Abstract:

Purpose: The effectiveness and quality of the tasks performed is an indicator of the functioning of organisations in both the public and private sectors. This article presents experience in implementing Shared Services Centres (SSCs) in both sectors in Great Britain. What are the differences in implementing and functioning of SSCs in the public and private sector organisations, and how much can the organisations of both sectors learn from their experience – these are the key questions that the authors have answered in this article.

Design/ methodology/ approach: analysis of literature, reports and available databases.

Findings: Private sector experience in creating business process modelling for shared service centres has been implemented in the public sector in the UK. The nature of the shared services provided
plays a significant part in the establishing of shared services centres in self-government and government organisations.

**Research and practical limitations/implications:** The article has an important practical value. The results of the research presented in the article may be used to model business processes of public services covered by shared services.

**Originality/value:** The article presents principles of creating and designing shared services in the public sector. The article is directed primarily to managers of public sector entities (self-government and government).

**Paper type:** literature review, theoretical paper.

**Keywords:** shared services centres, public management, New Public Management.

1. **Introduction**

The improvement in the quality and efficiency of services delivered in the public and private sectors is an inherent part of management. In addition, it can be noted that it has gained significance in the last decades. This is due to the common desire to achieve savings in expenditure related to the functioning of organisations, search for new competitive advantages or the desire to obtain better quality of management. It can be manifested at least in the need to solve problems arising from the so-called silo method of developing the organisation, which is an important element disturbing its proper process of functioning. A tool to achieve these objectives is the establishment of the shared services centres (hereinafter SSCs), which have become an integral part of the model of functioning of both above-mentioned sectors. Their idea is to delegate activities and processes related to the functioning of individual organisational units to a single location and, thus, relieving the middle management from having to perform the tasks that are not directly related to their primary objective. These can be tasks related to financial, HR and payroll, legal, IT, procurement or insurance services. The basic advantages of establishing SSCs include the standardisation of service processes, more effective control of these processes, savings resulting from the economies of scale and the ability to prepare information on management processes in less time and more detail. The successful implementation of solutions in the private sector has persuaded the legislators in many Anglo-Saxon countries, and then in other European
countries\textsuperscript{1}, to introduce legal solutions making it possible to establish such solutions also in the public sector. Despite the differences in the functioning of public sector entities and the limited possibilities of using the key performance indicators, solutions specific to the business sector, such as SSCs, have become an inherent part of the new models of managing public entities. Initiators of such solutions were Anglo-Saxon countries, which were first to introduce the management reforms in the spirit of New Public Management since the beginning of 1980s.

The purpose of this article is to present the rules for implementing and functioning of SSCs in the public and private sectors on the example of experience of the United Kingdom of Great Britain and Northern Ireland (hereafter the UK). This will be achieved through answering the following questions: what are the differences in implementing and functioning of SSCs in the public and private sector organisation? How much can the organisations of both sectors learn from their experience?

2. Shared services centres in the private sector

Companies operating on increasingly competitive and global markets are looking for solutions that will increase their efficiency. The SSC is one of such solutions. The specialization and concentration of services supporting core business processes of an enterprise in a unit providing shared services is a basic assumption of the concept. The services usually provided under the umbrella of SSCs are: accounting, payroll, human resources, legal, tax and IT services (cf. Figure 1).

The UK plays an important role on the SSC global map and belongs to the top five locations from where services for multi-regional geographic scope are provided (Figure 2). In addition, the UK is one of the most preferred SSC locations for the regions of Africa (Figure 3).

\textsuperscript{1} Poland is an example of a country where such solutions were implemented. The basis for the adopted changes was a report prepared by the Ministry of Administration and Digitalisation under the name The assessment of the situation of local governments. It drew attention to the fact that Polish local governments were burdened by costly legal solutions that in no way served the realisation of their mission. These regulations are not so much about the standard of services provided to residents, but about indicating the manner, in which the local government should deliver them. Based on the above report, the possibility of appointing local government SSCs was introduced in the Act on Amending the Act on Local Borough Government and Certain Other Acts of 25 June 2015, Journal of Laws of 2015, item 1045.
**Figure 1.** Functions performed by SSCs  

**Figure 2.** Top five locations providing services  

**Figure 3.** Top five locations providing services for Africa  
It is worth adding that 19% of the UK and Ireland SSCs are located in Dublin, making it the region’s most popular SSC location. England has the most SSCs servicing traditional functions, Ireland and Scotland have more centres servicing emerging functions (cf. Table 1).

