How the scale and consistency of change influence the ease and benefits of introducing multi-organisation shared services

Mark Borman  
*University of Sydney, Sydney, NSW, Australia.*, mark.borman@sydney.edu.au

Frank Ulbrich  
*Newcastle Business School, Northumbria University, Newcastle upon Tyne, United Kingdom.*, frank.ulbrich@northumbria.ac.uk

Follow this and additional works at: [http://aisel.aisnet.org/amcis2012](http://aisel.aisnet.org/amcis2012)
How the Scale and Consistency of Change Influence the Ease and Benefits of Introducing Multi-Organisation Shared Services

Mark Borman  
The University of Sydney  
mark.borman@sydney.edu.au

Frank Ulbrich  
Northumbria University & Stockholm School of Economics  
frank.ulbrich@northumbria.ac.uk

ABSTRACT

This paper examines the scale of change required as public-sector organisations introduce multi-organisation shared services. Such collaboration has often proved to be problematic. It is suggested that a significant contributor to these problems is the scale of change required and variations therein for the different organisations involved. For some organisations the change required is incremental in nature and readily achievable while for others it is transformational and much more difficult to realise. An exploratory case study is used to describe and analyse the formation of multi-organisation shared services to supply Australian government agencies. The case reveals that while the implementation required significant change for all the agencies in some areas there was considerable variation between them. Differing starting positions with regard to IT systems and organisational structures in particular impacted the speed and complexity of change and the benefits that could be realised.

Keywords

Shared services, scale of change, incremental change, transformational change, public sector, multi-organisation.

INTRODUCTION

Governments around the world are looking to cut costs and introducing shared services is a recognised way of doing this (Niehaves, et al. 2010). Increasingly governments are seeking to maximise realisable efficiency savings by consolidating activities across their agencies to create multi-organisation shared service partnerships (SSPs) (Janssen, et al. 2006; Sorrentino, et al. 2008). Historically though inter-agency collaborations have often proven to be problematic (Kerr 2011; Seddon 2001). It is proposed here that one of the causes may be that the change required of each agency differs – along with the difficulties they will encounter.

To gain a better understanding of the scale, and associated consistency, of change required when introducing multi-organisation SSPs, this paper examines whether that change is incremental or transformational for each partner. A case study finds that there appears to be significant variations in the change required between partners. Those differences appear to have impacted the ability to realise savings from the shared services.

The remainder of the paper is organised as follows. The following section describes the concept and significance of shared services, the emergence of multi-organisation shared services and discusses the importance of change management. Next the scale of change is classified by whether it is incremental or transformational and the varying impact of that change on the introduction of multi-organisation shared services discussed. The subsequent section concerns the rationale and method for the conduct of a case study which is then described, analysed and discussed. Finally conclusions are drawn.

SHARED SERVICES

The essence of shared services is the consolidation of back office services for the more effective and efficient use of resources (Bergeron 2003; Longwood, et al. 2007; Quinn, et al. 2000; Schulman, et al. 1999; Ulbrich 2006). Potential benefits for organisations can be significant. Bristol Myers Squib for instance decided early to implement shared services into its global business service unit realising annual savings of US$1.5billion (Bergeron 2003).

Shared services are of specific interest from an information systems (IS) perspective not only because of their direct potential with regard to such systems but also because many other services such as payroll processing or accounts payable are dependent upon IS for their delivery. The IS academic discipline increasingly recognizes the merit of looking beyond the IS
itself to examine the functions and activities that are enabled by IS – see for example Willcocks, et al. (2007), Leonardi, et al. (2008) or Hagel III, et al. (2001).

An increasingly common flavour of shared services is for activities to be aggregated from multiple organisations and supplied by a common provider (Brown 2005). One example is Xansa providing accounting and other back-office services to the various organisations that constitute the UK’s National Health Service (Edwards, et al. 2005).

The success of such multi-organisation shared services though is not guaranteed. The government in Western Australia, for example, recently cancelled a project, based on the implementation of a common ERP, to merge finance and payroll processing services across multiple departments. The project, started in 2007, had been estimated to cost AU$82million and deliver annual savings of AU$57million. However by the time of termination AU$401 million had been spent (Kerr 2011). Indeed the Economic Regulation Authority of Western Australia (2011) suggested that “there has not been one fully successful implementation in the public sector of any Australian jurisdiction” (p. xiii).

