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**IMPLEMENTING SHARED SERVICES BUSINESS MODEL IN SUB-SAHARAN
AFRICAN – EXPERIENCES, PRACTICES BENEFITS, CHALLENGES, AND
FUTURE.**

**A final Thesis Presented to the Academic Department of the School of Business and
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EXECUTIVE SUMMARY

Inspired by the desire to create more value for the shareholder, and pressurised by the growing competition in the market place, the development of organizational structure over the years has been one of the most exciting evolutions in modern management science. From a loose structure of operations united by common ownership at the beginning of the 20th Century, the structure of the modern multinational firm has evolved over a period of 100 years, to centralisation to decentralisation to focusing on core processes, now to shared services model.

Shared services concept is the latest in a series of innovations with the organizational structure and is a radical shift in the internal arrangement and dynamics of the firm. By focusing at support services, the concept achieves a unique balance of forces, which allows companies to realize the benefits of centralization while effectively running a decentralised structure for its operations. This has enabled companies to reduce transaction costs, improve quality of support services, achieve consistent services standards, leverage on limited and/or specialist resources, achieve flexibility in service delivery, achieve competitive advantages, and acquire abilities to fight off take-over bids. The model satisfies both strategic and organizational effectiveness objectives and due to this, the concept of shared services has been embraced by an overwhelming number of leading multinational firms of the world – Fortune 500, Global 2000 and so on and so forth.

However, despites its widespread application elsewhere and well proven benefits, the concept is generally yet to be embraced in Africa due to various factors.

The main focus of the study is to establish the extent of adoption of the concept of shared services in Sub-Saharan Africa, current stage of development, current practices, challenges and future prospects. The study sought to investigate the following objectives:

- To determine the level of adoption of shared services model in Sub-Saharan Africa.
- To diagnose the fundamental differences and draw parallels in practices of shared services programs in the sub-region against best practices, that is, international standards and benchmarks.
- To determine the motivating factors for the adoption of shared services and whether these objectives are being realized.
- To dissect and isolate specific business/strategic, technical and structural factors that hinders successful implementation of shared services programs in the region.
- To identify key success factors for a wider and successful adoption of shared services centres in Africa.

- Assess the future potential for a wider adoption of the concept in Africa.

The findings are based on qualitative research and a quantitative analysis. The qualitative research is based on responses from three case studies of leading companies that have implemented shared services projects in the continent, distributed as 15 respondents from corporate headquarters, shared service centres and business units scattered across 7 countries. Data was analysed using spreadsheets on excel. The quantitative analysis determined trends and patterns of current practices, benefits realized, perceptions, and growth potential of shared services in the continent.

The important findings of the study are:

- Implementation of shared services in Sub-Saharan Africa is still at nascent stage, and projects are still work-in-progress.
- Projects with arrangements to cover across national and regional boundaries have started mushrooming around the continent in the last 2-3 years.
- There is reasonable awareness of the concept of shared services, especially at headquarters and shared services centre level, but there is limited and even suspicion at business unit level.
- Understanding of strategic dimensions of shared services is limited at all levels.
- There is a high risk of failure of projects in the continent. Implementation projects taking place do not follow global best practices, in a number of respects:
 - ✚ Shared Service Centres are located at headquarters;
 - ✚ Service level agreements are not in use;
 - ✚ Performance bench marks are not in place to measure and monitor the shared service centre;
 - ✚ No structured mechanisms are in place to objectively assess whether the original goals of projects are being met or not.
- Cost reduction is the most dominant driving motivating factor for the adoption of shared services model of management support functions, while standardization of processes and reporting is seen as a consequential benefit.
- Application areas around IT are currently dominating shared service centre, while accounting and finance are fast being included in new implementation projects that are underway.
- Shortage of skills and poor IT infrastructure are the most challenging factors that militate against smooth and faster adoption of shared service concept in Africa.

- Adoption of shared services is poised to grow. There is a strong desire to expand the scope of current projects, in terms of depth, business units and geographical coverage.

These findings, particularly the low adoption of the concept of shared services, are a reflection of the low skills gap and poor information communication technology (ICT) infrastructure that exist on the continent. These gaps must be filled in by training and importation of right skills at all levels, and governments in the region must craft policies that are conducive to increased and promote investment in ICT sector.

Given the proven benefits of the model of shared services, companies in the continent must embrace the concept, as is the trend internationally. Such a move will benefit the companies by creating internal efficiencies and value. It will also benefit countries of the region by creating more steam for economic growth and create a platform for integration with international commerce. The world economy is fast globalising and African corporations need to quicken catch up in many areas to prepare for the eventual competition for the continent's business space

To encourage wider adoption of the concept of shared services, the following recommendations must be implemented by both private companies and public institutions/governments:

At company level:

- Companies must be ready to import the right experienced skills into continent to bridge the skills gap. This can be met by engaging appropriate consulting firms with international experience, in order to tap into an already existing wealthy pool of skills in advanced economies of the world.
- There is also need to set up and run in-house training programs to prepare internal staff to handle the intricacies involved in implementing a shared services program.
- In doing this, companies in the continent must follow global best practices. This will enhance the chances for success of their projects and increase the value realised there from. Thus existing projects that are taking long at incubation stage must be matured by moving on to international best practice and standards.
- Consulting firms, particularly those affiliated to international companies, must ensure that they carry right skills, to prepare themselves for playing a major role in projects to implement shared services business model of companies. This can be done by both training, especially through exchange programs.

- Shared services must be moved away from corporate head quarters to avoid or remove the stigma around centralized structures and allow the centre to play its real role of service delivery.
- In order to improve the contractual arrangements, service level agreements must be adopted to manage the relationship between the service provide (Shared services centre) and the consumers of those services (Business units).
- Bench marks and standards to measure and monitor performance of the shared services centre must be included in the service level agreements.

At government and public institutions level:

- In view of the poor infrastructure, government must development ICT infrastructure in their countries or must encourage investments by private sectors in the sector. To achieve this, governments must also remove competition restricting regulations that hinder investment in ICT sector.
- Universities and other colleges must adjust their curriculums in order to include designs that make it possible to train a graduate who is best suited to play a role in modern business.

The study has made a pioneering contribution to the literature on shared services in Sub-Saharan Africa.

While the results are adequate to meet the objectives of the study, more research in suggested four areas. Firstly, there is need to determine which performance measurement tools are suitable to monitor and evaluate service delivered by share service centres. Secondly, given that most implementation programs are still work-in-progress, there is need to carry out similar research when the projects are completed to determine further developments and experiences that will have taken place. Thirdly, a research into the nature and extend of skills gap on the continent in the area of shared services is required in order to direct training programs. Lastly, there is need to determine the suitability of other methods of production such as outsourcing and off-shoring so that companies in the continent are aware of the alternatives available for them.

Table of Contents

- 1. ABSTRACT**
- 2. Chapter 1 - Research Objectives**
- 3. Chapter 2 – Theoretical Background of Shared Services**
- 4. Chapter 3 – Literature Review**
- 5. Chapter 4 - Methodology**
- 6. Chapter 5 – Presentation of Findings & Conclusions**
- 7. Chapter 6 – Recommendations**
- 8. References**

Appendices

- A. Letter to Interviewees**
- B. Research Questionnaire**

Abstract

The invention of shared services model has been one of the most developments in science of organizational structuring. It is not surprising that in the past 10-15 years, the majority of the world's leading companies have rushed to embrace the concept. Various sources suggest that costs savings achieved through shared services centres range between 20% - 50% (Strikewrda, 2006; Cecil and Henderson, 2007).

However, despite the global application of this concept and its vastly documented benefit, it has not found wide adoption in Sub-Saharan Africa, even in the relatively developed South Africa (Accenture survey, 2005).

Based on empirical research, practical experience and theoretical consideration, the research will reflect on experiences and extend of adoption of shared services centre concept in Sub-Saharan Africa. It is noted that there is limited adoption of the concept and there is limited research too. The study focuses on four aspects, stage of adoption, experiences, challenges and factors hindering wider adoption, as well as future prospects for shared services centres in the region

Chapter 1

Research Objectives

Introduction

The desire to create and grow shareholder value under a climate of increased local and global competition has led to the development of endless volleys of approaches, concepts and techniques in modern management literature. One of such concepts is **Shared Services**.

The model satisfies both strategic and organizational effectiveness objectives and for this reason it has been embraced by an overwhelming number leading global companies. The concept has revolutionized the structure, governance and the way multinational corporations are managed and supported. Successful implementation of shared service centres has been reported in many fields, including information systems services, accounting and finance services, and human resources management, sales and marketing, among other areas (Marcolin and Ross, 2005; Park and Kim, 2005; Ulbrich, 1995).

Benefits of implementing shared services business model are immense and well documented in both theory and practice. Deploying a shared services business model is becoming a leading way to reduce costs, improve performance and transform the way support service deliver value to the organization. Reported direct savings due to deploying shared service centres differ between sources, but can be estimated to vary between 20% - 50% of the costs of services provided by shared services centres (Strikwerda, 2003). For a typical multinational corporation, this may be in the order of magnitude of 1-2% of turnover, thus these cost savings are material.

Broadly, these benefits and the mechanisms arise from simple elimination/reduction of duplication of processes by sharing, which is especially effective in the case of L-curve type of costs dynamics. In addition to this, it can be assumed that cost reduction results from increased standardization across divisions, a higher quality of services (due to more measurement and performance management, more dedicated professional management, resulting in lesser errors) and a faster and more accurate implementation of changes in law, regulations and policies. Further, it can be argued that benefits accrue from economies of scale and knowledge, in areas such as IT, logistics, sells and so forth.

However, despite the wide implementation and benefits of shared services at global scale, this has not been the case in Sub-Saharan Africa, where adoption has been largely limited to a smaller number of subsidiaries of multinational companies. Further, according to the result of a survey by Accenture in South Africa (2005), even in cases where shared services concept has been adopted, there has been no adherence to global best practice and achievements have been mixed. The region is largely underdeveloped

by all definition of economic, human and social development. Consequently, the region has also largely lagged behind in embracing modern management methods and practices.

However, as we entered the new century, the region has begun to show signs of economic awakening. Major multinationals are beginning to recognise the region's potential underpinned by its vast natural resources. Though slow, the process of democratic and economic reforms being implemented by various governments throughout the continent is acting as a necessary catalyst to growth of investment by both foreigners and locals. In order to sustain this development, there is need to fast track adoption various management methods, techniques and practices that have been successfully tested and implemented in other regions of the world. In this consideration, given its wide adoption elsewhere, shared services concept is definitely one of the modern business models to be considered.

To encourage wider adoption, it is therefore important to undertake research study to explore and document the experience, benefits, challenges and limiting factors of implementing shared service centres in Sub-Saharan Africa. Given the importance of making shared services suitable to specific situations (Baron et al. 2005; Park and Kim, 2005; Rison, 2005), it is also critical to determine the key success factors of such programs in an African business environment.

