

**UNIVERSITY OF ECONOMICS
PRAGUE**

DIPLOMA THESIS

2017

Ani Martirosyan

University of Economics, Prague

**International Business – Central European
Business Realities**



**Performance management systems in shared
service centers**

Author: Ani Martirosyan

Thesis instructor: Ing. Ondřej Matyáš, Ph.D.

Scholar year: 2016/2017

Declaration:

I hereby declare that I am the sole author of the thesis entitled "*Performance management systems in shared service centers*". I duly marked out all quotations. The used literature and sources are stated in the attached list of references.

In Prague on 27 April 2017

Signature

Student's name: Ani Martirosyan

Acknowledgement

I hereby wish to express my appreciation and gratitude to the supervisor of my thesis, Ing. Ondřej Matyáš, Ph.D., for being available for consultation, guidance, and valuable feedback. I would also like to express gratitude to Mr. Sergio Aliende Corral (Head of S2S stream in Computer Science Corporation SSC) for providing access to all the necessary information from the company to make the analysis in the thesis fundamental. Finally, I would like to thank all my colleagues in the company as well as my supporting family and friends.



Master thesis: Performance management systems in shared service centers

Combining literature review and field research, the thesis analyses the existing performance management system and suggests its improvements in order to increase the efficiency of employees in source-to-settlement cycle departments in shared service center located in Czech Republic.

University of Economics, Prague

Martirosyan Ani

2016/2017

Abstract

Background: This research investigates the role of measurement systems in shared service center, more specifically in the source to settlement stream, which consists of Accounts Payables and Procurement departments. The departments have been chosen because of their importance for the global Computer Science Corporation s.r.o., which is the parent company of Shared Service Center in Prague. The mentioned departments have been chosen for the research because of the process complexity and a big quantity of steps leading to the final result. Any delay of the intermediate steps refrains the whole process completion. Consecutive issues with the completion may bring Corporate Shared Service to the risk of service non-delivery.

Methods: Exploring the measurements systems through detailed literature overview, an overview of the departments of Corporate Shared Service, the processes happening in the Accounts Payables and Procurement departments and performance variables measured.

Results: Improvements in both, processes taking place and variables being measured, leading to productivity improvement, increase in customer satisfaction and a number of other advantages.

Conclusions: Research offer unique insights into the performance measurement systems in a shared service center. There has been no such a targeted research done before for the Accounts Payable and Procurement departments in a shared service center Both quantitative and qualitative variables influencing performance are discussed and suggestions of improvements are made in a feasible manner.

Contents

Introduction.....	1
Chapter 1	2
1.1 What is a Corporate Shared Service.....	2
1.2 Current situation of shared service located in Prague of CSC corporation.....	5
1.3 Goals of the thesis	6
1.4 Methodology of the thesis.....	7
1.5 Literature review – Performance measurement systems.....	8
Chapter 2	18
2.1 Mission, Vision, and Strategy of Corporate Shared Service.....	18
2.2 The overall description of functions of the departments.....	21
2.3 Procurement department’s process review.....	34
2.4 Accounts Payable department’s process review	36
Chapter 3	38
3.1 Global analysis of the implemented performance measurement systems	38
3.2 Service level agreements (SLA) for Accounts Payable and Procurement departments.....	41
3.3 Operational level agreements for Accounts Payables and Procurement departments	46
3.4 KPIs of Accounts Payable and Procurement departments	47
3.5 Implemented Balanced Scorecard overview	49
Chapter 4.....	52
4.1 Reasons why it is important to measure performance in a shared service center	52
4.2 The analysis and reasoning of actual problem with backlogs in performance in AP team.....	53
4.2 The suggested improvements of measures.....	63
Conclusion	70
References.....	72
Appendix 1	75
Appendix 2.....	77
Appendix 3.....	78
Appendix 4.....	79
Appendix 5.....	79

Abbreviations

Corporate Shared Services	CSS
Record to Report	R2R
Source to Settle	S2S
Order to Cash	O2C
Hire to Retire	H2R
Service Level Agreements	SLA
Operational Level Agreements	OLA
Key Performance Indicators	KPIs
Supply Chain Management	SCM
Accounts Payables	AP
Accounts Receivable	AR
Operational Excellence	OPEX
Business Unit	BU
Balanced Scorecard	BSC
Intercompany	IC
Team Leader	TL
Central Europe	CE
South West	S/W
United Kingdom and Ireland	UK&I
General Leger	GL
Goods Receiving	GR
Data Management	DM
Purchase Order	PO
Electronic funds transfer	EFT

Introduction

The role of a shared service center rises in the current decade and many graduates have possibilities to start their professional careers in such organizational structure, my motivation and interest for the following research comes from being one of these students. I have got an opportunity to observe and analyze and improve the performance measurement systems in place. The research presented will give the reader an opportunity to see the empirical analysis of the performance and productivity, its calculation methods and measures implied in practice.

Controls and measures are used in every area of our lives, every individual has to measure the time, money, and effort spent for his or her every activity and apply controls if necessary, the same principle implies to corporations. To be able to achieve company's objectives, the activities of employees must conform with the plan of action, those activities must be measured and controlled by management to either approve the conformity with the plan or identify at an early stage that corrective actions must be implied. There are two types of corrective actions that will be discussed in this thesis, a specific performance issue that have been chosen, will be analyzed and solved from behavioral and measurement systems points of views.

The goal of the thesis is to analyze the performance measurement systems and to suggest improvements to it. The detailed analysis will help to identify the corrections that could be done and that will not increase the cost of performance control and measurement systems.

The literature base will create a common understanding of what tools and beliefs were in place until now. How the managers created and evolved performance measurement systems according to the needs and specificities of their own organizations.

As the thesis proceeds, we will substantiate why the measures used in the corporate shared service fit the most for this type of organizational structure and especially Accounts Payables and Procurement departments.

Although there is not much relevant literature in place at the moment, one important assumption was in place when the following research was conducted, that is the fact that nothing revolutionary was invented in the area of performance measurement systems lately. The variables that have interested and are still the most important for management are quality, quantity, and timeliness. These variables of performance will be discussed in the following thesis. At the same time groundbreaking technical advancements and innovative softwares give a detailed information about performance which can and is used to identify the most vulnerable sides of performance measures that are used in companies. The following thesis will be based on identification and further detailed analysis of processual flaws in Accounts Payables and Procurement departments and further corrective suggestions concerning the measures being implied to calculate the employees' performance.

The methodology according to which the thesis will be elaborated, is detailed review of measurement systems theory presented in the literature. and articles discussing the performance in Shared Services specifically. This will be confronted to my personal observations and data collected during the further analysis. And finally, the collected information and the field research conducted will help the thesis to suggest improvements of performance measurement systems in a Shared Service Center.

Chapter 1

1.1 What is a Corporate Shared Service

Business service offshoring and outsourcing has become a tendency in last decades but the outsourcing has always been an idea that helped businesses evolve and use their time and resources more product or service oriented, the simplest example would be when a small retailing company that does not intend to have a marketing department outsources market research to a company specialized in that field who has competency, knowledge, and resources to conduct such research. Later when a company becomes global, has stores in many countries it creates a marketing department but it is just one that operates in the headquarter or one in each regional hub, those departments create the whole marketing and branding strategy for all the countries where company has stores. The same practice might

cover many tasks, especially in a corporation where there is a number of repetitive or similar operation that supporting divisions perform, despite the fact that the offices might be in different countries. Before the “shared service” term and structure came to our modern life there has been “internal markets” per which the healthcare system in the UK operates, and hospitals work together on the contractual basis, also different types of commercial partnerships known to us. According to Shouhong Wang and Hai Wang¹, “Unlike outsourcing, shared service is the standardization and consolidation of common functions across the multiple organizations to reduce information process duplication and increase information and knowledge sharing”. The example of centralized marketing department for a corporation is not unique. Nowadays centralized tasks may include all the departments such as Finance, Human Resources, Supply Chain etc.

If we try to explain the meaning of a shared service center (SSC) from the academic point of view, there has been a research about the characteristics of shared service centers conducted by ² professor of “Institute of Information Management” in University of St Gallen, in Switzerland Walter Brenner and his associate Veit Schulz. The literature review conducted by them outlines the following most relevant characteristics.³

- consolidates processes within the group in order to reduce redundancies;

The characteristic explains how departments that exist in different locations but perform similar work in many ways, become one centralized department and support many offices from a single location.

- delivers support processes as its core competency;

During the research the authors derive that the processes in most of the literature they observed differentiate between transaction-oriented and complex, knowledge-based processes, both types of processes are very important for a corporation but the transaction

1 Wang, S. and Wang, H. (2007), “Shared services beyond sourcing the back offices: organizational design”, Human Systems Management, Vol. 26, p. 281.

2 Transforming Government: People, Process, and Policy Vol. 4 No. 3, 2010 pp. 210-219, Emerald Group Publishing Limited 1750-6166 DOI 10.1108/17506161011065190

3 See Appendix 1

based processes are the ones that require a relatively low level of expertise, are standardized for a big corporation and bare a low level of financial risks.

- has cost cutting as a major driver for implementation;

Cost cutting with means of best use of resources, best use can be viewed as creating a hub where the employees' tasks will be more defined, more specific which will increase the performance and from the other side the corporation will close down a number of departments by creating one hub for a few countries in one location and of course benefit from the cost cutting of salaries, rent and other expenses related to the maintenance of numerous offices. The authors say: "Several surveys revealed that cost cutting is a primary motivation for implementing SSC. Average savings of 25-30 per cent are not unusual (Quinn et al., 2000⁴), achieving lower costs by making use of economies of scale"

- has a clear focus on internal customers;

In an article dedicated to SSC professor of Business Administration at the School of Business at the University of Michigan, Dave Ulrich⁵ describes two types of SSC, transaction-based services and transformation based. Transaction based centers are designed to assist with paperwork and administrative routine, whereas transformation based centers differ in a way that even being a part of a shared service itself they provide development services, they may be called Excellence Centers according to Ulrich. As an outcome, we receive a service center (transaction based) who's clients are all the units of corporation assigned to this specific hub and at the same time excellence centers (transformation based) serving to internal customers as well.

- is aligned with external competitors;

Every business, especially a service compares itself with its competitors, set benchmarks, the same happens in SSC, the centers try to find out as much information as possible about similar entities, their strengths and weaknesses in order to either enhance performance, find

4 Quinn, B., Cooke, R., and Kris, A. (2000) Shared services: mining for corporate gold, Prentice Hall, London.

5 Ulrich, D. (1995) Shared services: From vogue to value, HR. Human Resource Planning (18:3), pp 12 - 24.

solutions to some organizational breaks and the most important to show their employers how competitive are they.

- is a separate organizational unit within the group

One may think that a SSC cannot be a separate entity because in fact it does not have any entrepreneurial freedom and is fully dependent on the parent organization by all parameters, such as funding or service receiver. Authors say that the term “partly autonomous”⁶ is the most common in literature, because though the customers are internal, the SSC has its own responsibilities and management.

- is operated like a business

This characteristic outlines once more SSC’s responsibility towards its clients, as a usual business it must provide the agreed value for the agreed price.

PWC suggests⁷ :

“Value proposition, as our survey shows, establishing a shared services center involves taking repetitive common processes out of individual business units and moving them into a stand-alone organization, freeing up the business to spend more time performing higher value-added tasks. The SSC achieves improved efficiencies through economies of scale and clear role focus (often technology enabled) while providing a high level of service to the enterprise. We also recognize that the implementation of shared services brings opportunities to help the business focus and organize to perform its value creating roles”.

1.2 Current situation of shared service located in Prague of CSC corporation

According to the definition given on the official website of the company “Corporate Shared Services Europe is a global organization which provides services and transactional support in selected Finance, HR and SCM (supply chain management) process areas. CSS Europe site present all information relevant to our business, cooperation, governance and daily

⁶ Bergeron, B. (2003) Essentials of Shared Services, (1 ed.) John Wiley & Sons, Hoboken.

⁷ PricewaterhouseCoopers Statement of Capabilities: Shared Services

work.” In other words, the global Computer Science Corporation s.r.o. has a number of offices around the globe that provide the service or product created by the company, but years ago the corporation decided to centralize its financial, supply chain and HR processes by creating a few shared service centers.

When the decision of creating of shared service was made in 2009 only UK and Nordics countries task were transmitted to Prague, the tasks supported by the Corporate Shared Services (CSS) were a few, they included Accounts payables, Accounts Receivables, journal processing and expense billing. Starting from 1st December 2012 based on the previous success of the initiative CSS stated to support business operation in United States, United Kingdom & Ireland, Central Europe, Nordic countries and so called AMEA region which consists of Saudi Arabia, Africa, Malaysia, Singapore, Vietnam, China, India, Japan and Korea. There are 3 hubs for all these countries, one of them is located in Prague. There is a number of vertical streams operated by CSS Prague, they are Record to Report (R2R). Source to Settle (S2S), Order to Cash (O2C), Hire to Retire (H2R) and Operational Excellence stream, all these streams provide the agreed services and perform the agreed tasks for the CSC corporation offices located in the countries mentioned above. The services are provided upon Service Level Agreements (SLA) that are agreed with CSC clients, the agreements range from one business day to fifteen, the time that a certain service takes depends on the complexity and the terms agreed with the client.

1.3 Goals of the thesis

This thesis will represent an analysis of the performance management and measurement tools and systems being used at a Shared Service Center. The goal of the thesis is to come up with suggestions regarding the improvement of the performance measurement systems that will be feasible and efficient. As base, we will take literature dedicated to the technical side of the topic, that is, what measurement methods of the performance exist in general, along with articles discussing experience of the shared service centers specifically in measurement systems' choice. From the side of field research, the thesis will include the analysis of Service and Operational Level Agreements (SLA and OLA) and Key Performance Indicators (KPIs)

as well as some other performance measurement tools, that company uses already to measure the ongoing performance of the resources employed. By means of comparing the measurement tools that are used in international practice or described in literature, to the measurement systems in place in the Shared Service Center, the goal of the thesis which is to analyze the existing performance measurement tools and suggest improvements in terms of accurateness of measuring it, will be successfully reached.

Because the tasks of shared service center are constantly growing in all the HR, Finance, and supply chain management (SCM) areas, we will concentrate on the tasks of Source to Settle (S2S) stream's departments, which include Accounts Payable and Procurement departments.

We will understand why in a shared service center process cycle time, quality and yields of the tasks play a very important role and how this leads to financial outcomes' improvement. We will discuss what role performance plays in shared service, why it is a sensitive topic in a shared service and how to manage and control it.

