



The impact and limitations of the application of a shared service centre in a Portuguese conglomerate

By

José Ricardo Pinheiro Gomes

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Advised by:

Professora Doutora Renata Blanc Esteves Bento de Melo

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Biographic Note

José Ricardo Pinheiro Gomes was born in Viseu on November 22nd of 1993. In 2011 he was admitted at School of Economics and Management of University of Porto where he studied management. In 2014 he graduated with the final grade of fourteen. In the same year he began his Double Degree in Management at School of Economics and Management of University of Porto and at Kedge Business School in Marseille.

Throughout the realization of the study he worked at an automotive distributor, as product manager, where he gained his first contact with the automotive sector and all the particularities associated with it.

Abstract

Today companies are being increasingly pressured to reduce costs, while still maintaining the quality in the services or goods they deliver. Under this scenario it becomes highly important to develop new strategies that allow for the elimination of unnecessary and costly procedures. One solution that has been gaining ground since the late-1990s is the implementation of shared services centres (hereafter SSC) (Schulman et al., 1999), a fact that has not gone unnoticed by the press (Cassell, 1997; Jackson, 1997; Lester, 2001). These centres are focused on the elimination of repetitive tasks common to the several agencies or companies present in the SSC network, which, in turn, allows for companies to focus on tasks critical to their mission (Bergeron, 2002). When dealing with larger business groups, the advantages of applying an SSC is even more notorious due to the bigger benefits retrieved from economies of scale (Bangemann, 2005). This study will focus on the implementation of a SSC in a large Portuguese conglomerate, with the particularity of several of its agents operating in Africa. In this dissertation, an analysis regarding the process of implementation will be provided, as well as of the obstacles and enhancers that appeared throughout the project. This study also aims to provide an understanding of how a construction of SSC may be influenced by the environment that surrounded its implementation.

Key-words: Shared Services Centres; Conglomerate

JEL-Codes: M41; L25

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1. Literature Review

The first SSCs originated in major companies in the USA (Moller, 1997; Quinn, Cooke, & Kris, 2000). In its initial phase of the existence of the concept most of the areas or departments that were usually associated to the SSC were linked to accounting and finance (Hammer, 2003; Moller, 1997). With time the concept spread to other departments and parts of the world, namely Europe (Deloitte, 2015) where much research is being undertaken regarding the subject (Moller, 1997).

The concept of SSC varies greatly amongst the existing research on the subject. However themes such as synergy, improved efficiency and quality of service are common amongst the majority of the current literature (Ulbrich, 2008). SSCs are seen as an hybrid business model, adopting the concepts of decentralization, centralization and outsourcing, harvesting all of their advantages and minimizing or avoiding completely their disadvantages (Frank, 2010). In this chapter a brief analysis of the current findings regarding the subject of SSC will be presented, including a description of the concept, as well as a comparison to the business models from where it originated.

1.1 Definition of a Shared Service Centre

A SSC can be seen as a business model, and, as it is with all these type of models, it can be extremely difficult to define. Given their complex nature and their uniqueness due to all the variables that affect and shape their structure it may be difficult to translate into words such concept. However a definition that can be used to capture the general concept is the following:

“Shared services is a collaborative strategy in which a subset of existing business functions are concentrated into a new, semiautonomous business unit that has a management structure designed to promote efficiency, value generation, cost savings, and improved service for the internal customers of the parent corporation, like a business competing in the open market” (Bergeron, 2002).

In operational terms it translates into the integration of processes into a secondary business unit where these are concentrated on a single physical place or connected through the use of communication technologies into a single network (Bergeron, 2002). This unit is then able to service various internal partners (Schulman et al., 1999) and allows for the elimination of the duplication of processes and redundant tasks increasing the efficiency of the organization as a whole (Wang & Wang, 2007). Inside the unit all the processes in the hands of specialized personnel, that are not exposed to distractions from other functions and with more expertise in these tasks. With this it becomes possible to harvest the benefits of economies of scale and experience and, thus, cost reductions, amongst other advantages. These processes tend to be non-strategic and foreign to the parent company's main mission (Bergeron, 2002), furthermore given that one of the main benefit of the SSC application is the possibility to take advantage of economies of scale it is common that the main processes to be delegated to the project are originated from the accounting and financial areas of the company, given their high-volume and non-mission oriented tasks (Bangemann, 2005).

Due to their similarities it is common to mistake an outsourcing model or a centralized model with an SSC, however these differ greatly from one another (Ulbrich, 2003). In an outsourcing model the non-mission oriented tasks are assigned to an outside vendor, who receives a payment for the completion of these tasks during the contracted period of time (Willcocks & Kern, 1998), often also serving other clients (Bergeron, 2002). In the case of a centralized model there is a high degree of control on a corporate-level, therefore any economies of scale will come at the cost of the level of service and responsiveness of the SSC (Bergeron, 2002). A SSC acts as autonomous unit servicing multiple departments while still being owned by the organisation that benefits from it, and only in rare occasions also servicing external entities (Bergeron, 2002).

Furthermore SSCs can have two major applications, they can be used to provide support for several departments from a single organization, in which case they are called an intraorganizational SSC or they can be used to assist departments from several organizations or agents, in this scenario they are called interorganizational SSCs. Both these types of SSC as well as the difference of concept between an SSC and an

outsourcing model or a centralized model can be perceived in Figure 1 bellow. In this study we will be analysing the use of an SSC inside a conglomerate but used amongst various agencies and companies belonging to it and, therefore, will be dealing with an interorganizational SSC.

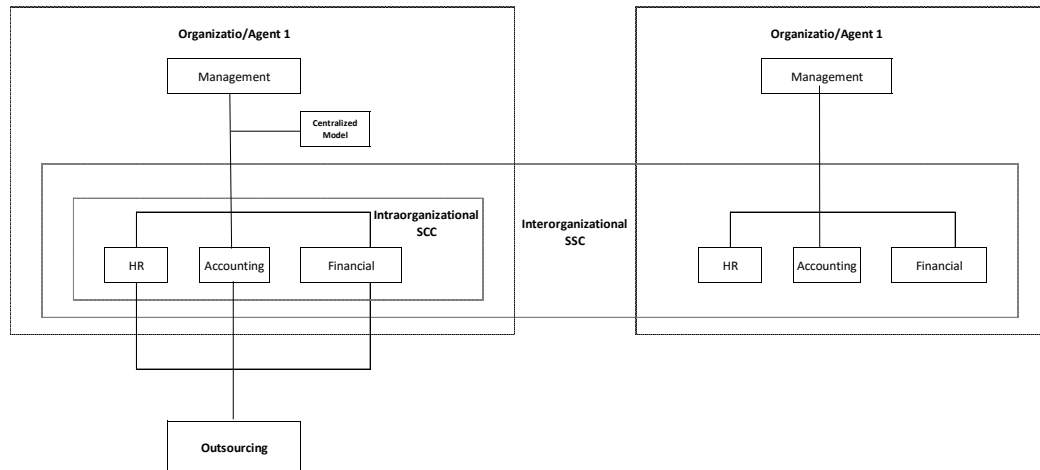


Figure 1: SSC, centralized model and outsourcing model

1.3 Main motives for the application of a SSC

With the definition of a SSC now clarified it is possible to analyse more concretely the main reasons that leads many companies to undertake such an extreme reengineering (Ulbrich, 2006) in order to achieve the advantages of the use of a SSC. According to the current research the majority of the existing SSCs has as their main goals the four common objectives (Shah, 1998; Ulbrich, 2006):

