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# The Diffusion of Shared Service Centers –

# Based on Rational Arguments or Trends?

A Case Study of the Motives and Decision-Making Process at Four Organizations

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# Abstract

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**Background and problem:** A palpable trend in organizations today is to centralize several finance departments and create a shared service center (SSC). Few previous studies have examined the motives behind this, and those that have often seem to implicitly assume that the motives are based on rational decision-making. As management ideas are known to spread as trends, we question the view that only rational motives are behind organizations adopting an SSC.

**Aim of study:** The aim of this thesis is to investigate the motives behind the implementation of an SSC and understand if the decisions to implement shared services are based solely on rational motives or if trends are a factor as well.

**Methodology:** Our case study is based on data collected at four different organizations that have implemented an SSC. At each organization, we conducted one semi-structured interview with a key person.

**Conclusions:** We conclude that all four organizations have rational motives for implementing shared services. The main motive for all organizations was to save resources, either to use to focus on core activities or as a goal in itself (cost savings). The decision-making process behind the implementation was swift and it seems as though an SSC was seen as an obvious solution that did not require much investigation. To some extent, we believe that this had to do with external factors, such as trends. If SSCs were not a commonly used management idea, we believe that our studied organizations would have spent more time investigating whether to implement it. Thus, this suggests that their decision-making processes are not entirely rational.

**Keywords:** Shared Service Center, Centralization, Fad, Fashion, Trends, Efficient-choice, Abrahamson, Motives, Decision-making process

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# 1. Introduction

*In this first chapter, we discuss the background of shared service centers and present the problem and aim of our study.*

## 1.1. Background

One of the key issues for management is how to organize and one of the key choices to make is centralization versus decentralization. Whereas decentralization was a palpable trend during the 1980s, the pendulum has since swung in the opposite direction with increased centralization as a result (Janssen, Joha 2008). As a consequence of previous decentralization, top management found it increasingly difficult to control the entire organization, and therefore, efforts were made to centralize authority and decision-making (Kastberg 2009). As a result of this, more and more organizations have chosen to centralize their finance departments. Some organizations have outsourced this centralized department, while others have created internal shared service centers (from here on called SSCs). The decision to centralize an organization's finance departments, i.e. create an SSC, comes with numerous putative advantages, such as cost reductions through economies of scale and standardization, improved service, and increased focus on the organization's core processes. (Bergeron 2003)

Just as SSCs have become a popular management idea, other ideas have similarly risen to prominence previously and it is widely acknowledged that there are trends in management, just like in the fashion industry, for example (Abrahamson 1996). Balanced scorecard, total quality management, and business process reengineering are all examples of ideas that can be characterized as management trends (Røvik 2002). One of the consequences of an idea becoming fashionable is that it will spread to organizations that, according to rational decision-making, should not adopt the idea. (Abrahamson 1991)

## 1.2. Problem Discussion

Previous research (Ulbrich 2006, 2009; McIvor, McCracken, McHugh 2011) on the subject of SSCs has mainly focused on evaluating the implementation process in terms of perceived benefits and downsides or has striven to identify key success factors for a successful implementation. Some studies, however, such as Janssen (2005) and Kastberg

(2009), have focused on the underlying motives behind an organization's decision to implement a shared service solution.

Janssen (2005), for example, names increased focus on the core business, cost savings from economies of scale, increased controllability and higher quality among the motives for implementing SSC. Kastberg (2009) notes that lower costs, improved governance and simplification with clearer fields of responsibility were the motives put forward for the creation of an SSC in the organization he studied. However, these motives are typically not questioned and it appears that the decision to implement an SSC is implicitly assumed to be a result of rational decision-making.

Given the rising popularity of SSCs, combined with the propensity of management ideas to spread as trends, we question the presumed notion that the decision to implement an SSC is always based on a rational decision-making process.

## 1.3. Aim

The aim of this study is to understand the motives behind the implementation of an SSC at four different organizations and, from there, be able to understand and explain whether or not SSC in these particular cases can be viewed as a trend, whose implementation not only can be attributed to rational decision making.

## 1.4. Research Questions

- What motives are behind the implementation of SSC?
- What is the nature of the decision-making process when an organization implements an SSC?

## 1.5. Definitions

SSC is a broad term and there are numerous definitions of this phenomenon. The concept is also often confused with outsourcing (Janssen and Joha 2006). We chose to use Bergeron's definition (2003, p. 3):

*"Shared services is a collaborative strategy in which a subset of existing business functions are concentrated into a new, semi-autonomous business unit that has a management structure designed to promote efficiency, value generation, cost savings, and improved*

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*service for the internal customers of the parent corporation, like a business competing in the open market".*

SSCs can be used for different functions, such as human resources and finance. (Bergeron 2003) In this study, we focus on the centralization of finance departments into an internal SSC. However, at some of our studied organizations, the centralization of the finance departments was undertaken simultaneously to the centralization of other departments. In these cases, we focused our questions on the finance departments, although in some instances, the centralization of the finance departments has to be understood and examined in a larger context.

## 2. Methodology

*In this chapter, we discuss how this study has been conducted, the reasons behind our selected methodology and its possible implications on the study.*

### 2.1. Research Approach

This is a case study where we examine the implementation of SSCs at four different organizations. The study employs a deductive approach, which means that it is based on theories. In a deductive study, the researcher formulates a research problem and investigates the consistency between theories and reality (Halvorsen 1992). In section 1.2, we formulated a problem and in section three we outline a theoretical frame of reference, which is used to shape our approach. This way of working is in line with a deductive approach.

This study examines the motives for organizations to centralize their finance departments, which is a specific, complex phenomenon. In examining this phenomenon, it is necessary to approach the subject carefully but intensively. We believe that this is best achieved through a case study. As Yin (1994) notes, this research method is suitable when the investigator wants to answer explanatory questions, and when the focus is on a contemporary phenomenon within a social context.

### 2.2. Data Collection

This case study is based on primary data from the examination of four different organizations that have centralized their finance departments during recent years. At each organization we studied – Svenska Kommunalarbetarförbundet (Swedish Municipal Workers' Union), Riksbyggen, Stampen Group, and Volvo Group – we interviewed one key person at a high hierarchical level with insights into the decision-making process behind the implementation of SSC.

We conducted semi-structured interviews with these representatives, a method which allowed us to ask a few structured questions to all of our respondents, but also enabled us to direct the interview towards aspects they considered important (Yin 1994). We chose not to record our interviews: instead we took notes during the session and immediately after summarized what had been said. During the interview, one person

was primarily responsible for asking questions and the other person was primarily responsible for taking notes.

## 2.3. Selection of Frame of Reference

In this study, the frame of reference primarily consists of books and scientific articles, discussing management trends and centralization. To find relevant peer-reviewed articles and reports, we primarily used online research databases, such as "Scopus" and "Web of Science". The keywords we searched for include "shared service center", "fashion", "business process outsourcing", "centralization" and "management trends". We also found articles for our research by examining the references from scientific articles and theses within the field of study.

Given the limitations of this study, we found a substantial amount of literature concerning SSC that does not match the area we focus on in this study. In many of these cases, we still chose to read this literature in order to get a more comprehensive understanding of SSCs. Throughout our work with our frame of reference, we maintained a critical approach and tried not to take anything for granted and, when possible, look for confirmation from more than one source.

The frame of reference is structured according to Abrahamson's (1991) four theoretical perspectives on the diffusion of management ideas. It is a fact that there is substantially more information available about SSCs from, what Abrahamson refers to as, the efficient-choice perspective and we are aware of that this creates a certain imbalance between the four perspectives in our frame of reference.