We will find out how the measures employed might refrain employees from reaching the best possible performance outcomes in their everyday activities in Account Payables and Procurement departments and solve an ongoing issue with performance deficiencies. We will see how the company and the employees will benefit from the suggested improvement.

1.4 Methodology of the thesis

Initially we will define the concept of performance and why is it important to measure and evaluate it. We will present a literature review on the topic of performance measurement and management control systems as well as balanced scorecard method. We will discuss why performance is a sensitive topic for a shared service center. We will discover how important it is for a corporation to have an employee who is aware of its strategic goals, mission and want to contribute directly to the success of the company.

After having completed the literature review, the description of the current situation and performance measurement and management tools in the CSS we will focus on the S2S stream which consists of two departments, Accounts payable and Procurement, we will present most

frequent tasks that are performed by those departments, what is done to trace employees performance, what factors should be researched more in details to ameliorate the performance measures and eliminate possible obstacles on the way to a productive work flow.

We will complete the thesis with suggestions about processes and measure adjustments based on literature and field research.

Due to confidentiality of the information the financial outcome side of the performance will not be included in the research.

1.5 Literature review – Performance measurement systems

It is important to note that the most relevant books, articles, and publications have been used for this thesis, but also take into consideration that the thesis will analyze a shared service center which is a relatively new model of centralizing corporate tasks and the existing data and research done is scarce in its performance analysis.

The research on the performance and how it should be measured has been started from the review of the book of **Robert L. Simons “Performance Measurement & Control Systems for Implementing Strategy” (Prentice-Hall, 2000)**. During the literature review we will give the theoretical base for thesis and present the methods described by authors about performance measurement system creation and deployment.

According to **Robert L. Simons**⁸ for a company no matter if it is a service or manufacturing it is not enough anymore to use solely it's tangible assets and technological advantages to be successful, they should as well focus on their intangible resources. As the Harvard business school's official website says the book provides an integrated set of accounting-based techniques for implementing strategy. The analyze relevant to the topic of the thesis will include the part of the book regarding human interaction and internal controls also on the section where Simons describes a scorecard building.

⁸ Performance Measurement & Control Systems for Implementing Strategy (Prentice-Hall, 2000)

Simons describes the purpose of internal controls as a method to catch unintentional errors and discourage behaviors that could lead to misappropriation of assets and fraud. He proposes assumptions that managers should keep in mind while designing those internal controls, which are⁹ :

1. Individuals have inherited moral weaknesses: therefore, internal controls are necessary to safeguard assets and ensure reliable information
2. By the threat of exposure of wrongdoing, an effective internal control system will deter an individual from committing fraud
3. An independent individual will recognize the report irregularities that come to his or her attention
4. Asking someone to assist in defrauding the business is so risky that the probability of collusion between two or more people is low
5. Formal titles and accountability, as shown on an organization chart, determine who has the power in organization
6. Records and documentation provide proofs of actions and transactions
7. There is no inherent conflict between performance goals and the production of reliable information

The summary of the internal concept presented by Simons is presented in the following table.

Internal control systems

Appendix 13-3: Building block summary for internal control systems¹⁰

What	Systems that safeguard assets from theft or accidental loss and ensure reliable accounting records and financial information systems
Why	To prevent inefficiency in transaction processing, flawed decisions based on inaccurate data and fraud
How	Structural safeguards <ul style="list-style-type: none"> • Segregation of duties • Defined levels of authorization • Restricted access to valuable assets

⁹ Performance Measurement & Control Systems for Implementing Strategy (Prentice-Hall, 2000) chapter 13, pages 295-298

¹⁰ Please see appendix 2

	<ul style="list-style-type: none"> • Independent internal-audit function • Active audit committee of the board System safeguards <ul style="list-style-type: none"> • Complete and accurate record keeping • Restricted access to information systems and database • Relevant and timely management reporting • Adequate documentation and audit trail Staff safeguards <ul style="list-style-type: none"> • Adequate expertise and training for all accounting, control, and internal-audit staff • Rotation in key jobs • Sufficient resources
When	At all times in all business
Who	Staff professional Managers usually should not spend much time designing or reviewing the details of internal controls

Critical performance variables are not concretised by Simons, not even in general, because every business has its own performance goals, but the author describes how to determine performance variables for any kind of business. He suggests to proceed deductively and start with performance drivers that are either influencing profitability of successfully implementing the strategy (effectiveness) or provide the largest potential for marginal gain over the long-term (efficiency).

To summarise *how* to build an internal control system Simons visualises the simplified set of measures needed.

After we choose the variables we must design measures of performance, to be able to set and reach the desired outcomes.

Simons describes measure as a quantitative value that can be scaled and used for purposes of comparison. Measures can be financial and non-financial.

The characteristics of the thesis lead us to concentrate on non-financial measures, which is measured numerically.

The author states 3 test questions to check if the measure can be used for the specific performance goal. And also shows the answers for the test via diagram¹¹.

- Does it align with performance goal?
- Can it be measured effectively?
- Is the measure linked to value?

During the research, we will discuss the graph in details and adapt it to the situation in CSS. Objective its completion and responsive measures as the nature of shared service is that the lowest hierarchy level employee is very valuable and they create the most of the value that service provides and the performance is measured very carefully and in details.

We will choose to discuss the measure of so called leading variables described by Simons which will be the quality control, employee training, process time etc.

Simons indicates the number of measures as no more than seven, based on the Professor George Millers theory¹² ability of people to remember, work and recall only to seven bits of information and in thesis we will discuss only the critical ones as well which will not exceed the “magical number”

Which is interesting in the book and is relevant in term of this thesis is the model of human behavior proposed. Three assumptions are taken by the author into consideration, first is that people desire to achieve and contribute, second is that people want to do right and third that they are creators and innovators. The table proposed by him will be also used for the purposes of our research, it shows links between the assumptions listed above and how managers should behave to make those assumptions work in the best interest of the company.

Simons advises that in a large firm that is on a mature stage of being should include one or more interactive control in the system so that communication signal where the debate and learning should occur. Interactive ontrol system is recommended by the author to large and medium sized organisations, because th problems they face is finding a way to focus

¹¹ See Appendix 3and 4

¹² Miller, G. A. (1956). "The magical number seven, plus or minus two: Some limits on our capacity for processing information". *Psychological Review*. 63 (2): 81–97.

everyone in the company in the times of uncertainty. Theoretically speaking Simons define the interactive control system as the formal information systems that managers use to personally involve themselves in the decision activities of subordinates.

According to Management Control Systems ¹³By **Robert Anthony and Vijay Govindarajan** the goal of performance measurement systems is to implement strategy, they say that the measures can be seen as present and future critical success factors. Strategy defines the critical success factors, so if those factors are measured and rewarded people are motivated to achieve them and at the same time management achieves its strategic goals. They say that relying solely on financial measures can be dysfunctional by a number of reason that are encouraging the short-term actions that are not in a company's long-term interests. The pressure to meet the current profit levels the more likely the business unit manager will take short-term actions and it could be wrong in the long-term. Second is that the managers might be afraid of long-term actions like R&D because the expense will appear immediately but the long-term benefits may not. Third is that short-term profit goals can distort communication between Business Unit (BU) management and senior management because a BU manager can simply set a profit target that he or she can easily meet and by consequence and wrong possible profit data will be set. The last and forth reason of not relying only on financial data is that managers can be motivated to falsify data.

Then the authors discuss the balanced scorecard method which will also be a part of the thesis and a review on it will be provided more in details below.

Key success factors for the performance measurement per authors in comparison to Simons', for whom the key factors must be determined according to performance drivers, are divided between customer-focused and internal business process. It might seem that the shared service center provides its services to the BU so the customer satisfaction might be irrelevant, but in fact the SSC customers can also evaluate the service they receive and their feedback is very important to cooperate productively in the future, though the authors present some factors in the book that are irrelevant in this case, for example consumer loyalty, customer

13 Management Control Systems, By Robert Anthony and Vijay Govindarajan 12TH EDITION

retention backorders etc. , the whole idea of two categories of variables will be used in the thesis.

As the implementing the performance measurement system takes place they suggest the following steps:

1. Define strategy
2. Define measure of strategy
3. Integrate measures into the management system
4. Review measures and results frequently

As it is the last step that is the most interesting for the thesis we will focus on it for the moment and the management should ask the following questions:

- How is the organization doing according to the outcome measures?
- How is the organization doing according to the driver measures?
- How has the organization's strategy changed since the last review?
- How have the scorecard measures changed?

These questions should be asked and the measurement cycle should start again

The authors review the interactive control strategy that is based on the book of Robert L. Simons "Levers of control". They present it as not a separate but a part of the management control system. I would like to note that the idea of interactive control systems is simplified in the "management control systems" and the main purpose of interactive control is described as a way to facilitate the creation of the learning organization. In this literature, the learning organization is considered to be the strategy where the employees are able to learn and to cope with environmental changes in an ongoing basis. Also, the authors present a set of characteristics that interactive controls have:

1. A subset of the management control information that has a bearing on the strategic uncertainties facing the business becomes the focal point
2. Senior executives take such information seriously
3. Managers at all levels of the organization focus attention on the information produced by the system

4. Superiors, subordinates and peers meet face to face to interpret and discuss the implications of the information for future strategic initiatives.
5. The face-to-face meetings take the form of debate and challenge of the underlying data, assumptions and appropriate actions

As it was mentioned the interactive control system is taken as a part of the management control systems and there is a set of conditions that has to be met for a successful implementation.

1. The data must be unambiguous and simple to understand and interpret
2. The subsystem must contain data on strategic uncertainties
3. The data should help the firm to develop new strategies

Balanced scorecard by Kaplan and Norton (1992, 1996)

In 1992 the concept of the balanced scorecard proposed by Norton and Kaplan revolutionized the usual thinking about the performance measurement and went beyond the traditional financial measure, though there has been some corporate environment changes already at that time, no other concept went this far and gained this quantity of usages. This is why the review of this concept in terms of thesis will provide not only theoretical but also practical grounds, not to mention that CSS uses its own scorecards for the performance measurement that will be analyzed in depth further in the thesis.

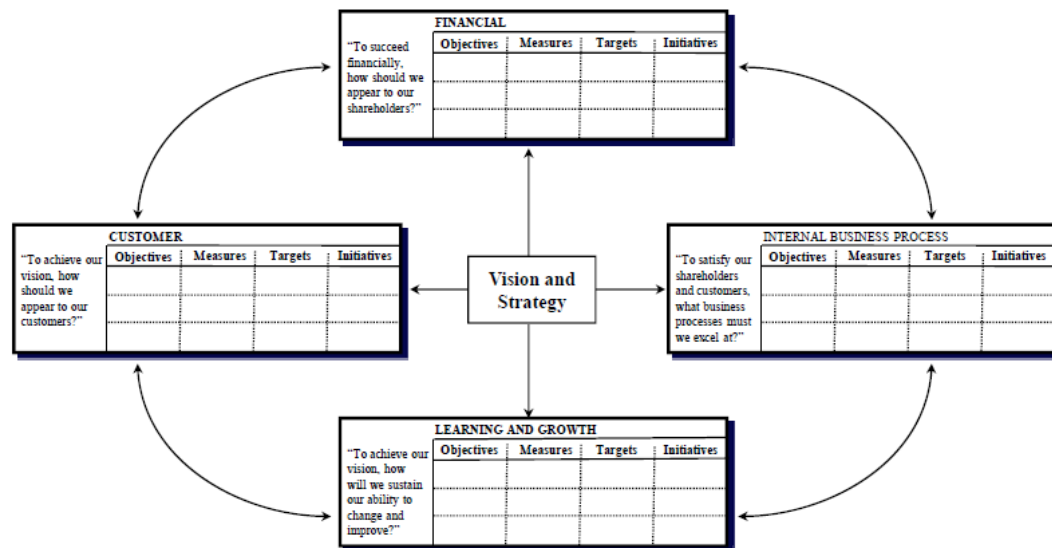
According to the authors managers using a balanced scorecard do not have to solely rely on short-term financial indicators to measure performance. The scorecard helps to link short term actions with long term strategic objectives.

Robert L. Simons whose work was discussed earlier have a positive opinion about the balanced scorecard as almost all the contemporary authors who specialize in performance measurement and management. Simons thinks that, yet the problem of relying on the intangible asset measurement method stays unresolved, companies must understand that to stay competitive on the market, investing in tangible assets, technology and R&D is not enough. But the balanced scorecard introduces drivers of future financial performance, those

drives are derived from the organisation's strategy and are transformed into tangible goals and measures, at least to some extent.

This is how the initial structure looks like

Figure 1: Translating Vision and Strategy: Four Perspectives



Source: *Conceptual Foundations of the Balanced Scorecard*. Robert S. Kaplan 2010

It is important to keep in mind that the balanced scorecard does not exclude the financial indicators of the performance measurement. The project of general Electric(Lewis 1955) corporate staff group has set a number of dimensions for measuring performance back in 1950s that might have become the fundament for the scorecard concept but General Electric did not have chance to use this method themselves and many departments kept on with the fixed pricing schemes.

Balanced scorecard focuses especially on the metrics that will balance between short-range and long-range objectives.

"The value of an intangible asset depends critically on the context – the organization, the strategy,

and other complementary assets – in which the intangible asset is deployed”¹⁴; says Kaplan in his further work called Conceptual Foundations of the Balanced Scorecard (BSC).

He says also, that intangible assets seldom have value by themselves. Generally, they must be

bundled with other intangible and tangible assets to create value. This means that the resources that firm spends on the employees including training make employee increasingly valuable. The value-creation process is multiplicative, not additive.” – says Kaplan.

