EFFECT OF GLOBAL SHARED SERVICE CENTERS ON FIRM PERFORMANCE: A CASE STUDY OF STANDARD CHARTERED GROUP IN KENYA

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DECLARATION

I hereby declare that this research project is my original work and has not been presented in any other institution.

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This research project has been submitted for examination with my approval as the University supervisor.

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DEDICATION

This research project is dedicated to my mother Mary; the epitope of hope, hard work and patience, you are forever in my heart mum I am forever grateful. And also, to my husband Enock, my cheer leader, this would not have happened without your full support, thank you. Finally, to my boys Sancho and Shane, my all-time motivation.

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ABBREVIATIONS AND ACROYNMS

RBV	Resource Based Theory
CBK	Central Bank of Kenya
SCB	Standard Chartered Bank
NSE	Nairobi security Exchange

ABSTRACT

Organizations operate in a highly dynamic and ever changing environment leading to a lot of uncertainty. Due to dynamic market, private and public sectors are setting up shared service centers. With the modern economic climate and the high competition, both public and private organizations have no choice but to examine and improve the present business models for operational efficiency. This formed the foundation of this study as it sought to examine the effect of global shared service centers on firm performance. A case study of Standard chartered group in Kenya. Stakeholder theory, resource-based theory and transaction cost theory formed the theoretical foundation. This study adopted the longitudinal research design and primary and secondary data were used. The primary data was collected using an interview guide. The targeted respondents for this research were the chief operating officer, head of human resource manager, finance manager, Marketing and communications manager, head of portfolios and project manager giving a total of six respondents who are expected to have an in-depth understanding of shared services center. Secondary data was also collected from financial annual reports, Standard chartered group in Kenya website, Library databases, performance evaluation reports, strategic plans and other. The data obtained was analyzed qualitatively using content analysis. The study found out shared service center is able to offer the activities whereby the support needed obtains costs that are lower, enhancing the internal controls, offering quality services on its operations, standardizing and simplifying various processes. It was established that the top management were committed towards the implementation of shared service center. It was established that the SSC implementation and plans are highly monitored by the ICT department to find out any problem that may occur. Results revealed that the adoption of shared services center has raised the level of transparency in the bank among customers and improved efficiency in customer service, brand recognition and trust. The study concludes that the benefits that accrue to Standard chartered group bank from SSC far outweigh the costs of their establishment and operation, hence, SSC greatly enhance efficiency and cost savings in Standard chartered group bank. The study recommends that while establishing SSC, Standard chartered group bank should ensure that they adequately envision the possible challenges and plan in advance how to address these challenges should they appear.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

According to Deloitte's survey of global shared services it was discovered that there is an only stereotype that the sole purpose for the implementation of shared service centers (SSC) is the need to cut on costs. There is a way in which the global economic crisis work is in the support of this kind of thinking. Truth is when you look at the value chain and pay close attention to services which are knowledge based, the logic behind SCC is not just cost reduction as it offers an opportunity of creating organizational value and is a crucial part of an organization during the challenging times. Times have changed meaning even the way things are being handled is totally different (Deloitte, 2017).

This study was guided by the following theories; stakeholder theory and resource based theory, transaction cost theory. The Stakeholder theory was suggested by Freeman (1984) and expounded in his book "strategic management: A stakeholder approach. The theory defines stakeholder as any individual or group of individuals who have interest in the firm's objectives. RBV came to fore in the early 90's after Jay Barney's evaluation study on successful firm management. He examined the mechanisms that a firm could leverage on its resources for building on competitive edge. Transaction costs theory was formulated by Coase's (1937) and seeks to explain reasons as to why some transactions are confined within the internal boundaries of an organization while others are procured to external stakeholders.

The motivation of the study was envisaged by the need to fully understand the subtle factors that influence global shared services centers and how it affects performance of Standard Chartered bank Kenya Limited. In addition the study will provide valuable information on practices that should be adopted by the bank on how to implement effective shared service canter. This study is also motivated by the fact that although there are several studies conducted both locally and internationally on various shared service centers on performance, most of these studies have focused on different contexts and their findings cannot be generalized to represent Standard chartered bank.

Kenyan banking institutions are currently facing an environment that is fast faced dynamic and competitive on a local as well as a global scale (CBK Report 2015). Consequently, each bank ought to come up with strategies to ensure its survival and value maximization to all its stakeholders. Standard Chartered Bank Kenya is one of the financial institutions in Kenya whose core activities involve banking. The bank has invested heavily in information technology to help improve efficiency and effectiveness. To help allow the bank concentrate on its core business of banking, the management outsources non-core banking services. This has made the engagement of several vendors to supply various non-banking services to the Bank as it concentrates to its core banking services.

1.1.1 Global Shared Service Center

According to Rao (2006) global shared service center is a strategy used by firms where the staff functions are concentrated in a semi-autonomous firm and it is controlled like a business unit that is competing in an open market so as to ensure efficiency, value generation and improved services for both internal and external customers. Global shared services center results to a firm offering better services, cost reduction and better internal services offered to clients. The global shared service centers are independent business unit that are exposed to external competition. According to Stauss (2008) audit services, support services and workflow services are some of the internal services although orienting internal services to external services is not easy.

In the 21st century global shared service centers have grown exponentially due to globalization and technology that allow companies to concentrate on activities to optimize costs without compromising efficiency and effectiveness. Global shared service centers model have undergone several evolutionary cycles, changing from significant gain to economies of scale and ensuring efficiency in the process hence improve profitability of the firm. Rouse (2016) argue that a shared service centre offer support and administrative activities to organization which are distributed traditionally and duplicated in the various group companies and business units. These services are usually for support functions such as finance, accounting operations, human and resources.

As to whether support functions have dropped the ball on value creation for the organization is a critical question to be addressed by the function that seeks to be recognized at the strategy table. To be able to add value, such functions have the challenge to shift from the general execution efficiency to reconsider the worth that execution triggers-by finding a middle ground with strategy (Strikwerda et al, 2010). The existence of strategy disconnect, calls for linkage of execution with strategy in support functions so as to optimize on the value of such functions. Efforts have been made to have back office operations processes executed cost effectively hence critical analysis of the value that a specific support function brings to the business.

1.1.2 Firm Performance

Organizational performance refers to an organization's ability to find its unique position (Porter, 2004).According Baker and Sinkula (2015) organizational performance can be defined as process that involves analyzing the achievement of a company against its set objectives and goals. Cascio (2018) defined organizational performance as a practice that involves measuring the actual outcomes or organization's results against its intended results or goals and objectives. According to Ayala et al., (2016) organizational performance is the process that involves analyzing performance of the company against its set objectives and goals. An analysis of the organization's achievements compared to its set objectives and goals gives the actual performance in finances, market and shareholder value. Organizational performance is about providing financial returns be it in terms of profits, return on investment (ROI) or stakeholder returns. It is the duty of firm managers to provide maximum possible returns to shareholders (Barney, 2016).Performance is important as its measurement helps in understanding, managing and improving the overall functioning state of an organization.

