

# A QUALITY FRAMEWORK FOR SERVICES IN SHARED SERVICES ENVIRONMENTS

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**Abstract:** Dissatisfaction with the quality of shared services remains a problem for the customers who use them. One of the reasons for this is the absence of quality frameworks and models appropriate for shared service environments. This article reports on the research conducted to develop a framework. Two separate questionnaires were used to gather the required data for the development of the model. The respondents of the first questionnaire were various business unit managers (n=60). These managers evaluated the importance of the six quality factors identified from a literature review and a focus group discussion. The respondents of the second questionnaire were the most senior shared services executives of the organisation (n=10). These respondents were required to evaluate the significance of key organisational requirements for shared services environments. These requirements were gathered from a literature review on quality. Reliability analysis was used to examine the relevance of the factors. The results indicated six quality factors and eight key organisational variables suitable for shared services environments. The extended service quality model was used as a basis for the framework. It is recommended that this framework be put to a test and that the results be validated and developed into a model.

*Key phrases: shared services, quality, quality framework, quality factors, reliability analyses, service provision, contact centres, shared service employees, service level agreements, shared service products*

## 1 INTRODUCTION

The shared services approach has been spreading quite rapidly since the late 1990s and has become a popular organisational change approach to managers who are dissatisfied with their current organisational performance (Ulrich 2006:191). The expected benefits such as cost reduction, improving service quality, process simplification, sharing best practices, knowledge transfer and greater alignment to business requirements (Redman, Snap, Wass, Hamilton 2007:1486) has made this approach attractive to such organisations. However dissatisfaction with the quality of shared services remains a problem for the customers who use them.

This problem has been justified in two studies. The first study was conducted by Kearney (2003:13), comprising of 140 shared services organisations in North America and Europe. This study concluded that 58% of the respondents are dissatisfied with the services. The other study was more recent and was conducted by Accenture (2005:16), involving 143 interviews with senior government executives from 13 different countries. This study concluded that there is a lack of quality in the services provided by the shared services centres. This level of dissatisfaction indicates that the service provider and the service user are not working together in a partnership despite the two parties belonging to the same organisation. One of the success factors of shared services is the increased level of internal supplier-internal customer service relationships driven towards partnerships. Further, a recent study also indicates that quality of services is the 'selling point' for shared services (Deloitte & Touche 2011:8).

The growing number of shared services organisations and the low satisfaction rate of the shared services customers have provided impetus to the study being reported on here in order to centre on the subject of quality. Many organisations have achieved improved service levels through the implementation of quality frameworks and models. A brief survey of quality models indicated that there is no quality model that is applied in shared services environments.

The process of the research on which this article is based, included a study of shared services and quality. The data was collected by means of two sets of questionnaires and analysed by means of reliability analysis. The results identified the various quality factors as well as the various key organisational requirements for the implementation of quality in shared services environments. The extended quality model, which was developed by Zeithaml, Berry and Parasuraman (1988:35), was used as a blue print for the quality framework. This model consists of a set of quality factors as well as a set of organisational requirements which supports the quality of delivery of services. A literature review of shared services and quality underpins the theory of this article.

## **2 SHARED SERVICES**

Various authors such as Ulrich (2006:196), Mercer (2008:2), Grant, McKnight, Uruthirapathy and Brown (2007:522), and Webster (2007:40) have provided definitions

of shared services. All these definitions define the shared services approach as a collection and concentration of duplicated non-core and non-value-adding activities from the various business units of an organisation into a separate business unit (shared services centre) whose task is to provide and manage these services as value-adding activities. After consolidation and concentration of these activities, the relative processes can be standardised, optimised and automated so as to promote efficiencies, cost reduction, quality improvement, and value to the multiple business units of the organisation.

Shared services can be considered an additional business unit solely for the provision of support services at a fee to the business units. The nature of the services provided can be transactional or advisory-based. Some examples of transactional shared services include recruitment, payroll administration, medical aid administration, information technology support, quality assurance support, while advisory-shared services include providing advice on training programmes, choice of medical aid schemes and interpretation of a disciplinary code.

As explained by Janssen and Joha (2006:114), shared services allows the means for retaining services in-house with a high degree of control and more focus on the core-business. A shared services organisation can improve overall efficiency and control while giving every business unit access to functionally deep and talented resources and allowing them to focus on what really matters – satisfying customers and developing new products and services to sustain competitive advantage (Deloitte & Touche 2010:1).