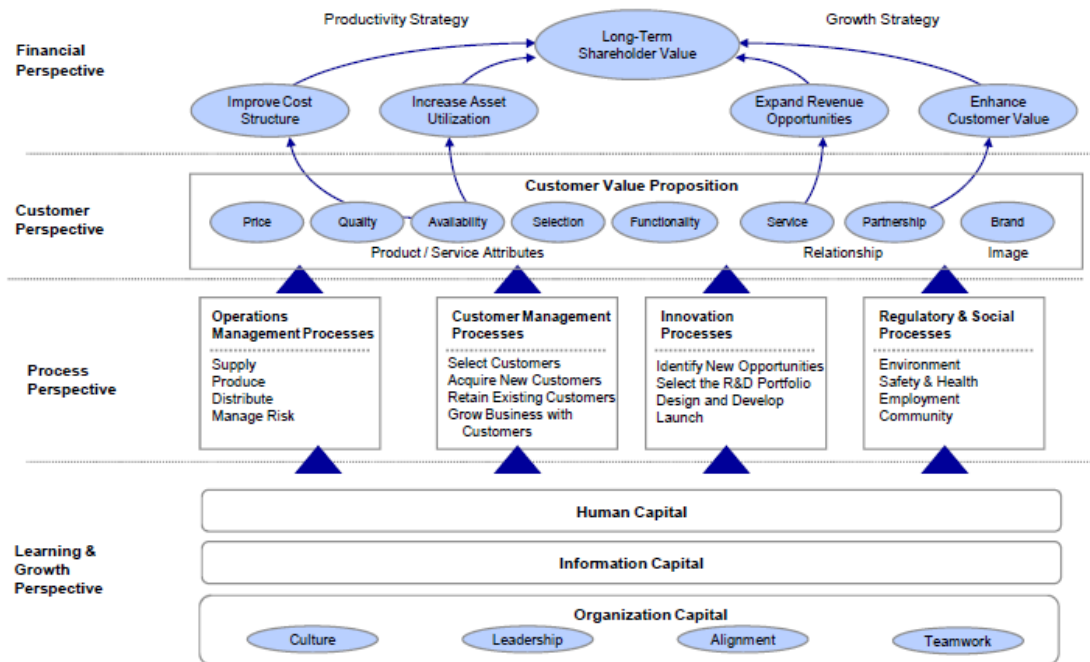
According to stakeholder approach the stakeholders’ expectations and how firm meets them create value. Once the stakeholders’ expectation get defined they can be fulfilled. But Kaplan strongly believes that strategy precedes stakeholders, as we can find in the previous, Simons judgement, he also thinks that deductive method is preferred. He believes that the stakeholder approach confuses the means and ends.

In the initial article that Norton and Kaplan subtitled, “Measures that Drive Performance,” they soon learned the beginning has not to be with measures but with the company goals what do they wanted to accomplish, that why there must be a strategy map built first and the measure chosen for each objective

This tactic is established now after years of experience by Norton and Kaplan and companies where BSC is used.

14 Paper originally prepared for C. Chapman, A. Hopwood, and M. Shields (eds.), Handbook of Management Accounting Research: Volume 3 (Elsevier, 2009).

Figure 2: The strategy map links intangible assets and critical processes to the value proposition and customer and financial outcomes



Source: *Conceptual Foundations of the Balanced Scorecard*. Robert S. Kaplan 2010

The discussion of the balanced scorecard approach brings us to more grounded environment, because there are many companies that use and develop this approach every day. And in the paper published in 2010 Robert Kaplan says that the authors know that the weakest link in the scorecard was the last dimension which is in the graph “Learning and growth perspective.” The research conducted in the field of better measuring the link between HR and financial performance as well as HR and financial outcomes will be analyzed during the further, practical part of the thesis.

Norton and Kaplan also can judge from their empirical experience which is very valuable, and after all those years Kaplan states that the most important success variable that he has seen was the leadership. Without someone to guide the results and measures BSC will be just a reporting tool.

In the original article from 1995 “Using the balanced scorecard as a strategic management system” Kaplan and Norton describe one of the balanced scorecards functions as the

following, they state that “The balanced scorecard signals to everyone what the organization is trying to achieve for shareholders and customers alike. But to align employees’ individual performances with the overall strategy, scorecard users generally engage in three activities: communicating and educating, setting goals, and linking rewards to performance measures.

In the same article when describing the goal setting process, they say that the knowledge of goals by the employees is not enough to change their behavior. Most of people must understand what actions are needed from them to achieve the goals and high-level strategic objectives that’s why measures and objectives for individuals must be set up. We will return to this part as well in the future and describe what are the actions definition given for the employees and how valuable the clear understanding of goals and tasks is.

Chapter 2

2.1 Mission, Vision, and Strategy of Corporate Shared Service

As the two authors from the University of San Paolo Maria Fernanda Elias and Sonia Philippi¹⁵ summarize using a citation from Collins and Porras¹⁶ “An Organization’s mission defines the reason for a company’s existence and focuses heavily on stakeholders. A corporate vision should present desired conditions for the future and should answer the following question: what shall be obtained through the mission? The values of the organization represent a company’s essential and enduring principles, which define the basic corporate ideology. These values do not require external justification as they are deemed intrinsic”

The explanation provided above about the nature of a shared service implies that it is a part of a corporation though has its own specificities as the one that it is operated like a business, it consolidates processes within the group in order to reduce redundancies, delivers support

15. Organizational Cultures: An International Journal, Volume 15, Issue 4, December 2015, pp.15-26. Article: Print (Spiral Bound). Mission, Vision, and Corporate Values.

16. A to Z of Management Concepts & Models. 5/1/2005, p374-376. 3p/ Collins, James C. (James Charles), 1958, Porras, Jerry I.

processes as its core competency, has a clear focus on internal customers and is a separate organizational unit within the group. With respect to those characteristics it should be noted that the employees of the shared service have to view themselves as a part of a global team, that is why vision, mission and strategy are aligned within the whole corporation. One could argue that the mission of a shared service is somehow different because it provides support and not a product that is to make profit from, but at the same time this statement would be wrong because the product is definitely delivered to the Business Units and unarguably a contribution to profit is made, either by cut costs or brought strategic advantage.

Now when talking about strategy, a creation of a shared service is a strategic move made by a corporation at the first place, because if one of the mission statement is the execution excellence, then the strategy created and implemented for its realization is the CSS.

It is very common to meet a mission and vision statement being similar in the corporations or interconnected as it is in CSC and CSS case.

The official Mission and Vision statement of the company is the following:

CSC'S MISSION is based on Clear Values

CLIENT FOCUSED

Our success derives from a deep understanding of our clients, to whom all of CSC is committed to deliver exceptional service and value.

LEADERSHIP

We lead from the front, displaying our integrity and using facts to support our straight talk. We create an environment for positive change built on collaboration and trust.

EXECUTION EXCELLENCE

We insist on excellence in all we do for clients and ourselves, striving always for recognition among the leaders in our industry.

ASPIRATION

We aspire individually and collectively to be more tomorrow than we are today.

RESULTS

We accept individual responsibility for our commitments and expect to be accountable for results.

DIVERSITY STATEMENT

We value the diversity of our employees and the unique perspectives they bring to CSC. Diversity at CSC not only includes age, race, sex, sexual orientation/gender identity, genetic information, disabilities, and ethnicity, but also jobs and functional roles within the company, the markets and clients we serve, our geographic locations, educational background and whether one joined CSC independently or through an acquisition or outsourcing arrangement. By valuing these differences, we demonstrate our commitment to treating everyone with fairness and respect.”

Before the creation of such a competitive advantage as a shared service, a business, the corporation, the board had to define for themselves if the operating model such as a shared service was able to generate the benefit that they were seeking for, such as was it feasible to centralize the tasks or not, even if so what should be a location for such a center, what level of education and knowledge should the employees bare, if that was accounting or languages that were valued more, what would be the standard of living of people willing to undertake a job in a shared service, those dimensions were successfully fulfilled by choosing Prague. Taking into consideration a number of factors, because Czech Republic is in the EU, the free movement of labor is making it possible to recruit human resources that have the necessary language knowledge and the needed basic education level, also the location of Prague is very convenient as a centrally situated one and a number of other factors. Optimization of the relationship between all the involved parties can be defined as a strategic goal when creating a shared service center.

As George Day and Christine Moorman analyze in their book¹⁷, there are two way to approach a strategy, one from outside in and other from the inside-out but a success comes

17. Strategy from the Outside In: Profiting from Customer Value, George Day, Christine Moorman, McGraw Hill Professional, 2010

from the focusing on the creation of a customer value which they consider as a strategy adoption from the outside-in. The theory suggests some characteristics for both approaches. They look the following way.

<i>OUTSIDE-IN</i>	<i>INSIDE-OUT</i>
All decisions start with the market and opportunities for advantage	We will sell to whoever will buy
Profits are gained through a superior value proposition and leveraging the brand and customer assets	Profits are gained through cost cutting and efficiency improvements
Customer knowledge is a valuable asset and channels are value-adding partners	Customer data are a control mechanism and channels are conduits
We know more than our competitors	If competitors do it, it must be good
No sacred cows – cannibalize yourself	Protect the cash-flow streams
Customers buy expectation of benefits	Customers buy performance features
Superior quality is defined by customers as “fitness for use”	Quality is conformance to internal standards
Customers loyalty is the key to profitability	Expanding the customer base is what matters

The CSC corporation was trying to rise the value creation for the customer and therefore adopted an outside-in view by creating a shared service center to provide higher expertise. The corporation growth made it obvious that there will be a demand for more standardized approach towards Financial, HR and Supply Chain Management(SCM) procedures to reach an economy of scale by creating a higher operational efficiency and client satisfaction.

2.2 The overall description of functions of the departments

As a basic theory or said otherwise the classical theory of organizational management has started from the breakthrough publications in 1940s such as of Fayol’s “General and industrial management”, Mooney’s “The principles of organizations” and Urwick’s “The elements of administration” where management and organization can be described with keywords such as predictability, command, coordination and control. The first systematized and well-grounded criticism towards the classical theory was received from Herbert Simon

in his 1948 article in “Public administration review¹⁸” called “The proverbs of administration” even the title itself is criticizing, because what is a proverb if not a phrase that contains contradictions. In my opinion, he also built the whole article on the notion of proverb because the classical theory became something outdated, something that should teach a lesson but not be a rule anymore. Simon criticizes the most common principles of classical theory, that were elaborated by Luther Gulick in 1937¹⁹ which are:

- Increased administrative efficiency by specialization of the task among the group.

Simon’s biggest concern is whether any kind of specialization should be considered as a progress, which should be an advantage, specialization by a place for example or a function.

- Administrative efficiency is increased by arranging the members of the group in a determinate hierarchy of authority.

Simon’s question and concern here is “what is the authority?” because the principle of specialization cannot be violated this means that another specialist must be the source of the command, but facing this principle in a real world is hard, because the head of the department have to excel in the tasks his subordinates are working on, but does the general manager have the level of the task awareness the specialist holds, I think that in the digital era, the answer is “no”, we all know how fast is the information flow nowadays and keeping the sense of authority towards a person who does not live your everyday challenges is easy, especially in a long-run. This might seem irrelevant for the work done or a task complete, but the difficulty arises at a decision-making stage, in other words, who is more specialized to make a decision concerning a specific process.²⁰ At the same time a bigger decision, which bears a certain risk should be uniform and made by a higher unit in the organization, even as a critic Simon agrees that the uniformity of decision prevails that is if even a controversy arises the command cannot be questioned, because it has been made by a higher unit of hierarchy.

18. Herbert A. Simon, *Public Administration Review*, Vol. 6, No. 1 (Winter, 1946), pp. 53-67

19. Gulick, Luther, and Lyndall Urwick, eds. *Papers on the Science of Administration*. Institute of Public Administration, Columbia University. 1937.

20. The decision making here is taken in a sense of a work process, once more a specialization point of view, for example how the task may be done more efficiently or how the outcome of the task might be maximized in a chain of tasks.

- Administrative efficiency is increased by limiting the span of control at any point in the hierarchy to a small number

Simon ask rational questions at this stage, he goes more into details of classical theory which claims that efficiency is enhanced by limiting the number of subordinates who report directly to one supervisor, small group may be at number of 6. But Simon contradicts this by the other obvious organizational principle which is that the work process and administrative efficiency is enhanced by keeping at a minimum the number of organizational levels through which any issue must pass until it is resolved. And the second question that rises here and is also relative to modern era is the size of organizations, in a small corporation the span of control is very probable to work, but as of a bigger one the issue must escalate until a relevant common manager is found, Simon suggests that the alternative would be assigning more people to one manager, so that the hierarchical pyramid can come faster to the top, but the risk to lose the control over all the employees is quite big in this case.

- Administrative efficiency is increased by grouping the workers, for purpose of control, according to (a) purpose, (b) process, (c) clientele or (d) place

The questioning of this common organizational principle comes according to Simon when trying to define the usage of the terms used, for example “process” and “purpose” might stand for each other complimenting each other and he even gives an example of a simple “process” which can be typing, the “purpose” of typing he defines as typing itself ²¹. At the same time as the “purpose” and “process” can assimilate, the British Machinery of government committee ²² considered the “purpose” or “clientele” the two possible bases for an organization and the “process” being the same as the “purpose”, and instead they bring up a term of “whomsoever the service is rendered” Simons think that committee “makes a bald assumption without proof”²³ and does not even give a definition of a service.

21. Because the article was written in late 40s’, he brings the example of a person whose job is typing in the article, the same example can be brought nowadays for a driver, whose “process” is driving.

22. Research by the Oxford University

<http://www.nuffield.ox.ac.uk/politics/whitehall/Machinery.html>

23. Herbert A. Simon, Public Administration Review, Vol. 6, No. 1 (Winter, 1946), pp. 53-67

Simon's main finding was that from the discussion about specialization the forth principle is inconsistent and (a) purpose, (b) process, (c) clientele or (d) place are competing, if there is a priority towards one, all the rest will be scarified to secure the advantage of forth, he thinks.

The main goal of this article was to show how contradicting and biased might be the principles accepted in administration theory, Simon himself considered this repetitiveness of theory, it's vague, non-quantitative terms as an "agreement of a happy family".

At the same time if it is difficult according to Simon to create an administrative structure on those theoretical principles, we will do the "re-assemblance", which is we will discuss the structure of a shared service and mention the (a) purpose, (b) process, (c) clientele or (d) place on each step, because though the theory is classical but my personal observation of a shared service can be a proof that Simon was searching for, because even a principle of specialization is respected.

Modern organizational theories such as Stakeholder approach is becoming more and more accepted by the wider public, bringing many organizational changes, the organizational approach here is based not only on satisfying the demand with a certain product and service but also taking into consideration the opinions of every party that influences the organization. This approach is so popular nowadays because in the long-term it is practically proven to be effective. Effectivity is considered in terms of viability of the firm, the approach has come as a cause of a high competitiveness nowadays. If an organization cannot prove its usefulness to the society, then the usual measurement by financial outcomes become cynical from our point of view. I can assess this approach as the evolution of the "purpose" principle of the classical organization theory. We believe today, that social problems can be solved by the redesign of institutions including corporations, business must serve the people in a developed countries educated citizen's mind. Not only making an impression but also believing and taking action to reach a noble purpose is vital, one may think that marketing, PR and advertisement can solve this, but the reality is that the consumer is smarter every day, especially if the corporation is producing not goods or services of the first need.