Tholons (2017) state that performance may be managed through service level agreements and operating metrics increasing profitability. The internal business process performance measures include access to global and specialized best practice standards resulting in increased value-added services and customer focus. The learning and growth perspective performance includes gaining of new competencies and capabilities which may lead to increased value added services and brand awareness (Kaplan & Norton, 2015). According to scholars, performance is not affected by personal qualities but managerial strategies which influence employee motivation, satisfaction and performance (Cascio, 2018).

Measurement of performance in management remains a vital tool for any success of a business. Information on the results is essential in making sound decisions. Performance can be measured using various models discussed by Ireland, (Cantens & Yasui, (2016).

The balanced scorecard generates performance measures from the organization's mission, vision and strategy. It provides a tool for comprehensively measuring the performance of the organization. It includes the financial aspect which determines the economic outcomes of the different decisions undertaken by the organization. Another important aspect measured is customer satisfaction levels. It focuses on the customer and market and measures critical success measures metrics targeted at these segments. Another important measure is on internal processes. It identifies the business processes in which the organization performs well. Lastly, balanced scorecard focuses on learning and growth which are essential for long term growth of the business (Kaplan & Norton, 1996). The current study will adopt the balance scorecard as it has widely been acknowledged as a measure of performance.

1.1.3 Commercial Banks in Kenya

According to Central Bank of Kenya report (2019) there are 44 licensed commercial banks, where 3 are public and the other 41 are private entities. The public banks are majorly owned by the national government (CBK, 2018). The CBK is charged with the responsibility of regulating the entire banking industry by formulating rules and regulations. This helps in ensuring stability and overall performance of the entire banking sector (CBK, 2016). A bank is a financial institution whose function involves provision of fundamental banking services which primarily involves accepting deposits and creation of credit. It is an institution that creates a match between savers and borrowers to ensure smooth functioning of economies (Sabi, 2014).

Banks ensure that surplus resources are collected and extended into deficient productive units in a more economical manner. However, not all financial institutions offering part of banking services qualify to be called banks as some do not fit the legal requirement for banks in terms of capital requirements and other provisions. The level of competition among commercial banks has gone high as more and more commercial banks are licensed to operate in Kenya (Wafula, 2015).

The Kenya Bankers Association is the industry lobby for the Kenyan banking industry. Among its functions is to promote economic growth and industry development by engaging the regulator and the government. The association also lobby’s and champions industry innovation and development by coordinating its members and partnering with other stakeholders. According to a CBK report (2011) six banks control 52.4% of the entire industry. The Kenyan market has been described as oligopolistic by many given the tight control that few banks have on the entire market.

1.1.4 Standard Chartered Bank Kenya

Standard Chartered Group Kenya is an outlet of the Standard Chartered Group that was formed in 1911 with the first branch being set up at Treasury Square in Mombasa. Now, 105 years later, SCB is one of the top Banks in the country. It has a total of 37 branches, 95 ATMs and 2,048 employees (SCB Annual Report, 2015). It has a local shareholding of approximately 26%, covering around 32,000 shareholders. It has been a public quoted company on the NSE from 1989.The bank has a varied portfolio of clients across selected sectors. This comprises of business services, agriculture, manufacturing, real estate, wholesale and retail trade, energy and water, transport and communication. Further reinforcing its worth, SCB Kenya holds the Africa regional Shared Service Centre in Nairobi.

This a whole unit that gives technical and operational support for Uganda, Tanzania, Zambia, Botswana and South Africa SCB markets on a real time basis. SCB was the first Kenyan Bank that was awarded ISO 9002 certification in technology systems. It was the first bank in Kenya to launch ATMs (Automatic Teller Machines) in 1989 in Nairobi and introduced the first utility bill payment over ATM. The bank was also the first bank in Kenya to introduce priority-banking facilities for the affluent customers as a competitive edge. The bank has also been the first to introduce new products in the markets like the unsecured Personal Loans, Mobile Top-Ups, scheme loans and Banking Business Solutions for corporate customers.

1.2 Research Problem

In the modern economic environment, budgets are minimized and opportunities for achieving efficiency explored. Inevitably, the control and maintenance costs are the major concern for public management (Johns &Gratton, 2013).The basic argument behind the SSC synergy as it appears is that, services of one local government can be provided to others relatively easy. This should reduce the costs and enhance the service level .Introducing a SSC synergy is a fundamental strategic decision. It reflects a long-term decision between the SSC synergy and clients with substantial complexity and risks. SSC synergy may be perceived as a form of outsourcing arrangement between several customers and one vendor; in contrast, literature on outsourcing has mainly focused on the relationship between one customer and one or several vendors

The context of the study was Standard Chartered Group in Kenya. Standard Chartered Group operations are regulated by CBK, prudential guidelines and the International Financial reporting standards (IFRS).Standard Chartered bank Kenya is a major player in the Kenyan banking industry, almost always considered an up market banker. This bank has products that are embedded to technology including mobile banking and online banking. In these platforms they offer several services including funds transfer; from one account to another, and from account to Mpesa. In the online banking platform a customer can request for cheques, check account statement, request for real-time funds transfer to other banks. The bank has several products to offer the market. It is therefore important for Standard Chartered Group Bank limited to understand the environment in which it operates by identifying the factors satisfy customer needs hence coming up with services that ensure efficiency in service delivery.

There are significant research gaps along theoretical, conceptual, contextual and methodological spheres which is what this study sets to investigate. In Malaysia, Mahendhiran and Khong (2006) evaluated the impacts of shared service on enterprise performance in bank industry and finance organizations. Only 128 questionnaires were answered out of the sample size of 700. Furthermore, the information obtained was analyzed statistically including confirmatory and exploratory, reliability test and structural equation modelling. Factor investigations extricated two measurements, perceived enterprise performance and customer service management. On the other hand, In India, Strikwerda and Seesing, (2003), examined shared services centers in Commercial Banks.

It focused in particular on the finance function. The study adopted cross sectional survey in which 42 commercial banks were the target population. It was found that shared service centers assist firms to understand customer needs and service them better. Weber *et al.* (2006) examined shared services of human resource management department of Insurance companies. The study was able to adopt primary data in which questionnaire was used up. It was found that overview of shared services and business process outsourcing and brought together these ideas into one context, where the respective possibilities and limits were described. Amaoko (2014) assessed the impact of shares service on the performance of Telecom, Companies in Ghana-a contextual investigation of Vodafone Ghana. The investigation utilized the snow-ball study which was suitable for populace about a marvel, with a specialist planned survey for information gathering to answer the examination question not withstanding close to home meeting with endorsers and staff of the chose firm.