1.2 Research Questions

The research answers the following questions:

- What stage is the adoption and implementation of shared service centre business model in Sub-Saharan Africa?
- What factors motivate adoption of shared services?
- What practices are in use and whether this is in line with international best practice?
- What are the major factors that have hindered the development of the concept in the region?
- What factors are necessary for the sustained adoption of shared service business model in the region?
- What is the future potential for wider adoption of the concept in the region

1.3 Objective of the study

The research pursued the following objectives:

- To determine the level of adoption of shared services model in Sub-Saharan Africa.
- To diagnose the fundamental differences and draw parallels in practices of shared services programs in the sub-region against best practices, that is, international standards and benchmarks.

- To determine the motivating factors for the adoption of shared services and whether these objectives are being realized.
- To dissect and isolate specific business/strategic, technical and structural factors that hinders successful implementation of shared services programs in the region.
- To identify key success factors for a wider and successful adoption of shared services centres in Africa.
- Assess the future potential for a wider adoption of the concept in Africa.

1.4 Significance of the Study

While experience with shared services has fast developed over the past few years in America, Europe and to some extent Asia, the success of which is well documented in management literature and business press, such has not been the case with Sub-Saharan Africa region. Yet Africa needs to adopt more modern business management concepts and practices to catalyse economic development through private capital and markets. This is necessary given that, a private capital driven development is more sustainable than the current model which is based on donor aid and government programs. Efforts are therefore required to promote improvements in business management and modernization of corporate systems and practices through well grounded research that promote wide adoption of world class concepts.

To achieve this, research is needed to provide critical input in adapting and fine tuning management model and practices for successful application in African context.

Improving the continent's management skill base and practices will help catalyse foreign direct investment. Africa offers phenomenal growth rates in the region of 30 % to 40% for some business lines, which makes it attractive for foreign investment. For instance companies such as Hewlett Packard sees Africa is the answer and have high interest on the continent (Williams, 2008). The continent, which has better proximity to North America and Europe than Asia, has potential to host offshore shared service centres and investments.

To unlock the potential, research is necessary to explore and understand current practices, limiting factors and determine key success factors for wider adoption of shared services concepts and inform programs of implementation. Shared services will help to lower cost of doing business in Africa and assure potential investors of consistent quality of services and high standards.

To promote research based understanding and adoption of shared services concepts, the thesis documents the experience of such programs in corporate Africa, explore registered successes and failures, challenges that militates against a wider adoption and lessons learnt by the few cases where implementation has taken place. At its completion, the research will provide benchmarks, guidance and base line statistics necessary for understanding, customization and wider adoption of the business model in the continent.

The research sought to interrogate a number of areas in relation to adoption of shared service centres in Africa. These are:

- The area of performance management – the benefits and contributions of shared service centres, key performance indicators to measure costing savings, pricing and other performance dynamics.
- The area of corporate strategy and shared service centre model.
- The area of quality improvements against cost reduction.
- The area of governance and conflict management – current organizational structure versus shared service centre model.
- The area of change management and implementation/execution challenges.
- Issues to deal with the human side of organizations – loss of motivation, loss of control, loss of identity, loss of market focus, business unit conflicts, communication challenges and decision making delays..

Chapter 2

Theoretical Background on Shared Service Centres

Development of the modern business model

The development of the structure of the multinational firm over the years has been the most interesting. The original structure of the 1900s was just a group of more or less independent units serving solely their local markets or acting sources of suppliers for headquarters. The only ties between and among these independent entities was based primarily of capital.

This began to change over the years. First was centralization and standardization which allowed greater economies of scale. However, centralized organizations proved to be slower to react to changes in consumer behaviour and often lost the ability to address differentiated markets effectively.

Then, the management pendulum swung to the other side; a decentralized business model burst into the scene. The front office could better discern customer needs and respond faster to changing market conditions. Unfortunately, this new model proved to have its own problems, which is basically related to duplication of effort, functions, and departments.

These developments, coupled with the increasing pressure to create more value for the shareholder and maintain or advance their positions in a competitive market environment, necessitated further changes. Towards the last decades of the century, organizations moved to adjust their operating models by focusing on their core businesses. Business process reengineers (such as Daveport & Short 1990; Kaplan & Murdock 1991) often emphasize cost cutting through reorganization core processes. This movement was anchored on the belief that businesses can reduce costs for service provision while at the same time maintaining or improving an organization's products and services in terms of quality and flexibility.

Sooner, it became clear that not much potential for improvement was left in focusing on core processes, and support processes have become the spotlight for change activities (Ulbrich, Bergstrom & Ianni, 2004). The aim is to eliminate duplications of the decentralized structure, which proved to be an unaffordable luxury, by concentrating all such support activities into one common organizational unit where processes and activities are treated as the unit's core business (Schulman et al. 1999).

Thus the idea of 'shared services' was born. The idea has gained such popularity over a short period of time, such that statistics in the business press show that many large companies have adopted shared services. For instances, by year 2000 as many as 80% of Fortune 500 were already using the business model (Cecil 2000; Funk 2000).

Shared Service

There have been many definitions of shared services. For instance, Hai (2007) defined it as the standardization and consolidation of common functions across the multiple organizations to reduce operational cost and to increase information and knowledge sharing. Strikwerda (2006) gave a more technical definition as an accountable entity in the internal organization of the firm tasked to provide specialised services to operational entities (divisions, business units) on basis of a service level agreement and full charge out of costs on basis of a transfer price system.

The main theme guiding the concept of shared services is that common support functions in individual organizations can be shared to reduce operational cost and accrue other benefits. Generally, information systems services, accounting and finance services, customer relationship management, and human resource management are the designated functions suitable for shared services.

Shared services require significant transformation of business processes. At the core of this concepts is cost savings through business process re-engineering, offering the strategic opportunity of shared services (Davenport et al., 2004). In general, major goals of shared services include the following:

- Lower costs of business processes and improve quality of services.
- Achievement of synergies: economies of scale, scope, knowledge exploitation.
- A larger part of costs of processes/services become flexible for business units.
- Form a long-term strategic alliance with other organizations to share information and knowledge.
- Establish leadership through a focus on core business functions, thus business managers are more concentrated on customers and markets.
- Higher transparency in the organization for the board.
- Higher strategic flexibility.
- Higher information consistency, standardised processes and reporting.
- Better information analysis and decision making.

The reasoning behind shared services is that organizations tend to fewer things better and with lower costs in order to be strong competitors. In practice, business process reengineering (BPR) is used to re-examine shared services related to functions/processes and the relationship between business units. In this arrangement, organizations perform only those core functions for which they have expert skills, and share with partner

organizations those non-core services that can be performed more economically by the shared services provider.

Some authors and researchers has suggested that a 25-30% reduction in costs is easily possible (Strikwerda, 2006). This is possible because the cost duplication of processes rampant in the traditional M-form organization in human resources transactions, accounting, logistics, IT, will be eliminated by concentrating those activities in one centre. Reduced cost also arise from increased standardization of processes, higher quality services (due to more measurement and performance management, more dedicated professional management, resulting in lesser errors) and a faster and more accurate implementation of changes in law, regulations and policies.

Implementing a shared services model takes away the burden of transactional routines from business units allowing them to concentrate on strategic issues. This is a major advantage that makes shared services essential to the organization's core strategy.

Shared Service Centre Versus traditional Centralization & Decentralization

A common misconception is to consider shared services as just another name for centralization of support services (Scott, 2002). Share service goes beyond centralization by improving services to customers, suppliers and employees.

The main difference between a shared service centre and a traditional centralised organization is that, shared service centres are managed as an independent business, with the focus on the internal client as opposed to corporate management. A shared service centre leads to a restructuring of duties and responsibilities with defined evaluation periods and service levels.

Another difference is that, optimally, a shared service centre is not run as corporate functions in headquarters location. There are two reasons for this; first the centre needs to have access to competitive labour rates that may not be available in the headquarters market; and second, to allow the physical space separation necessary for the centre to truly operate as a business.

Many companies in the 70's and 80's became disenchanted with the bureaucracy of centralised and opted for decentralization to improve organizational responsiveness and accountability of business units. But, removing bureaucracy through decentralization, although beneficial, had huge costs associated with duplicating support functions in each business group.

Uniquely, shared services make it possible to utilise advantages of both centralization and decentralization while eliminating existing deficiencies of those two models.

Table 1

Shared Service Centre versus centralised/decentralised organization		
Initial Situation		Shared Service Centre
Centralised Organization	Decentralised Organization	
<ul style="list-style-type: none"> • Inflexible • Rigid structure • Too far away from the daily business • Bureaucratic 	<ul style="list-style-type: none"> • Higher cost due to massive duplication of effort • Variable standards • Non-standardized quality management 	<ul style="list-style-type: none"> • Efficient organizations culture • Economies of scale • Synergy effects • Company-wide controlling • Bundled experience • Business areas maintain independence • Standardization of standard practice • Recognition of local priorities • Sensitive to customer needs

Adopted from PriceWaterHouse - Global Best Practice

The Rise of Shared Services

The growth of shared services model was spurred by the search opportunities for cost reduction (Scott, 2007). For instance labour cost of support functions such as accounting, payroll, purchasing, information technology, human resources, legal and tax, can amount to a significant proportion of revenue if duplicated in several locations and divisions. The elimination of such redundant and unnecessary support office costs implied in shared services provided a perfect opportunity to realise the cost reduction goal.

Studies of companies that adopted shared services indicate that they received a large and quick payback. According to the 2001 Andersen/akris.com Shared Services Study, 29% received payback in years 1-2 and 77% percent by years 3-4. In addition, 34% of the companies participating in the study realised direct headcount-related savings of 20-40 percent. With such significant benefits, it is not surprising that shared services was embraced by almost all world class firms that desire to deliver further value to their shareholders.

Further, the rapid development of information technology, particularly in multiple ERP platforms, acted as a major catalyst for implementation of shared services. For instance, enterprise application integration (EAI) software enabled companies with multiple ERP or customised software platforms to utilise a single financial reporting platform (such as Oracle, SAP, JDE and so on) in shared services centre without changing the existing platforms used by multiple operations and business units. Another example of the boost

brought about by advancement in technology to shared services is the arrival of document scanning and workflow systems. These technologies allow for rapid electronic capture and transmission of documents such as supplier invoices.

The area of location also unlocked further value and gave a boost to shared services. The new structure of the firm together with advancements allowed for flexibility in geographical location. For instance, off-shoring became a reality, taking major processes to a different continent. This has seen the growth of off shore shared services centres in Asia, Eastern Europe and South America.

Implementation of Shared Services

As noted above, there has been a growing realization of the importance of implementing shared services and redesigning organizations. It is important to point out at the start that many organizations have also discovered that it requires considerable efforts to make shared services suitable for their specific situations (Baron et al., 2005).

