

# Effective Shared Services Change Management – Critical Success Factors

MVN Naga Lakshmi\* and T. Vijaya Kumar\*\*

**Abstract:** Shared services change management, despite being widely acknowledged by business practitioners as one of the significant factors that makes or breaks the transformation efforts in organizations, success continues to be elusive during most shared services implementations. Quality leadership and effective communication strategy are considered to be critical to drive successful organizational transformation as shared service deployment could involve transitions at various fronts such as organizational procedures and processes; people's (internal and external) roles and responsibilities; culture and values; systems and structures; and finally, technology. While effective change leadership at the helm of the affairs is crucial, good managerial cadre at the middle and supportive staff at operational level are important for the overall success of the transition. Identifying key stakeholders early in the process, getting them on-board the project, evaluating their perceptions and engaging them throughout in order to manage their expectations is the most important challenge faced by the change leadership. A multi-pronged and a dynamic communication strategy identified at the start of the project not only aids in the key stakeholder buy-in early, but also in the appropriate handling of employee transitions such as employee retentions or redundancies, at a later stage of project deployment or when the project goes live. Most importantly, recording and measuring the effectiveness of the changes brought by the shared services deployment, anticipating and eliminating tricky business situations in the new scenario and introducing systems/mechanisms to identify opportunities on a continuous basis that can be actioned upon to enhance business growth, are but a few challenges and responsibilities of shared service change leadership.

**Keywords:** Shared Service, Change leadership, Communication strategy, Employee transition, Stakeholder buy-in.

## 1. INTRODUCTION

Change is fundamental to the corporate condition at an organizational standpoint and thus integral to global economic conditions at a wider scale as well [1]. Organizational change in the constantly evolving business environment is driven by a host of external factors such as globalization and technological innovation or internal factors such as business process integration following mergers or acquisitions, or to improve customer service and expand customer base. Often, organizational change directly affects employees at all levels and all departments, ultimately affecting the way a business is done. An organization's ability to manage and adapt to organizational change smoothly and quickly is critical to its survival and sustenance. Therefore, it becomes imperative for the entire company to synergize and learn to handle change, regardless of the reason or type of the organizational change.

Change is primarily about leadership [2]. In other words, leaders are chiefly responsible for successful transformation process which is largely undefined in a shared service context. A number of popular leadership frameworks may provide recommendations to help solve some business problems, however, they prove to be insufficient to deal with the pace and polyvalent character of constant, rapid change [1]. Organizational change management, a structured and multi-disciplinary approach to transition organization and its employees to a desired level or state, ensures that the transition or transformation efforts are implemented smoothly and successfully to achieve lasting benefits. The likelihood for a successful change is high if the

\* Faculty of Management, SRM University, Kattankulathur – 603203, Kancheepuram Dt., Tamil Nadu, India. Ph: 044-27452270, Fax: 044-27453903, Email: luckshme01@gmail.com

\*\* Faculty of Management, SRM University, Kattankulathur – 603203, Kancheepuram Dt., Tamil Nadu, India. Ph: 044-27452270, Fax: 044-27453903, Email: vijayakumar.t@ktr.srmuniv.ac.in

change process happens in a phased manner, extended over a considerable length of time, and must not be looked at as a quick-fix solution, as, miscalculations made during the transformational effort could have far reaching implications in the strategic or operational aspects of an organization [3].

## 2. UNDERSTANDING SHARED SERVICES

'Shared services' refers to an organizational framework (Figure 1) where a firm merges common business functions performed by multiple operating entities into a distinct unit that delivers services to the rest of the firm as its business clients [4]. A shared service centre is an independent yet accountable cost centre within an organization [5] that would maintain internal customer responsiveness of the decentralized service units and eliminates corporate-wide redundancies across multiple divisions or business units. This service delivery organization can either be located in-house or outsourced to a vendor [6]. The types of activities performed by shared services centers span from transaction based, i.e., routine, high volume activities, to transformation based, i.e., activities that require extensive expertise and are strategic to the company [4], [7]. The business functions that may be shared are very diverse, including front office work, such as customer support; middle office; and back-office work, such as finance, law, human resources, and information systems [4], [8].