Locally, Njagi and Kombo (2014) found out that shared services strategy moderately affected performance of commercial banks in Kenya. Correlational research design and census design was adopted in which the target population was all commercial banks in Kenya. The study recommended that there was a need to effectively implement shared services strategy in order to achieve full benefits. The study is important since it investigates the effect of shared services strategy implementation and also provided a basis of shared services strategy operationalization. On the other hand, Kitutu (2009) did a research that focused on shared service strategy at the public works Ministry in Kenya. The research findings discovered that organizational culture, miss-fit between strategy and structure, communication that was not efficient, poor coordination and support, lack of updated information technology, erroneous choices of strategy, meddling from government and regulations as well as managing the available resources poorly, International developments in the industry as well as personnel who were inadequately trained on necessary skills posed hurdles on implementation of strategy. Similarly, Ambiyo (2016) asserted that Standard Chartered Bank there is a lot of pressure on delivering quality service to customers. A lot of emphasis is put on customers' satisfaction though excellent service to reduce on customer complaints, reduction of long queues in the banking hall by the use of the queue management system. Gudahi (2016) established that the bank had adopted competitive strategies in an effort to increase its market growth and realize the banks' overall objective. This study took up a case study design targeting one organization. An interview guide was used to collect data which was analyzed by use of content analysis as a tool.

There are previous studies conducted in this area, there are significant research gaps along conceptual, contextual and methodological spheres which are what this study sets to investigate. Contextually, the empirical studies reviewed focused on global shared service centers and firm performance in other contexts other than the Commercial Banks in Kenya. Thus, this study aimed at addressing these knowledge gaps by seeking to identify the global shared service centers and firm performance adopted by Standard Chartered in Kenya. The study will address the research question: What is the effect of global shared service centers on firm performance in Standard chartered group Kenya?

1.3 Research Objective

The objective of the study was to examine the effect of global shared service centers on firm performance. A case study of Standard chartered group in Kenya.

1.4 Value of the Study

The study results were applied by other scholars, students and researchers in future as a platform for executing further studies in the same field. The findings also was applied by researchers and scholars to identify further research areas on the related topics addressing the same matter through conducting a review of the existing literature so as to identify the research gaps.

For management practice, this study enhanced the understanding on how to improve business that can lead to superior performance. The findings of this study assisted managers to focus on critical success factors for growth within their organizations hence improving the performance of their institutions. By establishing that growth strategies contribute more to performance, managers need more on these strategies if they are to improve their performance.

The Central Bank of Kenya (CBK) the regulator further focuses on policy decisions that are intended to sustain and facilitate good governance and high organizational performance. The study is in strengthening policy considerations in this sector. The improvement of effectiveness and performance of financial institutions in an effort to increase their efficiency to benefit the clientele base may be dependent policy improvement.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The main sections covered in this chapter included; theoretical framework which focuses on various school of thoughts that seek to explain the idea behind the study and a review of empirical studies which helped the researcher identify what had studies had found regarding the subject of study. The empirical studies included local studies and international studies where the researchers tried to establish the link between global shared service center and firm performance. This guided the researcher in avoiding duplication and clearly established the research gap for the study.

2.2 Theoretical Foundation

Literature review identifies and examines the work done by other researchers and scholars on shared service center and firm performance. This review provides comprehensive knowledge of what has been done, acts as a basis upon which the study findings are interpreted and moves to overcome the previous studies' limitations. The following section describes and discusses different theories such as resource based theory, transaction cost theory and stakeholder theory.

2.2.1 Stakeholder Theory

The stakeholder theory was suggested by Freeman (1984) and expounded in his book "strategic management: A stakeholder approach. The theory defines stakeholder as any individual or group of individuals who have interest in the firm's objectives. Managers in an organization should put forth associations with the suppliers, employees and business partners (Sundaram & Inkpen, 2004).

Scholars observe that the theory is important; they hold that there should be accountability of the organization externally and internally as business entity activities impacts the external environment. This theory is condemned on the basis of assuming a single-valued objective this is where gains that accrues to a firm's constituencies (Jenson, 2001). Jensen's (2001) states that there are other measures to measure how a firm has performed besides by benefits got by stakeholders. These measures include information flow from senior management to subordinate staff, working organization environment and interpersonal relations within the organization.

Stakeholder theory is relevant to this study because it is aimed at ensuring that the diverse needs of all the stakeholders are well represented. This is achieved through establishing a network of relationships with the stakeholders of the firm they include the suppliers, employees and the customers. This is part of the corporate goals of the firm. In this study, the leaders at the standard chartered bank Kenya aspire to successfully implement shared service center. To achieve this goal; they should engage the customer who is the end-user of these services.

2.2.2 Resource Based View

The resource based view theory came to force in the early 90's after Jay Barney's evaluation study on successful firm management. He examined the mechanisms that a firm could leverage on its resources for building on competitive edge. Barney (2001) posits that the Resource based approach was a factor that was critical which led to the enhancement of the organizational ability to survive within a market that is highly competitive, when it came to develop organizational capacity. The Resource Based View (RBV) brought about the Resource based Theory and it is key in the evaluation of firm.

The resource-based view theory has highlighted the organizational resources which lead to creation of the valuable factor that enables the business organization to keep on growing transactions as well as attracting new investments. Terziovski (2010) noted that organizational strategies contribute in a significant way in establishing how organizational resources are utilized and distributed when it comes to the facilitation of organizational business operations. The Resource Based View theory identified resources as either tangible or intangible. of a firm are identified to be tangible and intangible by the Resource Based View theory. Ray, Barney and Muhanna (2004) noted that all organizational resources had a substantial contribution to the overall efficiency and effectiveness of an organization.

The desire of all corporate organization is achieving growth by tapping into resources that are best operational as well as through implementation of comprehensive strategies which enable organizations realize their primary mandate as well as objectives (Rosemann & Vom Brocke, 2015). The Resource Based View theory has compatibility with discussion on strategic planning and implementation which is the focus of this paper. Implementation of strategic plans requires comprehensive physical systems to be integrated and have to be supported by well trained, competent support and skilled team (McKinney, 2015). The bank's capacity for executing her operations is mostly subject to its resource base in terms of physical and human resource.

2.2.3 Transaction Costs Theory

Transaction Costs Theory was formulated by Coase's (1937) and focuses on an organization's boundaries, decisions relating to integration with stakeholders, networks creation and other governance structures for optimal organization performance. This theory sought to explain the reasons behind the arrangements on economic transactions within an organizational setting. It seeks to explain reasons as to why some transactions are confined within the internal boundaries of an organization while others are procured to external stakeholders (Madhok, 2002).