- (1) The reduction of costs caused by the use of a single business unit to provide support to several departments.
- (2) A centralization of intellectual assets that otherwise needed to be spread throughout the organization.
- (3) A creation of a business unit capable of providing services with a higher degree of quality.

(4) A way of propagating the use new technology while accelerating the spread of the advantages of its use throughout the entire organisation.

Cost reduction is, as it has been mentioned above, the main reason for the implementation of a SSC (Norling, 2001; Triplett & Scheumann, 2000). The centralisation of common procedures in a single place allows for the benefits of economies of scale to appear (Bergeron, 2002). Also the elimination of the duplication of common tasks, the standardisation of procedures and even the harmonisation of the language used inside the business unit helps to increase the streamlining of all the operations inside the business unit (Strikwerda, 2009). Therefore an SSC is an ideal tool for optimizing the handling of routine tasks with maximum efficiency (Funk, 2000).

Also the fact that, with a SSC, a centralized business unit is created allows for the allocation of highly specialized personnel to that unit. Considering that this unit is in touch with the majority, if not all, of the departments of the parent company a small company, that would otherwise would not be able to, can spread its intellectual property throughout its entire self (Connell, 1996; Norling, 2001; Shah, 1998). This translates to a better use of the specialized personnel inside a company, thus allowing to solve complex problems in the entire institution through the use of a smaller amount of specialized personnel.

With non-mission oriented tasks concentrated in a single business unit the other departments of the organization are able to focus solely on tasks critical to the organization's mission and in increasing the quality of the goods or services they provide. Furthermore, given that the personnel inside the SSC is also completely focused on the tasks delegated to them, and also taking into consideration the standardisation of these, it is possible to achieve a higher level of quality that is afterwards passed to the costumer (Cecil, 2000; Triplett & Scheumann, 2000).

An organization in need of implementing a new technology, new software for example, would need to acquire one license for each of its agencies of business units. With a centralized business unit that centralizes all of the organizations need for that specific technology would only be in need of a single license thus spreading the costs throughout all the other units (Shah, 1998). Additionally the need to undertake any

update in said software or other technology would be done more quickly given that it would only be needed to update a single unit, which would then spread the advantages of this update throughout the entire organization (Shah, 1998; Triplett & Scheumann, 2000).

1.4 Implementation of a SSC

Despite the general benefits of a SSC being applicable to most, if not all, organizations its implementation is not standardisable to every scenario. Each institution will be exposed to a different framework and environment, as well as corporate identity, culture, among other aspects that make each organization a unique entity. It is therefore necessary that each organization who wishes to adopt this business model to adapt it to its reality and to “translate” this concept into its own dimension (Doorewaard & Van Bijsterveld, 2001).

Although there is a certain volume of research regarding the concept of SSC, and various case studies reflecting its success or failure, the process of implementing the SSC itself is still under researched, especially when analysing SSCs not directly connected to IT, where most of the focus is directed to the technical aspects and not so much towards the management issues that may arise (Janssen & Joha, 2008). Furthermore most of the case studies analysed in the current literature are based on organisations acting on a single city or country, leading to the dismissal of the particularities of associated with the implementation of a SSC across an organisation with offices spread throughout different countries or even continents, and thus exposed to workforces with different cultures, limitations in communication due to distance, among others.

However there are some aspects that have been highlighted by previous literature that can affect and shape the process of implementing a SSC. Frank (2010) has showed how the mere perspective of the increased quality of the work done and the reduction of costs is a factor that motivates the alignment of the employees in contact, or within, the new business unit. This type of alignment is fundamental for the proper implementation

of such a dramatic reengineering of an organization (Ulbrich, 2006). Perhaps even more important than the collaboration of the employees is the positive involvement of all the key player of the organization, for example, the decision makers that will have started the project in the first place (Janssen & Joha, 2008). In this respect a similar positive aspect is the prior collaboration between all the members of the SSC and its network (Bjoern & Andreas, 2010), although this is an aspect that normally will only be lacking in when dealing with interorganizational SSC.

These “tailwinds” to the implementation of SSCs do not necessarily exist in all organizations. In a previous Human Resources (HR) SSC scenario analysed by Cooke (2006), the implementation of an SSC lead to the reduction of the perceived quality provided by the department due to the depersonalization that had occurred to the services provided. The HR department had simply become a processing facility for the employees of the company. Not only on behalf of the users of the SSC may this constitute a problem but also from the perspective of the staff working at the SSC who may feel overwhelmed by the new set of skills needed to deal with the new tasks (Horan & Vernon, 2003). Furthermore the use of a centralized unit means that information will have to flow freely between the SSC and the other units allocated to it, a situation that will require a great degree of investment on the proper technology to handle with this situation (Horan & Vernon, 2003; Tomasino, Fedorowicz, Williams, Gentner, & Hughes, 2014; Ulbrich, 2006).

Furthermore in the case of a large organization the location of the SSC may necessarily occur far away from many of the agencies in contact with it (Bergeron, 2002), which in turn means that many employees that were meant to work there may create some resistances by refusing to reallocate to the new business unit (Bjoern & Andreas, 2010).

It seems therefore appropriate to conclude that each SSC will be unique, with its characteristics and particularities dependant on the environment and details of the organization where it is inserted.

The case study provided in the next chapter will focus on a Portuguese conglomerate that created a SSC in Portugal but with the majority of the units delegated

to it in Africa. The SSC is specialized in tasks revolving around accountancy and financial administration, thus shedding some light in more managerial aspects and not so much on the technical aspects of IT as in past research. Additionally, an analysis will be provided regarding the impact that distance and different cultures and qualifications brought to the SSC.