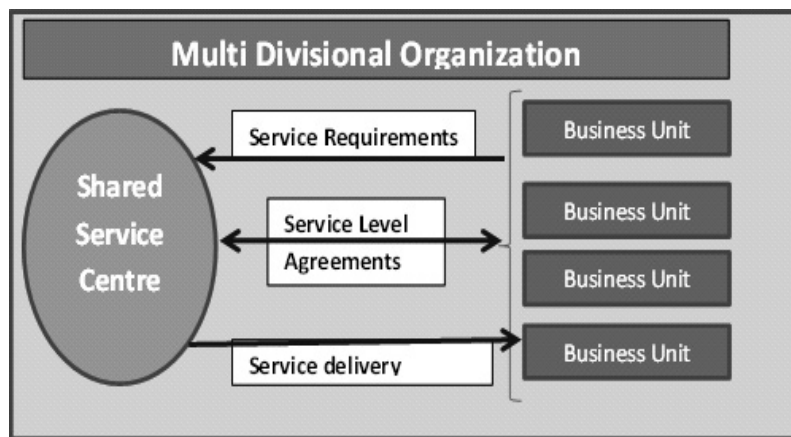


Figure 1: Pictorial representation of a basic operating model of a Shared Service Centre  
(Source: Self)

## 3. ADVANTAGE SHARED SERVICES

The business case for adopting a *not-so-easy-to-implement* shared service framework by increasing number of organizations world-wide has been irrefutably strong. Generally, organizations transition to the shared services framework to make the business functions (for instance, HR function) strategic at the corporate level and cost-effective at the operational level [9]; the transition sometimes being guided and sometimes drifted. The underlying principle or rationale behind shared services network is that organizations stay strongly competitive only when they focus on fewer core functions based on their expertise, while their non-core functions are shared with partner/alliance units to realize cost economies [10].

Within the private sector, shared services as a business framework, has been widely adopted by companies of various sizes, regions, industries, and market types. The reasons could be financial or strategic.

As per the 2015 Deloitte survey [11] of more than 1,000 shared service centres, organizations pursuing multi-function shared services centers (more than three functions) have increased by more than 40% over the last two years. Further, 71% of respondents are looking to increase the number of functions within their shared service centres in the future. The change drivers (Figure 2) are not limited just to direct and indirect cost economies, but also to other benefits such as leveraging ready-to-be-deployed converged

expertise or/and congregated experience across multiple divisions; increased business transparency and operational flexibility enabling better decision-making for the managing board; supporting a global operating structure; improving customer service; development of common operational practices and easily accessible data.

On successful implementation of a Shared service framework, the enterprise-wide transformational change has proven to bring very positive benefits such as reduced costs, increased efficiencies and in some cases even transformed how businesses operate in the long term. The Shared service framework is seen as an alternative approach to outsourcing, in view of its significant benefits of control and knowledge remaining located within the hierarchy of the firm.



**Figure 2: Benefits of Shared Services**  
(Source: Self)

#### 4. SIGNIFICANCE OF SHARED SERVICE CHANGE MANAGEMENT

Organizations that embark on large scale transformations such as migration to the shared service business framework have to work at both transformational (strategic) level and transactional (operational) level [12].

While some challenges in this journey are specific to the nature and location of business such as local business requirements and cultural factors, other factors like change management, lack of standardized technology platforms, absence of uniform processes and procedures, inadequate commitment/inconsistent support from higher echelons of ownership/management, dearth of robust program implementation and

project management are the most common/generic challenges to all businesses, regardless of the nature or size of the business operations. Shared services implementation involves more than just streamlining business functions; it actually means implementing a major change in the technology, processes, people's roles, responsibilities, identities, power equations, loyalties, communication channels and styles, rooted routines and trust. Integrating the interests of key stakeholders and carefully planning change management programs are critical aspects.

In a shared service implementation scenario, change management is widely accepted by business practitioners as one of the significant factors that makes or breaks the transformation exercise (to shared service framework) of organizations.

