

# Managerial challenges to realizing IT shared services in a public university

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Received 19 April 2018  
Revised 28 August 2018  
5 December 2018  
8 December 2018  
Accepted 17 December 2018

## Abstract

**Purpose** – Many governments and public organizations are turning to shared service arrangements to decrease costs while increasing service levels. This paper aims to elucidate the fine-grained challenges managers face as they adjust to working under a shared service arrangement.

**Design/methodology/approach** – A two-year longitudinal ethnographic field study followed the IT shared service transformation process at a large public university. Meeting observations, emails, documents and interviews were used in the qualitative analysis.

**Findings** – The research identifies 11 challenges faced by management undergoing a transition to shared services. The authors use a taxonomy of management challenges based on the organizational perspectives literature (Knol *et al.*, 2014) to organize the challenges and relate them to prior literature.

**Research limitations/implications** – The novel findings include the importance of changing organizational culture, balancing dual interests of cost and customer focus, establishing a sense of urgency and achieving process standardization through practicing when adopting a shared service arrangement. The results from a single case study may not be generalizable to other organizations.

**Originality/value** – This study provides a nuanced and fine-grained understanding of the managerial challenges of adopting IT-shared services. This unique longitudinal data set describes in nuanced detail the challenges faced by frontline managers.

**Keyword** Shared services

**Paper type** Research paper

## 1. Introduction

Shared services are an organizational arrangement whereby multiple units collaborate by concentrating resources to provide services for their business activities (Ulrich, 1995). This structure is often labeled as a shared service center (SSC). An SSC is a separate organizational unit within an organization, but operated like a business, and with dual foci of cost reduction and internal customer service (Schulz and Brenner, 2010). Many state and local governments have sought to install SSCs to improve quality while reducing costs (Paagman *et al.*, 2015). For example, NY City started a shared service effort in 2008, which led to savings of over US\$100m (Wiseman, 2017).

Realizing shared services is a complex and challenging endeavor where success can be elusive (Hashim *et al.*, 2017). Many SSCs have failed to deliver on their promise of reducing cost (Farndale *et al.*, 2009). The decision to establish an SSC is often made without understanding the implementation process (Knol *et al.*, 2014). This can leave managers unaware of the difficulties that may be encountered during the implementation



(Ulbrich and Schulz, 2014). As a result, uncovering challenges and success factors for managers has been a common area of research (Richter and Brühl, 2017).

The extant literature on the challenges of realizing shared service arrangements utilizes cross-sectional case studies (single point in time) to illuminate several managerial challenges (Fielt *et al.*, 2014). In practice this leaves managers with a general list of challenges devoid of a contextual account. As a result, there has been a recent call for longitudinal research in this area (Fielt *et al.*, 2014).

To address this gap in the literature, the research question addressed in this paper is as follows: What challenges do managers encounter during a transition to shared services? We use a 26-month longitudinal case study of an IT department of a large public university in the USA to identify several challenges. This approach enables the researcher to see managerial challenges unfold as they happen, rather than relying solely on a retrospective account relayed during an interview (Levina, 2005). This approach also enables the researcher to share the context of the challenge, aiding the practitioner to better apply lessons to their own situation.

Three theoretical perspectives are used to provide a nuanced understanding of the challenges encountered: a resource dependency perspective, a population perspective and an efficiency perspective (Knol *et al.*, 2014; Ulrich and Barney, 1984). This taxonomy provides a broad multi-disciplinary view aiding manager to contextualize each challenge. The theoretical value of taxonomy is that it enables the comparison and differentiation of challenges found in our case with challenges found by other researchers. By using this taxonomy, we provide a basis for attaining a more elaborate theory of the development of SSCs.

This paper is organized as follows: in Section 2, we review the literature on the challenges of building SSCs, then in Section 3, we discuss our research method and summarize our findings before discussing them in Sections 4 and 5, and finally, we present our conclusions in Section 6.

## 2. Shared service centers: a management challenge

We define shared services as a management method that consolidates services into a semi-autonomous organization managed like a business unit competing in the open market to promote greater efficiency and internal customer satisfaction (Goh *et al.*, 2007; Tammel, 2017). Instituting or creating IT Shared Services (IT-SSCs) entails a major change to all business processes aligned with IT (Jackson, 1997). While definitions and descriptions of IT-SSCs exist, they are largely normative illustrations of industry best practices, leaving managers without clear plans of action for how they should be adapted and implemented (Addy, 2007).

