SHARED SERVICES CENTERS SYNERGY AND PERFORMANCE IN SELECTED MULTINATIONALS IN KENYA

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DECLARATION

Declaration

This research project is my original work and has never been presented for a degree in any other university.

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This research project has been submitted for examination with my approval as university supervisor

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As it is Biblically stated that we should give thanks and praise to God for everything in life, therefore, I want at this point in time to express many thanks to God Almighty for the enduring strength, wisdom, understanding, courage and favor he bestowed upon my life to see me successfully go through this challenging task.

During the course of undertaking this academic task, many people have in diverse ways made substantial contributions to enhance the successful completion of this study. To several of these people, a special debt of gratitude is due.

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DEDICATION

This piece of work is dedicated to my dear husband Mr. William Carew, my beautiful daughter Ellie Carew, my lovely mother Mrs. Dorcas Wandera and my dear siblings Clement Wandera, John Wandera and Julius Junior Wandera.

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ABSTRACT

The purpose of this study was to look at shared services centers synergy and performance in selected multinational corporations in Kenya. The study was based on the theoretical concepts such as the principal-agent theory, the transaction cost theory, the resource-based view and the property-right theory, to explain parts of the shared service concept. The study employed descriptive research design approach, to assess shared services centers as a new trend in MNCs in Kenya. It involved seeking the opinions of senior level management across all departments at MNCs in Kenya. The study targeted 3 MNCs and senior personnel charged with SSCs.Primary and secondary data were used for this study. Questionnaires were used to collect primary data while secondary data was derived from sources such as the company's internal documents and website. Questionnaires was administered through drop and pick method. Questionnaires was left for the respondents to fill in their own time and picked after a week, to allow them time to read, understand and fill in the forms with minimal time pressure. Qualitative and quantitative data was generated by this study. Quantitative data analysis was achieved through descriptive statistics by use of mean scores, frequencies and percentages. Qualitative data analysis will include text and document analysis which involves reviewing, categorizing and tabulating evidence to understand the information and achieve the objective of the study, the presentation was done in form of paragraphs. Presentation of qualitative data was done through pie charts, bar graphs and tabulations. Percentages, mean frequencies and standard deviation were displayed in a table. The study has established that SSC synergy greatly contributes to the core competence and knowledge of organization. It has also key in enhancing control mechanisms as well as enhancing output. The researcher recommends that the same best practices used to gain a competitive advantage with

multinational should be applied in local organizations to create a partnership that meets the needs of both sides of the internal relationship customer and supplier.

ABBREVIATIONS AND ACRONYMS

SSC:	Shared Service Centers
MNCs:	Multinational Organizations
IMF:	International Monetary Fund
ICT:	Information and Communication Technology

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Since 2006, a high number of multinational corporations (MNCs) have established shared services centers (SSC). Although the trend began in the private sector, the public sector has also rapidly set up the 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. The organizations may realize that when the SSC model is compared with other operational service processed in the firms, it is more efficient in service delivery.

In establishing SSC, the private and public organizations seek to: reduce costs, achieve process efficiency, create transparency, implement compliancy and improve the quality of service delivery (Searle, 2006; Bergeron, 2003). A successful SSC is that which gives the company competitive advantage by accomplishing the overall strategic objectives. Shared services according to many researchers refer to the concentration of functions, services or resources into one distinct entity (Fyfe, 2006; Rahman, 2005; Opheij & Willems, 2004). This study adopts the definition of SSC put forward by Strikwerda (2006) – an entity in the internal organization, accountable and charged with the responsibility of providing specialized services to divisions and business units, on the basis of service level agreement and full charge out of costs on the basis of transfer price system.

1.1.1 The Concept of Synergy

Ansoff (1965) is among the pioneers who differentiated the various forms of synergies. He identified four types of synergies including sales synergy, operating synergy and investment synergy. These synergies have been used in the recent past though identified with different names. Knoll (2008) for example, described four types of synergies: operative synergies, market power synergies, corporate management synergies and financial synergies. On the same note, Hoberg and Phillips (2010) explained a complementary type of synergy – product market synergy in which an organization exploits opportunities to enhance product differentiation or market coverage.

Moreover, Austin and Leonard (2008) put forward a more enhancing form of synergy, that is, organizational learning. The authors further describe the advantages of acquisitions as cost based and revenue based synergies. Capron (1999) argued that in horizontal acquisitions, firms take advantage of the economies of scale and scope to save on cost. Schweiger and Very (2003) on their part categorized synergies as: Cost-based and revenue-based synergies and market power and intangibles like brand name extensions and knowledge sharing. Larsson and Finkelstein (199) highlighted the similarities and complementarities as bases for synergy realization. Similarities refer to the activities/resources which businesses can share to be more efficient in their operations. Complementarities on the other hand refer to the assets/activities which when combined give both firms more strength. The latter are perceived as more significant in determining the success of the acquisition.

Nearly all mergers and acquisitions use the synergy concept always. Synergy exists if the newly combined firm has a higher value than the total value of the merging firms operating individually. Synergy was for the first time used in business in the 1960's when firms started acquiring other organizations to form conglomerates. Research in academics uses the concept of synergy in exploring the rationale for acquisitions as well as pre and post-acquisition performance (Capron, 1999). Despite the vast literature on synergy, any aspects have not been addressed on the issue. As it emerged clearly in the previous chapter, capturing synergy may be challenging. Past studies have thus attempted to identify the determinants of synergy realization.

From the past studies, achievement of synergy is determined by acquisition experience (Zollo& Singh, 2004; Barkena & Schijven, 2008); whether or not the acquisition has any relationship to the firm (Hitt et al., 1998; Tanriverdi &Venkatraman, 2005); and the existence of complementary resources (King et al., 2004; Harrison et al., 2001). A major critical determinant of synergy success is organizational integration (Larsson & Finkelstein, 1999; Pablo, 1994; Haspelagh & Jemison, 1991). From a review of this literature, it can be argued that achievement of synergy is influenced by several factors. The fundamental question of this project is: how can a firm benefit from synergies? This section begins by briefly expounding the main critical concepts for answering the question.

Usually, synergy is perceived as a wide, vague concept comprising of various elements. An examination of literature on synergy brings out different forms of synergy. Furthermore, authors attempt to bring out the basis for synergy, which for instance differentiates the cost-based and revenue-based synergies (Capron, 1999; Austin & Leonard, 2008). Other studies expand on the resource based theory of the firm and perceive resource relatedness between organizations as fundamental basis for generating synergy (Tanriverdi &Venkatraman, 2005;

Hitt et al., 1998; Markides& Williamson, 1994). This sub-section attempts to clarify the various forms of synergies. First, the forms of synergies in literature are examined. Secondly, the different forms are categorized into broader categories: efficiencies and enhancements.

Reported direct costs savings due to deploying shared service centres differ between sources, but can be estimated to vary between 20% - 50% of the costs of services provided by shared service centres (Strikwerda, 2003).2 For a typical MNC this may be in the order of magnitude of 1-2% of the turnover, that is, these cost savings are material. The precise mechanisms of costs savings are still not very well known. A first mechanism is reduction of duplication of processes by sharing these processes, which is especially effective in case of L-curve type of costs dynamics. In addition to this it can be assumed that cost reduction results from increased standardization of language (semantic standardization) across divisions, a higher quality of services (due to more measurement and performance management, more dedicated professional management, resulting in lesser errors) and a faster and more accurate.