Schulman, Dunleavy, Harmer and Lusk (1999:92) identified the various elements that are essential to a shared services environment to secure good relationships between the various business units and the shared services centre. Such elements include service level agreements, very knowledgeable, skilled and experienced shared services employees, good two-way communication channels, a service centre (call centre/help desk), and a range of services that add value to the business units. To ensure the quality of shared services, the high quality of each of these elements needs to be achieved.

A shared services environment typically requires a transformation of people. In a traditional organisation, employees have a departmental relationship with other business units. In shared services environments, employees must develop a customer-service or business-partner relationship with other business units. The employees providing services within the shared services unit need to become customer-focused and very responsive to the needs of the business unit. (Bergeron 2003:25).

These employees must be given freedom to respond to the business unit rather than be tightly controlled by the parent corporation. They must also be given training in quality of customer service principles. Since shared services employees have limited scope for promotions, they need to be retained and motivated with other intangible rewards such as informal and formalised career paths, flexible work arrangements, and non-monetary recognition and reward programmes (Deloitte & Touche 2005:6).

Communication in a shared services environment means keeping all stakeholders informed regarding service implementation, soliciting feedback on new ideas, and alerting them when things change (Galeb 2008:17). Some methods of communication include newsletters, discussion forums, meetings and the use of the intranet. According to the Amherst Group Limited (1997:8), the understanding and importance of shared services is contingent upon the degree of effective communication by all levels of management to their respective employees. The service centre (help desk/call centre) is a vehicle for the promotion of communication.

The rationale for a service level agreement is that it clarifies the relationship and expectations between the shared services centre and the customer and provides a framework for performance measurement and process improvement, promoting an environment of joint accountability (Hartley 2005:139). According to Schulman *et al.* (1999:169), there must be a system to resolve disputes and conflicts between business units and shared services centres when they occur. Each time there is an exception to the service level agreement, such exception must be captured, tracked, understood and then fixed. A discussion on the theory of quality follows.

### 3 QUALITY

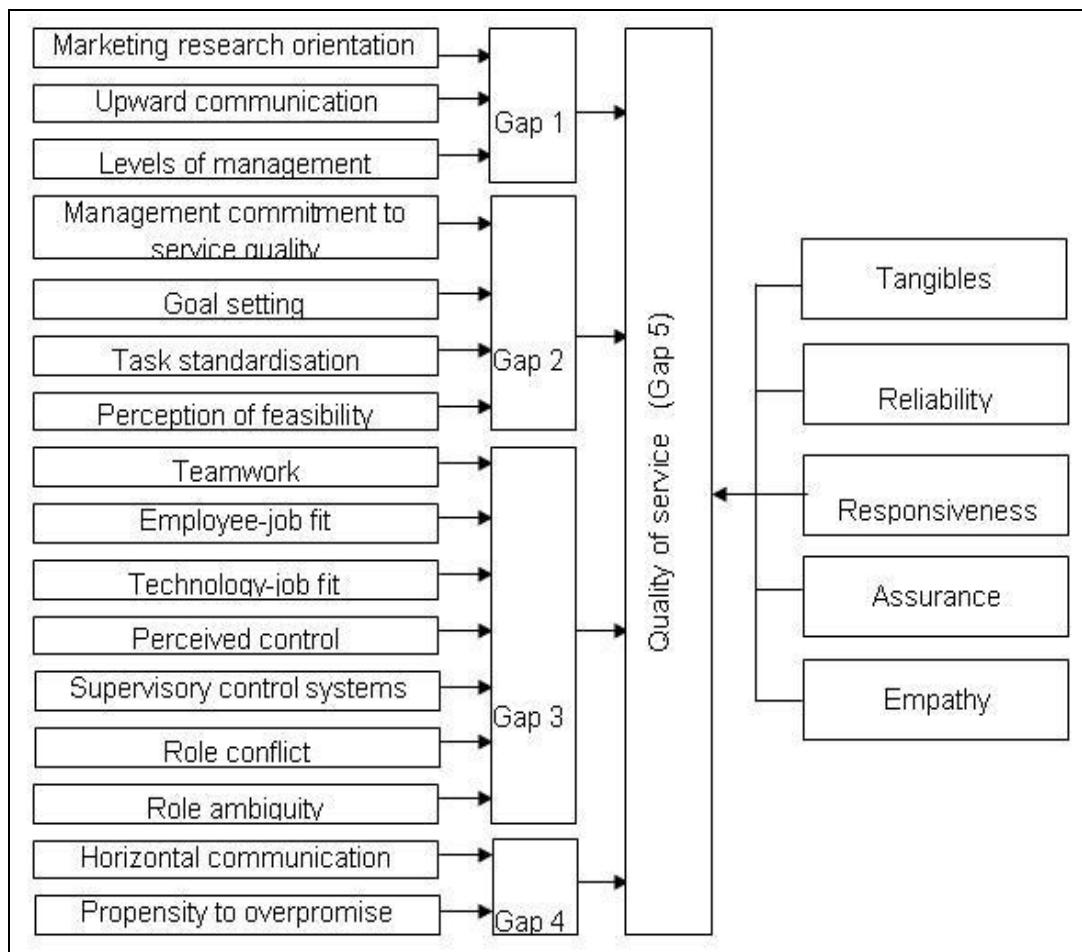
Why the need for quality? Dale, Van der Wiele and Van Iwaarden (2009:12–23) discuss the quality that enhances an organisation's revenue because products and services can be sold at better margins. Quality also increases productivity as the elimination of errors and reworking of rejections as well as reducing work on time on complaints will be minimised. These factors will lead to better customer satisfaction (Gryna, Chua & DeFeo 2007:18).