Although shared services have been widely considered and often adopted by public and private organizations, they can be difficult to realize in practice. The difficulty in realizing shared services has been described for many years (Jackson, 1997). Organizations often choose their own path, resulting in very different outcomes and unique configurations (Ulbrich, 2010). Siloed businesses processes are broken into modular independent services and are used in loosely coupled dynamic business services (Lacity and Fox, 2008). Staff must learn how to involve customers in service design and delivery (Boon, 2018). Likewise, organizational incentive mechanisms need to change to encourage this collaboration (Goh *et al.*, 2007). In summary, adopting SSCs entails a major culture change that requires strong organizational support and time to implement. In an effort to guide practice and discover the cause of such difficulties, there has been much academic research on the challenges encountered by organizations seeking to develop an SSC (Richter and Brühl, 2017).

Describing key lessons and challenges for managers has been a common theme in IT-SSCs research. In a recent literature review, critical success factors for SSCs comprised 27 of the 83 articles published on shared services (Richter and Brühl, 2017). Many challenges to

realizing shared services have been found including developing standardized processes, developing an implementation strategy, maintaining service level quality (Janssen and Joha, 2006; Tammel, 2017), ensuring alignment with the parent organization (Maatman and Meijerink, 2017), maintaining momentum (Boon and Verhoest, 2017; Niehaves and Krause, 2010), obtaining resources (Elston and MacCarthaigh, 2016; Farndale *et al.*, 2009) and dealing with power struggles (Cullen *et al.*, 2014; Ulbrich and Schulz, 2014; Valkama *et al.*, 2016).

There have been three attempts to synthesize all of the managerial challenges found in the literature. Miskon *et al.* (2009) identified nine success factors and five failure factors for IT-SSCs. Knol and Sol (2011) classified managerial challenges into three perspectives: technical, managerial and organizational challenges. Finally, Knol *et al.* (2014) organized the challenges managers face when adopting shared services in a taxonomy based on the organizational perspectives of resource dependence, efficiency and population (Ulrich and Barney, 1984). We argue that this taxonomy provides a useful way of categorizing and comparing managerial challenges between and among cases. Below, we review the organizational perspectives and the utility of the taxonomy.

The resource dependence perspective proposes that organizations will seek to establish relationships with (be dependent upon) others to obtain needed resources. Simultaneously organizations will seek to minimize their dependence on others and increase the dependence of others on them, thereby gaining power (Salancik and Pfeffer, 1978). The efficiency perspective describes attempts to attain efficiency by minimizing transaction costs (Williamson, 1981). Transaction cost theory, agency theory and costing approaches like cost-based accounting fall within the efficiency perspective. The population perspective views relationships through a Darwinian evolutionary lens: effective responses to the environment survive while less effective responses are discontinued (McKelvey and Aldrich, 1983). Organizational structure, strategy, organizational life cycle and contingency theory all fall within the population perspective (Table I).

The taxonomy of SSC development challenges presented by Knol *et al.* (2014) is compelling for several reasons. It has a high level of detail which enables a comprehensive overview while still able to relate to distinct theoretical perspectives. A fine-grained taxonomy could use its generic value. This higher level of detail enables comparison across cases and challenges identified in prior literature.

### 3. Method

Our field research effort occurred over a 26-month period (2009-2012). Data were collected using an “ethnographic field study” approach (Levina, 2005). Typical ethnographic data collection methods such as spending time with the member organization and observing meetings were used (Van Maanen, 1988). The collected data consisted of 1,157 emails, 63

Perspective	Org. success	Theory/scientific relation
Resource dependence	Maximize power by acquiring and maintaining resources	Resource dependency theory
Efficiency	Maximize efficiency in internal and external transactions	Transaction cost theory Agency theory Costing approaches
Population	Long-term survival in organizational environment	Organizational structure, strategy, life cycle Contingency theory

**Table I.**  
Organizational perspectives

Source: Knol *et al.* (2014), Ulrich and Barney (1984)

meeting observations with accompanying meeting notes and 145 h of audio recordings and 27 internal documents consisting of presentations, process models, organizational charts and photos.

Once the data were collected, a process of iterative abstraction was used to analyze the data (Langley, 1999). The emails were summarized and reduced to 89 email threads which captured central dialogues between managers. Notes from meetings helped to identify points of tension, disagreement, discovery or progress. These notes helped to identify which portions of the meeting should be transcribed (Napier *et al.*, 2011). Transcriptions, meeting notes and audio summaries, and email threads were arranged chronologically. The emails illuminated the context for the items found in the meetings. Points of tension found in the meetings and emails (totaling 189) were iteratively combined and abstracted to identify 17 critical events which captured the transformation narrative (Lyytinen and Newman, 2008).