This theory believes that there are costs associated with executing a transaction in the market which can be reduced by applying alternative channels of service delivery (Williamson, 1975).These costs could relate to the process of drafting, negotiating, and completing an exchange. This theory assumes that these transaction costs incurred in organizing a transaction form part of the production costs which have a bearing on the final prices charged (Jones, 1998). These costs are not easily assessed because they are ex-ante (Williamson, 1985). They mainly relate to expenditures in searching, engagements in negotiations and drafting of contracts.

2.3 Empirical Studies and Knowledge Gaps

Weber *et al.* (2006) examined shared services of human resource management department of Insurance companies. The study was able to adopt primary data in which questionnaire was used up. It was found that overview of shared services and business process outsourcing and brought together these ideas into one context, where the respective possibilities and limits were described. On the other hand, Hentschel (2008), 32.1% of the organizations implementing shared services aim to enhance service delivery quality while 21.4% of them aim to enhance the level of service. Reilly (2000) argued from quality development perspective that, it is important for support functions to get more professional in service delivery, observe high consistency and precision and be more informed of the best practices in the internal and external environments. To attain these goals, support functions in shared services should strive for customer orientation by focusing more on customers as opposed to the offered products; enhancing customers access to them.

According to Marciniak (2012), standardization refers to a framework of agreements by which all the relevant parties in an organization or industry must adhere for ensuring that the associated processes are linked to creation of good and high service performance within guidelines that have been set. The aim is to ensure that the end product's quality is consistent and the numerous conclusions are comparable with other items that are equivalent in the same class. According to Yip (2014) multinational companies are adopting shared services models in their human resource operations. MNCs being major actors in the globalized village create convergence for nations worldwide. Globalization may be perceived in two ways; forced and participative globalization.

Njagi and Kombo (2014) found out that shared services strategy moderately affected performance of commercial banks in Kenya. Correlational research design and census design was adopted in which the target population was all commercial banks in Kenya. The study was able to adopt primary data in which questionnaire was used up. The study recommended that there was a need to effectively implement shared services strategy in order to achieve full benefits. The study is important since it investigates the effect of shared services strategy implementation and also provided a basis of shared services strategy operationalization. However, the study did not assess the factors influencing shared services strategy implementation among the commercial banks.

Amaoko (2014) assessed the impact of shares service on the performance of Telecom, Companies in Ghana-a contextual investigation of Vodafone Ghana. The investigation utilized the snow-ball study which was suitable for populace about a marvel, with a specialist planned survey for information gathering to answer the examination question not withstanding close to home meeting with endorsers and staff of the chose firm. The objective populace included 150 versatile telecom singular endorsers for the year 2010 from Vodafone Ghana. Straight forward frequencies and crosstabs were utilized as the system in the variable investigation. The outcomes demonstrated that great client benefit have positive effect on execution of Telecom organizations in Ghana. The study was done in Ghana and concentrated on effect of client benefit on execution of media transmission organizations while the current investigation tries to set up the impact of customer experience on execution of insurance agencies in Kenya.

In Malaysia, Mahendhiran and Khong (2006) evaluated the impacts of shared service on enterprise performance in bank industry and finance organizations. The goal was accomplished through an observational examination including a review. Only 128 questionnaires were answered out of the sample size of 700. Furthermore, the information obtained was analyzed statistically including confirmatory and exploratory, reliability test and structural equation modelling. Factor investigations extricated two measurements, perceived enterprise performance and customer service management. Every single related marker showed their builds individually. In spite of the presence of desires where shared service could wander into more measurements through exploratory factor examination (customer assessment, customer association management, client satisfaction and market research), the outcomes demonstrated that shared service were epitomized as a solitary development by respondents. The discoveries affirmed that customer association management had noteworthy relationship on business performance.

Kitutu (2009) did a research that focused on shared service strategy at the public works Ministry in Kenya. The research findings discovered that organizational culture, miss-fit between strategy and structure, communication that was not efficient, poor coordination and support, lack of updated information technology, erroneous choices of strategy, meddling from government and regulations as well as managing the available resources poorly, International developments in the industry as well as personnel who were inadequately trained on necessary skills posed hurdles on implementation of strategy.

Gudahi (2016) examined the effect of competitive strategies on market growth of Standard Chartered Bank Limited in Kenya. This study took up a case study design targeting one organization. An interview guide was used to collect data which was analyzed by use of content analysis as a tool. The study established the bank had adopted competitive strategies in an effort to increase its market growth and realize the banks' overall objective. The bank adopted strategies alliances, cost minimization, use of advanced technology, applied partnership strategy, applied collaboration strategy, applied joint venture strategy and applied outsourcing strategy in meeting its strategic goals and objectives. The study recommends that the bank should adopt advanced technology that is safe which would easily be used to attract new customer base increasing its capability for achieving market growth and competitive advantage at the market place.

Ambiyo (2016) in Standard Chartered Bank there is a lot of pressure on delivering quality service to customers. A lot of emphasis is put on customers' satisfaction though excellent service to reduce on customer complaints, reduction of long queues in the banking hall by the use of the queue management system. To ensure the above, the bank offers trainings to all staff on how they can achieve them, the bank also offers incentives to the branches with staff that offers the best service to their customers and also abased on their individual balance score cards. The main challenge in regard to the implementation are based on employees perception of fairness in the system, this affects the employees motivation and their relationships at work.

There have been several studies done on global shared service centers in the Commercial banks but some of these were carried out in other parts of the world. The environment in the USA and other regions of the world are so different from Kenya and the findings cannot be applied in this context without further studies. The local studies focused on aspects other than how global shared service centers affect performance of the firm. Therefore, there exists a knowledge gap which this study sought to fill.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines in detail the methodology of research which was used during the study. A justification of the method selected under each methodology is also provided. The research objective outlined in chapter one guided the research methodology.

Research design and tools that were used in collecting data are also described in this chapter. In addition, this chapter outlines the data collection method. Furthermore, a justification of the data collection method adopted is given and the type of data collected that is either primary or secondary data.

Finally, the chapter gives an insight of the data analysis methods and tools which were used during the study. The final part of the chapter gives an overview of the data analysis method and tools which were used in the course of the study. A justification of the data analysis method employed is also discussed.

3.2 Research Design

A research design encompasses the guidelines on how a research is conducted and to also ensure that the data collected guides one in answering the study questions. This study therefore adopted the longitudinal research design. The reason for choosing this research design was because it provides an opportunity for a diverse perspective on the research topic and also it is an approach used to study a phenomenon that takes a longer period of time; more specifically the study used the case study method.

A case study method lays emphasis on deeper rather than broader aspects of a given study and entails full analysis of the limited number of conditions or events and other relations. It involves a careful and complete observation of social units. By using a case study method, a more in depth study can be carried out.