According to Edward Freeman²⁴ we can distinguish the stakeholders in a narrow and wide sense, which are:

In a wide sense

“Any identifiable group or individual who can affect the achievement of an organization's objectives or who is affected by the achievement of an organization's objectives. (Public interest groups, protest groups, government agencies, trade associations, competitors, unions, as well as employees, customer segments, shareowners, and others are stakeholders, in this sense.)”²⁵

In a narrow sense (and the one on which the following thesis has most interest in)

“Any identifiable group or individual on which the organization is dependent for its continued survival. (Employees, customer segments, certain suppliers, key government agencies, shareowners, certain financial institutions, as well as others are all stakeholders in the narrow sense of the term.)”²⁶

He also proposes a comprehensive table describing the stakeholders²⁷

During the decades, the organizational principles have changed their vector from technical to ethical problems and approaches, but in fact for a corporation to be successful one cannot exist without another.

As of the official organizational chart the “CSS” Prague is structured the following way.

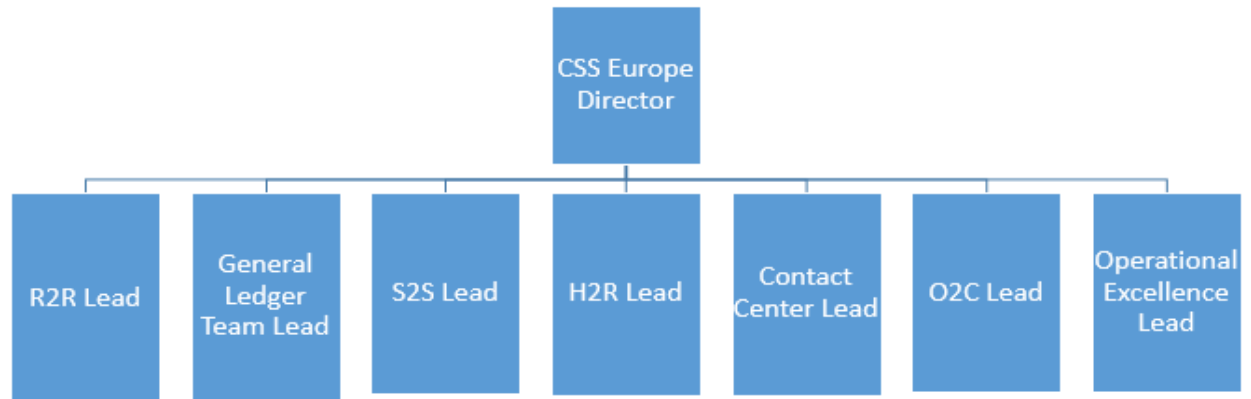
As the classical organizational theory stated above, here we will see in practice how departments and teams are allocated according the (a) purpose, (b) process, (c) clientele and (d) place. First there be a description of the process afterwards to what purpose the process aims and also how the clientele is braked down with respect to place which we will consider as Prague, because initially when the shared service was founded, one of the basic reasons of the organization to be in located in Prague, was its strategically convenient location.

24. California Management Review. Spring83, Vol. 25 Issue 3, p88-106. 19p.

25. California Management Review. Spring83, Vol. 25 Issue 3, p88-106. 19p.

26. California Management Review. Spring83, Vol. 25 Issue 3, p88-106. 19p.

27. See appendix 5



Seven streams are directly reporting to the Director, their functions are the following

Record to Report Department used to include the General Ledger department and functions in it, but because during the last year the quantity of transitioned tasks rose significantly it has become a semi-separate stream inside a “CSS”. R2R consists of “Intercompany”²⁸ department, “Labor”, “Treasury”, “Expenses”, “Master Data” and mentioned above “General Ledger” departments.

Intercompany department is responsible for internal transactions between associated CSC companies, which is the (a)purpose²⁹. An IC transaction is recognized in the financial records of both units of the entity as if it were a transaction with an unrelated party. The department processes such transactions as posting of incoming IC charges, billing IC charges, monthly reconciliation of the IC balances, settlement preparations and balance sheet reporting for CSC organizations across the world which is the (b) process. As of the clientele(c) the IC is divided in four parts according to regions that are in employee’s responsibility, those are United States (US), United Kingdom and Ireland (UK&I), Southwest region, such countries as Spain and France (S/W), Central Europe (CE), Nordic, and AMEA (Saudi Arabia, Africa, Malaysia, Singapore, Vietnam, China, India, Japan and Korea)

The Labor department is responsible for time sheets reconciliation, tracking missing hours and approvals of employees and managers, and processing labor adjustments. The

28. Referred further as IC

29. There will not be further specification, this is an example of how the departments will be described and how this matches the classical organizational theory

department also creates subcontractor IDs, processes overtime and standby payments, and works with monthly reconciliation. The department is divided also according the regions, this time here are two subdivisions one is responsible for US and S/W and the other to UK and Nordics.

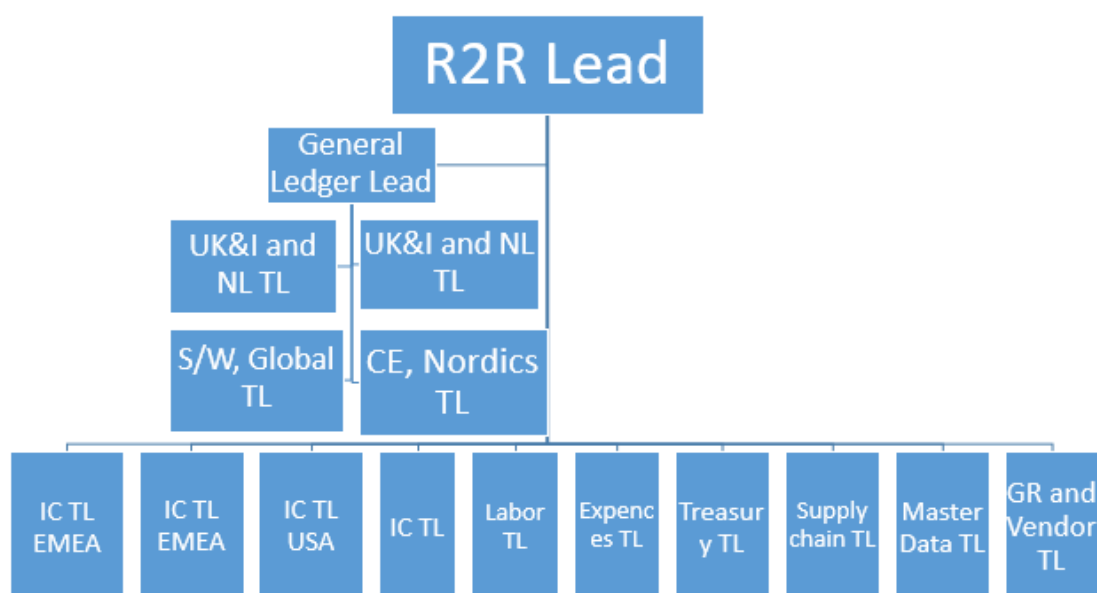
Here it is important to mention that not all the departments operate with the same countries, because the transition of the tasks from there might have been made to another hub or is still done locally. Also, the subdivisions are maintaining different combinations of countries because of the process similarities, for example as we saw that US and S/W are a responsibility one Team Lead (TL) and UK and Nordics of other, this is happening because of the relatively similar processes.

The Treasury and Supply Chain accounting team is responsible for posting received and outgoing payments. The team cooperates and communicates with all the financial departments. The main responsibilities of the team is inputting the payment orders, sending payments for approvals, and solving any issues related to payment orders. Two subdivisions are responsible for UK and Nordics regions and EMEA (Europe and Middle East), S/W and CE.

The Expenses department is responsible for recording, reviewing, and paying the travel and expense claims submitted by CSC employees. Because the department is responsible for Travel expenses mainly in has only one TL and two deputies. The main region is CE.

The master data team is responsible for creation and amendments of Work Breakdown Structure codes, profit centers, cost centers, opening and closing of the Nordic GL and maintenance. The responsibility here is to create short codes by the input of required data in the software. Team is also responsible for creating, amending, and reporting on suppliers, proactively chasing the confirmation of receipt for pending invoices in system with the use of reports and physical good receipts in upon approval email. The department include the function of Goods Receiving(GR) and Vendor Creation in the software as well. It has two subdivisions one is responsible for GR and Vendor inserting and the second is for all the rest. Regions include CE, UK&I, S/W, Nordics and EMEA.

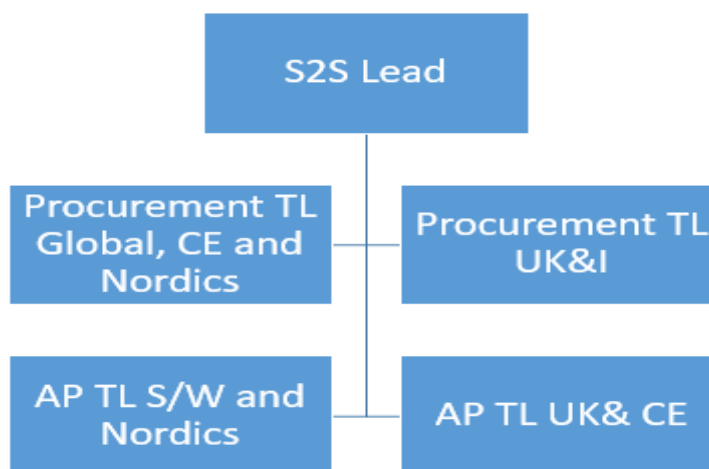
The General Ledger department adjusts and processes accounting data generated by other departments. In day-to-day activities, the team adjusts revenues and costs through accruals and prepayments, and corrects work breakdown structure codes, general ledger accounts, and other accounting chart fields as required. The team also creates variance reports and provides balance sheet reconciliations and overall month-end reporting. As I mentioned it is growing constantly because of the tasks transferred from other countries especially UK and Netherlands. The department has four TL s and six deputies. Two of TLs are responsible for UK&I and Netherlands and two for S/W, Nordic, CE and global operations.



Source to settle stream consists of two departments, Accounts payable and Procurement.

The Procurement department processes local and global Purchase requests and creates “Purchase Orders” in a software via procurement tool. The department performs data verification of the requests and then creates Draft Purchase Orders which undergo several levels of approval – Supply Chain Management, Business and Finance approval. Once all approvals are provided the Purchase Order is sent manually or automatically to the supplier. As a subdivision, it has two TLs and three deputies responsible for CE, Nordics and Global activities as well as UK&I.

The Accounts Payable (AP) department records supplier invoices issued to the CSC legal entities, matches invoices with purchase orders (created by Procurement) and reviews AP ledgers. The AP team pays invoices per the CSC payment calendar. Subdivision consists of two TLs and four deputies, operates in regions such as CE, UK&I, S/W and Nordics.



Hire to retire (H2R) stream consists of four departments which are HR benefits, HR General Service, Payroll and Data Management.

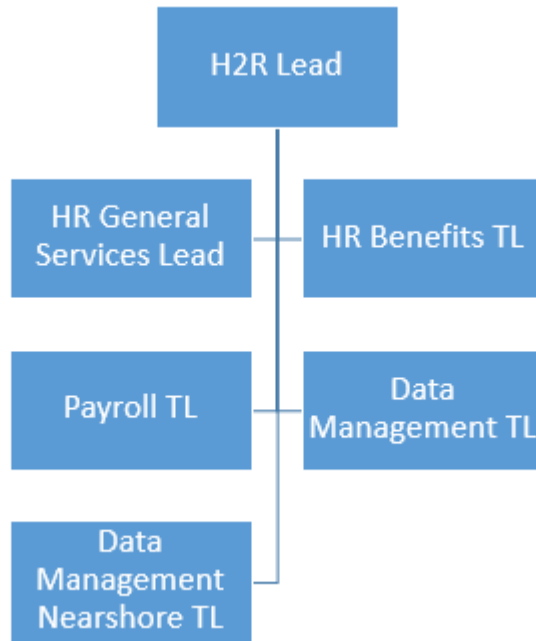
The HR Benefits department processes general personal administration and counsels eligible employees on benefits-related programs, if applicable, and transactions. Activities range from coordinating new starter on boarding, including new starter briefing, administering benefits, if applicable, absence management, processing job and pay-related changes, personal administration, and separations transactions. Because the department is dedicated to the benefits of internal employees in Czech Republic, the clientele (c) is divided inside of the department according to the actions or processes, such as Onboarding of new employees or Offboarding. The department has one TL and the employees perform four main activities and are assigned to those activities, those are Leaves of Absence, Benefits, Onboarding and Offboarding.

The HR General Services team handles a variety of activities such as employment-related documents (letters, certificates), support of mobility processes (domestic and international),

the Education Assistance Program, change of work location (including working from home), and special payments (including staff referral, long service awards). The department is combined; functions are performed for internal employees as well as support France and Luxemburg with the same processes.

The Payroll team runs monthly payroll, provides accounting inputs to the relative team with financial records of salaries for employees and performs termination payments. Payroll team performs mainly shared service processes and the task division is made according to regions here. One TL manages the employees responsible CE, UK&I, Nordics and Netherlands

The Data Management (DM) department provides functional support for the systems, tools, and interfaces used by CSS applications. They are involved with capturing and reporting employee-related data and quality assurance of information that is stored and processed in CSS systems. Their primary responsibilities are reporting (guidance and production), mass transaction processing, data auditing, serving as a technical support liaison for the new joiner on boarding system, supporting the configuration of software, managing data for acquisitions, new business, creating and maintaining key system tables/ structures, and system improvement/enhancement. The department have two subdivisions, one performs the processes for UK&I, CE and Nordics. Because of the growing incoming task transitions from Germany, the second subdivision has become “Nearshore” and includes Czech Republic and Germany.

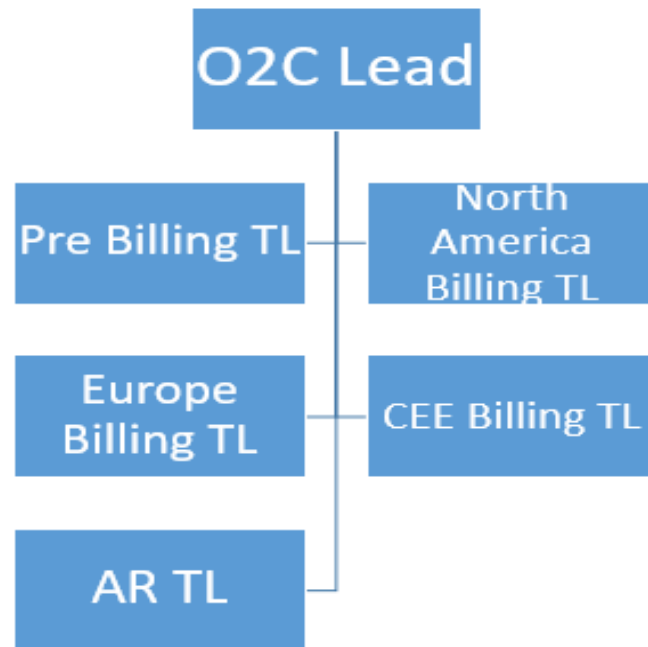


Order to Cash (O2C) stream consists of two department Accounts Receivables, Billing and pre-Billing.