There are many definitions of quality. Evans (2008:6) reports on the results of a study conducted involving 86 companies in the United States. The basis of the study was to determine a definition of quality. The results showed that quality can be defined as perfection, as consistency, as eliminating waste, as speed of delivery, as compliance with policies and procedures, as providing a good usable product, as delighting and pleasing customers and as total customer satisfaction. Perhaps the most appropriate definition for shared services environments is the definition formulated by Feigenbaum (in Summers 2005:15) as “ quality is a customer determination which is based on the customer's actual experience with the product or service, measured against agreed requirements – these requirements are moving targets in a competitive market”. In a shared services environment, the customer will decide on the needs, requirements and expectations of the service. The shared services centres need to continually consult with their customers to capture their requirements which could be changing all the time, hence the term “moving targets”.

Some of the core key quality variables that were cited by the various quality experts include leadership, employee improvement, quality assurance, customer focus, a quality philosophy, information analysis, strategic planning, supporting infrastructure, a team approach and quality improvement (Foster 2007:56–58). These variables are critical for the implementation of quality and will be examined for its suitability for shared services.

A quality framework should show areas for quality improvement, a link to customer satisfaction, the need for the training, education and development of employees and its use for benchmarking purposes (Seth, Deshmukh & Vrat 2005:915). There are a

number of service quality frameworks and models and, according to Seth *et al.* (2005:943) very few meet all the requirements. One of the most popular service quality frameworks was developed by Parasuraman, Zeithaml and Berry. This is shown in Figure 1. This model was developed on the principle that service quality is a summation of differences (gaps) between the expected and received quality factors, which is equivalent to the summation of the quality performance gaps of the various organisational activities used to implement quality (Zeithaml, Leonard, Berry & Parasuraman 1988: 35). The quality of service factors are tangibles, reliability, responsiveness, assurance and empathy.



**Figure 1: The extended service quality model**

The organisational activities for the provision of services are market research orientation, upward communication, levels of management, management commitment,

goal setting, task standardisation, perception of feasibility, teamwork, employee – job fit, technology job fit, perceived control supervisory control systems, role conflict , role ambiguity, horizontal communication and propensity to over promise.

The gaps are explained as follow:

*Gap 1:* Difference between consumers' expectation and management's perceptions of those expectations, i.e. not knowing what consumers expect.

*Gap 2:* Difference between management's perceptions of consumers' expectations and service quality specifications, i.e. improper service-quality standards.

*Gap 3:* Difference between service quality specifications and service actually delivered, i.e. the service performance gap.

*Gap 4:* Difference between service delivery and the communications to consumers about service delivery, i.e. whether promises match delivery.

*Gap 5:* Difference between consumers' expectation and perceived service. This gap depends on the size and direction of the four gaps associated with the delivery of service quality on the marketer's side.