## 2.4. Credibility

SSCs are a complex phenomenon that we believe must be studied in a qualitative case study, as this will enable us to investigate the phenomenon in a real-life setting. The main benefit with this approach is that we will be given a more comprehensive understanding of the phenomenon and we will be able to penetrate the subject more deeply.

 In this study, we examine four organizations and due to the time limit of this study, these examinations are limited to one interview per organization. We believe that this

research approach is beneficial, as it enables us to find common characteristics of these organizations, and thereby enhancing the contribution of the study and basing conclusions on a more credible foundation. One of the risks with case studies is that situations can be oversimplified and factors exaggerated; however, by examining four different organizations, we believe that this risk is decreased and the credibility of the study enhanced.

We are also aware of the limitations to our research approach. This being a qualitative case study, we cannot find any fully generalizable conclusions, as it is possible that the four organizations we studied are unrepresentative of other organizations in this situation. Wilson (1979) argues that it is up to the reader to decide whether the findings of a certain case study can be applied in a given situation. We adopt this view and believe that our findings may very well be valuable in some situations, but not in all, and we leave this decision to the readers of our study. It is, nevertheless, our wish that organizations on the verge of implementing an SSC will find our findings helpful when evaluating whether to adopt an SSC solution or not.

By examining four different organizations, instead of for example making an in-depth examination of only one organization, we are aware of our limited opportunities to draw overall conclusions about the specific organizations. By interviewing one person at each organization, we do not receive a comprehensive understanding of the specific organization. However, we believe that through this approach, we receive a more comprehensive understanding of the SSC phenomenon, through our ability to compare and contrast the different organizations. We are also aware of the fact that our respondents may be biased and may try to present their organization and their centralization project in a positive way. We believe that our awareness of this fact helps us see through any possible bias from the respondents. The selection of respondents is, as Blumberg, Cooper and Schindler (2008) note, also an important part in ensuring high credibility. When we selected our respondents, the first requirement was that the organization had to have implemented an SSC rather recently. Secondly, the respondents had to be knowledgeable about the relevant issues and be able to answer our questions properly. We found that for the respondents to be able to provide insight, they had to have been a part of the decision making process themselves.

This case study is primarily based on the empirical findings that are the result of interviews, in which the respondents express their views and opinions. These views and opinions are not static and may change in the future (Merriam 1994, Patel and Davidson 2003) and it is thus difficult to ensure that a qualitative case study will produce the same result if it were repeated. However, this does not make this study less credible. As Merriam (1994) argues, the fact that a repeated qualitative study will not give the same results as the previous study does not discredit the previous study, as different interpretations of the same findings are possible.

# 3. Frame of Reference

*In this chapter, we provide the frame of reference, which will be used to analyze our empirical findings. Our frame of reference is structured according to Abrahamson's four theoretical perspectives on the diffusion of management ideas and identifies two main viewpoints regarding the decision to implement shared service centers: rational motives and following trends.*

## 3.1. Diffusion of Management Ideas

This frame of reference is based on Abrahamson's (1991) four theoretical perspectives on the diffusion (and rejection) of management ideas: an efficient-choice perspective, a forced-selection perspective, a fad perspective and a fashion perspective. The efficient-choice perspective denotes that innovations are adopted based on rational motives, when they benefit the adopters. The forced-selection perspective, on the other hand, raises the possibility that external organizations can pressure an organization to adopt certain management ideas. According to the fad perspective and the fashion perspective, the diffusion of management ideas has to do with imitation and certain ideas can become trends (Abrahamson 1991). Abrahamson is not alone in discussing different perspectives on the diffusion of management ideas. Røvik (2002), for example, uses the metaphor of a virus to describe how management innovation diffuses. We will further discuss the theories of Røvik in this frame of reference, but the basis for the chapter is Abrahamson's four perspectives and how they can be connected to the SSC phenomenon.

## 3.2. SSCs and the Efficient-Choice Perspective

### 3.2.1. The Efficient-Choice Perspective

One of the perspectives in Abrahamson's model is the efficient-choice perspective, the only perspective based solely on rationality. This perspective assumes that in organizations "given existing resource constraints, agents rationally choose the innovation that will allow them to most efficiently produce the outputs that are useful for attaining their goals." (Abrahamson 1991, p. 592)

The diffusion of new management ideas is, according to this perspective, driven by performance gaps. Abrahamson (1991, p. 592) defines performance gaps as

"discrepancies between an organization's goals and the goals that this organization can attain." Organizations with similar goals try to close those performance gaps by implementing the same management ideas (Abrahamson 1991). An example of diffusion by the efficient-choice perspective is the implementation of multidivisional structures in large corporations. Williamson showed that organizations replaced the functional form with the multidivisional form because it was more technically efficient for large, diversified organizations. (Williamson 1970)

### 3.2.2. SSCs and the Rational Arguments For Implementation

As mentioned in the introduction, we chose to define shared services after oft-cited Bergeron's (2003) definition. This definition mentions the most important aspects of SSCs. An SSC is a business unit that provides service to internal customers and this aspect distinguishes SSCs from outsourcing, because outsourcing concerns services performed by an external party. This definition also mentions some of the most important alleged reasons to implement SSC: efficiency, cost savings, and improved services. A wide range of services can be carried out by an SSC in the areas of, for example, administration, customer service, finance, HR and IT. (Bergeron 2003)

Bergeron (2003) also presents a model in which he ranks the strength of the different advantages of shared services in different areas compared to the theoretical ideal. This model shows that shared services score highly in the areas of cost reduction, improved services, reduced distractions from core competency activities, increased efficiency, decreasing headcount requirements, economies of scale, and access to technology. However, shared services receive low marks in the areas of control, need for cultural change and initial cost of implementation. (Bergeron 2003)

The need for cultural change is an important issue to consider before choosing to implement shared services and it is essential that the employees have a positive view of the changes. The new focus on customer service, downsizing and new reporting structures will often initially result in declining efficiency. (Bergeron 2003)

Having defined SSC and its basic implications, we move on to discussing the rational arguments behind an implementation of the concept. According to the efficient-choice perspective, these arguments should be the main reason for an organization to

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implement an SSC. A wide range of textbooks advocates shared services and provides guidance to managers on how to implement an SSC (Kastberg 2009). Bergeron (2003), for example, summarizes the benefits of SSC from two perspectives: the parent corporation's perspective and the perspective of the SSC.

The parent corporation's benefits include costs reduced by the internal customers' demand for cost effective services. The SSC will provide better service to the internal customers by improving the customer focus and providing a more standardized service. Furthermore, the SSC relieves managers in the parent corporation from work and distractions, and gives them more time to focus on the organization's core activities. Finally, the SSC can be operated as an almost autonomous entity and can even extend its business by taking external clients. These external customers can make the business more profitable by economies of scale. (Bergeron 2003)

The shared services also bring benefits from the perspective of the SSC. Firstly, the standardization of processes improves the quality of the services to a comparable or lower price. Secondly, the standardization will demand fewer employees to do the same amount of work as they did before. The standardization of the services also simplifies the job assignments, which allows less educated employees to carry out these tasks. Finally, the shared service model concentrates specialized resources and this can decrease the costs by economies of scales. (Bergeron 2003)

Some previous studies have partly examined the motives behind implementing an SSC and one of these studies is Kastberg's (2009) investigation of the SSC project in the municipality of Gothenburg. This SSC incorporated services within HR, IT, finance and a call center and the study shows that there were three main reasons behind the implementation: lower costs, improving governance and simplification with clearer fields of responsibility.