Research has shown that successful implantation of shared services requires new organizational structures (Kakabadse & Kakabadse in Hai, 2007). In this new organizational structure, partner organizations form a network with the nucleus the shared services providers. Such a strategic alliance actualises value-adding, resources and knowledge sharing, as well as risk sharing partnerships. It is not surprising that cases of successful implementation of shared services business concept are wide spread (Marcolin and Ross, 2005).

Shared Services Vs Outsourcing

There is a fundamental difference between shared services and outsourcing. In shared services model, the centre is formed and governed by the partner organizations, where as for outsourcing, the relationship between the centre and the outsourced organization is usually defined by a bilateral contract.

In general outsourcing has remains relatively uncommon (Leach, 2004). This may be due to the centrality of some of the processes involved to the overall control of the firm's operations and reluctance to hand that to a third part.

Service Level Agreements

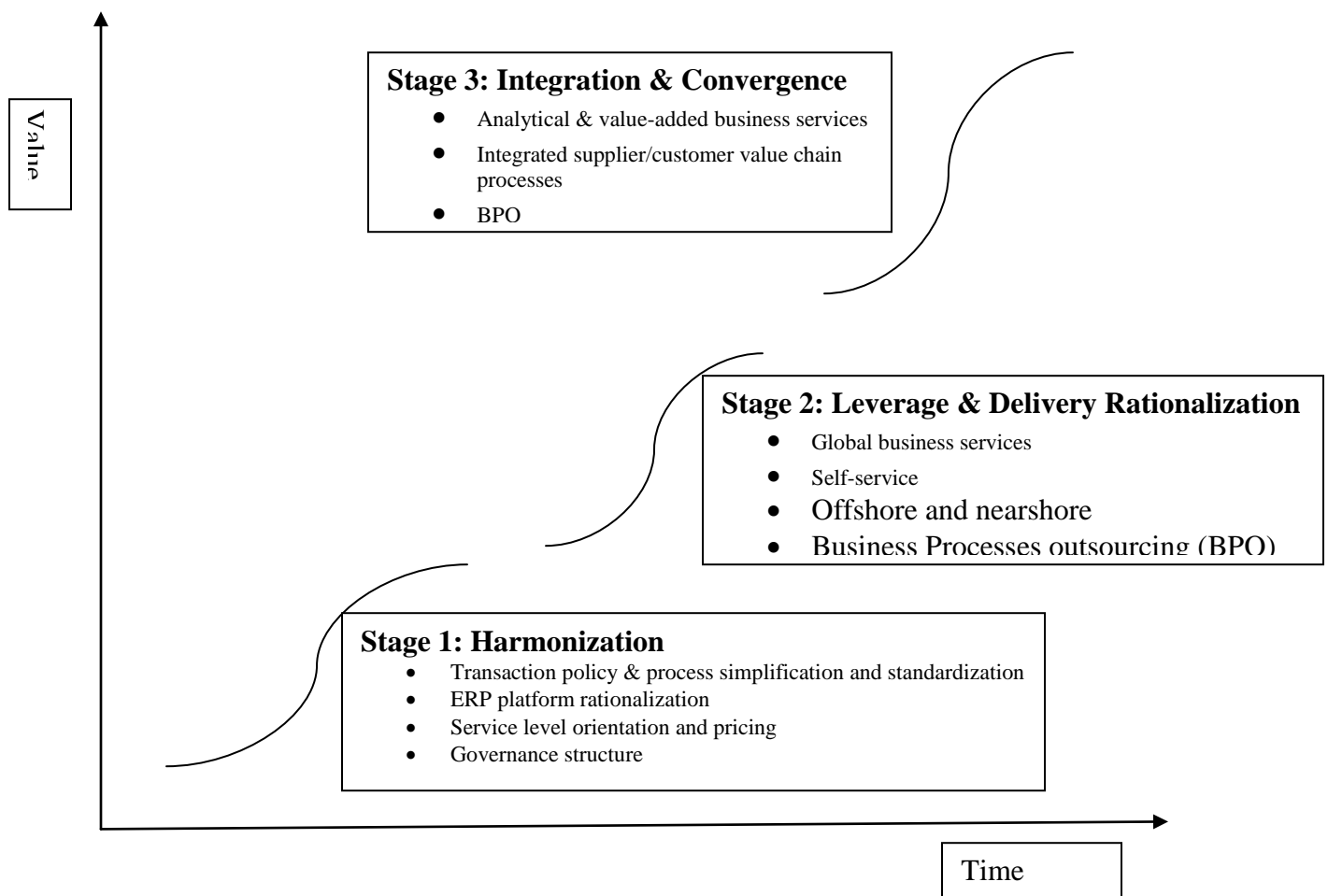
One of the most important aspects of successful implementation of shared services is to maintain specific service levels and response times for each individual partner organization. Nearly all users of shared services concept employee service level agreements to management the relationship and delivery of value between the centre and partner business units (Andersen & akris research, 2001).

A service level agreement is a contract between the shared service centre and its clients (departments and business units) that describes the service to provided, the timing of those services, the quality and the cost. The service level agreement also includes the agreed upon key performance indicators that will determine the centre’s effectiveness. Finally the agreement also spells out the remedies for non-performance, as well as dependencies the centre has on other units in order to meet its objectives.

Stages of Shared Services

It is important to view shared services as a journey than an event. Successful implementers continue to re-visit the model looking for new opportunities for improvement. In general shared services go through three stages to reach maturity, the harmonization stage, leverage and delivery rationalization stage and integration & convergence stage. At each of these stages higher value is unlocked by the model.

Fig. 1 Focused on Adding Value



Another way of viewing the evolutionary stages of shared services is through its models, that is, basic model, marketplace model, advanced marketplace model and independent business model.

The Basic Model:

The main objective of the type of shared services centre is to reduce costs and to keep quality levels stable while standardising business processes. Examples of the most common shared service centre processes are account payable/receivable, general ledger, and payroll processing. The centre provides its services solely to internal departments and business units and its cost is fully charged out to those entities.

The Marketplace model:

This model builds on the basic model. The main objective is still cost reduction but with a higher level of service quality. Often the centre broadens its scope to offer professional and advisory services beyond pure transaction processing. Pricing is as in the basic model and the centre's services are still compulsory to the business units, however line managers oversee the governance function.

The advanced marketplace model:

This model is close to what a company would receive from an external service provider in an outsourcing agreement. The objective is to let the business units choose the most efficient service provider, so the shared services centre must compete with external service providers. The centre can also offer its service to external customers and prices are not based on 'full recovery' basis.

The independent business model:

The objective of the model is to generate revenue and profits by delivering services under competitive conditions.

Unintended negative effects of shared services

Implementing shared services entail fundamental changes in the internal governance of the organization. This is usually the source of challenges which usually result in the company suffering the effects of wrong processes for change management. These pitfalls include:

- Failure to adapt the system for internal governance to working with the presence of a shared service centre within the new structure of the firm.
- Failing to establish mechanisms for trust, resulting in business managers hiding or doubling processes. The introduction of a shared services centre means business unit managers will lose some of their power and control over certain functions

and the transparency that comes with it is not usually wanted. This business unit managers' loss is a gain for the corporate head office and the Board. Thus shared services can be easily mistrusted by these managers and hence the need to put in mechanisms to deal with this real challenge right from step one of implementation.

- Boards failing to see that their role changes from running a portfolio of businesses to running one integrated business system, with subsequent need for conflict resolution.

Further challenges encountered in implementing shared services include:

- Shared service centre workers usual face loss of identity and subsequent loss of motivation.
- Business unit managers at times find themselves lacking the competence of coordination control. This usually stems from the fact that in the traditional organizational form, these managers are trained for ownership control and therefore the new set up is a total re-orientation.
- In some instances, Boards adds to the problem but trying to control businesses through shared services centres, which just erodes trust and raise resistance to the new concept.
- Goal misalignment resulting from poor communication of strategic aims, lack of clear service agreements, and poor leadership.
- Failure to re-engineer processes. Success in shares services comes on the back of best practice, most cost reductions come from process re-engineering as opposed to exploitation of geographical locations (J P Morgan, 2004).
- Deficits in knowledge & skills or to attract or develop them. In a 2004 survey by Ernst & Young, 38% of responds cited need for labour with technical skills as a necessity.
- Lost contact with local market conditions. There is always a real danger that shared service centre and the business unit lose contact, risking misalignment of strategies.

The issues must be taken into consideration when designing implementation projects and mitigatory measures must be in-built into the plan in order to ensure a successful program.

Successful Implementation of Shared Services

From the forgoing, it is clear that the following are key ingredients in getting shared service rights:

- ✚ There is need for an organizational structure and environment that promotes clear and open communication to enhance trust and universally accepted goals.
- ✚ There is need for effective staff development and recruitment mechanisms.
- ✚ There is need to remain close to and servicing local market and business needs.
- ✚ There is need to balance between standardization and adaptation right across cultural and geographical barriers.
- ✚ Ability to capture knowledge and creation of mechanisms to do so, across all functions, that can be accessed by all and feeding back this into the organization to promote efficiency and innovation.
- ✚ Deploy consistent, high quality global e-business processes.

Conclusion

To remain relevant in the literature of modern management theory and practice, the concept of shared services need to be continuously adapted and improved. Research shows that high performers in shared services are pushing the boundaries, always exploring ways that the concepts can deliver business value beyond cost reduction.

In conclusion, given the huge potential benefits of shared services to the modern firm, it's no longer a question of whether to set up one or not, but it's now about making the services better. Organizations that make the right decisions at the start, build in the right time, resources for knowledge transfer and find ways to automate more processes, will be those that deliver more value for their shareholders.

Chapter 3

Literature Review

Introduction

For all its popularity and wide adoption elsewhere, there is complete lack of literature on the experience and extend of adoption of shared service business model in Sub-Saharan Africa. This can be interpreted to be an indicator of the low level of application of the concept in the continent.

While there is limited research done on experience in African, empirical evidence from the world's advanced economies has shown that shared services business model has largely met or exceeded its objectives in practice. According to the new 2007 Market viewpoint on shared services conducted by the Research Team at Outsourcing Leadership.com, a significant number of survey respondents currently rely on shared service centers and most intend to continue to grow the size and scope of their operations. The research found out that most respondents had a significant experience of working with shared service centers, and most were using the concept for more traditional areas of information technology, accounting, procurement and human resources, though new interest appears to be growing for legal, marketing, engineering and research and development. The same study, by comparing goals with actual realized benefits, found a strong correlation and reflection of success, that is, key benefits sought significantly aligned to benefits realized.

Benefits Sought and Realized

According to a research by Accenture (2007), 77% of respondents who implemented shared services programs mentioned cost reduction objective, 63% mentioned accelerating transformation across the organization, 57% ensuring one consistent service delivery to customers, 47% sharing technical platform (ERP, workflow, call management, knowledge management), 40% generating advantages of sharing across functions, 20% ensuring rapid response to strategic business change, and 13% expanding skill set of staff by exposing to many jobs and functions.