There are several reasons as to why a case study was preferred. At the onset, it allows more details to be obtained as compared to other research design and the data is normally a lot richer. Hence since only one organization (Standard chartered group in Kenya) is involved as well as the need for an in-depth and comprehensive study, a case study approach was undertaken.

3.3 Data Collection

The study relied on both primary and secondary data. The primary data was collected using an interview guide shown in appendix I. The interview guide was preferred for this study because of its capacity in obtaining information from respondents and providing better insight and understanding of the results from the study. The interview guide enabled the researcher elicit information that might not have been captured with the other data collection techniques. The targeted respondents for this research were the chief operating officer, head of human resource manager, finance manager, marketing and communications manager, head of portfolios and project manager giving a total of six respondents who are expected to have an in-depth understanding of shared services center.

The interview guide covered several aspects ranging from the respondent's demographic information to the study research objectives. To ensure that the research instrument captured information from the respondent as intended, the researcher asked open ended questions that gave room for further prodding if any response is not clear. The researcher personally conducted the interviews.

Secondary data was also collected from financial annual reports, Standard chartered group in Kenya website, Library databases, performance evaluation reports, strategic plans and other reports of Standard chartered group in Kenya. The obtained secondary data was collated with the interviews to enable achievement of credible findings. According to Cooper and Schindler (2014), this method of collecting data is called triangulation which is defined as a way of assuring research validity by using more than one data collection methods on the same research.

3.4 Data Analysis

The data obtained was analyzed qualitatively using content analysis since it enables one to make general conclusions on how data categories are related. The study adopted qualitative analysis since the researcher was able to describe, interpret and provide a critical review of the subject matter of the research because of the difficulty of doing this numerically. Qualitative analysis was done by use of content analysis.

As indicated by Khan (2008), content analysis entails analysis of documentary materials for example newspapers, magazines, books and face-to-face information obtained in the course of the interviews that can be printed or spoken. Additionally, Burns and Burns (2008), states that content analysis is organized qualitative description of the study's materials or objects.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents data analysis as well as findings in relation to the laid out research objective. The study was designed to establish global shared service centers and firm performance. Data analyzed herein was constituted by use of interview guide and analyzed by content analysis technique. The interview guide contained four sections containing general information of the interviewee, sections on global shared service centers and the last section on firm performance.

The research targeted six managers namely; chief operating officer, head of human resource manager, finance manager, marketing and communications manager, head of portfolios and project manager. All the targeted respondents were interviewed through the Head of departments in the various divisions outlined. The response rate was attributed to the researcher's effort to book interview appointments bearing in mind the interviewee's schedule as well as constant follow up. The analysis in this chapter is done according to the themes in the questionnaire.

Further this chapter provides a discussion of results and what those results mean. The results are discussed in the context of how they fit into the existing body of knowledge and whether they are consistent with the theories earlier mentioned in literature review. Insights from these results are also given in this chapter with a view to provide a comprehensive presentation of the results.

4.2 Respondents Profile

The study requested interviewees to show the duration over which they had worked in the current position. All the senior managers interviewed were found to have served the organization for ten or more years with over six years in senior management. This illustrates that the interviewees have the appropriate knowledge and experience. Results shows that most of the interviewees had attained the highest level of education which is Bachelor's degree, followed by those who had a Master's degree, Higher National Diploma and those who had professional qualification. The researcher also requested respondent to indicate the department they were working at. Most of interviewees work in the departments that were targeted by the study such as customer care, finance and marketing departments. Interviewees were in middle management level and senior levels and can therefore be relied upon to give accurate information on shared service centre.

4.3 Shared Service Center Plan Initiation

The idea of shared services was first implemented in standard chartered group India in the year 2001 before taking its roots in standard chartered group Kenya in the year 2010. One of respondents stated that according to his understanding shared service center is the concentration of the support and administrative activities of the bank which are distributed traditionally and duplicated in the various bank branches and business units. Through this, a shared service center is able to offer the activities whereby the support needed obtains costs that are lower, enhancing the internal controls, offering quality services on its operations, standardizing and simplifying various processes.

One of the respondents interviewed indicated that the staff were aware that the bank was going to establish a shared service center and there an agreement between the top management and the staff was reached in regard to the best ways of approaching and implementing the shared service center. The planning process was reached through a mutual agreement between the staff and the top management. Before the shared services was implemented feasibility conducted.

4.4 Shared Service Centre Implementation

The chief technology officer stated that a plan was developed for the Standard chartered group bank Kenya at the organizational level in which most senior managers were involved. The plans and strategies of the shared service center were successfully implemented. There was a general political will in the implementation of the shared service center in our head office in Kenya in which most managers never wanted it to be introduced due its high cost of implementation while on the other side there was commitment by the top management to implement the shared service center.

The SSC implementation and plans are highly monitored by the ICT department to find out any problem that may occur. The evaluation process for the plans of the SSC is usually undertaken after every three years due to the shift of some roles to the SSC.

One of the respondents noted that shared service centers contribute to concentration of core competency moderately to the bank. The SS's innovations in products and services provide substantial support to the successful knowledge management. The SSC makes significant contribution to the optimization of the organization knowledge.

4.5 Application of Shared Service Centers to Standard Chartered Group

Standard chartered group have tried to increase the benefits of shared services by developing shared service centers where the main organizational operations are majored on especially those that add value. The main secret behind shared services is the integration and sharing of processes which are not the bank's main operations hence enabling the gaining of more relevance by strategic objectives. Through the adoption of SSC a number of benefits as well as administrative gains are seen on various parts of the company. This runs through the various operational levels where we will look at the benefits at every level.

At the operational level SSC there is a decrease in the cost on labor since activities and processes are organized on the basis of a service vision which can be shared. It also results in effectiveness and efficiency. At the tactical level the benefits are seen in that as there is the sharing of processes information also brings in more ease and transparency for the continual improvement where responsibilities are given more clearly. This allows the better monitoring of managers' performance. This in turn results in the professionals seeking more mastery and specialization of processes hence benefiting from procedural and activities standardization. At the strategic level the adoption of SSC there is perpetuation of corporate knowledge that is developed and with time achieved. There is also the permitting of processes and practices in other departments and areas for their reuse as well as a reduction in the dependence on third parties who are part of the operation. This means that the main business of an organization can be its main focus. There is also the consolidation of KPIs hence allowing the strategic levels of management a more integrated and holistic results analysis.

Looking at the general benefits of the SSC to the bank it brings about effectiveness and efficiency in the operations of a bank. In regard to increased efficiency a number of things are evident; economies of scale, standardization, best practice processes, lower labor costs, reengineering, integrated procurement, acquisition synergies, greater control span, and best practice processes, and acquire the highest from technological investment. Looking at the benefit of effectiveness a number of factors are evident; it becomes easier to undertake data warehousing, take the most of skills of specialist, an improved support in decision making, the management has more freedom on focusing on business issues, and an enhancement of the focus of customer service from the mindset of front office and service costing as well as Service Level Arrangements (SLA).

