it molded into a more centralized approach, where a group CFO would just pointed out that this is the way forward and the shared service center organization decides when to move things and how to run things, and then it was
much more easier of course to capture a standardized scope and more driving and transition speed and also a more cost-efficient. I would say absolutely, it’s impacting and we are seeing a lot of benefits of having a more firm approach, a more common approach.

Speaker 1: If you are to compare for example the cost the mandated approach versus the free on board approach, what would you say, is it double more expensive, triple more expensive? Some kind of directional figures in your view. Because to me everybody says, “Yes, you have to mandate,” but there is very little evidence or very little information where people say, “Hey, if you don’t, it’s going to cost you three times more or four times more.” Is there anything you can share in that area?

VP5: Yes, if you look at the onetime costs to move from the business into the shared services, I would say it’s double. It’s easily double, but let’s say double. If you look at the continuous improvement in the shared services, I mean if you work on an open and voluntary approach, you will end up with different scope, different process interfaces for different parts of the group, and that will take out some of the productivity improvements year by year, so I would say if we deliver 8% now, we delivered maybe 4 or 5% before, when it was more of a fragmented approach, so it’s helping mostly in the long term (4).
7 November 2015

Mr Omer Softec  
Avenue Des Ericas 12  
Rhode St. Geneses Geneses 1640  
Belgium

Dear Mr Softec,

The School of Accounting and Accounting Ethics in Human Research Committee has approved your revised proposal “Effectiveness of the Financial Shared Services model in Europe” for a twelve month period from 1 October 2013.

The protocol number issued with respect to this project is 211/2013/06. Please be sure to quote this number when responding to any request made by the Committee.

Please note that the Committee requires that all consent forms and information sheets are to be printed on School letterhead. Students should liaise with their Supervisor to arrange to have these documents printed.

You must notify the Committee immediately should your research differ in any way from that proposed.

You are also required to complete a Progress Report form, which can be downloaded from http://www.csu.edu.au/research/ethics_safety/human/ehrc_managing and return it on completion of your research project or by 30 September 2014 if your research has not been completed by that date.

The Committee wishes you well in your research and please do not hesitate to contact me via email jbisman@csu.edu.au if you have any enquiries.

Yours sincerely

Associate Professor Jayne Bisman  
Presiding Officer  
School of Accounting and Finance Ethics in Human Research Committee  
Email: jbisman@csu.edu.au
G. Informants/Participants/Respondents Individual Information Sheet

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<th>PART A</th>
<th>INTRODUCTION</th>
<th>5 MIN</th>
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<td>Facilitator</td>
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<td>Scribe</td>
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<td>Elevated Speech:</td>
<td>First of all I would lie to thank you for agreeing to participate in this 60-minute openended question type interview and help me understand your view on my research question. Please note that this interview will be recorded for the purpose of generating an accurate transcript. Once the transcript is completed, the digital copy will be destroyed.</td>
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<tr>
<td>Purpose:</td>
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<td>Confidentiality:</td>
<td>This would be a confidential interview unless you, the interviewee, wish otherwise. However, for the purpose of evidence, some personal data may be required, and it would be desirable if you could provide some.</td>
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### PART C One Time Only General – FSS Information

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### PART D One Time Only General – Company Information

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