This trend was also confirmed by another study in 2007 by the Research Team at Outsourcing Leadership.com. The research found that 85.7% witnessed cost reduction benefits, 66.1% realized increased productivity and associated service excellence to customers, and 48% mentioned enhanced organizational control of business processes.

In the Accenture study, realized benefits closely correlate with the above sought benefits. 80% of respondents realized cost savings, 60% mentioned accelerated transformations across the organization, 56% mentioned one, consistent service delivery to customers, 52% mentioned sharing technology platform (process integration benefits), and so on. Hence it is reasonable to argue that shared services model has delivered in practice. The study found out that , in terms of satisfaction with shared services relative to key impact

areas, 95% were satisfied with compliance and control impact area, 85% with the cost effectiveness, 81% with continuous improvement, 85% with customer relationship area, and 76% with increase in quality. Indeed, the level of satisfaction is very high, above 94% in most cases.

However, according to the 2007 Market Viewpoint on Shared Services mentioned above, the only area not reflecting desired expectations appears to be improvements in employee productivity. Only half of the respondents that selected increase productivity and associated services excellence to customer achieved that result.

Level of Savings

Indeed, in practice the levels of savings from implementing shared services concept are significant and numerous examples have been documented. A research by Atos KPMG and NNC in 2005 gives examples of European corporations that registered significant defined savings from shared service centers: Faurecia (France) realized savings of up to 62%, Renault Nissan (Europe) had savings of 45%, while Exide Corporation (Europe) had savings of 41%. There are many other examples mentioned in the research as having all realized savings of 20% and above, including GlaxoSmithCline (GSK), Altadis, ING, France Telecom and Solectrone.

These levels are consistent with savings recorded in United States corporations that have implemented shared services. Knight Ridder Inc. recorded 30% savings per transaction (amounting \$20 million) with its human resources and accounting functions, Tenneco Finance realized 44% (\$100 million), while AlliedSignal Inc. recorded savings of \$15 million per year (McReynolds & O'Brien, 2002).

However, while cost savings and efficiency are key drivers for seeking shared services environment, service quality is equally critical (Fahy, 2003). Thus focusing on cost savings alone will result in poor service quality and consequently more expensive service, hence there is need to balance between the two conflicting targets.

Implementation of Shared Services in Practice

As more and more organizations embraced shared services, there has been a realization of the importance of redesigning organizations. It requires considerable efforts to make shared services suitable for any specific company's situation (Baron et al., 2005).

Research has shown that successful implementation of shared services requires new organizational structures (Kakabadse and kakabadse, 2000). The nature of the concept entails all partner organizations/divisions must form a network with the nucleus of shared service providers. The resulting strategic alliance actualizes value-adding, resource and knowledge sharing, as well as risk sharing partnerships.

Information technology creates a fertile ground for shared services naturally. Companies with savings of over 30% generally utilized standard technology, such as a single

enterprise resource planning (ERP) platform and best practice to achieve high productivity and low employee turnover . The first 50% of those savings generally come from consolidation, the next 25% from standardization and the last 25% from subsequent improvements in the process (McReynolds, 2002).

In practice, business process re-engineering is often used to re-examine shared services related to business processes and relationship between business units (Ulbrich, 2006). The core concept is that organizations perform only those core functions for which they have expert skills, and share with partner organizations/divisions those non-core services that can be performed more economically by the shared services provider/centre.

One of the important aspects of successful implementation of shared services is to maintain specified service levels and response times for each individual partner organization (Wang, 2007). As a shared service centre provides services to partner organizations/divisions, different organizations have different requirements about service levels and response times. Nearly half of the 120 companies participating in a 2001 study sponsored by Andersen and Akris.com use a services level agreement (SLA) to manage relationships between partner organizations and the shared services center.

Challenges of Implementing Shares Services Business Model

One question that quickly comes to mind is, with all these benefits, why wouldn't every one adopt shared services solution? The answer boils down to organizational and operational challenges.

In organizational challenges stable, resistance to change is the single biggest challenge. This issue is made worse by functional leaders not wanting to relinquish control of functional areas. Resistance to change is also reflected in resistance to new reporting relationships, as functional leaders fear being exposed for poor performance. There is also risk that a silo mentality creates inefficient and slow decision making when multiple functional owners do not work together effectively to create an end-to-end process, such as order-to-cash.

In the Accenture research (2007) cited above, 48% of respondents mentioned typical resistance to change as a key challenge in implementing shared services model, while another 48% mentioned unwillingness of functional leaders to relinquish control. In the same survey, 40% mentioned lack of trust in the specialized services provided by the shared service centre, 32% mentioned the challenge of being able to influence functional leaders to look outside of their silos for synergies, 24% mentioned the challenge of defining and managing a common design/built project across functions, 24% mentioned resistance to new reporting relationships, 24% pointed at fear by functional leaders of exposing performance deficiencies, 20% talked of lack of support from the executive suite, and 16% sited unavailability of all required skills in a single location.

A study by the Research Team at Outsourcing.com, on companies not engaged in shared services and reasons, highlight the challenges concisely. In the research, 42.9% of

respondents fingered lack of management support as a key challenge in attempts to implement shared services model, while another 42.9% regarded reluctance to lose hands-on control by business units managers as major challenge. In the same study, 35.7% gave lack or no experience with shared services among executives as a key challenge, and 28.6% talked of lack of benchmark information to measure success of the shared service, while 21.4% pointed at high cost of the implementation.

Success Factors

Given the above challenges, we need to look at the key success factors in implementing a shared services centre business model. Again we turn to findings by Accenture research (2007, which rated the top success factors of multi-function shared services as:

- 68% - Executive sponsorship and mandate
- 64% - Strong change management program to promote shared services culture
- 56% - Compelling vision, mission and business case which is well anchored in the organizational strategy
- 36% - gradual approach, i.e. adding business functions increasingly to shared services solution
- 32% - Strong technology infrastructure supporting the shared services solution

From these findings, it is easy to ascertain that the most key success factor for implementing a shared services business model in an organization is the leadership and management component. This was echoed by another 2007 research by Outsourcing leadership.com, which also puts executive management support and sponsorship and quality of shared services leadership at the top of the log of key success factors for implementing a shared services business model.

Business Functions

Generally, information technology services, finance and accounting services, customer relationship management, supply chain management, and human resources management are the designed lines of business processes for shared. Various researches reflect that finance and accounting, plus human resources continue to dominate functions included in shared services centers. Closely behind are such functions as procurement/purchasing, payroll, call centre and information technology. Research by Outsourcing.com highlighted the 75% of respondents/shared service centers involved the function of finance and accounting, 61.5% were involved in human resources, 47.7% handled procurement/purchasing, 44.6% dealt with payroll, and so on. This was also corroborated by a study by EquaTerra in 2007, which showed a strong finance and accounting shared services uptake.

The Future of Shared Services Internationally

Internationally, the concept of shared services has been around for a while and having achieved the benefits of consolidation and standardization, managers are now asking where next improvements are going to come from. For this reason, shared service centers are beginning to look at issue of location (off-shoring and near-shoring), service quality, customer-focused approaches, performance monitoring (for instance in some cases balanced scorecards are being introduced) and outsourcing (Leach, 2004).

There three trends setting the course for the future of shared services:

1. The issue of location has become a key source of value. Some regions offer cheaper rentals and lower cost of labour and some even offer government grants. The concept of Off-shoring arose from this desire to create further value from shared services. Locations with low labor costs are attracting global companies include India, Mexico, Eastern Europe, Latin America, and more. However, the risk involved in this strategy, including challenges of time differences, language barriers and political factors, must be balanced against the perceived benefits.
2. Outsourcing: involves taking major processes to different continents and is on an increasing trend.
3. Web-based processing will eliminate much of the transaction processing traditionally handled by shared service centers. E-procurement, for instance, is expected to flourish and significantly reduce back office processing cost such as purchasing, accounts payable and inventory management.

Shared Services in Africa

It is interesting to note that, while international firms are looking at unlocking further value from shared services through improvements, Africa is beginning to look at the model. Until recently, there has been limited interest in implementation of shared services in Africa, by both academia and practicing managers. Africa is rarely mentioned within the literature of shared services.

However, a number of large companies in South Africa, mainly subsidiaries of multinational corporations, have been involved in shared services for a while now. In 2005, Accenture released results of a survey which it conducted in South African shared services market, which basically showed that awareness for the concept is high, practice has not followed global best standards where centers has been established. According to this survey, most organizations interviewed viewed shared services as a cost-saving strategy and there was no link to the true benefit of this model, which is aligning it with business strategy. On the positive side the survey found a high appetite to expand shared services, showing that 40% of respondents expanded service with two years of setting up, and a further 32% saw potential for expansion and growth.

Companies were generally reluctant to lose control of strategic functions, so, the less strategic the service, the more likely it is moved to a shared services centre. Probably, driven by the motive of keeping control, most companies preferred locating centers close to the corporate head office, as opposed to using new sites as per global best practice.

The survey noted that financial services companies are leading the pack in implementing shared services business model. Key findings of the 2005 Accenture study are:

- Shared service centers are often seen as an interim step to outsourcing
- The majority of centers in South Africa have been established for more than three years
- Executive approval usually takes place within three months
- Technology integration can drive or inhibit migration
- 80% of respondents source shared services centre staff in-house
- Payback is expected within three years, and targets are achieved by 30% of respondents
- Staff training is a significant cost factor
- Clear parameters of scope are essential
- Shared service centre management requires strong communication, leadership and marketing skills
- Successful internal service organizations are flexible, responsive and cost efficient.

Chapter 4

Methodology

The research was designed to assess the level of adoption, success, and challenges of shared services programs in Sub-Saharan Africa. It also sought to establish the problems and challenges that militate against wider adoption of the management tool and proceeded to determine its future potential.

Given that little research has been conducted in the area a case study based approach was determined to be appropriate (Struass and Corbin, 1990). A multi-case approach was chosen for the study with the primary emphasis maximising the likely generalisability of the results since the ultimate objective was to increase understanding of level of adoption of shared services in African sub-region. As such the focus was on the breadth of coverage, while some measured level of depth was also in-built into the interviews. The number of interviews conducted within each location was restricted with the primary locus of triangulation being firstly between different locations within the same firm and secondly between different organizations.

Such a situation is not unique and there are a number of similar situations where the number of interviews conducted within an organization has been limited (Martin, 2003; Watts and Henderson, 2006). Furthermore, in all the three cases studied it was possible to achieve a degree of internal triangulation through collaborating data from corporate head office, shared service centre and business unit operations, as well as through review of documentation.

Given the low level of adoption of the concept of shared services in Africa, the study focused on identified pioneer cases. Three case studies were carefully chosen for analysis. In each of the cases, size in terms of turnover (Plus \$500 million from the region), history of world class practices, geographical spread of operations, were considered made among other related factors. Only cases that have developed cross border/regional projects were considered for the study.

The companies selected are all leaders in their sectors. The first case study is an international cigarettes manufacture and the second case study is an international milk and confectionary company. These two were deliberately chosen since they are part established global companies. To explore a different angle to the subject matter, the third case is a wholly South African multinational company that grew into Europe in packaging sector.