Management literature and consultancies provide numerous arguments for implementing SSCs. Gartner, a leading IT consultancy, has published numerous reports concerning SSCs, not only about shared services for IT but also for finance functions (Gartner 2008; 2010a; 2010b). Their research shows that setting up an SSC for the

finance department can reduce costs by 25-35 % or more. These savings come from economies of scale, and reduced compliance and audit costs (Gartner 2008). They also mention standardization as an important reason to implement shared services. For example, a general accounts ledger department can reduce the time spent on processing invoices from more than 60 % to 20 %. Gartner also advocates offshoring of SSCs to locations with lower labor costs. (Gartner 2008)

Another consultancy, Accenture, mentions improvements of processes and customer focus as advantages of SSC. They emphasize the customer focus by describing that the implementation of an SSC is about creating a front-office mentality and culture in areas that are traditionally typically seen as back-office functions. (Accenture 2006)

To summarize, the main arguments for implementing an SSC according to the literature have to do with increased efficiency, cost savings, improved services, and reduced distractions from the core business. These benefits are to be achieved through, for example, standardization and economies of scale.

## 3.3. SSCs and the Forced-Selection Perspective

The forced-selection perspective discusses the political angle on the diffusion of management innovations. According to this perspective, influential organizations, so called "institutional entrepreneurs" (Abrahamson 1991, p. 594) have the power to influence what management innovations organizations adopt and reject (Abrahamson 1991). One example of these "institutional entrepreneurs" is labor unions. Cole (1985) conducted research about how unions exert power on corporations in three countries, the United States, Japan and Sweden. His research shows that labor unions in Sweden could affect the diffusion of management innovation threatening with strikes, and influence the government legislation process by the Social Democratic Party (Cole 1985). We did not find, however, any research that draws parallels between an organization's decision to implement an SSC and the external pressure of a forced selection process.

### 3.4. SSCs and the Fad and Fashion Perspectives

### 3.4.1. The Fad and Fashion Perspectives

Many researchers have questioned whether rational decision-making is necessarily the reason why certain management ideas diffuse faster and easier than others. Abrahamson (1991) uses the terms fad and fashion to categorize two ways a management idea can diffuse without the basis of the diffusion being purely rational. In contrast to the efficient-choice perspective, according to which an organization bases its decision to adopt a management idea solely on a rational decision-making process, the fad and fashion perspectives acknowledge that imitation also drives the diffusion of certain ideas. According to the fad perspective, an organization imitates similar organizations (Abrahamson 1991). For example, a car company might take notion of a management idea used by another car company and adopt that very same idea. The reasons behind this imitation are often related to the search for legitimacy, which can be obtained by imitating the ideas used by successful and reputable organizations. Another motive for an organization to implement a so-called fad can be to avoid giving a competitor a competitive advantage. (Abrahamson 1991)

According to the fashion perspective, ideas diffuse when they are promoted by fashionable organizations, such as consultancy firms, business media and business schools (Abrahamson 1991). These trendsetters promote what Abrahamson refers to as "transitory collective beliefs" (Abrahamson 1996, p. 254) and in order to stay fashionable, they have to continuously promote new management ideas in fear of losing their reputation as trendsetters (Abrahamson 1996). It is worth noting that fads and fashion are closely connected. An idea promoted by fashion-setting networks can become a fad and vice versa (Abrahamson 1991). The line drawn between fads and fashion by Abrahamson is not, however, universally acknowledged. Philips Carson et al (1999) define fads as "managerial interventions which appear to be innovative, rational, and functional and are aimed at encouraging better organizational performance" (p. 321) and note, for example, that external marketing facilitates the diffusion of fads. Thus, Philips et al (1999) seem to use the word fad for both of Abrahamson's concepts of fad and fashion.

Both fads and fashion can be referred to as trends, and it is acknowledged that some management ideas spread much easier than others: during recent decades, ideas such as balanced scorecards, total quality management and business process reengineering have permeated businesses all over the world (Røvik 2002). One of the underlying rationales for the existence and spread of these trends is that the world is changing at a fast pace, both economically and technologically. As a result, organizations' competitive environments are said to be changing as well and these changes demand new management ideas. (Collins 2000)

Røvik notes that organizations need legitimacy and that adopting a management idea can be a part of obtaining that legitimacy. Which ideas carry this legitimacy has to do with the central values of modern society. For example, ideas that provide efficiency, profit, and prosperity travel faster, and are more readily adopted by organizations. Furthermore, Røvik lists seven qualities that enable a management idea to spread more easily: social authorization through being linked to authoritative actors; the idea should be universally applicable and not limited to one industry; the idea should be able to be marketed as a product; it should capture the spirit of the time; it should be able to implement in harmony without conflicting any underlying assumptions in modern organizations; it should have a dramatic story to tell; and it should be seen as appealing by each individual organization member. (Røvik 2002)

Describing certain ideas as trends or fads does not, however, come without criticism. Parker and Ritson (2005), for example, argue that this kind of characterization is a way of undermining and delegitimizing new ideas and practices in management, and most new management ideas are initially viewed with the same scepticism. Bohl and Luthans (1996) make the same case and view the characterization of new management ideas as fads or buzzwords as a kind of denigration. They argue that even if some management ideas come and go, they leave a legacy, for example, having raised the awareness of certain important ideas.

Donaldson and Hilmer (1998), on the other hand, argue that many new practices can be harmful to organizations and definitely deserve pejorative labels such as fad. Furthermore, they argue that the blind adoption of new, fashionable ideas is a way to

undermine "the status and relevance of managerial work" (p. 7). The authors see the mission of management to apply certain ideas to a certain situation, that is, selecting from a wide range of ideas in order to find the optimal solution for each situation and each organization. A mere adoption of the latest fad, without much intellectual consideration, is therefore not in line with what can be considered the essence of managerial work. (Donaldson and Hilmer 1998)

### 3.4.2. SSCs as Fads or Fashion

The wide use of SSCs began in the early 1990s, increasing ever since, and is often categorized as a trend (Gartner 2010a). On the one hand, it can be seen as a fashion promoted by outside groups. For example, consultancy firms such as Gartner and Accenture promote SSCs as a recommended solution with many benefits (Gartner 2010a, Accenture 2006). On the other hand, given that a fashion can turn into a fad (Abrahamson 1991) and that SSCs are becoming increasingly popular (Gartner 2010a), they could also be categorized as a fad.

As mentioned above, Røvik argues that for a management idea to spread fast, it should be in line with the values of the current zeitgeist. In today's society, that would mean that ideas providing efficiency, profit and prosperity would more easily become trends. (Røvik 2002). As discussed earlier, some of the main arguments for implementing SSCs concern improvements in efficiency and, thereby, increasing profits (Bergeron 2003). Thus, it can be viewed as in line with the values of modern society and, thereby, it is a management idea that can spread fast. Out of the seven qualities for faster diffusion that Røvik also discusses (2002), the idea of SSCs is congruent with more than half of these qualities. First, since SSCs are a concept widely used by successful organizations, the idea thereby achieves social authorization. Second, SSCs can be used in all industries and are thus universally applicable. Third, the idea can be explained easily and marketed as a product (Gartner 2010a, Accenture 2006). Fourth, it is, as previously discussed, in line with the spirit of the time. Fifth, it is arguable that SSCs can be implemented in harmony with the values and assumptions of the modern organization. However, two of the qualities discussed by Røvik are not congruent with SSCs, since the idea neither comes with a dramatic story, nor does it focus extensively on each individual organization member. An idea does not have to meet all of these seven qualities to be viewed as an idea with the propensity to move fast (Røvik 2002). Rather, the fact that SSCs meet five

of these seven criteria provides evidence that they are an idea with the qualities to become a potential trend.