Part of the reason for failure in such initiatives relates to change management issues. Deloitte (2011), in a survey of shared service executives, found that “an effective shared services implementation requires significant changes . . . the challenges of bringing about these . . . are often even greater than leaders anticipate” (p. 3). Accenture (2007) similarly highlight the criticality of change management to shared services success. These lessons learnt from practitioners have been confirmed in recent research. Janssen, et al. (2008) as well as Grant, et al. (2007), for example, also identify the nature and management of change as critical.

THE SCALE OF CHANGE

Bateson (1972) and Watzlawick, et al. (1974) appear to have been among the first to recognise that there are two distinctive scales of change: incremental and transformational. This distinction has formed the foundation for much of the subsequent research on change (Bartunek, et al. 1994; Chapman 2002; Golembiewski, et al. 1976; Weick, et al. 1999). Incremental change is where only minor adjustments to a limited subset of an organisation’s operations are made (Chapman 2002; Kanter 1983). Transformational change by contrast is where fundamental elements of an organisation are broken down and then reconfigured en masse (Lewin 1947). Lewin (1947) finds that transformational change is more disruptive than incremental change. It is more difficult to manage and, therefore, more likely to fail (Hammer 1990).

Within a multi-organisational context the task of understanding the scale of change an initiative represents extends beyond making a single universal assessment to making such an assessment for each of the organisations involved. Possible outcomes are that it is determined that the change is transformational and difficult for all concerned but also that it is so for only a subset of participants. In the latter case the differences between organisations could introduce additional problems and tensions since the ability to participate in the initiative – and the speed at which they can move forward – may vary.

While there is a long history of multi-organisational research – see for example Stringer (1967) or Cummings (1984) – it remains of relatively peripheral interest from a change perspective. The majority of the research conducted appears to focus on the preconditions for, obstacles to and outcomes of multi-organisational partnerships not the scale of change required (Huxham, et al. 2001; Wood, et al. 1991). Such research has, for example, identified the numerous challenges that exist, including the distribution of power (Hastings 1999), the locus of control (Pettigrew 2003), differences in agendas (Hastings, et al. 1996), and the level of commitment of the various parties (Friedman 1991). Issues directly relating to the scale of change and potential issues therein do not however figure prominently. There are exceptions such as Westley, et al. (1991) though even here the emphasis was on the changes required of partner organisations to generate support for creation of the partnership – the signing off on the paperwork – rather than those needed for that partnership to be functional and deliver the activities it has been enacted for.

Given the apparent gap in the literature, this paper examines the scale of change required when forming a multi-organisation SSP; whether it is incremental or transformational, and whether that change differs for the various partners. The paper focuses on three domains of change: organisation, IT, and process, which have received considerable attention in the literature. Organisation provides the context within which change occurs while IT and process are typically the major components of the actual change. Considering each domain briefly in turn. An organisation has many internal features such as its culture (Pettigrew 1987) or structure (Fredrickson 1986; Hedberg, et al. 1976) that are more or less conducive to change. With IT the introduction of a new operational system can require considerable change in how an organisation’s activities are conducted (Markus, et al. 1988; Nadler 1981). Those activities, or processes, themselves have also received considerable attention in the literature regarding how they can be improved (Feigenbaum 1991) or transformed (Hammer, 1990).
METHOD

The method adopted here was the case-study, which is an established technique for developing an initial understanding of a phenomenon (Benbasat, et al. 1987).

The SSP studied – ServiceBiz – serves three government agencies – Housing, Ageing, and Community – which together have over 18,000 employees in an Eastern Australian State. It was created in 2004 and provides multiple services primarily in the domains of finance, human resources (HR), and information technology (IT).

Interviews were conducted with Assistant Director Generals of the three agencies (ADG-Housing, ADG-Ageing, AGD-Community) and the managing director (MD-SB), finance director (FD-SB), human resources director (HRD-SB) and chief information officer (CIO-SB) of ServiceBiz. Interviews took place during 2009 and 2010 and each was between 60 and 90 minutes long. While single interviews were conducted with most participants the managing director of ServiceBiz was interviewed on three separate occasions. All interviews were audio-recorded and transcribed.

A general overview and history of ServiceBiz was first constructed. The case was then analysed from an incremental/transformational change perspective. The objective was to identify the scale of change required of each agency and examine the causes and implications of any difference in that scale between them. Review and coding of transcripts – in line with suggestions of Miles, et al. (1994) – facilitated comparison. As the analysis proceeded, the importance of including consideration of the change requirements of ServiceBiz itself became apparent.