Initially individual cases was analysed based on data gathered, then cross case analysis was performed on data gathered from the three case studies. Based on this dual layer analysis, an attempt was made to draw concepts and general theory (Belz, 2002).

Overall, the following tools were employed in the study:

- Literature review;
- Secondary Research;
- Primary Research

Literature review

The literature on shared service centre concept is still evolving, but has developed significantly from the past decade. The assertion that shared service centre is a vital management tool and brings value to companies is well documented in literature. The author was able to review theory, research papers, essays, speeches, developments, experiences, practices, evolution, challenges and recent innovations in concepts, applications and development of shared service centres.

Secondary Data Sources

- Published report of research studies, mainly conducted by leading consulting firms who are involved in the field of shared services.
- Published annual reports of the three companies
- Internal news bulletins of the companies
- News releases
- The internet

Primary Research

The primary research involves in-depth interviews, in person or telephonically, with selected senior managers in the three case study companies. Senior managers were divided in three groups – managers at corporate head offices, managers of shared service centres and managers in business units or divisions. First, a qualitative interview study was carried out with senior managers in the three centres of activity and control. In conducting these interviews a high degree of deliberate latitude was allowed so as not to preclude the emergency of dimensions not previously considered (Patton, 2002). Secondly, the results of the qualitative interviews are tested with a questionnaire. Details of interviews are provided in table 2.

Case Study	Location	Interviewee
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Case 1	Head Office – South Africa	Group Finance Manager
	Head Office – South Africa	General Manager – Shared Services
	Business Unit - Zimbabwe	Divisional Finance Director
	Business Unit - Malawi	Finance Director & Company Secretary
	Business Unit - Nigeria	Managing Director
Case 2	West Africa Regional Hub – Ghana	Managing Director – West Africa Region
	Business Unit - Nigeria	Financial Controller
	West Africa Hub - Ghana	Head – Shared Services Centre
	Business Unit - Tanzania	Acting Country General Manager
Case 3	Head Office – South Africa	Chief Finance Officer
	Head Office – South Africa	Chief Executive Office
	Head Office – South Africa	General Manager – shared Services
	Business Unit - Zimbabwe	General manager
	Business Unit - Kenya	Finance Director
	Business Unit - Nigeria	Managing Director

Data Analysis

With regards to data analysis, data was first reviewed and coded in terms of broader themes of the study, that is, current practice, benefits, challenges, and key success factors, future potential. The resultant data display tables represent a crucial link in the chain of evidence between the raw data and the subsequent analysis and development of conclusions.

Limitation of the Methodology

There are limitations to the research methodology employed for this thesis:

- The limited adoption of shared service centre in the region places a limitation to the extent and depth of the research. The concept is not widely adopted hence the use of case study approaches.
- Most implementation projects are still ‘work-in-progress’ and managers had limited experiences and lessons learnt to speak authoritatively in some areas.
- The geographical dispersion of the cases in the content, West Africa and East Africa, and Southern Africa, will put constraints on data collection and testing of findings. For instance, it would have added invaluable substance if conclusions from the research was tested through a focus group.
- Time for the research is limited due to the timelines for the submission of the thesis report.

Chapter 5

Presentation of Findings & Conclusions

The following section provides a report and analysis of qualitative and quantitative findings on primary and secondary data.

Level of Awareness

There was a high level of awareness of the concept of shared services at corporate headquarters and shared services centres and there is a relatively lower appreciation of the concept and how it works at business unit levels. The following graph demonstrates the level of awareness in the cases studied:

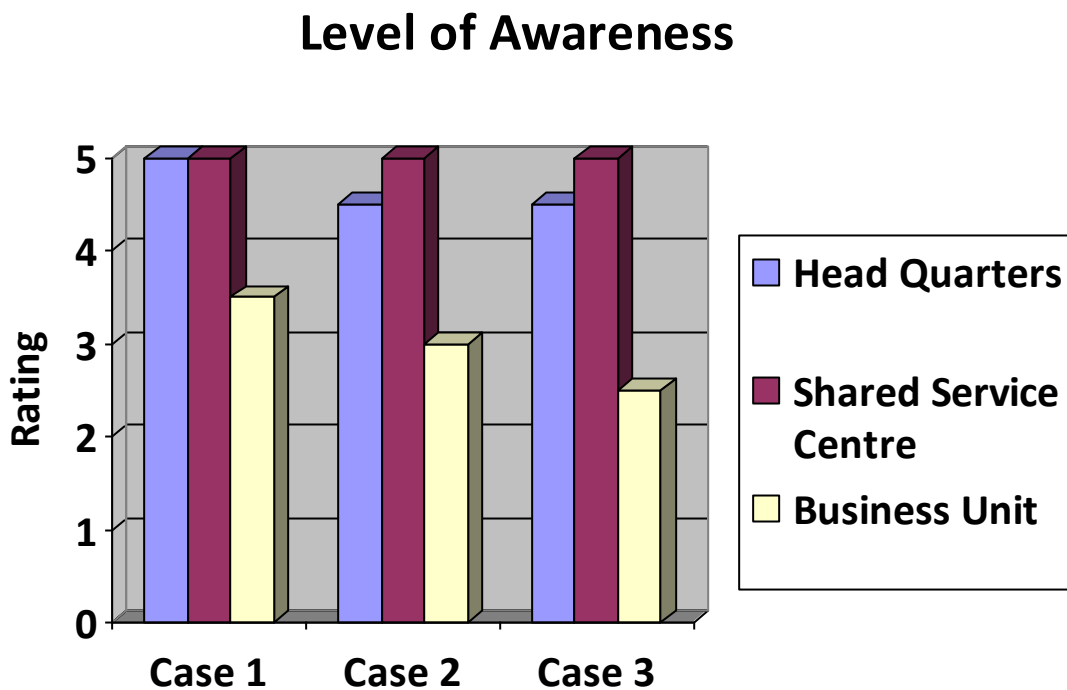


Figure 1

Understanding Strategic Dimensions of Shared Services

The pattern of understanding of the importance of shared services to corporate strategy is lower than expected. Shared services model is still more taken as a cost saving and reporting tool than as a direct support to overall corporate and competitive strategy.

Asked to rate the strategic dimensions, respondents averagely recognised the importance of shared services to their organization but less so on the direct link between their strategy and the model.

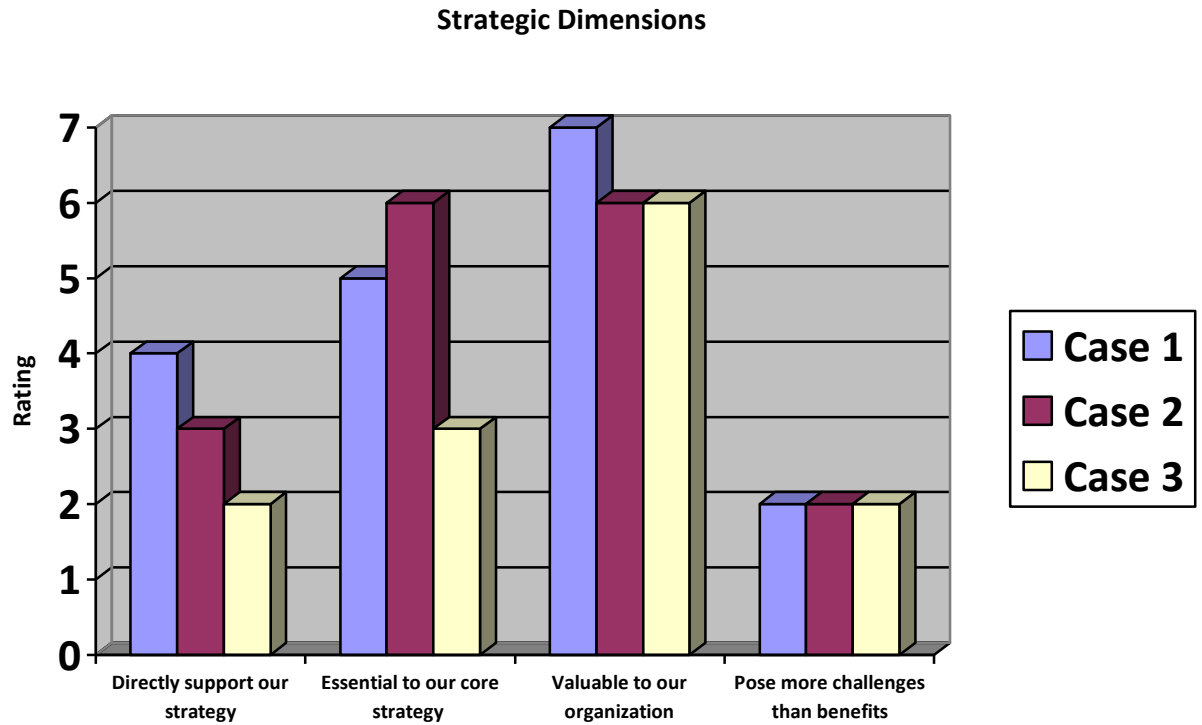


Figure 2

Level of Involvement in Shared Services among Users: Length in Years

According to the research results, implementation projects are relatively new across the continent. In all the three cases, while overall adoption of the concept of shared services was in place for over 5 years, serious projects going beyond reporting and ERP arrangements and cutting across national boundaries were only commenced in the past 2-3 years and are ongoing. Most interestingly these new comprehensive projects are designed to cover across country and regional borders, unlike former projects which were mainly concentrated in one country, South Africa. The chart below indicates the periods of implementation of transaction processing projects.

Life of Implementation Projects

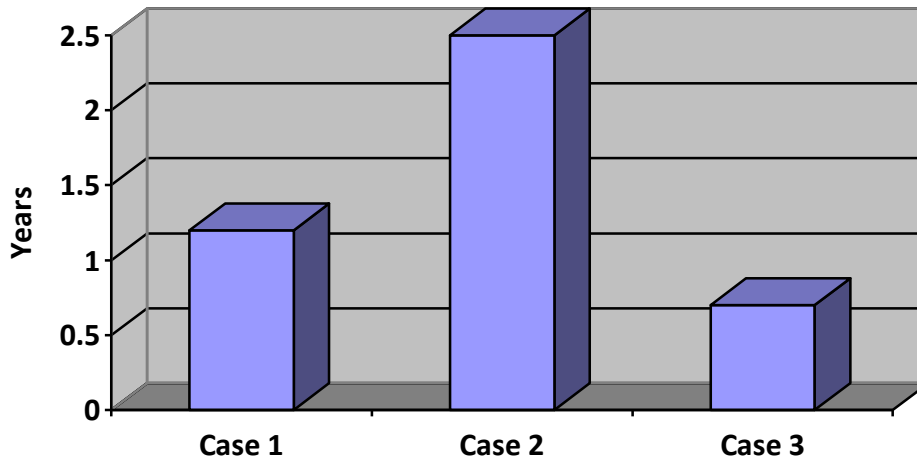


Figure 3

Judging from the life of projects and current status, it can be concluded that implementation projects are still in the nascent stage.