Accounts Receivable (AR) team is updating and distributing the daily cash receipts, checking remittances to ensure that all relevant information is present to enable accurate cash allocation and ensures the recovery of missing remittance advices. The team is responsible for timely allocation of customer receipts and for follow-up on any unallocated cash. The department is also responsible for production of the Debtor Analysis report (weekly), the Period Debtor Analysis report (monthly), and the monthly reconciliation of AR accounts. AP team has one TL and is responsible for UK&I, Nordics and S/W regions.

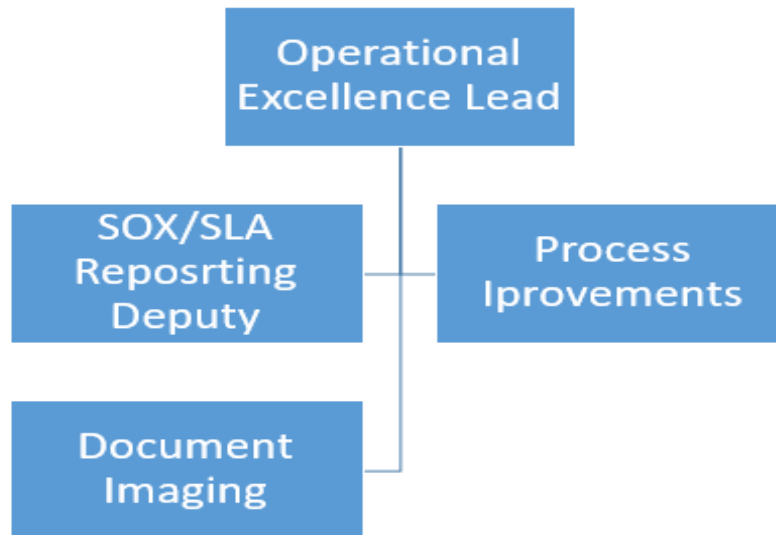
Billing and Pre-Billing team collects billing data and prepares them for further processing and invoicing. The team prepares invoices and invoice backup reports for external clients, while ensuring the invoices are in compliance with appropriate contracts, guidelines and CSC regulations. The team is responsible for distributing the invoices to customers as appropriate and also deals with any invoicing queries. The Team produces weekly/monthly reports that include the following: Unbilled hours on projects, Installments, Consumables and Expenses. The pre-Billing subdivision has one TL and the team is performing tasks for EMEA region.

And the Billing division has three TLs, responsible for Europe, North America and Central and Eastern Europe including S/W, Nordics and UK.



The CSS Europe Operational Excellence (OPEX) team spans everything from SLA, OLA and KPI³⁰s reporting, Document Imaging, developing process automation as a part of Process Improvements, to verification of effectiveness and the efficiency of KPI, which falls under SOX controls. The stream reports directly to the head office situated in USA. The clientele here is the shared service itself. Subdivisions are four, they are SOX or internal audit function, SLA subdivision, Process Improvement and Document Imaging division. The department has one TL and professional small teams for each function.

30. Key Performance Indicators (KPI)



Contact Center or “CSCAnswers” is a voice support facility that is a direct link to Shared Services. When a call is received by CSCAnswers, a trained representative will assist in a confidential and timely manner. The Contact Center has professionals working with three languages, English, German and French, the team’s members’ responsibilities are allocated according to language that a calling person can speak, all of the professionals are trained to answer the requests about a related department of a CSS.

CSS has also four small supporting departments that report to the director itself, those are Communication and Change Manager responsible for the all the internal communications inside the CSS, Internal Trainer, Receiving Transition manager and Client Relationship manager.

As we have stressed the organizational structure of the CSS corresponds to all the above-mentioned principles that the classical organizational theory implies, and even with a specialization principle respected which was very much criticized but at the same time can be considered as the shared service specificity. But because a modern corporation has to respect the interest of not directly involved stakeholders to the same degree we observed the departments and managers for such fields as Client Relationship, Contact Center and Internal communications.

2.3 Procurement department's process review

As it was mentioned above the Procurement department processes local and global Purchase requests and creates "Purchase Orders"³¹ in the software via procurement tool. The department performs data verification of the requests and then creates Draft Purchase Orders which undergo several levels of approval – Supply Chain Management, Business and Finance approval. Once all approvals are provided the Purchase Order is sent manually or automatically to the supplier. As a subdivision, it has two TLs and three deputies responsible for CE, Nordics and Global activities as well as UK&I. Now we will review the process step by step.

First six steps are performed by a requestor. Those are.

1. Requestor defines purchasing requirement.
2. Requestor needs to check if there is a valid catalogue quote available
3. If there is no valid quote available the requestor needs to check if the preferred supplier is identified, not the item yet.
4. If there is no preferred supplier, the requestor obtains quotation from the head office in US and the supply chain management department there
5. If there is a preferred supplier, then requestor obtains quotation right away.
6. And the last step performed by the requestor is to complete and submit the purchase request to the Shared Service via e-mail.

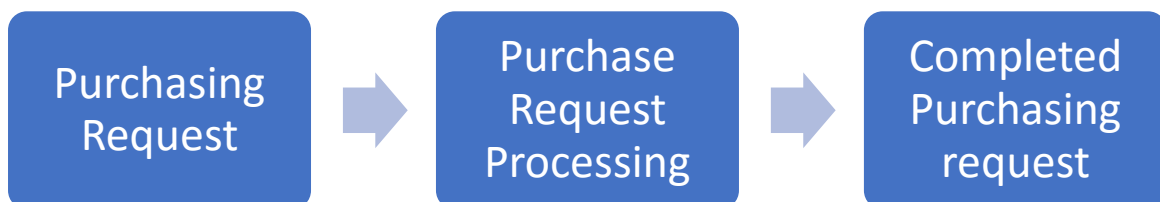
Now that the request is submitted, the CSS will take the following actions

1. The procurement clerk receives and validates the purchase request
2. The procurement clerk needs to decide the next step based on the validation of the request. If the request cannot be processed it will be sent back for amendments to the requestor.
3. If the request can be processed, then the clerk will create a shopping cart in the system.
4. Procurement clerk has to check if the surplus approval is required

31. Further referred as PO

5. If the surplus approval is required than the request is being sent to the approver
6. The approver is making the needed checks.
7. If the surplus is not approved the CSS clerk is not validating the purchase request which brings us back to the step no. 1 of CSS and the cart gets rejected and sent back for any changes needed.
8. On the other hand, if the surplus is approved the clerk needs to check if the Purchase Order does not exceed a certain value, which is different amount in different currencies and for regions from where CSS obtain requests.
9. If the allowed values are exceeded clerk has to check if there are any defined exceptions by Supply Chain Management applicable in this case.
10. If not, then the PO draft will be created by the clerk and sent to Supply Chain, again situated in CSS for approval. At the same time the requestor will receive an e-mail about the fact that the draft PO has been submitted to Supply Chain Management (SCM) approval.
11. At the same time SCM includes in the approval procedure a Finance approver and a Business approver. The draft PO can be rejected by any of this parties, first the SCM approves or rejects, if approves then the PO goes further to the Business approver, if approved by this party as well, then the draft PO goes to Finance approver.
12. If all the approvals are gained the clerk will issue the Purchase Order to the supplier through the system
13. Supplier will receive the PO and will proceed with the delivery of goods or services accordingly.

To summarize the process.



But the important here is to see all the points where the Service Level Agreements arise. We can see that the process might just technically require many working days, especially because of all the approvals needed and parties involved.

2.4 Accounts Payable department's process review

The next step following the Procurement process would be the Accounts Payable process, because logically if a purchase has been made, it has to be paid for. As described above

The Accounts Payable (AP) department records supplier invoices issued to the CSC legal entities, matches invoices with purchase orders (created by Procurement) and reviews AP ledgers. The AP team pays invoices per the CSC payment calendar. Subdivision consists of two TLs and four deputies, operates in regions such as CE, UK&I, S/W and Nordics.

But looking into process in details we record the following steps.

1. AP clerk receives an invoice or a credit note with backing data and performs the actions in order to process or reject the item.
2. The invoice is stamped with the date of receipt by the CSS AP clerk.
3. The CSS AP clerk checks in the software whether there is a reference to a valid PO number on the invoice
4. The clerk checks if the PO and the invoice are consistent with each other.
5. If not the AP clerk contacts the relevant buyer who has initiated the PO to raise another PO that would cover the invoice.
6. If the PO and the invoice match, then the clerk checks if the vendor has an account in the software.
7. If yes, the clerk makes reference to the valid PO and the invoice is processed accordingly.
8. After this the Goods Receiving notification is received by the AP clerk, the three-way matching (PO, Invoice, Goods received) is considered complete and the invoice can be sent to the Treasury department for payment.
9. If the vendor is not found in the software, clerk asks the relevant approver to confirm whether the vendor should be classified as "one-time vendor".

10. If the approver does not classify the vendor as a one-time vendor, then the clerk has to reject the invoice and advise the requestor to complete a new vendor form.
11. If the requestor says that it is a one-time vendor, then the clerk asks for a EFT (electronic funds transfer) form to be filled.
12. After receiving it the AP clerk sends this form to the next level for approval.
13. If the approval is not granted the CSS clerk rejects the invoice to the requestor.
14. If the invoice is approved, the clerk posts the invoice to the software on a one-time vendor account.
15. At the same time the AP team sends the EFT³² form to Treasury which will pay the invoice and post the bank statement in the software to the one-time vendor account as well. The debit and credit will be cleared by the AP team as the last step.

The process involves also such exceptions as a month end activity, let us assume that it a month closing is ongoing but there is no sufficient information or approval received yet for an invoice to be posted, the actions taken by the CSS employees will be the following.

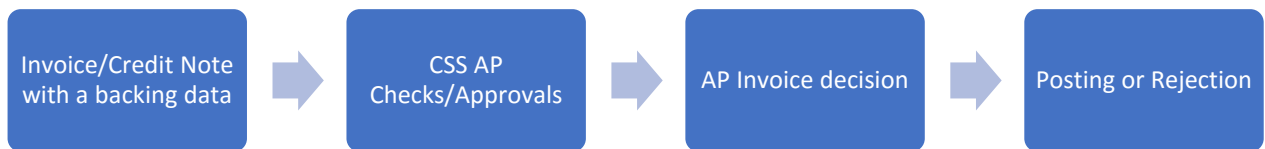
1. When after the invoice decision process the AP clerk sees that there is insufficient information to post the invoice to the software, the clerk “parks” the invoice in the software, this is a term for an action that does not create an accounting entry in the software, besides the clerk have to enter total invoice value and date and also a reason why the invoice is “parked” and who was the sender of the invoice in the first place.
2. At a month ending, once the AP team has stopped posting invoices, another team in CSS runs a “parked” invoice report.
3. That team creates a “parked” invoice accrual journal and sends it for approval.
4. When the journal is approved, the following coding is used to record it Debit: accruals
Debit: VAT and as Credit: AP parked invoice accruals

This procedure is an exception for a month end only.

32 Electronic Funds Transfer

The purchase and payment of services and local expense claims for the CSS itself are similar process to the one described.

To summarize:



Chapter 3

3.1 Global analysis of the implemented performance measurement systems

It is not unusual in business to measure the performance according to profit or a share price and many other results, but how to reach a certain level of profit, in which factor it is better to invest more and spend time on. For this purpose, the adequate and measurable factors have to be employed. This chapter will discuss every system in action at CSS of the employee's performance, we will discuss the measures of so called leading variables described by Simons which will be the quality control, employee training, process time etc. The ones employed at CSS are mentioned along with the measurement tools further.

The performance measurement systems at CSS are:

Service Level Agreements (SLAs) - is a measurable form of contract between CSS Europe and its clients to ensure a high-quality service is delivered to clients at required quality and timeline.

Operational Level Agreements (OLAs) - is measuring dependency of CSS Europe service delivery on the inputs, outputs, feedback or performance of the Business Unit.

Those two are summarized and compared on regional and global levels in a **balanced scorecard** extracted and calculated to present the operational performance of each of CSS-Europe's team.

Key Performance Indicators – is a type of performance measurement, Corporate Shared Services (CSS) metric used to evaluate factors that are crucial to the success of an organization balanced scorecard of this nature bare a certain kind of agreed minimum baseline as well that shows the performance expected.

All the measurements and controls are happening on a monthly basis.

As mentioned earlier, the critical variables of performance according to Simons those are the ones that employee can recall immediately and to see how theory and practice interconnects in CSS we will discuss every aspect: Firstly,

What

Systems that safeguard assets from theft or accidental loss and ensure reliable accounting records and financial information systems. This we have viewed in a number of approval processes agreed in the CSS while discussing the framework processes of AP and Procurement departments.

Why

To prevent inefficiency in transaction processing, flawed decisions based on inaccurate data and fraud, the purpose statement by the Simons is self-explanatory. The interesting point here regarding a shared service center is that a number of jobs performed by the lowest level of hierarchy require just a basic understanding of the subject matter, and very often an employee has no global overview of the business, which leads to a fear of an individual to come up with an idea of fraud, of course the preventive measures are at place , such as an employee who posts an invoice, has no access to the billing or a treasury transactions in the software. On the other hand a high level of moral concern also mentioned by Simons, in my opinion comes with a high level of motivation, knowledge and education.

How

Structural safeguards – all of these points exist in CSS

- Segregation of duties
- Defined levels of authorization
- Restricted access to valuable assets
- Independent internal-audit function
- Active audit committee of the board

System safeguards

- Complete and accurate record keeping
- Restricted access to information systems and database
- Relevant and timely management reporting
- Adequate documentation and audit trail

Staff safeguards

- Adequate expertise and training for all accounting, control, and internal-audit staff
- Rotation in key jobs
- Sufficient resources

Who

Staff professional – the management has to delegate the controls lower, but before that the unity of vision, mission and the idea of both motivating and restraining actions. It is also possible that for example each manager in the same company have different idea on how to realize the company's strategy it can be understood by a different set of actions by each manager, make sure to communicate clearly: clarify the meaning of the strategy statement and also mention some acceptable and non-acceptable actions

Managers usually should not spend much time designing or reviewing the details of internal controls.