CASE STUDY – SERVICEBIZ

Case history

The genesis for ServiceBiz was in 2002 when three human services agencies – Housing, Community, and Ageing – employing a total of 18,000 staff, were instructed by the State government to create a third party entity that would supply them with Finance, HR, IT, and general business services. From the outset IT was recognised to be the most important area of focus estimated to account for 60% of the total cost base of the business.

ServiceBiz was incorporated as an independent government controlled company with each agency having both an equal shareholding and representation on the Board. It was located on a greenfield site geographically separate from all of them.

ServiceBiz commenced operations in 2004 with 550 staff transferred to provide 18 different service lines. Six of those were compulsory services. With the other twelve the agencies could decide whether or not they would use ServiceBiz as their supplier. There was considerable resistance to ServiceBiz from the outset from client management and staff.

“From the day we began operation we were the enemy. We will be criticised. We will be not trusted. We were to be challenged every step of the way” CIO-SB

For the first two years ServiceBiz sought to provide existing services. Overall costs were allocated back to the client agencies and there were few controls and no metrics to influence and assess performance. In large part this was because ServiceBiz was struggling to understand the processes and skills of the staff it had inherited. At formation, activities and the staff performing them were transferred en masse. Often there were differences within, as well as between, the agencies regarding how each of the transferred services were actually performed. For the large part staff continued doing the same work for the same clients as previously.

“there are two sides to this business providing the existing services effectively and then looking at how they can be transformed. You cannot do the second if you are failing on the first” MD-SB

In 2006 ServiceBiz started to map processes with the intention of standardising them to reduce costs and increase staff flexibility.

“[Staff] should be able to meet the needs of a Housing client, as well as an Ageing client, so it’s more about the service line you are delivering. If I am a leave, an allowance or a superannuation person, I should be able to get across all three clients, and that again drives a standardisation in approach” MD-SB

The mapping was accompanied with a change in focus from client to service. Teams were reorganised and relocated on a service line basis. A call centre to provide a single point of entry to a service was also introduced.

"we run a call centre which is 60 seats . . . we had too many entry points into our business giving varying advice back, and there was no consistency of response" FD-SB
By 2009 the number of services had grown to 41 – 31 of which remain voluntary – as listed in Table 1. A new compulsory service is added where all the agencies agree it would be beneficial. A voluntary one is added where one – occasionally two – agencies requests it. With voluntary services the intention of ServiceBiz is to demonstrate they can deliver the service effectively in order to draw the other(s) in. The degree of involvement wanted by clients with regard to voluntary services though continues to vary.

Benefits to date have come from a variety of sources – largely related to IT. Efficiency has been improved, new services introduced and most importantly the procurement process has been improved. IT procurement has been centralised, made more strategic and involves much more focused and business-like negotiations with vendors.

“we’re trying to corral the vendors. The trick that they use is divide and conquer. Now we have given them only one door to knock on.” ADG-Housing

<table>
<thead>
<tr>
<th><em>Business Service Centre (Call Centre)</em></th>
<th><em>Fleet Management</em></th>
<th>Records Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Management and Leasing</td>
<td>Facilities Management</td>
<td><em>Mail and Courier Services</em></td>
</tr>
<tr>
<td>Office and Administration Services</td>
<td><em>Printing Services</em></td>
<td>Government Reporting</td>
</tr>
<tr>
<td>Strategic Procurement Services</td>
<td>Financial Accounting</td>
<td>Management Accounting</td>
</tr>
<tr>
<td><em>Accounts Payable</em></td>
<td><em>Accounts Receivable</em></td>
<td>Fixed Asset Management</td>
</tr>
<tr>
<td>Cash Management</td>
<td>Budget Formulation &amp; management</td>
<td>Information Security Management</td>
</tr>
<tr>
<td>Taxation Management</td>
<td>Costing and Pricing Management</td>
<td>Purchase Order Management</td>
</tr>
<tr>
<td>Financial Reporting</td>
<td>Professional Advice and Consulting</td>
<td><em>Recruitment Solutions</em></td>
</tr>
<tr>
<td>Employee Relations</td>
<td>Learning and Development</td>
<td><em>Payroll Transactions</em></td>
</tr>
<tr>
<td>Staff Establishment</td>
<td>Occupational Health and Safety</td>
<td>Performance Management</td>
</tr>
<tr>
<td>Organisational Development</td>
<td>Strategic HR Advice</td>
<td>End User Support</td>
</tr>
<tr>
<td>Systems Support</td>
<td>Operations Management</td>
<td>Systems Design and Development</td>
</tr>
<tr>
<td><em>Systems &amp; Infrastructure management</em></td>
<td><em>Centralised IT Procurement</em></td>
<td>Consulting and Project Services</td>
</tr>
<tr>
<td>Data Centre Operations management</td>
<td>Disaster Recovery</td>
<td></td>
</tr>
</tbody>
</table>