1.1.2 Performance of International Businesses

Lessin (2009) defined international business as the commercial activities done for promoting transfer of technologies, goods, services, resources, people as well as ideas across national borders. It may take different forms such as movement of goods between countries (exporting/trading);contractual agreements permitting a company in a country to use products/services/processes from another country (franchise/licensing/subcontracting production); firms in one country establishing sales, manufacturing, research and development and or distribution facilities in another among others. By studying international business, students learn why and how technologies, goods, services and or ideas are accepted or rejected across borders and the factors that influence this. Countries, governments, companies, and individuals are all affected by the flow of goods, services, technologies and or ideas across markets (Borck, 2009).

Because few companies have both the resources and desire to operate in all countries of the world, international market segmentation into smaller sets of countries or regions and target area that provides the highest potential, naturally becomes a next step in the process of international marketing management.

Since the globalization of markets has changed the competitive global structures by generating an increase in competition on all fronts, international marketing proves to be of growing importance for companies of all sizes, their customers, and for national economies. To survive and thrive in the current business environment is highly complex and volatile, companies must design and implement appropriate strategies that allow them to take full advantage of their capabilities and resources, key to create and sustain an edge over competitors. To thrive in this world of sudden changes, gaps and unforeseen global influences, companies must prepare themselves by developing active answers and new strategies (Lessin, 2009).

1.1.3 Synergy and Performance of International Business

Synergy can be viewed as the extra value that results from the merging of two firms, providing opportunities that the firms could not have while operating individually. It is a rationale that has been widely used and misused in mergers and acquisitions. The operations of the new venture (combined firm) affected by the operational synergies include economies of scale, pricing power and growth potential. Generally, they emerge as higher anticipated cash flows (Sako, 2010). On the contrary, financial synergies are more focused and include tax benefits, diversification, higher debt capacity and uses excess cash. They at times emerge as higher cash flows and may take the form of lower discount rates.

Synergy can lead to improvement of performance of international businesses in many ways. First it can be through cost reduction, for example, through sharing the same resources and minimizing unnecessary activities. Sako (2010) points out that there is more than one way to do things and that each way has its merits and demerits with associated risks and rewards. Hence, it could be said that the different multinational organizational concepts that were presented are in a kind of harmony with one another regarding the service quality, efficiency, effectiveness, costs among others (Deimel & Quante, 2003).

The synergies can be categorized into ‘efficiencies’ as the word summarizes their importance or goals. Efficiencies are realized since the firms share common resources like technologies, markets or competences (Zaheer et al., 2008). Analysis of several past studies indicates some consensus. For instance, Vizjack (1994) alleged that by taking advantage of purchasing interrelationships like concentration of buying power, coordinating the buying activities and exchanging information on suppliers, cost saving could be achieved up to 10%. Larsson and Finkelstein (1999) argued that most of the advantages of M & A are efficiencies. As aforementioned, they refer to the similarities concept. An example of this is the reduction of managerial positions as common managerial expertise could be utilized across the firms.

Synergies may also be based on improvements in international business which culminates into enhanced revenues or sales volumes. Such synergies are labeled as ‘enhancements.’ The concept of complementarities can explain enhancements. From the concept, firms gain value from the combination of different products, markets or technologies and engage in complementary activities that strengthens both firms (Zaheer et al., 2008). From the review, Capron, Larsson and Finkelstein all mentioned complementarities in one way or the other. Transfer of best practices is also a type of enhancements that can increase output quality.

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 (Accenture, 2010). The necessity for funding and the challenges in acquisition of vital knowledge and expertise are the key drivers for outsourcing. The anticipated benefits in the outsourcing arrangements are not usually achieved and many projects do not succeed. Information managers in public organizations get more discontent with the returns of their investments in ICT; costs are rapidly escalating while at the same time technology appears to be so fast changing to the extent that it is impossible for one organization to keep up with all the modern advancements. As a result, there have been sporadic collaborations between small municipalities to evade the replication of efforts as well as to set up a common back-office. This has been mainly occasioned by the desire to cut down on cost and concentrate the expertise. Since there is limited budget and expertise, it is difficult to provide services cost effectively and implement them to the local level only.

Many MNCs are adopting shared services models in their human resource operations. MNCs being major actors in the globalized village create convergence for nations worldwide. Nonetheless, this is not to say that they have brought homogeneity in the world, there has been diversity which results from contracting between different countries. Globalization may be perceived in two ways; forced and participative globalization. While forced globalization is attributed to rettonwoodtwins, the International Monetary Fund (IMF); participative globalization happens through the MNCs integration into the global economy. Nevertheless, the contribution of MNCs to the growth and development process in the less developed countries is made contentious by participative globalization (Baradwaj&Hossain, 2005).

Ever since the start of the implementation of the first SSC synergies, studies have been conducted to determine its role in organizational performance (Burns &Yeaton, 2008; Farquhar, Fultz & Graham, 2006; Strikwenda & Seesing, 2003). Furthermore, benchmark studies have been continuously done. Others include (Das, 2010; Accenture, 2010; KPMG, 2010; Schwartz, 2008). A study by Bearing Point from 2007 focuses in particular on the finance function. Here, the experiences of the survey participants with regard to functional areas that could form part of a shared service centre, cost aspects, the optimal location and the transformation process are evaluated. Despite the vast research being conducted, firms are still having a challenge in realizing the expected value of SSC synergy. Johns and Gratton (2013) admits that improvements are needed. Albeit management are knowledgeable on the benefits of SSC synergy and advocates for its implementation, the fundamental thing is its execution.

This study aims to establish why SSC synergy has become very popular over the years, what efficiencies they create for the MNCs. How these efficiencies have been translated into better financial results. What are the controls brought by the SSC synergy, how it has brought about cost optimization and at the same time met the customer's needs to satisfaction. At the same time, the study will also look at the effect of SSC synergy on local operations. It will look at the SSC synergy not just from the eyes of the management but also in the eyes of the employees, whose greatest fear is the SSC synergy have come to take over their jobs. The study therefore answered the following question: what is the role of shared services centers on performance of multinational corporations in Kenya?

1.3 Research Objectives

The study sought to investigate the role of shared services centers synergy on performance of multinational corporations in Kenya.

1.4 Value of the Study

The study findings are beneficial to different stakeholders. To begin with, the management of multinationals will gain an understanding of the view of shared service centers from a new business model perspective and effectively align the management style to work with SSC.

The results of this study will also be useful in terms of enlightening management in other firms on the best practice for leaders as regards to SSC synergy.

The study will give recommendations that shall help the managers in multinationals organizations and other companies at large to formulate policies that best address SSC synergy for enhanced overall performance.

Furthermore, other researchers may utilize the study findings as a useful guide in carrying out more research in this area and more discussions on the SSC synergy and its impact on other companies for sustaining competitive advantage.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

In this section, the documented literature on shared service centres and how they impact overall performance of Multinational corporations have been discussed. The chapter details the theoretical literature as well as the empirical literature relevant to this study. In this regard, it reviews the documented literature on the various concepts in the topic of interest and identifies the research gap to be addressed.