1.5 Past Research

In a past research Tomasino et al. (2014) dealt with the particularities of implementing a SSC across various organisations. In this study the complexities that arise during the attempt to create a SSC servicing various players are highlighted, with concepts such as the butterfly effect being applied to describe the consequences that small details have in the outcome of such a project. Despite being oriented towards an IT perspective some conclusions may be applied to other perspectives. For example the authors conclude that there is a need to maintain a great degree of flexibility throughout the implementation of the project, thus allowing for the adaptation of the SSC to the constraints that may arise during its implementation. Furthermore there is a need to create a central governance between all the organizations, ensuring that collaboration and negotiation occurs between them, resulting in a more efficient and balanced outcome.

In a study oriented to the translation process of the concept of SSC, Frank (2010) analysed the need for changes in ideology inside a company in order to successfully implement such a project. In his study the author concluded that despite the support from the management of the company a certain reluctance from the employees lead to resistances in the implementation of the SSC. Being the company in question a public institution the author advocated as a conclusion the need for a change in HR policies in order to mitigate the resistances from the employees, who were not fully aligned with the intentions of the manager despite the proven success of the SSC. This study therefore highlighted the power of the employees to dictate the failure of a SSC.

On the other hand Bjoern and Andreas (2010) focused on tackling the reasons and conditions behind the implementation of an SSC in public organisations. Through a multiple case study the authors conclude that cost pressure is the main rationale behind the implementation of a SSC. Additionally, with this rationale present, there needs to be two initial conditions that will allow for the successful implementation of a SSC. Firstly prior collaboration is essential to ensure a trustful foundation from where the SSC may arise. Secondly key actors must be present who are aligned with the intention of creating the SSC. These actors must be in key positions in order to have the authority and ability to successfully conduct the necessary changes needed for the implementation of the SSC.

2. Methodological aspects

The purpose of this study is to analyse the process of implementation of the SSC from its origin to its completion, while at the same time understanding aspects such as the motivations behind the decision to implement it, the obstacles that appeared and the strategies to deal with these and the current success or failure of the SSC as well as future intentions regarding it.

As in most literature in this area the research followed a single case study analysis with the use of techniques defined by Yin (2013), namely regarding the methodology in the conduction of interviews. A case study research can be described as qualitative and observatory in nature, with research questions well established from the starting point of the research (Yin, 2013).

Five interviews were conducted, in three phases (Figure 2) to the director of the SSC, and directors of the most relevant departments for the study: accountancy, financial and control management. These interviews were kept as open as possible in order not to influence the information prevenient from the responses of the interviewees. Given the pertinence to the study and its importance for the completion of a case study analysis its was fundamental that the case was studied while in its environment, this is during the process of the development of many of the solutions implemented (Yin, 2013).

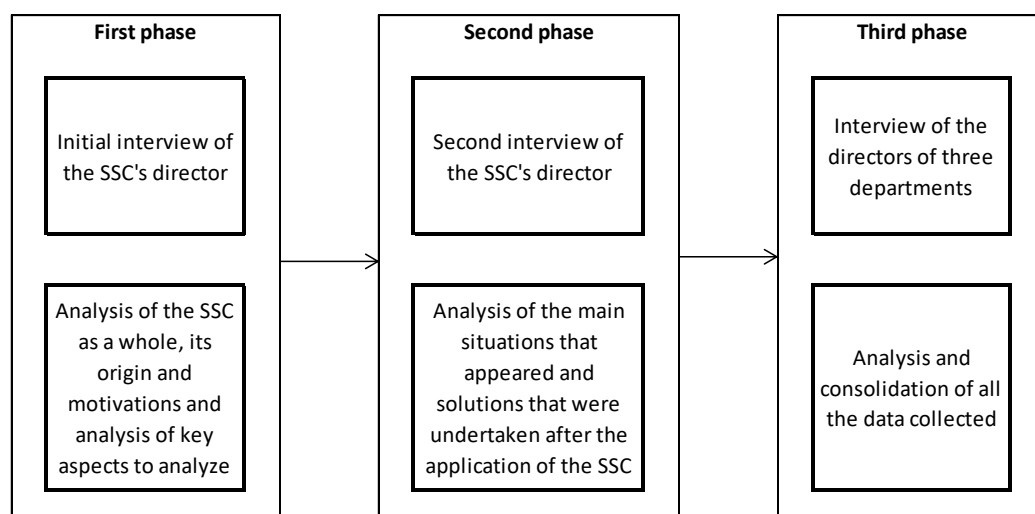


Figure 2: Phases of the study

Furthermore, given the interest in analysing the entire process of the implementation from the origin of the project, including its motivations, a narrative analysis was used (Davidson, 1997). The use of narratives aided in understanding the “hows” and “whys” of the project by analysing the interviews as a chronological succession of interconnected events, thus making it ideally suitable to understand all the aspects relevant to the study.

Following this approach the analysis will begin with a description of the organization where the SSC is implemented followed by a description of the events that lead to the motivations of the implementation of the SSC. Next a view from each of the departments regarding the daily challenges that had to be addressed will be exposed, with this being the main focus of the study. Lastly a description of the general view regarding the future of the project will be stated in order to materialise the project into three phases: creation, adaptation and future evolution (Figure 3).

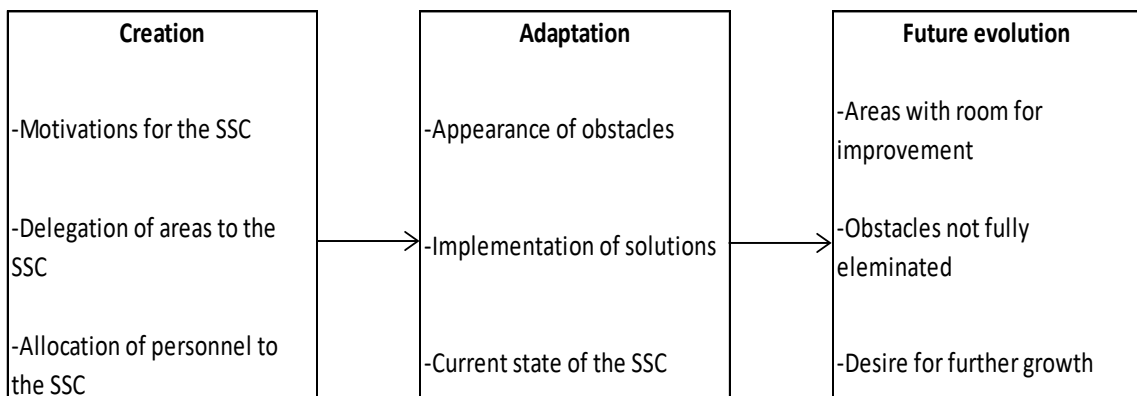


Figure 3: Phases of the SSC

3. The Shared Service Centre

3.2 Alpha

The organisation analysed in this study, entrusted with the role of acting as a SSC, is part of a larger Portuguese conglomerate, which will be named here as “Group”. The conglomerate is specialized in the automotive sector, more specifically in the import and distribution of vehicles, with presence in several countries namely Portugal, Spain and several others in the African continent. Despite existing for several decades the Group is very family oriented, making it common to find many family members of its founder in many administrative functions. For anonymity reasons the company delegated with the task of acting as an SSC will be named here “Alpha”.