Table 1. Functions of SSCs in the UK

<table>
<thead>
<tr>
<th>Functional area</th>
<th>England (%)</th>
<th>Ireland (%)</th>
<th>Scotland (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finances</td>
<td>43,60</td>
<td>31,20</td>
<td>16,70</td>
</tr>
<tr>
<td>Human Resources</td>
<td>52,50</td>
<td>23,20</td>
<td>17,20</td>
</tr>
<tr>
<td>Information Technology</td>
<td>25,80</td>
<td>39,80</td>
<td>21,50</td>
</tr>
<tr>
<td>Procurement</td>
<td>40,80</td>
<td>22,40</td>
<td>28,60</td>
</tr>
<tr>
<td>Other</td>
<td>23,10</td>
<td>43,50</td>
<td>22,20</td>
</tr>
</tbody>
</table>

Source: SSON Analytics (2016).

SSC is primarily formed by companies operating in industry (27%), telecommunications (13%) and financial services (11%). The UK experience in the implementation of processes under the shared service has translated into the position of the world leader among the countries where SSCs play an important role in business and the labour market.

3. Shared services centres in the public sector

Since the beginning of the 1980s, the public sector has been undergoing profound changes, involving changes in the public management paradigm. This process began with the implementation of the New Public Management concept in the UK. It consisted in implementing in public organisations management tools specific to the private sector. The key objective of this approach was to increase the efficiency of operation of the public sector due to the growing deficits in the public finance sector. Reforms of new public management were based on such principles as promoting competitiveness in the sphere of service delivery, empowerment by transferring control functions from the bureaucratic sphere to the residents (community), measuring the activity and focusing on financial outcomes and results rather than on outlays (Zawicki, 2011, p. 34). At present, despite the lack of support for such an approach to public management, terms such as the quality of provided services,
the flexibility of management, the evaluation of performed tasks or
the shift in interest from observing legal procedures to the effects of
activity appear to be permanently present in the debate on the manner
of organisation of the public sector. The thoughtless use of private sec-
tor tools in public organisations has met with well-deserved criticism
and has contributed to the search for new solutions in public manage-
ment. However, also in the presently proposed new public manage-
ment paradigms, i.e. new public governance or a neo-Weberian state,
the above-mentioned threads of efficiencies are still indicated as an
important element of the public sector organisation. One of the tools,
the forming of which should be associated with the new public manage-
ment revolution are the shared services centres (SSCs) in Great Britain,
which has become one of the leaders in implementing these solutions in
Europe and in the world. The starting point – constituting a theoretical
basis for implementing SSCs in the public sector – was to see the prob-
lem of isolation occurring between both local government units within
a single local government and the lack of cooperation between the local
self-government units. The effect of silo mentality was described by
indicating the economic, political and historical constraints, while each
of them constituted an important barrier to improving the efficiency of
operation (Henderson, 2015, pp. 3–17).

4. SSCs in local government administration

The UK is an example of a country in which modern tools improving
the effectiveness of management have been successfully implemented
from the business sector to the public sector. The first legal solutions
enabling to establish the common administrative service in local gov-
ernment units were introduced on the basis of Local Authorities (Goods
and Services Act) 1970. A provision permitting the appointment of one
director of the administrative unit (the borough secretary) who could
manage several local self-government units, was introduced in Section
112 of the Act. Subsequent amendments to the Local Government Act
1972\(^2\) also allowed for scaling of public services and appointing one

\(^2\) The basis for preparing the legislative changes was a report produced by a senior
UK civil servant – George Mallaby (Mallaby Report 1972), in which he highlighted
the problem of silo mentality of public administration, i.e. such organisation of local
secretary for several boroughs. The current legal bases of SSCs were introduced together with the programme entitled *Compulsory Competitive Tendering – Local Government Act 1988* and *Best Value – Local Government Act 1999* (Sandford, 2015). The evaluation of functioning of the British SSCs made by local government organisations showed that the local self-government units that implemented the indicated solutions significantly reduced the administrative costs of their functioning, took advantage of the economies of scale, increased the quality of public services delivered, reduced the risk of errors in management and they made better use of their human resources in the organisation. Nevertheless, the process was each time related to the need of breaking down the barriers involving the reluctance of existing directors to merge administrative units, the concerns of losing their influence on the units they managed, the problems with unifying the operation of administrative units, and the concerns of employees relating to the threat of reduction in employment. The British experience showed that the model of functioning of SSCs was each time the result of such factors as the size of local self-government units, the financial situation and the determination of political authorities.\(^3\) Elements motivating local government authorities to introduce SSCs were, to a large extent, potential savings in administrative expenditure, less often – the quality of provided public services. As noted by M. Holzer and J. Fry:

> the economies of scale is a major factor that leads to making services in units common all over the world, regardless of the country and the local government level. However, there is a consensus amongst the researchers dealing with this phenomenon that, in addition to potential savings, it is necessary to focus on improving the public services delivered to consumers by introducing SSCs it is also important to

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\(^3\) With the development of SSCs in British local self-government units, a number of studies and handbooks have been developed indicating potential scenarios for introducing this type of organisational solutions. As an example can serve Anthony Brand’s study entitled *The Politics of Shared Services: What are the Underlying Barriers to a More Successful Shared Services Agenda?* New Local Government Network, London, 2006, or *Shared Services and Management: A Guide for Councils*, Local Government Group, London, 2011.
recognise the opportunity of totally transforming the organisation of public services by introducing new management tools (Holzer and Fry, 2011, pp. 50–51).

The success of SSC solutions caused the second wave of development of this type of organisation of administrative units. Streamlining the back office operations (mainly finance, legal service, public procurement, ICT, HR) inspired public sector managers to use this tool in managing public services. An example of such an operation is the agreement of three boroughs (Kensington, Chelsea-Hammersmith and Fulham) in scaling shared service centres and thereby achieving even greater economies of scale. As noted by T. Symons, O. Roth and J. Sturge, the SSCs are certainly not a cure for all problems of local government units that are related to financial constraints and rising expectations of citizens as regards the quality of public services, but this solution offers many opportunities for better and more effective organisation of local administration (Symons, Roth and Sturge, 2011, p. 9). Moreover, the amendment of the local government law of 2003 introduced new possibilities of functioning of SSCs in the local government. So far, the measures taken by the local administration have been undertaken ‘not for profit’, but only to reduce the costs of administrative service. The change introduced in 2003 made it possible also for the private sector entities to be covered by shared service for commercial purposes. Thus, if the quality of local administration service as regards accounting or finance is of high quality and, at the same time, it is offered at attractive prices, the local self-government units can achieve revenue from this type of activity.

The ‘new generation’ of SSCs is also supported by new opportunities for providing public services that are related to new technological tools. The use of resources held by the representatives of private and non-governmental sectors allows to reduce the costs of provision of

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4 The agreement between the boroughs was signed in 2011 and it included the joint provision of such services as education, social welfare, waste management and public procurement. For more information on the agreement see Tri-borough Proposals Report: Bold Ideas for Challenging Times. A report for consultation by the Chief Executives of Westminster City Council, the London Borough of Hammersmith and Fulham and the Royal Borough of Kensington and Chelsea, London, 2015.

5 Local Government Act 2003 – Trading and charging. Detailed regulations on the functioning of SSCs are specified in Sections 93 and 95 of the above-mentioned Act.
public services and improving their quality. Currently, this is possible due to mobile applications, online tools and the growing involvement of local communities in the performance of public tasks (Peel, O’Keeffe, Shi, Leith and Keaveney, 2011).

It is difficult to explicitly point to the beginning of functioning of shared services centres in the British administration. Currently, SSCs are a common practice in public sector management in the UK, which is promoted by the British government under the *National Procurement Strategy* (2003). The document notes that the partnership of local self-government units is a natural way to reduce excessive spending on the functioning of public administration, as well as the ability to provide services that meet the needs of citizens. The analysis allows to identify the most important factors that led to establishing SSCs: (1) the postcode lottery (varying quality of public services depending on the occupied borough); (2) simultaneous search for savings in the organisation of the public sector and improving the quality of services provided; (3) improving the quality of management (Tomkinson, 2009). Local self-government units carried out this task by implementing various organisational models of SSCs. They differed in the scale of common tasks, the scope of commercialisation understood as cooperation with the private sector and non-governmental organisations, as well as the scale of cooperation with other local self-government units.

Based on the practice of functioning of local government shared services centres in the UK, three models of implementation can be identified. The first one is called a federal model and consists of combining similar services or service processes that occur in many local government units and transferring them within a single organisational unit. It is used mostly in small local self-government units, where service processes are the easiest to combine and, at the same time, they are not of key importance. Thus, the potential risks are minimal. Such

![Figure 4](https://example.com/figure4.png)

**Figure 4.** Federal model of SSCs

Source: Own study.
operations are also called the scaling of SSCs, i.e. the introduction of uniform service solutions for several local self-government units.