## 3.5. Theoretical Summary and Model for Analysis

In our view, Abrahamson's (1991) four perspectives on the diffusion of management ideas can in the case of SSCs be narrowed down to two main viewpoints. On the one hand, there is the efficient-choice perspective, according to which rationality is the prevailing notion and the diffusion of management ideas is explained by similar performance gaps across different organizations. If this perspective was reflected in organizations implementing SSCs, rational arguments, for example, increased efficiency, cost savings and improved services should be behind the implementation. Furthermore, a rational decision process would be necessary to ensure that an SSC is a rational choice for each organization.

On the other hand, there are the fad and fashion perspectives, according to which imitation plays a lead role in explaining the diffusion of management ideas. If these perspectives were reflected in organizations implementing SSCs, the organizations would be inspired by other organizations and, at least in part, choose to implement SSCs to gain legitimacy and be viewed as a fashionable organization. These two, somewhat conflicting, points of view, rationality and following trends, are the basis for our case studies and our analysis.

# 4. Empirical Findings

*In this chapter, we present our empirical findings, which are the result of four case studies. For each case, we give a short background and then describe the rational arguments and the decision process behind the implementation of a shared service center. Additionally, we examine how external factors affected the process. This structure is in accordance with our model for analysis.*

## 4.1. Swedish Municipal Workers' Union

### 4.1.1. Background

Swedish Municipal Workers' Union (Svenska Kommunalarbetareförbundet, from hereon referred to as Kommunal) is the largest union in Sweden with more than 500.000 members. We interviewed its Financial Manager Hanna Stenholm and she is the source of the empirical findings in this section, unless stated otherwise.

Before centralizing, Kommunal consisted of 23 local branches, each with its own finance department, member administration and switchboard. Central controlling was exercised with mixed results. After a centralization process, the union has centralized these functions and there are now 13 local branches and three centralized departments for shared services, one for finance, one for member administration and one for the switchboard. The centralized department for financial matters is located in Sundbyberg and handles, for example, accounting, travel claims and financial statements.

### 4.1.2. Motives and Process Behind the Creation of the SSC

The members of the union are mainly municipal workers, although around one quarter of the members are private sector employees. These members have different needs and encounter different problems compared to municipal workers, and the union management began to realize that these members were not treated as well as the municipal workers. This question was discussed at the union's congress in 2004. In order to better serve private sector employees, resources would have to be freed from somewhere and there was a belief that the administrative functions were not as efficient as they could be. At the congress in 2007, a decision was made to appoint a project group that would look into these matters. This project group consisted of members and workers from different levels in the hierarchy, and from different local branches. After two years' of work, in May 2009, this project group presented suggestions, which were

subsequently accepted and implemented. The three centralized departments opened on December 1st 2009, January 1st 2010 and February 1st 2010, respectively.

Centralization was not viewed as the obvious way to go, however, the project group did not discuss any other alternatives. The group screened the administrative processes and the idea of centralization was brought up early. The main motive behind the centralization was to free resources to strengthen the union work. It was an obvious choice for the union to examine their costs and there was also a sense that members received different levels of service from the administrative functions depending on which local branch they were a part of. Freeing resources was believed possible to achieve through a thorough screening of the administrative processes in order to find synergies and make processes more efficient. Thus, the underlying motive was to provide equal service to all members. An advantage with the centralization that was observed later, that central control was made easier, was not a driving force for change. The main disadvantage discussed was that local branches feared losing control, which was seen as an understandable emotional reaction. However, Stenholm stresses that there was no conflict between management and the local branches because the local branches had been involved in the decision to implement shared services.

The project group worked closely with a consultancy with previous experience of centralizing administrative functions at another union. This consultancy was selected to examine the administrative functions and was involved throughout the process, from conducting a pilot study and working with the project group to implementing the changes and educating the staff. The union was very satisfied with the services of the company and notes that the changes were implemented quickly, owing to comprehensive and thorough preparatory work by the company. Also, Stenholm does not believe that the consultancy acted out of self-interest in proposing such major changes.

Stenholm notes that different people were best suited for different solutions. In this case, the elected treasurer was the most driven person behind the centralization. He was the one who brought up the unequal treatment of members at the 2004 congress and he initiated an unprejudiced preliminary study. He was also a part of the project

group with ultimate responsibility for the project and stood behind the final recommendations of the project group.

### 4.1.3. External Factors in the Creation of the SSC
Some other unions had initiated and implemented similar changes which inspired the Swedish Municipal Workers' Union. Additionally, the experiences of companies that had previously implemented SSCs were examined, in order to find recipes for success and steps to avoid. Stenholm believes that even if there had been no other unions that had implemented an SSC, Kommunal would still have decided to go forward with that solution.

Stenholm believes that a centralized finance department signals that the union takes its mission seriously, that it manages member fees efficiently and that the whole union operates in an efficient way.

## 4.2. Riksbyggen

### 4.2.1. Background
Riksbyggen is a large company in the property management industry. They employ circa 2.500 people in approximately 50 local offices all over Sweden, and serve customers both in the private and public sector. We interviewed the Financial Manager of Riksbyggen, Robert Söderhjelm, who is the source of information in this section, unless stated otherwise.

Before Riksbyggen implemented shared services, the approximately 50 local offices were each responsible for their own administration. Riksbyggen started their first SSC in 1999 in Kalmar, which was responsible for switchboards. In 2006-2007 they started two more SSCs; one located in Västerås for financials, and the administration of rents and rental agreements, and one centralized HR department located in Östersund.

### 4.2.2. Motives and Process Behind the Creation of the SSC
The first idea about centralization of finance emerged when in 2004 or 2005 the CEO of Riksbyggen and Söderhjelm, then business area manager, visited a company in the construction industry (NCC) that had successfully implemented shared services. They immediately felt that shared service "is the future" and saw it as a suitable management

tool for their organization. The construction company was thus main inspiration for the shared service project.

It was soon decided that an SSC should be implemented, but intense discussions were held about how to implement it and what kind of services should be included. There were three proponents that strongly believed in shared services within Riksbyggen and were the driving forces behind the idea: Söderhjelm, Söderhjelm's manager at the time (currently the CEO) and the then Region Manager (currently Vice President).

The main motive for shared services was to free resources from administration and, hence, be able to focus more on customers. Söderhjelm believed that the local branches spent too much time doing administration and other tasks that did not improve customer satisfaction. He therefore believed that when the customer was unaffected by what geographic location a task was performed in, it should be moved to an SSC. Moreover, it was believed to be impossible to keep a high level of competency in many different areas at all local offices. Other reasons why an SSC was implemented were to increase efficiency and assure quality. There was also some discussion about the disadvantages of shared services, however, the main problems were mostly practical and emotional. For example, some employees became redundant, and there was discussion about early retirement compensation and relocation of employees. Another consideration was the customer and it was important to only move reoccurring transactions to the SSC. Keeping other services in the local offices was considered vital, otherwise there was a risk that the personal contact between customer and local employees would be lost. Söderhjelm points out that he did not consider the arguments against the SSC to be objective.

A workgroup was formed consisting of employees both from the headquarters, e.g. CEO and CIO, and regional offices, i.e. Regional Managers. There was discussion in the workgroup about the best way to implement shared services and what kind of services should be included. Outsourcing was discussed but was never really considered an alternative to an SSC. There was some criticism of the shared service project in the workgroup as the Regional Managers tried to protect their specific branches but their arguments were not objective. They, according to Söderhjelm, were just trying to save

their branch and employees from downsizing. Investigations were also conducted before the decision to implement an SSC was made. The investigations mainly consisted of time studies and showed that cost savings of around 20-25 % could be achieved. However, Söderhjelm admits that more detailed investigations should have been conducted before the implementation. They did not do any process mapping and they did not implement standard processes, instead taking many different processes and merging them into one process. The investigation was taking a lot of time and resources, and Söderhjelm felt it was impossible to prepare for everything in the implementation, which was the reason for the poor preparations. In hindsight, Söderhjelm admits that this was a mistake and it caused them problems and conflicts. On the other hand, he maintains that you cannot prepare completely, instead it might be better to get started and fix problems as you go along.