2.2 Theoretical foundation

Kagelmann and Pérez use concepts from new institutional economics, such as the principal-agent theory, the transaction cost theory, the resource-based view and the property-right theory, to explain parts of the shared service concept. Other theoretical concepts, like neoclassical economics, industrial economics, game theory, resource-dependence or the network view, have so far not been taken into consideration. The absence of a closed and consistent theoretical construction makes it necessary and essential to revert to a large variety of theoretical concepts, which need to be classified and evaluated with respect to their possible contribution towards the theoretical foundation of the shared services concept.

2.2.1 Game Theory

The game theory - developed by John v. Neumann in 1937 and expanded further by Morgenstern in 1944 was then followed up on by Nash and Selton, who received the Nobel prize in 1994 for their studies (Hellmann, 2009; LeRoy Miller, 2007) - outlays the classical economic theory of strategic interactions between organizations (Varian, 2011) and nowadays even examines strategic trade and industrial policy (Salvatore, 2004). Such interactions, called ‘game’, can be characterized by situations in which there is a mixture of conflict and cooperation. Specifically, two or more participants, called ‘players’ pursue their own interests and no participant can dictate the outcome. The fact that each participant has room for manoeuvre leads to uncertainties for the players and enables them to apply pressure to other players (Mansfield &Yohe, 2004). In different situations of the game, the motives for specific decisions by the players can be identified in order to outlay the strategic considerations leading to the respective move, assuming the occurrence of rational interactions (LeRoy Miller, 2007). According to Swoboda (2005), game theory is especially suited for the interpretation and analysis of social relations and offers an explanatory approach for conflicts and cooperation.

The game theory might be suitable as an explanatory approach with regard to the transformation and ‘operation’ phase of the Four-Phase-Model, where conflicts are most likely to emerge. Notwithstanding, it has been decided not to use the game theory as an explanatory approach because of three reasons: 1) The game theory does not sufficiently count the interactions of players and the possible shift of power from one player to another, which is especially the case in shared services. 2) The game theory implies the rationality assumption, implying that each participant is trying to optimise or maximise personnel utility function, respectively, benefits. As already explained, this assumption cannot be utilized for shared services as they would lead to a unidimensional interpretation and further wrong decisions. 3) The game theory does not take into account the different aspects of the internal organization of functions, e.g., the creation of internal customer-supplier relationships as would be the case with shared services.

2.2.2 Property Right Theory

The Property Rights Theory can be traced back to Coase (1960), who initiated a flurry of property rights research that, according to Mahoney (2004), reached its peak with the works of Alchian (1965) and Demsetz (1967). The theory aims to analyse the impact of different forms of the organization, composition and distribution of property rights on the behaviour of economic groups and the resulting factor allocation. Furthermore, the theory aims to analyse the emergence, distribution and modification of property rights (Ebers&Gotsch, 2006). According to Simschek (2005), the general underlying recommendation of the Property-Right Theory signifies that an internal distribution of property rights should be aimed at as a target oriented behaviour and can be achieved based on the allocation of consequences to the responsible entity.

Ebers and Gotsch (2006) highlight that the Property Right Theory rests on three pillars: the assumptions of individual utility maximization, the existence of property rights and the consideration of transaction costs and external effects. External effects occur when one individual does not possess all the property rights associated with a single given good. Property rights are regulated by means of contracts, whereas the enforcement of such contracts leads to costs (see transaction costs below) occurring for the exchange, supervision and execution of the property right (Wied-Nebeling & Schott, 2004). In turn, high transaction costs and external effects are a sign for the inefficient utilization of organizational resources.

In general, the Property Right Theory is understood to be a universal theory that can be applied to many areas. However, a universal theory can always be criticized for not being precise enough. Also, the Property Right Theory is questioned because it is representing more of an ex-post explanatory approach, which might come from the fact that the theory does not possess a closed system of premises and conclusions. Connected to the latter are the existing difficulties in the operationalization of the theory and the specification of the utility functions (Ebers&Gotsch, 2006). According to Schreyögg (2008), the Property Rights Theory can also be criticised because of the narrow view of individual benefits and contracts, disregarding other system specific phenomena.

As an explanatory approach, the Property Right Theory may help to answer questions concerning governance and design within the 'Organization' phase of the Four-Phase-Model. Under consideration of the criticism as previously mentioned, it becomes obvious that the Property Right Theory cannot explain completely the shared service approach, but the theory can explain variables regarding the advantageousness of different institutional and organizational frame conditions.

2.2.3 Transaction Cost Theory

The foundation stone of the Transaction Cost Theory was the essay The Nature of the Firm by Coase in 1937. His theory bases the existence of organizations with the thesis that the utilization of the market has a cost and that the establishment of an organization can avoid such transaction costs (Weise et al. 2002). Later, this approach was picked up and further developed by Williamson (1983) in the 1970s. Following LeRoy Miller (2007), transaction costs can be defined as all costs associated with making, reaching and enforcing agreements: "A transaction may thus be said to occur when a good or service is transferred across a technological separable interface" (Williamson, 1981). They occur due to imperfect information from and on the market. According to Winter et al. (2009), initiation costs, bargaining costs, control costs and adjustment costs can be differentiated.

The Transaction Cost Theory focuses on the efficient organization and utilization of economic relations in certain institutional arrangements and offers methods that explain where (in the market or within an organization) which transactions can be sourced and organized in the cheapest way possible (Zentes et al. 2005). The theory's main field of application is the selection of effective and efficient coordination mechanisms for the structuring of transactions (Picot, 2005). Furthermore, the Transaction Cost Theory allows for systematic analyzing and explaining of shifts and changes regarding organizational boundaries. Also, the Transaction Cost Theory constitutes a variety of hybrid organizational forms in between the extremes of an absolute free market and hierarchy (Picot et al. 2008). According to Knolmayer (1994), legal, social and economic approaches as well as the general existence of institutions can be explained via the Transaction Cost Theory. Hence, under consideration of the argumentation above, the Transaction Cost Theory might be suitable as an explanatory approach with regard to the 'Strategy', 'Organization' and within the 'Operation' phase of the Four-Phase-Model. Also, evidence from other scientific works, like Kagelmann (2000), Pérez (2008) and Reichwein (2009), suggests that the Transaction cost Theory might be a suitable explanatory approach.

2.3 Concentration on Core Competencies

The growing competition globally compels firms to establish the most efficient and cost effective approach to execute business processes. This section highlights that reducing cost and realizing process efficiency is among the critical objectives for establishing SSC's. As such, it is vital to regularly assess business processes of SSC and examine whether there could be improvements.

Johnson et al. (2008) define a core competence as a resource, processes or skills, which provide competitive advantage. Depending on the business in which an organization is active, core competencies can differ significantly. Following the survey of Kagelmann (2000), enabling the parent organization to focus on its core competencies is one of the top objectives pursued by companies applying the shared service concept. In fact, it is ranked third out of the seventeen objectives that Kagelmann identified.

According to Reichwein (2009), placing concentration on the core competency objective has the following impacts: (1) implementation of shared services releases the parent company from the necessity to establish and maintain support functions within its business units, (2) parent companies can focus resources on the core business, avoiding the dilution of resources in dealing with non-core activities and (3) increasing the attractiveness of the core business in case of an intended sale. The latter is important and needs to be mentioned because business units without comprehensive support functions are more attractive for a potential sale, respectively, mergers and acquisitions, as they are less complex, more flexible and easier to integrate (Schuman & Strobl, 2002).

