ABSTRACT

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Abstract

In recent years, a large number of multinational corporations have been implementing shared services aiming to streamline business processes, reduce costs and improve efficiency. In order to ensure successful transition to shared services, it is important to understand how the implementation process is done and what has the most significant influence on the outcomes. The main objective of this research is to investigate how to facilitate successful implementation of shared services, providing insights into challenges and successes of the large multinational corporations operating in the industrial engineering sector.

The main research question of this study is divided into two questions, namely ‘What facilitates successful implementation of shared services?’ and ‘How is the implementation of shared services done by the companies within the industrial engineering sector?’. These questions are answered through discovering the most critical success factors, the process and the phases of the implementation and the most common challenges that companies encounter during implementation. This study adapts the qualitative research approach, enabling the researcher to profoundly explore the phenomenon and expand the current understanding of the shared services. The case study method has been selected for this research and the representatives of four case companies have been interviewed. The interviews were conducted with eight managers, who have been leading or participating in transition to shared services, based on the predefined open-ended questions which facilitated insightful discussion on the topic.

The empirical data states that support and sponsorship of senior management is crucial to succeed in the implementation of such complex initiatives. It was also concluded that sufficient and suitable transition resources are vital to ensure fast-paced transition and high-quality deliverables. And most importantly, the findings of this research emphasise the importance of the focus on the end-to-end processes and the end user in order to maximise process efficiency, and thereby, better leverage benefits of the shared services business model, and ensure proper utilisation of new services. Thus, this study provides important managerial implications, enabling leaders to increase probability of successful implementation of shared services, as well as offers suggestions for future academic research.

Key words	shared services, global business services, shared services centre
Further information	

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IMPLEMENTATION OF SHARED SERVICES IN MULTINATIONAL CORPORATIONS

Insights into challenges and successes

Master´s Thesis
in International Business

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Table of contents

List of figures

List of tables

1 INTRODUCTION

1.1 The phenomenon of shared services

Global economy provided limitless opportunities for businesses to buy, sell and operate all over the world (Gerber 2010, 1). Due to the fast development of advanced information and communication technology and thorough industrial digitalization, remote operations have become a reality, facilitating a massive geographical expansion of services as well as considerable increase in productivity (Blinder 2006, 113; Farrell 2004, 84; Porter 1998, 80). However, concurrently globalization has been drastically intensifying market competition and thereby forcing companies to reduce costs, enhance performance and improve efficiency as much as possible in order to survive and sustain business in today’s rapidly changing business environment.

Large international corporations with global complex structures consisting of business units in numerous countries have been driving diverse improvements in a variety of areas and trying different business models (Suri, Kumar & Hillegersberg 2016, 40). In recent decades, it has become very common to streamline processes, concentrating on performing the most important core activities, while considering alternative strategies to conduct support activities, such as for example payroll accounting or maintenance of IT infrastructure (Richter & Brühl 2017, 26). Implementation of shared services has become one of the most common alternatives (Suri et al. 2016, 40). Establishing a shared services centre that delivers support services internally to the rest of organisation allows companies to reduce costs of services, improve efficiency and quality of services (Ulbrich 2006, 191).

Although shared services is not a new concept, its popularity has significantly increased over the past years, raising from 50 percent of the companies listed in Fortune 500 who implemented shared services in some form in 2003 to over 75 percent in 2017. (Bergeron 2003, 15; Richter & Brühl 2017, 26.) The concept originates to the late 1980s when large private corporations started consolidating separate business units into one particular unit, which was dedicated to deliver business services at the lowest possible costs. Cost reduction was by far the main focus, however, improvement of service delivery was also expected. (Walsh, McGregor-Lowndes & Newton Queensland 2008, 201).

One of the pioneers in the United States was Procter and Gamble (P&G). The company was remarkably growing through a large number of acquisitions and expansion of manufacturing worldwide and in the middle-late 1990s decided to move towards global shared services consolidating functions, such as procurement, accounting, information technologies, facilities and human resources management, and within nine years the global shared services unit employing almost eight thousand people started operating. According to P&G, implementation of shared services was beneficial and allowed the company to reduce costs, globally standardise systems and processes and focus on the core activities. (Gospel & Sako 2010, 1376-1378.)

One of the first explorers of shared services in Europe was Unilever. The company founded their shared service centre a few years later than P&G, in 2002. Having considered evident advantages of the shared services business model, Unilever initiated even bigger restructuring than P&G, involving more diverse functions and geographical areas. Being satisfied with the outcomes of the implemented shared services, especially with reduced labour and procurement costs, increased quality services and improved information management, Unilever decided to take further steps to extend its shared services. Considering three alternatives: to develop new captive shared service centres, to develop and outsource shared service centres or to outsource services straight away to one or several external providers, the company opted for the fastest alternative due to intense competition and dynamic market changes. (Gospel & Sako 2010, 1382-1384.)

According to Higgison (2011, 1), the phenomenon of shared services is not just a concept anymore, it is a proven approach that enables companies to streamline business processes, reduce costs and improve quality of service. Shared services were first utilised by the private business sector, but later also adopted by the public sector, namely governments, universities and other state structures worldwide. Among public organisations who implemented shared services are for example NASA, Harvard University, Yale University and the Executive Office of the President of the United States (Chazey Partners 2014).

Optimisation of service delivery processes has become a very strong focus among multinational corporations. While both business models, outsourcing and shared services, provide similar benefits of reducing costs of services, increasing process efficiency and improving quality of services, there are certain trade-offs (Aon Hewitt 2011, 3; McIvor, McCracken & McHugh 2011, 449). When companies outsource their activities, they are losing control over the provided services and become severely dependent on an external service provider, whereas establishing a captive shared services centre allows companies to perform activities in a centralised way but also retain control over the delivered services (Tate, Ellram, Bals & Hartmann 2009, 514, 518). Companies also aim to modify organisational structure and standardise processes in different business units in order to make the organisation more functionally aligned and focused on the core activities (Goh, Prakash, & Yeo 2007, 264-265). There are also many examples of the companies who tried one of the business models and being dissatisfied with the outcomes switched to another one. For instance, EMS Corporation pulled out of outsourcing due to tremendously high outsourcing costs, extremely complex procedures and utter disappointment with the quality of the provided services (Goh et al. 2007, 264-265.)

Due to the fact that implementation of shared services, as well as business process outsourcing, can provide certain advantages, numerous corporations have decided to utilise a hybrid business model incorporating both alternatives, which is commonly known as global business services (GBS) (Deloitte 2011, 4). Global business services enables companies to integrate diverse processes that are performed by a shared services unit and those provided by outsourcing partners under one global governance system and harmonise those processes across the globe. Utilising such a model enables companies to centralise control over all activities, dedicate the same resources, including the decisions making body, as well as apply the same approach and implement same technological solutions for all the services in all the countries. (Suri et al. 2016, 43.)

In recent years, a large number of companies realised that costs of shared services can be also reduced through offshoring. Offshoring particularly means that operations and services along with the jobs that they provide are transferred from the countries with high labour costs to the countries with comparatively low work-related expenses (Doh, Bunyaratavej & Hahn 2009, 927; Farrell 2004, 82; Gordon & Zimmerman 2010, 327). Although work places are getting relocated abroad, it is not common for employees to also move to another country following their jobs, due to the fact that the wages are usually not as attractive in an offshored set up. Therefore, offshoring of shared services is being commonly associated with the fact that people are losing their jobs. (Blinder 2006, 113; Farrell 2004, 82.) However, offshoring as such should not be considered something evil because of job losses, but rather should be accepted as a global trend that facilitates generation of new strategies and creation of new work places which are even more efficient than ever before (Blinder 2006, 114). Offshoring as such has its advantages as well as disadvantages. On the one side, offshoring of shared services enables companies to gain certain cost benefits, but, on the other side, offshoring due to its multinational nature brings additional challenges related for example to peculiarities of local legislation and various cultural aspects in different countries, significantly increasing complexity of the management and control over the relocated activities and the organisation as a whole. (Blinder 2006, 114).

It is also important to understand that comparative advantages, such as relatively low employment costs are temporal and tend to change over a certain period. When a particular area attracts sufficient attention from global corporations, the local job market starts heating up and salary level surges. Therefore, preferences of offshoring locations have been changing over the years among corporations. Some time ago, India was on top of the list due to massive educated, tech savvy and inexpensive workforce who speak English fluently (Deloitte 2017, 6; Knight & Cullen 2010, 32; Taylor 2017, 254). However, despite a big role of low costs in the location choice, companies started considering benefits of proximity to existing operations, thereby Eastern European countries captured attention of many multinationals (Deloitte 2017, 6). Poland quickly became one of the most popular locations for establishment of shared services centres when the country joined the European Union. Numerous transnational corporations, such as Phillips, Lufthansa, Citi Group and Accenture, have chosen Poland mainly due to its political and economic stability, as well as relatively low-cost and skilled workforce with ability to speak a variety of languages. (Poland - shifting Europe's focus 2004, 34-35.) Surely, the more large multinational companies entered the Polish market, the more difficult it appeared to recruit locals, meaning that new comers had to buy out employees from the established shared units offering higher salaries and other attractive benefits. Also, Slovakia has been considered a suitable location by such global giants as Dell, IBM, Hewlett-Packard and Lenovo due to well-developed infrastructure and quite stable political situation (Karičková 2012, 48-51). Local authorities have been supporting foreign investments and therefore, over 60 shared services and business process outsourcing centres have been established there (SARIO 2017, 2, 5, 13). As a recent trend, Romania and Bulgaria have been gaining increasing attention as potential options for such establishments (Knight & Cullen 2010, 32; Sass & Fifekova 2011, 1604).

Despite the fact that an incredibly diverse terminology related to shared services has appeared in the discussions and academic research around the topic, including ‘captive shared services centres’ or ‘offshored shared services’, and the most trendy term ‘global business services’, the core phenomenon underlying all these terms is the concept of shared services. Therefore, the term ‘shared services’ that plays the main role in the explanation of the phenomenon is used for the purpose of this research.

1.2 The purpose of the study

Implementation of business units that deliver particular services to other units of an organisation has become a popular trend among international corporations in recent decades. According the survey conducted by Deloitte (2015), a number of such establishments doubled during the last ten years, which only confirms the rising importance of the shared services business model. Nevertheless, scholars emphasize scarcity of the research on the topic and inability of the existing academic studies to reflect actual progress of the phenomenon (Richter & Brühl 2017, 26-27). Current literature concerning shared services mainly includes consulting reports, case studies and theses, whereas reliable academic research on the topic remains scant (Marciniak 2014, 73).

Due to the fact that the first studies related to shared services were published in 1981 and 1991, and attention of scholars to the phenomenon continued growing only after 2004 peaking between 2010 and 2013, the research area is considered relatively new (Richter & Brühl 2017, 27-28). An extensive review of academic literature revealed that only 20 percent of the studies are focused on the experience of private companies, whereas around

60 percent of the research is concentrated on public organisations. Therefore, it can be concluded that experience of the private sector in implementation of shared services is extremely under researched. (Richter & Brühl 2017.)

Given the fact that while implementing shared services different companies encounter a large number of challenges, and some companies can overcome these challenges successfully whilst others fail to do that, there are some important factors that influence the outcomes of the implementation, leading the implementation to either success or failure (see, for example, Joha & Janssen 2014; Knol, Janssen & Sol 2014; Ulrich 1995; Walsh et al. 2008). Furthermore, such critical for successful implementation factors may differ from one context to another, therefore, one particular industry has been chosen to be investigated.

This research aims to explore how to facilitate successful implementation of shared services in the industrial engineering sector. The main research question of this study is divided into two questions as follows. The first question is:

- What facilitates successful implementation of shared services?

This question is aimed to reveal from the extant literature what factors are the most influential and thereby the most important for successful implementation. Therefore, in order to answer the first main question, the following sub-question is to be answered:

- What factors are critical for successful implementation?

The second research question is:

- How is implementation of shared services done by the companies within the industrial engineering sector?

This question allows the researcher to empirically observe how shared services are implemented in a particular context, and consequently reveal what can be learned from the experience of the selected companies in the industrial engineering sector and then transferred to other contexts. Therefore, in order to answer the second main question, the following sub-questions are to be answered:

- What is the process of implementation of shared services?
- What are the common challenges that companies encounter?

The answers to these questions will be provided based on the findings of the thorough analysis of the existing literature complemented by the empirical findings revealed through interviewing managers who have been leading or participating in the implementation of shared services in the case companies within the industrial engineering sector. This study is aimed to investigate how shared services are deployed in practice in the chosen industry and whether the revealed discoveries can be transferred into other industries, in other words, whether the findings of this research are transferrable to other contexts. The empirical findings of this study can assist other companies who are considering the transition to the shared services model to become aware of the phases of the implementation process, the main challenges and the most critical success factors that have a significant influence on the outcomes, which would increase chances of successful implementation. This research can be also utilised by various research institutions who investigate the process and outcomes of the implementation of the shared services business model, as well as consulting firms who constantly develop their knowledge on the topic to be able to provide the best solutions to their clients.

1.3 The structure of the study

This section will guide the reader through the structure of this study. In the Introduction part the phenomenon of shared services is discussed and justified in terms of the rising importance of the topic and novelty of the research. Also, the purpose of the research, including the main questions and the respective sub-questions of this study, is presented in the Introduction.

In Chapter 2, a thorough review of extant literature concerning the concept of shared services is discussed in detail, providing relevant information on what shared services is, what are the main motives of the implementation, how the concept has evolved and what are the alternative models. In Chapter 3, the transition approach, the main phases of the implementation process, the most common challenges that arise during the implementation, as well as the most critical success factors that influence the outcome of the implementation are discussed. In Chapter 4, the methodological choice for this study is presented. Firstly, the selected research approach is described and justified. Secondly, the processes of data collection and data analysis are explained in detail to provide the readers with an opportunity to conduct same research in other contexts. And thirdly, evaluation of the study is provided, utilising alternative evaluation criteria, including credibility, transferability, dependability and conformability.

The empirical finding, discussion and conclusions of this research are presented in Chapters 5 and 6 accordingly. The findings of this study are discussed in comparison with the preliminary theoretical framework that has been designed based on the existing literature. Moreover, managerial implications as well as recommendations for future research directions are provided. A list of references, figures and tables as well as Appendices then follow.

2 THE CONCEPT OF SHARED SERVICES

In this chapter, the background of the concept of shared services is discussed, including the definition of shared services and the main drivers of the implementation, as well as evolution of the concept over the past decades and alternative business models which have been also utilised by multinational corporations.

2.1 How to define shared services?

Due to significant differences in business operations, types of industries, views of management and volatility of business environment, shared services implemented in one company may significantly differ from those in another company, making it even more complicated to define the shared services concept in general (Bergeron 2003, 3). Description of the concept also reflects diverse standpoints of academics or practitioners who study or implement the shared services in reality (Soalheira & Timbrell 2014, 72). The simplest way to explain shared services is to derive the definition from the name of the concept. Thereby, shared services can be defined as services that are shared by different business units within an organisation (Gospel & Sako 2010, 1368, Ulrich 1995, 14). By sharing services between units, companies aim to diminish or eliminate redundancies and duplications in various processes, ensuring generation of the same or even better results with fewer resources involved (Ulrich 1995, 13). There is a plenty of various definitions of the concept in the existing literature, which intersect with one each other to some extent. Among the most descriptive and commonly used definitions of shared services is the one provided by Bergeron.

> *Shared services is a collaborative strategy in which a subset of existing business functions are concentrated into a new, semi-autonomous business unit that has a management structure designed to promote efficiency, value generation, cost savings, and improved service for internal customers of the parent corporation, like a business competing in the open market. (Bergeron 2003, 3)*

A separate business unit where shared business processes are consolidated is commonly known as a shared services centre (SSC) (Janssen & Joha 2008, 36). Shared services centres can be established in one or several locations around the world (Janssen & Joha 2008, 36). Traditionally, mainly transactional activities, such as payroll accounting, have been transferred to shared services centres. This is due to the fact that processes with repetitive nature do not require much deviation from a standard procedure, and thereby, a certain standardised mechanism can be established to perform such processes. However, this practice has evolved significantly, which will be discussed in more detail further in this chapter. Academics define shared services centres as semi-independent organisational units that serve internal clients of a parent organisation providing support services which had not been previously separated from core activities, and therefore, had been conducted by various units themselves (Knol, Janssen & Sol 2014, 92). SSCs virtually operate in a quasi-open market environment satisfying needs of internal clients (Bergeron 2003, 3; Goh et al. 2007, 252).

Whilst there is no generic definition of a shared services centre in the extant literature, which would be commonly accepted, there are certain general features of shared service arrangements that researchers have indicated. Schulz and Brenner (2010) summarized the most common characteristics of SSCs and emphasized the several generic features, including independency of such organisational unit within a company and its functioning in market-like business environment, consolidation of various processes aiming to reduce redundancies and transformation of support processes into core competencies, cost reduction as a major target and strong customer-orientation (Schulz & Brenner 2010, 215-216). Whereas consultants emphasise absence of boundaries in their definition, describing a shared services unit as a geographically unconstrained and customer-oriented organisation consisting of a team of experts (Chazey Partners 2014).

Shared services centres operate rather autonomously providing services that should be precisely described in special service level agreements (Janssen & Joha 2008, 36). Such agreements are necessary to define relationships between a shared services centre and its internal clients, to determine ownership and responsibilities, the range of provided services, anticipated level of quality of provided services and evaluation measures, as well as potential sanctions (Tammel 2017, 792). According to Chazey Partners (2014), such contracts should be named and perceived as service partnership agreements rather than service level agreements, since only joint collaboration of the employees of a shared service unit and internal customers will ensure the best possible way to deliver services. However, due to the fact that implementation of shared services ensures elimination of duplicating activities, and thereby leads to the reduction of the headcount of a parent company, establishment of a shared services unit is strongly associated with a loss of jobs by many current employees, which does not facilitate the most friendly and enthusiastic attitude towards the new shared unit and provided by the unit services (Bergeron 2003, 7).

Speaking of the employees of a shared services unit, due to the fact that processes which are transferred to a shared services centre are standardised, they can be performed by less experienced and therefore, less costly personnel (Bergeron 2003, 7). Therefore, the majority of the people working in shared services industry are recent graduates who receive a suitable salary and anticipate potential career development within global companies in the future (Koval, Nabareseh, Klimek & Chromjakova 2016, 4802) Since the staff of shared services centres is not expected to make any complex decisions and can be trained to perform standardised operations, companies tend to establish SSCs in low-cost countries pursuing lower wages and other expenses. Cost reduction seem to be the dominant motive for establishing SSCs abroad, however a number of other important factors, including cultural and physical distance, size and availability of educated workforce with particular skills, developed information and communication technology infrastructure, as well as political environment are also taken into account while making the final decision. (Doh et al. 2009, 928-930, 937-938.)

2.2 Why is shared services being implemented?

There is a large number of potential benefits that companies aim to gain through implementation of shared services. Many academics have agreed that potential cost reduction is the most common reason of the implementation of shared services (Bergeron 2003, 6-7; Schulz & Brenner 2010, 213-215; Paagman, Tate, Furtmueller & Bloom de 2015, 113; Tammel 2017, 793). An extensive study of the motives discussed in the academic literature conducted by Knol et al. (2014, 92) also revealed that cost reduction is the main motive for introducing shared services. Cost reductions can be achieved through centralisation and standardisation of processes, by reducing costs per unit and decreasing labour expenses. Decrease of the headcount of an organisation and labour arbitrage that can be achieved through establishment of shared service unit in a country with a lower level of salaries compared to that of a parent organisation. (Paagman et al. 2015, 113.)

In addition to cost reductions, also other common motives for the implementation of shared services have been widely discussed in the academic literature. The second most common driver is potential improvement of quality of services (see, for example, Goh et al. 2007, 252; Paagman et al. 113). Since providing services is the core activity for a shared services unit, significant attention is being paid by management to the satisfaction of the internal customer, therefore continuous process improvements are usually being implemented to meet the desired level of service quality (Bergeron 2003, 6.) The sorbet conducted by Aon Hewitt (2011, 3) has revealed that consistency and quality, rather than cost, are the leading drivers for implementing global shared services. As an example, some well-known multinationals, such as Bayer, Philips and Siemens, claimed to be pursuing consistency and quality of the service delivery rather than low costs. (Aon Hewitt 2011, 3.)

The third most common driver is improvement of efficiency, effectiveness and productivity of service delivery (see, for example, Janssen & Joha 2006, 104; Marciniak

2013, 218). When the same processes are being concentrated in one business unit certain process improvements can be applied. While processes are being transferred, they are also being revised and reorganised in a more efficient way. Moreover, new advanced technology, for example robotics and automation are often applied to the new processes enabling companies to significantly improve existing processes. (Paagman et al. 2015, 113)

Access to best practices, high quality skills and modern technology are also often mentioned as motives to establish shared services. Due to the fact that certain resources and expertise are gathered and advanced within one unit, as a results best knowledge can be easily accessible for all internal customers globally (Janssen & Joha 2006, 111, Goh et al. 2007, 252, Paagman et al. 2015, 113.) Furthermore, standardisation and innovation can be easily applied to the processes when they have been brought together in one place, meaning more opportunities for streamlining processes globally without heavy local investments. (Paagman et al. 2015, 113)

Better customer focus is claimed to be another driver for establishing shared services. When similar services are provided by various departments within an organisation, the approach, utilised tools and time required to perform a service might significantly differ. Whereas when the same services are provided by one unit, more knowledge is accumulated, approach and tools are standardised, and thereby less time is needed to provide services and more attention is paid to end users. (Paagman et al. 2015, 114).

Improved control and information management, better compliance with local legislation and internal standards, as well as more accurate forecasting and minimization of risks and unpleasant surprises, have been also emphasised in the academic literature among other motives for establishing shared services. (Marciniak 2013, 218; Paagman et al. 113-115.) Consultants also indicated better transparency and ability to address tax and other statutory matters as important motives (Deloitte 2015, 12; PwC 2015, 3).

Furthermore, while implementing shared services, companies concurrently combine and integrate existing processes, as well as align them with the company's strategy (Kamal 2012, 432). Elimination of redundancies in various processes and opportunities for further companies' development and progress can also be important drivers (Marciniak 2013, 218). When different business units are freed from the necessity of performing back-end processes, they will have more time an opportunity to focus on their core business. (Janssen & Joha 2006, 111; Bergeron 2003, 6). Moreover, the shared services business model provides companies with better globalization opportunities, for example potential acquisitions can be easier integrated into the buyer's structure since a shared unit can cover several functions eliminating necessity to maintain same processes locally (Ulrich 1995, 13; Deloitte 2011, 7; Deloitte 2015, 12).

The most common motives that have been discussed in the current academic literature related to the implementation of shared services have been collected and are presented in the Table 1.