* compulsory service

Table 1. Services Provided by ServiceBiz

**Case analysis**

In terms of the three components of IT, process and organisation, Table 2, which will be discussed below, suggests that the introduction of ServiceBiz has represented a significant change for all the agencies in back office areas. The change though has not been monolithic.

<table>
<thead>
<tr>
<th>Ageing</th>
<th>Housing</th>
<th>Community</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IT</strong></td>
<td>Transformational change (procurement &amp; aspects of data storage only)</td>
<td>Transformational change</td>
</tr>
<tr>
<td><strong>Process</strong></td>
<td>Transformational change (in payroll only)</td>
<td>Incremental change</td>
</tr>
<tr>
<td><strong>Organisation</strong></td>
<td>Incremental change</td>
<td>Transformational change</td>
</tr>
</tbody>
</table>

Table 2: Classification of scales of change

**IT**

The agencies came from different starting positions with regard to their IT which has largely determined the scale of change each required. Ageing had just been created by the amalgamation of two agencies and was in the process of integrating their operations. Community had outsourced its IT to a major international provider – CSC. Housing operated its IT in-house.

The Housing approach formed the foundations for ServiceBiz. One of main objectives has been to move the agencies to a common platform – SAP. Housing was already on SAP while Ageing had two different core systems and Community operated five. Progress was largely determined by the expiration of existing licences. By 2009 all were on SAP – though still using different versions – and licencing and running costs had been reduced by approximately 20%. Interestingly Housing is now in need of a technical upgrade to migrate it to the same version as the others.
A second significant shift has been in the area of data storage. Previously none of the agencies engaged in strategic planning. They simply increased storage capacity as needed. ServiceBiz has taken over planning and management of data storage – but only for two of the agencies.

The change is assessed as being transformational for Ageing and Community as they have moved to a new SAP platform. The lack of change with Housing – affecting only IT procurement and the forward planning of data storage – suggests it can be classified at most as limited incremental.

Process

Process-related changes have largely focused on the surface aspects of activities. A standard high-level map for each major process has been developed but the levels below this remain idiosyncratic to each agency in terms of how activities are conducted and by whom. For example with recruitment the process at the highest level of abstraction has been mapped into nine steps. There remains however considerable variation concerning the operational delivery of those steps.

“underneath everything is different . . . so what appears on the surface to be a short service, underneath I have a very complex substructure which is inefficient. Every client works in different ways” HRD-SB

The variation means ServiceBiz has to interact with each client in different ways, limiting standardisation, economies of scale, and the costs savings that can be delivered.

For each process ServiceBiz have developed what they consider to be an optimised process but to date agencies have tended not to adopt it. One exception is with Housing which has used the optimised process as the basis for the complete redesign of its payroll activities.

"look we were not very good at it . . . took the opportunity for a fresh start . . . I wish I could say it was painless but it wasn't though we are now starting to see what the benefits could be” ADG-Housing

Changing the full suite of finance and HR activities is seen as a multi-year project. Not only do the clients need to be brought on board to accept the change but ServiceBiz also need to develop the actual capabilities to manage the change and deliver the reconfigured services.

“They want an instantaneous fix but you cannot move human beings that quick. It takes five or so years to kick this off. I mean, you know, an airline wouldn’t set up their engineering division and expect it to be like Rolls Royce in a year, would they? That’d take a while. So shared services is just like that.” MD-SB

The change is assessed as incremental for Ageing and Community. While activities have been transferred to ServiceBiz there has been little change in how they are configured and provided. As such few if any benefits have been realised. With Housing there is some evidence of transformational change but only with regard to payroll processing.

Organisation

The agencies have differing organisational structures. Where back office services sat before ServiceBiz varied – with regard to reporting lines and the importance attached. Even more significantly the overall structures of the agencies differed – two were decentralised, one centralised. This had implications with regard to the consistency of how services are operationally delivered within an agency and to the decision making process for changes. Not only was their considerable variation within each of the decentralised agencies as to how services were delivered any change required negotiations with all the individual divisions.