Modeling processes makes them understandable much easier. Consequently, the processes could be examined within the improvement frameworks explained above. In the event that ABC seeks to minimize operational costs, ABC could be applied. On the other hand, if the objective is to remove redundant activities from the processes, the lean management may be applied. If a SSC aims at improving the service delivery quality, the Six Sigma model may be appropriate while TOC could be applied where the SSC is interested in streamlining its processes or improving the capacity for service delivery.

In order to encourage proactive and customer-oriented behaviour, management's focal point within a shared service environment is to increase employees' competencies and motivation (PWC, 2008). Arnoud and Falzon (2012) recommend already incorporating employees during the design phase of a shared service organization in order to identify the capabilities required. Job enlargement and job rotation of staff in other positions broadens the employees' responsibilities and are further means of increasing employee motivation (Miller, 1999). Furthermore, many people use shared service organizations as a steppingstone towards international careers (Reilly, 2007). According to Accenture (2003), people working in a shared service organization has clear career paths and is more integral parts of a team. Procter & Gamble Global Business Services head, Filippo Passerine, mentioned in an interview - in response to the question of why so many people are interested in working for his shared service organization - that people want to work hard, do well and receive recognition and as they are doing something extraordinary, their motivation is increasing (Bloch &Lampres, 2008).

2.4 Improved Knowledge Management

According to Mullins (2010), knowledge management refers the promotion and formalization of learning in the working environment in order to align training with the business requirements.

By moving previously decentralized employees into a shared service organization, the knowledge available within the different business units is consolidated, leading to a much broader pool of experts from which the parent organization can benefit, thus multiplying the know-how available within the whole organization. Besides process knowledge being necessary for transaction oriented services, holistic and process overlapping knowledge, being used for transformational services, are very often consolidated in so-called centres of expertise (Reilly, 2007; Pickard, 2009).

Knowledge management (KM) in organizations has become a critical topic in the past decade. In the view of Sutton (2003), by implementing KM via SSC in an organization, it will assist in tracing, studying and sharing all relevant information in decision making as well as sharing of knowledge acquired over time. Knowledge management will further facilitate the implementation of programs and structures in the firm for progressive learning and sharing of best practices. KM also enables better use of ICT through sharing knowledge on how the IT available may be used or deployed.

KM can enable organizations to become more effective and efficient. Some guidelines for creating extra value to a firm through KM were put across by Garfield (2006). Some of the guidelines important for SSCs include: Avoiding duplication of activities in KM system; exploiting present expertise and experience through sharing in the firm; capturing crucial information on all work done in order for everyone to understand what is done by others and the contact person for more details; providing and creating methods, tools, templates, examples and data for streamlining..

2.5 Controlling Mechanisms

Customers of a shared service organization have certain expectations and demands, one of which is a short cycle time. According to Krajewski, Ritzman and Malhotra (2009), cycle time refers to the maximum time allocated for a given work in a unit at every station. Rephrasing this definition to shared services, cycle time may be perceived as the maximum time allocated for the completion of a specific service activity or process for internal and/or external customer. Ramphal (2011) points out that cycle time is an important metric and essential ingredient within a shared service environment. Forty-two per cent of the respondents in an IOMA study concerning the metrics tracked in accounts payable shared services used the cycle time as a key performance indicator for measuring self-process (IOMA, 20074).

According to Mercer (2011), standardization is one of the largest contributors for reducing risk. Process standardization and harmonization means the generally acceptable guidelines and the standard procedures of operation that define and control the execution of particular processes. Standardization as mentioned above in combination with the implementation and usage of ‘state-of-the-art’ information and communication technologies within a shared service environment should improve the overall risk management of an organization (Wißkirchen & Mertens, 1999).

Control can be grouped into three types including result, action and personnel controls (Merchant & van der Stede, 2003). Result control is anchored on rewarding individuals for good achievement while at the same time penalizing poor results. Thus, employees’ actions are influenced in such a manner that the employees are more careful about the consequences of the tasks they do.The organization does not dictate to employees what actions they should take; instead employees are empowered to take those actions of which they believe that it will produce the desired result (Merchant et al., 2003). Action control ensures that employees perform (or do not perform) certain actions known to be beneficial (or harmful) to the organization. It is important to define what actions are acceptable or unacceptable, to communicate those definitions to employees and to observe or otherwise track what happens and reward good actions and punish those that deviate from the standard set (Merchant et al., 2003). Personnel control is put in practice through strict selection and recruitment of employees, training as well as job design.

2.6 Enhancing output quality

Directly after cost reduction, which is the top objective pursued by organizations implementing shared services, quality management is the second most important reason. Following 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; for example, operating 24/7; enhancing information supply and offering customer-friendly services for example, having an internet or intranet platform containing vital information, allowing self service as well as offering quality support. Key enablers of such kinds of quality improvements highlighted are the standardization, consolidation, reorganization and reengineering of the processes in combination with continuous process improvement programs. Following Garvin (1987), quality should be seen as a competitive opportunity to meet customer's needs and preferences. With regard to Quinn et al. (2000), improving quality entails the continuous search for better ways to address customers' needs and enhancing productivity; it means being dissatisfied with the status quo at any time.

As argued by Ulrich (1995), the critical determinant for success of shared services is to put aside the old modes of delivery, or in Reilly (2000) argument, changing the attitude is necessary. Especially the necessity to compare and benchmark service offerings to external, independent service providers acting on the market leads to an increased quality understanding and awareness among the people in a shared service centre, according to Westerhoff (2006).

2.7 Empirical studies and research gap

The study of the present literature on the shared services concept may be characterized as a predominantly practice oriented phenomenon. This is due to the scarcity of scientific research on the topic. Hence, the overall level of knowledge on the subject of shared services can be evaluated as unsatisfying. As Kagelmann stated already in 2000, a majority of publications on the subject can be seen as popular scientific papers and, even though the concept is quite popular in theory and practice, there is a shortage of empirically founded work on shared services. Weber et al. (2006) attempted to provide an analytical approach towards the different choices for the routing of internal service functions. In their manual for practitioners, they emphasized the interaction between shared services and internal departments that receive customers. Compared to Weber *et al.* (2006), Dressler (2007) provided an overview of shared services and business process outsourcing and brought together these ideas into one context, where the respective possibilities and limits were described.

Most studies provided by international management consulting companies fall into this category. A study by Bearing Point from 2007 focuses in particular on the finance function. Here, the experiences of the survey participants with regard to functional areas that could form part of a shared service centre, cost aspects, the optimal location and the transformation process are evaluated. Furthermore, the participants were questioned with regard to their perceptions on the future of shared services. According to Dressler (2007), a very consistent study was provided by the Hackett Group in 2005. The research approach was a long-term study in which 100 large-scale enterprises were accompanied on their way towards shared services, allowing the identification of general trends. The Human Resource function, the next main area where share services are being developed, was also investigated by consulting companies. Here, studies from the Boston Consulting Group from 2007, Mercer from 2008, Towers Watson from 2009 and Aon Hewitt from 2011 need to be mentioned.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This section discusses the methods as well as procedures employed in carrying out this study. The section comprises of research design, target population, sample design, data collection methods and procedures, research instrument, pilot test, data analysis methods and the ethical considerations.