The second model used is called a sovereign model. In this case, the SSC is a solution adopted for organisational units functioning within a single local self-government unit. Unlike the previous solution, this model is most often implemented in large local self-government units, where there are often several dozen organisational units (e.g. schools, kindergartens, social assistance centres or others).

![Figure 5. Sovereign model of SSCs](source: Own study.)

The last of the local government models of SSC in the UK is called a commercial model. Its essence consists in outsourcing the maintenance services in local government units to private sector entities. These may be both organisational entities that are not related to a given local government unit or, on the contrary, for example, companies whose founder is a local self-government unit (Brand, 2006).

The consolidation of shared services in a single separated entity, integrating the knowledge and experience of individual entities in which these processes have been so far implemented, is a continuation of the evolution of the structure of the entity’s organisation into a multi-divisional form. As Ian and Seal (2010) point out, the economic efficiency of establishing SSCs is not only due to the economies of scale, but above all to the standardisation of and redesigning the processes being implemented – provided shared services. A key role in operations optimising the processes is the determination of competences, decision-making and hierarchy between the served units and SSCs, as the position and role of the latter will affect the ability of the services to be efficiently designed (Ian and Seal 2010). Establishing SSCs, especially in the public sector, is related to making organisational changes in the units, and consequently their management
systems. The public sector is characterised by a large centralisation of the management process and the hierarchy system, and thus it is highly inflexible. Establishing SSCs involves the need to remodel the organisational structure from vertical – centralised and hierarchical – to horizontal based on mutual relationships defined in cooperation agreements concluded between the serviced units and SSCs, the relationships of which are specified in the service level agreements (SLA). Market-oriented relationships between SSCs and the serviced units are noted by Bergeron who defined shared services as a common strategy of existing business functions, where performance, value added (the economies of scale), the cost saving and – as it should be emphasised – better service of internal customers of a parent company, similarly as in an enterprise operating and competing on the open market, are promoted (cf. Figure 6) (Bergeron, 2003).

**Figure 6.** A continuum of approaches and governance models

Source: Ian and Seal (2010, p. 9).

The organisation of SSCs is based on three elements: the first one – containing a set of provided services, including HR and payroll, accounting and bookkeeping, management information, procurement and service management, the second one – defining the ongoing business processes and based on service level agreements (SLA), and the third one – information element, where in the process of providing shared services advanced enterprise resource planning systems (ERP) related to the document workflow management systems (cf. Figure 7) are used.

Choosing the right model depends on several factors. Firstly, it is necessary to specify the purpose for which it is planned to establish
SSCs. Are they merely economic factors (i.e. achieving financial savings) or improving the quality of service provided, or maybe both?

The second element is the indication of these service elements that are considered for making them common. Finally, it remains to be decided whether they will be service elements occurring exclusively within the local self-government unit or jointly with the neighbouring units. As noted by R. Tomkinson (2007), entering the path of implementing SSCs appears to be inevitable, and its next step is to seek the scaling capability within several units. The experience of local government SSCs in the UK indicates that the first process lasts from 8 months to 3 years, and starting the scaling process is another two years. The researchers of the subject matter of SCCs in public administration point to at least a few aspects to be considered when implementing this solution. Deloitte experts point to such factors as: (1) the conviction of the clarity of the vision of introducing SSCs in both the short and the long term; (2) the need to take into account the stage of development of units whose scope of operation is to be made common. It may turn out that

**Figure 7.** The organisation of shared service centres
not all units are ready for this; (3) understanding the factors influencing the implementation process (communication within the organisation, change leader, promoting good examples), and (4) determining the indicators by which the effectiveness of the process will be measured. It is also worth mentioning here the difficulty to measure political barriers that are related to changing the manner of public management. They may include concerns on potential failure of the whole process, upcoming elections, the lack of sufficient knowledge of the essence of the process. As the Deloitte experts point out, there is a high number of constraints on the implementation of SSCs, but the most important ones are political constraints (Deloitte, 2009).