3.2 Service level agreements (SLA) for Accounts Payable and Procurement departments

The leading variables discussed here will be “timeliness”, “accuracy” and “responsiveness”

A service level agreement (SLA) is an agreement between a CSC business unit and Corporate Shared Services (CSS) that indicates the specific performance standards that CSS has committed to provide. Only supported services provided by CSS are measured.

Service Level Descriptor: The Service Level Descriptor is a text description of the service component being measured.

Baseline Service Level: The Baseline Service Level defines the metric that CSS - Europe commits to meet in delivering services for the given Service Level. In the event that committed service levels are not met for 3 months in a row for particular region, the relevant Shared Services functional area is obliged to follow CSS Issue Management Process, complete and present Root Cause Analysis specifying actions for future occurrence and implement action plan to return to the committed service level. The plan will be provided to CSS – Europe management and stakeholders.

Method of Measurement: The Method of Measurement describes the manner in which the actual service (performance) will be measured.

Legend: The Legend defines rating system for every single SLA based on Red, Amber, Green and Blue color. Reported percentage is mathematically rounded up to integer.

Notes: The Notes section describes any aspects of the computation process, restrictions, or exclusions that are specific to the particular Service Level components.

Calculation of Days: For the purposes of measuring “elapsed time” service levels, “business days” means any full day except weekends and bank holidays. Examples of this measure are:

- Ticket opened Monday, activity completed on Friday = four business days
- Ticket opened Friday, activity completed the following Monday = one business day
- Ticket opened Friday, activity completed the following Tuesday where Monday is a bank holiday = one business day

Published Schedules: Shared Services publishes processing schedules and cutoff times, which is when should they receive data to be able to proceed, for example after a defined business day any month end closing activities cannot be manipulated by a request from a business unit for receiving data from employees and business units. The timing will only change with advance notification from Shared Services to the business units.

The service levels of hierarchy are regarded as following. These are in other words the levels how the tasks are starting and proceeding, also, how in case of an issue they are escalated, all the way up to Business Unit.

Level 1: The Contact Center

Level 2: The functional departments within CSS – Europe, which include Benefits, General Services, Data Management, Payroll, CSC Expense, Document Imaging.

Although not interacting with the First Level of service, the Financial Departments that belong to Source to Settle, Record to Report and Order to Cash are regarded as Level 2 in the Service Level Hierarchy.

Level 3: Business Unit employees.

Scope: CSS Europe is responsible for delivering high quality service to its stakeholders, and is often dependent on action of the business units, Corporate Office or vendors to be able to achieve the mentioned standard. This following tables will describes CSS Europe's performance against the agreed SLAs in Accounts Payable and Procurement departments.

The interrelation and cooperation required to deliver service is described and reported as Operational Level Agreements (OLAs). That is to be able to perform timely according to agreed SLAs an Operational Level Agreement has to be met from the Business Unit as well, some SLAs have a direct linkage to OLAs in CSS and some do not.

The descriptions may seem vague until we see the visual, practically used examples.

The SLAs for the Procurement department are controlled for "Ticked aging" "Responsiveness", "Timeliness" also for this specific department as a measurable and relevant criterion the "Shopping cart rejection" percentage is considered, the less it is, the

better. Let us note that the term “Labor Group” used further refers to the people of the department responsible for a particular task in a region assigned to them.

1.0 Procurement Ticket Aging

Baseline Service Level	8 business days			
Method of Measurement	95% or more of all Level 2 Procurement tickets have to be closed within 8 business days. Measured using USD extract and calculated from the date the ticket is opened to the date the ticket is closed.			
Legend	Poor	Fair	Good	Excellent
	< 90%	90% - 94%	95% - 99%	100%
Notes	Pertains only to tickets escalated to Level 2 and assigned to the Labor Group by the Contact Center. Tickets that age beyond 8 business days, but are not in the control of CSS Europe, are outside the scope and thus are not considered in this metric. Tickets will not be closed until resolution is provided by Level 2, Level 3 - business unit, or vendor.			
	Measured for	UK&IE, SW		
	OLA linkage	NO		
	Global Alignment	NO		

2.0 Procurement Ticket Responsiveness

Baseline Service Level	2 business days			
Method of Measurement	95% or more tickets escalated to Procurement will be assigned to a Procurement analyst and properly updated within 2 business days from the ticket opening. Measured using USD extract.			
Legend	Poor	Fair	Good	Excellent
	< 90%	90% - 94%	95% - 99%	100%
Notes	Pertains only to tickets escalated to Level 2 and assigned to the Labor Group by the Contact Center. Tickets that age beyond 8 business days, but are not in the control of CSS Europe, are outside the scope and thus are not considered in this metric. Tickets will not be closed until resolution is provided by Level 2, Level 3 – business unit, or vendor.			
	Measured for	UK&IE, SW		
	OLA linkage	NO		
	Global Alignment	NO		

3.0 Shopping Cart Processing - Timeliness

Baseline Service Level	SC created in 1 business day			
Method of Measurement	100 % of SC created upon SC request within one business day. Measured from SRM data extract in C3 and CSS Europe mailbox macro to calculate time between received date of SC request and SC creation.			
Legend	Poor	Fair	Good	Excellent
	< 94%	94% - 98%	99%	100%
Notes	Measured for	UK&IE, NL, CEE (AT, DE, CH, SK, CZ, PL, HU, TR, IT), Nordics (DK, FI, LT, NO, SE), SW (BE, ES, FR, LU).		
	OLA linkage	NO		
	Global Alignment	YES		

4.0 Shopping Cart Rejection

Baseline Service Level	Shopping Carts rejected by buyer/approver			
Method of Measurement	5% or less SCs rejected. Measured from the SRM data extract obtained in C3 based on the team's input			
Legend	Poor	Fair	Good	Excellent
	> 10%	6% - 10%	1% - 5%	0%
	Measured for	UK&IE, NL, CEE (AT, DE, CH, BG, SK, CZ, PL, HU, TR, IT), Nordics (DK, FI, LT, NO, SE), SW (BE, ES, FR, LU).		
	OLA linkage	NO		
	Global Alignment	YES		

The next stage of the process as it was discussed earlier is the AP process, service level agreements here are.

1.0 Invoice Processing Timeliness

Baseline Service Level	Invoices received and actioned within 5 business days			
Method of Measurement	95% or more of invoices received and actioned within 5 business days. Measured from workflow/software report comparing received date and date of first reaction (invoice sent to approver).			
Legend	Poor	Fair	Good	Excellent
	< 90%	90% - 94%	95% - 99%	100%
	Measured for	NL, Nordics (DK, SE, NO, FI), CEE (BG, DE, CH, IT, CZ, SK), SW (ES, PT, BE, LU, FR)		
	OLA linkage	AP_O_1.0 AP Invoice Approval		
	Global Alignment	YES		

2.0 Invoice Posting Timeliness

Baseline Service Level	Approved invoices posted within 2 business days			
Method of Measurement	95% or more of received approved invoices should be processed in software within 2 business days. In case of countries using workflow measured from a software report comparing approved date and date of posting, for other region measured from a sample of 30 randomly selected invoices. WF used: Nordics (DK, SE, NO, FI), CEE (CH, DE).			
Legend	Poor	Fair	Good	Excellent
	< 90%	90% - 94%	95% - 99%	100%
Notes	Measured for	NL, Nordics (DK, SE, NO, FI), CEE (BG, DE, CH, IT, CZ, SK), SW (ES, PT, BE, LU, FR)		
	OLA linkage	AP_O_1.0 AP Invoice Approval		
	Global Alignment	NO		

3.0 Invoice Processing / Accuracy

Baseline Service Level	95% of invoices error-free			
Method of Measurement	Invoices processed without errors and audited to match: amount paid, correct currency, correct vendor, and date in software. Measured from a sample of 30 invoices randomly selected from the AP reporting packs for all supported countries/regions.			
Legend	Poor	Fair	Good	Excellent
	< 90%	90% - 94%	95% - 99%	100%
Notes	Measured for	NL, Nordics (DK, SE, NO, FI, LT), CEE (AT, BG, DE, CH, IT, SK, CZ), SW (ES, PT, BE, LU, FR).		
	OLA linkage	NO		
	Global Alignment	YES		

4.0 Statement Reconciliations

Baseline Service Level	Reconcile key vendor statements monthly within 10 business days			
Method of Measurement	Key vendor statements to be reconciled on monthly basis within 10 business days. Measured based on statements provided by Key Vendors and reconciliation completed by AP Team.			
Legend	Poor	Fair	Good	Excellent
	< 94%	94% - 98%	99%	100%
Notes	Measured for	NL, Nordics (DK, SE, NO), CEE (BG, IT, CZ, SK), SW (ES, BE, FR).		
	OLA linkage	NO		
	Global Alignment	YES		

3.3 Operational level agreements for Accounts Payables and Procurement departments

Corporate Shared Services (CSS) – Europe, commits to providing high quality services in accordance with the service levels described in the SLA definition document, whereas many of these SLAs are also partially dependent on the Business Unit's approvals, responsiveness or feedback.

The objective is to correctly measure dependency of OLAs on a business by establishing tide metrics and enforce team cooperation as well as team effort.

Operational Level Definitions: An Operational Level Agreement (OLA) determines the interdependent relationships among the internal support groups of an organization working to support Service Level Agreements (SLA), focusing in the timeframe for delivery of their services. Its main objective is to provide a clear and measurable description of CSS Europe's internal and external service support relationships.

Operation Level Descriptor: This Level Descriptor is a text description of the operational component being measured.

Baseline Operation Level: The Baseline Operation Level defines the metric that CSS - Europe requires from other service provider parties to meet in order to delivering high quality services to its clients, in accordance to the Service Level Agreements in place

Method of Measurement: The Method of Measurement describes the manner in which the actual service (performance) will be measured.

Legend: The Legend defines rating system for every single OLA based on Red, Amber, Green and Blue color. Reported percentage is mathematically rounded up to integer.

Contact: The contact section describes the primary source from which CSS Europe is requiring the agreed service.

Calculation of Days and Published Schedules are consistent to those of the SLAs:

OLA of Procurement department is the following.

1.0 PO Approval

Baseline Service Level	2 business days			
Method of Measurement	95% or more of POs approved within 2 business days. Measured from the software data extract obtained (tab Approved and Awaiting Approval).			
Legend	Poor	Fair	Good	Excellent
	< 90%	90% - 94%	95% - 99%	100%
Notes	Metric applicable for: CEE (AT, DE, CH, BG, SK, CZ, PL, HU, IT, TK), Nordics (DK, FI, LT, NO, SE), SW (BE, ES, FR, LU, PT), UK&IE, NL.			
	SLA Linkage: NO			

And the OLS for AP is the following, the note about SLA linkage means that the timeliness of invoice processing depends on invoice approval.

1.0 AP Invoice Approval

Baseline Service Level	2 business days			
Method of Measurement	95% or more invoices have to be approved by relevant approver within 2 business days. Measured from valid reports based on region.			
Legend	Poor	Fair	Good	Excellent
	< 90%	90% - 94%	95% - 99%	100%
Notes	For Nordics applicable workflow report. CEE (DE, CH) – workflow report, CE (BLG, IT) - SAP report. NL and SW region—sample of 10 random invoices,			
	Metric applicable for: Nordics (DK, SE, NO, FI), CEE (DE, CH, SK, CZ), SW (PT, ES, BE) region, NL.			
	SLA Linkage: 2.0 Invoice Processing Timeliness			

3.4 KPIs of Accounts Payable and Procurement departments

Key Performance Indicator (KPI) is a type of performance measurement, Corporate Shared Services (CSS) metric used to evaluate factors that are crucial to the success of an organization. KPIs have minimums that are calculated as per employee, he or she has to perform a minimum times of a certain task or have not more than a certain percentage of errors etc.

KPI Descriptor: This Level Descriptor is a text description of the KPI component being measured.

Baseline KPI Level: The Baseline KPI level defines the metric that CSS-Europe targets as deliverable performance of the team or individual as appropriate; in order to meet high

quality services requirements in its quality and quantity component, in accordance to the Service Level Agreements in place. As mentioned above this is a minimum requirement agreed between the CSS and Business Unit.

Method of Measurement: The Method of Measurement describes the manner in which the actual service (performance) will be measured.

Notes: The Notes Section offers additional information pertaining the KPI, including geographical coverage, references to individual SLAs, KPI object, team/individual, etc.

Calculation of Days is performed as in SLA and OLA cases.

KPIs for Procurement department are.