3.2 Research Design

In this study, descriptive research design was applied to assess shared services centers as a new trend in MNCs in Kenya. A descriptive research design entails finding out what is happening and asking questions and assessing phenomena in new light. The descriptive research design adopted in this research was of experience survey in nature which will involve seeking information from persons experienced in the area of study. It involved seeking the opinions of senior level management across all departments at MNCs in Kenya. According to Adams and Berzonsky (2004) research design is the distinctive combination of research setting and research strategy. It is a combination of activities that will enable the research to be carried out.

3.3 Population of the study

As at October December 2012, there were 176 MNCs in Kenya. These included General Electric, Nestle, Visa International, Bharti Airtel, Procter & Gamble, Bharti Airtel, Google, IBM, Pepsi, Foton Automobiles, PwC among others.This study targeted3 MNCs and senior personnel charged with SSCs. Because of the small size of the sample, census was used hence all the three firms was studied.

3.4 Data Collection

The study used both primary and secondary data. Primary datarefer to first hand data gathered for the study while secondary data is that initially collected other than the purpose of the research. According to Stevens (2006),a questionnaire is a set of questions designed to collect statistically important or personal information from individuals. Primary data was collected using questionnaires while secondary data was derived from sources such as the company's internal documents and website. Questionnaires were administered through drop and pick method. Questionnaires was left for the respondents to fill in their own time and picked after a week, to allow them time to read, understand and fill in the forms with minimal time pressure.

Questionnaires offer the advantage of getting precise information; overcome the challenge of lack of availability by respondents who may fill it at their own time. It also helps obtaining responses on private and confidential issues without hurting the respondents (Downs and Adrian 2012). Interviews were, conducted where an appointment was booked in advance with the relevant authority.

Mugenda (2003) asserted that a pilot study administrates the accuracy of research procedures as well as the expected problems which can be solved to save time. This enabled the researcher to refine the instrument on the basis of the observations.

3.5 Data Analysis

According to Sharp and Howard (2000), data analysis is putting order and structure to data to produce knowledge. According to Mugenda (2003), data should be cleaned, coded and entered to a computer and analyzed. Data analysis enables the researcher to understand the data. Qualitative and quantitative data was generated by this study. Quantitative data analysis was done by using descriptive statistics of mean scores, frequencies as well as percentages. Analysis of qualitative data included text and document analysis which involves reviewing, categorizing and tabulating evidence to understand the information and achieve the objective of the study, the presentation was done in form of paragraphs. Presentation of qualitative data was done through pie charts, bar graphs and tabulations. Percentages, mean frequencies and standard deviation were displayed in a table.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

In this chapter, data analysis is presented as well as the findings with their interpretations.The analysed data entails primary data that was collected from staff including senior staff and general staff in three multinational corporations. Descriptive statistics – frequencies, percentages, mean and standard deviation as well were used to analyze the quantitative data.Qualitative data was analyzed by organizing it into themes corresponding to the study objectives. The chapter has been organized into sections based on the study objective which was to investigate the role of shared services centers synergy on performance of multinational corporations in Kenya. It also contains sections on the response rate and respondents' general information.

4.2 Response Rate

Table 4.1: Response Rate

Questionnaires	Total	Percent
Distributed	59	100
Returned	47	79.7

A total of 59 questionnaires were administered to the staff in the three multinationals. However, only 47 completed and returned the duly filled questionnaires. This translates to a response rate of 79.7% as illustrated in table 4.1.

4.3 General Information

4.3.1 Ownership of the Organization

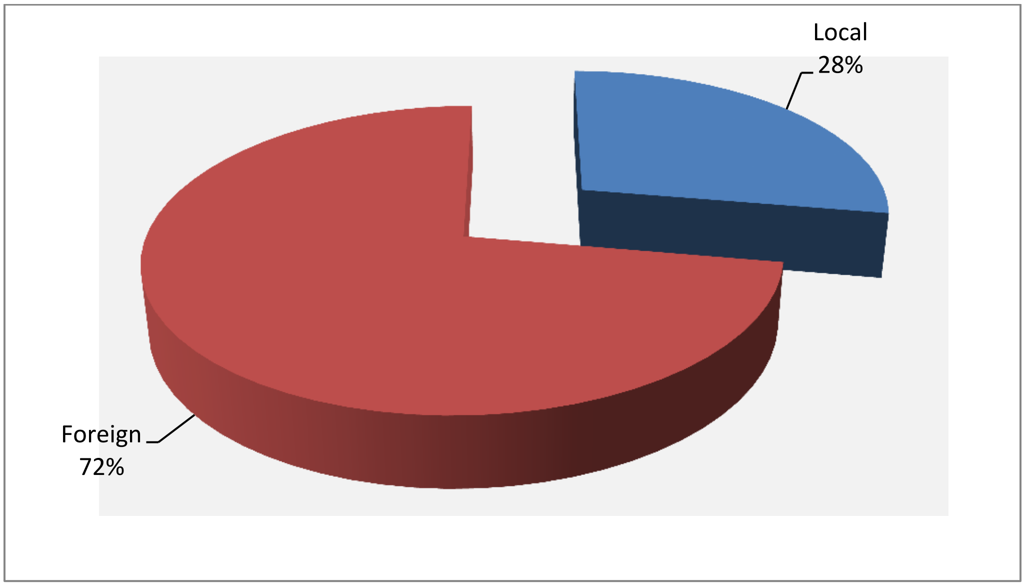

Figure 4.1: Ownership of the Organization

Pertaining to the ownership of the organization, majority (72%) of the staff was from the foreign owned multinationals while the rest 28% were from the locally owned multinationals.

4.3.2 Sector of the Organization

Table 4.2: Sector of the organization

Sector of the organization	Frequency	Percent
Finance	16	34.0
Manufacturing	18	38.3
Service	13	27.7
Total	47	100

Regarding the sector of the multinational, 38.3% of the staffs were from the multinational(s) in manufacturing while another 34% were from those in finance. The rest 27.7% were from the multinationals in the service sector/industry.

4.3.3 Position for the Organization with Other Affiliations

Table 4.3: Position for the organization with other affiliations

Position for the organization with other affiliations	Frequency	Percent
Mother company	19	40.4
Subsidiary	23	48.9
Merged companies	5	10.6
Acquired company	0	-
Total	47	100

As to the position of the organization relative to other affiliations, 48.9% of the staff mentioned that their multinationals were subsidiaries while 40.4% alleged that theirs were the mother companies. The remaining 10.6% were in merged companies.