The Local Government Association grouping the representatives of local self-government units in the United Kingdom conducts systematic research on the functioning of SSCs in local administration. The *Shared Services Map* is a tool for gathering information on this subject. Based on the data collected, it can be said that establishing SSCs in the UK brought savings in the public sector in the amount of GBP 640 M per year\(^6\). Currently, there are SSCs operating in 486 local self-government units in the UK. Previous experience has shown that not only savings are important. The preparation and implementation of SSCs provides an excellent opportunity to analyse the organisation and the manner of functioning of local government units. Potential savings are certainly important in view of the growing pressure on saving financial resources spent by the public sector. However, SSCs are also the possibility of searching for innovative solutions, improving the quality of functioning of administration, preparing better management information for the management, accurate measurement of service processes, and launching learning organisation processes where local governments share good practices with other entities. The above-mentioned data on the number of functioning SSCs in the local self-government units in the UK, as well as in-depth interviews with finance directors working in local administration, confirm the thesis that the process of making the service of administrative units common, is irreversible. Interviews with representatives of more than one fourth of directors working in local self-government units have led to the following conclusions: (1) 95%
of respondents stated that they were aware of the inevitability of the change; (2) 40% of respondents stated that the most important barrier was the lack of experience in cooperation between local government units and local self-government units; (3) the most important objective in implementing SSCs is the desire to achieve financial savings; (4) the solutions carried out so far have prompted the directors to plan further development of SSCs (Gershon, 2005).

5. **SSC in government administration**

The complexity of the subject matter of building and implementing SSCs in the public sector is well reflected in the report of the British National Audit Office (NAO) of 7 March 2012, commissioned by the House of Commons and devoted to the effectiveness of functioning of SSCs in the public sector (established by the government administration of Great Britain). In 2004–2011, eight SSCs were established for the realisation of shared services in the area of government administration, of which 5 units were subject to the audit process. In the audited entities, the costs of establishing and the operating costs of their functioning in the amount of GBP 0.9 billion were assumed, while the costs incurred exceeded the planned budget by GBP 0.5 billion and totalled GBP 1.4 billion. Only in one case the SSC achieved the assumed effects and the generated savings covered the costs of their establishing and functioning. The negative results generated by SSCs were mainly due to the fact that the provided shared services were non-standard and over-adjusted to customer needs, which effectively eliminated or limited the possibility for their optimisation and achieving the economies of scale (Hall, 2007). The basis for functioning of SSCs are IT systems that enable and support the provision of shared services. The lack of standardisation of processes has also had a negative impact on the area of computerisation of SSCs. These systems work best with large numbers of automated transactions, and the lack of possibility of their standardisation and optimisation affects the high cost of their establishing, maintaining and updating. The first difficult experience of British government administration in building SSCs shows how complex this process is, especially in the public sector, where the scope and form of the services provided result further from legal regulations, which effectively limits the possibilities of optimisation of the processes being
serviced. In addition, as highlighted in the NAO report, but also by *IBM Center for The Business of Government* (Samberg, 2007), it is crucial to work closely with serviced units for the effective implementation and optimisation provided by services centres.

![Figure 8. Principles of the shared services](source: Samberg (2017).)

### 6. Concluding remarks

According to research conducted by the consulting company Deloitte, SSCs belong to a rapidly growing sector of the economy and operate in many sectors, mainly in the industry, telecommunications, energy and medical sectors (Deloitte, 2015, 2017). Out of over 1,100 SSCs operating globally, 4.5% in 2015 and 5.7% in 2017 were operating in the public sector. The growing share of the public sector in SSCs, despite still small percentage, indicates a strong interest of government and local government administration in optimising the processes being implemented. In the studied SSCs financial services account for 88% of the services provided, followed by HR (63%) and IT services (53%). British experience shows how complex shared services provided in the public sector are. The factor determining the effectiveness of SSCs is not only the nature of processes (e.g. accounting, payroll and IT), but also the readiness of units for organisational changes and the
involvement of staff and employees in their realisation (Chenok, 2010). Commercial entities operating on the market generally are characterised by much more flexibility, horizontal and/or matrix organisational structures that are based on the mutual cooperation of various units within the organisation and, thus, any organisational and efficiency changes are easier to be implemented within them. For public sector entities, inter-departmental cooperation and the lack of hierarchical organisational structure are novelties, which obviously hamper the optimisation of processes provided by SSCs operating within this sector. Obviously, it does not mean that this type of organisations should not be developed. On the contrary, enhancing the economic efficiency involves the need to implement solutions perfectly functioning in the private sector, such as the Shared Services Centres. Greater success in the provision of shared services was noted by SSCs established by local authorities. Their superiority over government administration results from greater flexibility and management efficiency. However, as noted at the outset, it is important to remember the diversity of the two sectors. In the case of SSCs, not all management practices are possible to be implemented in the public sector. This is due to the legal conditions governing the management of local government and civil service employees, or the need to provide some services despite their low economic efficiency. Nevertheless, strategies for implementing SSCs in the organisations of both sectors are the inspiration for managers managing service processes.

References


**Legal acts – the UK**


Legal acts – Poland