Location of shared service centres

In all the three cases studied shared centres were set up at corporate headquarters, which is not according to global best practice. Asked their preferred location for their shared service centre, respondents were sure it was head quarters. This was because respondents felt the shared service centre is better managed by head office bosses if it was situated within proximity. This was a strong indication that shared services in Africa is still at nascent stage and still considered to be a head office project and managed as such, that is, they are still in incubation stage.

Preferred Shared Service Location

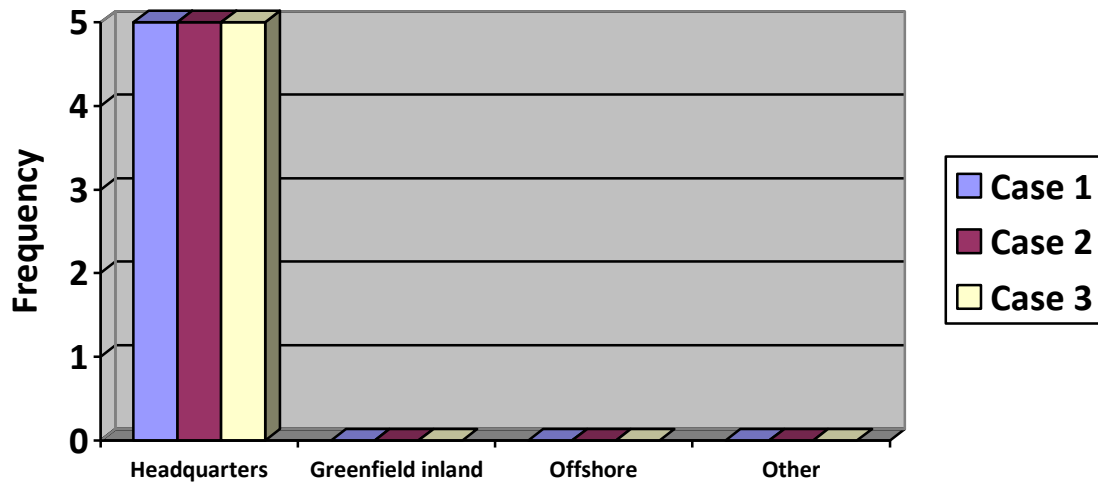


Figure 4

Functions included in shared services

While degree and stage of implementation differ among various firms, the research found out that most implementation projects are still work-in-progress, as demonstrated by the fact that no project has covered all standard application areas. It is interesting to note that projects that are linked to global multinationals are ahead in implementation as they tend benefit from experience gain elsewhere, which is not the case with Africa multinationals.

Clearly, the area of IT has been extensively included shared services. This is not surprising given that the model of shared services depend on IT infrastructure. Significant growth is also being registered in the area of accounting and finance. List covered are application areas customers/marketing, supply chain management.

In general terms, projects of implementation of shared services are below 50% of standard application areas.

The table shows a general map of areas included in shares services and those that are still to be covered, on a case by case basis:

Application area	Case 1	Case 2	Case 3
Finance & Accounting	✓	✓	○
General Ledger	✓	✓	○
Creditors	✓	✓	○

	Debtors	○	○	○
	Payments	✓	✓	○
	Fixed Assets	✓	○	○
	Treasury Management	✓	✓	✓
	Forex Risk	✓	✓	✓
Human Resources	Payroll	○	○	○
	Training	✓	✓	○
	Employee files/data	○	○	○
	Compensations/benefits	✓	✓	✓
IT	Hardware	✓	✓	✓
	Software	✓	✓	✓
	Licences management	✓	✓	✓
	ERP system and support	✓	✓	✓
	Support & training	✓	✓	✓
	Development & maintenance	✓	✓	✓
Customer	Order management	○	○	○
	Tele-sales management	○	○	○
	Complaints and returns	○	○	○
	Services management	○	○	○
	Promotions & brand management	✓	✓	○
Supply	Inventory management	○	○	○
	Production management	○	○	○
	Distribution management	○	○	○
	Purchasing management	○	✓	✓

Key

✓	Functions included in Shared Services
○	Functions still performed at Business Unit level

Benefits sought

In all the three cases studied cost savings/reduction is the core benefit sought by the companies. Respondents also rated high benefits like improvement in accuracy and consistency of information and enhancing organizational control of business processes.

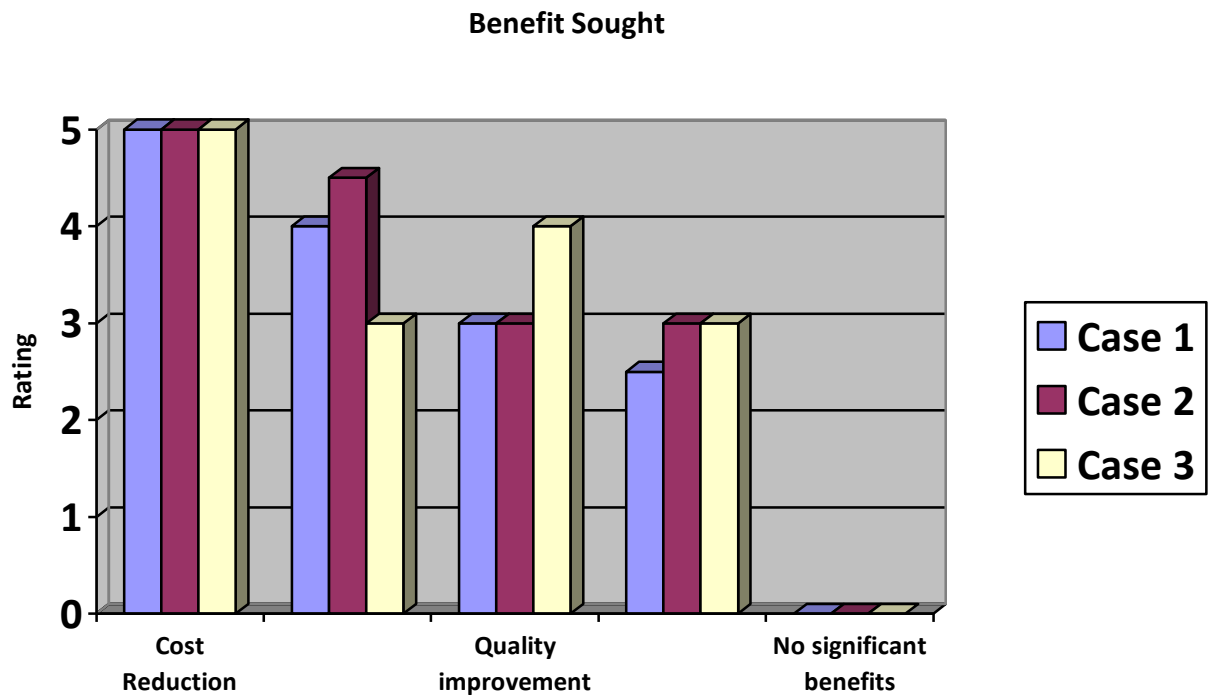


Figure 5

Level Satisfaction with Shared Services

While comprehensive implantation projects are new and still experiencing numerous teething problems, the level of satisfaction with achievements made is generally high. Surprisingly, this high satisfaction initial rating was also expressed at business unit level, which augurs well with future expansion of existing projects.

Though there were no hard figures of benefits achieved, asked about their assessment and level of satisfaction with shared services, respondents were confident that they will derive value from adopting the concept. Figure 6, depicts the high rating of assessments allocated to the satisfaction factor in the study.

Level of Satisfaction

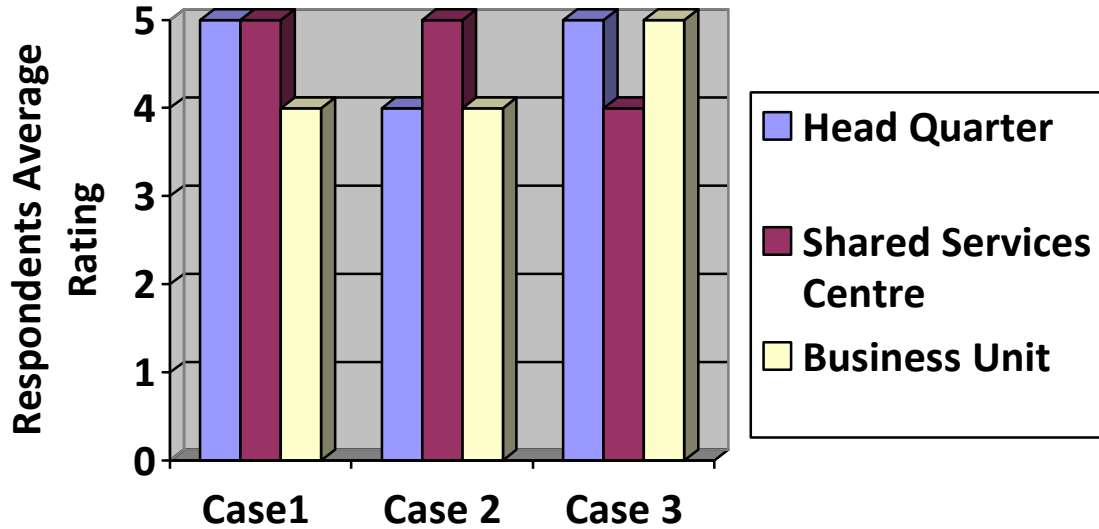


Figure 6

Major challenges encountered

Lack of skills was mentioned as the biggest challenge along side with limited information technology infrastructure and lack of executive support. Generally, there is a severe lack of skills in the continent at all levels, which are essential to drive implementation projects. Lack of enough Broadband infrastructure severely links speed of connectivity and makes submission of data very slow and limiting. Lack of suitable consulting resources was also a major constraint in most locations, which makes implementation projects more expensive because consultants have to be imported in. Surprisingly, reluctance to lose control by business unit managers which is sighted extensively in literature did not feature as a major challenge in all the three cases studied.