The events were coded according to Applegate's (1994) socio-technical model. These features were found using a microscopic approach (Strauss and Corbin, 1998) consisting of line-by-line coding of interview and meeting transcripts with a coding scheme developed using a procedure similar to Cousins *et al.* (2007). In this procedure, a team of two researchers conducted a coding pilot in four stages. In each stage, the percentage of coded items in agreement increased until they maintained a level consistently above 80 per cent. This was done to assure that the main researcher had an adequate knowledge of what constituted each socio-technical state. The socio-technical coding helped to identify the nature and provenance of the organizational tension (Lyytinen and Newman, 2008). These 17 events were summarized by 11 key challenges for managers which we describe in the next section.

A member check was performed wherein these 11 key challenges were confirmed with two key informants (Klein and Myers, 1999). Each informant independently verified that key challenges summarized the major issues met by the organization.

#### 4. Findings

We present the 11 managerial challenges uncovered by our research. We present the lessons using the framework developed by Knol and Sol (2011) based on organizational perspectives literature (Ulrich and Barney, 1984). As we present each lesson, we review related findings in the literature. Table II provides a summary of our findings: 11 managerial challenges arranged by their perspective, organizational issue and illustration from the case with a quote.

##### 4.1 Efficiency perspective

The efficiency perspective illustrated many of the managerial challenges found. In the early development of the new IT-SSC personnel and process standardization were key issues, leading to managerial lessons 1-3. It was a difficult process to have the managers work out their new responsibilities and pass off old responsibilities as they transitioned. As managers were learning how to operate in the new structure, practicing their new roles was very important.

Costing and pricing issues led to managerial lessons 4-6. Customer service was delayed due to due to the lengthy time it took to produce a cost estimate. Managers struggled with the best way to present prices to the customer, and they dealt with the reality that once they did, the customer could compare their price with outside vendors.

*Challenge #1: disambiguate roles to avoid duplication of services.* One of the reasons for adopting shared services was to eliminate the provision of duplicate services. With much fervor and passion, managers set out to exactly define roles and functions so there would be

Perspective	Issue	Management challenge	Illustration from case
Efficiency	Personnel standardization	Disambiguate roles to avoid duplication	Avoid duplicate services by disambiguating roles: "Each manager must work diligently to ensure that their group not only covers the work defined by their domain, but also refrain from straying into what is covered by another's"
	Process standardization	Practice new roles by simulating service requests	Simulate service requests to establish: "who will be doing what, for whom, in relation to the delivery of products and services"
	Maintaining service quality	Manage responsibility hand-off	Mark a clear timeline for transition of customers to avoid this situation: "Now I have got two customers, I have got to keep happy because I don't know if it's the old person or the new person"
	Costing approaches	Presenting costs has a learning curve	New skills in cost presentation are required: "you learn that every time I quote a price to someone there is a little dance that happens"
	Costing approaches	Cost emphasis can harm customer service	Balance customer service with costing: "It really does worry me that so many people in your shop and mine have devoted so much time . . . to working on an estimate that is neither very helpful nor very meaningful"
	Price transparency	Learn to operate with transparent pricing	Transparency leads to lower prices for the customer: that also opens the books [to] go surf around and find out what everybody else is charging for these things"
Resource dependence	Resistance from stakeholders	Other units may assume ulterior motives	Other departments may assume ulterior motives: "The dean's first thought was how are we going to get money out of this? I finally said this is about transparency; this is not about generating more money"
	Changing culture	Change the organizational culture	Don't neglect culture change: "We went into the process with accountability issues, and an inability to form clear agreements that have followed us throughout and now they are at the forefront"
	Teaching new skills	Prepare staff for increased accountability	Accountability becomes essential: "commitments are based on commitments made by others, one person in that chain drops the ball and it ripples throughout the whole organization"
Population	Identifying duplicate functions	Teach the service paradigm	Move staff from thinking about what they 'do' to who they 'serve': "we had to start thinking about what others were expecting and would like to have for us to provide"
	Gaining momentum	Motivate by making inefficiencies obvious	Use visuals to communicate inefficiencies and urgency: "This visual representation of duplicate services helped the managers make sense of the internal competition and conflict that characterized their organization"

**Table II.**  
Summary of managerial challenges to realizing shared services at uni-IT

no room for ambiguity. A few weeks after agreeing upon a new organizational chart, managers spent several weeks writing “domain statements” – comprehensive definitions that described each position in the new organizational chart. A uni-IT memorandum defined domain statements as “descriptions that summarize the specializations and expertise of each unit and sub-unit in the new organization” and cited their importance for “ensuring that we will have no gaps or overlaps in functionality within the new organization”. A manager illustrated the importance of domain statements:

Each manager must work diligently to ensure that their group not only covers the work defined by their domain, but also refrain from straying into what is covered by another’s [. . .]. You should notice that we must all work as a team to succeed as there are many dependencies built within our structure, some of which are multi-level. There is no slack-hiding place within this organization [. . .]. Each business unit is really a business within a business. Transformation Facilitator.