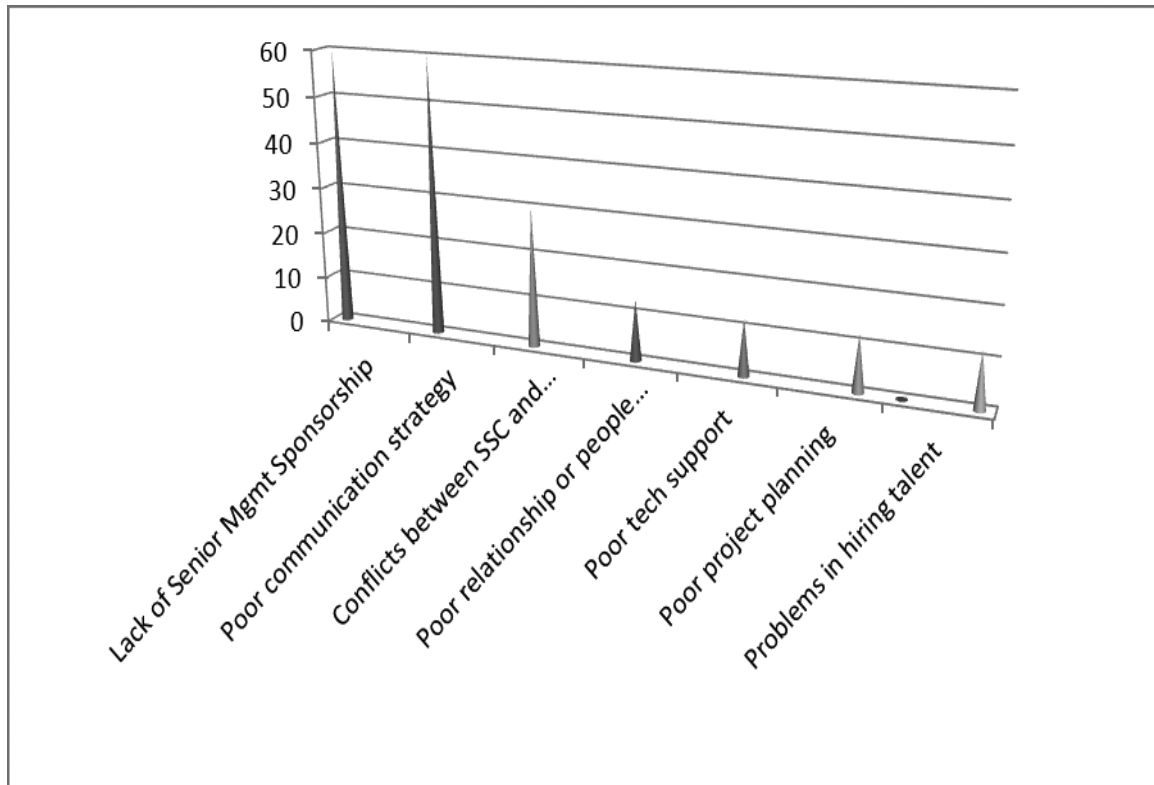
Research shows that about 50% of transformation projects are unsuccessful for failure to properly manage the change [13]. Misjudging the extent of the changes required results in over-extended timeframes of implementations. Value leakage arising from such situations is cited to be one of the most important pitfalls of shared service implementation. The transformational exercise and effort could be overwhelming to the organization in terms of time, effort and money to get it right. This type of change is complex as it is both, tactical and political. While the creation of shared services in most cases means moving to a new location with new people and provides an opportunity to 'break the mould' to facilitate transformational change, it also means corporate restructuring that involves aggregation and overarching integration of otherwise disparate support activities. People-related challenges such as skill and capability development issues; employee retention and transition issues; and performance monitoring are the some of the common challenges brought about by the shared service project [10].

## **5. OBJECTIVE AND JUSTIFICATION OF THE RESEARCH PAPER**

Even though change management has been widely acknowledged as one of the key factors for a successful shared services implementation, successful change remains elusive for many organizations. While it is understood that change management includes strategic decisions of whether, when and how to transform business, a clear understanding of which key factors contribute to the success or otherwise of a shared service change management needs further study and understanding.

The current paper examines existing research in the area of critical success factors for effective shared service change management and lists out few key factors that would decide the outcome of a shared service transformation initiative. Positive outcomes in the critical areas (discussed in the sections below) ensure the fulfillment of strategic objectives [14]. The purpose of this paper is to help organizations contemplating migration to shared services to test their transformation-readiness against the checklist of critical success factors, both context-specific [15] and universal, thereby aiding in their decision-making process. However, it must be noted that the relevance of the critical success factors listed in this paper must be validated time-to-time to ensure they are in tandem with the changing business scenario over the life cycle of a shared services implementation [16].

While significant benefits from shared services or functions have been realized, greater opportunities to drive business excellence wait to be seized [17]. According to the participants in a shared services practitioners survey [18] of most important drivers and barriers to shared service implementation, major barriers to the implementation (Figure 3) of a successful shared service framework were identified to be a lack of strong support and sponsorship from the senior management cadre and lack of effective communication strategy, while other barriers included lack of coordination and understanding between country and corporate managers (30%); poor relationship or people management (13%); insufficient technology infrastructure and support (12%); poor project planning (12%); and problems in hiring in certain locations (12%).