A consultancy was involved in the project that had been involved in shared service projects before and that was the reason they were appointed for this project. Riksbyggen was generally satisfied with the consultants but though that they could have been involved for a longer time in the project and could have contributed with more documentation for the processes.

Apart from not spending more time on preparations, Söderhjelm also regrets that he did not give managers and employees enough information about the project. In hindsight, he should also have been more authoritative and set more deadlines. Söderhjelm also miscalculated the time for return on investment both financially and in customer satisfaction. Approximately five years have passed since the project was completed and an increase in customer satisfaction can now be observed, which is two years later than Söderhjelm anticipated. This is partly due to the reluctance of some employees in the local branches to spend more time on customers; instead they have been spending time on work tasks that are not related to customer satisfaction. It is difficult to identify any achieved cost savings yet, but this is because more processes have been included in the SSC than initially planned and other factors not related to shared services. Söderhjelm acknowledges that it is difficult to calculate the time for return on investment in advance because, for example, circumstances might change.

### 4.2.3. External Factors in the Creation of the SSC

As mentioned earlier, the main inspiration to implement shared services came from a construction company (NCC). The consultancy was also a great source of inspiration to Riksbyggen, although when they were hired, the decision to implement an SSC had already been made. Further inspiration came from Swedish Mail, which had successfully implemented a large shared service project. Other organizations have been in contact with Riksbyggen about shared services after the implementation was finished and Riksbyggen has been an inspiration to at least four other shared service projects. Riksbyggen did not get inspiration to implement shared services from their two main competitors. One of them implemented an SSC after Riksbyggen, whereas the other main competitor has not implemented one.

Söderhjelm believes that the use of shared services signals that they sell their employees' time and competency, and do not spend more time than necessary on administration. Time with the customers is important and shared services enable the employees in the local offices to spend more time with the customers. It also signals efficiency and quality assurance in the financial processes, and enables the company to do more with less staff, in a better way.

## 4.3. Stampen Group

### 4.3.1. Background

Stampen Group is one of the largest corporate groups in the Swedish media industry with approximately 4.800 employees (Stampen Group Annual report 2010). We interviewed the Financial Manager of Stampen Group, Eva Arvidsson, who is the source of information in this section, unless stated otherwise.

The current Stampen Group was founded in 2007, although it was formerly known as V-TAB. Stampen Group has been growing fast in the last few years by acquisitions of regional newspapers. The reason for the acquisitions was that economies of scale could be achieved by sharing printing presses and distribution. The regional newspapers are, however, not wholly owned subsidiaries (except Göteborgs-Posten), but Stampen Group has a majority in the board of directors for the regional newspapers.

### 4.3.2. Motives and Process Behind the Creation of the SSC

2002 and 2003 were tough years financially for the business and people in the organization felt that something had to be done to improve profitability. Processes in printing and distribution were refined and in 2003-2004, the idea to also refine processes within the fields of finance, HR, IT and services emerged, and a centralization project was started in 2004. Before the project started, it was already established that Stampen Group would implement some kind of shared services. Arvidsson was the main proponent for the project and a workgroup was appointed. A consultancy firm was also involved in the project and one of the consultants was Project Manager. This firm had been a great inspiration and Stampen Group has been hiring them for many years having great trust in their competency. The consultancy also had previous experience of these kinds of projects. The processes within finance, IT and services were charted and analyzed, and this analysis was the basis for the decision to implement shared services. It took about one year of preparatory work until the decision to implement an SSC was made and the decision met no resistance at management level. The SSC today handles accounts payable, accounts receivables, accounting and financial statements.

Outsourcing was never considered an alternative to an SSC, as Arvidsson believes that it is important to first rationalize processes internally, otherwise the client will fail to communicate its needs and the processes will not be rationalized. Stampen Group has previously outsourced the scanning of invoices for the accounts payable department but the outsourcing did not make the process more effective and it was taken back. However, IT and services of property and handling of mail have been successfully outsourced but these processes were first centralized internally.

There were three primary motives behind creating an SSC: refining the processes, saving costs, and creating a platform for growth (easily incorporating new acquisitions in the shared services). Other motives were increased efficiency, economies of scale, and continuous improvements. Shared services also increase the quality and employees' competency due to specialization, but this aspect was mostly disregarded because the focus to save costs was highly prioritized.

The SSC was created as a subsidiary to Stampen Group and called SAMEDIO Business services. Initially, the target for SAMEDIO was to make a profit of 5 % but due to internal

complaints, the target was changed to break-even. There was intense discussion about how to price the shared services, and Arvidsson said that it was unexpected that there would be so much discussion about pricing and it was difficult to satisfy all customers. The other major problem was that customers were not involved enough in the project. Arvidsson recognizes that this was a mistake and more involvement from the customers would have made it easier to gain approval for the decisions made. Another problem that emerged was that the customers did not feel ownership of the processes in the new organization.

### 4.3.3. External Factors in the Creation of the SSC

There are two other large corporate groups within the Swedish printed media industry. One of them has already implemented an SSC and the other is currently implementing one. Stampen Group collaborates with the latter in the field of shared services, however, Arvidsson is unsure if Stampen has been of any inspiration.  Stampen Group is also involved in a project organized by an auditing firm where companies cooperate by sharing key performance indicators. For inspiration, Arvidsson says that Stampen did not solely look at other media companies, but also at companies in other industries, both in and outside of Sweden.

Arvidsson believes that shared services signal efficiency, increased quality through collective expertise, cost-awareness, and more focus on strategy and operation by spending less time on administration.

## 4.4. Volvo Group

### 4.4.1.Background

Volvo Group consists of companies, which manufacture, for example, trucks, buses and construction equipment. The group employs close to 100.000 people around the world and its headquarters are located in Gothenburg, Sweden. Until the 1970s, the company was organized in a rather centralized way with a centralized finance department. During the 1980s, the company was split into different autonomous corporations, each with its own activity and finance department. As a result, a diversification in, for example, ways of working and systems took place within the group.

Due to the need for savings during the second half of the 1990s, focusing and coordinating the support processes again became topical and eventually, an SSC was formed called Volvo Business Services (VBS). We interviewed Anneli Berndtsson, currently the CFO of VBS, who is the source of information in this section, unless stated otherwise.

### 4.4.2. Motives and Process Behind the Creation of the SSC

In 1995, or possibly 1996, a project was launched called Common Financial Project (CFP) with the mission to develop a common accounting model, a common chart of accounts and a common accounting system for the entire Volvo Group. In 1997, a separate project was launched with the mission to investigate how a centralization of the finance departments could be implemented. This latter project primarily investigated how the centralization should be carried out, but Berndtsson considers it likely that there was some prior investigation to decide whether centralization should take place at all.

The project dealing with the implementation of an SSC initially only dealt with the centralization of the Swedish finance departments and in 1998, an SSC called Volvo Business Services (VBS) was started in Gothenburg, handling accounts payable, accounts receivable, general accounting, reporting and fixed assets. After the implementation in Sweden, the centralization of a national finance department has been replicated in other nations, and now, numerous SSCs are being operated within the VBS company.

The initial decision to implement an SSC was not the result of a large project organization. The project leader was an engineer who subsequently became the CEO of VBS. He quickly assembled a management team and a structural organization of the new company. Consultants were frequently used in the Common Financial Project, however, in the small project dealing with the implementation of SSC, consultants were used more sparsely and Berndtsson maintains that the project was based on their own ideas and not driven by consultants.