The structure is specialized, I liken it to a circuit board, you have all these different components and they all have a job to do and together they complete some larger application or task.  
-Transformation Facilitator.

This illustrates another method by which uni-IT was able to establish clear division of roles and responsibilities through the use of “domain statements”. Three other studies have concluded the importance of establishing clear ownership boundaries. (McIvor *et al.*, 2011) found the challenge of redesigning and standardizing processes that are dispersed across the organization. Lacity and Fox (2008) found the importance of accountability for a successful transformation. Cooke (2006) suggests that lack of clarity of ownership of responsibilities can lead employees to be unsure of whom to request internal services. We extend these lessons by describing the method used to make these divisions clear: the creation of domain statements.

*Challenge #2: practice new roles by simulating service requests.* Before the new organizational structure was operational, Uni-IT practiced the process of initiating a new service request through a technique called a “walkthrough”. Walkthroughs were described as communicating understanding of “who will be doing what, for whom, in relation to the delivery of products and services”. The goal of a walkthrough is to arrive at “clear workflows, which provide step-by-step documentation, as well as validation [of the divisions of the new organization]”. By rehearsing key business processes by conducting dozens of walkthroughs, uni-IT had a smoother transition from task to service-oriented delivery.

The importance of obtaining clarity of ownership and responsibility was also asserted by Cooke (2006). Cooke noted the confusion employees might have, unsure of whom to turn to for requisite services. This lesson confirms and extends Cooke’s finding by giving a descriptive account of how clarity of ownership was attained.

*Challenge #3: maintain service quality through a transition of responsibility.* With the new organization formed and announced publicly to the university, the staff began a process of migration of duties and responsibilities. Managers and staff had to take on new responsibilities while handing off other responsibilities. This process was carefully managed and occurred over several months. In the following conversation, a manager mentions a situation where someone assumed responsibility for a service before it had officially migrated. The ensuing surprise and frustration of others shows the severity of migrating without the agreement of the previous service owner. The concluding statement by Manager A indicates the confusion that results from the practice, as he is not sure which customer to serve.

But it's issues like that that keep coming up. Virtual computing lab is another one that's a big issue. Because Mike has been the prime running for so long and now we are told, 'No, it's John's now, so that Mike can focus on his sales team.' And this is the comment my team is getting. Now I have got two customers, I have got to keep happy because I don't know if it's the old person or the new person. – IT Manager.

Accordingly, Uni-IT maintained two parallel organizational structures for several months during the migration period. They had officially adopted a new organization chart designed around shared services but continued to perform their old job functions and maintain the same reporting structure. This migration practice is not mentioned in the shared services literature. [Lacity and Fox \(2008\)](#) assert the importance of keeping transition managers until the new service model is stable but provide no guidance on the migration of duties for staff. Due to the parallel implementation of shared services alongside the prior IT organization structure, this lesson appears to be unique.

*Challenge #4: price transparency leads to lower prices for the customer.* For the first time, managers prepared and delivered price quotes for requested services. Knowing that customers could easily check the prices for similar services, managers would often do the same before delivering the quote. If the price was deemed too high, efforts were often taken to reduce the overall cost of service. In summary, cost transparency enabled price benchmarking and manager scrutiny which led to lower costs for customers. Here a manager reflects on the changes due to cost transparency:

We have gone through selling people on the idea that we are opening the books, letting you see everything, well that also opens the books on doing the same thing George did, which is go surf around and find out whatever everybody else is charging for these things. This is a good thing, but this new – this system makes us do this. Because in our old model there was no pressure to ask these questions, we didn't. -IT Manager

While others have found that customers struggle with new pricing mechanisms ([Knol et al., 2014](#); [Ulbrich, 2010](#)), we illustrate the personal struggle managers face when first confronted with knowing the full price of delivering services to the client. Our research extends prior research by illustrating manager difficulty in presenting high costs of service to the client, and therefore actively trying to lower the cost of service.

*Challenge #5: cost emphasis can harm customer service.* Managers were empowered by knowing the cost of services they provided. Many had never previously known this information during their career. Costs were discussed for every new project, and each manager was well aware of the rates which other managers were being “billed” for their services. In most cases, actual money did not change hands, as it was mainly used as a management and communication tool. Although customers were often not “charged” for services, they informed managers that they disliked how much discussion about costs dominated conversations. As a result, Uni-IT realized that too much emphasis had been placed on accounting for the costs of services. During this period, the team received an email from the university registrar who expressed frustration over the time it took to receive a clear estimate:

It really does worry me that so many people in your shop and mine have devoted so much time [...] to working on and talking about an estimate that is neither very helpful nor very meaningful.  
– Customer

This was a sobering email. It caused managers to rethink the message they were sending customers. As a result, they shortened the length of time necessary to give customers a quote by coordinating via email rather than waiting until the weekly management meeting.