4.6 Benefits of Shared Services to the Bank

Standard chartered group has implemented the SSCs so that to be able to enjoy benefits such as standardization, better control of costs, a reduction of complexity and optimization of performance. The SSCs have greatly contributed to the better performance of the bank. This is majorly as a result of the efficiency that they bring with them. One of the greatest benefits of the SSCs is the efficiency in operations. Standard chartered group has been able to run their operations more efficiently without necessarily incurring extra costs. Since the main operations are centralized there is better control and supervisions of the company's operations. This in turn reduces the running costs of the company since wastage is reduced.

The cost saving aspect also comes in with the fact that the location of most SSCs are in areas where there is affordable labor therefore the operational costs are minimized. This in turn improves and betters the performance of most Standard chartered group bank as they are able to run their operations from on center.

One the interviewees noted that it is also possible to have offerings which are value adding that helps in the evolution of organizations with SSCs. There are many opportunities that have been built through the introduction of big analytics and data which support decision making and offer business intelligence. Considering the great amount of data that runs through the bank on a daily basis shared services are able to analyze, sort and mine information for the increment of the performance of the companies through business insights of high value.

4.7 Models Adopted by the Bank for Shared Services

The bank uses the centralization approach that highlights all the services associated with business support are based upon a single center. One of the respondents noted the center has the responsibility of providing services to all the operation of the bank in the entire region. This model that is most cost efficient but also the most demanding for its execution as it needs restructuring that has highly extensive operations. The Centers of Excellence Approach identifies that specific business processes are situated in different locations on the company's strongest experience concentrations. For instance, the bank has accounts payable might be delivered throughout Uganda while credit and sales functions are administered in Kenya.

The Regional Clusters Approach reflects that shared service provision of services are offered on the basis of region-by-region such as having an African region shared service. The bank views the model as an avenue to future centralized shared services model. The bank shared services are standardized to ensure that the end product's quality is consistent and the numerous conclusions are comparable with other items that are equivalent in the same class. Standardization is a significant benefit that the bank experience.

Standardization generally brings down the cost for support, upgrading software and training. It is often the second evolution stage in the model of shared services after the consolidation stage has been undertaken.

Standardization offers an opportunity for codifying best practices as well as aid in the effective coordination among groups and individuals working on a complicated problem. The bank tends to rationalize the operational costs through standardization and is able to deliver services over the borders of a country. Basing on the expected assets mainly at the process' end it is either an outsourcing provider or captive center that will get the delivery. In case the function shifts to a location that is offshore it could mean more cost reduction where the SSC comes in.

There are a couple of advantages that the bank gets by using SSC like the combination of the decentralization and centralization benefits without many disadvantages. Standardization created by facilities of function reduction for the exploiting of the pros of economies of scale that was untapped before. More transparent processes and standardization are also part of a more focused allocation and control of services within a group.

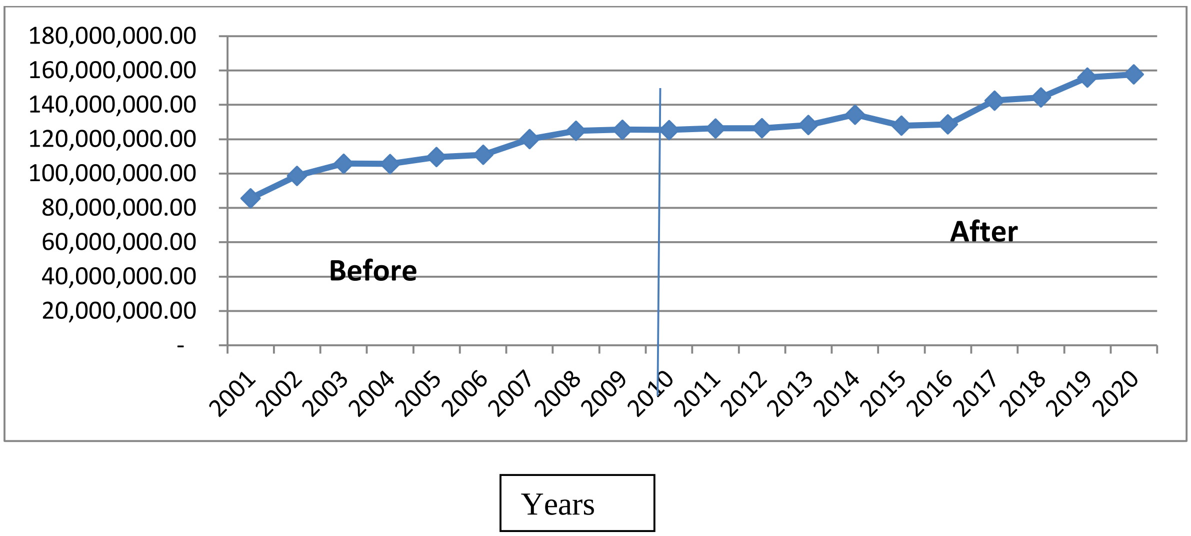
4.8 Firm Performance Findings

Key informants were to state how shared services Center impacted performance of the bank in terms of Return of Investment, market share and efficient service delivery. The information was to take a trend analysis approach. To achieve this, pre and post SSC implementation periods were observed.

4.8.1 Adoption of Shared Services Center on Return of Asset

Secondary data was obtained from the bank financial statements for the last ten years before implementation of Shared Services Center and ten years after the implementation of shared services center. The financial statement was analyzed using excel and the researcher summarized using a line graph has shown in Figure 4.1

Figure 4.1 Return of Asset



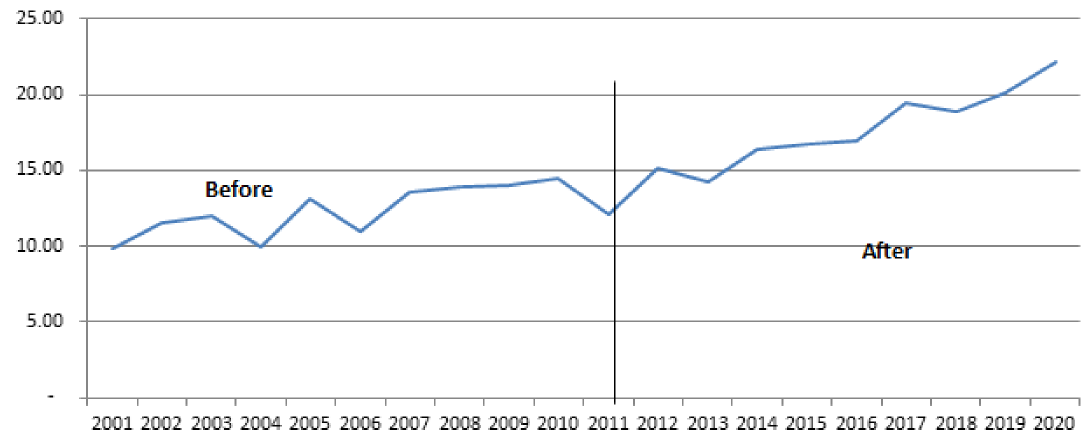
Source: Source: Research Findings (2020)