3.3 The Group in Africa

The Group, to which Alpha belongs, has been present in Africa for over 20 years and in 2010 it was in charge of representing two carmakers in two major African markets. This organisation participated in Africa through two “tradings”, one of which was “Alpha”, each one representing one of the carmakers. These companies were mere intermediaries. They imported cars that were billed in Portugal but in turn went directly to the dealerships in Africa, some of which belonged to the tradings, and never being physically present in a stock belonging to the trading itself. These companies acted as intermediaries between the dealers in Africa and the car companies who wished to avoid the risks inherent to the business in Africa.

Throughout most of the presence of the group in Africa the volume of sales was not relevant enough to gain much focus, however, in 2011 the two markets where the group had its most predominant participation, Portugal and Spain, entered into a recession leading to a dramatic reduction of car sales, thus forcing the group to search for another source of high volume of sales. With this search came a partnership with another large automotive conglomerate, also focused in the import and distribution of cars. This partnership led to the increase of the group’s portfolio in its two African

countries by four car brands, increasing the volume of sales and consequently increasing the focus of the group in the continent.

By that time a shared service centre had already been established in Portugal with the aim of providing some centralized assistance to the tradings in Africa, nonetheless this SSC was shared with other companies of the group operating in Portugal, this usually leading to the dismissal of the tradings acting in Africa which lead to the African operations being treated as a secondary task and never being given the appropriate priority. Due to this there were many board members that had the desire to create an SSC focused solely on the operations in Africa and specialized in the African reality in order to give the proper focus that it required.

This desire was to be fulfilled because in 2014 the group gained the distribution contract of cars of one of the major key players in the automotive sector in Africa. With this the group started to represent yet another car brand in seven countries. This dramatically increased the volume of sales in the continent and, with this, the need for a specialized SSC became undeniable. And so throughout the remaining of 2014 a SSC was created inside one of the original tradings, Alpha, and in 2015 a fully operational SSC was up and running focused solely in the tradings and respective dealerships in Africa. Despite technically being a trading itself, Alpha, and its teams, were in charge of the SSC allocated to the operations in the African countries (Figure 4).

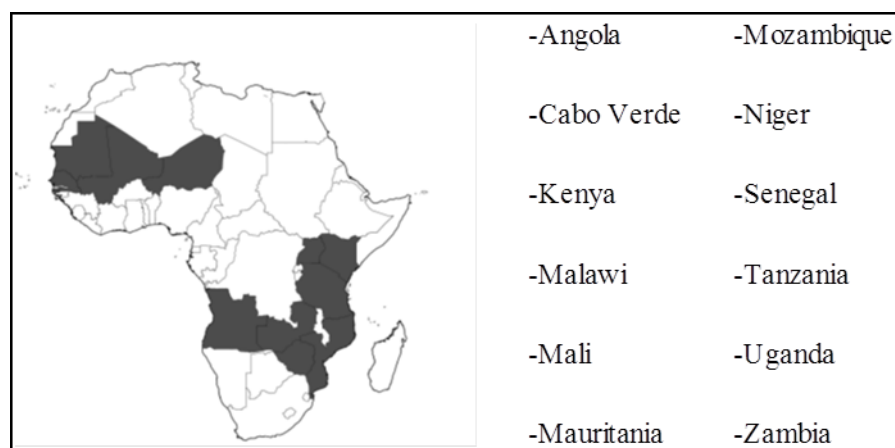


Figure 4: Countries in Arica where the Group operates

3.3 Operational Team

Inside the SSC at Alpha there were two major areas: operational and financial.

In the operational team one director and several project managers were in charge of developing the business in Africa which focused on the sales and after sales of passenger and commercial vehicles in Africa. They were in constant contact with the local dealerships in Africa and were responsible for key strategic decisions, such as which models from each brand to sell, which quantities to order, what objectives regarding sales volume should be imposed amongst other aspects regarding the operational aspect of the business in Africa.

Previous to the implementation of the SSC these decisions were up to the local teams in Africa, the tradings were mere bystanders, having no direct impact on the operations in the continent. The tradings ultimately served only to issue the orders to the factories of the car manufacturers, however with the creation of the SSC in Alpha this changed and these major decisions were delegated to the teams in Portugal. This was perceived as a loss of autonomy by the local teams who considered that, if they were in an administrative position, they should not be forced to answer to the project managers in Portugal. This in turn led to resistances. It was not uncommon for the local teams to ignore suggestions from the SSC regarding which areas of business to pursue or not and equipment or technical related decisions were usually carried out without consulting the teams in Portugal, who had much more experience and know-how in these aspects.

Furthermore, it was common for the authorities of many African countries to demand a justification of the visit, which in turn leads to any upcoming visit by the Portuguese teams to conduct audits over the local teams to be acknowledged before time. Thus preventing any attempt in any surprise control visit. This meant that a great deal of trust had to be had in the local administration which in turn had to be well aligned with the way of thinking and acting of the Group. With the issues mentioned above it was not possible to apply the best practices that were already standard to the rest of the Group's companies.

To overcome all these problems the SSC adopted two major strategies with the support of the Group.

The first consisted in replacing key personnel in the administration of the local companies, such as top managers, by new personnel. This avoided the “shock” when the transfer of decision power to the SSC was to happen, considering that the new administrators would come with a fresh vision regarding the project and no “bad habits” or sense of loss of autonomy as the previous personnel. Furthermore, the Group was very family oriented, with family members being present in major administration seats in Portugal. By replacing the administration in Africa by family members, or at least close and familiar to the family, it was easier to avoid any insubordination towards the managing teams in Portugal and to guarantee that the local management was already aligned with the culture and mind-set of the Group.