Table 1 The most common motives for implementation of shared services

Motive	Source of information
Reduce costs	Bergeron 2003, 6; Goh et al. 2007, 252; Paagman et al. 2015, 113; Tammel 2017, 793; Schulz & Brenner 2010, 213-215; Marciniak 2013, 218; Suri et al. 2016, 45; Janssen, Kamal, Weerakkody, & Joha 2012; McIvor et al. 2011
Improve economies of scale	Bergeron 2003, 7; Tammel 2017, 793; Horan 2003, 51
Achieve labour arbitrage	Rothwell, Herbert & Seal 2011, 243; Gospel & Sako 2010, 1386; Doh et al. 2009, 927-929
Increase efficiency	Bergeron 2003, 6-7; Tammel 2017, 793; Janssen & Joha 2006, 104; Marciniak 2013, 218
Improve quality of services	Bergeron 2003, 6; Goh et al. 2007, 252; Tammel 2017, 793; Marciniak 2013, 218; Suri et al. 2016, 45; Horan 2003, 51
Focus on core activities	Bergeron 2003, 6; Janssen & Joha 2006, 111; Paagman et al. 2015, 114
Reduce required workforce, improve performance	Bergeron 2003, 7; Tammel 2017, 793; Janssen & Joha 2006, 111
Improve management capacity, control and transparency	Tammel 2017, 793; Paagman et al. 2015, 115; Janssen & Joha 2006, 111; Deloitte 2015, 12; PwC 2015, 3; Horan 2003, 51
Standardisation of processes	Janssen & Joha 2006, 111; Paagman et al. 2015, 114; Marciniak 2013, 218
Access to best practices, innovation, high quality skills and resources	Janssen & Joha 2006, 111; Goh et al. 2007, 252; Paagman et al. 2015, 114; Marciniak 2013, 218
Mitigate risks, improve security and compliance with legislation and standards	Janssen & Joha 2006, 111; Paagman et al. 2015, 115
Improve customer orientation	Paagman et al. 2015, 114; Suri et al. 2016, 45
Support corporate strategy	Marciniak 2013, 218; Kamal 2012, 432; Horan 2003, 51

Despite the fact that the main driver of implementation is believed to be cost reductions, not much empirical data has been found by researchers to confirm the actual cost savings (Paagman et al. 2015, 113.) Estimations of cost savings from successful implementation of shared services differ depending on the source. Consultants discuss potential range of cost savings from 20 to 50 percent (Chazey Partners 2014; HfS Research & PwC 2011, 7; PwC 2018). Some researchers indicated cost reductions between 25 and 50 percent in Europe and from 40 to 70 percent in the Unites States within two years, others revealed annual savings from 5 to 30 percent (Strikwerda 2014, 3; Tammel 2017, 793). According to Deloitte, some large companies such as Shell, British Petroleum, Pfizer, Oracle and Procter & Gamble state that they have achieved certain financial and operational benefits, in many other cases significant cost overruns have been reported (Deloitte 2011, 4). There is a number of known examples when the anticipated costs saving targets were not delivered at all (Farndale, Pauwe & Hoeksema 2009, 544-561). Furthermore, case studies have revealed that not all of the initially planned motives are virtually achieved, however, some unanticipated advantages are often gained (Janssen & Joha 2006, 111). All in all, empirical academic research on the actual figures remains scarce, partly due to the lack of clear reliable data from companies and complex structure of indirect expenses, which might include for example labour costs, when other employees from the company are supporting the implementation (Tammel 2017, 793).

2.3 How has shared services evolved?

The concept of shared services was the first time implemented almost thirty years ago and since then has undergone significant changes (Gospel & Sako 2010). The evolution of shared services over the years is discussed in this section, including significant expansion among different functional streams and change of preferences in selecting location for a shared services unit.

Initially, shared services mainly consisted of transaction-oriented services that have repetitive nature and are performed in a similar manner in every business unit. Such services included finance and accounting, procurement, human resource management, property and facility management as well as information technology operations. (Walsh et al. 2008, 200.) Services with transaction-based nature are usually consolidated into Shared Service Centres, whereas non-routine activities requiring deep knowledge and expertise in certain fields tend to be combined into Centres of Excellence (Ulrich 1995, 14-15).

Gradually, shared services arrangements have started delivering various professional and knowledge-intensive services, such as recruitment, organisational development and communications functions. Although transactional processes still prevail, a number of more complex, knowledge-based processes have experienced a twofold and in some cases even threefold increase. (Deloitte 2017, 7-8; Walsh et al. 2008, 200.) For example, sales, legal, project management and risk management functions have been identified among the emerging functions in shared services (SSON Analytics 2017).

Furthermore, a number of shared services arrangements have significantly grown over the last decades. In 2013, it was estimated that over 90 percent of all large western corporations consolidated their back-office functions into shared services organisations. (Tammel 2017, 793). By January 2017, over 5 800 shared services centres have been identified worldwide, including captive SSCs and hybrid models incorporating shared services and outsourcing, which are predominantly located in North America, Europe and Asia (SSON Analytics 2017).

A number of functions that are transferred to shared services centres differ from one company to another. According the data collected by SSON Analytics (2017), finance and human resources functions dominate among the functions that are being transferred. However, on average there are three functional streams within a single shared services centre. According to the statistical data, a scope of functions has significantly increased over the last years, especially when few functions have transferred some of their activities, other functions within an organisation can see how the new approach works and also start considering transition. (Aon Hewitt 2011, 3; Deloitte 2017, 7-8.)

Advanced technology in the form of globally integrated management software, which is commonly known as enterprise resource planning (ERP) systems, have been assisting businesses in managing their operations worldwide. Implementation of ERP systems allows companies to handle a large number of transactional tasks at a faster speed and more accurately. Moreover, when all information is collected and stored in one global system, it provides companies with better statistical data, ensures more transparency and thereby improved managerial control. (Ernst & Young 2015, 19.) Based on the current trends, it is being forecasted that due to constantly developing automation even more functions and processes will be transferred to shared service centres in the future (Deloitte 2017, 15-16).

The evolution of shared services in a nutshell can be presented in three main phases indicated in the Figure 1. As it has been mentioned, initially transactional activities were transferred to a shared services centre owned by a company, in other words a captive shared services unit or outsourced to an external provider. As the next step, more complicated activities that require more intellectual activity rather than manual labour have been transferred to Centres of Excellence. And the latest trend is the implementation of a hybrid model, or so-called global business services, which combines implementation of shared services with outsourcing of certain processes.

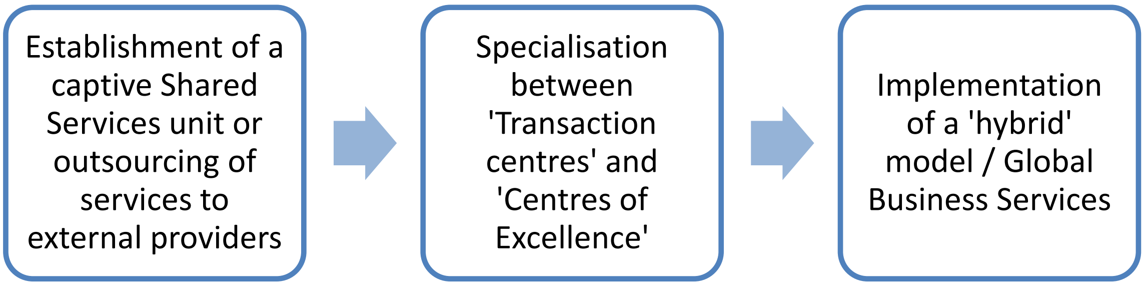

Figure 1 Evolution of shared services

2.4 What are the alternative business models?

In a traditional decentralised organisational structure, business units located in different cities or even countries perform all activities related to their operations themselves. Certain functions, such as accounting or information systems and technology, consist of similar operations in every business unit and, if performed separately, duplicate the work and headcount, thereby increasing the overall costs of a company. Additionally, application of different site systems and multiple standards creates difficulties with control and compliance. Although decentralised structure implies high responsiveness to business needs, it is costly and not scalable. (Bergeron 2003, 17; Chazey Partners 2014).

Centralised organisational structure enables a company to perform particular activities in one central location, which greatly improves managerial control and compliance, reduces costs due to economies of scale and allows utilisation of high-end technology. Standardised reporting and human resource policies lead to more transparency and enable management to better control the situation, analyse revenues and expenditures and forecast more accurately. However, centralisation locks the decision-making in the headquarters leading to growth of bureaucracy and lack flexibility on a local level. (Bergeron 2003, 17.)

Outsourcing is another business model that enables companies to reduce costs and headcount, as well as focus on core activities, while non-core activities are provided externally. It is especially beneficial, when required services are knowledge-intensive and are needed rather temporarily or in limited amount. Outsourcing has a significant advantage of low initial investments, however, it implies a lack of control over the services that are performed externally, potential loss of know-how and high dependency on an external service provider who also serves other clients. (Bergeron 2003, 18; McIvor et al. 2011, 449).

Whilst the concept of shared services implies that certain activities are performed internally within a corporation but in a specialized business unit, it allows to standardise and consolidate business processes, eliminate redundancies and duplication, improve quality of service provided to local business units and potentially significantly reduce costs. Additional cost savings can be reached by establishing shared services units in low cost locations, which is discussed in this chapter in more detail. Although implementation of shared services requires more time and start-up investments than outsourcing does, it creates a platform which allows business to scale up. Furthermore, while a shared services centre performs assigned pool of activities, other business units remain customer focused and highly responsive to business needs.

It is important to remember that there is no ‘one-size-fits-all, risk-free business model’ and every company decides themselves which strategy would work best for them given their own priorities (Bergeron 2003, 2).

3 THE PROCESS OF IMPLEMENTATION OF SHARED SERVICES

The extant literature related to the topic of shared services provides plenty of information concerning the phenomenon, including numerous classifications of the motives and an inexhaustible list of factors that influence the implementation process. However, the information in current literature is very fractured and shallow, making it difficult for a reader to build a clear picture of how exactly shared services is implemented in real business environment and what is crucial to consider in order to succeed in such implementation. The process of implementation of shared services, including phases of implementation, as well as the most common challenges that companies encounter and the factors which are the most critical for successful implementation are discussed in this chapter. The most relevant to the topic of this study information was derived from the existing literature and critically evaluated, composing the most important facts that shaped the preliminary framework for the empirical part of this research.

3.1 Implementation approach

Implementation of shared services requires time and large investments. The more locations are to be consolidated the more time and money it will take to implement shared services. Furthermore, it requires a large number of changes to be implemented, including changes in employees' behaviour which is not an easy fix. Since most people are afraid of uncertainty and would rather work in a way they are used to, in order to implement a new way of working all the changes must be very clearly communicated to the personnel. (Bergeron 2003, 22.)

The most common approach of the implementation of shared services is called 'lift and shift'. According to this approach, processes are transferred to a shared services unit as-is with no prior changes, enabling companies to minimise time spent on transition and reduce certain risks, such as a risk of business interruption, and when the migration is completed, the processes are being reorganised, optimised and standardised and new tools are being applied. Another approach, which is far less commonly utilised, is called 'big bang'. It implies simultaneous transition and reorganisation of processes supported by concurrent implementation of new tools systems. (Deloitte 2017, 3, 14.) 'Big bang' approach should be considered only when a very experience transition team is in place (Suri et al. 2016, 46).

Before initiating the transition towards shared services, company's management must have clear understanding of current problems and strong vision of how the new business model can solve these problems and what additional advantages the chosen strategy will provide (Bergeron 2003, 9). It is not clear from the beginning how to implement shared services, and therefore, utilisation of a certain methodology is required. The process of the implementation of shared services usually consists of a sequence of linear activities, however, the order in which activities are performed may differ from one project to another. Moreover, there might be a need to apply corrective actions after a certain activity has been completed or even reconsider a particular decision that had been made earlier based on the information insufficient for decision-making. (Suri et al. 2016, 40-41.)

3.2 Phases of implementation of shared services

Implementation of shared services is an extensive project or, speaking the language of project management, it is usually a programme consisting of a number of projects. Practically, a roll-out of shared services to one country is considered one project. It also can be a cluster of countries which are combined into one project due to similar operations, same management, language or other factors. According to the general understanding of project management, every project has a life cycle, consisting of certain phases. First of all, a project begins when it is being initiated to pursue certain benefits and achieve particular targets. Then, a project unfolds through a number of phases during a certain period, and finally, each project comes to its end at some point. Key deliverables are usually defined for each phase and carefully monitored and confirmed before a project moves to the next phase. The Project Management Institute (PMI), which is a global organisation specialising in development of standards of project management and certification of professional project managers, indicated three main phases of a project life cycle that are presented in the Figure 2. (PMBOK 2004, 19-21.) However, this is a very general overview of a project and it does not facilitate detailed understanding of how a transition project to shared services is done.

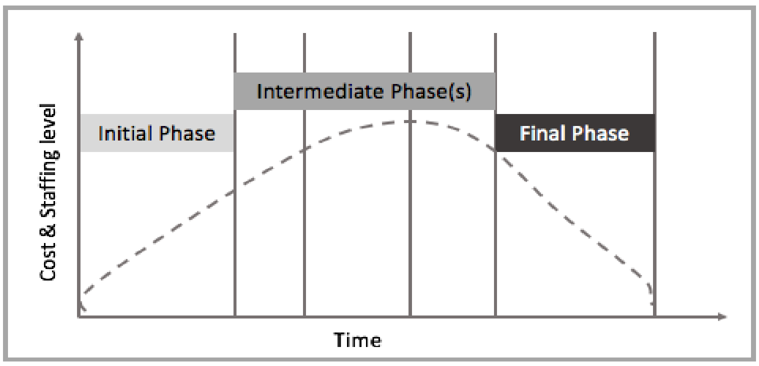

Figure 2 Project life cycle (PMBOK 2004, 21)

There is another, more detailed, sequence of typical phases presented in the Figure 3, which has also been introduced by PMI. Certain inputs and outputs, as well as key deliverables that are indicated within each phase, can be similar in some projects, whereas in others they can significantly differ. Some of the deliverables concern the process of project management in general, supporting control of the overall progress of a project and ensuring the accomplishment of the desired outcomes, whilst other deliverables represent necessary parts of the end results, gradual achievements of which will lead to completing the main objective of a project. Understandably, phases and deliverables of the implementation of new software and those of building a house will never be the same and need to be tailored to the peculiarities of a project. Moreover, despite the fact that phases are usually sequential, and a new one starts only after the previous one has been handed over, if necessary, a new phase can be initiated simultaneously to speed up the process. (PMBOK 2004, 22). Despite the fact that such sequence of typical phases provides a reader with some information regarding what different phases could include, it does not make it clear how these phases would change, when they are applied to the implementation of shared services.

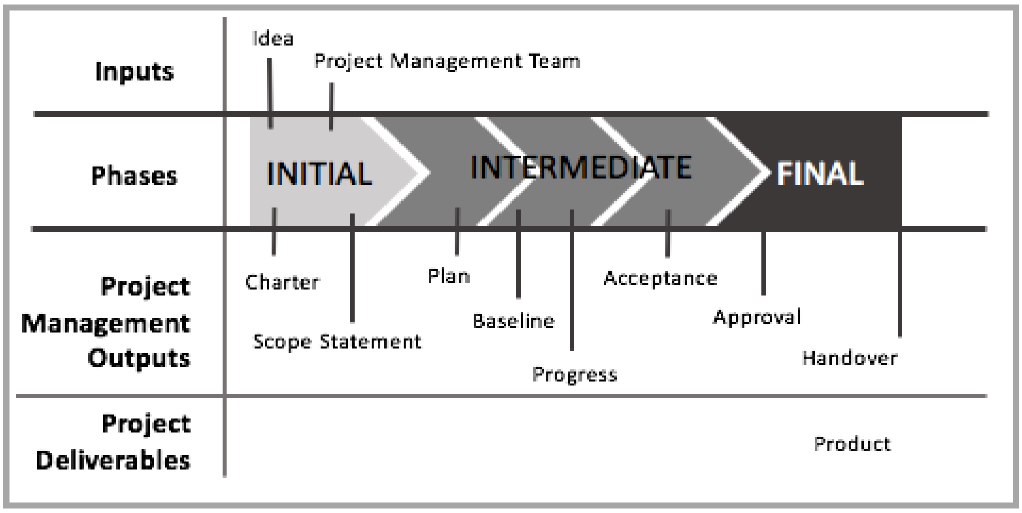

Figure 3 Typical phases in a project life cycle (PMBOK 2004, 23)

Another method to learn more about the project phases, which could shape a basis for a project aimed to implement shared services, is to look at the practical examples available in the existing literature, in other words, to explore what phases other companies went through while moving to shared services. For instance, when a global provider of telecommunication equipment and services Ericsson was transforming its finance and accounting function to a shared services model, the company outlined four phases of project execution, presented in the Figure 4, including Organize, Standardise, Globalise and Optimize (Iveroth 2016, 41).

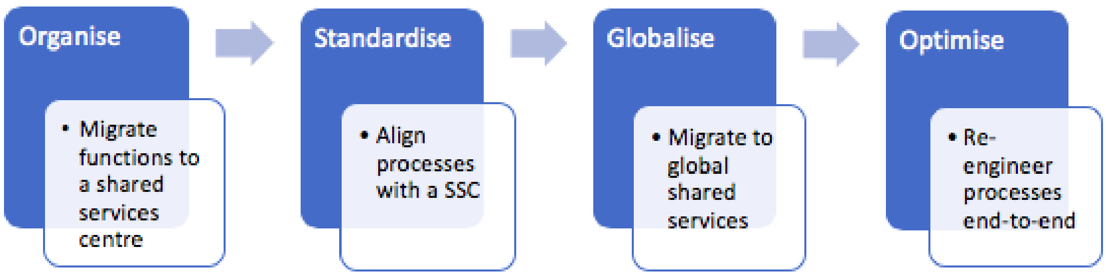

Figure 4 Phases of global shared services transformation (Iveroth 2016, 40)

Organise phase refers to collecting practices of performing certain functional activities from all locations and transferring them to regional shared services units. The next Standardise phase is concentrated on building particular process standards and clarifying new ways of working that would be utilised throughout the whole organisation and driven by a shared services unit. In addition, at this stage all 'to-be' processes are being carefully documented in order to be further utilised in the same way, monitored and evaluated. Moreover, new tools and systems, including global ERPs, which enhance efficiency of shared processes are being implemented. The next step is to Globalise standardised activities through allocation of ownership to one or few shared services units, which would control operations performed by all shared services centres globally and ensure appropriate level of quality of provided services and achievement of desired costs savings. The last fourth phase refers to assessment and optimisation of tools and processes that are utilised in global shared services. Processes are being scrutinised and reorganised from the end-to-end perspective in order to maximise process efficiency and leverage the benefits of shared services. Automation and robotization activities are heavily involved at this stage. (Iveroth 2016, 40-41.) Such practical example of global implementation of shared services sheds some light on the sequence of steps involved in the transformation, although it represents the strategy employed by a particular company and does not guarantee that replication of the same steps would be sufficient for another company to successfully migrate to shared services.

While investigating various approaches to the implementation of shared services, it is also important to take into consideration what consultant firms communicate regarding the current practices. During the last decades, consultants have been supporting a large number of corporations in such projects, therefore they have gained profound knowledge on the processes involved in transition, collected and analysed lessons learned from numerous projects and accumulated the best practices of the implementation of shared services. They have also gathered abundant statistical data and valuable insights through regular surveys, for example, Global Shared Services Survey conducted by Deloitte (2015) or Global Business Services Survey performed by Ernst &Young (2015). Such surveys enable consultancies to gain better visibility on the current trends in the shared services industry and better forecast possible future developments. Based on the information that has been disclosed by consulting firms, certain optimal implementation steps can be indicated. For instance, five phases of implementation of shared services, which are presented in the Figure 5, have been suggested by Deloitte (2011, 9-85). The phases include Assess feasibility, Design a shared services unit, Build and test new processes, Implement and roll out shared services, and Optimize shared services.

Figure 5 Five phases of implementation of shared services (Deloitte 2011, 9-85)

These steps are quite generic, but at the same time seem to be very down-to-earth, due to the fact that they have been inferred from the hands-on experience of consultants gained through numerous similar projects. Thereby, these steps have been designed particularly for the purpose of implementation of shared services. This practical approach is further combined and discussed together with the theoretical views on the process of the implementation presented by one of the academics specifically for the shared services industry.

Bergeron (2003, 220) introduced his own view on the implementation of shared services, which has been recognised and discussed by many scholars (see, for example, Schulz & Brenner 2010; Ulbrich 2006). The academic has indicated seven phases of the implementation process, which are presented in the Figure 6. According to Bergeron, the first phase is *Reconnaissance*, during which internal as well as external data is collected about the company and business environment in order to investigate a need for the transition to shared services and to learn about available best practices. Then *Feasibility study* is done, during which it is being scrutinised whether the implementation of shared services is feasible in a particular company. After that, there is *Decide* step, when the decision to initiate transition to shared services or consider other alternatives is made. In case of positive decision towards shared services implementation, *Strategic planning* begins with a list of high-level activities, certain milestones, identified deliverables, as well as assigned roles and responsibilities. During *Action* phase, the plan is being executed and most communication and collaboration activities are being performed. Afterwards, during *Assessment* phase, the progress is being evaluated, and during *Growth* phase, a shared services unit is ramping up and becomes more independent from the parent organisation. Since successful shared services units grow all the time in size and scope and continuously being evaluated, the last two steps are being continuously repeated.

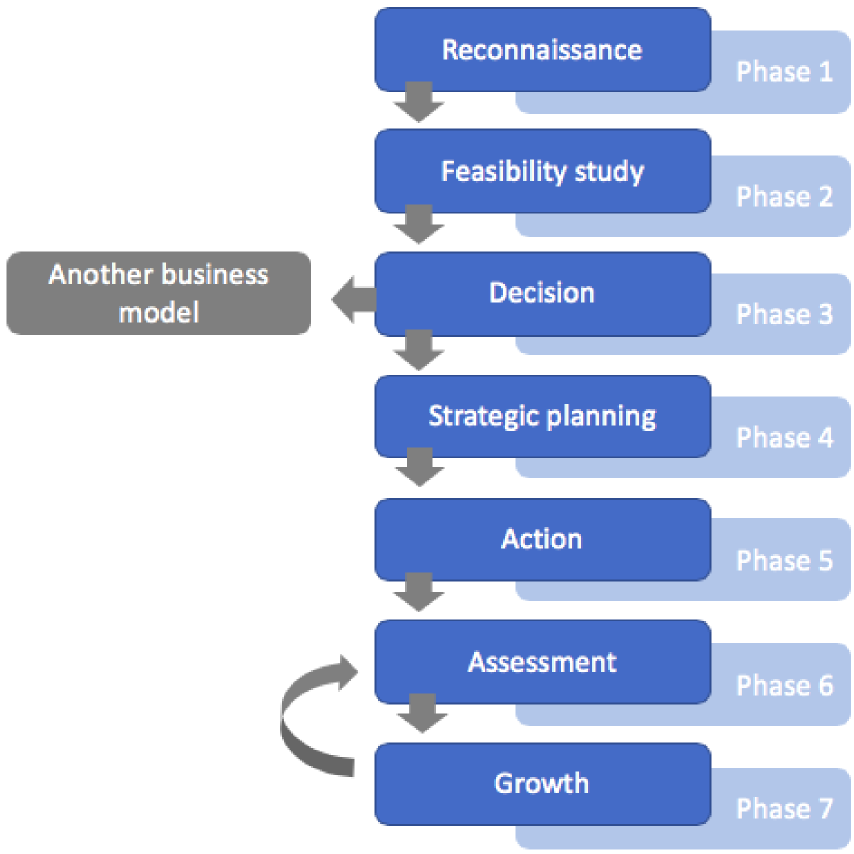

Figure 6 Phases of implementation of shared services (Bergeron 2003, 220)

Since Bergeron examines the implementation process through the lenses of theory rather than practice, the framework that he introduced is lacking the focus from the business perspective. For example, from the business point of view, some phases, namely *Reconnaissance* and *Feasibility study*, can be merged due to the fact that for the operating business these phases represent one big step of investigating an opportunity before the actual initiation of the project. Moreover, *Decision* phase could be also merged with the previous two because the ‘go’ or ‘no go’ decision is made at the end of the feasibility assessment. Furthermore, from the business standpoint, a large number of crucial decisions are being made along the road during every single phase in order to ensure successful implementation, therefore, there is no need so separate one decision into one phase.

Since an optimal approach to the process of implementation of shared services has not been found by the researcher, a new framework consisting of four phases has been proposed in this study, based on the combination of various approaches, including a practical view of consultants from Deloitte and the academic point of view of Bergeron. Input and insights from other sources in regard to the indicated implementation phases have also been discussed to enrich the understanding of each particular phase.

Four phases, that are represented in the Figure 7, have been suggested by the researcher as consecutive steps of implementation of shared services and are discussed in this chapter in more detail.