The quality framework for shared services within this study was developed around similar concepts by identifying the quality factors as well the key organisational requirements.

From the literature review and a focus group session the various quality factors and the key organisational requirements with their respective criteria are shown in Table 1 and Table 2. The criteria were used as scaled items within the questionnaire. The focus group discussion was conducted over a period of 90 minutes with eight business unit managers who were customers of shared services for more than two years.

The focus group session was sponsored and arranged by a major South African shared services centre. They selected the participants who had to be business unit managers with at least two years experience using shared services. The participants first had to sign a letter of agreement to participate before the start of the session.

**Table 1: Quality criteria for the quality factors**

Quality Factor	Criteria
Service level agreements	Well documented agreement drawn up jointly, with performance criteria and a dispute resolution process.
Contact centre (help desk/ call centre/ service centre)	Operating hours should be to the convenience of the business units, with well trained staff to solve queries without delays, and proper consultation before closing off queries and requests.
Communication	High technology two way channels, frequent shared services performance reports, services to be communicated through internal channels such as intranet, newsletters, etc.
Shared services products	Products to be value adding, self service, easily available and clients to be informed when there are changes.
Shared services employees	These employees to be well trained, specialists, proactive to solving problems, promote good relationships, customer focused and understand the business needs.
Service provision	Non bureaucratic controls, sense of urgency, first priority to serve the business unit, always available

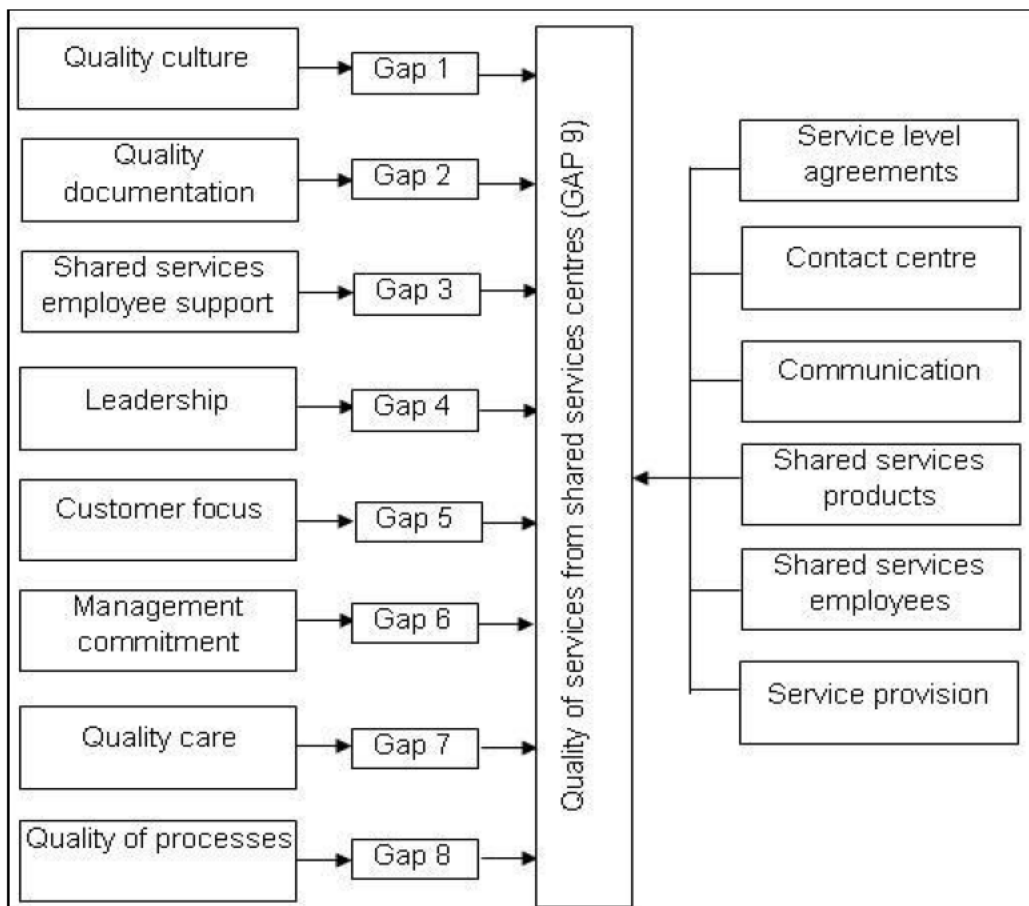
**Table 2: Quality criteria for the key organisational requirements**

