

# Chapter III

## Transformation Strategies for Shared Service Centers in the Public Sector

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### ABSTRACT

*This chapter presents a set of critical choices for initiating a Shared Service Center (SSC) in a large public organization and the management of the transformation process towards it. A move to concentrating organizational support functions in SSCs in public administration is encouraged by successes in the private sector. There is a lot to gain by concentrating functions including improved services through specialization, efficiencies through standardization, and cost reductions through economies of scale. Yet the transformation process does not resemble the simplicity of the concept of SSC and many challenges need to be bridged. In this chapter, the complexities of transformation processes of the introduction of a government wide SSC for human resource management are studied. By analyzing the perceptions of key stakeholders from a policy network theoretical lens, we found some major patterns determining success or failure in both designing and implementing SSCs. By listing these, we aim to clarify the complexities of transformation processes towards SSCs in public administration and provide some strategic suggestions for these transformations.*

## INTRODUCTION

A recurring complaint in public administration is that governmental organizations are big, inefficient, not -customer centric and bureaucratic. Haunted by these complaints reorganization and change operations are regularly announced. In their continuous pursuit for ways to reduce costs while maintaining existing service standards, several concepts and theories appeared and disappeared. A relatively new, and promising, concept is called 'Shared Service Centers'(SSC) (Accenture, 2006; Bergeron, 2003; Ulbrich, 2006) or 'Shared Service Organizations' (Grant, McKnight, Uruthirapathy, & Brown, 2007). SSCs are types of semi-autonomous business units providing services to many users, i.e. agencies, business units and departments. They ideally have management structures that promote efficiency, cost savings and high service levels in a manner akin to companies competing in an open market (Bergeron, 2003). Many private companies have already implemented this concept (e.g. Bergeron, 2003; Strikwerda, 2005). By unbundling supportive local and central functions, like IT-support and human resource management (HRM), and concentrating them in semi-autonomous business units, such companies have cut costs considerably. Yet gaining the benefits is more difficult and benefits might be gained in other field than expected (Janssen & Joha, 2006).

Several governments are in the process of introducing shared services, among them are the USA, UK, Canada and the Netherlands (Accenture, 2006). In public administration the SSC business model seems to be promising for several reasons. Services often cannot be provided cost effectively and can be implemented only on a local level, as budgets and expertise are limited. Smaller public organizations cannot develop all the services desired or the information systems needed. Moreover, both small and large organizations have all kinds of expertise in-house that cannot be assessed outside the borders of their own

organizations. In this way SSCs might provide access to expertise else out of reach. Finally, theory promises imply much more than just cost efficiency and improved service levels. Claimed advantages of SSCs include focus on core tasks, they would contribute to transparency, create possibilities to build up and share expertise, help increasing strategic flexibility and speed up decision making (Bergeron, 2003; Strikwerda, 2005).

The introduction of shared SSCs, however, is a complex and massive transformation process which might make it hard to accomplish the promises (Janssen & Joha, 2006). Ulbrich (2006) stated that the introduction of SSC requires an extensive business process (re)engineering approach. The formation of a SSC requires that agencies transfer the development, maintenance and control of their information systems to a different organization and abandon their existing information systems. Such major changes are hard to accomplish. A large number of stakeholders are involved, with complex, interdependent relationships (Janssen, Joha, & Weerakkody, 2007). We call this web of multiple actors and interdependent relations a *policy network* (or a 'network'). In this chapter we take a policy network theoretical lens on the design and implementation of SSCs. *Policy network theory* stresses the importance of the creation (and retention!) of support for major changes in networks (Bruijn & Heuvelhof, 2000; Chisholm, 1989; Kenis & Schneider, 1991; Powell, 1990). It suggests that the best design from a technical point of view doesn't necessarily lead to its support and, eventually, to its implementation.

This takes us to the main challenge addressed in this chapter. The introduction of SSCs requires a whole series of interrelated decisions for which it might turn out very hard to reach consensus within the heterogeneous types of organizations involved. At the same time the introduction of SSCs in public administration requires a good design of an organizational arrangement able to improve both efficiency and service levels. Therefore in this chapter we question if *both the quality of the*

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