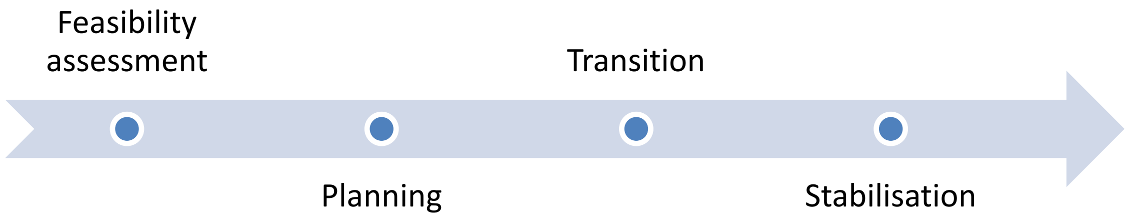

Figure 7 Phases of implementation of shared services

3.2.1 Feasibility assessment

At a certain moment and state of a company, management can consider transformation of its current business model and, as an option, transition towards shared services. When it has been decided to investigate an opportunity of such transition, a team of respective employees is assigned to collect the data that would allow to evaluate how a company could benefit from the new business model. Both internal information regarding processes and people who perform these processes, as well as external data on the best practices, technological solutions that are available on the market, experience of peer companies in the same industry who have already implemented a shared services business model. (Bergeron 2003, 221-224)

In order to shape a clear vision of what shared services actually is and select a location for establishment of a shared services unit, it is important to visit shared services centres of other companies and talk to the parent organisations about the activities involved in the implementation. It would help to learn more about the practicalities of the transition and peculiarities of shared services in general. (Deloitte 2011, 12.) Additional information can be obtained at various conferences and seminars dedicated to shared services, as well as through collaboration with external consultants. Consulting firms can also assist companies with the investigation of internal data in order to discover which processes can be considered to be transferred to a shared service unit. (Bergeron 2003, 221-224.) While employees of a company have a better visibility on the internal business activities, how processes are built and how they work, consultants have a better understanding of the generic structure of shared services and possible tailored solutions. Consulting firms over the years have accumulated valuable knowledge of best practices and, therefore, would be able to identify processes for further consideration and direct to what requires special attention. (see, for example, Deloitte 2017, 2015, 2011, PwC 2015, Hackett Group 2016, Ernst & Young 2015, 2013, Chazey Partners 2014, Aon Hewitt 2011).

In order to ensure appropriate data collection, support of senior management is required already at this stage (Bergeron 2003, 221-224). To secure buy-in, essential information regarding the potential benefits of the new business model must be clearly articulated to senior management very early in the process. If senior management has no understanding of the main objectives and is lacking the right motivation for the upcoming changes, the progress of the implementation could be severely deterred or the whole project could fail due to these reasons. If some managers disapprove the initiative from the very beginning, they could be suspended from participation in the change project but still run the current operations, and other representatives from the business could be considered to take their place.

When the necessary data has been collected from internal as well as external sources, all pieces of information are being brought together to shape a business case which is scrutinised by the assigned employees, engaged consultants and top management. A business case usually contains important information on the anticipated in the long run costs, benefits of economies of scale, a timeline of a project and milestones, high-level responsibilities and the accountable project team. However, the implementation process as such is not usually described in a business case, meaning that a company's management is left uninformed of the potential challenges and risks. (Tammel 2017, 797, Knol et al. 2014, 91-92.) In order to be able to assess in the future to what extent a company has achieved the initially established targets, it is vital to set baseline measurements before the implementation, such as costs of provided services, customer needs and current customer satisfaction level of the provided services (Bergeron 2003, 23; Tammel 2017, 797).

Based on a business case, it is being evaluated whether shared services is a feasible solution for a particular company and what processes could be beneficial to transfer to a shared services unit. From the economic point of view, it is being evaluated how heavy capital investments would transition to shared services require in the short term as well as in the long run, what savings could be potentially achieved and how much would it costs to move to an alternative business model, how much resources would be needed to handle few years of transition process, what costs would be needed to implement new tools and systems, and to handle security. From the political perspective, it is crucial to consider forecasts of growth in the industry, an actual need for the back-end processes, plans for potential mergers and acquisitions in the foreseeable future. Whereas, from the cultural standpoint, it needs to be considered how well shared services business model matches the current company's strategy and corporate culture, what are the relationship with employees, how intense training effort would be required to switch to the new business model. (Bergeron 2003, 224-226; Kim & Haes De & Grembergen Van 2014, 1-8; Strikwerda 2014; Wagenaar 2006.)

Big four consulting companies, namely Deloitte (2017), PwC (2018), Ernst & Young (2015) and KPMG (2017), as well as many other consulting firms, including Chazey Partners (2014), Aon Hewitt (2011) and Hackett Group (2016), claim to have been supporting global corporations in implementation of shared services for many years. Thereby, consultants have collected vital information for the implementation of shared services and could potentially assist companies, who consider moving towards shared services or have already decided to pursue such a path, by developing a complete business case. Every business case is based on the best practices which are tailored to the sufficient level for a particular company, which makes each business case unique (see, for example, PwC 2015, 10). Depending on the company's needs, consultants may suggest location options, provide a company with the cost saving estimations, headcount calculations and so forth. Although consultants are quite experienced in building business cases, it is difficult to say whether business cases delivered by consultants are sufficiently accurate. Some severe challenges with reaching the numbers from a business case may occur, for example, estimated by consultant's salary calculations might not match the actual salary level in the region, leading to serious challenges with recruitment, and thereby, significantly raising estimated costs related to employment.

In the researcher's point of view, there is no need to divide assessment of feasibility into two separate steps, as opposed to the Bergeron's approach, due to the fact that this step represents one phase of investigation of an opportunity, which starts from collecting the data and ends with precise numbers depicted in a business case. Since a 'go' or 'no go decision is made by a company's management, based on a completed business case, the Bergeron's Decision phase is considered the last part of the Feasibility study, and therefore, does not need to be separated into an individual step.

When the data has been collected and analysed, and feasibility of implementation of shared services has been examined, senior management has to make the decision whether to start implementation of this business model or to consider other alternatives (Bergeron 2003, 227-228; PwC 2015, 3). Implementation of shared services is a crucial strategic decision that has a significant impact on a company's future (Janssen & Joha 2006, 104). Therefore, a number of important factors are being taken into account when making such a critical decision that will inevitably influence the whole organisation to a certain extent. First of all, it is essential to consider whether the company is large enough to benefit from implemented shared services and whether the growth forecast would allow more opportunities to gain advantages from this business model. Secondly, it is vital to consider how the concept of shared services with its idea of centralisation, globalisation and streamlining of certain processes, fits the current business strategy of a company and whether stakeholders are sufficiently motivated to implement such a big change, because transition would require enormous joint effort (Bergeron 2003, 227-228; Deloitte 2011, 4, 6). The strategy should also be adjusted along the journey in accordance with the needs (Iveroth 2016, 45). Thirdly, it is very important to understand whether a company that is planning to establish a shared services unit currently has sufficient internal resources which would be involved in the implementation of the change, and how large external help would be needed in the process of transition of the organisation to the shared services operation model (Bergeron 2003, 227-228; Deloitte 2011, 4, 6). Moreover, it should be clear how large is the gap between the current skills of the employees and the skills that would be required in the future, and how much training effort would be needed to ensure a proper utilisation of the new way of working. (Bergeron 2003, 227-228.) When the decision to move to the shared services model has been made, a business case is being elaborated and transformed into a project plan.

3.2.2 Planning

After the decision to move towards shared services has been made by senior management of a company, the next phase in the pipeline is thorough planning. Deloitte (2011) names this stage Design, whereas Bergeron (2003) describes it as Strategic Planning. From the researcher's perspective neither Design, nor Strategic Planning, is entirely accurate, since before designing processes there is a need to create an overall plan which is sufficiently developed and elaborated. There are numerous important processes that need to be taken into account from the very beginning, therefore, such a plan cannot stay on the strategic level, but rather starts from high-level activities and ends with a certain level of detail, containing essential activities and aspects, and allowing to see the whole picture. Hence, it has been decided by the researcher to name this phase Planning, so that this term would incorporate strategic planning, designing of processes and more detailed planning.

In order to ensure successful implementation of shared services, there is a need for clear understanding where a company wants to get, namely what will be done by whom, where it will be done and how (Deloitte 2011, 29). Due to the fact that implementation of shared services is a large project or even a program consisting of numerous projects, rules and tools of project management are applicable to the whole implementation process. Typical attributes of project management, such as a project plan, a project charter, scope and schedule, need to be developed to maintain the implementation process. Furthermore, cost and quality management, as well as resources and risk management, are involved in the implementation of shared services. (PMBOK 2004.)

As it has been already stated, planning starts with a high-level master plan which must be created to define main activities involved in the implementation and the milestones to be achieved. Such a plan will most probably be modified along the project according to the challenges and issues that might occur during the implementation process. (Bergeron 2003, 228-230; Deloitte 2011, 29). Furthermore, the scope of a transition project needs to be defined, namely what functions, processes, locations, legal entities and so forth, will be included in scope (Deloitte 2011, 31.) It is important to plan what processes will be transferred to a shared services unit and how they will be reorganised. The scope can also change throughout the project, when more details around the processes are discovered. Although certain processes may initially be out of the project scope, at a later stage they can be considered to be transferred as well.

Another issue to be planned is process redesign and elimination of all possible redundancies in various processes in order to increase efficiency (Fulton & Parchure 2018, 44). Starting from the current processes, in other words ‘as-is’ processes, it is planned how they will be reorganised to ‘to-be’ processes. It must be decided which processes will be standardised and which will remain local, and also what local legal peculiarities must be considered when processes are being re-engineered. Advanced and very complex technology, commonly known as Enterprise Resource Planning, is utilised to support reorganisation of shared services across numerous locations (Välimäki 1999, 26). Implementation of new technology within the whole organisation is usually a separate project with own timelines and resources, which is managed by information systems department and needs to be aligned with the process of implementation of shared services (Bergeron 2003, 229).

According to Bergeron (2003, 230), in order to integrate proper governance of the implementation project, there must be the right people involved in transition. Therefore, at this stage company’s internal transition skills and capabilities are being closely evaluated and members of a transition team, who will be managing the implementation, are being selected from the current employees. It should be considered, who needs to be hired from outside of an organisation and whether the help of external consultants is required to drive the transition. Since transition team members can have different background and skillsets, it might be necessary to organise specific training to teach them how to utilise certain methods and tools during transition, which would facilitate smooth and successful implementation process. (Deloitte 2011, 32-33.) It is also important to properly communicate the progress of transition, potential risks and arising difficulties to the transition team in order to ensure that all possible critical issues are considered. Although, it is barely possible to foresee all risks during the planning phase, at least the most probable and impactful risks must be identified, plans to mitigate those risks as well as contingencies must prepared to address potential difficulties. (Bergeron 2003, 228; Deloitte 2011, 33.)

Another important part of the planning phase relates to a shared services unit. The location or a group of locations are being selected from the short-listed countries and cities, office facilities in the required areas are scrutinised and essential physical as well as technical infrastructure, including work tables and internet, are being designed (Deloitte 2011, 44.) Identifying the right location is vital for further success, and it apparently requires a thorough evaluation of all important factors and consideration of all possible options (Higgison 2011, 1). Having analysed factors that influence location choice, which have been identified by academics in the existing literature and also discussed by consultants, the researcher has classified the most important factors in the following four categories: financial, labour, geographical and political. Financial factors include employment costs, tax rates, rent tariffs, as well as overall economic environment embodied by economic growth, inflation and unemployment rates. Whereas, labour factors include workforce volume and availability of talent with certain skills, including knowledge of foreign languages, as well as average turnover rate. Geographical factors include physical proximity, cultural differences, natural disaster risk, availability of office facilities, as well as transport and information and communication technology infrastructure. Moreover, the fact that other corporation established their shared services centres in certain locations also influences the decision. And the last, but not least, political factors include political stability, strictness of regulations of business operations of international companies and local incentive systems attracting foreign investments. (Deloitte 2015, 12; Doh et al. 2009, 928-930; Higgison 2011, 2; Knight & Cullen 2010, 32; Orion Partners 2008, 12-24.)

Recruitment strategy and desired corporate culture are also being carefully planned at this stage (Deloitte 2011, 31). According to Schmidt (1997), human resources hired in a SSC must also be ‘shared’ rather than ‘owned’ by functional streams, which in fact might be difficult to realise due to the fact that functions are responsible for achievement of their own targets, and therefore are motivated to fully utilise and rely only on own resources. Also, in order to be able to evaluate benefits of shared services achieved in the future, it is important to establish certain measurements and assess the current processes and quality of existing services before the actual transition of services to a shared unit.

While planning, it is also crucial to identify all stakeholders, including people in countries who will be impacted by the transition and who could have significant influence on the implementation process (Deloitte 2011, 34.) The transition team together with representatives of business functions indicate key employees who possess crucial knowledge regarding the business and processes, and who would need to share their knowledge with the new hires in a shared services unit before leaving the organisation. Also, people who need to be kept within the retained organisation to secure business continuity are being identified (Hagel 2014, 20). Moreover, it is important to remember, that there are professional unions and works councils in many countries. Their responsibility is to protect rights of employees, and therefore, they may demand a lot of information and documentation regarding the upcoming changes, including what will change in processes and how it would affect the employees in a country. (Baker & McKenzie 2009). Some works councils are stricter and more demanding than others, and therefore, depending on a country, negotiations with such unions may take longer time than expected and significantly delay the implementation project.

3.2.3 Transition

The next step is divided by Deloitte (2011) to two phases Build and test and Implement and roll out, which generally makes sense, but in fact these processes may be run in parallel rather than consecutively. Building of a shared services unit continues even when it has been implemented, because the unit will be growing over time in terms of size and scope, when more processes from more countries are transferred. Building and testing the technological solutions also continues after a global ERP system has been implemented, due to the fact that the tool is being adjusted to the local processes, legal requirements and other peculiarities. Therefore, the researcher decided not to divide this step into two, highlighting that it is a large and complex phase which includes both steps indicated by Deloitte. According to Bergeron (2003), such phase is called Action, which does not clearly state what implied actions relate to. Practically, most activities at this stage are associated with the actual migration of processes to shared services, they are commonly recognised as transition activities and therefore it has been decided to depict this stage as Transition phase in this study.

As reasonably indicated by Deloitte (2011), the transition starts with establishment of a shared services unit, building the processes and implementation of new tools and systems. Office premises are being selected and equipped with necessary technology and furniture. Local vendors of various services, ranging from creating and managing technical infrastructure, supporting the unit with recruitment at the very early stages, providing cleaning services and so forth, are being selected and service level agreements are being signed to define a zone of responsibility and indicate a necessary level of service quality. (Bergeron 2003, 230-232; Strikwerda 2010, 2014.) Some back-end processes that are very much transactional and require extended workforce can be outsourced to external providers, which can cause certain tensions, if the services provided by the third parties are poor quality. In such cases, a shared services unit might refuse to take responsibility for the outcomes. However, it does not matter for the end users who is the actual provider at the back end, since users are requesting services from a shared unit. Hence, in order to clarify the final accountability for the end result, senior management must interfere, make and articulate the decision. Furthermore, responsibilities and ownership over the provided services need to be clearly defined between a shared services unit and the retained organisation, and for these purposes, a number of service level agreements should be developed and signed between the sides (Deloitte 2011, 45).

Also at this stage, new employees of a shared services unit are being recruited, onboarded to a company, corporate culture and their role (Bergeron 2003, 230-232; Deloitte 2011, 50). The employees, whose role is to take over local processes which will be transferred to a shared services unit, are being trained to perform the transfer of the local knowledge. Such employees must be experts in a particular area and should also obtain previous experience of knowledge transfer. According to Vieru and Arduin (2016, 22), the process of knowledge transfer relates not only to the transition of information, but also to individual interpretation, since experts who are involved in knowledge transfer operate the information based on their own interpretation. Moreover, explicit knowledge can be collected through the use of preliminary questionnaires and files, which need to be filled in with the required information, whereas tacit information can only be obtained through detailed discussions with the local employees. Therefore, it is a must to train the employees of a shared services unit before they travel to a country, especially those who are totally lacking experience of knowledge transfer (Deloitte 2011, 54). Appropriate training would support the shared services unit's personnel to understand what and how they should ask during site visits to gain all possible knowledge, to interpret and record data correctly, and how to behave and react in case of possible conflicts or strong resistance from local employees to knowledge sharing.

Carefully collected and interpreted data regarding each and every process is then being revised and scrutinised from the perspective of standardisation and globalisation. Surely not all activities can be performed remotely, but those that can be are identified and rebuild from end-to-end to maximise efficiency. Processes that do not fall under the global approach can remain on the local territory either under the retained organisation or as a localised part of a shared services unit (Aon Hewitt, 2011, 7-10).

Advanced information systems and technology are being utilised to support the implementation of shared services. Global ERP systems are usually being applied and integrated into existing infrastructure, enabling companies to increase advantages delivered by the implementation of shared services (Suri et al. 2016, 450). As it has been already mentioned, deployment of such complex technology is a large and multifaced project itself that requires extensive resources and joined effort. Close cooperation between the management of parent organisation as well as that of a shared services unit is required to select and implement the most appropriate technology, select and control vendors, identify and transfer certain business processes to a shared services centre, and manage human resources throughout the whole organisation, including the personnel in a newly established unit (Bergeron 2003, 230-232). It might sound logical to implement new technology before migration of processes to a shared services unit and utilise new tools to facilitate process efficiency and global integration to shared services. However, surprisingly many organisations, namely 45 percent according to the statistics gathered by Deloitte (2015, 44), implemented new systems only after they had transferred the processes, whereas as much as 34 percent of the interviewed companies by Deloitte managed migration of processes and implementation of new systems simultaneously. And only minority of the respondents, namely 21 percent, transferred processes after the implementation on new technology.

Same question applies to standardisation, whether a 'big bang' approach should be utilised with simultaneous transition and standardisation of processes or should a 'soft pressure' approach be employed with an incremental strategy, when standardisation is performed prior or after the transition of processes (Wagenaar 2006, 362). This is an ongoing and never-ending discussion for many companies. Consultants of PwC (2015, 6) claim that standardisation that has been accomplished before the actual implementation can secure better cost savings and higher level of customer satisfaction. However, according to the results of the survey conducted by Deloitte, only 17 percent of the respondents standardised processes prior to the migration, 22 percent simultaneously standardised processes and moved them to a shared services unit, whereas the most part of the respondents, namely 61 percent, moved processes 'as-is' and only after that started standardisation. (Deloitte 2015, 44.) All in all, every approach has its own advantages and disadvantages, and companies' management must decide which approach would fit their company best.

Another important matter that requires attention during the transition is communication. It needs to be carefully planned what information will be disclosed to managers and to other country employees and when it will happen (Deloitte 2011, 67). Whether all countries from a transition roadmap would be announced at once or one by one highly depends on a company's communication approach. A straightforward global announcement with an exhaustive list of countries in an overall project scope seems more honest to employees, but such an approach conceives a number of difficulties, for example related to numerous negotiations with Works Councils that need to start immediately after the announcement or numerous replacements that might be required in many locations right away.

While a shared services unit is growing, the headcount in the retained organisation will be downsizing, therefore related processes need to be also properly handled. In order to motivate the employees who share their knowledge, it is essential to ensure appropriate compensation packages. Some of the perspective employees whose jobs will be transferred can be moved to open positions within the same company. Also, support of those employees who would ultimately leave a company with further employment can be offered, for example by means of specialised training aimed to create a CV and refresh knowledge on how to behave during a job interview. (Deloitte 2011, 68).

3.2.4 Stabilisation

As soon as a shared services unit has been established, knowledge has been transferred to a shared services unit and processes have been built and reorganised, a ‘go-live’ date is announced and a shared services unit starts providing business services to one or several locations within an organisation. It is important to note that, although a SSC takes on responsibility of the provided services, there is usually a certain period during which SSC’s employees are getting extensive support from the personnel of a country from which processes had been transferred.

While a size of a shared services unit and the volume of provided services are growing, the unit becomes more independent from the parent organisation. It becomes accountable of own performance and achievement of established targets and has to take care of necessary optimisation of systems and processes. (Deloitte 2011, 77-78.) If some services with transactional nature become a burden for the unit due to mass workflow and extensive workforce required to maintain such activities, thereby jeopardising the unit’s capacity, it can be decided to transfer those services to external outsourcing vendor at any point. It is also being continuously examined what other business services can potentially be transferred to a shared services unit.

Gradually, a shared services unit gains more independency over provided business processes, and therefore, it must ensure that quality of the services meets the criteria defined in the service level agreements signed between a shared service unit and its parent organisation (Deloitte 2011, 78). Simultaneously, a shared services unit has to assess quality of services provided by external vendors, signing off on successfully completed agreements, monitoring poorly provided services, initiating necessary improvement measures and switching to another provider in case of utter discrepancy. Furthermore, performance of a shared services unit is being evaluated by both sides, within the unit and by the parent organisation. It must be constantly monitored whether a shared services unit meets agreed deadlines, keeps up to the target cost level and planned headcount. Such assessment, is not a one-off activity but rather continuous evaluation and comparison against the established benchmarks. (Bergeron 2003, 232 – 233)

A shared services unit matures over time and provided services are being continuously reviewed and optimised in order to ensure desired quality and efficiency of the processes. If shared services are handled appropriately, they can be offered to external customers on an open market to gain profit (Bergeron 2003, 233-235). In order to measure whether the implementation of shared services has been successful or not, current achievements in regard to costs, headcount and a level of customer satisfaction with provided services are compared with the baseline measures indicated in the business case (Tammel 2017, 797). Feedback must be regularly collected from the end users and other stakeholders through surveys, interviews, workshops and other ways (Fulton & Parchure, 2018, 45).

However, whilst headcount of a shared services unit is growing, the rest of the parent organisation is downsizing, and therefore a company has to put much effort into employee retention and motivation. Another focus of the parent organisation at this stage is working culture. Employees who stay with a company, in the so-called retained organisation, are supposed to switch to a new way of working, requesting services from a shared services unit. (Deloitte 2011, 84.) For some people, who are generally known as early adopters, it is easy to start using new systems and tools and try requesting business services in a new way, whereas for many others such a big change requires a lot of effort, both mentally and physically, and therefore, training might be needed to teach employees how to utilise new tools and services (Bergeron 2003, 233-235). Well-organised teamwork and cooperation of subordinates would also support a new culture and deter people from returning to old practices. Moreover, line managers must be onboarded as change agents, rewarding their subordinates who have adopted a new way of working. (Schmidt 1997, 49).

3.3 The most common challenges of implementation of shared services

Organisations may encounter a large variety of challenges while establishing shared services. In the existing academic literature, these challenges are thoroughly discussed and classified into different categories, such as communication or technology related challenges. As an example, Suri et al. (2016, 43) offered a typology of challenges consisting of three main types of challenges, including technological, managerial and organisational challenges. Whereas, Knol et al. (2014, 94-99) suggested another classification, which is based on four perspectives on the challenges which management can face while implementing shared services, including resource dependence, efficiency, population and knowledge. The classification proposed by Knol et al. has been utilised to scrutinise extant literature and collect the most common challenges that have been discussed so far. The challenges indicated by Knol et al., have been supplemented by corresponding views of other academics and presented in the Table 2. Other challenges that have been discovered in the existing academic studies, as well as those revealed by consultants with hands-on experience, were added to the respective categories.

Table 2 The most common challenges of implementation of shared services in four perspectives (based on the classification of Knol et al. 2014)

Category	Common challenges	Source of information
Resources	- difficulties to find required resources - unclear ownership and accountability - resistance to new roles in a SSC - resistance to the new ways of working in the retained organisation - lack of personalisation - retention related difficulties	Knol et al. 2014, 94-99; Ulrich 1995, 11-12; Suri et al. 2016, 43.
Efficiency	- redesign, standardisation and transition of processes - integration of local IT systems into a global technological solution - relocation of personnel to a shared services unit - reaching targets of the business case in terms of FTE ramp-down and cost savings - designing an efficient shared services unit - adequate performance evaluation - building of proper relationships between a shared services unit and the end users - ensuring managerial support and absence of shadow staff	Knol et al. 2014, 95-96; McIvor et al. 2011, 449-450; Davis 2005, 15; Wagenaar 2006, 357, 362; Ulbrich 2006, 200; Janssen & Joha 2006, 107; Reilly 2009, 21; Cooke 2006, 221; Ulrich 1995, 20-23; Suri et al. 2016, 43; Horan 2003, 52.
Population	- aligning a SSC strategy with an overall strategy of the parent organisation - gaining and sustaining momentum	Knol et al. 2014, 95-96; Goh et al. 2007, 251; McIvor et al. 2011, 450.
Knowledge	- utilisation of internal knowledge and previous experience, as well as external best practices - loss of knowledge during transfer	Knol et al. 2014, 95-96; Vieru & Arduin 2016, 20.