Challenges of Implementing Shared Services

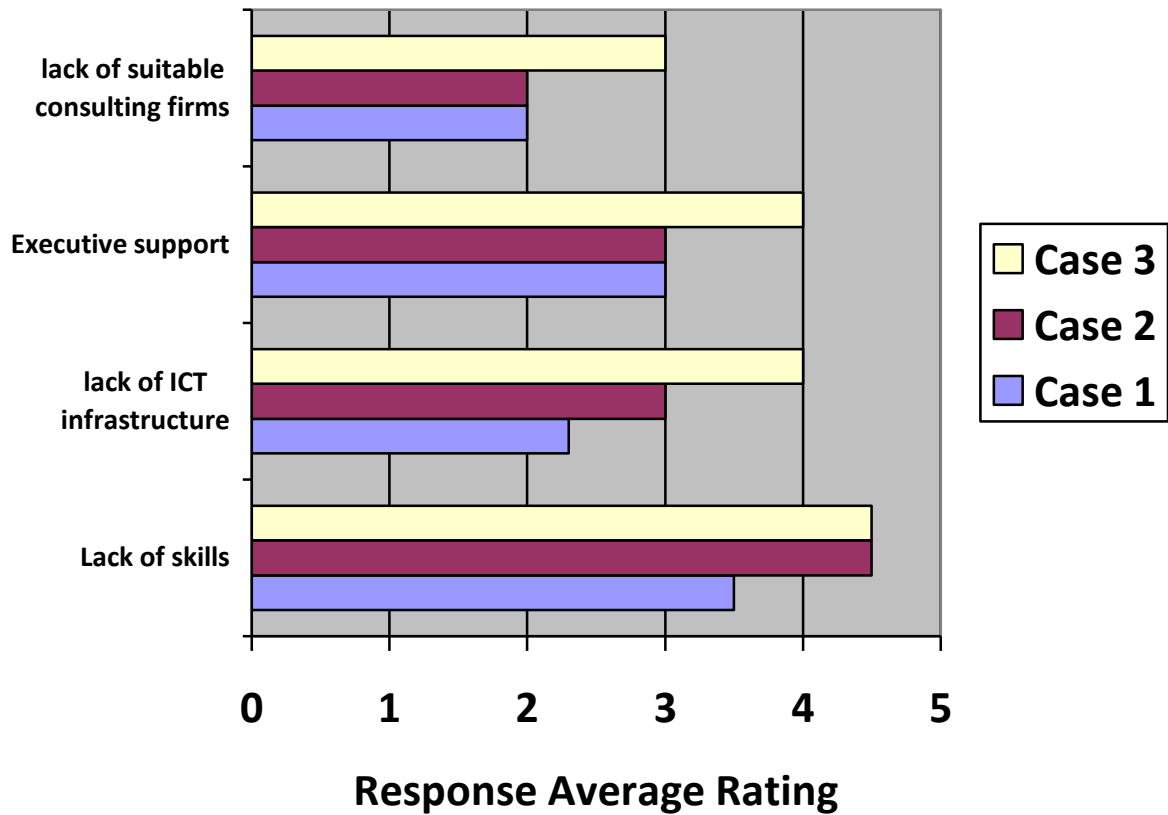


Figure 7

Key success factors

Key success factors were ranked along the patterns of challenges mentioned above. However respondents added standardised processes and quality of shared services leadership as key success factors.

Key Success Factors

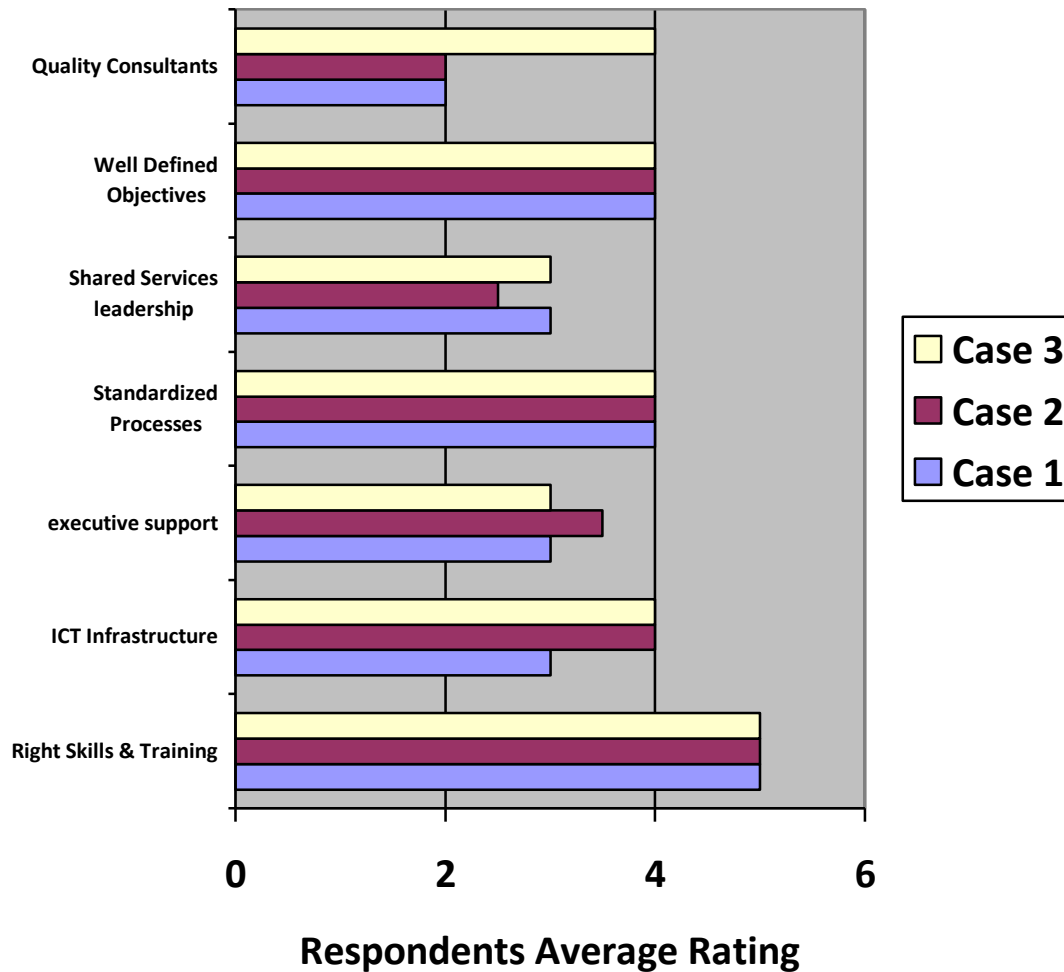


Figure 8

Use of Service Level Agreements

Service Level Agreements (SLA) are not yet in use in all the three cases. Though the importance SLA is appreciated, respondents felt it was not yet time to introduce such instruments. Operating shared service centres without SLA is against international best practice.

Monitoring and evaluation of performance

In all three case studies, there were no systems in place to monitor and evaluate the performance of shared services centres. Thus there are no standards set for the quality of services being offered and there are no means to assess the benefits generated by the model.

Further, the shared services centre run the risk of being treated as another centralized processing centre, especially given the lack of SLA with business unit as mentioned above.

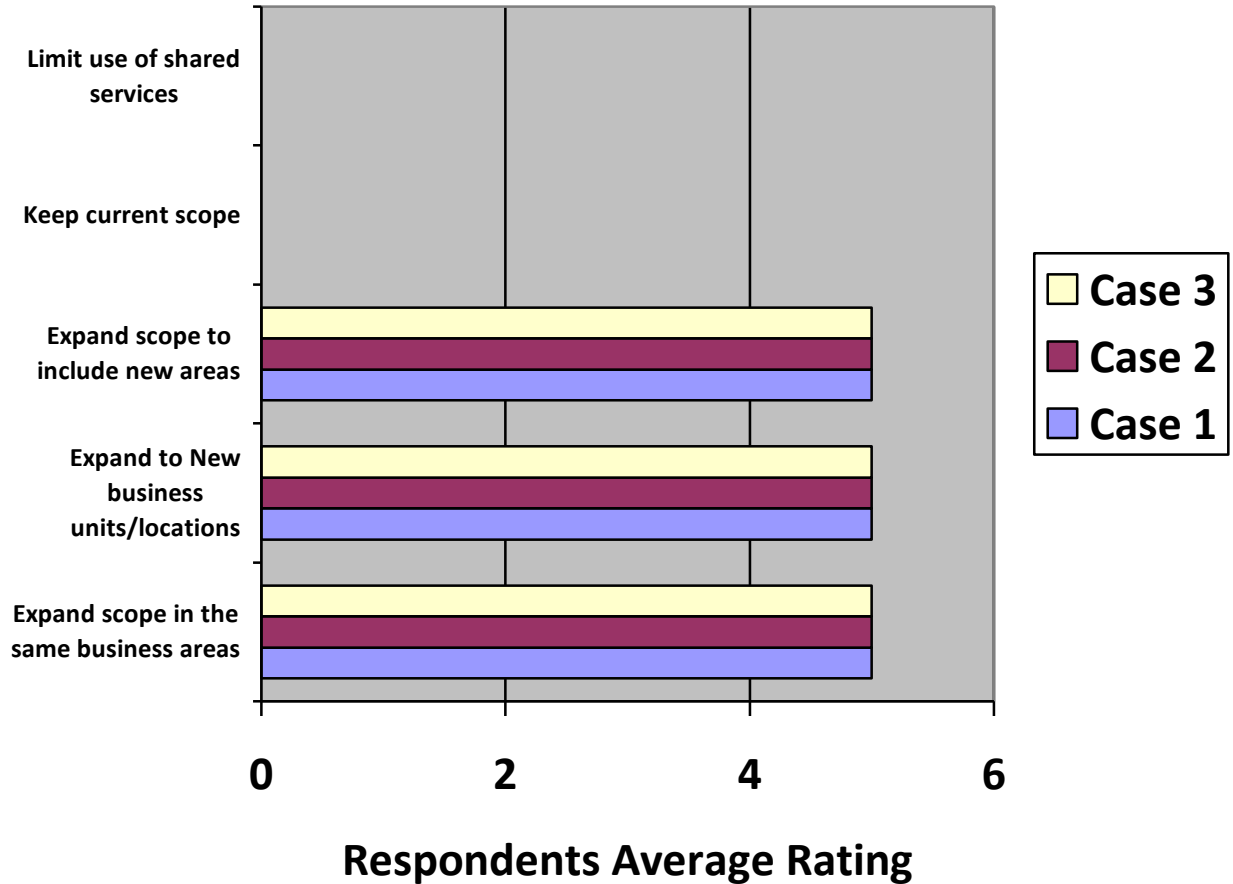
Assessment of Delivery of Project Objectives

It was also observed in the cases studied, no assessments have been carried out to assess whether the projects are meeting their original objectives. Information was therefore not readily available on the extent of cost savings that are actually being achieved in various projects.

Future expansion plans

The future of shared services in the continent is very bright because all the three pioneer cases studied have plans for comprehensive expansion programs for their projects. In all cases respondents mentioned plans to expand the scope of existing projects to cover more business areas and more business units and geographical areas.