From Figure 4.1 the return of investment of the firm has being increasing since Shared Services Center was implemented in 2010. Before the system was implemented the ROA was 80, millon currently the ROA is at 180, million .This implies that there has being growth in business because the previous system could not support the growing business. A lot of manual work in the previous regime got automated with the new system. Massive renewal notices and reports are easily generated. Results also showed that through the growth of branch network, customers are able to be efficiently serviced at any point in Kenya.

4.8.2 Adoption of Shared Services Center on Market Share Ranking

The researcher was able to go through financial documents of central bank of Kenya to establish the market share for the standard chartered group Kenya between before implementation of shared services center that is 2001 to 2010 and after implementation in the year 2010 to 2020. The financial statement was analyzed using excel and the researcher summarized using a line graph has shown in figure 4.2.

Figure 4.2 Market Share



Years

Source: Research Findings (2020)

From Figure 4.2, the bank market share has been increasing for the last ten years after the implementation of shared services center from 10% to 22%. Results revealed that the adoption of shared services center has increased the number of customers, brand recognition and trust. Shared services center has also resulted into personalization of services offered to customers; and decentralization of services which has ensured that customers access services quicker.

4.8.3 Adoption of Shared Services Center on Efficient Service Delivery

The key informants were asked to state the effect of adoption of shared services center on efficient service delivery. The key informants stated that efficiency has been improved in service delivery by upgrading the ICT system. This was necessitated by the growth in business because the previous system could not support the growing business. A lot of manual work in the previous regime got automated with the new system. Massive renewal notices and reports are easily generated. Results also showed that through the growth of branch network, customers are able to be efficiently serviced at any point in Kenya. Similarly, the increase in workforce has resulted to reduced turnaround times for clients servicing.

Compared to the past, customers had to wait longer to access the services. Additionally, sometimes the process of accessing Standard chartered group services was costly for the customers as they had to travel for long hours to access the bank offices. In some instances, before standard chartered group expanded its branch network, customers ended up looking for companies providing similar services that were within their reach implying that standard chartered group ended up losing business to their competitors.

4.9 Discussion of Findings

The study findings are agreeable to the resource-based view theory which contends that a firm has certain productive resources, useful for exploiting productive opportunities to allow the firm to implement a strategy successfully. The results demonstrate that Standard chartered group has ensured optimal use of the available resources to implement shared services center. The bank has expert team that monitors and evaluates the system.These findings align with the assertion of Ittner and Larcker, (2016) who stated that the ultimate motivation behind product development is for the companies to protect their overall market share. In the same way Lee and Grewal (2015) stated that pursuing a product development strategy, the management attempts to sell a new product to current customers with an aim to enhance firm performance.

The study also brings to the core assertion by Transaction Costs Theory which focuses on an organization’s boundaries, decisions relating to integration with stakeholders, networks creation and other governance structures for optimal organization performance. The study agrees with the theory that stipulates that there are costs associated with executing a transaction in the market which can be reduced by applying alternative channels of service delivery (Williamson, 1975).These costs could relate to the process of drafting, negotiating, and completing an exchange.

Based on the study findings it is evident that the bank had establish a shared service center and there an agreement between the top management and the staff was reached in regard to the best ways of approaching and implementing the shared service center. Shared service center offers the activities and the support needed to obtains costs that are lower, enhancing the internal controls, offering quality services on its operations, standardizing and simplifying various processes. The findings concide with Bjoernand Andreas (2010) recommends that prior collaboration in fundamental when initiating and implementing plans for SSC.

It was revealed that the bank’s plans and strategies of the shared service center were successfully implemented. There was a general political will in the implementation of the shared service center in our head office in Kenya in which most managers. The findings echo assertions by the Institute of Management Accountants (2000)that effective SSC implementation is largely enabled through strong executive/top management support which greatly helps to minimize the challenges that may arise during implementation. Standard chartered group have tried to increase the benefits of shared services by developing shared service centers where the main organizational value add operations are anchored. At the strategic level, the adoption of SSC there is perpetuation of corporate knowledge that is developed and with time achieved. The findings differ from Joha and Janssen (2014) whose findings did not acknowledge infrastructure as part of the critical factors that influence growth of SSC.

Standard chartered group has implemented the SSCs to be able to enjoy the benefits that accrue from it such as standardization, better control of costs, a reduction of complexity and optimization of performance. These findings are also consistent with those of Nduki (2016) who undertook an investigation on the effect that shared service have on insurance companies' performance in Kenya. To a great extent, it was found that shared service strategy influence performance of Kenyan insurance firms and hence most of these firms have adopted shares services strategies for growth.

The bank uses the centralization approach that highlights all the services associated with business support are based upon a single center. This model that is most cost efficient but also the most demanding for its execution as it needs restructuring that has highly extensive operations. The findings concurs to the results of the SSC Survey that was conducted in 2012 by the PwC Germany that showed that the most prominent benefits of having an SSC is that it helps with cost reduction, and improve the quality of operations hence make services more efficient (PwC, 2015).

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter relates the findings of the study in relation to the objective which was to establish the effects global shared service centers and on firm performance It highlights the researcher's summary discussion conclusions and recommendations. It further gives a highlight on suggested study areas. Regarding the conclusion, chapter the study notes what the researcher arrives at as the contribution of global shared service center on performance. The need for not only coming up with a strategy but also going forward to incorporate action is provided in this chapter.

Finally, this chapter gives implications this study would have on policy, practice, and theory. The contribution of this study to the above-mentioned specific areas is covered as well as the limitation either from the researcher's end or from the nature of the study and organization under study. Suggestions for further study make the final part of this chapter.

5.2 Summary

The objective of the study was to examine the effect of global shared service centers on firm performance: a case study of standard chartered bank group in Kenya. Both primary secondary data was used. The primary data was obtained by use of interview guide and analyzed by content analysis. The secondary data was obtained from the bank's published financial statements, performance reports and analyzed by trend analysis.