1.0 - Ticket Closure

Baseline KPI	As per SLA, at least 95% of Tickets assigned to the team need to be closed within 8 business days			
Method of Measurement	Measured from the individual team scorecard produced from team's assigned tickets, detailing information per employee.			
Legend	Poor	Fair	Good	Excellent
	< 90%	90% - 94%	95% - 99%	100%
	Measured for	UK&IE, SW		
	SLA linkage	1.0 Procurement Ticket Aging OLA no linked		

2.0 - Ticket Responsiveness

Baseline KPI	As per SLA, Employees need to be contacted back within 2 business days, for at least 95% of tickets assigned to the team			
Method of Measurement	Measured from the individual team scorecard produced from team's assigned tickets, detailing information per employee.			
Legend	Poor	Fair	Good	Excellent
	< 90%	90% - 94%	95% - 99%	100%
	Measured for	UK&IE, SW		
	SLA&OLA linkage	2.0 Procurement Ticket Responsiveness OLA no linked		

3.0 - PO Lines Raised

Baseline KPI	300 or more PO lines raised per month			
Method of Measurement	Data gathered from the Global Procurement Pack showing all PO line details from POs created in software			
Legend	Poor	Fair	Good	Excellent
	< 90%	90% - 94%	95% - 99%	100%
	Measured for	UK&IE, NL, CEE (AT, DE, CH, SK, CZ, PL, HU, TR, IT), Nordics (DK, FI, LT, NO, SE), SW (BE, ES, FR, LU).		
	SLA&OLA linkage	NO		

For the AP department, the KPIs looks like this

1.0 - Invoices Processing Timeliness

Baseline KPI	200 or more invoices processed per month			
Method of Measurement	Data gathered from the software extract			
Legend	Poor	Fair	Good	Excellent
	< 90%	90% - 94%	95% - 99%	100%
	Measured for	NL, Nordics (DK, SE, NO, FI), CEE (BG, DE, CH, IT, CZ, SK), SW (ES, PT, BE, LU, FR)		
	SLA&OLA linkage	1.0 Invoice Processing Timeliness 1.0 AP Invoice Approval		

2.0 - Invoice Processing Accuracy

Baseline KPI	No more than 5 invoice with errors in invoice posting found per month, within CSS Europe's scope			
Method of Measurement	Invoices processed without errors and audited to match: amount paid, correct currency, correct vendor, and date in software. Measured from a sample of 30 invoices randomly selected from the AP reporting packs for all supported countries/regions.			
Legend	Poor	Fair	Good	Excellent
	< 90%	90% - 94%	95% - 99%	100%
	Measured for	NL, Nordics (DK, SE, NO, FI, LT), CEE (AT, BG, DE, CH, IT, SK, CZ), SW (ES, PT, BE, LU, FR).		
	SLA&OLA linkage	AP_S_3.0 Invoice Processing / Accuracy OLA not linked		

3.0 - Vendor Statement Reconciliation

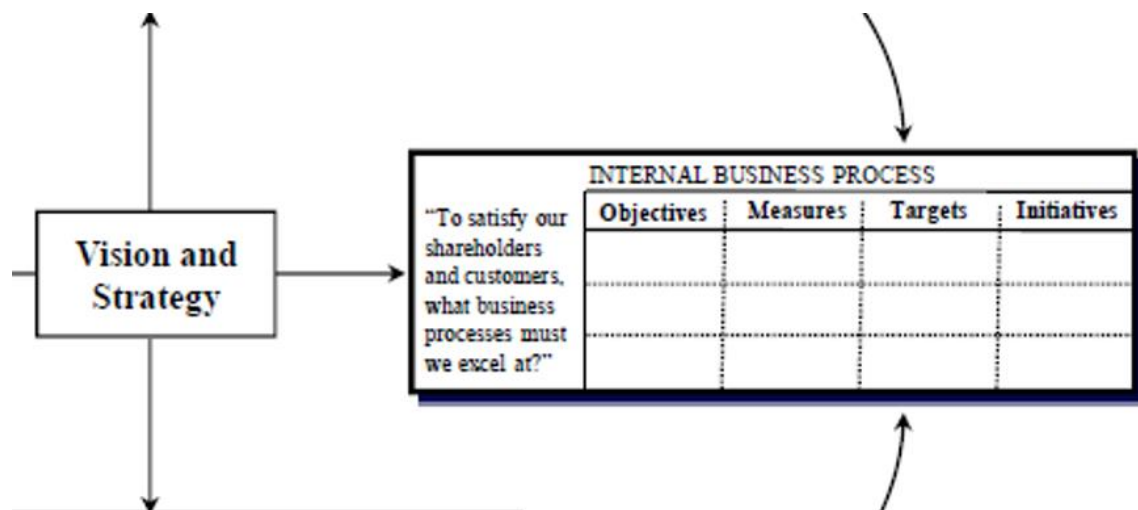
Baseline KPI	At least 95% success rate on reconciliations received (no less than 50% of requested from vendors)			
Method of Measurement	Measured from the AP Reconciliation file the team currently produces			
Legend	Poor	Fair	Good	Excellent
	< 94%	94% - 98%	99%	100%
	Measured for	NL, Nordics (DK, SE, NO), CEE (BG, IT, CZ, SK), SW (ES, BE, FR).		
	SLA&OLA linkage	5.0 Statement Reconciliations OLA not linked		

3.5 Implemented Balanced Scorecard overview

Deriving from the theoretical base described in the literature review we will discuss one part presented and described by Norton and Kaplan, that is the “Internal business process” part. This is chosen because all of the above described measures and indicators referred to the

junior chain of employees in a company, but in a shared service center that is the main workforce, people who perform similar and measurable tasks from day to day.

The internal process part of the scorecard must contain exact or similar variables presented by the authors: and in reality, they are very logical and a simple question might be posed to fill it.



Source: *Conceptual Foundations of the Balanced Scorecard*. Robert S. Kaplan 2010

In the CSS the internal business process scorecard presented are being extracted and calculated to present the operational performance of each of CSS-Europe's teams on a global scale as well as on a regional level and Business Unit's OLA results. Because the evaluations are done regionally, this let the company to compare each region with the global results and therefore understand in which region the business process has most or least problems.

For a procurement department, the scorecard example looks like this. The objectives are "The descriptions" in the table, the target is the "SLA to be reached", measure is the number of cases or tasks that were given to an employee. As a matter of fact, the initiative section is missing in the table, but this can be explained by the existing process improvement team that investigated deficiencies and propose solutions, manly consisting of software improvements. For the given example, the following comment has been attached. "New Outlook mailboxes have been created for the CSS Europe Procurement team in relation to the planned

decommissioning of Lotus Notes. The changes have been communicated to the stakeholders. Testing to confirm if all functions are working properly has been in place”

SLA Description	SLA to be achieved	June	July	August	June	Volume for calculation	July	Volume for calculation	August	Volume for calculation	June	Volume for calculation	July	Volume for calculation	August	Volume for calculation
Procurement Ticket Aging	<=8 Business Days	100%	100%	100%	100%	3	100%	4	100%	3	N/A	-	N/A	-	N/A	-
Procurement Ticket Responsiveness	<=2 Business Days	100%	100%	100%	100%	3	100%	4	100%	3	N/A	-	N/A	-	N/A	-
Shopping Cart Processing Timeliness	100% - 1 day	100%	N/A	95%	100%	48	N/A	-	98%	123	100%	2	N/A	-	100%	4
Shopping Cart Rejection	<5%	0%	N/A	0%	0%	989	N/A	-	0%	1014	0%	135	N/A	-	0%	96
Errors regarding Delegation Rule	<1%	0%	0%	0%	0%	989	0%	989	0%	1014	0%	135	0%	135	0%	84
PO Approval	>95% - 2 days	56%	54%	45%	60%	1599	65%	1407	52%	1601	71%	236	69%	138	64%	157

The same table has been prepared for the Accounts payable department. But here we can see a slight difference, because the processes measured are more and the OLA measurement is added, which is the last line. Also, only one region is compared to the global statistics for a better statistical comparison, this happens because of the overall complexity of the department’s work. In this particular case the explanation is that the invoices received by the team had many input errors and thus were sent back multiple times to the requestors. The next chapter of analysis of those reasons will bring us a better understanding of these bad statistics in the AP department

SLA Description	SLA to be achieved	June	July	August	June	Volume for calculation	July	Volume for calculation	August	Volume for calculation
Invoice Processing Timeliness	>95% - 5 days	95%	87%	93%	96%	273	92%	184	91%	212
Invoice Posting Timeliness	>95% - 2 days	97%	96%	97%	97%	152	93%	99	93%	142
Invoice Processing / Accuracy	>95% error-free	100%	100%	100%	100%	Overall	100%	Overall	100%	Overall
Statement Reconciliations	100%	100%	100%	100%	100%	9	100%	10	100%	8
AP Invoice Approval	>95% - 2 days	69%	90%	80%	80%	10	40%	10	50%	10

Chapter 4

4.1 Reasons why it is important to measure performance in a shared service center

According to Colin Drury³³, controls is the process to ensure that a firm's activities conform to its plan and that its objectives are achieved, there can be no control without objectives or plans, he says. The main way how to check if a company is probable to achieve the objective set is to measure from a decided period's start to its end how much the goal is achieved, the goal might be, and usually is broken down to sub goals and sub goals are represented as task that can be measured quantitatively, qualitatively or measures checking task conformity can be applied.

The nature of a shared service implies the importance of results, because it has been initially created as a tool to facilitate business operations. Task programmability is a key factor in the performance of the shared service as a whole. And as in every organization measuring it brings to the possibility of reducing and managing risks as well as being able to respond to discrepancies in a fastest and most relevant way, that is when task has many levels of completion but is well programmed the mistake is more likely to be found fast and not harm the whole task outcome. When speaking about risks the literature³⁴ defines two types of risks that shared service has potential to bare, those are.

1. relational risks; and
2. performance risks³⁵

33. Management Accounting for Business, Drury Colin, Published by Cengage Learning (2009), ISBN 10: 1408017717 ISBN 13: 9781408017715

34. Unfortunately there is a very limited number of researches done in the field of shared services, and even less theory about it, but a few articles target the operational risks in SSES and one of them is a source to this risk differentiation, that is "Mitigating risks in a shared service relationship: the case of a Malaysian bank Rozita Amiruddin, Aini Aman, Sofiah Md Auzair, Noradiva Hamzah and Ruhanita Maelah School of Accounting, Faculty of Economics and Business, Universiti Kebangsaan Malaysia, Selangor, Malaysia"

35. Aron and Singh, 2005; Aron et al., 2005; Das and Teng, 2001; Nicholson and Aman, 2008b

The first relates to opportunistic behavior that can be described with such verbs as cheating, shrinking, falsification of information

The second one, the performance risk refers to the lack of competence of the SSC, that is the knowledge of the processes and their outputs Das and Teng (2001) ³⁶ suggest that the performance risk is better mitigated with output control, however the situational variables must be considered. When applying the output control, the relationship with client should not be neglected, as the study of Das and Teng suggests “There were complaints from clients that indicated the incompleteness of the SSC’s processes and its output. The example given includes the matter regarding details of the transaction. According to one client, “the SSC staff have little concern on the element of completeness in recording certain transaction by ignoring the important information”.

To summarize the main important reasons why performance in the shared service should be measured in detail is that every employee has a close connection to the business operations of the client, and when providing a service, we must care most about the needs of the client and be sure not to transfer on him any risk.

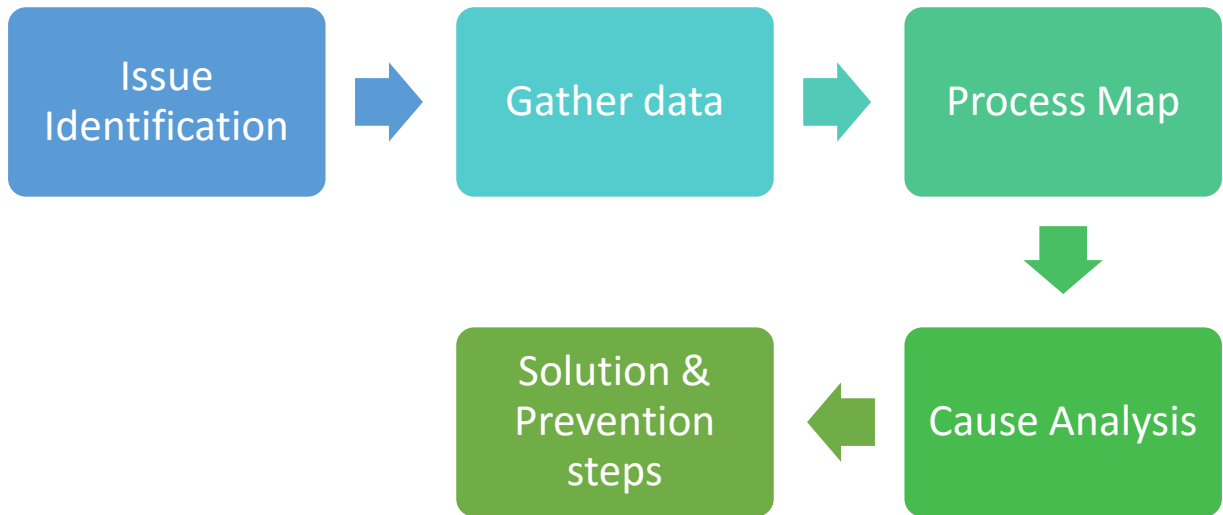
4.2 The analysis and reasoning of actual problem with backlogs in performance in AP team

When the results of measures are received by SCC the SLA team has to review if the results measured are accurate, for example if the statistics say that 98 % of the requests were completed timely the two percent which is the negative statistics has to be analyzed one more time in details to avoid false negative results. Thus, the result might be confirmed or corrected. When the negative results of the measures are higher than the acceptable threshold of 5%, that is if the 95% of requests were finalized correctly and timely and the other 5%, not, as we saw in the descriptions above, and if this backlog lasts for three months, in this

36. The risks and control framework developed by Das and Teng Das, T.K. and Teng, B.S. (2001), “Trust, control and risk in strategic alliances: an integrated framework”, Organization Studies, Vol. 22 No. 2, pp. 251-83.

case the corrective measures must take place. We will review and analyze a particular case in the AP department where there was such a problem with results for some time.

The analysis map is the following:



Issue identification: Describing the incident, what was defect, to understand what happened and briefly specify effects on other processes.

Accounts Payables has been facing big number of failures within its process which have been affecting accurate payments to CSC`s suppliers and which also affects end to end process.

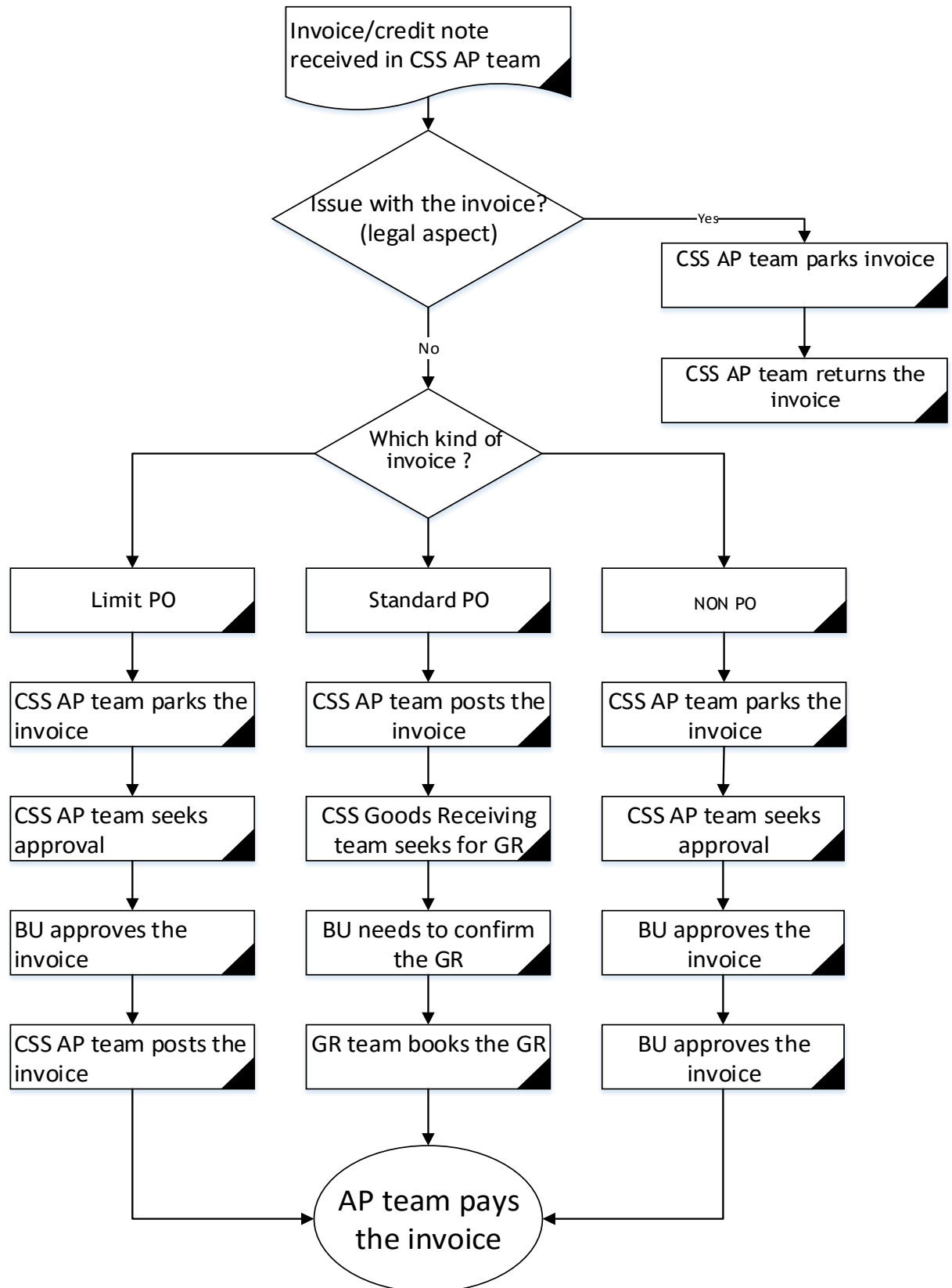
Consecutive issues may bring CSC to the risk of service delivery, escalations, late fees from suppliers, set not trusted relationships between CSC and its supplier, which may also lead to contract cancellation.