4.3.4 Position in the Organization

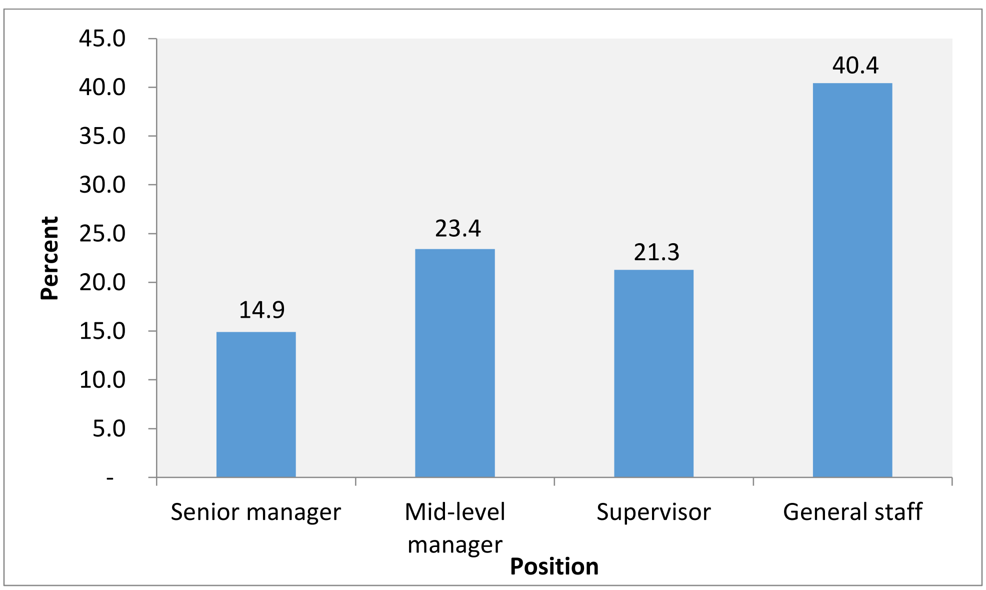

Figure 4.2: Position of respondent in the Organization

With respect to the position of the staffs, 40.4% were general staff while 21.3% were supervisors in their respective multinationals. Others (23.4%) were middle level managers and a few (14.9%) senior managers.

4.3.5 Shared Service Centre (SCC) Concept Applied in the Organization

Table 4.4: Shared Service Centre (SCC) concept is applied in your organization

Shared Service Centre (SCC) concept is applied in your organization	Frequency	Percent
Cost Centre	41	87.2
Profit Centre	39	83.0
Separate legal entity	43	91.5

The researcher also sought to know the Shared Service Centre (SCC) concepts applied in the multinationals. Findings indicated that separate legal entity was the most widely applied as affirmed by an overwhelming majority (91.5%) of the staff.

4.4 Role of Shared Services Centers Synergy on Performance

4.4.1 Contribution to Concentration of Core Competency

Table 4.5: SCC contributes to concentration of core competency

SCC contributes to concentration of core competency	Frequency	Percent
Moderate extent	5	10.6
Large extent	23	48.9
Very large extent	19	40.4
Mean	**47**	**4.3**

Contribution to concentration of core competency was analyzed as presented in Table 4.5. Most respondents stated that SCC contributes to concentration of core competency (48.9% said large extent with 40.4% said very large extent. This implies that SCC contributes to concentration of core competency to a great extent.

Current sourcing arrangement in the corporation	Frequency	Percent
Combined SSC and outsourcing provider arrangements(hybrid sourcing)	29	61.7
SSC-only arrangement	18	38.3
Total	47	100

Table 4.6: Extent competence is ensured through standardized processes to follow a common core process without exception

Extent competence is ensured through standardized processes to follow a common core process without exception	Frequency	Percent
Low: < 25% of processes standardized	5	10.6
Medium, tendency low: 25–50% of processes standardized	7	14.9
Medium, tendency high: 51–75% of processes standardized	22	46.8
High: > 75% of processes standardized	13	27.7
Total	47	100

On the extent competence is ensured through standardized processes to follow a common core process without exception, 46.8% stated medium, tendency high: 51–75% of processes standardized with 27.7% stating high to 75% of processes standardized. Only 10.6% said the competence is Low to less than 25% of processes standardized. This implies that competence is ensured through standardized processes to follow a common core process without exception to at least 51%. Table 4.6 gives the details.

These findings are consistent with Reichwein (2009) assertions that placing concentration on the core competency objective has the of implementation of shared services releases the parent company from the necessity to establish and maintain support functions within its business units; parent companies can focus resources on the core business, avoiding the dilution of resources in dealing with non-core activities; and increasing the attractiveness of the core business in case of an intended sale. The latter is important and needs to be mentioned because business units without comprehensive support functions are more attractive for a potential sale, respectively, mergers and acquisitions, as they are less complex, more flexible and easier to integrate (Schimank&Strobl, 2002).

4.4.2 Contribution to Improved Knowledge Management

Table 4.7: Extent of contribution of SCC to improved knowledge management

Extent of contribution of SCC to improved knowledge management	Frequency	Percent
Less extent	2	4.3
Moderate extent	9	19.1
Large extent	23	48.9
Very large extent	13	27.7
Mean	47	**4.0**

Regarding the extent to which extent of contribution of SCC to improved knowledge management, 48.9% said the improvement is large with 27.7% stating that the contribution is very large. This implies that SCC improves knowledge management to a great extent.

Knowledge management enhancement was also analyzed using mean and standard deviation on a 5-point scale where 1 represents very little extent with 5 representing very large contribution. Table 4.8 shows the information.

Table 4.8: Knowledge management enhancement

Knowledge management enhancement	Mean	Sdv
The SSC's innovations in products and services provide substantial support to the success knowledge management as a whole.	3.8	1.1
Our SSC makes a significant contribution to the optimization of the organization knowledge.	4.1	1.0
We regularly analyze the value the SSC contributes to the management of knowledge as a whole.	3.0	1.3

Results indicate that the respondents' organization has their SSC greatly make a significant contribution to the optimization of the organization knowledge (mean = 4.1 and standard deviation = 1.0). At the same time the SSC's innovations in products and services provide substantial support to the success knowledge management as a whole (mean = 3.8 and standard deviation = 1.1).

Knowledge management (KM) in organizations has gained importance in the past decade. As argued in Sutton (2003), a firm needs to consider implementing KM especially for SSC. In so doing, KM will assist to identify and share all information necessary in decision making as well as the information gained over time.it will also enable the firm to execute programs and structures for progressive learning and sharing of best practices. Furthermore, it allows better utilization of ICT through sharing knowledge on how to use or deploy the available IT.

KM can enable organizations to become more effective and efficient. Some guidelines for creating extra value to a firm through KM were put across by Garfield (2006). Some of the guidelines important for SSCs include: Avoiding duplication of activities in KM system; exploiting present expertise and experience through sharing in the firm; capturing crucial information on all work done in order for everyone to understand what is done by others and the contact person for more details; providing and creating methods, tools, templates, examples and data for streamlining.

4.4.3 Enhancement of Controlling Mechanism

Enhancement of controlling mechanism was measured on a 5-point scale where 1 represents very little extent with 5 representing very large contribution

Table 4.9: Output control mechanism enhancement through SCC in the organization

Output control mechanism enhancement through SCC in the organization	Mean	Sdv
a) Economic environment	3.8	1.1
b) Strong finance governance	3.4	1.3
c) Strong finance backbone	3.9	1.1
d) Co-location with other functions	3.8	1.0
e) Proximity to core business location(s)	4.1	0.9
f) Labor costs and legislation	3.4	1.3
Average	**3.7**	**1.1**

Concerning the output control mechanism enhancement through SCC in the organization, proximity to core business location(s); strong finance backbone; co-location with other functions; economic environment were indicated as the most prevalent in respondents organization with mean of 4.1; 3.9; 3.8 and 3.8 respectively. The standard deviations for the same were 0.9; 1.1; 1.0 and 1.1 respectively. Labor costs and legislation; and strong finance governance had mean of 3.4 each and standard deviation of 1.3 each. Table 4.9 presents the information. According to Merchant *et al.*, 2003), control mechanism ensures that employees perform (or do not perform) certain actions known to be beneficial (or harmful) to the organization. It is important to define what actions are acceptable or unacceptable, to communicate those definitions to employees and to observe or otherwise track what happens and reward good actions and punish those that deviate from the standard set.