**Figure 3: Major barriers to the implementation of shared services**  
 (Source: PwC. Statement of capabilities: Shared services. (Some values approximated))

## 6. RESEARCH METHODOLOGY

The method of secondary data collection was used, where information was sourced and screened either from an original research or review studies involving shared services. Based on the extensive literature review, the definitions of pertinent terms, their importance, benefits, effectiveness, etc. were identified and studied. Online journals, research papers, thought leadership articles by corporates/knowledge communities and books served as the basis of research for this paper.

## 7. CRITICAL SUCCESS FACTORS: SHARED SERVICE CHANGE MANAGEMENT

### A. Leadership

In a shared services change management context, there are primarily two dimensions to leadership: (a) The quality of leadership i.e., skills, competencies and abilities of leadership and (b) Leadership alignment and multi-level sponsorship.

Rapidly changing business requirements have morphed the role of shared service leaders over the past decade, where they are responsible not just for transactional activities such as cost reductions and process improvements, but also the transformational ones strategic to the business. The ever increasing expectations and turbulent business environments continue to push the boundaries of their skills and abilities.

According to a survey [19], the most important competencies sought in shared service leadership are: change leadership; communication skills; negotiation and influence; partnering and relationship building; and finally, people leadership.

Shared service change management specialists play a pivotal role in designing the change management approach as they bring to the table their specialized knowledge, skills and experience unique to the context

of shared services initiative and also their dexterity with the concepts and difficulties that new and evolving organizational forms pose, for e.g., new organizational design, new role definitions, managing organizational culture change etc. It has also been suggested that change leaders could adopt a collaborative approach that coordinates the efforts of both change and talent management teams in an organization for a smooth transition [10].

Visible senior management support such as designating a single point of contact at the senior level [11] and cascading sponsorship through the mid-management layers ensures multi-level engagement and alignment of all stakeholders to the organization strategy and direction [21].

## **B. Communication Strategy**

The precursor to a well-planned and well-executed change management is to put in place an effective communication strategy [18] that engages and informs all stakeholders about the changes required and the benefits expected. A multi-pronged and a dynamic communication strategy identified at the start of the project not only aids in the early key stakeholder buy-in, but also in the appropriate handling of employee transitions such as employee retentions or redundancies, at a later stage of project deployment or when the project goes live. Articulation of the scope and goals of the initiative by the top management, and its potential impact on people's roles, positions and responsibilities result in benefits such as shared vision, increased levels of trust and confidence in the leadership, dispelling unfounded fears, decreased business disruption and attrition.

Clear, crisp and consistent communication with identified segment of stakeholders on targeted or ongoing changes in business practices and the consequent implications on not just the roles or responsibilities of various stakeholders but also on the organization, and a proper feedback mechanism [22] in place ensures their active participation in the change process. The vision of the future transformed state and the intent of the top management must be carried through the middle management to the grass root level with the help of a proactive, targeted communication strategy that combines multiple communication tools and media resources.

## **C. Early Stakeholder Buy-in and Sustained Engagement**

The change initiative can propel forward and sustain its momentum only with the trust and unconditional support from the stakeholders. The earlier the concept is sold within the company, sooner are the chances of getting onboard committed and concerted engagement from various stakeholders. Evaluating the stakeholders' perceptions, engaging them throughout and managing their expectations are the most important challenges faced by the change leadership. This results in not just a successful roll-out but also sustains the new model and eases adaption to the new organizational culture. Crisp, truth-based and a transparent communication plan specific and relevant to each stakeholder group is fundamental to forging stakeholder relationships.

When change is on the anvil, the chances of business disruption are manifold due to rumours, speculations and fears of the imminent change. Two-way engagement with key employees helps in lessening the impact of speculations and also in gaining trust and commitment from the rest of the employees. Cultural changes, sometimes dramatic, brought in by the new organizational form and offshore partners, also need to be appropriately addressed before they take the form of cultural challenges or shocks.

## **D. Human Capital Issues**

The most important component that undergoes radical transformation is the human resources. The objective of a shared service implementation is to utilize resources optimally to deliver value; in other words, *less*

*is more.* Defining roles, redesigning job descriptions appropriate to the new positions created within the shared service units and those that remain outside or get transferred are the prime challenges. Establishing deliverables position-wise and articulating specific tasks can bring about more focus to the newly carved out roles in a changed set-up. Once the necessary role-wise skills or competencies are identified and the positions are filled, extensive training and intensive reskilling of staff maybe required to fill skill-gaps, if any.