Two lessons from the literature inform why the costing of new services challenged managers. [McKeen and Smith \(2011\)](#) contend that managers are challenged to describe IT services to business units due to their intangible nature and suggest managers develop new communication practices. [Ulbrich et al. \(2010\)](#) find that shared service staff often lack in “communication, results orientation, cooperation, and customer orientation” due to the nature of providing services in a public organization. Prior to adopting shared services, managers spent little time on budgeting, but after some training on service costing, they were eager to carry out this new duty for the first time. This lesson extends the literature by describing the communication pitfalls stemming from over-eager managers excited to reduce costs, while losing their service focus.

*Challenge #6: presenting costs has a learning curve.* Detailed and accurate pricing of services had a huge effect on internal management and customer interactions. Never before had uni-IT been able to provide detailed estimates of service costs to their customers; this caused unexpected responses from customers and major changes to work practices.

I think we underestimated the finesse that it takes, you learn that every time I quote a price to someone there is a little dance that happens. – IT Manager

The discussion in meetings typically evolved around a dichotomy of showing all cost details or no cost details. As one manager summed it up, “Those are complexities for people to grasp, those who have never been in the private sector. The thing they are not getting is, it depends”.

Lower costs are a commonly cited reason for adopting shared services ([Goh et al., 2007](#); [Quinn et al., 2000](#)). A focus on costs presents challenges for managers who often lack experience with presenting detailed costs to clients. [Ulbrich et al. \(2010\)](#) assert that communicating costs to customers is a skill that managers in shared service organizations must learn. This lesson illustrates the learning curve faced by managers not accustomed to presenting costs to clients.

#### *Resource dependence perspective*

Another department who used Uni-IT’s services was skeptical of their motives. Two other lessons described the difficulty and necessity in changing the organizational culture. Accountability and commitment were not strong elements in their culture from the beginning, and these became an issue once the new structure was operational.

*Challenge #7: other units may assume ulterior motives.* Soon after the new organization was publicly announced, rumors started to circulate that restructuring motive was solely monetary and that services would become more expensive. Each year the CIO met with the dean of each academic college to show them the cost of the services they were provided that year. Here, the CIO relates a dean’s concern:

The dean’s first thought was how are we going to get money out of this? I finally said this is about transparency; this is not about generating more money. – CIO

One manager suggested that other departments started to feel threatened or inferior because they could not produce detailed provisioning cost statements similar to those of Uni-IT:

I think there are some folks around campus who are threatened by the whole process: Uni-IT is starting to know what it costs to run their shop, and I have no idea how much it costs to run my shop or where my money goes. – IT Manager

Customer fears were quelled as managers defended that the accurate cost statements were for the purposes of transparency and defending the IT budget, not about making more



money. Similar lessons are identified in the literature. [Janssen et al. \(2009\)](#) found that individual interests could generate resistance to change or create internal conflicts. [Cooke \(2006\)](#) warned that formalized procedures and new processes often alienate staff. [Ulbrich and Schulz \(2014\)](#) assert that helping clients overcome struggles with new pricing mechanisms is a management challenge unique to shared services. To avoid this issue, [Ulbrich and Schulz \(2014\)](#) suggested developing a transparent process of goal alignment. Our study further supports and illustrates this literature by grounding the challenge in specific cost issues that customers struggled with.

*Challenge #8: organizational culture needs to change accordingly.* During the long transition from task to service orientation, much time and effort was spent defining new organizational roles and learning new work practices. No additional time was given to help manage the changes in expectations of managers. Although these managers had worked with each other for many years, they were now working in new and different ways, and tensions between managers arose out of these new working relationships. One manager reflected:

In a specialized structure, you have to be able to engage in the people process, group member tension counseling and setting expectations. We went into the budgeting and structure process with accountability issues, and an inability to form clear agreements that have followed us throughout and now they are at the forefront. – IT Manager

Managers had issues with being accountable to agreements made before the reorganization process. These issues surfaced again, long after the initial excitement of adopting shared services.

This lesson is similar to those identified in the literature. [Joha and Janssen \(2010\)](#) conclude that “individual interests and associated behaviors which can generate resistance to change or create internal conflicts” are a common barrier to successful implementation. The quotes presented above illustrate how Uni-IT largely failed to manage the culture change process. [Lacity and Fox \(2008\)](#) argue that the success of shared services stems from a “sourcing redesign,” including the retraining of personnel. While the structural transformation was the focus of managers enacting shared services, the culture change process was largely ignored at Uni-IT.