The second approach was less intrusive and involved assimilating the local teams within the Group’s culture. Employees from all of the Group’s divisions were invited to join the Group’s annual event at the headquarters in order to have an informal meeting to strengthen bonds. African employees were invited to arrive a day earlier in order to have what was called the “African Day”. In this day the African and Portuguese teams from the SSC were able to meet in person, thus allowing for the type of bonding not previously possible due to the distance.

This bonding moment and personal contact was not the only procedure implemented to incentivize culture alignment. The Group’s Corporate Human Resources had several practices and procedures aiming at maintaining and spreading the Group’s culture amongst all the employees. For example: the issuance of several newsletters that spread the news from different organizations from inside the Group, teambuilding activities and even a written manual explaining the Group’s history. It was the responsibility of this department to ensure the alignment of all employees within the Group to its culture, with the African organizations being considered as a priority.

In the overall this centralization of the operational team at Alpha allowed for the key strategic decision to be handled by more qualified personnel than the one that was

available at each agency, while allowing the team to be close to the board of the entire group by being present in Portugal.

3.4 Administrative and Financial department

The administrative and financial department was the largest in terms of personnel and was in charge of three areas primarily focused in back office tasks and thus a prime example for the advantages of an SSC. Divided within three areas (Figure 5) it was a department in constant contact with the operations in Africa.

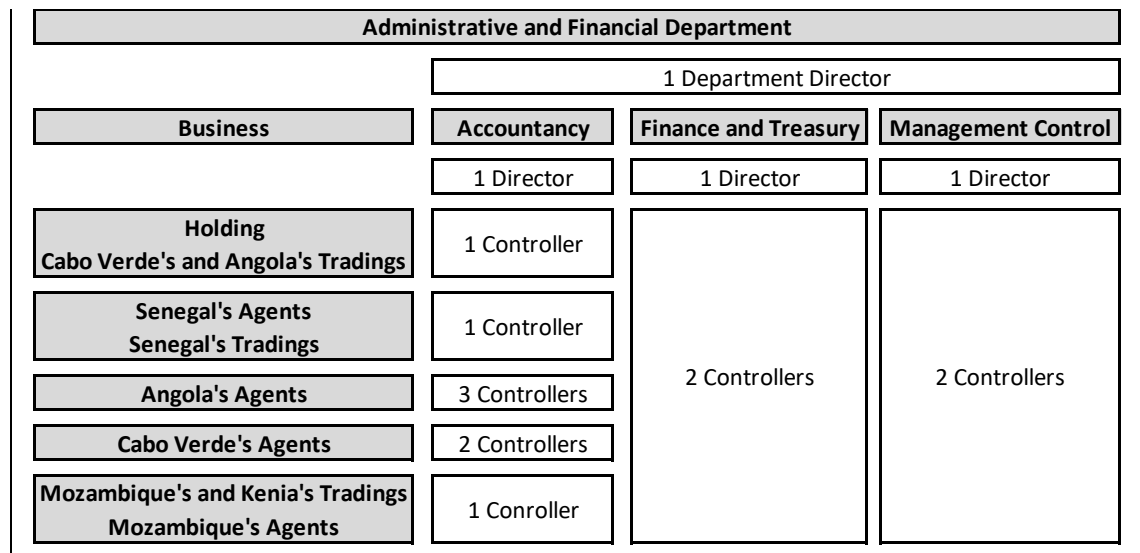


Figure 5: Administrative and Financial department's organizational chart

3.5 Accountancy

In the accountancy department a team was in charge of the ensuring the closure of accounts, reporting results to the administration and dealing with reporting obligations regarding external entities.

Accounting is by nature one of the areas most susceptible to be transferred to a SSC (Bangemann, 2005; Bergeron, 2002). With the possibility to be standardised across different organisations and its non-operational characteristics it is no surprise that it was given a higher focus than any other area in the SSC previous to Alpha. However despite its standardisable nature it is still an area that requires a great degree of discipline and precision that demands some qualifications from the personal involved in the area, namely a great knowledge in the chart of accounts in current use. In the case of the traders which were present in Portugal, and in the same building as the SSC, this did not proved to be a major issue, however the situation in Africa was rather different. Each agent (dealership) in Africa had its own schedule to deliver the invoices necessary to conduct the account entries. This lead to different deadlines between the various organisations in Africa, making a universal report of all the African operations impossible. Furthermore it was common for many documents to never actually reaching Portugal. The local teams who were in charge of sending the proper documents to Portugal were, many times, receptionists at each agent who did not have the proper qualification to deal with said documentation and in some cases completely dismissed the invoices leading to the account entry and the proper processing of the documentation to never actually occur. Citing one of interviewees regarding this subject, "... the people (African employees), themselves, do not have the thoroughness that you may find here in Portugal... Perhaps it is the country itself that leads to a certain lack of discipline."

The first major challenge that the accounting department at Alpha had to deal with was to achieve a harmonisation of the timing of the closure of accounts regarding the agents in Africa and avoid any loss of invoice documents due to negligence from the local teams.

To attend to this task an adaptation to an accounting software already in use was created. This enhancement to the software involved the creation of a simple interface, to be used by the personnel at the agents, where several common accounts were described in a simple fashion (ex: a field named “Electricity” was present, corresponding to electrical supply related expenditures). The user simply had to select the corresponding field to the document that he or she had at hand and submit it in the corresponding field. These fields covered most of the common account entries (in the case the area was not covered by any field in the software the document was to be uploaded through another channel and managed directly by the team in Portugal) and ensured that the proper documents were being sent to Portugal with the correct description. The software was also programmed to prevent the uploading of any document after a specific date, thus forcing the local employees to upload the documents within a proper schedule. To avoid the loss of any document due to negligence from the locals in Africa a mechanism was created that sent an email to several administrators of the agents in case a common expenditure invoice (such as rent, water and electrical bills and several other routine expenditures) was not uploaded into the system.

The software also provided another advantage. It was designed to create a second company inside itself, commonly referred as an “accounting company”. It was not possible to upload or delete any account entry inside this company, the only interaction that was possible to undertake with it was the download of the accounts report which mirrored the reports of the agents, however “translated” into the account plan of the country corresponding to the agent in question. This allowed for the local employee to be able to access the necessary balances and reports demanded by the local authorities.

Furthermore, the accounting department back in Portugal had access to a Business Intelligence software where a budget created by the management control department was present in an highly detailed fashion. This allowed the accounting technicians to anticipate any common expenditure and contact the local teams in case of any discrepancies to avoid, once again, any dismissal of important invoices on their behalf.

At the end of the month it was the job of the accounting department at Alpha to make sure that all the reports were in order for the management control department to further present to the administration.