### **E. Talent Retention and Acquisition**

An impending organizational change triggers insecurity and anxiety among employees who start to look out actively for other prospective employment opportunities, taking with them the capabilities, knowledge and skills (for example, strong project management skills) acquired in their current organization. As such, the critical challenges of human resources department include: a) retention of skilled workforce and b) acquiring fresh talent pool with required skills and abilities to suit new set of roles and responsibilities. Specific initiatives to address the talent related challenges include (and not limited to) : clearly defining new roles and responsibilities along with the skill sets or knowledge areas required to carry out in the new organizational form; investing transparently in human capital in terms of conducting extensive training sessions and workshops to upgrade the skill levels and capabilities; facilitating free knowledge exchange, interactions and presentations through forums or communities and distribution of printed and digital information to enhance their capabilities; designing and employing individual career development plans and managing succession for the key skilled and experience workforce of shared services

### **F. Performance Monitoring and Management**

Recording and measuring the effectiveness of the changes brought by the shared services deployment, anticipating and eliminating tricky business situations in the new scenario and introducing systems/mechanisms to identify opportunities on a continuous basis that can be actioned upon to enhance business growth, are but a few challenges and responsibilities of shared service change leadership. Few key measures that ensure efficiencies at micro level and alignment of strategy with operations at macro level include - clear articulation of expectations, assigning accountability, tracking performance, identifying gaps, course correction where necessary, rewarding high achievers appropriately, tight adherence to service level agreements (SLA) and focus on the key performance indicators (KPI).

Other critical success factors for a successful shared service change management include shared service relationships, coordination and understanding between country and corporate managers and necessary technology infrastructure and support.

However, it must be noted that the above listed critical success factors are not exhaustive and more or completely different set of factors might be relevant for certain scenarios. Further, it might also be interesting to note that there could be certain variables that are conspicuous by their absence and whose presence would have heightened the success rate of implementation [16].

## **8. LITERATURE REVIEW**

The literature on organizational change management and managing change in organizations that migrated to a Shared service centre framework helps us to gain useful and interesting insights on the importance of managing change effectively as it has a direct bearing on the perception of how successful the migration to shared services has been. While the industry practitioners and consultants have vouched for the concept of shared services [23], academic research provides mixed insights. The key takeaway points from selected articles of the reviewed literature relevant to the current study are discussed briefly in the sections below.

Change can be viewed as episodic or continuous, based on its tempo [24]. Retired Harvard Business School professor John P. Kotter in his article, 'Leading Change: Why Transformation Efforts Fail' [3], notes that transformation is in reality a long-drawn process rather than an event and that, change initiatives taken up for a host of reasons in organizations often fail miserably as the transformation process is not given enough time. An understanding of various stages of the transformation process along with the possible pitfalls at each stage is the key for a successful transformation, according to the author. An organization's leadership and management must lead the change by communicating positively a compelling vision for the future transformational journey [25].

The importance of developing an effective communication plan that ensures that the progress of the shared services transformation effort toward its goals has been discussed in depth in their thought leadership document, 'Implementing Shared Services' by the Institute of Management Accountants [26].

Change management as a core competency must be nurtured and developed among the senior executives by committing considerable resources to attain long term competitive advantages [27].

Identifying required resources and skills needed to manage change and to implement new practices is one of the early challenges faced by senior executives [28].

EQ or emotional intelligence quotient at individual level and emotional capability at organizational level [29] has also been highlighted as one of the core competencies of change leaders, where management style is adapted to identify and empathize with employees' feelings. This results in positive impact of reduced attrition and helps employees to see change as an opportunity, not a threat [30]

Change management in a shared service organization comes with a unique set of challenges.

Organizations create synergies by aligning internal units that provide similar services such as purchasing, manufacturing, distribution or real estate, in order to realize massive economies of scale and derive benefits of specialization and differentiation [31].

Shared Services has been conceptualized as a hybrid governance model [32], as the practices and processes are rather fluid and go beyond the rigid models of organizational structures

## 9. CONCLUSION

Barriers to change during the shared service centre implementation can be managed or reduced considerably by focusing on the critical success factors well in advance of the migration to the shared service framework. However, it must be noted that while the list is not exhaustive, the measures proposed earlier in the paper could serve as starting points to draw up specific action plans to overhaul the prevalent procedures or processes, in combination with other situation-specific/business-specific relevant measures, to successfully handle change in organizations transitioning to shared services.

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### Authors’ Biography

- Ms. MVN Naga Lakshmi is a research scholar in the Faculty of Management studies, SRM University, Kattankulathur, Tamil Nadu, India.
- Dr. T. Vijaya Kumar is an Assistant Professor (Selection Grade) in the Faculty of Management, SRM University, Kattankulathur, Tamil Nadu, India