“In fact Ageing and Community have a decentralised regional model so I have to talk region by region and then penetrate the structure of each region to get the decision . . . when I talk to Central Office Housing, I’m talking for the whole State . . . So I only have to get that decision through once” HRD-SB

The change is assessed as transformational for Ageing and Community. They have had to undergo a significant restructure as they have transitioned to ServiceBiz since back office services were previously decentralised. For Housing the change is seen as incremental as a centralised internal provider has been swapped for an external one.

DISCUSSION

The requirements and difficulties of implementing a multi-organisation SSP have varied between agencies – and services. With regard to business processes, most have undergone little change. Only Housing has transformed a process – payroll processing. IT has been transformed for Ageing and Community as they have moved to SAP and these two agencies have also undergone similarly transformational change as they have moved from decentralised to centralised service provision.
It is clear though that there is still considerable change to come. While ServiceBiz has mapped and designed optimised processes the actual delivery of most services has remained largely unchanged. Benefits to date consequently have been limited – largely coming from the consolidation of IT procurement and systems management.

There also appear to be significant aspects of the change that are not captured within the IT, process, organisation framework. The scope of the change, for example, has varied between agencies. Not all of the services provided by ServiceBiz are compulsory. The voluntary ones have been utilised to varying degrees by the different agencies. Furthermore the change is on-going – not only with regard to the original services but also with the addition of new ones as the remit of ServiceBiz has grown over time. And for many services the change is twofold. First is the simple transfer of existing processes. Second is their later modification or improvement. Both are significant in their own right. The case also highlights that change is not restricted to the agencies themselves. ServiceBiz has perhaps undergone the most significant change as it has moved from simply delivering transferred processes to modifying and improving them. It has had to put in place, and migrate agencies to, new IT systems. And while the agencies have had to change to accommodate the new ways in which services are delivered it is ServiceBiz that has to manage the change in how they are actually provided. ServiceBiz is having to develop the capabilities to do this. Finally ServiceBiz has also radically restructured itself – moving from a client to a service orientation.

CONCLUSION AND FUTURE RESEARCH

The case highlights the differences in the scale of change required and undertaken by each agency. Those differences reflect the starting position of each agency and impact the speed at which progress can be made and benefits delivered. It has, for example, taken several years to migrate all agencies to the same SAP platform. Consistent scale of change, it is suggested, would have allowed all partners to progress in tandem and more quickly realize the benefits of multi-organisation shared services rather than having to wait for others to catch-up.

The case also illustrates the complexity of multi-organisational change. Given that the change required appears to vary across the different components – and even within them – it is difficult to derive a single overall assessment regarding whether it is incremental or transformational change – even for an individual party. Furthermore even where the change has been classified as transformational it is not so in traditional terms. Overall organisational structures are not broken down and reconstituted. Those that relate to specific back office services though do appear to be. As such there appears to be what might be termed localised transformation. The complementary nature of change across different dimensions is also highlighted. While some benefits have been realised in the IT area they will only be maximised when the processes that use that IT are standardised and economies of scale delivered. It is possible that there is also a limit to the overall amount of change an agency can manage at a point of time. Only Housing for example has transformed any of its processes. Part of the explanation for the relative inaction of Ageing and Community is that they have been dealing with transformation in the IT and organisation components. Finally, the case suggests that consideration of the scale of change required for the implementation of multi-organisation shared services should extend to the service provider as well – as the changes required over time of the provider could also be significant – and ensure that it possesses, or can develop, appropriate change capabilities.

The paper makes it clear that when implementing multi-organisation shared services attention needs to be paid to understanding the change required – overall and how it varies among the parties involved. The research thus complements existing research highlighting the complexity inherent to multi-organisation initiatives (Friedman 1991; Hastings, et al. 1996) but also extends it by moving beyond motivational issues (Wood, et al. 1991) to incorporate IT, process and organisational characteristics.

In terms of future research more cases are needed to better understand how commonly the scale of change required varies between parties when engaging in multi-organisation initiatives. It would be valuable as well to examine whether different types, or flavours, of shared services have different change implications. The framework presented with its focus on the dimensions of IT, process and organisation also needs to be extended to incorporate additional characteristics such as the scope or range of activities affected.

REFERENCES

10. Economic Regulation Authority of Western Australia (2011) Inquiry into the Benefits & Costs Associated with the Provision of Shared Corporate Services within the Public Sector, Perth, Western Australia.