As it has been already mentioned, a large number and variety of challenges that can potentially arise during implementation of shared services, however all these challenges do not usually occur at once and certain challenges are more likely to happen at a particular phase of the implementation. Therefore, the most important challenges are further discussed in this chapter in relation to the implementation phases that have been proposed in this research, including Feasibility assessment, Planning, Transition and Stabilisation phases.

During Feasibility assessment phase, one of the main challenges is to create an adequate business case. As it has been discussed, knowledge of external consultants who have experience in implementation of shared services is often being utilised by companies. However, fully relying on the knowledge of external partners and the best practices might lead to a very optimistic business case that would be very well sound but would stand far away from the reality. Even consultants sometimes question suitability of a business case (Herbert 2012, 83-85). Another issue that is crucial in the long run, but can be extremely difficult to set in the beginning, is to align the chosen shared services strategy with an overall strategy of the parent organisation, meaning that if a company continuously strives to innovate and improve efficiency in all processes across all functions, there would be less tensions in justification and communication of the upcoming changes to employees (Goh et al. 2007, 251).

During Planning phase, one of the main difficulties is to find resources suitable for transition project. Building a good transition team with the skills and knowledge required for the implementation of shared services is a big challenge for management. Since usually organisations do not maintain a separate department that focuses on project implementation and change management on a permanent basis, therefore most likely there will a need to build the team from scratch. Again, external support could be utilised for further transition activities, but due to financial constraints companies first search for suitable candidates from outside of the company as well as consider internal candidates who would have necessary skills and experience. Finding internal candidates can be tricky due to the fact that the mentality of people who engage in short or long-term projects differs from that of people who work for many years for the same employer performing the same routine. However, internal candidates can also have significant advantages against externals or new hires, because they know internal business processes and key stakeholders, and have built internal network that would help them to succeed in a new role. Moreover, specialised training and intense team work would support development of the essential capabilities of the transition team. (Deloitte 2011, 33.)

Another immense challenge is to design an efficient shared services unit, to identify all the processes that should be standardised, reorganise and transfer those processes (Ulbrich 2006, 200). Also, a lack of executive sponsorship and resistance from local management might be an issue. Country managers may have a fear of disruption of current business operation due to implementation of new tools and changes of the existing processes (Horan 2003, 52). Without managerial support it is difficult to maintain appropriate level of motivation, productivity and commitment of a team, which is essential for proper planning and further implementation of shared services (Horan 2003, 49; PwC 2015, 6). Also many executives consider implementation of shared services a ‘quick fix’ and underestimate the time and effort required for accurate preparation, successful implementation and further continuous improvement. It is however essential to devote sufficient time each stage of the project in order to eliminate potential difficulties. (Chazey Partners 2014.)

During Transition phase, one of the potential difficulties can be finding resources with necessary skillset and knowledge for a shared services unit. Due to the fact that managers, team leaders, global process owners and other experts must be recruited in a short period of time for different functions, it might be challenging to find all the required people at once. Additional challenges can be caused by offshoring, especially when recruitments need to be handled remotely in an unfamiliar for a company geographic area. Since in the most attractive locations a number of shared services establishments has been increasing, it has intensified the war for talents and made recruitment a significant challenge. Turnover rates in SSCs are quite high, which only toughens the competition among employers. According to Deloitte (2017, 12), a number of centres with turnover of 20% increased threefold within two years from 2015 to 2017. In theory companies are looking for specialists with certain professional skills and knowledge, whereas in fact, many have to hire people for their language skills due to stiff competition on the job market (Oshri 2012, 93).

When building a shared services team from scratch, it can also be difficult to fit in the planned recruitment budget, since more experienced professionals usually cost more than estimated average. While recruiting personnel in a shared services centre, companies attempt to relocated current employees from various countries to a shared services unit, but certain difficulties may occur due to dissimilarities in working conditions and legislation requirements, as well as cultural differences (Knol et al. 2014, 96; Dolphin 2016, 8-10). Cultural differences, in fact, might influence the recruitment process, for example, in some countries it is acceptable to arrive a half an hour late for a meeting, whereas in other cultures punctuality is considered one of the essential professional skills and such behaviour could negatively affect the final hiring decision. Moreover, simple friendliness in terms of facial expression and a manner of speaking might not be obvious necessity in some cultures. In addition to cultural differentiations caused by various geographic locations, corporate culture as such may significantly differ from one company to another, leading to variations in employees' values, attitude and the general way of working.

Another important issue that might cause significant problems is the knowledge transfer (Knol et al., 2014, 95-96). Problems with knowledge transfer can significantly decrease quality of provided services as it happened with IBM, when the company was implementing shared services (Oshri 2012, 92-96). Since the knowledge of local processes must be transferred from the employees of a certain country, most of whom will be laid off after transition, to the employees of a shared services unit, certain resistance of sharing knowledge may occur among the country employees. (Davis 205, 15). Association of future layoffs in the countries with hiring employees in a shared services unit might lead to common feeling that people who perform knowledge transfer are ‘stealing’ the jobs from the countries, which only can increase resistance to share important information. (Oshri 2012, 92-96.) Moreover, if the personnel of a shared services centre who travel to the countries to interview the local employees and collect the knowledge are lacking experience of conducting the knowledge transfer some critical details may be overlooked during the process (Knol et al., 2014, 95-96). Thereby, instead of the proper knowledge transfer, a large number of bits and pieces of information would be transferred, making it difficult to rebuild the whole process and plan further process improvements (Vieru & Arduin 2016, 20). Enormous stress and personal lack of motivation may result in substantial conflicts, which can seriously damage knowledge transfer and thereby quality of the future services.

Standardisation and harmonisation of processes and information systems facilitates improvement of process efficiency and reduction of operational costs (Knol et al., 2014, 95-96). However, difficulties can be encountered when the processes are being redesigned, when duplicating activities are revealed and diminished and processes are finally standardised. Strong resistance to standardisation of processes and desire to receive individually customised services rather than generic ‘one size fits all’ services can be an issue in different departments. (McIvor et al., 2011, 449-450.) It can be also quite challenging to integrate several systems from local sites into one technological solution in a certain location (Davis 2005, 15). Despite the fact that implementation of one global enterprise resource planning system would facilitate better implementation of shared services, tailoring one global system to all local country specifics can result in significant costs overrun as well as cause serious delay of the transition project, and therefore, it might be decided to retain the local systems in sites.

Also gaining and sustaining momentum can become a challenge for such implementation project, meaning that there is a certain period of time when the change needs to happen due to the fact that any corporate initiative can only temporarily get support from the management, sufficient attention from the employees, as well as necessary financial and non-financial resources and strong focus of the project team on the key deliverables and deadlines (McIvor et al., 2011, 450; Deloitte 2011, 29). If the change does not happen at the right time, there is a high risk that management would instead favour and sponsor some other initiatives and employees would return to their normal routines and usual ways of working, making it much more difficult if not impossible to drive the change further.

Reaching the targets that have been initially set in a business case, namely certain level of cost savings and reduction of a number of employees, can also become a challenge, since unanticipated circumstances and problems may substantially raise overall costs of the implementation and change the plans regarding the headcount decrease (Wagenaar 2006, 357). Also challenges related to complexity of the implementation, extreme emphasis on cost savings that represent only short-term benefits of shared services, as well as overlooked opportunities in terms of scope and scale have been indicated. (PwC 2014, 19).

Retention of current personnel in the parent organisation is also a big challenge, since some of the employees would need to leave soon after a shared services unit starts independently performing transferred services, others would be able stay with a company but often in a new role. It is quite typical that implementation of shared services leads to significant redundancies and severe changes in organisational structure. (Goh et al. 2007, 253.) Strategically, companies aim to retain the best qualified and lay off less efficient, but in reality, those who are professional and motivated can easily find another job and leave the company during transition, whereas less skilled and less motivated would stay. A company can lose the people who know the business and the processes and who could notice deviations early enough and instantly address problems (Herbert 2012, 90). Therefore, in order to retain the employees as long as they are needed it is essential to maintain good moral and motivation level, which falls heavily on the shoulders of line managers.

During Stabilisation phase, one of the most common challenges relate to accountability. Since transferred processes are being constantly revised, restructured and optimised, certain internal tensions regarding accountability and ownership of the processes may occur within a shared service unit. Moreover, resistance towards new roles and the split of responsibilities between a SSC, external providers and the parent organisation, may lead to customers' lack of understanding regarding whom to ask for support when it is needed. (Knol et al. 2014, 94-99, Suri et al. 2016, 43; Ulrich 1995, 11-12.)

Other potential issues that an operating shared services centre can encounter relate to ability to maintain sufficient level of quality of provided services, to ensure efficiency of a shared services unit, as well as to tackle difficulties with retention by means of appropriate talent development. (Deloitte 2015, 36.) Usually, most of the jobs in a SSC involve standardised routine activities, performing which personnel may quickly burn out and start looking for further job opportunities including those outside the company (Dolphin 2016, 8-10.) Retention might not be a problem in the beginning, however it might become more acute, when potential talents are ready to grow further, but there are limited career opportunities in such a flat organisation structure. (Deloitte 2011, 55.) Although, some researchers argue that shared service canters might offer certain career paths and flexibility to motivate personnel (Paagman et al. 2015, 114).

Another potential issue is resistance to the changes and the new ways of working from the employees who will remain in the retained organisation (Bergeron 2003, 18-26; Janssen & Joha 2006, 107; Ulbrich 2006, 199-202). Employees often do not fully understand all the benefits that shared services provide and do not believe that the new model will finally work out (Janssen & Joha 2006, 107). Moreover, employees who are neither substantially involved in transition processes nor considered critically important resources, can be missing required attention, leading to possible constraints from their side that would deter the overall success of the implementation. The anxiety of the employees can be very high despite the company's promises to redeploy and promote current employees rather that lay them off, which can considerably intensify resistance to changes. Especially, if the line management is reluctant to support their teams to go through the changes smoothly. (Oshri 2012, 92-96.) Many researchers investigated how employees resist to implementation of transformation initiatives (see, for example, Cutcher 2009; Fernandez 2015; Thomas & Davies 2005) and ways to deal with such resistance on an organisational level as well as on an individual level (Boon & Verhoest 2017, 6; McIvor et al. 2011, 458). In order to avoid resistance or reduce its effect on the organisation, it is recommended to minimize redundancies, as well as plan redeployment and training for the retaining staff (McIvor et al. 2011, 458). Case studies indicated that it can be easier for companies to recruit people from outside for shared service centres instead of redeploying current staff, since new personnel is usually less resistant to changes (Aon Hewitt 2011, 14). Extensive training would support employees to learn how to utilise new tools and adapt to new processes (Bergeron 2003, 18-26; Miller 1999, 47). For the end users of shared services, it is a significant change in the way they receive services from support functions, since they used to ask a colleague who was sitting next to them for help when it was needed, whereas after the implementation of shared services, they mostly get help online via chat or creating a request through a globally utilised electronic tool. Thereby, the end users usually do not know who will support them to get what they need and lacking the feeling that there are actual people behind the services. Such a lack of personalisation can be a big challenge for them and can restrain proper utilisation of shared services. (Hagel 2014, 20; Suri et al. 2016, 43; Ulrich 1995, 11-12.)

Offshoring entails additional challenges related to compliance with the local legislation of different countries, as well as management and coordination of various processes within the organisation. (Blinder 2006, 114.) Due to remote management teams can be lacking face-to-face communication and proper control, which might damage work efficiency and motivation. Furthermore, as a result of poor relationship management between a shared services unit and the rest of the organisation, the employees in a SSC can feel as the 'second-class' employees compared to 'first-class' employees in the parent organisation. (Oshri 2012, 92-96.)

The most important challenges that have been found in the existing literature are summarised in the Figure 8 according to the phase of the implementation. The findings reveal that the most part of the challenges is likely to occur during the Transition phase, when a shared services unit is built up and the knowledge is being transferred.

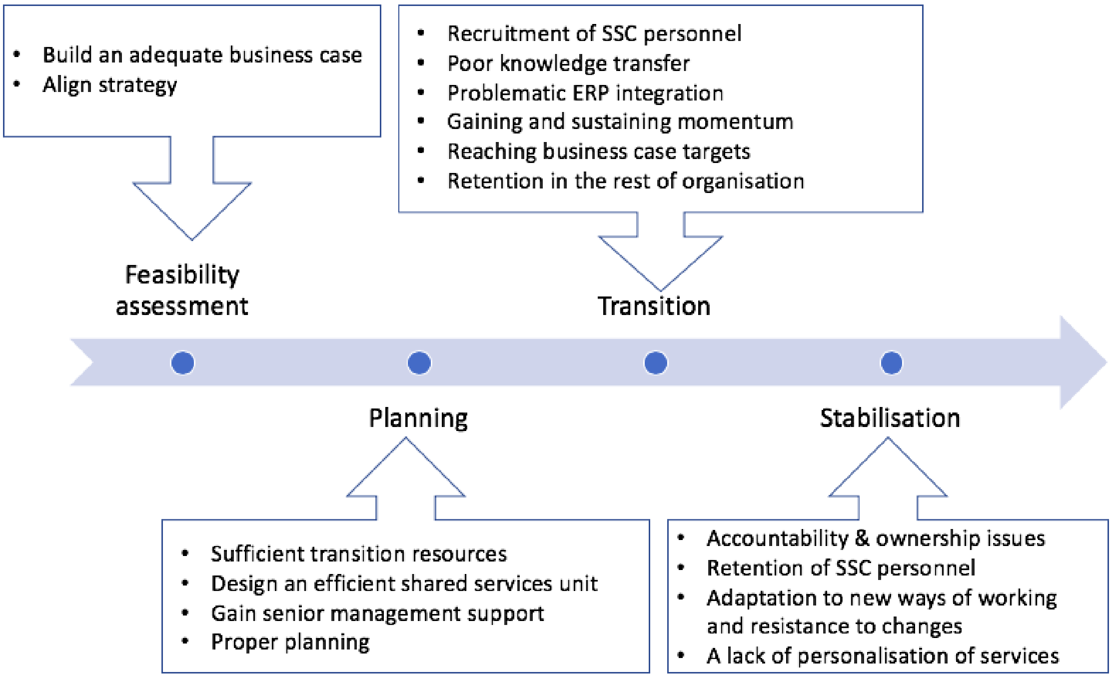

Figure 8 The most common challenges according to the phases of implementation

3.4 The most critical factors for successful implementation of shared services

Some companies claim to have achieved significant benefits from implementation of shared services, whilst others are slightly disappointed with the outcomes or utterly dissatisfied due the total failure (McIvor et al. 2011, 450). Approximately half of transformation projects fail due to the fact that the change was not properly managed, therefore it is crucial to understand what is most important to succeed in transition to shared services and carefully execute the chosen strategy (PwC 2015, 6; Janssen & Joha 2008, 35).

A large number of critical success factors that influence the outcome of the implementation of shared services, which have been revealed in the existing literature, are presented in the Table 3. According to the findings, some factors have received more attention than others from the academics and consultants, and therefore these four factors, including senior management support, effective governance, communication of goals and progress and sufficient training of employees are considered the most critical for the implementation of shared services and discussed in this chapter in more detail.

First of all, it is crucial for successful implementation of shared services to ensure strong support and sponsorship of senior management (see, for example, Borman & Janssen & Joha 2013, 395; Farndale et al. 2009, 551; Goh et al. 2007, 260; Walsh et al. 2008, 203-205). Without the leadership mandate, it is extremely challenging to attract attention to the implementation project and prioritise this initiative over a number of other ongoing corporate projects (Ernst & Young 2013, 5). Full understanding of the proposed changes and commitment on the top management level will help to establish credibility of a shared services model and ensure necessary promotion of the initiative (Farndale et al. 2009, 551; Miskon, Bandara, Gable & Fielt 2011, 4). Moreover, timely approvals will help to drive the implementation project smoothly according to the plan (Borman & Janssen 2013, 397)

Secondly, it is essential to establish effective governance system to ensure successful implementation of the new shared services business model. Governance typically include certain groups that make decisions on different levels. Strategic decisions are made by members of the Steering Committee, the highest level of management that is involved to review and approve project milestones as well as support solving the most critical issues. More tactical decisions are approved by the Project Management Group, whereas operational level decisions are made by project teams and representatives from different functional streams and support functions. (Walsh et al. 2008, 204.) Due to the fact that some resources can be fully dedicated to transition projects, whereas others may spend only part of their working time on transition related activities, in order to ensure that there are sufficient resources in hand to perform the transition and all required actions are completed according to the schedule, a functioning system for control and governance must be implemented, including common policies and processes, defined roles and responsibilities and supporting documentation (Farndale et al. 2009, 551). Without an appropriate governance mechanism, a risk of project failure is much higher (Janssen & Joha 2008, 46).

The third most commonly discussed in the literature success factor is clear articulation of the goals and regular communication regarding the progress of the implementation. A very compelling strategic vision must be articulated to all stakeholders, including management and employees. It is important that the goals are clear for everybody in order to secure buy-in, support and commitment, as well as decrease the resistance to the upcoming changes (Barjaktarović 2017, 22, Deloitte 2011, 13). In order to move the implementation project forward, it is essential to ensure that key stakeholders in all geographical locations clearly understand what the potential benefits of the implementation are and properly communicate the project's 'what', 'why' and 'how' arguments further to their teams (Ernst & Young 2013, 5). It has been also recognised that not only the new strategic direction needs to be properly communicated, but also the progress of the implementation must be shared with all the stakeholders, in order to increase transparency and to address potential issues at an early stage (Miskon 2011, 4).

The fourth success factor is sufficient training that must be provided for employees and managers in order to facilitate the change and minimise resistance (see, for example, Bergeron 2003, 20-26; Borman & Janssen 2013, 396; Farndale et al 2009, 551; Deloitte

2011, 35; Miller 1999, 47). A lot of time and effort needs to be devoted to the employees in the retained organisation to help them start working in a new way, utilising new tools and services as soon as shared services become available in their country (Goh et al. 2007, 253; Walsh et al. 2008, 203-205). In order to ensure a smooth transition to the new ways of working extensive training programmes need to be provided through all possible channels, including on-site and online sessions, as well as self-learning materials (Chazey Partners, 2014). Moreover, not every manager has necessary skills to lead their employees through the change, and therefore targeted training for line managers should be organised to ensure proper leadership during such a big transformation.

In fact, a number of factors that influence success of implementation which have been identified in the existing literature is massive. Among other factors is for example adequate transition resourcing. A lack of transition resources can significantly slow down the implementation process, which can result in a loss of momentum and inability to complete the project successfully. Whereas insufficient or unqualified resources in a shared services unit increase a risk of business interruption. (Bergeron 2003, 244; Goh et al. 2007, 267; Deloitte 2011, 35.)

Another factor relates to implementation of appropriate technology, namely a global enterprise resource planning (ERP) system. ERPs provide a strong basis for transition to shared services. (Bergeron 2003, 245; Farndale et al 2009, 551; Miskon et al. 2011, 3.) It is important to note that, enterprise resource planning technology must not only be implemented, but also properly utilised by employees. As already mentioned, targeted trainings will facilitate smooth transition to new tools.

In terms of the processes, it is also very important to develop a plan reflecting a global transition approach, consisting of activities from the strategic to a very detailed level; to define scope of processes that need to be standardised and transferred to a shared services unit and to define measurements for evaluation of provided services. (see, for example, Goh et al. 2007, 260; Ulrich 1995, 18-22; Walsh et al. 2008, 200-203.) In order to keep a shared services centre up and running and bringing value to the parent organisation it is vital to control costs, monitor and measure performance and quality of provided services (Walsh et al 2008, 203-206; Chazey Partners 2014). Whereas in terms of people, it is crucial to properly manage employees both in a shared services unit as well as in the retained organisation, to support team work, built a new culture and so forth. (Borman & Janssen 2013, 396; Goh et al. 2007, 260; Walsh et al. 2008, 200-203) Furthermore, good collaboration and close cooperation between the involved parties is required to leverage the utmost benefits of shared services, through standardisation and automation of processes and implementation of appropriate supportive technology. (Walsh et al. 2008, 203-205; Chazey Partners 2014.)

Table 3 Critical success factors

Factors	**Source of information**
Gain senior management support	Bergeron 2003, 244; Borman & Janssen 2013, 395; Farndale et al. 2009, 551; Goh et al. 2007, 260; Miskon et al. 2011, 4; Walsh et al. 2008, 203-205; Aon Hewitt, 2011, 15; Chazey Partners 2014
Establish effective governance	Walsh et al. 2008, 204; Farndale et al. 2009, 551; Goh et al. 2007, 259; Janssen & Joha 2008, 35; Ernst & Young 2013, 5; Aon Hewitt 2011, 15
Communicate goals and progress	Barjaktarović 2017, 22; Goh et al. 2007, 256-259; Deloitte 2011, 35; Farndale et al 2009, 551; Miskon et al 2011, 4; Aon Hewitt 2011, 15
Provide sufficient training	Bergeron 2003, 20-26; Borman & Janssen 2013, 396; Goh et al. 2007, 253; Farndale et al. 2009, 551; Deloitte 2011, 35; Miller 1999, 47
Ensure adequate resourcing	Bergeron 2003, 244; Goh et al. 2007, 267; Deloitte 2011, 35
Implement appropriate technology	Bergeron 2003, 245; Farndale et al. 2009, 551; Miskon et al. 2011, 3
Develop a plan	Aon Hewitt 2011, 15; Deloitte 2011, 35; Goh et al. 2007, 260; Hagel 2014, 20-21
Define scope of services to standardise and transfer	Goh et al. 2007, 260; Miskon et al. 2011, 4; Walsh et al. 2008, 200-203
Manage people in a shared services unit and the retained organisation	Borman & Janssen 2013, 396; Farndale et al. 2009, 551; Walsh et al. 2008, 200-203
Simplify organisation structure	Borman & Janssen 2013, 396; Ulrich 1995, 18-22
Support and promote teamwork	Goh et al. 2007, 260; Ulrich 1995, 18-22
Define measures of effective quality of services, track progress, evaluate success	Aon Hewitt 2011, 15; Ulrich 1995, 18-22
Ensure effective change management	Aon Hewitt 2011, 15; Miskon et al. 2011, 4
Balance business process redesign and reshaping roles and technology	Walsh et al. 2008, 200-203, Ulbrich 2006, 199-202
Establish clear ownership of shared services and roles in a shared services unit	Borman & Janssen 2013, 396; Ulrich 1995, 18-22
Address resistance to change	Aon Hewitt 2011, 15
Build a new culture	Walsh et al. 2008, 200-203
Ensure fast speed of consolidation	Ulrich 1995, 18-22
Secure support and cooperation of key stakeholders	Aon Hewitt 2011, 15

3.5 Synthesis – an integrated framework of implementation and determinants of success

Summarising the findings from the extant literature, it has been revealed that certain factors are the most important for successful implementation of shared services. The researcher indicated four most critical success factors, including support and sponsorship of senior management, effective governance, proper communication of goals and progress and sufficient training. If these factors are not properly taken care of, success of the implementation of shared services can be significantly diminished or the implementation project can result in a total failure. The four most critical success factors are presented in the Figure 9 along with the potential positive and negative influence on the outcomes of the implementation is conveyed in the figure along with the factors.