The primary driving force behind the centralization was the need for cost savings and it was calculated that centralizing the finance departments would make several hundred accountants redundant. Another main motive was to achieve efficiency and thereby

release time. Achieving higher quality and transparency was also of some importance, although they were not discussed as much at the time. Looking back, Berndtsson believes that there was too much talk of "economy of scale" and too little talk of "economy of skill".

The negative reactions that were brought up were primarily emotional and not objective. In fact, Berndtsson believes that there were no rational arguments against the change. One of the risks brought up was that the accountants at the SSC would have less feeling for the business than the accountants on site. Changes in organizational structure are also often accompanied by changes in the employees' identities, which can be difficult to cope with emotionally. There was also a fear among the different corporations in the group that they would be left outside the loop of information. As a practical matter, it is much easier to have accountants working close to you if, for example, you have any questions. Furthermore, the fact that the centralization demanded standardization was met with some degree of skepticism. The only factual objection that Berndtsson could see was the difficulties in deciding which assignments should be moved to the SSC and which should stay where they were.

Looking back, Berndtsson believes that the SSC project was more or less sufficiently investigated. One thing that was not devoted enough time to was how to measure the savings, which can be difficult as time goes by, and the world and the company change. Berndtsson believes that in matters such as these, it is important to have a strong belief and decide that "this is the right thing to do" and then do it. Investigations can take many years, but it is impossible to reach an exact estimation. Instead, she proposes following through on the strong belief and handling problems along the implementation process.

After the SSC was implemented in Sweden, the headquarters had to convince the leaders in other countries to adopt the same idea and join the VBS organization. In order to do this, business cases were made, and real advantages and savings were brought up and shown. This task is still ongoing and Berndtsson feels that it has become easier to get people to accept an SSC as a solution, as SSC has become a standard term in business. Also, other functions at Volvo, such as IT and Treasury, are centralized and people can see that this functions well.

### 4.4.3. External Factors in the Creation of the SSC

Compared with their competitors, Berndtsson believes that Volvo was rather early in centralizing their finance departments, although other competitors made similar changes at the same time. However, she believes that Volvo was more inspired by other large companies around the world rather than from direct competitors. For example, Volvo has frequent exchanges with Ericsson. The main inspiration regarding the SSC did, however, not come from other companies, but from Volvo themselves and the way of thinking in organizing work in their factories. Traditionally, Volvo has organized the work in their factories in an efficient way, but their administrative processes have often been less efficient. As a part of the centralization, the company tried to incorporate the factory way of thinking in the administrative processes.

Berndtsson feels that a centralized finance department signals efficiency, good control, transparency, standardization, consistency, and that the group is a long-term effort, since it would not make sense to create an SSC and then sell off companies in the short term. Further, Berndtsson feels that companies with a decentralized finance department are weak with a weak parent company with self-governing business units and little central control.

# 5. Analysis

*In this chapter, we will use our theoretical frame of reference to compare and contrast with our empirical findings. In accordance with the structure of our previous chapters, we begin by examining the rational motives and the decision-making process of each organization. Thereafter, we examine how external factors affected each organization.*

## 5.1. Motives and Process Behind the Creation of an SSC

### 5.1.1 Motives Behind the Creation of an SSC

We have previously discussed the rational motives for implementing shared services according to different sources, and the main motives that are brought up are increased efficiency, cost savings, improved services, and reduced distractions from the core business. It is arguable that the motives increased efficiency and cost savings are related, as they are both based on the expectation that an SSC will consume fewer resources and, therefore, release these resources to either be saved or be used for something else.

All of our studied organizations put forward at least one version of this argument. The main motive for both Stampen Group and Volvo Group was to save costs. At Volvo Group, calculations showed that the creation of an SSC would make several hundred accountants redundant, and at Stampen Group, the refining of all processes, including administrative, was deemed necessary as the industry was going through financially tough years. At Kommunal and Riksbyggen, cost savings were not stated as a goal in itself, rather as a means for improving their core business. For Kommunal, the main motive for establishing an SSC was to free resources to be able to serve all union members equally, i.e. focus on the core business and not on administration. This line of reasoning is consistent with what was said at Riksbyggen, where the goal with an SSC was to free resources and, thereby, enable increased customer focus. Thus, at all of our studied organizations, there was an expectation that the SSC would save resources.

These motives are in line with the literature we have studied, as Bergeron (2003) brings up cost savings, increased efficiency, and improved focus on core competency activities as some of the advantages with an SSC. To connect these motives to Abrahamson's (1991) efficient-choice perspective, it is true that our studied organizations all faced rather different performance gaps, however, what unites them was the need to save

costs, either as a goal in itself, or as a means to focus on the customers or members. According to the efficient-choice perspective, ideas diffuse when organizations with the same goals and the same performance gaps try to close these gaps using the same idea (Abrahamson 1991). The organizations in our study may have had divergent goals and divergent performance gaps, but in order to decrease costs, all organizations implemented the same idea: centralizing their financial departments and creating an SSC.

Our studied organizations also mentioned other motives for implementing an SSC. At Stampen Group, for example, the SSC was seen as a platform for future growth, and after the implementation, the group did indeed grow substantially and incorporated their acquisitions in its SSC. At Volvo Group, increased transparency was one of the motives. Some advantages with an SSC were observed later and were not a part of the initial motives for implementing it. At Kommunal, for example, it was discovered that the SSC enabled better central control, although this was not discussed around the time of the decision-making.

One of Bergeron's (2003) main reasons for implementing an SSC, improving services, seems to have been downplayed at our studied organizations and seen as secondary to the potential cost savings. At Stampen Group, it was noted that an SSC could improve the quality, however, the focus was always primarily on cost savings. Quality was also acknowledged as a benefit at Volvo Group, however, this was not focused on enough and there was too much talk of "economy of scale" and too little talk of "economy of skill." At Riksbyggen, quality assurance was one of the motives discussed, although not the main motive, and at Kommunal, our respondent did not bring up the quality aspect.

The rational motives for shared services from management consultancies reports that we have studied are not, except for cost savings, among the main motives for the organizations in our study. The management consultancy Accenture (2006) advocates the creation of a "front office mentality and culture" to improve the quality of the services. However, none of the organizations in our study mentioned this as one of their main motives. Offshoring or outsourcing of the shared services to a center in a low cost country is recommended by Gartner (2008), however, Riksbyggen, Stampen Group and

Kommunal strongly emphasize that they are satisfied with the choice to keep the services internal, nor does Volvo Group have any outsourcing plans at the moment. They see language, culture and control problems as reasons to keep the center internal.

When it comes to reasons not to implement an SSC, all respondents we talked to say that no rational arguments against the change were discussed. However, all respondents acknowledge that there was some negative reaction in their organizations. Bergeron (2003) stresses the importance of cultural change and that it is essential that the employees have a positive view of the change. This was not an area to which much attention seems to have been paid at our studied organizations. At Kommunal, for example, local branches were afraid of losing control and at Stampen Group, there was a sense of a lack of ownership of the processes in the SSC. However, the respondents at Kommunal, Riksbyggen, and Volvo Group all chose to categorize these reactions as emotional rather than objective or rational and at no organization were these reactions investigated further. At Kommunal, for example, the fact that local branches feared losing control and the implications this might have on the work of the local branches were not investigated. Although these arguments against an SSC might very well be minor compared to the advantages, we find it interesting that at no organization were these arguments investigated or allowed to be a factor in the decision-making process. This suggests that there was a wish at our studied organizations to implement an SSC, which may have encouraged management to disregard possible disadvantages.