Key organisational requirements	Criteria
Documentation	Documented process maps and procedures, maintenance of records of service provision
Shared services employee support	Highly skilled, well motivated and service orientated, understand quality requirements.
Leadership	Entrench a vision, mission, strategy and business objectives for shared services
Quality culture	Have a quality manual, engage performance management, entrench error prevention and continual improvement culture.
Customer focus	Promote quality assurance, service level agreements, measure service performance



Key organisational requirements	Criteria
Management commitment	Develop service charter, define roles and responsibilities, provide adequate resources, conduct service quality reviews
Quality care	Conduct quality audits and promote necessary quality improvements of the services.
Shared services processes	Promote best practices, establish quality control, and promote research and development of shared services.

Gaps 1 to 8 express the differences between the internal customer’s perception of the current performance of the shared services and the expected performance. The total of all the gaps (Gap 9) indicates the quality of shared services provided. These would lead to the proposed framework which is shown in Figure 2.



**Figure 2: Proposed quality framework for a shared service environment**

The next section describes the research methodology used for the study.

#### **4 RESEARCH METHODOLOGY**

The research design creates the blueprint for the research outcome. The grounded theory approach was chosen for this study. This paradigm, as described by Watkins (2008:43–52), uses a prescribed set of procedures for analysing the data and constructing a theoretical model from them. A grounded theory report would include a description of the research question, a review of the related literature, a description of the methodology and data analysis, a presentation of the theory and a discussion of the implications. The quantitative methodology which is explained by Leedy and Omrod (2005:95) as the study of explanations and predictions, seeking variables and establishing relationships, gathering data without the presence of the researcher, extensive statistical analyses and the production of a scientific report was appropriate for the study.

The purpose of the research on which this article is based, was to determine the quality factors for shared services environments and to determine the key organisational variables for the implementation of quality in shared services environments. The research process included two questionnaires. These questionnaires had various sections relating to the organisational and personal details of the respondent, details of the business unit and details of the shared services units. There were various steps to ensure the validity of the results. These included consulting with a panel of three shared services practitioners and an expert in questionnaire design. The expert in questionnaire design is a senior lecturer and statistical services manager at a university. The shared services practitioners are post-graduate students in shared services and they each have more than two years experience in the field. In addition, the questionnaires were initially tested with five respondents and minor corrections were made before conducting the research.

It was decided to accept respondents with at least two years experience in shared services in order to contribute to the validity of the results. The questionnaires were disseminated electronically with a covering letter to a data base of respondents locally and internationally. The respondents had the choice of returning them either via email

or by fax. The purposeful sampling method was used to select only those respondents who were believed to have relevant knowledge in shared services. It must be noted that shared services is still a very recent methodology and respondents were not easy to find.

The purpose of the first questionnaire which included 30 scaled items which were used to evaluate the five identified factors of quality in shared services environments. These scale items were evaluated in terms of "importance" by using a 7-point Likert scale. In order to maintain the validity of the results, the respondents had to be business unit managers and at least two years experience with the provision of shared services. The purpose of the second questionnaire which included 51 scaled items was used to evaluate the significance of the 8 identified key organisational variables for the implementation of quality. The ideal respondent for this questionnaire was the most senior manager of the shared services unit. The respondents were required to evaluate the significance of the key organisational requirements on a 7-point Likert scale.

The collected data was coded into Excel spreadsheets. These spreadsheets were used to load data into the SPSS statistical software (version 15.0 for Windows) to analyse the data. The data was analysed and reviewed by professional statisticians. The mean score was used as the central value of the scale and reliability analysis as an assessment of the degree of consistency between multiple measurements of a variable. The Cronbach's alpha coefficient is the diagnostic measure used to indicate the consistency of the entire scale. The generally agreed upon lower limit for the Cronbach's alpha coefficient is 0.70, although it may decrease to 0.60 in exploratory research. In terms of reliability analysis, one of the methods of increasing reliability is to increase the internal consistency of the measurement. Hence the items that increase Cronbach Alpha after elimination should be deleted.