*Challenge #9: specialization requires increased accountability.* One of the major problems identified with the prior organization was the duplication of expertise:

In the old structure we had a lot of duplication so frankly, people could drop the ball right and left and there was someone to pick it up again, but you were also losing economies of scale, people with the same depth of expertise in two different areas that should have been collaborating, but they were actually competing. – IT Manager

In designing operations in the shared service environment, each role was specialized with an intense emphasis on not performing others’ functions. However, this emphasis came with a price. It created a huge dependence on other people to accomplish tasks. This became a problem, as some managers did not handle their responsibility well. As they were slow to communicate time estimates for new projects, this slowed down other work. Even when one or two managers were ineffective, this had a profound effect on the work of others. One manager explained the problem:

It creates single points of failure, if you have an ineffective budget manager it affects the entire team, it ripples immediately, commitments are based on commitments made by others, one person in that chain drops the ball and it ripples throughout the whole organization. – IT Manager

In hindsight, managers reflected that they should have addressed issues of accountability and working relationships at the very beginning of the transition. The specialized nature of the new structure exacerbated the problems caused by under-performing managers. One manager explained why it took them so long to recognize these issues:

We were in a place where we bought a new car and whatever challenges we had we attributed to the new car. You are focused on that one thing, and anything that is wrong you are going to attribute to that new thing. – Transformation Facilitator

The intense focus on the organizational structure caused them to overlook potential issues with the operations of people within it. Obtaining the cost of service estimates necessary to produce a timely response for the customer was not easy. This required the coordination of several managers who each ran their own service line. As the success of the unit depended on the efficient running of independent units, the director made it clear that each manager would be evaluated on this efficiency:

You guys have got to start digging into this. You're running a business; you've got to run it right. You will be evaluated on how you run your business because I'm writing it into every job requirement for yearly evaluation. – CIO

This lesson illustrates the importance of individual accountability when operating in a highly specialized organizational structure. As staff becomes dependent on each other, the importance of accountability for assumed responsibility increases (Uruthirapathy, 2011). Uni-IT staff demonstrated a propensity to focus on the organizational structure and neglected to cultivate a culture of accountability. Lacity and Fox (2008) assert the importance of making individuals accountable for the successful migration of their work, but do not cite the ongoing importance of accountability in a highly specialized or task-interdependent organizational structure.

#### *Population perspective*

Our research uncovers two challenges related to the population perspective. Both of the challenges deal with how to creative momentum and motivation to change. Effective change requires creating momentum and buy-in (Kotter, 1995). Uni-IT was very successful at doing this through two activities early in the process. We describe these two activities in challenges 10 and 11 below.

*Challenge #10: teach a service paradigm.* The first exercise initiated by meeting facilitators required each manager to enumerate the service that they provided or “sold” internally or externally. This enabled managers to start viewing their job functions from a service perspective. On the surface, this seemed like a simple exercise. However, it proved difficult and required two months because it constituted a radical departure from traditional thinking of what one “does” to what one “sells” to internal or external customers. The result of service-thinking was a paradigm shift from task performance – “what I do” – to service provision – “what I deliver”.

The requisite shift in thinking from what one does to what one provides did not come about without going through a great deal of education and follow-up. Although this exercise was initially performed with the purpose of accounting for the cost of services performed, it also succeeded in laying the conceptual groundwork for the new way of thinking that would be required for the move to shared services. A manager explained:

One of the first hurdles that we had to get over was the old way of thinking and the silos that we were used to working in and thinking in terms of the tasks that we were all doing. Instead, we had

to start thinking about what others were expecting and would like to have for us to provide. – Transformation Facilitator

This lesson is similar to conclusions of the services marketing literature which highlight the differences between managing the provision of goods versus services (Vargo and Lusch, 2004). Specifically, we found that employees of Uni-IT were able to adopt a service-oriented paradigm, facilitating the realization of shared services. This is consistent with Vargo and Lusch (2004) who assert that a new operating logic is necessary to fully understand the management of services. A paradigmatic shift in the way employees view their job function has not been identified in the literature on shared services.

*Challenge #11: motivate by making inefficiencies painfully obvious.* Efforts to incorporate Large-scale organizational change, such as moving to a shared service environment, require motivation and buy-in on the part of those affected by the change. In this case, the need for change was made apparent by first combining each manager's list of provided services. As the lists were combined into a single spreadsheet and sorted by category, it became obvious that there were many duplicate services. The extent of inefficiency and duplication came as a surprise to many and came to be viewed as unsustainable, necessitating reorganization. This exercise illustrated to managers and employees that they spent a great deal of time providing services outside their area of expertise, services which their colleagues were better suited to provide.

