# Chapter 15
# Understanding Shared Services:
## An Exploration of the IS Literature

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## ABSTRACT

*In a competitive environment, companies continuously innovate to offer superior services at lower costs. 'Shared Services' have been extensively adopted in practice as a means for improving organizational performance. Shared Services are considered most appropriate for support functions and are widely adopted in human resource management, finance and accounting, and more recently employed as an information systems (IS) function. As computer-based corporate information systems have become de facto and the backbone of administrative systems, the technical impediments to sharing have come down dramatically. As this trend continues, CIOs and IT professionals need a deeper understanding of the Shared Services phenomenon. Yet, analysis of IS academic literature reveals that Shared Services, though mentioned in more than 100 articles, has received little in depth attention. This paper investigates the current status of Shared Services in IS literature. The authors present a detailed review of literature from main IS journals and conferences. The paper concludes with a tentative operational definition, a list of perceived main objectives of Shared Services, and an agenda for related future research.*

## INTRODUCTION AND BACKGROUND

Organizations constantly face challenges to innovate their customer offering, improve the quality of their business processes and operate at lower cost. The current global financial crisis has amplified this need. Managers are looking to 'Shared Services' as one means of improving organizational performance (Wagenaar, 2006). While the notion of Shared Services is still under debate, it is broadly referred to as "*the concentration of company resources performing like activities, typically spread across the organization, in order to service multiple internal partners at lower cost and with higher service levels, with the common goal of delighting external customers and enhancing corporate value*" (Schulman et al., 1999). Shared Services has become increasingly popular within both public and private sector organizations[1] (Bergeron, 2003; Borman, 2008; Janssen & Joha, 2006b; Wagenaar, 2006), where it is mostly deployed in large organizations, with a predominant focus on support processes (Ulbrich, 2006). "*Since the late-1990s, the fast-spreading shared service concept has increasingly become popular as an organizational change approach, focusing on the theoretical potential for extensive improvements in support processes*" (Kagelmann, 2000; Schulman et al., 1999, cited in Ulbrich, 2006, p. 191).

Potential benefits of Shared Services have been extensively discussed in the commercial press e.g., "*promote efficiency, value generation, costs savings and improved service for the internal customers of the parent corporation*" (Bergeron, 2003). Cecil (2000), reports that 16 of the top 20 Fortune 500 companies have Shared Services Centres. Shared Services success stories such as General Electric (Lacity & Fox, 2008), DEC (Lacity & Fox, 2008), Reuters Asia (Lacity & Fox, 2008; Businessintelligence, 2005), Allianz (Lodestone, n. d), and Queensland Government (Queensland-Government, 2008), are many. Leading research firms such as Gartner provide a range of reports that describe the application of Shared Services in different industries, stating that "*Many enterprises are looking to shared services to support efficiency goals and to enhance business integration and agility*" (Gartner, 2008, p. 2).

Shared Services is considered most appropriate for support functions, and is widely adopted in Human Resource Management, Finance and Accounting (Cooke, 2006; King, 1998; McIvor et al., 2002; Peters & Silver, 2005; Webster, 2007). More recently Shared Services is being employed for the Information Systems (IS) function, and although not adopted as widely as by other functions, recent reports (Lacity & Fox, 2008; Peters & Silver, 2005) indicate that IS Shared Services is growing at a fast rate.

IS applications and infrastructure are an important enabler and driver of Shared Services in all functional areas. As computer based corporate information systems have become de facto and the internet pervasive and increasingly the backbone of administrative systems, the technical impediments to sharing have come down dramatically. As this trend continues, CIOs and IT professionals will need a deeper understanding of the Shared Services phenomenon and its implications; *"successful management of IT shared services was recently listed as one of the seven habits of effective CIOs"*(Lacity & Fox, 2008, p. 17).

As a *"discipline that is driven by rigour and relevance"* (Benbasat & Zmud, 1999; Davenport & Markus, 1999; Lee, 1999), IS academia has a vested interest in the growing phenomenon of Shared Services; a domain that warrants research in relation to the IS function, IS applications and IS infrastructure in organizations. In particular, IS as a discipline should be interested in Shared Services because they can drive radical change to the IS infrastructure and architecture (Curley, 2006; Ross & Beath, 2006; Weill & Vitale, 2002); IS can play a major role in identifying opportunities for Shared Services in other functional areas and in preparing the business case, as well as the IS strategy; IS can either internally or through

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