## **5 RESULTS AND DISCUSSION**

The first questionnaire was sent to 500 respondents and only 60 were received. The second questionnaire was sent to 30 respondents and 10 were received. The data collection period was over three months with constant reminders being sent to

respondents. Some of the reasons offered for the poor response include that the company policy prevented employees from completing surveys and questionnaires, managers were out of office on company business, the company only support research activities from particular universities, managers indicated that they have already completed their quota for assisting students, managers were too busy.

A number of questionnaires were returned uncompleted because the manager indicated that they did not quite understand the concept of shared services and further some managers felt uncomfortable and suspicious because the questionnaires were forwarded to them via their senior managers. However the number of accepted responses was found to be acceptable for simple statistical analysis by the statistician. More complex analysis such as factor analysis could not be done.

The profile of the business managers was found to be acceptable with more than two years experience in the involvement of shared services. Furthermore, their academic qualifications ranged from university diplomas to doctorates. The ages were above 28 years, indicating a good level of maturity of the respondents. A similar trend was observed for the shared service executives who were the respondents of the second questionnaire. They were over 30 years old, had over two years shared services experience, were adequately qualified with university qualifications and reported directly either to board executives or senior managers.

About 70% of the business units had an annual turnover of lower than 50 million rand, whilst 30% had an annual turnover of over 55 million rand. The breakdown by means of the economic sectors showed that 14% were in research, 5% in support services, 2% in legal services, 16% in government services, 25% in energy, 11% in health, 2% from transport, 16% in manufacturing and 9% in mining. All the business units had been operating for over three years. The most common shared services provided to business units included human resources services, financial services, information technology, computer services, procurement and supply chain services. The reliability results and the means of the quality factors were shown in Table 2.

All the scale items were acceptable. Since the Cronbach Alphas of all the quality factors were greater than 0.70 it is assumed that the instruments and measurements

were reliable and the results internally consistent. Hence service provision, shared services employees, contact centre, service level agreements, communication and shared service predictors were accepted as the factors of quality in a shared services environment.

Table 3 shows the reliability results and means of the key organisational requirements. All criteria were acceptable (Cronbach's alpha > 0.7 for all). Therefore, leadership, management commitment, shared services employee support, customer focus, quality care, quality culture, documentation and shared services processes were accepted as the key organisational requirements that are necessary to implement quality in a shared services environment. All the scale items were acceptable.

**Table 3: Statistical results of the quality factors**

Factor	Number of scale items	Cronbach Alpha	Mean	Rank in terms of importance
1 Service provision	5	0.852	5.76	6
2 Shared services employees	5	0.859	5.82	5
3 Contact centre (help desk/ call centre/service centre)	5	0.764	6.00	2
4 Service level agreements	5	0.929	6.08	1
5 Communication	5	0.885	5.90	3
6 Shared services products	5	0.824	5.85	4

**Table 4: Statistical results of the key organisational requirements**

Key organisational requirement	Number of scale items	Cronbach Alpha	Mean	Rank in terms of Importance
1 Leadership	5	0.745	5.94	3
2 Management commitment	6	0.854	5.73	6
3 Shared services employee support	7	0.706	6.06	2
4 Customer focus	6	0.890	5.78	5

Key organisational requirement		Number of scale items	Cronbach Alpha	Mean	Rank in terms of Importance
5	Quality care	6	0.926	5.72	7
6	Quality culture	7	0.798	5.83	4
7	Documentation	5	0.851	6.16	1
8	Shared services processes	9	0.906	5.03	8

## 6 CONCLUSION

The aim of this article was to present a quality framework for services in a shared services environment. The framework was developed by studying the concepts 'shared services' and 'quality practices' from reviewing literature and a focus group discussion. The statistical results showed that the six quality factors and the eight key organisational variables were acceptable. Subsequently the proposed quality framework based on the extended quality model seems appropriate.

Like other research projects, this study is no exception to the general difficulties normally experienced. It was difficult to get respondents to complete the questionnaires. They were either too busy or not available. The small number of responses posed a handicap towards more complex statistical analysis. Shared services itself, is still a relatively new concept with very few books and reviewed published articles restricting the depth of the literature review.

In this article, the development of a quality framework suitable for shared services environments was reported. It is recommended that the validity of this model and its factors be tested against a larger sample as possible further research.

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