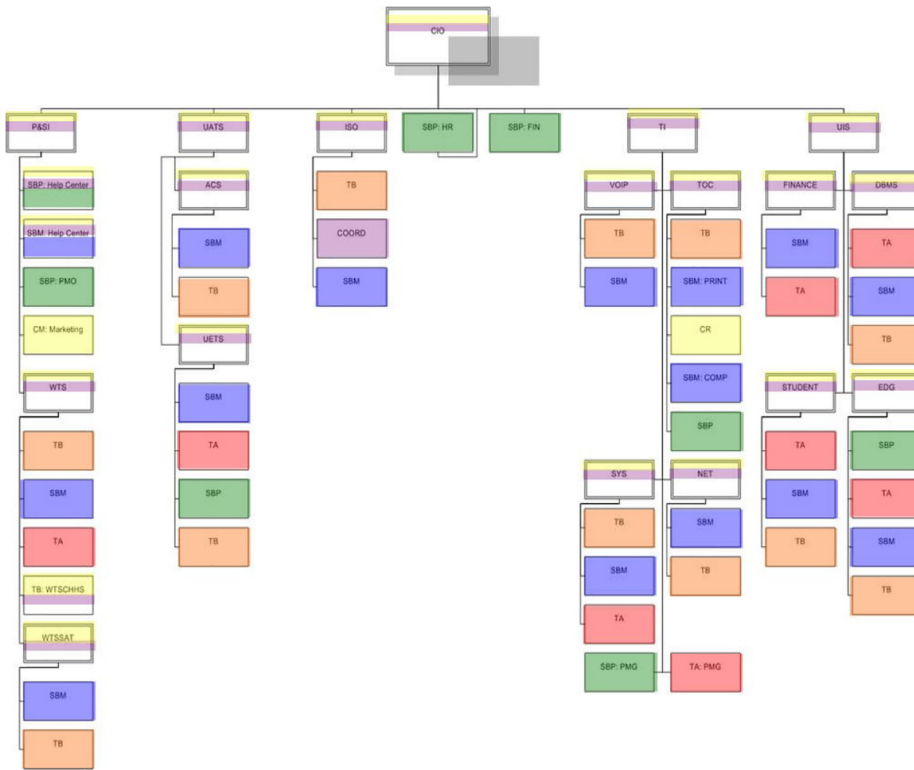
Managers discovered that their then-existing structure was organized around the clients they served, not the function they performed. An organization chart was made and color-coded according to service provided (Janssen *et al.*, 2009). This gave rise to the term "rainbow organization", a euphemism for an organization that had duplicate services across functions. This visual representation (see Figure 1) of duplicate services helped the managers make sense of the internal competition and conflict that characterized their organization. This quote reflects the security manager's acknowledgement of her development of servers and application hosting – areas which belonged to other managers:

We were facing escalating demands for security reviews and risk assessments, but we were also spending a lot of time managing the growing server farm, trying to roll out new applications – things that we found other groups in [Uni-IT] were more proficient in doing. – IT Manager

The literature on shared services generally espouses a top-down approach where executives mandate shared services (Schulz *et al.*, 2009). This lesson argues for engaging and motivating employees to make the necessary changes to adopt shared services. Literature on organizational change management suggests the importance of obtaining "buy-in" from employees (Kotter, 1995). Lacity and Fox (2008) suggest making people an integral part of the change process but fall short of making specific recommendations for how to motivate employees to desire to adopt shared services. This lesson presents a unique aspect of how Uni-IT was able to realize shared services.

## 5. Discussion

This research builds upon many studies that have provided a conceptual account of issues arising from either adopting or working within shared service arrangements. We found support for the major challenges identified by Lacity and Fox (2008) and Knol *et al.* (2014) when adopting shared services. The unique challenges uncovered by our research comprise four areas which build upon challenges identified in prior research: motivating managers to change, the importance of changing organizational culture, achieving process and personnel standardization, and the struggle that managers had dealing with costs. We discuss these four areas below.



**Figure 1.**  
Rainbow organization chart showing duplicate services

Developing a new SSC is a large organizational change effort. Uni-IT was able to motivate their employees to adopt a shared services model by using a color-coded organization chart (Figure 1) to visually present the inefficiencies of their current structure. The first step to making this chart involved creating a list of all of the services each employee and manager provided. These two actions were essential in motivating employees to want to change and in establishing positive momentum. There is scant literature on motivating employees to adopt shared services; however, the importance of identifying strategic groups like institutional entrepreneurs has been noted (Hyvönen *et al.*, 2012; Iveroth, 2011). Managers contemplating a move to shared services may be able to use similar approaches to establish a sense of urgency.