Many advantages were highlighted by director of the accounting department, not only in terms of costs avoided by focusing all the account technicians in a single unit and building, thus reducing expenditures with personnel but also by allowing an easier communication between the personnel in charge of the traders and the ones in charge of the agents, making it possible to quickly match account entries generated by the interaction between the traders and the agents in Africa. To further enhance this advantage certain changes were being planned in the distribution of countries and agents between the various members of the team. Currently one single person was in charge of all the traders and then several teams were in charge of agents by countries, the changes involved assigning one team for each country (both agents and trader) thus allowing for the faster matching of accounts entries generated by the interactions between the two.

In the state of SSC at the time of the interviews (with around 15 months of operation) it was possible to have the closure of accounts ready in up to 10 days after the end of the month, something which was seen as impossible in the previous SSC. However in the beginning there were some resistances brought up by personnel on both sides of the organisations, mostly due to the time schedules, which were many times criticised for being too strict by many members of the SSC at Alpha and the employees in Africa. This was seen by the director of the accounting department as the natural resistance to change and tied to the mentality of the previous SSC, in which the African operations were seen as an unavoidable problem. The change of mentality required to achieve the current level was created in Portugal with the dedication of Alpha as an SSC exclusive to Africa and in the African continent by the replacement of some key personnel by new personnel which had not been exposed to any previous mentality and that proved more dynamic in the application of new working mentality.

It is currently the desire of the accounting department to further increase the independence of the locals in their ability to attend to account entries, through the use of software, in order to allow for the focus of the accounting department on other aspects

transversal to all the SSC and not specifically to each one of the single traders. Furthermore further reducing the time it takes to release the accounts for each month while still increasing the quality of the reports is still one of the tasks crucial to the department, "... that is our main goal, improve the accounts, the aspect of the accounts and deliver them as soon as possible".

3.6 Management Control

As said before, previous to the implementation of the SSC focused exclusively in Africa at Alpha, areas such as management control were mostly disregarded in this continent, according to one of the interviewees, "...the area of finance and treasury and even control management itself was not very visible,... regarding the countries in Africa it was mostly ignored". The focus, when it came to Africa, was concentrated solely on accounting, a department that was shared with other companies of the group operating in Portugal. Thanks to the decentralization of the SSC to Alpha it was possible to give the attention needed to these, otherwise secondary, departments.

The Management Control (MC) department had the responsibility of developing the annual budgets for each of the traders and (regarding solely on the selling of vehicles to these) the agents operating in Africa. The process of creating these budgets started with the traders submitting a suggestion regarding the budget to be used throughout the year, this suggestion then passed through a comparison with a pre-planned budget inside the MC department so that it could ultimately be analysed by the administration for its final approval. This final stage involved a meeting (usually through conference call due to the distance) between the three parties. After the approval of the budgets and throughout the year the MC department maintains a constant analysis between the real budget in practice and the one approved regarding the current year.

The final task assigned to the MC department was of providing support regarding the software used by the locals in Africa, with a special focus on the software used by accounting given the rigorous nature of it. Indeed all the parameterizations

within the software mentioned above, aiming at the simplification of the account entry process conducted by the locals, were created by the MC department in a joint effort with the accounting department.

Having such a close relationship with the locals in Africa this department ended up by being the one with a higher degree of contact with the several African countries. This lead them to experience first-hand one of the greatest challenges, the lack of infrastructure in some areas of the country that inevitably lead to problems in communication between them and the MC. However these were easily solved with investment in infrastructures. A situation that however could not be solved was how often visits occurred, with the MC department also being responsible to conduct audits to the local offices it was common for a long time to pass between these audits which in turn lead to a certain degree of uncertainty regarding the correctness of all the info regarding inventory that was transmitted to the accounting department back at Portugal.

On the other hand there were advantages in centralising all the MC back office in a single place, as stated by the personnel at the SSC, these revolved, once again, around the cost saving nature of having the entire MC back office tasks regarding all the traders and the agents in a single team with the addition of having a variety of highly skilled personnel constantly in contact with each other in order take advantage of their qualifications and experience. Furthermore all the software was in constant change. Everyday errors were discovered and new accounts were created that needed their own parameterization in the different software. With the entire team of MC concentrated in a single space the increased communication derived from this reality allowed for all the traders and agents to take advantages of the detection of errors and enhancements to processes and software that occurred elsewhere, all the experience earned throughout the entire African continent was therefore shared immediately resulting in greater economies of experience though all the offices in the continent. Citing one of the interviewees “... if we detect any error,..., or need to implement a new update, by having all he companies together the detection of a need in one will immediately affect all of them”.

It is the goal of the MC department to constantly reduce the interaction intervention of the accounting department in the daily routine of the locals. By

continuing to increase the amount of parameterized accounts and the simplification of the daily processes in Africa it will be possible to someday create a swift operation in Africa, reducing the disparities in terms of schedule fulfilment and level of discipline when compared to its Portuguese counterparts.

3.7 Finance and Treasury

Another department that gained an increase importance with the passage from an integrated SSC to an independent SSC focused exclusively in Africa was the Finance and Treasury department. In this the department three major responsibilities were to be found.

Firstly a more administrative function was conducted by this department. Bureaucratic obligations such as opening and closing accounts at banks, updating the information present at these accounts and all the other similar administrative tasks were under the responsibility of the financial department. Furthermore the team at this department is also in close contact with accounting due to all the movements that are conducted on a regular basis.

Secondly, and in a more operational way, another responsibility of the team at this department is the one of ensuring that all the payments are to be conducted alongside all the receipts from the agents. Once again the lack of organisation present in most of the agents in Africa lead to the need for a constant supervision of the receipts. This often led to a stream of emails and phone calls in order to ensure that all the payments of the clients were conducted in a timely fashion. Regarding the payments conducted by the SSC these were fairly simple when it came to casual suppliers (such as water, electricity and others) and similar to any other organisation.

However there is a type of payment to a supplier that proves to be more troublesome, the payment to the car manufacturers for the orders of the cars that are to be sold. Most of these orders were in a large quantity, due to the long time that took for the orders to arrive at each country and the need to maintain a large stock to overcome any market trend change in the consumption of vehicles in each country during that

period. Therefore, in order to maintain the liquidity and ensure that all the payments were conducted in time (further ahead we will analyse the importance of the fulfilment of schedules in this matter) a very expensive planning had to be undertaken, which leads to the final responsibility of the financial department, conducting the planning and anticipation of all the payments and receipts of the tradings.

This planning however was exposed to a great deal of particularities due to the characteristics of the African reality alongside key aspects of Alpha being an SSC.