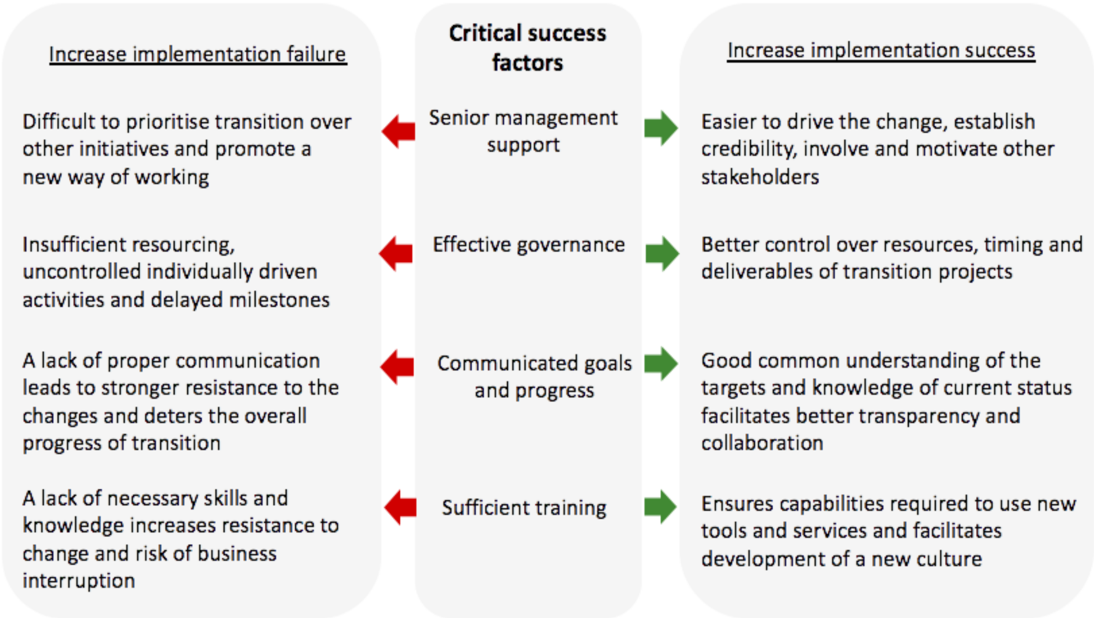

Figure 9 Critical factors for successful implementation of shared services

In the empirical part of this research, it is explored what factors case companies operating in the industrial engineering sector consider critical for successful implementation and whether the determinants of success that they highlight coincide with the four critical success factors drawn from the existing literature.

Furthermore, during the extensive literature review, the process of implementation of global shared services has been scrutinised in terms of how the implementation is done in general, including the transition approach, the main phases and activities involved in the implementation, as well as the common challenges that companies can encounter throughout the implementation. It has been revealed that there are no commonly accepted phases for implementation of shared services, therefore four phases have been proposed, including Feasibility assessment, Planning, Transition and Stabilisation. These phases are used to allocate challenges that might occur at a certain time during the implementation. A large number of challenges has been indicated in the extant literature and most common of them have been allocated to each of the suggested phases. According to the findings of the literature review, most of the challenges occur during transition phase, when a shared services unit is being built and processes are being transferred there. Received general knowledge regarding the implementation of shared services has shaped a basis for the empirical research during which it is discovered how companies within the industrial engineering sector are implementing shared services and what challenges they have encountered. Empirical observations from the particular context is further compared with findings of the literature review allowing the researcher to uncover possible resemblance and also reveal what can be learned from the selected context and then transferred to other contexts.

Based on the relevant to shared services information deduced from the literature, an integrated framework, presented in the Figure 10, has been created.

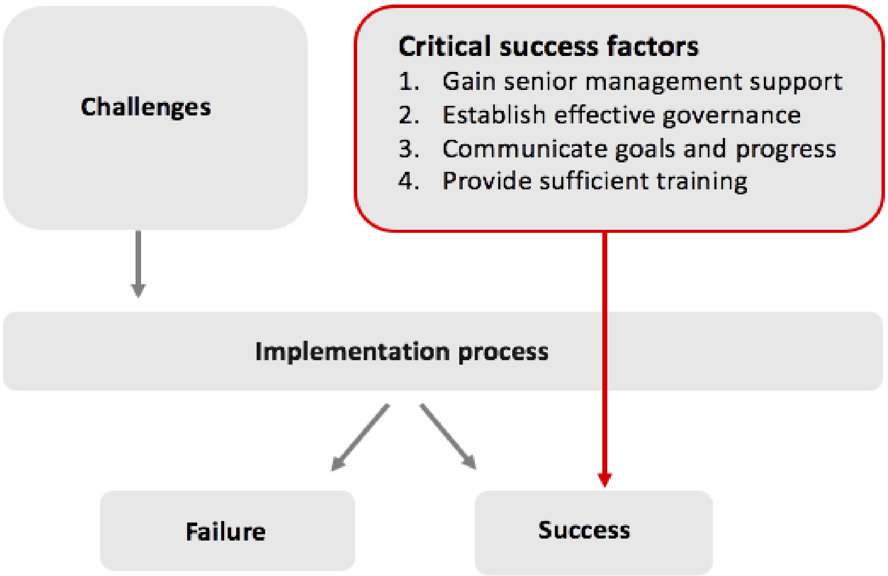

Figure 10 The influence of challenges and the most critical success factors on the implementation of shared services

The Figure 10 illustrates a simplified picture of how implementation process if influenced by various challenges and how four determined critical factors can facilitate successful outcome of the implementation. This preliminary framework, is utilised in the empirical part of this research allowing to focus interviews on three main themes, including the implementation approach and phases, common challenges and most critical factors.

4 THE RESEARCH DESIGN

The research design and methodology utilised in this study are described in this chapter. First of all, a complex approach utilised for theory building incorporating deductive and inductive approaches is discussed. Secondly, the strategy employed in the case study, selection of the case study method, as well as data collection and analysis of the gathered empirical data are discussed. Finally, evaluation of the study based on the four alternative criteria is described.

4.1 Research approach

The starting point of this research was my genuine interest in the phenomenon of shared services that has recently become a very common trend among corporations around the world. The main research question of this study is divided into two questions, namely ‘What facilitates successful implementation of shared services?’ and ‘How is implementation of shared services done by the companies within the industrial engineering sector?’. These questions are answered through discovering what factors are critical for successful implementation, what is the general process of implementation of shared services and what are the common challenges that companies can encounter during the implementation. Thereby, this research aims to discover how companies can drive successful implementation of shared services by means of being aware of potential challenges and paying sufficient attention to the most critical matters.

It is crucial that the chosen research method matches the purpose of the research enabling a researcher to answer established research questions (Silverman 2013, 24). The qualitative research method enables a researcher to study the phenomena from the inside rather than to observe externally, allowing a researcher to thoroughly scrutinize the subject by means of various techniques, such as for example profound interviews, participant observation and content analysis (Morgan & Smircich 1980, 498). The focus of the qualitative research method is not to generalise the outcomes, but rather to thoroughly explore and better understand the phenomenon (Eriksson & Kovalainen 2008, 4-5; Flick 2009, 24; Snape & Spencer 2003, 3). The qualitative approach has been chosen as a research method for the empirical part of this study due to the fact that it enables the researcher to look at the phenomenon of shared services through the lenses of practical experience of global corporations who have implemented their own shared services centres.

In order to achieve more profound understanding of the phenomenon of shared services the synthetic strategy of theorising of the data has been utilised. The synthetic strategy enabled the researcher to analyse the process of implementation of shared services as a standalone entity and explain the process by means of applying generic measures developed from the empirical data. Such strategy was previously utilised to theorise data on processes of decision making, implementation of new product and technology. At least five cases need to be explored in order to benefit from the use of such strategy and generate simple theoretical conclusions that can be generalised to a certain extent due to the fact that they have been drawn from a number of cases. (Langley 1999, 704-705). It is mostly applicable to various processes, including implementation of changes, and it involves construction of a sequence from certain events and applying comprehensive borders between them. (cf. Eisenhardt 1989; Eisenhardt & Bourgeois 1988; Meyer & Goes 1988).

In the beginning of this research a single case study was chosen, however soon it became clear that in order to reach a more thorough understanding of the phenomena it was necessary to examine multiple explanations, insights, reflections and suggestions collected from various case companies rather than one (Welch 2011, 5; Siggelkow 2007, 21). Thereby, this single case research has turned towards a multiple case study. Although one of the downsides of the case study is a very small sample, which is usually not sufficient to generalise the findings on a broader scale, this type of research is considered observatory by nature and thereby allows a researcher to capture extremely important tacit information (Siggelkow 2007, 20.)

Usually data for case studies is collected via studying archives, conducting interviews, filling in questionnaires, or observing the phenomena in natural settings (Eisenhardt 1989, 534). For this particular research semi-structured, or so-called guided interviews, have become the main source of information, since such method enables the researcher not only to establish a backbone of the discussion but also allows to deviate from the preliminary questions and gives an opportunity to uncover unanticipated aspects of the chosen topic (Eriksson & Kovalainen 2008, 93). In addition to the interviews conducted through audio and video communication channels, one interview was performed via exchanging emails with the respondent. The researcher has noticed that the written way of communication significantly resembles filling in an open questionnaire that can also be utilised in exploratory research (Fisher 2010, 175-177.) Although questions of the interviews are neutral and open-ended, formed in a direct and simple manner, based on this experience of the researcher, answering to the asked questions in a written form provides very high-level information on the topic, whilst it significantly decreases chances of exploring hands-on experience of the respondents.

Another important step of the research strategy is to decide how to theorise from the case studies. The first research question, namely ‘What determines successful implementation of shared services’ is been answered by critical evaluation of what is the most relevant to the topic from the existing academic studies, in other words the deductive approach is been utilised to answer the first research question. The deductive approach implies application of the theoretical findings deducted from the literature to the empirical study (Eisenhardt 2007, 25-28). According to the deductive approach, conclusions regarding the most critical success factors are logically drawn from the existing literature (Fisher 2010, 109). The second research question 'How implementation of shared services is done by the companies within engineering solution business industry?' is being answered by means of the empirical study, and thereby the inductive approach has been applied allowing to theorise from the empirically gathered evidence (Fisher 2010, 110; Eisenhardt 2007, 25-26).

Due to the fact that all four chosen case companies operate in the same industrial engineering sector, they have similar business processes and tend to implement similar business strategies. One of the similarities of the companies in this industry is a change of strategy from selling machinery and spare parts to selling engineering solutions and corresponding change of an operating business model. Thereby, these four case companies are considered to represent one particulate context and for the purpose of this research all four companies are treated as one case. This approach enables the researcher to collect data from different informants from different companies that operate in the same industry, and thereby to study the common practices in this particular industry and investigate whether the learnings from this case can be applicable to other companies operating within the industrial engineering sector.

In order to explore how shared services are implemented by the four chosen companies in this particular industry, what challenges may occur at what stage and what factors can facilitate achievement of better outcomes, contextualized explanation is chosen as a theorising method. According to Welch (2010, 8), contextualised explanation is formed through "process tracing and qualitative comparative analysis". Process tracing implies in-depth research of the causal relationships between a certain outcome and particular causes that have led to this outcome. Observation of the process greatly enriches understanding of such causes and effects. Since same causes may lead to different effects, and vice versa, different causes may lead to the same effects, it is vital for causal explanations to understand the content or in other words, conditions in which causes-effects are taking place. (Welch 2010, 8-11.) Contextualised explanation enables the researcher to learn from the case and investigate possibility to extrapolate the learnings to the whole industry.

In order to answer the research questions, the findings of this research are discussed in comparison with the preliminary theoretical framework, which allows drawing certain conclusions. Research design is summarised in Table 4.

Table 4 Research design

Target organisations	Multinational corporations operating in an industrial engineering sector that are undergoing or have completed implementation of the shared services business model
Interviewees	Managers who have been leading or participating in the implementation of shared services
Data collection method	Interviews via audio or video calls, email
Interviewing method	Semi-structured interviews consisting of open-ended questions. Duration of interviews is 45-60 minutes

4.2 Conducting the empirical research

4.2.1 Data collection

The collection of the empirical data for this research started in May 2018 and ended in August 2018. It is considered beneficial to have from four to ten cases in one qualitative research, since it might be too difficult to gain a deep understanding of the phenomena if less than four cases are involved, and vice-versa if there are more than ten cases the data can be excessive and too complex to be properly analysed (Eisenhardt 1989, 545). The number of the case companies in this research was not pre-planned but new cases were no more considered when a very clear a deep understanding of the research phenomenon was reached and when the collected data that was sufficient to answer to the research questions and draw meaningful conclusions.

In total eight representatives of four international companies were interviewed. All the case companies operate globally, are publicly traded and have implemented the concept of shared services. Due to confidentiality reasons, neither names of the companies nor names of the interviewees are disclosed in this study. However, general description of the case companies as well as brief description of the background of the interviewees are discussed in this chapter. The overview of the case companies is presented in the Table 5.

Table 5 The overview of the case companies

Company Code	**Industry**	**Total headcount**	**Geographic distribution of operations**	**Length of experience in shared services**
Company A	Engineering	over 10 000 employees	around 45 countries	around 2 years
Company B	Engineering	over 50 000 employees	over 50 countries	around 10 years
Company C	Automation technology	around 150 000 employees	around 100 countries	over 4 years
Company D	Engineering	over 4 000 employees	over 30 countries	around 4 years

As it has been already mentioned, four global companies agreed to take part in this research. Most of the companies operate in the engineering industry and only one is involved in automation technology. The companies are different in size and headcount, as the number of employees ranges from 4 000 to 150 000. The companies are also very geographically dispersed, since they operate in 30 to 100 countries. Their experience of utilising shared services also significantly differs from 2 to 10 years.

A thorough review of the extant literature concerning the shared services phenomenon enabled the researcher to form the research question and sub-questions, as well as to shape the direction of the topics to be discussed during the interviews. The operationalisation plan, presented in the Appendices, Appendix 1, illustrates how research questions were operationalised into preliminary questions for the interviews.

As stated earlier in this chapter, in total eight interviews were conducted in the case companies. All the interviewees are the key people who have been involved in transition process towards the shared services business model. People are recognised as professionals when they have sufficient working experience in the required fields and have proven their skills and knowledge in practice (Meuser & Nagel 2009, 19.) Therefore, experienced professionals, who have been working in project management from 3 to 20 years and have obtained from 2 to 16 years of working experience in the shared services industry, were interviewed for the purposes of this research. All the interviewees have been carrying managerial level positions from 4 to 30 years in large multinational corporations, although the occupation fields of the interviewees differ significantly, ranging from Human Resource management, Change management and Communications to General management of Global Shared Services. A list of the interviewees, their allocation to the case companies, as well as dates of the interviews and communication channels are presented in the Table 6.

All the interviews were carried out in English. Seven out of eight interviews were organised by means of audio and video communication channels and lasted around 60 minutes each. Also, one interview was conducted by means of written communication, via email. No major technical difficulties occurred when conducting most of the interviews via various communication channels, except for the interview with the Head of Operations of Global Business Services, Interviewee 7. It was not possible to have the first meeting at the agreed time due to the fact that the chosen channel of electronic communication did not connect both participant into the same meeting. Therefore, the interview was rescheduled and conducted 25.7.2018 via another communication tool.

Table 6 The main characteristics of the research interviews and description of the interviewees

Company code	**Inter-viewee code**	**Position**	**Interviewee's background**	**Date**	**Chan-nel**
Company A	Inter-viewee 1	Head of Change & Communica tions in a global shared services centre	The interviewee has over 20 years of management experience in various positions in the field of communications, including three years of participation in project management and during the past two years involvement in transition to shared services and establishment of a shared service centre.	23.5.2018	Video call via Hango uts
	Inter-viewee 2	Head of Transition Programme	The interviewee has been in management positions for global companies and has over 20 years of project management experience, including leading transition of a global company towards shared services during the past two years.	25.5.2018	Video call via Hango uts
	Inter-viewee 3	Head of HR transition processes	The interviewee has over 14 years of management experience, over 16 years in project management and over the past seven years has been involved in transition of HR related activities to shared services	3.6.2018	Video call via Hango uts
	Inter-viewee 4	Head of Change and Communica tions, external consultant	The interviewee has over 10 years of communication & management experience, three years of providing professional services as an external consultant and has been supporting transition to shared services for three years	4.6.2018	Video call via Hango uts

Company B	Inter-viewee 5	Head of Global Shared Services	The interviewee has over 15 years of management experience, including 10 years in global change program management and over past three years in shared services	18.6.2018, 26.6.2018	Email respons e
	Inter-viewee 6	Head of Global Shared Services	The interviewee has been working in managerial level positions, leading shared services organisations and steering project management over 16 years.	20.7.2018	Phone call
Company C	Inter-viewee 7	Head of Operations of Global Business Services	The interviewee has gained extensive experience in the shared services and business process outsourcing industry over the last 20 years. The interviewee has been working in managerial level positions, heading project management teams and driving transition to shared services.	25.7.2018	Audio call via Whats App
Company D	Inter-viewee 8	Head of a Shared Services Centre	The interviewee has over four years of management experience, has been working in Finance around 10 years and the last three years has been participating in the transition to shared services.	9.8.2018	Phone call

There are three main types of interviews that can be utilised for research purposes, including open interview, pre-coded interview and semi-structured interview (Fisher 2010, 175.) An open interview resembles rather informal discussion on the chosen topic, where an interviewer only sets a vector for a conversation, but the talk is mainly driven by a respondent. Pre-coded interview is a direct opposite of the open interview, since it is utterly controlled by the interviewer who follows a very strictly structured predefined script of questions and often even suggests certain options to answer. Whereas a semi-structured interview is somewhere in between these two extremes, it is based on preliminary defined by an interviewer questions or topics that trigger further discussion allowing a respondent to come up with their own thoughts, analysis and information they want to share and highlight. (Fisher 2010, 175).

In order to have clear topics for the discussion during the interviews but at the same time to allow respondents to elaborate more on what they consider most important in regard to shared services based on their own experience, a semi-structured type of interview was utilised. A preliminary list of questions was prepared and sent out to each respondent before the interview. The list of questions is presented in Appendices to this research, Appendix 2. Which of the questions are discussed during an interview and in what order can be decided by an interviewer depending on the case. For the purposes of this research the questions were altered depending on the interviewee's background and in addition to the pre-planned questions, other relevant topics were raised and discussed, more specific questions were asked to explore diverse knowledge of the respondents and capture valuable hands-on experience and knowledge that the respondents have managed to gain in different fields throughout their career. For instance, more detailed questions related to human resource management, change and communications activities or experience of working in shared services from the external consultant perspective were addressed to the interviewees working in this fields.

It is also important to note that all the interviewees have been involved in implementation of shared services at different stages of implementation process from planning to closure of the implementation project and the following the project activities. Moreover, more experienced in shared services interviewees have been also sharing their knowledge derived from the implementation projects that they had participated in or had been leading previously, before joining the current employer. This approach allowed the researcher to build much clearer picture of the challenges that other companies encountered, in addition to those encountered by the organisations where the respondents were employed at the time of the interviews.

4.2.2 Data analysis

Data analysis can be certainly considered one of the most difficult parts of the qualitative research due to the fact that there are no standardised methods in contrast to the quantitative analysis (Yin 1984; Miles 1983). It is extremely difficult to analyse and make sense of the collected data (Langley 1999, 691). However, typically data analysis includes reduction of the excessive data, description of the data, generation and verification of conclusion (Miles & Huberman 1994). Data reduction implies the selection and simplification of the data collected during the interviews. Data description involves shaping gathered information into a simple and compact form in order to enable a researcher to perform further analysis and draw the final conclusions.

According to Eisenhardt (1989, 540), data analysis can be presented by two types of analysis, namely the within-case analysis and the cross-case comparison. During the within-case analysis collected empirical data is being interpreted by a researcher and a detailed description of the main discoveries is being written for each case. As mentioned, there is no standard way to perform such analysis and it highly depends on a researcher how the data is being analysed. (Eisenhardt 1989, 540.) Data interpretation can either enable a researcher to form conclusions or make a researcher realise that more data needs to be collected. Data interpretation is a very complex process due to the fact that first the data is being interpreted by a researcher and then the described findings are interpreted by a reader. The process of data interpretation can be considered successful if a person who is unfamiliar with the research would read the results of the study and would be able to notice the same findings. The next type of data analysis is the cross-case comparison, since it allows a researcher to look at the data from different angles, compare the findings of each case, notice certain patterns and thereby overcome initial impressions gained from analysing a single case. Therefore, the cross-case analysis enhances examination of cases, increasing chances of finding new discoveries and reducing chances of making incorrect conclusions. (Eisenhardt 1989, 540-541.)

In this research all the interviews were recorded and then transcribed into a written form to facilitate more profound analysis (cf. Miles & Huberman 1994.) Transcription of the interviews were prepared simultaneously with the data collection and whenever ready the transcripts were then sent to the respondents for verification. After the verification from the interviewees was received the analysis of the collected data began. Since the collected data was not too extensive, no special software was utilised to maintain and analyse the data. However, while elaborating on a certain question the respondents could provide answers to another question. Therefore, the transcribed data had to be reorganised according to the predefined questions in order to perform further cross-case analysis. Since the respondents were given freedom to a certain extent when answering the questions, not all of the received answers would fall under one of the preliminary questions, and therefore such answers were categorised by themes and further utilised in the data analysis. The citations of the interviewees have been incorporated into the description of the empirical findings in order to convey more accurate meanings and standpoints as well as to give a personal touch to the written text.

4.3 Evaluation of the study

It is not easy to convince a reader of a qualitative research that it is scientific work with the appropriate quality and trustworthiness (Eriksson & Kovalainen 2008, 290). Therefore, it should be very clear what measurements have been utilised in the evaluation of the research. Moreover, some methods that are designed to evaluate quantitative studies can also be utilised in assessment of qualitative research. One of the three possible ways to evaluate qualitative research indicated by Eriksson & Kovalainen (2008, 290) implies application of the alternative criteria, including four main aspects, namely credibility, transferability, dependability and confirmability (Lincoln & Guba 1985). Due to the fact that the alternative criteria have been widely used for evaluation of qualitative research, these criteria were considered more appropriate than the classic criteria for this particular qualitative study. Further in this chapter I will describe each of the four criteria and evaluate my study accordingly.

Credibility refers to how well the findings and interpretation of the study correspond with the reality, thereby the meaning of credibility is close to internal validity (Lincoln & Guba 1985.) For evaluation of credibility it is highly important to understand how familiar a researcher is with the chosen topic of the study and whether the data that has been collected is sufficient to draw particular conclusions. (Eriksson & Kovalainen 2008, 294.) According to Lincoln and Guba (1985), in order to understand the phenomenon, it is vital to understand the context in which the phenomenon is embedded. In this study the researcher was familiar with the phenomenon of shared services due to her work experience in a global company that was undergoing transition towards the shared services business model.

Ethnographic method was not preferred for this study due to the fact the transition to shared services in the company where the researcher was employed had started much earlier than the employment, meaning that it would not be possible to observe the whole end-to-end transition process. Moreover, the researcher was interested not only to see one example of the implementation of shared services, but rather to explore experience of several companies and investigate lessons learned and pints of view of different people involved in various transition projects. However, participation in diverse transition related activities and observation of processes, events and interactions between the people involved in transition, the employees of a shared services centre as well as the retained employees of the parent organisation, enriched the researcher's understanding of the studied phenomenon thereby increasing the credibility of this study.

Data collected during interviews can be affected by potential misunderstanding of questions by the respondents or substitution of the real facts with the sugar-coated information in order to please the interviewer and facilitate good image of a company (Lincoln & Guba 1985.) Therefore, all the questions used to collect the data were simply and clearly formed to avoid possible misinterpretation, and also the names of the companies are not mentioned in the study but coded with letters A, B, C and D, in order to steer more open discussion with the respondents. Thereby, the respondents seemed very comfortable talking about the topic and were openly expressing their opinions and sharing knowledge.

In addition to credibility, transferability of qualitative research is evaluated. Transferability refers to the degree to which the findings of the research can be applicable for other contexts (Eriksson & Kovalainen 2008, 294.) As it has been previously discussed, due to the fact that all the case companies operate in the same industrial engineering industry, leading to implementation of similar business strategies, it has been decided to evaluate the findings of this empirical research as the ones of a standalone case, in other words to generalise the finding to this particular context. Thereby, it is also important to assess whether the findings of this study can be transferred to other contexts. In fact, transferability of the study cannot be evaluated solely by the researcher of the current study, but also should be assessed by another researcher who would be applying the findings to another context (Lincoln & Guba 1985, 297.) Nonetheless, by utilising a detailed description of the data that has been collected during interviews as well as conducting a profound critical discussion of the findings of this study against the theoretical framework, the researcher aims to improve transferability of the findings to other contexts.