### 5.1.2 Decision-Making Processes Behind the Creation of an SSC
According to Abrahamson's (1991) efficient-choice perspective, decisions to implement new management ideas are primarily based on rational decisions. It is arguable that to be able to say that a rational decision has taken place, it is not enough that the stated motives are rational, since they can be formulated afterwards. It is, therefore, also of importance to examine the decision-making process and in doing so, we find a clear pattern at our studied organizations of very swift decision-making. It seems that the organizations spent much time investigating how to implement an SSC and very little time investigating whether to implement an SSC or not.

At Kommunal, a comprehensive investigation lasting two years was conducted before the decision was made, and centralization was not seen as the obvious solution.

However, the idea was brought up early in the process and *the project group did not discuss any other alternatives* (our emphasis). The lack of alternatives to an SSC can be viewed as an expression of an SSC being viewed as the obvious solution, which no alternatives could match. To not discuss any other alternatives, further cements the image of SSC as the grand, indisputable solution.

The pattern of not questioning SSCs recurs at all studied organizations. At Riksbyggen, the decision to implement an SSC came quickly after a visit to a company in a relating industry, although much discussion was subsequently held regarding how to implement it. At Stampen Group, a large project was initiated and processes were analyzed carefully. However, the decision to implement some kind of shared service solution had already been made before the project started. At Volvo Group, our respondent could only recall a project examining how to implement an SSC, but sees it as likely that some sort of prior investigation may have taken place.

At all our studied organizations, the SSC project was seen as a vital project: consultants were hired, processes were analyzed, and discussions were held regarding the best way to implement the change. Paradoxically, much less deliberation and discussion seem to have been devoted to the question of whether to implement an SSC in the first place. It seems to us that an SSC was seen as the obvious solution for each organization and that most of the discussion, in some cases lasting for several years, was about how this obvious solution should be best implemented. This suggests that at our studied organizations, there seems to have been a strong, palpable wish to implement an SSC. This wish might stem from a firm conviction of the benefits with this solution, a conviction so strong that no alternatives were deemed necessary to consider. However, external factors may also have contributed to this conviction, for example, if other similar organizations had implemented an SSC. The external factors will be further discussed in the next section.

In some cases, the respondents acknowledged a lack of prior investigation or that certain areas were insufficiently covered. Riksbyggen, for example, points out that the company did not conduct enough detailed investigations and Volvo Group acknowledges that an insufficient amount of time was spent on discussing how to measure savings.

However, neither Riksbyggen, nor Volvo Group believes that this is indicative of a flawed decision-making process. Instead, Riksbyggen maintains that it is impossible to prepare completely and it might be preferable to implement something and then fix problems as they are encountered. Similarly, Volvo Group believes that no matter how much time is spent on investigations it is impossible to reach an exact estimation. Instead, they propose following through on the firm conviction and handling the problems along the implementation process.. Another implication of the lack of investigation was that some positive side effects from implementing shared services were discovered after the implementation, e.g. increased controllability at Kommunal and increased quality of services at Volvo. These advantages are discussed in the literature regarding SSCs (Bergeron 2003, Accenture 2006, Gartner 2010a) and should not come as a surprise. This can thus be viewed as a result of inadequate investigations that fail to consider all implications of implementing shared services.

The nature of the decision processes at three of the four organizations seems to have been affected by strong, identifiable proponents of the change. At Kommunal, the elected treasurer was the one driving the project and at Stampen Group, Arvidsson was the main proponent of the change. At Riksbyggen, three up-and-coming people advocated an SSC. The proponents at all three organizations were strong believers in the concept of shared services and it is likely that without these proponents, shared services might not have been implemented at that time or the investigation process would have been more thorough.

At all our studied organizations, consultants were used in the project, although to various extents. At Stampen Group, for example, a consultant served as Project Manager, whereas at Volvo Group, the consultants did not drive the project. The influence of these consultants will be further discussed in the next section. We also note that although outsourcing is closely related to shared services, and is often seen as an alternative (Janssen and Joha 2008), none of our studied organizations seriously considered outsourcing.

## 5.2. External Factors Influencing the Diffusion of SSCs

As discussed previously, we found two main viewpoints on the diffusion of SSCs, where the second one is based on Abrahamson's (1991) fad and fashion perspectives, and identifies trends as a possible reason for the diffusion of SSCs. Before we go into a detailed analysis of our studied cases on this matter, we first wish to comment on the debate on the use of words such as fad and fashion that we referred to in our frame of reference. Where some (Parker and Ritson 2005, Bohl and Luthans 1996) claim that characterizing certain ideas as, for example, fads is a way of denigrating the ideas, others (Donaldson and Hilmer 1998) believe that this denigration is legitimate, since the blind adoption of many of the new management ideas can be harmful to organizations. In our analysis, we will use the definitions of fad and fashion put forward by Abrahamson (1991) without putting any value, positive or negative, in the use of these words.

According to Abrahamson's (1991) fad perspective, management ideas diffuse when organizations imitate similar organizations in the search for legitimacy. Examining our studied cases, we see a concurrence of implementation of the SSCs in certain industries. For example, when Kommunal adopted an SSC, other unions had already done so and were an inspiration to Kommunal. Volvo Group made their changes at the same time as other similar companies implemented parallel changes and the same is true for Stampen Group. Riksbyggen was the first company among its direct competitors to implement an SSC, although a company in a related industry inspired them. It seems clear that this concurrence played a vital role for Kommunal and for Riksbyggen in inspiring them to implement SSCs. What is less clear, however, is to what extent this inspired Kommunal and Riksbyggen to do what they deemed rational, or whether they were just imitating what similar organizations were doing at the time. What we do know is that both companies could put forward rational arguments for the implementation of their SSCs.

According to Abrahamson's (1991) fashion perspective, management ideas diffuse when they are promoted by fashionable organizations, such as consultancy firms, business media and business schools. In our interviews, no respondent mentioned business media or business schools as a source of inspiration. Consultancy firms, however, seem to be omnipresent in the cases we studied. At Stampen Group, for example, a consultant served as Project Manager and at Kommunal, the consultants were highly involved in

recommending a shared service solution. The only exception seems to be Volvo Group, where consultants played a lesser role. The influence of these consultancy firms is difficult to assess. In the cases of Riksbyggen and Stampen Group, for example, the consultancy was selected because of its prior experience with SSC projects, which indicates that a decision to implement an SSC had already been made before the company was selected.

According to Abrahamson (1991), however, the influence of consultancy firms is not limited to what the chosen they advocates, but also incorporates what fashionable consultancies in general are promoting. The fact that consultancies such as Accenture (2006) and Gartner (2008, 2010a, 2010b) advocate SSCs might very well inspire organizations to implement it, although none of our respondents mentioned this as a source of inspiration.

One of the main points in Abrahamson's (1991) reasoning is that organizations adopt the ideas of similar organizations or fashionable organizations to obtain legitimacy in the eyes of others. In all our studied cases, numerous other reasons for the implementation of an SSC were put forward and no respondent mentioned the point of legitimacy. The likelihood of that happening can be discussed, but we were, nevertheless, offered other insights into the reasoning at our studied organizations when we asked our respondents what they believe an SSC signals. All respondents chose only positive words to describe what an SSC signals and the opinions that were brought up in all interviews were that an SSC signals efficiency and a focus on the core processes, as an SSC enables an organization to spend minimal time on administration. If Abrahamson's (1991) reasoning is to be applied, a contributing motive for implementing SSCs at our studied organizations would be to signal these positive virtues, for example, efficiency and focus on core processes.