One of the major challenges to be addressed was the economic situation in Angola. This is by far the largest market in Africa which meant that any problem here would have a great impact in the SSC as a whole. And in fact there is a situation currently affecting this country severely, the lack of foreign currencies. The decline in oil prices, one of the greatest source of revenue for the country, has led to an economic downturn which caused a lack of access to foreign currencies, which, allied to the fact that the “Kwanza” (the currency of Angola) is not being generally accepted in other countries, has led to problems in receiving payments from the clients there situated.

In order to deal with some of these complications the team at the financial department used a financial instrument offered by banks denominated as letters of credit. These basically transferred the risk of a buyer not honouring its obligations to a supplier to the banks that guaranteed that the payment would occur in time. In the case of Angola this method usually involved two banks, one in Angola that guaranteed to another in Portugal which in turn guaranteed to Alpha that if a client in Angola was not able to fulfil its payment obligations the banks would come forward with the money to take care of the expense. This diluted much of the uncertainty that revolved around the clients of the SSC providing a great deal of relief when dealing with the anticipation of the receipts from Angola.

Another issue was the payment of orders to the car manufacturers. As mentioned above most of the orders took a long time to arrive to each country which not only meant they had to be in a great quantity, in order to be safeguarded against any vehicle purchasing trend alteration, but also mean that it too a long time for all of these vehicles to actually being sold. Depending on the several manufacturers and countries

being dealt with, a long time could pass between the moment the orders were paid and the moment the cars from those orders were actually sold and the money from these cars was received by the SSC, this resulted in much constraint to the financial liquidity of Alpha. To make matters worse the position of an automotive trading in Africa was a very attractive one, meaning that any current trading there operating could very easily be replaced by another organisation, thus resulting in a strong negotiation position for the car manufacturers that could, without much effort, find another company to sell their cars in Africa. This translated to strict payment deadlines imposed by the car factories resulting in very little flexibility for the tradings, represented by Alpha, to adjust their financial planning.

This usually involved the use of external funding in order to retain financial liquidity. This was where the SSC proved extremely useful. Despite the fact that the banks lent their money to each of the tradings, and not the group as a whole, they still took into consideration that it was Alpha that was in control of all the repayments to the bank and that, contrary to each isolated trading, Alpha had built large cash reserves due to the increase in the volume of sales in previous years. These excess funds were viewed by the banks as a solid financial position resulting in an inferior perceived risk that led to more attractive contracts over the loans. This grouping of funds was also useful in the daily operations of the tradings. In case any of them was going through a situation of adversity, excess funds from other tradings could be directed to them to provide additional support, "...if in a certain moment there is an excess of liquidity in one of the companies,... , and if I need to pay suppliers in a few days in another I can use the liquidity of one of the companies to aid the other."

The existence of an SSC acted as a gathering of various funds into a single pool of resources increasing the actual financial strength of each trading and the financial solidity perceived by the banks.

Regarding the disadvantages of having the financial department centralised at Alpha were, once again, associated with the distance. Means of communication such as emails and conference calls were, according to the directors of the several departments, not a complete replacement for actual meetings, and combining these limitations with the lack of qualifications and the different work posture adopted by most of the locals

led for many regular and simple tasks to take much more time that would be needed otherwise. In order to try to mitigate these realities the replacement of key personnel and investment in infrastructure was once again used as a solution, but still it is a situation that involves an adaptation of the mind-set of the personnel working on the other side and, therefore, would need some time to become complete.

3.8 Overall perspective of the SSC

The construction of the SSC at Alpha was a particular case given that it was actually a decentralization from a previously more centralised structure, which featured the reunion of both companies operating in Portugal and the ones operating in Africa. A situation that would logically result in much larger economies of scale. Furthermore it is advisable to conduct an implementation of a SSC in a stable environment (Streib & Willoughby, 2005) and not one of turmoil such as the situation in the African agencies as was the case of this study. However, as was observed by Frank (2010), the need to implement a new ideology may benefit from an environment of constant change and less stability. Given the particular nature of the reality of the African operations, this instability brought by the initial decentralization may be seen as beneficial. Many of the problems that existed in Africa were created not only by the lack of qualifications and mentality of the locals but also due to the acceptance by the teams in Portugal that these situations were something unchangeable and inherent to the African business. This mentality associated to the fact that most of the personnel delegated with the business in Africa also had to deal with the Portuguese business meant that the African functions were mostly seen as secondary tasks.

It was only with the decentralization of the African part of the SSC to Alpha and the construction of teams focused solely on dealing with the situations occurring in Africa that a true change was able to occur.

As can be interpreted from the study, many problems originated from the fact that the distance between the SSC and the agents in Africa led to some lack of direct supervision and guarantees of the quality of procedures conducted by the locals in

Africa. Furthermore their resistance to change meant that the implementations of new working techniques were mostly dismissed. To avoid these situations the change of key personnel in specific administrative positions, already aligned with the working methodology of the group, and the attempt to increase the assimilation of the Group's culture by the local proved to be extremely useful in increasing the dedication of the locals to providing a higher quality of material for the teams at the SSC to work with.

In regards to the lack of qualification, affecting much of the workforce in many of the countries in Africa, the strategy of simplifying the tasks preformed there can be seen as a major advantage of the application of an SSC. This simplification simply consisted on a centralization of more demanding tasks at Alpha while simple and routine tasks, in this case the upload of the account entries into the system through the simple interface created for the task, would be performed locally. This reduced the need for qualified personnel at each of the sites in Africa and allowed for the concentration of these employees back in Portugal under a single roof, leading to the possibility of the sharing of experience and knowledge between them which resulted in an increase of the quality of the worked preformed throughout the entire network associated with the SSC. Something that would not occur if this highly skilled personnel was siloed inside each agent in Africa.

Financially the advantages are also fairly clear, not only did the integration of all the traders allowed for the junction of all the funds into a single larger pool of resources, which allowed for the access of all the tradings to a better liquidity status, but also the focus of all the highly skilled personnel under a single roof allowed for the reduction of costs with personnel.

There are however some limitations, the lack of direct contact and some constraints with communication make it difficult for direct supervision over the agents by the teams in the SSC, something that unavoidably leads to discrepancies in sensitive areas such as accounting. Furthermore it was perceived by some of the personnel in Africa that a certain loss of their autonomy occurred which caused some dissatisfaction from their behalf. These however are punctual situations and that should not be seen in any way as demotivating factors for the implementation of an SSC. With time, the

replacement of personnel in key positions and the fostering of the assimilation of the Group's culture and working methodology these issues can be mitigated.