The third criterion is dependability, which corresponds with reliability, meaning that the study is consistent, it is following a certain logic, the research approach and the collected are properly documented (Eriksson & Kovalainen 2008, 294.) Moreover, dependability implies that the same outcomes would be received if the same study with the same methods would be performed within the same context by other researchers (Shenton 2004). In order to provide dependability, the researcher has described the chosen research approach, as well as processes of data collection and data analysis in-depth in the previous sections. Questions utilised in the interviews are available in the Appendices, Appendix 2, in order to allow other researchers to use these questions when performing the same research.

The last criterion conformability refers to the objectivity of the presented in the study findings and interpretations, which should be linked to the data in a way that is other researchers could easily follow (Eriksson & Kovalainen 2008, 294.) The findings presented in this study are mainly based on the information obtained through the interviews, moreover most part of the transcripts of the interviews was verified by the respondents decreasing chances of misrepresentation of the facts. However, interpretation of the collected data might have been affected by the researcher's own understanding of the phenomenon of shared services and observation of the transition process. In order to diminish the researcher's bias and enhance conformability of this study, the whole research process, including the data collection and analysis, as well as the research approach chose for the study, have been described in detail in order to enable readers to follow the way in which the study was performed as well as the way how conclusions were drawn.

Summarising the above discussed, the researcher of this study attempted to improve credibility, transferability, dependability and conformability of the research, describing the whole research process in detail, indicating strengths and possible weaknesses, and trying to diminish the latter, in order to ensure better trustworthiness for the readers.

5 THE EMPIRICAL FINDINGS

As it has been stated in the methodology chapter, all four case companies operate in the same industrial engineering sector and therefore are considered as one case for the purposes of this research. The main target of this study is to explore how shared services are implemented within the chosen industry, what challenges the case companies have encountered during implementation of shared services and what is considered critical to implement shared services successfully. The findings of this research are discussed in this chapter.

5.1 The main motives for implementation of shared services in the industrial engineering sector

Why large international corporations operating in the industrial engineering sector decide to implement shared services? Several motives for such implementation have been revealed in the empirical part of this study. One of the main reasons that the majority of the case companies indicated is cost reduction. This motive is also widely discussed in the academic literature as the main driver for implementation of shared services (see, for example, Bergeron 2003, 6-7, Schulz & Brenner 2010, 213-215, Paagman et al. 2015, 113, Tammel 2017, 793). Cost reductions can be achieved through economies of scale by providing an increasing number of business services from one shared unit to the rest of organisation. According to the Head of Transition Programme, despite the fact that the company's sales have been growing over the last years, its overhead expenses have been increasing at the same speed, meaning that the business model was not sustainable, therefore the opportunity to implement shared services was considered. (Interviewee 2).

> *Our overhead costs were not scalable [...]. When our sales were increasing, our overhead costs were increasing in the same pace, so we were not getting any volume benefits out of more sales. Then we decided to analyse a global business services set up, whether it would make sense for us. (Interviewee 2).*

Labour arbitrage was indicated by the interviewees and also discussed in the existing academic literature as one of the main reasons for establishing a shared services centre (see, for example, Bergeron 2003, 7; Tammel 2017, 793; Janssen & Joha 2006, 111). According to the Head of Global Shared Services, labour arbitrage was initially the main driver, but additionally, the company benefited from the implementation of shared services in many other ways, including significant improvements in productivity and reduced dependency on individuals, which strengthened the company's business continuity (Interviewee 5).

> *Importance of labour cost arbitrage has almost completely vanished and being replaced by other drivers. (Interviewee 5)*

A large number of other motives discussed by the interviewees, had also been indicated in the existing academic literature, including increased efficiency through harmonisation and automation of processes, as well as improved customer centricity on the local country level (Interviewee 6; Interviewee 8; Paagman et al. 2015, 114; Suri et al. 2016, 45; Tammel 2017, 793; Janssen & Joha 2006, 104). Moreover, improvements in productivity up to five percent per year, process improvements that were realised through process standardisation, as well as better ability to utilise best practices were reported among the unanticipated benefits that have been achieved (Interviewee 5).

> *While cost savings and productivity are still important, they are not enough anymore and hence, you must seek ways to bring value in. (Interviewee 5)*

Process standardisation and better access to high quality skills, best practices, resources, innovation have been also indicated in the extant literature on the topic (see, for example, Janssen & Joha 2006, 111, Goh et al. 2007, 252, Paagman et al. 2015, 114, Marciniak 2013, 218). Also, gaining transparency and control has been stated as one of the key priorities and the achieved in practice outcome (Interviewee 2; Interviewee 8; see, for example, Tammel 2017, 793; Paagman et al. 2015, 115)

> *The global ERP system and centralised global functions allowed the headquarters to get visibility and control on the figures. We have achieved better transparency and visibility, meaning that we do not have any more surprises. If there are any issues in our units to be fixed, we are fully aware of those. (Interviewee 8)*

Moreover, a shared services unit can be utilised as an opportunity to accumulate additional income by providing services to external clients outside of the company (Interviewee 7).

> *Implementation of global business services is about building a capability vehicle for change, that can be leveraged beyond a few functions, which can become a separate business if you do it right. (Interviewee 7)*

Another interesting fact appeared during the discussions around the motives of implementation. It has been emphasised by interviewees that there are many different motives which companies pursue and it is easy to come up with the reasoning, however it is much more important to build the organisation and its capabilities that would allow the company to drive such a significant change.

> *There are different reasons, but to get the organisation behind that reasoning is much harder. (Interviewee 6)*

Overall, the most part of the motives indicated by the interviewees had been previously identified in the existing literature. Therefore, it can be inferred that commonly acknowledged motives are applicable for the industrial engineering sector. However, the empirical part of this study has revealed few additional benefits of the implementation of shared services, which have not been extensively discussed in the extant academic literature, but were given a very strong emphasis by the interviewees. One of the additionally indicated benefits is that the establishment of shared services provides companies with higher speed of implementation of any other changes in future due to the fact that processes are already centralised and harmonised (Interviewee 6). Another additional benefit relates to the fact that properly implemented shared services can better and faster facilitate integration of acquired entities, meaning potential benefits of shared services for mergers and acquisitions that might be performed in future (Interviewee 2, Interviewee 5). Furthermore, shared services provide better ability to scale up and down when it is required, to adapt to transaction volume changes in the business and react fast to the changes in a volatile environment (Interviewee 5, Interviewee 8). Due to the fact that the above listed additional benefits of the implementation of shared services have not been discussed in the extant literature, this empirical study has added the new angles to look at the motives for the implementation of shared services, thereby enriching the understanding of the phenomenon in general.

5.2 The main challenges of the implementation of shared services experienced by case companies

During the implementation of shared services multinational corporations operating in the industrial engineering sector encounter a variety of challenges. In this chapter diverse challenges that have been indicated by the interviewees are discussed according to the phases of the implementation.

As it was revealed in the existing literature and also confirmed by the interviewees, there is no standard classification of the implementation phases. Phases are virtually a list of actions to be completed in a certain time frame. Names of the phases might differ from one company to another or can be done in more agile way. (Interviewee 3.) The implementation process starts with thorough preparation, when the key local personnel is being engaged and the retention process is carefully planned. Then all the planned actions are being executed, knowledge of local processes is being collected, registered and transferred to a shared services unit. As soon as the processes are taken over by the personnel of a shared unit, they start performing transferred processes themselves with assistance of specialists from the retained organisation. After the transition is completed, a shared unit continues ramping up its own capabilities, re-engineering and optimising processes, as well as improving quality of delivered services. (Interviewee 2, Interviewee 5.)

According to the interviewees, mostly ‘lift and shift’ approach has been utilised when shared services were implemented, meaning that most processes were transferred without significant changes (Interviewee 2; Interviewee 6; Interviewee 7). Certain new tools and new processes were implemented during transition, however the bigger transformation occurred after transition, when a shared unit was already operating (Interviewee 6). However, as it has been noted, there are no ‘one size fits all’ and even if the phases are similar they need to be adjusted to a particular country and transferred processes.

5.2.1 Challenges during Feasibility assessment

According to the empirical findings of this research, one of the biggest challenges is to reach common understanding of the final targets. It was emphasised by the interviewees that it must be clear from the very beginning for management as well as for other employees what is going to be established and what are the potential benefits to be achieved by such an establishment.

> *If this is not clear on the leadership level and people have different understanding of what they want to do with global business services and what is the benefit, it is a first big risk of failure. (Interviewee 7)*

Moreover, without clear understanding of the size of the required financial investments and the anticipated cost savings, it is impossible to convince senior management to undertake the initiative (Interviewee 7). Furthermore, if the targets have not been properly communicated to line managers and managers have not been involved at the very early stages, it is unlikely that managers would be sufficiently motivated to promote the initiative within their teams (Interviewee 6). Additionally, management of different business areas and functional streams, such as for example Finance and Human Resources, often have conflicting interests, due to the fact that they have their own established targets that must be reached within a certain period of time. Therefore, it can be extremely difficult align the targets between the main stakeholder groups.

> *If you as a middle manager participate in defining what the future will look like, then you accept the future changes more easily. (Interviewee 6)*

Another challenge associated with the phase of Feasibility assessment, which was revealed in the extant literature and was also emphasised by the interviewees, is a challenge with building an adequate business case with the realistic expectations regarding potential cost savings and headcount reduction. In order to create a solid business case most of the companies utilised knowledge of external consultants. Consultants helped to calculate potential benefits for a business case based on the best practices and communicate those benefits to the senior management for the final decision. Also, efficiency gains as well as robotics and automation gains were estimated based on the best practices (Interviewee 2).

However, the downside of the involvement of consultants is that they do not have long term responsibility for the results of the transition, therefore they can create a business case that sounds impressive but is not feasible, which a company will realise only in a while (Interviewee 1). The business case needs to be owned by the company itself rather than by external consultants, since they only plan what the business will be in future, whereas accountability to deliver results remains with the company. If consultants have full responsibility for the creation of a business case, it will most probably be much harder to reach the targets. (Interviewee 6.) Although, there is always a risk that a designed business case can be too optimistic, most of the interviewees agreed that their business case was close to the reality and the overall deviation from the business case was not significant.

Thereby, while discussing the process of creation of a business case with the interviewees, a new perspective on the process has occurred, meaning the importance of close cooperation of companies with external consultants, especially in the early stages, and respective challenges related to such collaboration. While challenges with building an adequate business case have been mentioned in the existing literature, challenges related to collaboration with consultants, whose support is usually utilised by companies, have not received extensive attention of academics, but have been highlighted by the interviewees. The respondents recognised that external support brings some benefits to the implementation project, but they also admitted that involvement of consultants has certain risks and disadvantages and therefore must be properly maintained.

Consultants are very good for initiating a change process. They are good talkers, they tell the story, put assumptions, numbers of savings, then management listen. But consultants have no 'skin in the game', nothing to lose, so you need to make sure that decisions what you are going to do are made by the organisation leaders, not consultants. (Interviewee 7)

In order to evaluate an opportunity of the implementation of shared services, extensive data on the processes was collected by the companies with support of external consultants. However, one of the interviewees emphasized that the process mapping was so deep and detailed, that it was impossible to further utilise the outcomes, meaning that not only data collection itself was challenging, but also interpretation of the gathered data was a very difficult task.

The list of scrutinized processes was endless which did not allow to see the overall picture and define certain steps of process development. (Interviewee 1)

Another challenge that has been discussed in the existing literature is to align a shared services strategy with the main strategy of an organisation (see, for example, Knol et al. 2014, 95-96; Goh et al. 2007, 251; McIvor et al. 2011, 450). It is crystal clear that if the implementation of shared services, which promises to reduce costs and improve process efficiency, does not complement or even contradicts the main strategy of an organisation, the resistance to the changes and the new ways of working would increase significantly, which may damage the success of the implementation or even result in the implementation failure. Surprisingly, none of the interviewees have highlighted importance of such an alignment of strategies.

The most probable reason for that is the fact that companies mainly implement new initiatives and change their business models in order to sustain business in such a volatile and rapidly changing business environment, to satisfy shareholders and increase share prices, and in order to ensure that, they strive to gain more value from the their operations investing into efficiency and innovation, and expecting certain improvements and cost reductions. Therefore, nowadays most of the strategies that companies introduce have very similar targets, namely achieving better outcomes in a more efficient way, so the main reasoning behind the implementation of shared services is a priori aligned with the main strategy of many organisations.

5.2.2 Challenges during Planning

According to the majority of the interviewees, one of the biggest challenges is to find sufficient and suitable resources to perform the transition. Three main sources to find candidates have been utilised by the case companies, including a pool of current employees, new recruits with necessary experience from the outside of a company and, the last but not least, external consultants hired for a certain transition project. It was highlighted that current employees have certain advantages over new recruits or external consultants, due to the fact that they are very familiar with the company's processes, tools, people and culture, and their capabilities are clear to the employer. However, interviewees emphasized that it was challenging to find the required number of suitable internal candidates among the current employees who could be engaged in transition, leaving a company with a smaller number of countries which could be rolled out simultaneously, slowing down the overall progress of global implementation.

> *We pulled our resources together and we managed transition very well, but the problem is that our resources are not very scalable. (Interviewee 2).*

Finding appropriate resources from the outside of a company is another option, but it is not an easy task either, because when you hire people from the outside based on their experience and skills written in a resume, the only way to uncover their actual capabilities is to let them lead or participate in a transition project of a certain country. And if such a transition is done poorly, it can significantly damage the reputation of a shared services unit within an organisation, increasing resistance to the transition in the involved countries. The risks are high, and therefore, time and effort need to be devoted to select the right people for a transition team from the outside of a company. There is also a positive trend in availability of qualified personnel for transition projects. As mentioned by the interviewees, it was almost impossible to find people for transitions a decade ago, whereas nowadays a shared services industry has significantly developed making it much easier to find specialists with relevant experience.

> *Shared services is a specific industry and leading shared services is a specific capability. Once you do it, you learn the rules. (Interviewee 6)*

The third option to acquire transition resources is to involve external consultants. According to the majority of the interviewees, collaboration with consultants was beneficial, especially in the beginning of the implementation project, when it was needed to indicate processes to be transferred, to visit various locations and gain better understanding of what is required to establish a shared services centre.

If there is a possibility I would always use external input: best practices and outside-in view. (Interviewee 6)

However, as it has been already mentioned, there are also certain challenges related to working with consultants. When companies hire externals to drive transition projects to countries, relying on their experience in leading similar projects, it takes a huge amount of time, human effort and financial resources from the companies to teach consultants the current set up, existing processes, people, and so forth. When consultants have learned about the company, they usually perform one transition and leave the company right after the transition project is over. Therefore, one of the main challenges of working with consultants, which was indicated by the interviewees, is that consultants take away all the knowledge that they have gained while performing the transition, leaving the company with no further internal resources capable of leading transition to the next countries in the pipeline.

External power can be used for designing processes and helping to set up things, but the company should really focus on building up own competences for such big transformations. (Interviewee 2)

Due to the fact that external support is rather expensive, companies realised a clear need to ramp-up own resources and competences. Some of the interviewees stated that they made a decision to form a mixed transition team consisting of external as well as internal resources, in order to not only sponsor one-off transitions but also invest in internal capabilities to gain long term benefits. It was also suggested to mix consultants from larger and smaller consulting firms at different phases, since some of consultants are good at establishing a systematic way of working from scratch, whereas others are better at supporting the actual implementation process performing more hands-on activities (Interviewee 2).

Another big challenge that has been indicated by the majority of the interviewees, and also discussed in the extant literature relates to gaining support and sponsorship of senior management. There are always a large number of different initiatives being planned and executed in corporate environment aimed at improvement, innovation, increase of efficiency and so forth. However, the budget is always limited, and therefore senior management must carefully evaluate every initiative and prioritise those initiatives that would potentially provide the best possible improvements. It is not easy to convince management to accept an initiative and prioritise it among other projects, provide sufficient funding and understand that certain time is required for the implementation.

> *A lack of management buy-in and support of the change, as well as conflicting prioritisation can ruin the whole change effort. (Interviewee 4)*

Moreover, when companies are publicly listed, they regularly make certain promises to their investors, including cost savings anticipated after implementation of a particular initiative and the time when the initiative will be completed. The necessity to keep stakeholders satisfied and stake prices as high as possible puts additional pressure on the shoulders of senior management as well as on the transition teams who are responsible for delivering the outcomes that are communicated.

Proper planning of activities and creation of supporting documentation have been indicated as another challenge in the literature and also recognised by the interviewees. Most of the respondents agreed that consultants are very good at initiating, systemising and templatising various processes. Through making templates, they facilitate establishment of a common way of transition within a particular company and increase transparency of the processes involved in transition.

> *Consultants set a fire under your chair and make sure that things happen in an organised way. (Interviewee 1)*

> *When the project starts consultants set a very well organised and standardise way of working providing a number of templates and documenting crucial information for future use. (Interviewee 2)*

However, it has been highlighted that consultants often produce indefinite number of templates, most part of which are never used by companies' employees. In other words, as a result of cooperation with consulting firms, companies may receive ideal processes which are described on paper, rather than real processes that facilitate the actual implementation.

Another difficulty in planning, which was recognised by the interviewees, relates to the visibility of all potential dependencies of transition projects. As it has been mentioned earlier, various initiatives can be undertaken simultaneously in different business areas and legal entities within one organisation, meaning that some of the projects can be performed in the same countries in parallel affecting the same employees.

> *In a country perspective it can be ten projects in the same month established by different functional streams and business areas. Surely, all of the initiatives are very good, and they are all about some improvement, harmonisation or tool implementation, but the country personnel can get really exhausted. (Interviewee 3)*

While speaking of the necessity of the proper planning, a very important role of dependencies has been emphasized by the interviewees. Such initiatives are often introduced, driven and monitored by different people, making the overall visibility on the currently ongoing and planned projects, involved resources and potential impact on other projects extremely low. Without proper understanding of at least what are the most influential projects ongoing or being planned in various business units of an organisation, risks of failure significantly increases. (Interviewee 3, Interviewee 4.) Interdependencies might significantly influence a transition project, for example, the progress of transition can be deterred because of unavailability of human resources due to their work overload related to other projects. Ideally, companies should establish a mechanism that would allow to see a bigger picture of all the projects, their timelines, scope and resources. With such information in hand it would be possible to better plan new initiatives, securing sufficient funding, the right people on board and finding the suitable time for the implementation of a certain change.

> *We realised a need to establish communication between the biggest projects to align some things, so they are not approaching the countries at the same time. (Interviewee 3)*

Designing an efficient shared services unit was discussed as one of the challenges in the existing literature. Also during the interviews difficulties with process re-engineering was emphasised. Since processes differ in each functional stream, such as for example finance or human resources, transition activities may significantly vary, which makes the transition and its governance very complicated. Moreover, local peculiarities often arise in different countries, making it even more difficult to implement to-be processes according to the initial plan. As an example, one of the interviewees indicated that in finance stream they utilised 'lift and shift' approach, meaning that processes were transferred from countries to a shared services centre 'as-is' and no changes were applied right away. In addition to that, a global enterprise resource planning system has been implemented whenever possible in parallel with the transition and opportunities of utilising robotics and automation started to be explored, therefore full implementation of 'to-be' processes with be completed gradually other time. Whereas in another functional stream, they reengineered processes from the end-to-end perspective, utilised a completely new tool, and performed transition according to 'to-be' processes. And for a better comparison, it would be fair to note that the third stream had already implemented a global tool prior to the transition, which facilitated easier transformation to 'to-be' processes and shifted the main focus of the function stream towards harmonisation of processes around the world. (Interviewee 2.) Given all these differences between the streams' approach to transition and multiplying those by numerous business areas, legal entities and countries, it becomes clear that such complex implementation of ‘to-be’ processes is extremely challenging.

Due to the fact that processes are being not only reorganised but also harmonised globally, certain challenges related to standardisation and harmonisation have been discussed by the interviewees. Harmonisation does not mean that every process needs to be done in the same way in all countries, because there always will be certain country differences, such as local legal requirements or situation on the labour market. However, some processes can be standardised and harmonised to be performed in all locations in similar way. (Interviewee 3.) When unstandardised processes are transferred to a shared unit without any change, dedicated experts are being assigned to perform very specific activities for a specific country, which leaves a company very sensitive to personnel attrition, meaning that if one of the dedicated persons would leave, they would take away the knowledge related to those unstandardised processes. While, process standardisation helps to mitigate that risk. (Interviewee 5)

A question of whether processes need to be harmonised before, during or after transition, triggered extensive discussions. It is considered beneficial to harmonise processes before they are transferred to a shared services unit, meaning that the same tools and ways of working need to be implemented in all countries before processes are relocated. However, virtually it would take a very long time to complete global harmonisation, which would significantly delay if not cancel the whole transition project.

> *It would have taken many years to harmonise all the processes to prepare for the transition, which in business settings is too long preparation for a project. So, the optimal is just not realistic in this case. (Interviewee 3)*

One of the reasons why harmonisation is challenging and takes time is the resistance from local management in countries, who strives to secure local business up and running, and associates new initiatives with potential business interruptions. Even if top management understands that harmonisation is needed, there is big gap between the top management and local management who neither support the change themselves nor communicate it properly to their subordinates. (Interviewee 3)

Due to the fact that harmonisation is impossible to do locally, a very big and strong project is required to push countries to do what is needed. Project managers believe that transition to every country is done in a different way, but from other perspectives, for example from the change management and communications standpoint, all transition projects are been done in a very standardised and harmonised way with some country specifics taken into account. (Interviewee 4)

Overall, all of the indicated in the extant literature challenges were also emphasised by the interviewees, including difficulties to find suitable and sufficient resources to perform the transition, support and sponsorship of senior management, appropriate planning of transition activities and complicated process redesign allowing to build an efficient shared services unit. In addition, high complexity of transition of various processes by different functional streams, dependencies on other ongoing or planned projects as well as difficulties related to global harmonisation of processes were highlighted by the interviewees. Moreover, a role of consultants has been again discussed together with the respective challenges.

5.2.3 Challenges during Transition

One of the biggest challenges in such large global projects as the implementation of shared services is the size and complexity of the project (Interviewee 1). Usually multiple functions, business areas and a large number of legal entities are involved in transition of processes from various countries to a shared services centre, therefore a governance model as well as a decision making process become very complicated. (Interviewee 2.) Numerous stakeholders who participate in decision making have their own standpoints, therefore making a decision can take a very long time significantly deterring overall progress of the transition.

> *Being a global provider and having global customers in reality implies different business models, different business circles and different business customers. (Interviewee 1)*

In reality, it is not one global business that is undergoing a change of the business model, but rather many small local businesses are being redesigned and reorganised (Interviewee 1). Through numerous mergers and acquisitions, organisational structure of some of the case companies became very fragmented. Employees in different business areas and legal entities in various countries have been utilising completely different tools and systems, and have been continuously working in their own way that had been formed over the years or even decades. Moreover, employees working in different units usually did not communicate with other entities and units, and naturally they did not want to consider any generic ways of working, but rather preferred to have services that are tailored specifically for them in order to meet the needs of their local business. Thereby, the implementation activities had to be performed repeatedly in every country, every unit and every entity multiplying required effort. (Interviewee 3.)

Once the actual transition starts, the next challenge is to establish a shared services unit that had been carefully planned and designed in a certain location, where a shared services team needs to be recruited to take over the processes from all countries. Due to the fact that various locations provide different advantages, for instance proximity to the headquarters, well developed infrastructure or large and relatively inexpensive educated workforce, and many options are considered viable, it is extremely challenging to select one particular location. According to the interviewees, the final decision on the location is made based on the criteria that are considered the most important. For example, one of the companies was looking for a growing shared services sector in the European area, rather than locations where a shared services industry had been already established, and therefore, the company opted for a developing Eastern European country with lower costs but higher risks. (Interviewee 2.)