Results shows that most of the interviewees had attained the highest level of education which is bachelor’s degree and most of interviewees work in customer care, finance, and marketing departments. Lastly, interviewees were in middle management level and senior levels. The idea of shared services was first implemented in standard chartered group India in the year 2001 before taking its roots in standard chartered group Kenya in the year 2015. Shared service center is able to offer the activities whereby the support needed obtains costs that are lower, enhancing the internal controls, offering quality services on its operations, standardizing, and simplifying various processes.

The results show that Standard chartered group has enjoyed the general political will in the implementation of the shared service center at the head office in Kenya. Most managers never wanted it to be introduced due its high cost of implementation while on the other side there was commitment by the top management to implement the shared service center. It was established that the SSC implementation and plans are highly monitored by the ICT department to find out any problem that may occur.

Results revealed that the adoption of shared services center has raised the level of transparency in the bank among customers and improved efficiency in customer service, brand recognition and trust. Results show that Bank is now among the top Banks in Kenya, up from number 10 out of 41 banks about 4 years ago. This can be supported by the 2019. Efficiency has been improved in service delivery by upgrading the ICT system. This was necessitated by the growth in business because the previous system could not support the growing business. A lot of manual work in the previous regime got automated with the new system.

5.3 Conclusion

From the study findings, several deductions were made. First, it is inferred that Standard chartered group often assess the viability of establishing SSC prior to its establishment and ensures that their staff are aware of the intent to set the SSC. Sometimes however, there is possibility of lack of consensus between the staff and management on how to approach and implement the SSC but nonetheless, SSC are often effectively implemented. The effective implementation is largely enabled through setting up of clear plans and strategies coupled with the top management's commitment. Even so, the study concludes that there is a possibility of the implementation of SSCs being interrupted in some stages by volatile political environment in the country. The monitoring and evaluation process is also highly effective in the implementation of SSC.

The study also concludes that while growth of SSC in the country is commendable, there is still need for improvement. It is further inferred that the major drivers of establishing SSC in the Standard chartered group bank is cost savings, labor availability and efficiency. While both internal and external factors affect the growth of SSC in Standard chartered bank group in kenya, this study concludes that internal factors exerts a greater effect than the external factors. In particular, the study concludes that infrastructure exerts a great effect on growth of SSC in Standard chartered group bank while the legal system and labor has a relatively moderate effect on their growth.

Overall, the study concludes that the benefits that accrue to Standard chartered group bank from SSC far outweigh the costs of their establishment and operation, hence, SSC greatly enhance efficiency and cost savings in Standard chartered group bank. In this regard therefore, the study deduces that SSC have a great positive effect on the performance of Standard chartered group bank.

5.4 Recommendations

It is vital for organizations to ensure employees' loyalty in service delivery. In this regard, the management should ensure that they adequately engage the staff while establishing the SSC from the planning to the implementation stage. They should ensure that their input is considered in implementing the SSC. This will help to ensure that the staff fully support both the idea and approach of SSC establishment. This can reduce the possibility of employee turnover after SSC establishment and motivate them to be devoted to offering quality services in the SSC, eventually enhancing the firm's performance.

While establishing SSC, Standard chartered group bank should ensure forecasting of possible challenges and plan how to address them should they appear. Particularly, the bank should ensure thorough understanding of the regulatory framework which include labor laws, tax laws, among others. It needs to assess the potential risks in these areas and have speculative plans to mitigate the risks in case they occur. This will help to minimize unnecessary shocks on the organizational performance from the volatility and complexities of the environment in which it operates.

Constant customer satisfaction in the SSC is also critical for the performance of the Standard chartered group bank. It is thus important that, Standard chartered group bank in Kenya while staffing the SSC should strike the right balance between the existing employees and the new recruited ones to ensure that operational excellence is maintained. This should be done taking into account the right mix of skills needed for the SSC, and where there is a skills gap that calls for training, the trainings should be done carefully, premised on creating a quality service culture.

5.5 Limitations of the Study

This study experienced various limitations. To begin with, the study was limited by only looking at only one bank which had implemented the shared service center in the entire financial services industry. In addition, due to the sensitive nature of the information and policies around information safety there is always suspicion associated with research , this was mitigates by assuring the respondents of utmost confidentiality and disclosing the academic purpose and intention of the study.

Also, there was trouble in accessing the targeted respondent. The limitation was moderated by booking appointments with the respondents and conducting the interviews at their time of choice. This helped improve the response rate. Additionally, some respondents may have been biased in giving the right information to the researcher which may have resulted to inaccurate information that could not be relied on by the study. To counter this challenge, the researcher compared the responses with past literature related to this study, although the area of study is unique.

The researcher also experienced hesitance by respondents to give their feedback as they feared it would be used against them. To mitigate this, the researcher acquired a letter of introduction from the university that guaranteed the respondents that the feedback would be utilized for scholarly purposes and would be held in confidence. The researcher also sought permission from the management of the Standard chartered group bank before conducting the interviews.

5.6 Recommendations for Further Research

Since this study was qualitative, the study recommends that a similar study be conducted but adopt a quantitative approach. This would help to clearly define the magnitude of effect of shared services center on organization performance of Standard chartered group bank. This would thus help companies to have an understanding on what type of shared services center has greater impact on organization performance and thus aid in making informed decisions on what strategy they should put more emphasis on.

The study also recommends that a study seeking to establish the effect of shared services center on other aspects such as competitive advantage should be conducted. This would help to establish whether there is a variance of the effect of growth strategies on various aspects other than organization performance.

The gist of this study was global shared service centers on firm performance. A case study of Standard chartered group in Kenya. This paper therefore recommends further studies on other related factors such as organizational leadership, corporate governance and organization design.

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APPENDICES

Appendix I: Interview Guide

Dear respondent, the purpose of this interview guide is to collect data that relates to the effect of global shared service centers on firm performance. A case study of Standard chartered group in Kenya. All information will be considered confidential and will only be used for academic purposes alone.

SECTION A: GENERAL INFORMATION

1. How long have you worked in this organization?

2. What is your highest level of education?

3. Kindly, indicate the department you are working in.

4. Indicate position that you hold in the department.

SECTION B- GLOBAL SHARED SERVICE CENTERS

5. When did Standard chartered group start operating the global shared services center?

6. In what ways does global shared services center contributes to concentration of core competency in your organization?

7. How is knowledge management enhanced through global shared services center in your organization?

8. What control mechanism has being put in place to enhance global shared services center in your organization?

9. What measures have being put in place to enhance the output quality of global shared services center in your organization?

10. In which ways has moving to a global shared services center affected Cost reduction efforts of your firm?

11. If you were to do it all over again would you still adopt a global shared services center? Would you recommend it to executives of other banks?

SECTION C- FIRM PERFOMANCE

12**.** What is the effect of global shared services center on firm performance in your organization?

13. What is the effect of global shared services center on market performance in your firm.

14. Has global shared services center promoted the service delivery, customer satisfaction and innovation in your organization.

Thank you for response