4.4.4 Enhancement of Output Quality

Regarding the enhancement of output by SSC synergy, a 5-point scale where 1 represents very little extent with 5 representing very large contribution as presented in Table 4.10.

Table 4.10: Output quality enhancement through SCC in your organization

Output quality enhancement through SCC in your organization	Mean	Sdv
a) Our SSC regularly carries out in-depth cost analyses (e.g. as part of benchmark analyses).	3.9	1.1
b) Process assurance and compliance	2.7	1.4
c) Our SSC regularly carries out in-depth quality analyses (e.g. as part of benchmark analyses).	3.3	1.1
d) Our SSC is always on the lookout for potential optimization in all processes which are the SSC's responsibility.	3.7	1.2
e) Our SSC regularly runs workshops on quality management.	2.9	1.2
f) Our SSC regularly reviews its customer service for potential quality improvements.	3.7	1.2
g) Our SSC is always on the lookout for potential optimization in upstream and downstream processes even if these are not the SSC's responsibility.	3.6	1.1
Average	**3.4**	**1.2**

Results indicate that respondents' SSC regularly carries out in-depth cost analyses (e.g. as part of benchmark analyses) as indicated by mean of 3.9 and standard deviation of 1.1. In addition the SSC is always on the lookout for potential optimization in all processes which are the SSC's responsibility (mean = 3.7 and standard deviation = 1.2); and the SSC regularly reviews its customer service for potential quality improvements (mean = 3.7; standard deviation = 1.2).Results also indicate that, the respondents organization's SSC is always on the lookout for potential optimization in upstream and downstream processes even if these are not the SSC's responsibility (mean = 3.6; standard deviation = 1.1); The SSC regularly carries out in-depth quality analyses (e.g. as part of benchmark analyses) (mean = 3.3 and standard deviation = 1.1). The respondents however were not emphatic on the contribution of SSC synergy on running workshops on quality management (mean = 2.9 and standard deviation = 1.2); as well as process assurance and compliance (mean = 2.7 and standard deviation = 1.4).

As stipulated by 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; for example, operating 24/7; enhancing information supply and offering customer-friendly services for example, having an internet or intranet platform containing vital information, allowing self-service as well as offering quality support.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the findings and draws the conclusions. It further gives the recommendations in the light of the study findings. Lastly, the chapter provides suggestions on more studies that may be necessary.

5.2 Summary of Findings

The study found that SCC contributes to concentration of core competency (48.9% said large extent with 40.4% said very large extent. On the extent competence is ensured through standardized processes to follow a common core process without exception, 46.8% stated medium, tendency high: 51–75% of processes standardized with 27.7% stating high to 75% of processes standardized. Only 10.6% said the competence is Low to less than 25% of processes standardized. Regarding the extent to which extent of contribution of SCC to improved knowledge management, 48.9% said the improvement is large with 27.7% stating that the contribution is very large.

Results indicate that the respondents' organization has their SSC greatly make a significant contribution to the optimization of the organization knowledge (mean = 4.1 and standard deviation = 1.0). Concerning the output control mechanism enhancement through SCC in the organization, proximity to core business location(s); strong finance backbone; co-location with other functions; economic environment were indicated as the most prevalent in respondents organization with mean of 4.1; 3.9; 3.8 and 3.8 respectively. The standard deviations for the same were 0.9; 1.1; 1.0 and 1.1 respectively. Labour costs and legislation; and strong finance governance had mean of 3.4 each and standard deviation of 1.3 each.

Findings also reveals that respondents' SSC regularly carries out in-depth cost analyses (e.g. as part of benchmark analyses) as indicated by mean of 3.9 and standard deviation of 1.1. In addition the SSC is always on the lookout for potential optimization in all processes which are the SSC's responsibility (mean = 3.7 and standard deviation = 1.2); and the SSC regularly reviews its customer service for potential quality improvements (mean = 3.7; standard deviation = 1.2).

5.3 Conclusion

The study has established that SSC synergy greatly contributes to the core competence and knowledge of organization. It has also key in enhancing control mechanisms as well as enhancing output. Findings revealed that synergy derived from shared services is fundamental in creating efficiency such as lower costs, less time consumption and high quality. Employees' full potential is also realized because they are brought into decision making process.

The study has revealed that, proponents of shared services centers believe that the organizational efficiencies, cost reductions, and consolidated accountability that come with the centralization far outweigh the disadvantages. Results indicate that SSC assists in regularly carrying out in-depth cost analyses and always keeping n organization on the lookout for potential optimization in all processes which are the SSC's responsibility (mean With SCC, organizations are always on the lookout for potential optimization in upstream and downstream processes even if these are not the SSC's responsibility. The SSC regularly carries out in-depth quality analyses.

5.4 Recommendations

In a firm that has adopted shared services, there is distinctive service provider-recipient relationship which acts as a proxy to the existing relationships between external independent suppliers and service users. These very practices used for gaining competitive advantage in MNCs should be adopted by local organizations to create partnership that addresses the needs of the internal relationship customer as well as supplier.

SSCs should factor some new challenges with the expansion in scale and remit. Specifically, it is important to maintain connections with internal customers so as to ensure that SSC's services continuously address the dynamic business needs. SSCs need to ensure that they establish continuous dialogue with local finance managers to gain insights on the business needs, and regularly report on level of service and major performance indicators.

For any organization, whether multinational or otherwise, various channels should be used for providing continuing information on SSC initiative to any interested individual. Regular meetings should be held for provision of information. A weekly memo or newsletter ought to track progress and re-examine the scope, mission, vision and opportunities for improvements entrenched within the SSC. The objective is to give the maximum volume of information to the concerned persons to ensure their understanding and support for the change.

5.5 Limitations of the Study

The study majored on the successful implementation of shared service centers strategy by the multinationals due to time limitation. However, all the other different categories of firms operating in the Kenyan market were not considered.

The results of the study are confined to the multinationals and not to any other organizations such as parastatals, private sector and non-governmental organizations.

The study focused only on the contribution of shared service centers strategy on four aspects. That is contribution to core competency, knowledge management, controlling mechanism and output quality. Thus it did not focus on the other aspects which are also important in explaining performance.

Some respondents did not fully cooperate in filling the questionnaires due to time constraints and personal reasons.

5.6 Suggestion for Further Studies

Given the scope and limitations of this study, further studies should be conducted on the following:

A similar study should be conducted on other companies apart from multinationals to check for consistency in results.

A study should be conducted on the challenges hindering the implementation of shared service centers strategy in different companies.

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APPENDICES

APPENDIX 1: INTRODUCTION LETTER

September, 2016

To whom it may concern

Dear Sir/Madam**,**

REF: INTRODUCTION LETTER ON MBA RESEARCH PROJECT

I am a student at University of Nairobi pursuing Master of Business Administration degree.

Pursuant to the pre-requisite course work, I would like to conduct a research project to investigate ***The Use of Shared Services Centres as a New Trend in Multinational corporations in Kenya***.

I kindly seek your permission to conduct the research at your organization. Your assistance was highly valued.