As soon as the location is chosen and basic office infrastructure is sorted out, the next big challenge is to recruit required people in a short period of time and on a relatively tight budget. According to the interviewees, the initial recruitment process was challenging due to the time pressure. Ideally, management of a shared services unit should be hired first, then the managers recruit their team leaders, and after that the team leaders recruit their own team members. However, due to the short timeframe, all the layers were recruited simultaneously leading to certain tensions within the teams and longer time was required to stabilise relationships (Interviewee 2). Moreover, in the geographic areas where several shared services centres were also established by other international corporations it was difficult to attract candidates to similar position with comparable benefits. Therefore, in order to attract local candidates with necessary professional experience, companies had to make more generous offers than it had been originally planned. In order to solve the shortage of candidates, companies work heavily on their employer brands. Intending to increase awareness of their existence in the area and attract young talents, companies have sponsored sport events, participated in career fairs and even provided experts to give lectures at the local universities to facilitate strong strategic relationships. (Interviewee 1.)

The interviewees also indicated challenges related to transfer of knowledge from the employees in different countries to the specialists working at a shared services unit. First of all, senior people who are very experienced in knowledge transfer and can handle the process very well were not able to participate in each transition project, and therefore, recently hired employees who had modest or no experience in knowledge transfer were travelling to the countries. Despite the fact that before visiting the countries less experienced employees received a general training on how to perform knowledge transfer, what to do and not to do, how to react to resistance and negative comments from local personnel, they were not always able to answer questions that locals asked since they were neither familiar with the local processes nor knew much about the company’s general practices. In other words, less experienced personnel damaged the image and credibility of a shared services centre in general due to the lack of knowledge and experience. Consequently, the company decided to send more experienced employees to the countries to minimise potential tensions and provide profound trainings for less experienced specialists explaining global processes as well as local processes in detail in addition to the general training regarding the knowledge transfer.

Other challenges during transition relate to technology which is being utilised in order to facilitate global transition and provide capabilities to serve internal clients around the world (Interviewee 1). Enterprise resource planning and application of enterprise architecture in general are one of the key enablers of global operations management. According to the interviewees, implementation of a global ERP facilitated better transparency, better control over operations and local activities, ensured that processes were performed in the similar way in each country.

> *With a global enterprise resource planning system, you get the best benefits out of shared services. (Interviewee 6)*

Furthermore, it is significantly easier to transfer processes from the countries where a common ERP had been already utilised, because employees of a shared services unit had sufficient level of understanding of local processes prior to the transition. Whereas in the countries that used local site systems much deeper knowledge transfer was required to find out all local peculiarities and transform the current processes to ‘to-be’ processes, which caused additional risks and problems. (Interviewee 2.)

However, one of the main difficulties with utilising technology was a great variety of systems used in different countries within one organisation. Even when a global system was introduced, it was adopted country by country, meaning that many local systems were still being utilised in different sites in parallel with the main global ERP. In order to receive comprehensive data from all the tools and systems, they need to be properly connected and information needs be consolidated in one place, creating a lot of additional work. Therefore, companies have been constantly looking for automation possibilities in order to increase process efficiency. Moreover, robotics process automation (RPA) activities have been a recent focus of many corporations aiming to deal with the increasing scope more efficiently (Interviewee 5.) However, in some cases it was impossible to automate processes or it was too costly to do so, then opportunities of application of robotics were considered (Interview 2). Robots could search for and extract data from various sources, consolidate it and transform into a required form, as well as check the data and report the inconsistencies to be eliminated by the responsible for a particular process employees. Robots can also track activities from the start until its end and close the case when the last activity has been completed. According to the interviewees, robots have been applied in production, sales operations, human resources and finance function (Interviewee 2). However, building a robot in practice is not always the best solution. As an example, a need to build a certain robot was articulated by a business unit of one of the case companies. The unit aimed to reduce excessive manual work related to a certain routine activity, but when a robot was developed and applied, the employees of the unit realised that the amount of manual work was manageable and was required only occasionally, and therefore, the robot was not used by the business unit, meaning that the time of the experts was spent unproductively and the financial investments were made in vain. Thus, it is important to understand that building a robot is an expensive and time-consuming exercise, and therefore a need for building one must be carefully examined, there must be an existing problem that a robot would be aimed to solve and technical assignments must be described very precisely in order to receive valuable outcomes.

Another commonly recognised challenge relates to the fact that ERP systems are being built with a strong focus on process efficiency, therefore the end user focus and user friendliness are often neglected. Eventually, internal customers of shared services who are going through a big change, moving away from the support services they receiving from the colleagues sitting next to them towards the services provided by a newly established unit in another country, also struggle utilising new tools and systems because are missing user logic and are too complicated for the end users. In this case, there is a big risk that users might refuse utilising new tools properly. (Interviewee 1.)

> *It was very challenging to break habits of local employees and ensure that a common ERP is properly used. (Interviewee 2)*

Therefore, it is vital to take into account the end user perspective while reorganising processes and implementing new tools and global ERP systems. Moreover, it has been recognised that line managers must emphasize importance of using new systems, prioritise required trainings and act as an example utilising the systems in their own work, in order to ensure that their subordinates start properly using the new systems as well (Interviewee 3).

Another big challenge that companies struggled with during transition was reaching the targets established in a business case, such as numbers of headcount reduction, intended investments and anticipated cost savings. Due to the fact that there were certain deviations in terms of the actual lay-offs and implementation costs in different countries, it was difficult to evaluate the overall compliance with the aggregated targets when transitions to many countries were ongoing. However, preventive and corrective actions were implemented in country transitions on a need basis. (Interviewee 2.) Furthermore, numbers allocated to a shared unit must also be closely monitored. According to the interviewee, the first people who were recruited to establish a shared services centre were senior and very experienced, and therefore their salaries were much higher than the estimated average, which raised risks of cost overrun (Interviewee 3). However, moving along with the transition, more junior specialists with required education, basic skills and modest experience in shared services industry were hired, which subsequently decreased the overall labour costs. (Interviewee 2.)

> *Reaching ramp-down numbers is by far the biggest risk that impact business case the most, therefore it is being closely monitored. (Interviewee 2)*

The interviewees also revealed challenges related to cross-functional collaboration. During transitions it was indicated that functional streams, such as for example Finance or Human Resources, are extremely independent in transferring processes from countries to a shared services unit, whereas a lot more benefits could be achieved through cross-functional cooperation.

> *Benefits of global shared services come from cross-functional leverage, and not from functional labour arbitrage. (Interviewee 7)*

Since functional streams are responsible for reengineering old processes and building new efficient 'to-be' processes, they have their own resources, activities and roadmaps. Certain activities could be aligned and resources could be shared between functions in order to increase efficiency of transition. However, according to the interviewees, functions operate very independently, which makes it extremely difficult to bring them together and facilitate cross-functional thinking.

> *In fact, every functional stream is so focused on getting the transition of their own activities done in every country, so there is no time to look together with other streams at a certain process from different perspectives. (Interviewee 3)*

Strongly empowered functions do not facilitate cross-functional savings nor share best practices and lessons learned from past transitions. Support of senior management and a bold top-down decision are vital to make this change happen.

> *If you empower functions, they will be reinventing a wheel instead of sharing the best practices across. It slows things down rather than accelerates. (Interviewee 7)*

Furthermore, when processes have been transferred to a shared services unit, the unit takes over the responsibility for providing end-to-end processes to internal customers, which often requires activities from different functional streams to be combined. For example, when a new employee has been hired in a certain country, they need to be properly onboarded to their role, informed of all necessary corporate policies, provided with a working place, equipped with personal computer and a mobile phone if needed, and so forth. From the new hire's perspective, it is all one process, whereas from the shared service unit's standpoint there are various activities from different functions, such as information technology, human resources, procurement and admin, involved. All those activities should be provided jointly to ensure seamless end user experience. (Interviewee 3.)

> *It is one of the targets of our shared services centre to drive cross-functional thinking in their operations, however the influence of functions is very strong, and it is noticeable that the same functional silos are being built within a shared services unit as well. (Interviewee 2)*

Another challenge which was indicated by the interviewees is personnel attrition, meaning that people in some countries were leaving a company too early without sharing their knowledge with the employees from a shared services centre. Whether people in the retained organisation leave or stay depended highly on the situation in a labour market in a certain country as well as on the local culture. For example, in countries where it was difficult to find another job due to weak economic conditions and corporate sector prevails, people tend to stay with a company. Whereas in other countries where the economic situation is better and entrepreneurship is well developed, people were more actively leaving jobs and pursuing new job opportunities. Therefore, some companies decided to speed up the transition process in order to decrease the risk of personnel attrition. (Interviewee 2.)

Overall, a large variety of challenges has been emphasised by the interviewees during transition phase. Some of them had been indicated in the literature, such as challenges with recruitment of employees in a shared services unit, problems with transferring knowledge, implementation of global ERP systems and reaching the business case targets. However, during discussions of these challenges some interesting topics were raised, for example robotics and automation of processes, which is nowadays very popular trend in the shared services industry and companies are investing substantial portions of their budgets in creating robots and automating as much manual labour as possible. Moreover, while discussing re-engineering of processes and development of new tools, the interviewees highlighted importance of end-user perspective, claiming that processes and tools are often designed efficiently but not user-friendly, which does not facilitate smooth transition to the new ways of working. Furthermore, size and complexity of transition as well as personnel attrition were also pinpointed as large problems by the interviewees. Although, some challenges that had been discussed in the literature, were not raised by the interviewees, such as for example challenges with gaining and sustaining momentum and resistance of the retained organisation to the change, it does not mean that these challenges did not concern the case companies, but rather out of numerous challenges that occurred only those considered the most significant were raised for discussion.

5.2.4 Challenges during Stabilisation

Several challenges were indicated by the interviewees at the Stabilisation stage. One of the biggest challenges is the adaptation of the personnel in the retained organisation to the new ways of working, new processes and tools. It might be extremely difficult for many employees to switch to the new way of serving, when they are not able anymore to ask their colleagues sitting next to them, but rather they have to use a new tool to request a service (Interviewee 1). The first resentment occurs when they need to create a ticket in a new online system and explain their problems to people they do not know, who are located in another country. In one of the case companies it was the first pain point for almost everybody in the countries where shared services were rolled out, therefore it was decided that specialists from a shared services unit would travel to countries to meet the country employees in person in order to build trust and cooperative relationships. (Interviewee 3).

> *When newly provided services are linked to certain people, who are professionals in a particular field and who speak good English, it helps the employees to overcome their concerns and start requesting the services from a shared services centre. (Interviewee 3)*

People also have to explain things not in their own language but in English which can be tricky, especially in some countries. It requires certain attitude and capabilities that must be developed through extensive communication and detailed trainings provided by the company before going live with the new shared services (Interviewee 1).

Moreover, despite the fact that shared services units of the case companies are captive, namely they belong to those companies, SSCs are often perceived by the employees in other countries as outsourcing providers and specialists are treated as externals. Such perceptions establish additional barriers between co-workers and deter development of trustful relationships and healthy collaboration. In fact, employees of a SSC are proud of being a part of the company, they are eager to learn, ask a lot of questions and provide valuable feedback aiming to improve processes. (Interviewee 1.) Therefore, it is highly important to convert such perceptions and emphasize that a shared services unit is a part of the company to decrease resistance to changes and facilitate smooth adaptation of the whole organisation.

Another misconception in the retained organisation encountered by the case companies, is a strong belief that specialists of a shared services unit would never learn all the local business processes to a sufficient level to be able to provide services of high quality. Such thoughts definitely deter employees from starting using shared services and therefore they must be addressed. As it has been already mentioned, when employees of a shared unit travel to countries and meet local employees, the understanding of the fact that there are professionals on the back end of the services who deal with the requests is growing. While visiting countries, SSC experts also learn more about the company's environment and the business from a closer perspective. Moreover, the more countries are rolled out the more experienced and knowledgeable the personnel of a SSC becomes. Furthermore, people naturally pay much attention to the things that do not work properly and when employees start using new tools that do not function correctly, it straightaway triggers a very strong negative reaction towards the tools, services and a shared services unit in general. However, not many people understand that if exactly the same tool would have been implemented without shared services, same interruptions in business processes would most probably have occurred. (Interviewee 1.) Therefore, it is important to emphasize that in order to make the new processes work properly, people should work together on solving arising issues and respect each other's job, time and effort.

> *Undoubtedly, they will eventually learn and even contribute to process development and efficiency, but it requires a joint effort, time and patience. (Interviewee 1)*

Furthermore, it is important to understand that regardless of how well the transition is performed, new tools work or services provided by a shared unit, a certain percentage of people would never accept the new way of doing things. Some employees, who are early adopters would gladly accept any modern way of working, but the majority of others need to be very well informed and properly trained. Therefore, a very detailed training and communication plan need to be developed to facilitate the change. (Interviewee 3.)

Another significant challenge during Stabilisation phase is retention of the personnel of a shared services unit. Since many jobs in shared services centres contain mainly routine activities, companies struggle with high turnover rates. In order to motivate employees, in addition to diverse fringe benefits, such as health insurance, fitness club membership, food vouchers and so forth, companies provide various training programs and various career paths. In case vertical job promotion is not possible, there are usually some job rotation opportunities, and while being rotated employees get to learn other jobs and functions, and thereby tend to stay with a company longer. Furthermore, some interviewees noted that people who joined the transition from the beginning were eager to establish a shared service centre from scratch. They were travelling to different countries, participating knowledge transfer and designing new processes. However, when a shared unit is fully operating, and period of process improvement starts, some people will lose their motivation and leave their jobs for other opportunities outside of a company. (Interviewee 3.) Virtually, while a shared services unit matures and expands in size and scope of services provided to the rest of the organisation during Stabilisation phase, new people join the teams and some employees opt to leave due to one or another reason. Therefore, it is important to understand that retention of the employees in a shared services unit needs to be taken care of in order to ensure business continuity, decrease turnover, as well as keep healthy and motivated workforce.

> *Organisational design in shared services develops over time. It is not a project that begins and ends but continues developing. (Interviewee 6)*

Overall, certain challenges have been indicated by the interviewees during Stabilisation phase, including resistance to changes and adaptation of the employees in the retained organisation to the new ways of working, lacking personalisation of online services as well as retention of the employees of a shared services unit. These challenges were also highlighted in the extant literature, whereas accountability and ownership issues were not raised for discussion by the interviewees. Due to the fact that the interviewees emphasised strong independence of functional streams and challenges related to cross-functional collaboration, it can be a reason for not having any severe accountability and ownership issues, because everything related to a certain function is managed by the function. Whilst, in case of more collaboration between functions, such issues might occur more clearly. Another reason why challenges related to accountability and ownership of processes have not been emphasised can be the fact that these problems were not the most significant and therefore did get as much attention as other issues that companies have encountered.

5.3 The most critical success factors for implementation of shared services in the industrial engineering sector

Numerous factors that can either facilitate or deteriorate successful implementation of shared services have been revealed during thorough discussions with the interviewees However, only four factors that have been emphasised by the majority of the interviewees as the most critical for achievement of successful outcomes are most important and therefore discussed in detail in this section.

5.3.1 Support of senior management

First and foremost, it has been highlighted by the interviewees that strong support and sponsorship of senior management is crucial. Full top management commitment and involvement is vital to ensure that the right message is being communicated further to local management, which clarifies the reasoning behind the change, how the new model will be working and how a shared services centre will add value (Interviewee 2). When a shared services centre is being established, power dimensions significantly change, and therefore, executive support is required to secure support such as big transformation and ensure that all necessary activities are being initiated (Interviewee 2, Interviewee 6). The changes should be empowered by the managers with a sufficient executive level position, such as Managing Director and Chief Finance Officer (Interviewee 7).

> *Having leadership mandate is crucial for successful implementation. (Interviewee 7).*
>
> *Even if you have the most capable transition team, without executive support the team would face so many challenges and resistance that implementation probably would not be successful. (Interviewee 6)*

Additionally, a very important role of middle management in facilitation of the change has been recognised (Interviewee 3, Interviewee 6). First of all, they possess crucial knowledge regarding the local personnel and peculiarities of local legislation, and thereby they can either facilitate the change to move smoothly or to significantly deter the progress and damage success of the implementation project. Secondly, if line managers do not support the change, their subordinates will most probably not accept it. If line managers do not prioritise trainings, their subordinates will not be capable of working appropriately with new systems and tools. Moreover, line managers have different background and they might be great experts in a specific field, but they might be lacking necessary leadership skills, therefore more general leadership training should take place to ensure that managers know how to lead their subordinates through the change. (Interviewee 3.)

5.3.2 Suitable and sufficient transition resources

The second most critical factor relates to transition resourcing. It is crucial to secure capable and competent resourcing to manage transition to shared services successfully (Interviewee 2, Interviewee 4). Resources must be carefully selected and aligned according to the timeline. If a roll-out is done on a country by a country basis, the speed of the roll-out must be adjusted according to the availability of transition resources (Interviewee 2).

Who are the transition resources? It is obviously not only a programme director, but it is a dedicated team that holds the transition programme consisting of a number of country transition projects together. Transition leads, project managers, transition managers, functional stream coordinators, as well as experts in change management and communication, form a core team that makes the transformation happen. Moreover, representatives from countries and various business areas are heavily involved to facilitate the transition. It is important to understand that transition team members have different background and skills, therefore training might be required. For instance, certain coaching and guidance along with standardised transition plans and other practical tools should be provided to project managers in order to support them to fulfil the objectives and deliver anticipated outcomes. (Interviewee 6.)

Who would be a good candidate to join a successful transition team? First of all, it should be a person who gets excited about implementing new things and processes and is capable of structuring chaotic activities and breaking complex situations down to pieces. Such a person needs to be a good *politician,* obtaining necessary communication skills to convince people of the right things to do and solve conflicts, as well as an *agent*, understanding end-to-end processes, customers, top management, and how to implement this ‘machine’. In other words, knowledge of operations, politics and stakeholder management are the most important. (Interviewee 7.)

For a head of implementation of shared services, it is also important to remain in the ‘driver seat’. During the transition, when a shared services organisation is being established, the main focus is on the transition team, whereas when the transition is done, there is a need to reshape the organisation and look for different capabilities that would ensure stabilisation of services, further development and growth.

> *You need to keep on adjusting. The world is changing, the company is changing, it is much better to be proactive rather than reactive. (Interviewee 6)*

A suitable person to lead a shared services unit would need to obtain certain characteristics, including ability to have a good vision regarding future developments and potential improvements, excellent communication skills to interact with multiple cultures, natural tolerance to dynamic environment and changes, as well as being a good driver of the changes (Interviewee 8).

Overall, without sufficient resourcing the transition would not be possible to complete within a requited period of time, and without suitable resources it would be very difficult to achieve required outcomes of the transition. Whereas sufficiently qualified and motivated transition team members would ensure best possible results of the transition which would be delivered in a timely manner.

5.3.3 Focus on end-to-end processes

The third critical factor is the focus on the end-to-end processes. The final target is not to just implement shared services, but to achieve certain benefits through utilising the shared services business model. Centralisation of processes ensures cost efficiency, therefore a shared service unit which delivers centralised processes to all other organisational units globally, should be the enabler of transformation of involved activities to end-to-end processes, which would allow to reduce total cost of processes rather than decrease costs of only one unit (Interviewee 5).

> *There are also certain cost savings through sharing the same tools, similar service delivery processes and so forth. (Interviewee 2)*

In order to maximise process efficiency, and thereby better leverage benefits of shared services, it is important to look at the processes from the end-to-end perspective rather than optimizing a part of processes that are performed by a shared service unit. In fact, in some cases certain activities had to be transitioned back to business units, due to the fact that it made more sense from the end-to-end perspective (Interviewee 5).

> *It is crucial to understand what an end-to-end process is and think not only about how to build new processes more efficiently but also how to make implemented changes adequate from the end user perspective. (Interviewee 1).*

The concept of shared services is global and multifunctional, and therefore in order to succeed it is important to find synergies across different functional streams, break down silos and combine processes from all functional streams under one organisation (Interviewee 2). It was also recognised that if not all functional streams have re-engineered their processes from end-to-end, it is much more complicated to find solutions that would work globally. Moreover, if a shared unit is the only unit driving process redesign from end-to-end viewpoint, and there is no joint effort towards globalisation of processes from different departments of an organisation, a SSC will be carrying all the related challenges as well as consequences of failing end-to-end processes (Interviewee 8).

5.3.4 Focus on the end user

The fourth most important factor that has been highlighted is a focus on the end user. While concentrating on transition of processes to a shared services unit, reengineering the processes, implementation of new tools, the end-user perspective is often neglected in the provided tools and services. It is important to remember, that organisations consist of people who have their daily responsibilities and shared services should facilitate high performance of their daily jobs rather than deteriorate its speed and quality. For many internal customers of shared services, it will be something completely new and often quite uncomfortable, and therefore the end user perspective on the transferred processes must be taken into account.

According to Ulrich (1995,14), “the user is the chooser”, meaning that internal customers will be the ones utilising shared services and therefore while implementing shared services it is crucial to look at the processes from the end user standpoint. And ideally, every user of shared services should receive similar experience regardless of what kind of support they requested.

> *Even if transition to shared services is being performed country by country, the approach towards the end user should be global, ensuring that every end user has the same experience, receives same support, and uses same tools and systems. (Interviewee 1)*

An immense change for the end user is underestimated. It is extremely difficult to know in advance to what extent the implementation of shared services will affect the work routine of a certain individual, considering different starting points of each country and each business area (Interviewee 1). While focusing on creating documents and templates, and building the processes as such, companies often forget that the end user must have working tools in hand, available resources and networks, as well as sufficient capabilities to ensure business continuity (Interviewee 1). Therefore, end users must be properly trained to utilise new tools and services, and line managers must prioritize these trainings and promote importance of the trainings. Moreover, in order to ensure good quality of provided services and high level of customer satisfaction, it is important to engage end users in a joint discussion to align expectations and agree on the anticipated deliverables.

> *You do not need a happy person going into the change, but you need to have a happy person going out. It is all about getting the end users from A to B, during which they must feel safe and not alone. (Interviewee 1)*

Different functional streams must ensure the same conceptual approach towards internal customers, providing services that are reasonable from the end user perspective. For example, when a new person is recruited, they will need to use services of HR, IT and Finance functional streams in order to familiarise themselves with internal policies and sign the job contract, receive a laptop or a mobile phone, and receive their salary on a bank account. From the functional streams perspective all the involved activities are different, whereas from the end user perspective all of the activities are intertwined and the same approach from all functions should be utilised in order to provide better experiences for the end users. (Interviewee 2.)

> *It is also very common that the message that is being communicated is about the coming changes, but not about what is in this change that influence a certain individual. Very few companies focus on the end user perspective throughout the journey. (Interviewee 4)*

There are two main perspectives on the transition. From the management point of view, transition should be adjusted according to the size of the country, complexity of works council negotiations, type of business and utilised local systems. Whereas from the end-user point of view, it should be clear what changes will be implemented, how significantly processes will change and how it will affect end users, as well as how services will be requested and provided. All in all, it should be a global approach. (Interviewee 1.)

6 DISCUSSION AND CONCLUSIONS

In this chapter, discussion of the empirical findings and conclusions of this research are presented. The preliminary theoretical framework is evaluated through the empirical data and discussion regarding how the collected data has influenced the initial framework is presented. Furthermore, recommendations for managers on how to drive successful implementation of shared services are proposed by the researcher. Finally, opportunities for future research are suggested.

6.1 Theoretical discussion

This research has investigated how the shared services business model is being implemented by the companies operating in the industrial engineering sector, revealing the most common challenges that companies have encountered in that particular industry. The extant literature is mainly focused on the description and categorisation of the most common challenges associated with the implementation of shared services in general, however it is not always straightforward at what stage of the implementation project a certain challenge should be anticipated. This study provides insights of the case companies from the particular industry on the challenges of the implementation by allocating these challenges to the phases of the implementation. Such allocation provides a fresh view on the common challenges and helps the reader to better understand the phenomenon of shared services and the actual process of the implementation.