Within Volvo Group, they believe that a group with decentralized finance departments signals weakness by lack of central control. This suggests that external perceptions might affect this organization's decisions as Volvo Group may not wish to be seen as a weak group where little central control is exercised. However, external perceptions do

not seem to be the main reason for the implementation at any of the organizations we interviewed, based on the rational motives that were put forward.

At Volvo Group, convincing management in other countries to adopt SSCs is becoming easier as time goes by since SSCs are becoming more widely known. This suggests that managers in that organization are more likely to adopt a management idea that they have heard of before and, thus, not only base their decisions on what ideas to implement on rational arguments.

Røvik (2002) notes that ideas that carry legitimacy are more easily adopted by organizations, and for legitimacy to be obtained, the idea should be in line with the central values of modern society, such as efficiency, profit, and prosperity. These themes reoccurred continuously in the interviews at our studied organizations. For example, Volvo Group implemented an SSC primarily because they needed to make savings, which would lead to higher profit and, as a result, increase prosperity for shareholders. Also at Stampen Group, for example, making savings was one of the main reasons for implementing an SSC, as was efficiency through refining the processes. All respondents continuously brought up the efficiency argument and it seems clear that SSCs are in line with the current zeitgeist. According to Røvik (2002), this fact would facilitate the spread of SSCs. In the case of Kommunal, their implementation of an SSC can be interpreted as a way of increasing their legitimacy towards their members. Their primary reason for implementing an SSC was to enable them to provide all of their members with the same level of service and this coincides with their goal to provide as good services as possible to their members.

# 6. Conclusion

*In this chapter, we present the results of our study, which is based on our aim and our research questions. We also give suggestions for further research on the subject.*

## 6.1. Conclusions

Our first research question asked what motives are behind the implementation of an SSC. We conclude that all of our studied organizations put forward rational motives for implementing an SSC that were corroborated by the literature we studied. Critical to our studied organizations was an expectation that an SSC would save resources. These resources could then, for Kommunal and Riksbyggen, be used to focus on their core business and, for Stampen Group and Volvo Group, be seen as a goal in itself because of the need for cost savings. Thus, increased efficiency and/or cost savings were the central motives for implementing an SSC at all our studied organizations.

Notably absent from our studied organizations' main motives was the quality aspect, which according to the literature is one of the main reasons to implement an SSC. Most of our respondents acknowledged that the SSC increased the quality of the services, but this was not used as a main argument at the time of the decision-making, and we therefore draw the conclusion that arguments relating to saving resources seem to be the most influential when advocating for an SSC. Thus, one of the main contributions of this study is to show that in these particular cases, it was primarily the saving of resources that was perceived as the main benefit of SSCs and the main reason for the organizations to implement them.

This is, to some extent, in line with previous studies, as both Janssen (2005) and Kastberg (2009), for example, cite cost savings as reasons behind the implementation of SSCs. However, these studies also cite other motives, such as increased controllability and higher quality (Janssen 2005), and improved governance (Kastberg 2009) which as discussed above, were not as significant for our studied organizations. The implication of this result is a realization that, if our studied organizations are representative, cost savings are the main motive for implementing an SSC. This means when advocating an SSC, emphasis should be on this aspect for the maximum effect. This result also has the consequence that other arguments, such as improved quality and controllability, need to

be emphasized more to become as significant. Additionally, the result provides insight into the contemporary priorities of management at four different organizations, as cost savings are valued higher than improved quality for services placed in SSCs. The services placed in SSCs are non-core activities and therefore, we believe that the focus is more on costs and less on quality due to the nature of these functions. These functions only need to be carried out with an acceptable level of quality to support the core activities and the quality aspect is not as significant. Hence, there is a strong focus on cost savings.

Our second research question asked what the nature of the decision-making process is when an organization implements an SSC. We found that at our studied organizations, little time was spent on investigating whether to implement an SSC or not, especially compared to the lengthy investigations surrounding *how* to implement the SSC. Those lengthy investigations, sometimes lasting several years, prove that there was no aversion towards investigating the matter deeply. However, the lack of investigations regarding whether to implement an SSC or not, coupled with the disregard for possible arguments against the change, suggest that the implementation was seen as a foregone conclusion for our organizations. In our problem discussion, we question whether the decision to implement an SSC is always based on a rational decision-making process and in our studied cases, it seems that the decision-making was not entirely rational. As the implementation of an SSC is a big and impactful decision, we believe that had it not been for a strong, unspoken wish to implement an SSC, the matter would have been investigated more deeply.

It seems to us that this strong, unspoken wish can, at least in part, be explained by the trendiness of SSCs. Firstly, there was a concurrence of the implementation of SSCs in some industries we studied and in some cases, external inspiration was key to the decision. Secondly, we believe that the fact that all our respondents maintain that an SSC signals numerous positive, and no negative, attributes played a significant role in creating the strong wish to implement an SSC. According to both Abrahamson (1991) and Røvik (2002), the search for legitimacy is critical to why organizations imitate other organizations' management ideas and it is not unlikely that there was a wish to signal the perceived positive attributes through implementing an SSC.

Although we find that rational motives exist at all our studied organizations, we draw the conclusion that the trendiness of SSCs facilitated their spread and made them seem the obvious choice. Had SSCs not been a fashionable and commonly adopted management idea, we believe that our studied organizations would have spent considerably more time investigating whether to implement them or not. Thus, this study concludes that the rapid diffusion of SSCs can, in part, be viewed as the result of a trend. Our result also offers a practical example of Røvik's (2002) theories on which management ideas diffuse rapidly and why, as Røvik notes, ideas in line with the values of modern society, such as efficiency and prosperity, travel faster (2002). As discussed above, it is exactly these values that our studied organizations have valued the most when they have decided to implement an SSC.

Also, this study shows, in a practical setting, how Abrahamson's (1991) different perspectives on the diffusion of management ideas can co-exist. With the exception of the forced-selection perspective, we find that the efficient-choice perspective, the fad perspective and the fashion perspective are important to consider when explaining the diffusion of SSCs. Although there are rational motives for organizations to implement an SSC, the efficient-choice perspective is not enough to explain this diffusion, as we find that trends are an important factor that facilitates the spread.

## 6.2. Suggestions for Further Research

We have studied the motives behind the implementation of SSCs at four organizations. For future research, we recommend a thorough study at one organization regarding the motives behind implementing an SSC. This could be either a qualitative study after the decision is made, or a diachronic study by observing the decision-making process.

Another future possibility is to investigate the motives and decision-making process behind the implementation of other management ideas, for example, balanced scorecards, total quality management and business process engineering. The aim of such a study could be to determine whether the implementation of those management ideas is solely based on rational decision-making, or whether external factors, such as trends, are a factor in those cases as well.

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# 7. Appendix

## Interview Guide

- Describe how your finance function is organized today? What services is included in your SSC and how did you decided what services should be included?
- Describe the implementation process of the SSC.
- How did you choose the localization of the SSC?
- What where the motives to implement an SSC? Underlying problems as motives?
- What disadvantages did you observe?
- How was shared services discussed internally?
- How much time was spent on investigations? What kind of investigations was carried out and who was responsible for the investigations?
- Which of the following motives were discussed: cost reduction, improved services, reduced distractions from core competency activities, increased efficiency, decreasing headcount requirements, economies of scale, and access to technology.
- If outsourcing were discussed as an alternative to SSC: Why did you choose SSC?
- How has the other organization in your industry organized their finance function? If they had implemented an SSC: when did they do it?
- If you hadn't heard of any other organization implementing an SSC, would you still centralize your finance function?
- Where did the inspiration to reorganize the finance function come from?
- Were there any consultancy firm involved in the investigation and implementation process?
- What do you think a centralized finance function signals?
- How was the decision to implement shared services received internally and externally?