Uni-IT was hampered by an organizational culture that lacked accountability and keeping of commitments. They found their culture incongruous with shared services and wished they had done more to change it. This is an interesting warning for practitioners contemplating a shared service model as well as an area of further exploration for academics. National cultures have been shown to influence SSC implementation (Cooke, 2006; Richter and Brühl, 2017), but the effect of organizational cultures has not been studied.

Personnel and process standardizations have been recognized as critical success factors in SSC implementations. In this study, we were able to uncover how process and personnel standardization were achieved in practice. Challenges 1 and 2 describe how the employees standardized new roles through several meetings. New service fulfillment processes were

practiced several times by managers by means of walkthroughs. Although these were simple exercises, they were very helpful for managers to learn new processes.

Managers within Uni-IT were charged knowing their cost of providing services, including establishing their individual billing rates for services requested by internal or external customers. This was a new skill many had to learn and struggled with (see challenges 4-6). In fact, in challenge 6 we see that a focus on establishing a price led to a decrease in customer service. Lower costs and transparent costs are important motives for establishing SSCs, but also may create more overhead costs and work for managers. Managers may focus on uncovering costs at the detriment of customer service, as exhibited in Challenge 6.

## 6. Conclusion

### 6.1 Implications for theory

Our unique research approach enabled us to make two significant contributions to theory. First, as we observed the managerial challenges first-hand, we have a deep understanding of the context in which they emerged. For example, the documentation of the exact moments during which managers were learning these lessons allowed these moments to be revisited while constructing these lessons. This ethnographic approach is unprecedented and allows us to more precisely describe each managerial challenge with rich details. Accordingly, lessons are supported by quotes from managers while in the very act of learning said lesson, or soon thereafter (McKee and Smith, 2011). This yields lessons that are empirically grounded and nuanced by the context in which they occur (Pettigrew, 1987).

Second, this work further establishes the utility of the taxonomy of management challenges described by Knol *et al.* (2014). Much has been written about the challenges of implementing shared services, and we find that the taxonomy is useful to for understanding them on a higher level. We found particular utility in the efficiency perspective as it seemed to describe over half of the challenges we found. The resource dependence and population perspective were useful for capturing the political, cultural and motivational aspects of the adoption process. We recommend that future research in this area use this framework, enabling comparison and pushing the field towards a theory of SSCs.

### 6.2 Implications for practice

Although each situation for adopting a shared services arrangement is unique, the detailed account of challenges found here can help leaders foresee challenges they may encounter. This description of managerial challenges illustrates practical ways of learning new responsibilities, practicing new workflows and understanding ownership.

While there has been much research in this area, this research highlights four challenges, not highlighted previously. First, managers need to consider how they might create a sense of urgency for their employees to adopt a shared service model. This may be especially valuable in cases where existing employees need to adopt a new structure. Second, managers should consider their current organizational culture, and how it may be incongruous with a culture needed in a SSC. Plans to address possible cultural differences should be made, as changing an organizational structure is far easier than changing organizational culture. Third, managers need to consider how they will help their personnel adopt and instill new processes and standards. Practicing how the human-centric processes will work months before structural changes happen may be helpful. Forth, managers need to consider how to balance the competing priorities of customer focus and cost focus. SSCs place a priority on both elements, and it is easy for novice employees to adopt myopic views at the detriment of a competing priority.

### 6.3 Limitations

The main limitation of this research is the utilization of a single case study. Our results may not apply to other organizations with a high degree of certainty. Our case used a large public educational institution. Our findings may not directly apply to private or government institutions.

### 6.4 Future research

Our research uncovered three significant areas for future research. First, we found that the organizational culture led to difficulties fully adopting shared services. While national cultures have been shown to influence SSC implementation (Cooke, 2006; Richter and Brühl, 2017), the effect of organizational cultures on shared service success has not been studied. Future research should investigate the role of organizational culture on shared service adoption success. Second, we found managers struggled to balance a cost focus with a customer service focus. This set of competing interests has not been described before. Future research is needed further describe best practices for managers as they strike a balance between costs and customer service. Third, while the motivation of organizations to adopt shared services has been well studied (Paagman *et al.*, 2015), how to motivate or animate employees to adopt shared services has not. The practice of identifying strategic groups like institutional entrepreneurs has been noted (Hyvönen *et al.*, 2012; Iveroth, 2011) as one way to engage employees with the change. Future research should describe effective practices for creating a sense of urgency for employees to adopt shared services.

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