Future Plans



Summary of Main Findings & Conclusions

- Implementation of shared services in Sub-Saharan Africa is still at nascent stage, and projects are still work-in-progress;
- Projects with arrangements to cover across national and regional boundaries have started mushrooming around the continent in the last 2-3 years.
- There is reasonable awareness of the concept of shared services, especially at headquarters and shared services centre level, but there is limited and even suspicion at business unit level.
- Understanding of strategic dimensions of shared services is limited at all levels.
- There is a high risk of failure of projects. Implementation projects that are going on so far do not follow global best practices, in a number of respects:
 - ✚ Shared Service Centres are located at headquarters;

- ✦ Service level agreements have not been adopted for use;
- ✦ Performance bench marks are not in place to measure and monitor the shared service centre;
- ✦ No structured mechanisms are in place to objectively assess whether the original goals of projects are being met or not;
- Cost reduction is the most dominant driving motivating factor for the adoption of shared services model of management support functions, while standardization of processes and reporting is seen as a consequential benefit;
- Application areas around IT are currently dominating shared service centre, while accounting and finance are fast catching up with the new implementation projects underway;
- Shortage of skills and poor IT infrastructure are the most challenging factors that militate against smooth and faster adoption of shared service concept in corporate firms;
- Adoption for shared services is poised to grow in the continent. There is a strong desire to expand the scope of current projects, in terms of depth, business units and geographical coverage.

Chapter 6

Recommendations

Issues Considered and Recommendations from the Study

The study sought to determine the level of adoption, stage of development and experiences of shared services model in Africa. It was clear from the research that application of the concept of shared services in firms is still at nascent stage. While in the past 2 to 3 years leading companies, particularly those affiliated to international firms, have started setting up shared services centres, those projects have not yet reached 50% of covering standard application areas.

Those companies that have embraced shared services are well satisfied with their achievements, transaction costs are reducing, quality standards are improving and are more consistent across their operations, they are able leveraging on limited skills, they are better meeting reporting deadlines, and so forth.

There is a very high affinity to expand scope of existing projects, in terms of areas of application, new business units and new geographical regions. This flows from the high rate of satisfaction with the potential for shared services to produce results and buttress corporate profitability.

However, a number of challenges have negatively impacted on implementation projects and are likely to slow down the rate of adoption of shared services in the sub region. The most severe of the challenges includes shortage of skills across all fields and levels, as well as poor ICT infrastructure.

The research also found out that implementation projects are not following international best practice. Shared services centres are located at corporate head quarters, no use of service level agreements to manage the relationship between business units and the centre, performance measurement and management mechanisms are poor, and so on. This is most probably correlated to the general lack of skills mentioned above and other limitations that inflict business management in the continent. Such non-standard practices increase the risk of failure of projects being implemented.

The study has made a pioneering contribution to the literature on shared services in the continent.

Recommendations

Opportunities for wider adoption of Shared Services in Africa

Given the proven potential and benefits of shared services, more companies in Africa must embrace this modern management tool. The world economy is fast globalising and African corporations need to quickly catch up in many areas to prepare for the eventual competition for the continent's business space. Shared services model is definitely, one of those tools that firms must adopt to create value now and increase their competitiveness in future.

To achieve this, several interventions are required at both business level and governments' level, to tackle challenges currently militating against adoption of shared services.

At company level:

- Companies must be ready to import the right experienced skills into the continent to give implementation projects the required boost. This can be met by engaging appropriate consulting firms with international experience, in order to tap into an already existing wealthy pool of skills in advanced economies of the world. There is no need for the continent to 're-invent the wheel' and risk increased project failure rates and poor standard.
- There is also need to set up and run in-house training programs to prepare internal staff to handle the intricacies involved in implementing a shared services program.
- Companies in the continent must follow global best practice. This will enhance the chances for success of their projects and increase the value realised there from. Existing projects that have long been in incubation must now be matured by moving on to international best practice and standards.
- Consulting firms, particularly those affiliated to international names, must ensure that they carry right skills, to prepare themselves for playing a major role in projects to implement shared services business model of companies. This can be done by both training, especially through exchange programs with their international sister firms.
- Shared services must be moved away from corporate head quarters to avoid or remove the stigma around centralized structures and allow the centre to play its real role as a service provider.
- In order to improve the arrangement for ultimate performance, service level agreements must be adopted to manage the relationship between the service provider (Shared services centre) and the consumers of those services (Business units).

- Bench marks and standards to measure performance of the shared services centre must be included in the service level agreements or whatever the instrument that will be adopted to monitor and evaluate performance of these centres.

At public institutions and government level:

- In view of the poor infrastructure, government must development ICT infrastructure in their countries or must encourage investments by private sectors in the sector. There is a symbiotic relationship between shared services and ICT facilities, where the former depends on the later to run while it also provides the needed market. This means private capital is always ready to enter the sector if investments conditions are right.
- Governments in some countries must remove competition restricting regulations that hinder investment in ICT sector. These restrictive policies are usually meant to protect inefficient national parastatal firms and 'national security' as well as a desire to control communication. However, such unnecessary controls and restrictions hinder development of modern commerce and hold back local firms, which leaves more vulnerable to global competitions.
- Universities and other colleges must adjust their curriculums in order to include designs that make it possible to train a graduate who is best suited to play a role in modern business. This means introducing courses in modern business techniques, including exposing students to concepts such as shared services.

Scope for further Research

While the results are adequate to meet the objectives of the study, more research in suggested four areas. Firstly, there is need to determine which performance measurement tools are suitable to monitor and evaluate service delivered by share service centres. Secondly, given that most implementation programs are still work-in-progress, there is need to carry out similar research when the projects are completed to determine further developments and experiences that will have taken place. Thirdly, a research into the nature and extend of skills gap on the continent in the area of shared services is required in order to direct training programs. Lastly, there is need to determine the suitability of other methods of production such as outsourcing and off-shoring so that companies in the continent are aware of the alternatives available for them.

The author hopes that the study will motivate continuing research in the areas mentioned above and more, in order to encourage and guide implementation of shared services business model in the continent and improve the general practice of the science of management in Africa.

In conclusion, the author would encourage managers with a desire to create more value for their shareholders, increase sustainability of their companies and create more capacity to stand global completion, to adopt shared services. To compliment this ICT and management consulting firms must be ready to facilitate implementation programs for companies in the continent.

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Appendix A

Letter to interviewees

Dear Sir

Questionnaire for My DBA Thesis

I am engaged in a research, which includes an analysis and assessment of experiences and challenges of implementing Shared Service Centre business model in Africa for my DBA thesis. This is in partial fulfillment of the requirements of the Doctor of Business Administration (DBA) degree program of Atlantic International University.

My research is a case study on three multinational companies that has significantly and substantially implemented shared services centre models in their operations in Africa, including your organization. I would be grateful if you could spare some time to complete the short questionnaire and datasheets.

Your feedback is very important to the completion of this research and shall be treated in strictest confidence.

A good response is important for the attainment of correct conclusions. I would therefore be grateful if you return the completed questionnaire to my email address, kwakubruku@yahoo.com at your earliest convenience but before 15th December 2012.

I would like to thank you for your assistance in this matter.

Yours, Sincerely

JOACHIM BRUKU ESHUN (MR)

DBA Part 111 Student – Atlantic International University

Appendix B

Research Questionnaire

What is your title in the organization? (Please tick box)

- Shared Services Manager
- Director/Departmental Head
- Divisional Manager/Head
- Vice President
- Chief Information Officer
- Chief Finance Officer
- President /CEO

What Size are your operations in Africa, by employee numbers? (Please tick box)

- Less than 1,000 employees
- Between 1,001 – 5,000
- Between 5,001 – 10,000
- Over 10,000

What Size are your operations in Africa, by annual revenue in United States Dollars? (Please tick box)

- Less than \$100 million
- Between \$100 Million – \$1 Billion
- Between \$1 Billion – \$5 Billion
- Over \$5 Billion

Where is your Shares Service centre located in Africa? (Please tick box)

- South Africa
- West Africa
-

- East Africa
- North Africa
- Other (Specify _____)

Where is your Shared Service Centre located in you organization

- Head quarters
- Off site green-field site (stand alone location)
- Off-site at a business unit site
- Off-Shore
- Other (Specify _____)

What would your say about your Shared Services model? (Please tick box)

- Directly support our strategies
- Essential to our core strategy
- Valuable component of our organization
- Pose more challenges than provide benefits

**What benefits did your company sought in implementing a Shared Services Model?
Rank on a scale of 1 to 5, 1=not very important to 5 = very important. Circle your response.**

Optimize costs and streamline business processes	1	2	3	4	5
Accelerate transformation across organization	1	2	3	4	5
Share technical platform (ERP)	1	2	3	4	5
Generate synergies and consistence/standardization	1	2	3	4	5
Ensure rapid response to strategic business changes	1	2	3	4	5
Leverage skills and infrastructure	1	2	3	4	5
Enhance organizational control of business processes	1	2	3	4	5
Increase productivity & service excellence	1	2	3	4	5

How are the costs of your shared service centre treated? (Please tick box)

- Shared among business units using an agreed formula

- Supported by head quarters and charged as administration fees
- The centre invoices business units for value of services rendered
- Don't know

In your experience, what would you say are the key factors for success in implementing a shared service model? Rank on a scale of 1 to 5, 1=not a key factor to 5 = a critical factor. Circle your response.

Selection of high quality service provider/consultant	1	2	3	4	5
Availability of right skills	1	2	3	4	5
ICT infrastructure	1	2	3	4	5
Well defined objectives and scope of service	1	2	3	4	5
Standardized processes	1	2	3	4	5
Quality of shared services leadership	1	2	3	4	5
Executive management support and sponsorship	1	2	3	4	5

Which business functions have you included in your shared service model? (Please tick box)

- Marketing and sales
- Procurement/Purchasing
- Payroll
- Human Resources
- Information Technology
- Finance and Accounting
- R & D

What level of satisfaction do you have with the performance of your shared services relative to key impact areas? Rank on a scale of 1 to 5, 1=not at all to 5 = extremely satisfied. Circle your response.

Compliance and control	1	2	3	4	5
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Cost effectiveness	1	2	3	4	5
Continuous improvement	1	2	3	4	5
Customer Relationship	1	2	3	4	5
Increase in quality	1	2	3	4	5

What challenges did you encounter in establishing shared services business model in your organization? Rank on a scale of 1 to 5, in terms of severity, 1=minor/not a challenge to 5=Major. Circle your response.

Typical resistance to change	1	2	3	4	5
Unwillingness to relinquish control	1	2	3	4	5
Lack of support from the executive	1	2	3	4	5
Unavailability of required skills	1	2	3	4	5
Lack of adequate ICT infrastructure	1	2	3	4	5
Lack of experience among executives & specialists	1	2	3	4	5
High Cost of Implementation	1	2	3	4	5

What expansion plans do you have for your shared services business model? (Please tick box)

- Limit the use of Shared Services
- Expand its scope to include new business areas
- Keep current scope
- Expand scope in current application areas
- Now expansion is planned

How far is your organization involved in outsourcing as an alternative to shared services model? (Please tick box)

- Outsources some functions
- Heavily involved in outsourcing
- Do not outsource any function
- Plans to start outsourcing in future

Does your shared service centre have a service level agreement with business units/partner organizations? (Please tick box)

Yes

No

If you answered NO to the above question, do you consider it necessary to implement such contracts in future? (Please tick box)

Yes

No

Do you have any other information you consider relevant to share with the researcher?

Thank you for taking time to complete the questionnaire