Thank you in advance.

Yours faithfully,

MICHELLE WANDERA

APPENDIX 2: QUESTIONNAIRE

PART 1: GENERAL INFORMATION

1. Kindly indicate the ownership of your organization: a) Local [ ] b) Foreign [ ]
2. When was your organization established? ________________________________
3. In which sector does your organization fall in?

   a) Agriculture [ ] b) Finance [ ] c) Manufacturing [ ]

   d) Service [ ] e) Commercial [ ]

   Others please specify _________________________

4. What is the positionfor your organization with other affiliations?

   a) Mother company [ ] b) subsidiary [ ] c) merged companies [ ]
   d) Acquired company [ ] e) others (specify) _______________________

5. What is your position in your organization?

   a) Senior manager [ ] b) Mid-level manager [ ] c) Supervisor [ ]
   d) General staff [ ] e) others (specify) _______________________

6. What Shared Service Centre (SCC) concept is applied in your organization? (MULTIPLE RESPONSES ALLOWED)

   a) Cost centre [ ]

   b) Profit centre [ ]

   c) Separate legal entity [ ]

   d) Others (Specify) ______________________

PART B: CONCENTRATION ON CORE COMPETENCIES

7. To what extent do you think SCC contributes to concentration of core competency?

   a) Not at all [ ] b) Less extent [ ] c) moderate extent [ ]

   d) Large extent [ ] e) Very large extent [ ]

8. What is the current sourcing arrangement in your corporation?

   a) Combined SSC and outsourcing provider arrangements(hybrid sourcing) [ ]
   b) SSC-onlyarrangement [ ]

9. To what extentcompetenceis ensured through standardized processes to follow a common core process without exception?

   a) Low: < 25% of processes standardized

   b) Medium, tendency low: 25–50% of processes standardized

   c) Medium, tendency high: 51–75% of processes standardized

   d) High: > 75% of processes standardized

10. How else do you think SCC assist in enhancing core competence of your organization?

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PART C: IMPROVED KNOWLEDGE MANAGEMENT

11. To what extent do you think SCC contributes to improved knowledge management?

    a) Not at all [ ]   b) Less extent [ ]   c) moderate extent [ ]

    d) Large extent [ ]   e) Very large extent [ ]

12. In your opinion, how is knowledge management enhanced through SCC in your organization? Tick appropriately where 1 represents low-knowledge management enhancement with 5 representing highest knowledge management.

	1	2	3	4	5
a) The SSC's innovations in products and services provide substantial support to the success knowledge management as a whole.					
b) Our SSC makes a significant contribution to the optimization of the organization knowledge.					
c) We regularly analyze the value the SSC contributes to the management of knowledge as a whole.					

13. How else do you think SCC assist in knowledge management of your organization?

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PART D: CONTROLLING MECHANISMS

14. In your opinion, how are controlling mechanism enhanced through SCC in your organization? Tick appropriately where 1 represents low-controlmechanism with 5 representing highest control mechanism.
15. In your opinion, how is output control mechanism enhanced through SCC in your organization? Tick appropriately where 1 represents low-output control mechanism with 5 representing highest output control mechanism.

	1	2	3	4	5
a) Economic environment					
b) Strong finance governance					
c) Strong finance backbone					
d) Co-location with other functions					
e) Proximity to core business location(s)					
f) Labour costs and legislation					
g) Economic environment					
h) Others (specify) ______________________________					

16. How else do you think SCC assist in output control mechanism?

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____

PART E: ENHANCING OUTPUT QUALITY

17. In your opinion, how is output quality enhanced through SCC in your organization? Tick appropriately where 1 represents low-quality enhancement with 5 representing highest quality enhancement.

	1	2	3	4	5
i) Our SSC regularly carries out in-depth cost analyses (e.g. as part of benchmark analyses).					
j) Process assurance and compliance					
k) Our SSC regularly carries out in-depth quality analyses (e.g. as part of benchmark analyses).					
l) Our SSC is always on the lookout for potential optimization in all processes which are the SSC's responsibility.					
m) Our SSC regularly runs workshops on quality management.					
n) Our SSC regularly reviews its customer service for potential quality improvements.					
o) Our SSC is always on the lookout for potential optimization in upstream and downstream processes even if these are not the SSC's responsibility.					
p) Others (specify) ________________________________					

18. How else do you think SCC assist in quality of your products?

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APPENDIX 3: LIST OF MULTINATIONAL CORPORATIONS

1. Diageo- African Business Service center
2. Standard chartered bank
3. General Electric

APPENDIX 4: RAW DATA

Knowledge management enhancement	1	2	3	4	5
The SSC's innovations in products and services provide substantial support to the success knowledge management as a whole.	4.3	10.6	14.9	40.4	29.8
Our SSC makes a significant contribution to the optimization of the organization knowledge.	2.1	6.4	10.6	44.7	36.2
We regularly analyze the value the SSC contributes to the management of knowledge as a whole.	14.9	27.7	19.1	23.4	14.9

Output control mechanism enhancement through SCC in the organization	1	2	3	4	5
a) Economic environment	6.4	6.4	19.1	40.4	27.7
b) Strong finance governance	10.6	14.9	23.4	29.8	21.3
c) Strong finance backbone	4.3	6.4	14.9	40.4	34.0
d) Co-location with other functions	2.1	10.6	21.3	36.2	29.8
e) Proximity to core business location(s)	2.1	4.3	12.8	44.7	36.2
f) Labor costs and legislation	10.6	19.1	14.9	31.9	23.4
Average					

Output control mechanism enhancement through SCC in the organization	1	2	3	4	5	Mean
a) Economic environment	6.4	6.4	19.1	40.4	27.7	3.8
b) Strong finance governance	10.6	14.9	23.4	29.8	21.3	3.4
c) Strong finance backbone	4.3	6.4	14.9	40.4	34.0	3.9
d) Co-location with other functions	2.1	10.6	21.3	36.2	29.8	3.8

e)	Proximity to core business location(s)	2.1	4.3	12.8	44.7	36.2	4.1
f)	Labor costs and legislation	10.6	19.1	14.9	31.9	23.4	3.4
Average							**3.7**

Output quality enhancement through SCC in your organization	**1**	**2**	**3**	**4**	**5**	**Mean**	**Sdv**
a) Our SSC regularly carries out in-depth cost analyses (e.g. as part of benchmark analyses).	6.4	6.4	10.6	40.4	36.2	3.9	1.1
b) Process assurance and compliance	27.7	23.4	19.1	14.9	14.9	2.7	1.4
c) Our SSC regularly carries out in-depth quality analyses (e.g. as part of benchmark analyses).	6.4	19.1	31.9	25.5	17.0	3.3	1.1
d) Our SSC is always on the lookout for potential optimization in all processes which are the SSC's responsibility.	10.6	6.4	14.9	40.4	27.7	3.7	1.2
e) Our SSC regularly runs workshops on quality management.	14.9	23.4	27.7	23.4	10.6	2.9	1.2
f) Our SSC regularly reviews its customer service for potential quality improvements.	4.3	17.0	14.9	36.2	27.7	3.7	1.2
g) Our SSC is always on the lookout for potential optimization in upstream and downstream processes even if these are not the SSC's responsibility.	4.3	10.6	23.4	40.4	21.3	3.6	1.1
Average						**3.4**	**1.2**