3.9 Future of the SSC

Currently there is still work to be done regarding all the information that is processed and sent from the locals in Africa, especially in terms of accuracy and the time at which it is sent, but the quality of the locals is coming close to the standards of their Portuguese counterparts. This is, to many of the directors, a sign that eventually the opposite situation that led to the creation of an SSC at Alpha will occur, this is, the African operations will, once again, be integrated back to a SSC in charge of all of the Group's operations, both Portuguese and African. This will inevitably cause even greater economies of scale and reduction of costs, "...if we expand this concept and think, let's create a back office for all the auto business, there would exist a common team with sub-teams for Portugal, Africa, Spain. But by having all of them in a single major team the efficiency in terms of cost reduction would be enormous."

However certain limitations will have to be taken into consideration, only areas such as accounting, finance and management control will be able to be integrated, more operational areas will, as it is the case of any other SSC, need to be kept separated both because of the particularities of the African reality but also due to conflict of interest between organisations, this is, the tradings. It can be seen as the logical conclusion of any centralization strategy, that the maximum advantages are to be harvested at the point where the maximum level of integration has been achieved, assuming, of course, that irregularities, as the ones found in the African operations, are mitigated in order to avoid that their growth undermines all the centralization process.

4. Comparison of the study with previous research

This study and various particularities, one of which was the existence of an operational department inside the SSC, something that would be contradictory to the concept of a SSC (Bergeron, 2002). However, ignoring this department, there are some similarities between the study and previous research, in Table 1 we can find a summarized view of the main advantages, enhancers and solutions and obstacles encountered by each department.

	Advantages	Enhancers / Solutions	Obstacles
Accountancy	Access to more qualified personnel	Use of software with simple interface and safety mechanism	Lack of qualified personnel at each agency
	Close contact with control management department	Team focused in dealing with the African operations	"Old" Ideology and resistance to change
	Reduction of costs due to centralization		Dismissal of key documents
	Quick "translation" of account plan		
	Account technicians in charge of traders and agencies in a single building		
Management control	Access to more qualified personnel	Investment in communication infrastructure	Lack of direct supervision
	Reduction of costs due to centralization		"Old" Ideology and resistance to change
	Fast implementation / upgrade of software		
	Reduction of costs due to centralization		
Finance and Treasury	Access to more qualified personnel	Use of letters of credit	Pressure from carmakers
	Large pool of cash reserves	Replacement of key personnel	Payment receipts took a long time to occur
	Access to lower spreads	Investment in communication infrastructure	"Old" Ideology and resistance to change
	Close contact with accounting	Replacement of key personnel	
	Reduction of costs due to centralization		

Table 1: Advantages, Enhancers / Solutions and obstacles from each department

When analysing the advantages of each department it is possible to find similarities with the reasons to adopt a SSC stated by Shah (1998). These were: cost reduction, faster spread of new software, centralization of intellectual assets the creation of a business unit capable of delivering services or goods with higher quality.

Cost reductions can easily be observed across all departments from this study, not only due to the reduction of personnel needed but also by centralizing the more qualified personal into a single unit and spreading their benefits across a larger pool of agencies, therefore reducing the need to hire personnel at each agency and centralizing intellectual assets. More focused on the control management it was easy to understand that being part of a centralized unit allowed it to more urgently applied new software throughout the entire network of agencies. Finally it was possible to attain a higher degree of quality in the tasks processed by the SSC as well as freeing the agencies to attend to their main focus as retail units.

In terms of obstacles encountered these tended to be associated with conditions exclusive to the case study. However, resistance to change has also been stated by Ulbrich (2006) and Bjoern and Andreas (2010) as one of the main hurdles when trying to implement a project such as a SSC, therefore creating a link between this study and past research in terms of limitations of SSC as well as enhancers.

Particular to this study are factors such as the distance between the SSC and the agencies associated to it as well as the technical particularities of each department such as the access to lower spreads large cash reserves stated by the financial department and the common accounting technicians dealing with the traders and agencies present in accountancy. Also the advantage of the SSC having access to qualified personnel on contrary to the agencies it supports is another aspect that is present only in this study, in great part due to the fact of no other past study dealt with the particularities of the African continent.

5. Conclusions and recommendations from the study

This case highlighted, as others before, the main advantages of SSC. The centralization of back office tasks at “Alpha” allowed for the need of specialized personnel at each location, thus allowing for the reduction of costs in addition to the elimination of the repetition of common tasks. This centralization also allowed for a better use of specialized personnel, by spreading their knowledge through a larger group of beneficiaries. Also with all the software converging in a single unit it was possible to implement new software at a faster rate.

There are however some additional aspects to take into consideration. It was possible to further understand the advantages of the decentralization aspect of a SSC. Thanks to the specialization of the SSC on the African operations, exclusively, it was possible to uncover many limitations that needed to be addressed, such as the late report of important information, or in some cases the lack of report at all, which was undermining any attempts to release monthly reports in a timely fashion. Furthermore it was possible to find a solution to a problem of lack of qualified personnel by transferring the more complex tasks to a location where the personnel with the necessary knowledge was present.

There is a need, however, for the appropriate software so that these tasks can be efficiently transferred. This is something that is currently possible with access to modern technology, a fact highlighted by Ulbrich (2006). In the particular case of the present study, the software used was characterized by creating a simple platform that allowed for personnel with fewer qualifications to instantly transfer more demanding tasks to the SSC, while at the same time being equipped with mechanisms to detect any absence of information.

As a final recommendation, it is crucial to have a healthy communication and alignment between the agencies that have delegated their procedures and the SSC to which the procedures have been handed over. Given the fact that the SSC may not be physically near the agencies, and the need for a constant contact between the two parties, the lack of a constant flow of information and mutual understanding will

inevitably lead to the appearance of resistances (Tomasino et al., 2014), which can undermine the efficiency of the entire project.

6. Future research

Future studies would benefit from a more quantitative approach, helping to materialize the actual benefits of the application of a SSC. Despite the intensive search in qualitative aspects such as the obstacles and enhancers found throughout the research there was a lack of quantitative data such as reports due to the still short life of the SSC operations at the time of the collection for this study.

Secondly it should also be highlighted that the study followed a single case study approach and, therefore, generalization of the conclusions of this study must be done with caution. The number of particularities such as the sector in which the organization studied is inserted, the adversities that were faced due to the countries where it operated and even the conglomerate's culture had a deep impact in the outcome of the project, once again highlighting the need for caution regarding the application of the conclusions from this study. For further studies in this area the application of a multiple case study analysis would be beneficial. This would allow for a less focused view of the implications and obstacles of implementing a SSC.

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