While reviewing relevant literature in the topic, several challenges that are most likely to occur at each phase of the implementation process have been indicated. However, not all of the revealed challenges have been confirmed during the empirical part of this research. Moreover, additional challenges have been revealed at certain phases of the implementation during the discussions with the interviewees. Revealed differences between the common challenges identified in the literature and those revealed in the discussion with the case companies are discussed in this section of the thesis.

During Feasibility assessment phase, one of the two indicated in the literature challenges has been also confirmed by the interviewees. Difficulties related to the creation of an adequate business case were common among the case organisations, despite the fact professional external support was utilised for this purpose. Collaboration with consultants has been thoroughly discussed from different angles and certain difficulties have also been indicated. Overall, input of external consultants was recognised necessary and beneficial, especially at the very early stages of the implementation project. However, it was highlighted that a business case must be owned by the management of a company rather than consultants in order to establish realistic and achievable targets. Moreover, all fundamental decisions related to business must be made by management not consultants. The interviewees did not indicate any problems related to the second common challenge drawn from the extant literature, namely aligning the shared services strategy with the main strategy of an organisation. However, they acknowledged certain difficulties with reaching common understanding of the goals of the implementation. Such difficulties are mainly caused by various distinct targets established within functional streams, business areas, departments and countries, and prioritisation of own targets may significantly deter joint effort towards achieving common goals. Therefore, based on the empirical findings of this study, the explanation of the phenomenon of shared services in the academic literature needs to be enriched given the new emphasis on proper collaboration with external consultants and utmost importance of reaching common understanding of the targets.

During Planning phase, all of the indicated in the literature challenges were also highlighted by the interviewees, including finding of suitable and sufficient transition resources, gaining support of senior management, proper planning and designing an efficient shared services unit. In addition to these difficulties, the interviewees also highlighted complications caused by the fact different functional streams were re-engineering numerous processes according to their own timetables and utilising different transition approaches and methods. Preferably, many processes performed by the functional streams should be aligned, resources could be combined and shared, creating one generic approach towards transition and making it easy to plan and control all transition activities. Harmonisation of processes across the locations has been also emphasised by the interviewees. Many activities are similar in each country and therefore they can be standardised globally. However every country has own peculiarities and some processes need to be arranged in a very unique way. Thus a challenge of global harmonisation steps in, meaning that processes in all countries are being arranged in a similar way to the maximum extent possible and the practices from one country are being extrapolated to another country. Whether harmonisation need to be done before, after or in line with transition is also a big question, since harmonisation itself is an immense project that requires significant resources, time and effort.

The complexity of simultaneous activities that are performed by different functions and aimed to redesign various processes had not drawn much attention in the existing literature on the topic, hence the insights of the case companies helped to shed more light on these challenges extending the existing knowledge. Moreover, significant influence of project dependencies has not been addressed in the existing academic research related to the implementation of shared services. However, respective challenges related to a lack of proper visibility on other corporate initiatives have been pinpointed by the interviewees, thereby the findings of this study provide an additional focus of planning that needs to be considered.

During Transition phase, some challenges from the literature were also highlighted by interviewees, for example problems with knowledge transfer and recruitment of personnel for a shared unit. Difficulties with ERP integration have been also emphasised and even elaborated in terms of growing importance of robotics process automation. Interestingly, the main problem with the ERP implementation that was indicated by the interviewees is a large number of local systems that need to be consolidated and transformed, whereas no problems related to very poor performance of new systems has been indicated. It is clear that implementation of any system, especially a global system that incorporates numerous processes and impacts a large number of employees, will have some malfunctions leading to certain problems including backlogs. Most probably, this perspective on the challenges related to ERP implementation would be articulated by the employees of other level than managers.

Surprisingly, some challenges that had been indicated in the existing literature were not mentioned by the interviewees, such as for example challenges with gaining and sustaining momentum. The reason for that most probably relates to fact that investing significant money senior management expects the changes to be implemented fast and the results to be visible very soon, thereby transition managers are forced to perform transition of services in a very tight time schedule which on the one side might impact quality of transition but on the other side helps to keep the momentum. In fact, most of the interviewees stated that transition was rather fast but they also claimed that it could be done even faster. Thereby, a problem with losing momentum might not have occurred in the case companies, nor probably in many other corporations that have been implementing shared services around the globe. Therefore, it can be suggested that the focus on gaining and sustaining momentum in the academic literature should be shifted from viewing it as a challenge to looking at it as a potential risk in case transition takes excessively long time. Additionally, new challenges were pinpointed based on the findings of this study, including difficulties related to complexity of the implementation and difficulties of driving cross-functional collaboration between different functional streams, as well as a lack of user perspective on tools and processes. These findings have significantly enhanced the understanding of the challenges provided by the extant literature.

During Stabilisation phase, most of the challenges indicated in the literature were also emphasised by the interviewees, including difficulties related to retention of the personnel in a shared services unit, lacking personalisation of shared services, as well as resistance of the personnel to the changes and problems with adaptation to the new ways of working in the retained organisation. Surprisingly, no issues concerning ownership and accountability of processes were highlighted by the interviewees. It might mean that such problems either were not significant or were not encountered due to strong independency of functional streams and a lack of cross-functional collaboration.

The challenges revealed during the interviews have been compared to those indicated during the literature review and the results are presented in the Figure 11. The challenges that have not been emphasised by the interviewees are crossed out from the lists, whereas new issues highlighted during discussions are added to the lists and marked in blue colour.

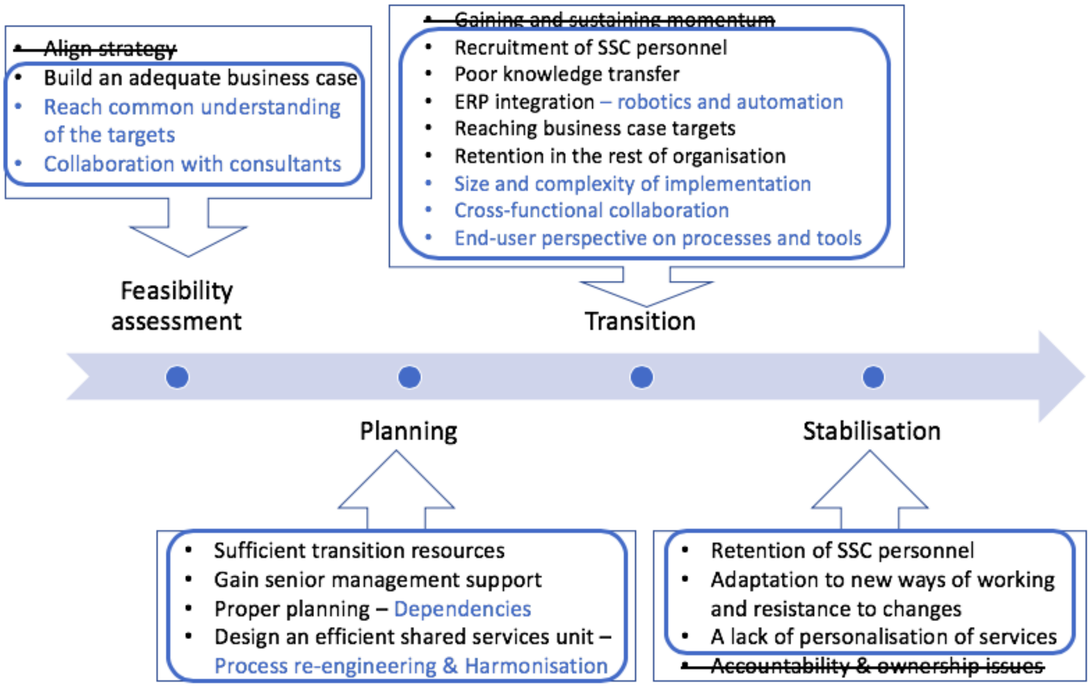

Figure 11 Comparison of the challenges indicated in the literature review with the challenges emphasised by the interviewees

All in all, the empirical findings of this research have extended the conclusions inferred from the extant literature regarding the challenges of the implementation of shared services by revealing additional difficulties that have been highlighted by the case organisations. For example, challenges related to project dependencies have been neglected in the extant literature and should be explored and highlighted more in the future studies. Moreover, challenges related to collaboration with external consultants have not been sufficiently emphasised in the existing research papers, but due to a very significant role that consultants nowadays play in such change projects, these challenged should be brought to light and studied more profoundly. Some challenges emphasised in the literature seem to have lost their importance due to the modern set up of implementation of corporate initiatives. For example, there is no need to highlight challenges concerning a necessity to gain and sustain momentum, because transition projects are being performed in a very fast pace, so the chances to lose momentum seem relatively low.

Furthermore, the understanding of the concept of shared services has been enriched through revealing new challenges. Difficulties with common understanding of goals, cross-functional collaboration, harmonisation and end user perspective on the processes and tools can be included into important characteristics of the phenomenon and further utilised to define the concept of shared services more profoundly.

The novelty of this research also relates to the factors that are considered the most critical for successful implementation of shared services based on the insights from the particular industry. Although, a large number of generic success factors have been discussed in previous research, this study provides a very important extension of the existing literature by the exploring the factors in a particular context, namely the industrial engineering sector, thereby bringing a substantial novelty to the research on the phenomenon of shared services. Due to the fact that significant differences have been revealed between the factors drawn from the extant literature and those indicated during the interviews, the preliminary framework has been modified accordingly.

According to the findings, both theoretical as well as empirical, it is crucial to ensure support and sponsorship of senior management in order to succeed in the implementation. Without such managerial support it is extremely difficult to initiate, promote and drive the change. Three other critical factors derived from the literature, namely effective governance, communication of goals and progress, as well as sufficient training, have not been emphasised by the representatives of the case companies. One of the reasons may lie in the fact that governance, communication and training have been appropriately organised in the case companies and did not cause any problems nor risks, and therefore did not attract significant attention of the interviewees. Although, governance, communication and trainings could be poor but their importance might not be realised by the interviewees. And lastly, these three factors can still be important for the case companies, but they could have been not the most critical factors from the interviewees' point of view. Instead, other three factors have been highlighted during interviews, including sufficient transition resources, focus on the end-to-end processes and the end user.

Availability of sufficient and suitable transition resources, namely members of a transition team who lead or participate in transition to shared services, has been highlighted by many respondents. Although, this factor is missing in the preliminary framework, it has been discussed in the extant literature. It was not included into the initial framework due to the fact that it has been found only in three sources, whereas those listed in the framework were found at least in six publications. Therefore, it can be concluded that importance of suitable and sufficient transition resources has been recognised both in the literature as well as in practice of the case companies.

Furthermore, importance of re-engineering of processes from the end-to-end perspective has been recognised critical for successful implementation of shared services. Also, this study revealed that it is crucial to focus on the end user when implementing new processes and tools. In order to ensure that the employees in the retained organisation utilise new services and tools properly, it is vital to design those tools and services accordingly considering the changes from the end user standpoint. Due to the fact that these two factors have not been addressed in the extant literature, the empirical findings of this research extended the current literature on the topic by expanding the common knowledge of the factors that are most critical for successful transition towards shared services.

The preliminary framework of this research included four most critical success factors drawn from the literature. Only one of those factors has been also emphasised by the interviewees and, in addition, three other factors were highlighted by the case companies as the most critical. Since the factors inferred from the literature did not match those indicated by the interviewees, the initial framework of this study has undergone significant changes. According to the findings of the empirical part of this study, the initial framework has been modified and is presented in the Figure 12. Factors inferred from the literature which have not been confirmed by the interviewees have been crossed out from the list, whereas new factors discovered during the interviews have been added to the list and marked in blue.

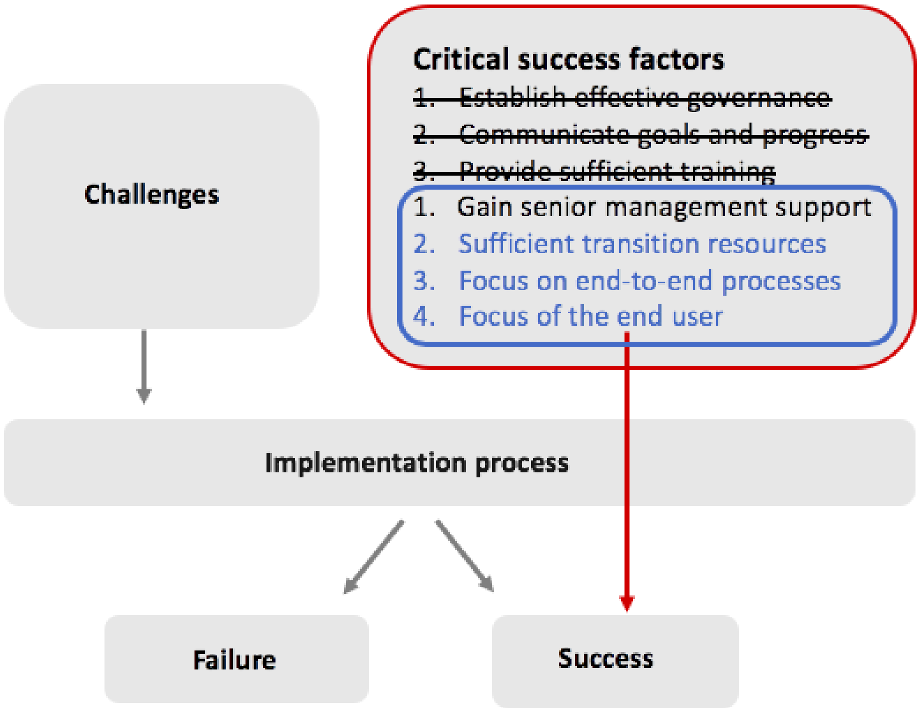

Figure 12 Critical success factors based on the empirical findings

6.2 Managerial implications

The challenges of the implementation of shared services and the most critical success factors are usually discussed and classified in general, but they have not been previously studied from the point of view of a particular industry. However, the actual challenges that companies encounter and the factors that can influence the outcome of the implementation might significantly differ from one industry to another. Therefore, there was a need for understanding what difficulties are more likely to occur in a particular industry and what issues require close attention in order to secure successful implementation of shared services in that industry.

This research provides managers with vital knowledge regarding the main phases of the implementation of shared services and the most common challenges that can be anticipated at each phase of the implementation, based on the findings in the industrial engineering sector. Moreover, this study indicates the factors which are considered the most critical for successful implementation of shared services in the industrial engineering sector and their influence on the outcomes, providing important insights. Such knowledge steers attention of managers to the right direction allowing to increase chances of successful implementation. A number of implications for managers are offered in this section.

First of all, managers should understand that full support and commitment is required from them in order to implement such a big change and ensure that the new business model is properly implemented securing achievement of the desired benefits. It is also vital for managers to realise that it is not sufficient to only communicate to employees that things will change, but it requires a lot of time and effort to lead subordinates through the transformation. Managers should actively promote the change, prioritise necessary trainings, utilise new tools and services themselves, being the role models for others, and support their subordinates to go through the change. Only in that case, employees would be more likely to follow the lead and switch to the new ways of working smoothly. Moreover, in order to improve transition, it is important to share experience and provide constructive feedback to the transition team who can consequently act on improvements.

Secondly, management should ensure that sufficient human resources are available to perform required number of transition projects, by engaging suitable internal resources, hiring new employees from the open labour market as well as involving external consultants. Due to the fact that support of external consultants is usually very expensive and one-off collaboration, it is vital to build sufficient internal capabilities. Moreover, representatives from business must be secured to provide essential knowledge regarding business processes, and thereby, support smooth and efficient transition. Furthermore, importance of proper engagement of local resources who can facilitate the change needs to be understood, and therefore, close collaboration with the employees in countries must be ensured.

Thirdly, according to the findings of this research, cross-functional thinking and collaboration are vital to achieve more benefits that shared services can provide. Therefore, managers should encourage cooperation between different departments and functional streams in order to re-think and re-build the processes from the end-to-end perspective, which would ensure shared services that are not only efficient from the process standpoint but also suitable and usable from the customer point of view.

Furthermore, there was no emphasis in the extant literature on the important role of end users of services provided by a shared unit. While implementing shared services, companies heavily focus on process efficiency, whereas the end-user point of view is often neglected, leading to extremely low customer satisfaction rates and slow adaptation of new services. Based on the empirical findings, managers should understand that in order to ensure proper utilisation of new services by employees, it is important to design new processes, tools and services from the perspective of the end user. Otherwise, the newly established shared services and implemented tools might not used by the employees, meaning that large investments into the new business model would fail to provide anticipated benefits.

It was also revealed in this study that certain challenges can be encountered during the implementation of shared services and transition projects can fail due to many reasons. Such reasons range from a shortage of resources to perform transition, a lack of prioritisation among numerous corporate initiatives, a very strong strategic vision but insufficient practical effort and prevailing focus on tools and processes rather than people. Therefore, it is vital for managers not only to understand what factors are the most critical, but also to lead people through such a big transformation, communicating changes properly, training people to use new tools and services and devoting sufficient time to all require activities to succeed in the implementation of shared services. It is also important for managers to see the bigger picture in terms of what other initiatives are ongoing or being planned that might influence implementation, define clear ownership of the processes and establish an effective governance system. According to the findings, external support can and should be utilised at different stages, however, all crucial decisions must be made by managers not consultants. In addition to that, it is essential for managers to remain in the driver’s seat and continue improvements even when the shared services has been implemented, since heavy work on process optimisation and adaptation of personnel to the new ways of working takes time.

All in all, implementation of shared services is not an exercise, but by addressing the above mentioned implications managers will significantly increase their chances of successful implementation of shared services.

6.3 Future research opportunities

Limitations of this study as well as opportunities for future research on the topic will be discussed in this section. First of all, qualitative research method, which was applied to this study, has its own limitations. Although, it enabled the researcher to explore the phenomenon of shared services in depth based on the experience of four case companies, considering quite a small sample size, more research would be required to validate and generalise the findings (Eriksson & Kovalainen 2008, 4-5; Siggelkow 2007, 20). Therefore, one of the suggestions for future research would be to conduct a quantitative study investigating practices of a larger number of companies within the same industrial engineering sector.

Furthermore, the empirical data of this study was collected through interviewing the representatives of the case companies who hold management positions, and therefore the motives, challenges and success factors of the implementation of shared services have been discussed from only managerial point of view. Due to the fact that data gathered through interviews is highly subjective, it would be beneficial to have a discussion with representatives of different organisational layers, including senior and middle management as well as line employees, in order to explore the phenomenon from different perspectives.

Additionally, interviews conducted through audio and video calls were the main method of data collection. Therefore, use of other sources, such as exploration of documentary material as well as regular observation of meetings and calls, would provide more extensive data facilitating better understanding of the phenomenon (Carter et al. 2014, 545). It has also been noticed by the researcher, that an interview conducted through the exchange of emails limits the depth of the provided insight, thereby decreasing the overall value for the research, and therefore it should be avoided.

Another suggestion which would allow a researcher to collect more profound data regarding the practices of the implementation of shared services is to conduct an ethnographic study focusing on several transition projects performed by one company. Such study would take at least a year or even few years, but it would enable a researcher to observe a full cycle of transition activities as well as encountered challenges and implemented corrective actions to mitigate those challenges, allowing to understand the phenomenon better.

Another limitation is that this study is heavily focused on the companies of a similar size, namely large multinational corporations. Therefore, it can be further investigated whether the implementation of shared services in companies of a smaller size would differ in terms of the motives, the transition approach, common challenges as well as critical success factors.

Furthermore, this study is focused on one particular industrial engineering sector, providing the researcher certain industry-specific insights, however, common practices in other industries might significantly differ. Therefore, another opportunity for further research would be to investigate how shared services are being implemented in other industries, what are the common challenges and what is considered critical to make the implementation in other industries successful.

Moreover, despite the fact that the case companies have global presence, the data was collected within the European area, which may have influenced the findings. Therefore, it could be further investigated whether the data collected in the United States or Asia-Pacific region would differ for example from the data collected in Europe. It could be explored whether geographical location has any impact on the perception of the challenges that companies experience in a certain region or continent and factors that are considered the most important to succeed in a particular area.

All in all, there are numerous opportunities for further research, including investigation of experience of a larger number of companies within the industrial engineering sector, exploration of other industries, companies of smaller size, collection of data in various geographic areas, or application of other research methods and techniques.

7 SUMMARY

The aim of this research was to explore the phenomenon of shared services, investigating the phases of the implementation, common challenges and the most critical factors that facilitate successful implementation in a particular industry. The study was conducted from the perspective of the managers who have been leading or participating in global implementation of the shared services in multinational corporations.

Existing research was scrutinised in order to form the basic understanding of the phenomenon of shared services, the generic implementation process and commonly acknowledged difficulties that are being associated with such implementation. Although, the implementation of shared services is not a new phenomenon, the academic research on the topic is scarce, and therefore, numerous publications of the consultants who often supported the implementation in practice were also examined. Due to the fact that in the existing research, the challenges related to the transition to shared services are discussed in general, and the literature does not provide explicit information regarding at what phase of the implementation certain challenges should be anticipated, there was a need to investigate the challenges and allocate them according to the phases of the implementation. Furthermore, in the extant literature, numerous factors that influence the outcomes of the implementation were discussed, however, it was not clear what factors are the most critical for a particular industry. Therefore, in this research the most critical success factors experienced by the case companies operating in the industrial engineering sector were investigated.

The qualitative research approach was utilised for the empirical part of this study. Semi-structured interviews were conducted, and the respondents had to answer the predefined open-ended questions. In total, eight representatives holding manager positions in four multinational corporations operating in the industrial engineering sector were interviewed.

The empirical findings revealed during the interviews substantially transformed the preliminary theoretical framework which had been designed on the basis of the prior research. The biggest alteration concerns the critical factors that influence the implementation of shared services, since only one out of four factors indicated in the literature, namely support of senior management, was confirmed by the interviewees. Another important factor, namely sufficient transition resources, was revealed during interviews and also indicated in the extant literature but less often than the other four factors, and hence, it was not included in the preliminary framework for this research. But the great novelty of this research lies in the fact that two new critical success factors have been discovered during the empirical study which did not draw much attention in the extant literature, namely the focus on the end user and building end-to-end processes.

Furthermore, this study has revealed that most of the challenges inferred from the literature on the shared services were also encountered by the companies in the industrial engineering sector. Moreover, several additional challenges were discovered during the interviews, extending the current research on the topic and expanding the understanding of the phenomenon of shared services in general.

Overall, this research has provided important industry specific insights on the common challenges encountered by the case companies during the implementation of shared services and the most critical factors that influences the outcomes. The empirical findings of this study provide managers with crucial information that may enable them to improve their implementation of shared services and increase chances of successful outcomes.

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APPENDICES

APPENDIX 1 OPERATIONALISATION PLAN

Table 7 Operationalisation plan

Research questions	**Sub-question**	**Theme**	**Interview question**
What facilitates successful implementation of shared services?	What factors are critical for successful implementation?	critical success factors	11-13
How is implementation of shared services done by the companies within the industrial engineering sector?	What is the process of implementation of shared services?	transition approach, phases of implementation	1-6, 14-15
	What are the common challenges that companies encounter?	challenges	7-10

APPENDIX 2 INTERVIEW QUESTIONS

1. Why the company has decided to implement shared services centre?
2. What is the company's approach and key stages of the implementation?
3. How does the company plan to achieve cost efficiency (if applicable)? What are the payback expectations (if applicable)?
4. What processes have been standardised and harmonised and to what extent?
5. How location has been chosen? What other locations had been considered?
6. How technology has been utilised? What are the company's automation and robotisation activities?
7. What challenges the company has encountered during implementation and after? How the company has addressed these challenges?
8. Are there any potential risks that require close attention?
9. How do the employees perceive the implementation? How does the company approach employees' resistance (if applicable)?
10. Are there any challenges in communication between SSC and other company's personnel?
11. What do you consider critical for successful implementation of shared services?
12. What changes would you have made given the current experience?
13. What would you recommend other companies to do to succeed in implementation of shared services?
14. To what degree has the company currently achieved its objectives? What are the current financial and non-financial consequences of the implementation?
15. Does the company have any further development plans? What outcomes are anticipated to be achieved by these plans (if applicable)?