The second step of **gathering data** for the following analysis is that we need to collect and organize the facts and all data surrounding the issue such as costs, process errors, technical issues, etc. the relevant facts surrounding this issue are.

- Most of the Regional Operational level agreement results are reported as poor on monthly scorecards.

- Issue cannot be escalated by AP team since there is no clear guidance for correct point of contacts or escalations for countries & Regions.
- AP team is facing an issue with some processes since there are no process manuals shared with CSS AP. This mostly applies for tasks that have been transitions partially or without any guidance.
- Invoices for NLD are processed late and CSC receives escalations from suppliers.
- Countries are not supported by same software as CSS
- Accurate payments are affected due to fact that master data are missing or not updated (that is the vendor is not identified in the system)

Process map will look like the following diagram:



Process map will allow us to imagine the analysis of potential causes.

That is important to understand the not every cause is equally contributing to the failure of the process, therefor we will categorize the causes and rank them. Categories will include people, policies, technology, and procedures, they will be ranked as medium or high importance³⁷. Here is a summary of what will be discussed.

Cause	Cause description	Category	Raking
PO process	Retrospective PO Missing PO approval	Policies	High
NON PO process	NON PO invoices without invoice approval	Policies	High
Invoice process	Missing invoice approval Missing PO	People	High
Manual work	Manual requests for invoice approval Manual chasing for missing approval Manual tracking of invoices copies	Technology	Medium
No Responsibility and Escalation matrix	No contact/escalation points	People	High
CSS Attrition	Newcomers training Rotation within the team	People	Medium
Access issues	Missing software/databases access No escalation point of contact	Technology	High
System maintenance	Vendor MD update	Procedures	High
Migrations	Process standardization AP trainings	Procedures	Medium
Mailbox system issues/errors	Invoice database Shared mailboxes	Technology	High

37. Causes with low importance are irrelevant for the research

Other systems' issues	Supplier scanning, Banks, Databases, Interfaces, Suppliers' platforms	Technology	Medium
-----------------------	---	------------	--------

Root cause investigation is very important for the analysis because we need to understand if the measures should be changed in favor of any above-mentioned categories, for example if we should change the OLAs and responsiveness time because of the technology being incompatible.

First cause of missing PO approval or retrospective PO, this means that received invoices are supported by PO which is overbooked, therefore AP team needs to inform requester, wait and chase new PO, average time for such invoices to be posted is few weeks. The reasons are lack of knowledge in BU about European Purchasing policy, missing communication in BU or unspecified OLA ownership, length of approval cycle and no back up person set up for PO approval (very often only 1 point of contact). The possible solutions are.

1. All employees need to be aware of European Purchasing policy and Project managers need to take ownership for their projects
2. Set up regular trackable communication and training
3. Specify OLA ownership upon agreement between BU and CSS
4. Approvers in Business Unit must be aware of approval process
5. Set up responsibility, escalation matrix and PO request based on project scope

Next cause, the delay in NON PO process happens because there is no approval matrix for NON PO invoices (only Belgium has matrix). AP team is not able to identify correct approver responsible for invoice costs. This affects posting and payment of invoices that may last even for a month. The reasons are missing invoice approval and no approval matrix from BU, solutions will be Implementation of approval matrix also each BU needs to specify and provide approval matrix to AP team, which need to be update on regular basis.

The next cause named the invoice process is not going well because lack of knowledge and OLA ownership is causing the delay within the AP processing tasks as AP team spends majority of time by investigating responsible person and by explanation of the process.

Causes on the client's side are lack of knowledge on approvers' side is also a reason, missing communications to employees with regards to European purchasing policy as well as approval process and unspecified OLA ownership and no official back up list from BU for invoice approval and PO requests. This can be solved via actions like education and trainings for approvers, setting up regular trackable communication and training and specification of OLA's owners upon agreement between CSS and region and BU needs to set up back up person as per responsibility, escalation matrix and PO request.

The cause named manual work is categorized as technological issue because AP team spends majority of the day time with manual work for invoices, approvals, storage of soft copies. Lots of times spend by tracking missing parts as above, which should be completed automatically by system. This happened because of various systems in the regions and continuous system enhancement this must be solved by implementation of a single system across regional offices.

The cause of no escalation matrix and responsibility is of a high importance but is difficult to solve because a lot depends on the BU, the problem is that AP team is having issues with missing information and lack of support on escalation process since there is no accurate responsibility and escalation matrix. AP team spends lots of time by searching correct point of contacts and chasing approvals, retrospective PO's, overbooked PO's, GR confirmation, requests for update on vendor master data, process exceptions, missing process manuals, because of the attrition and restructuring BU is not very willing to support the CSS AP teams with their accumulated knowledge, solutions is regular updates of organization charts and escalation matrix from BU.

Because of restructuring in the BUs and high HR flow in CSS, the attrition in the shared service is also present, CSS rotation program leads to employee's promotions and role changes, therefore AP team needs to train newcomers. Due to urgent and unplanned transitions, AP team needs to rotate clerks that already have AP knowledge to pick up transitions and new people hired need to go through AP training for newcomers. As a solution, the transitions, rotations and promotions must be planned in advance and valuable working instruction manuals must be created.

Access issues - AP team is not aware of people responsible for software's access or who is escalation point of contact. AP newcomer/clerks waits for user access in average for 1 month - no training or work can be performed. When new country is taken on boards and new access is requested, AP team is not provided with details from the BU showing what roles are required for AP clerk.

The cause of system maintenance is of a high importance because AP is at the end of payment process, AP team recognize errors on missing vendor's master data, since there was no completed update in past. Vendors were not updated while process in BU, or been blocked without any notice. AP teams spends lot of time trying find correct requester who can complete request for such changes. Responsibility should be within BU, however AP team is facing issues with finding correct person. The reasons are that there is missing correct vendor's master data in software, no update completed while process was transfer from BU, missing person responsible for change requests in BU, no OLA ownership within BU. Solutions are regular updates in BU, specified responsibility within BU and agreement on OLA owner.

Process migrations are causing backlogs as well; AP team has been facing 6 transitions which caused additional training for newcomers. Following the completed transitions, AP team spends lots of time on standardization as usually there is no agreed SOX³⁸ process within BU. The transitions should be planned in advance to solve this.

AP team is facing major issues with databases which must be used for regular AP tasks and day to day process, since databases for approval or shared mailboxes are not working or system is crashing down, most of the tasks cannot be performed to solve this CSS needs more support from the local IT team.

Other systems issues are caused from the counterparts' side, AP process relies on other systems which are required for day to day tasks and their completion, any outage or failure, affects AP process immediately. AP team is missing most of the contact points and is having

38. The internal audit department, there is a lack of controls set up yet

issues with escalation to responsible person. The solution to this is global there needs to be standardization of various systems.

As a result of all those reasons the measures are not able to reflect the reality and it will be very time consuming to provide reasoning to every single case of backlog each month. So measures need to be reviewed and improved which will be presented further.

As for this moment, we will summarize the possible improvements in process, responsibility, and knowledge areas.

Proposed solutions for *process* improvements are.

- Back up person set up in the system for each employee - BU need to ensure each person on vacation / leave has back up person set up in the system.

This will be most relevant to causes presented in the above which are.

-Invoice process

-NON PO process

-PO process

- Transition accurate planning - BU and Transition team need to provide plan of migration so CSS team can hire and train newcomers before start of transition. Also BU needs to provide the accurate audit process.

Described in cause analysis:

-Migration

- Implementation of single software across all countries supported and BU to support the implementation of software across the countries

Described in cause analysis:

-Manual Work

-Other system issue

- Local IT support - IT team to provide daily and accurate support to CSS Europe team since day to day process of CSS relies on certain databases and systems

Described in cause analysis:

-Mailbox/database system issue and error

Proposed solutions for *responsibility* improvements are.

- Specification of OLA's ownership - approvers need to be responsible for approval process, OLA ownership need to take an action on missing approvals, project managers need to be responsible for track of cost within the project as well as maintenance of Vendor's master data

Described in cause analysis:

-PO process

-NON PO process

-Invoice process

-System maintenance

- Responsibility and escalation matrix - Each BU need to complete and share on monthly basis with CSS approval matrix for invoice processing, regular point of contact for Escalation and available Matrix for access request, vendor master data request and IT escalation

Described in cause analysis:

-PO process

-NON PO process

-Invoice process

-Access Issue

-System Maintenance

-Mailbox note issue

Proposed solutions for *knowledge* improvements are.

- Improve knowledge of European Purchasing policy within BUs - regular communication need to be in place, supporting documents on webpage to be available and mandatory for all employees, regular sending of European purchasing policy to BU employee.

Described in cause analysis:

-PO process

-NON PO process

-Invoice processing

- Invoice process knowledge within BUs - employee need to be aware of details in invoice approval process and how it is affecting end to end payables, details must be available in communication prepared by CSS AP team (for example a short point of contact in each e-mail signature), requested engagement from BU on sending communication on regular basis.

Described in cause analysis:

-PO process

-NON PO process

-Invoice process

4.2 The suggested improvements of measures

According to Simons, measures say people what is important, if an employee is measured by customer satisfaction that is what he will concentrate on, in the case of CSS SLAs and OLAs measure the invoice posting timeliness and accuracy. Simons also suggests asking a simple question to understand if the measure is relevant, that is if we looked for a measure for which

the employee is accountable. But while describing the root causes above, we could observe that the process is reciprocal on many stages, and even though the employee is accountable for the job, in reality he cannot perform it all by himself and at the same time cannot influence the BU much. Measure's flaw is the fact that the employee in the BU is not reporting to CSS and cannot be measured that is CSS does not have enough leverage to control the BU.

The graph suggested by Simons³⁹ describes the nature of measures, to its description he adds that "objective, complete, and responsive measures can often be achieved for lower-level jobs at the plant floor level or at a front-line customer service desk⁴⁰" but in practice the analysis in the thesis argues with this statement. Again, we see that the measures applied in CSS are in fact benchmarks and at the moment there are no measures in use worldwide for this particular organizational structure that will cost less or the same but bring more benefit. The measures used in CSS do not argue with the table proposed by Simons, quite the opposite they are objective, complete and responsive and the author even adds that this is the perfect measure for a routine work, but what we see is that even if the process is routine, the moment when there is an interaction of the counterparty the measure cannot identify that; therefore, statistics shows a lot of backlogs, that are in fact false negative results.

By determining the most vulnerable side of the measures we can suggest improvements to it. I see the faults in the inability of measures to determine at which stage of approval is the invoice and what type⁴¹ is it also either if it is at counterpart's side and the team is waiting for additional information or not.

Because SLA reports are produced from the software, the reporting is quite flexible, it is easy to add additional columns to the report which is later transferred to excel and can be tracked. If in the past the columns of interest were the date of invoice receiving and its posting I suggest to add a number of variable to the report to be able to track if there has been any movements of communication from the date of receiving to date of posting. As we observed in the process map the types of invoices are classified, so why not apply classifications to the

39. See appendix 3

40. Performance Measurement & Control Systems for Implementing Strategy (Prentice-Hall, 2000) chapter 11, page 237

41. Limit, non PO, standard

actions taken. I understand that this adds one more action to the day to day work of the AP clerk but the advantages will be noticeable for the employee as well.

What I suggest is to give abbreviations to the actions that prevent the invoice from being posted or rejected, add the date of receipt, first action taken (for example “query been made”), if there is a further query needed in future and the day when the invoice will be posted the cycle will end.

This will be a procedure of mapping, and when the report will be retrieved by the relevant controller who calculate SLA statistics, he would filter the cases via their abbreviations and see the relevant reasoning of the delayed posting or rejection, later to prove this the e-mails will be investigated, this might be via sampling or full population to understand if the employee did not cheat or misdiagnosed the reasoning. With this method, there will be a clearer view and delegation of responsibility. That is AP clerk will not feel stressed if he cannot fulfill the SLA requirement he will be sure that all the outcome he was capable to control has been done from his side and thus his trust to the fact that he will only be held accountable for the delays caused because of him will be in place. This will make the SLA measure more objective and complete. The additional advantage will be that if any other AP clerk receives a request to continue with the invoice process, by opening it in software he will immediately see the whole history of it and will spare the investigation time, focus more on the issue the invoice had in the past and not look for the same issue and whether it is resolved all over again. I cannot yet prove this with any empirical data but this advantage is likely to even increase employee performance and not just eliminate false negative backlogs of the SLA agreements.

This thesis came up with the suggestions on how the above proposed should look like, which will be presented below.

The abbreviations might look like this:

POS: Standard PO (always entered) – because the field should be always populated for the controller to be able to filter it later in excel

VMD: issue with Vendor Master Data – that is for example if the vendor does not exist in the database yet

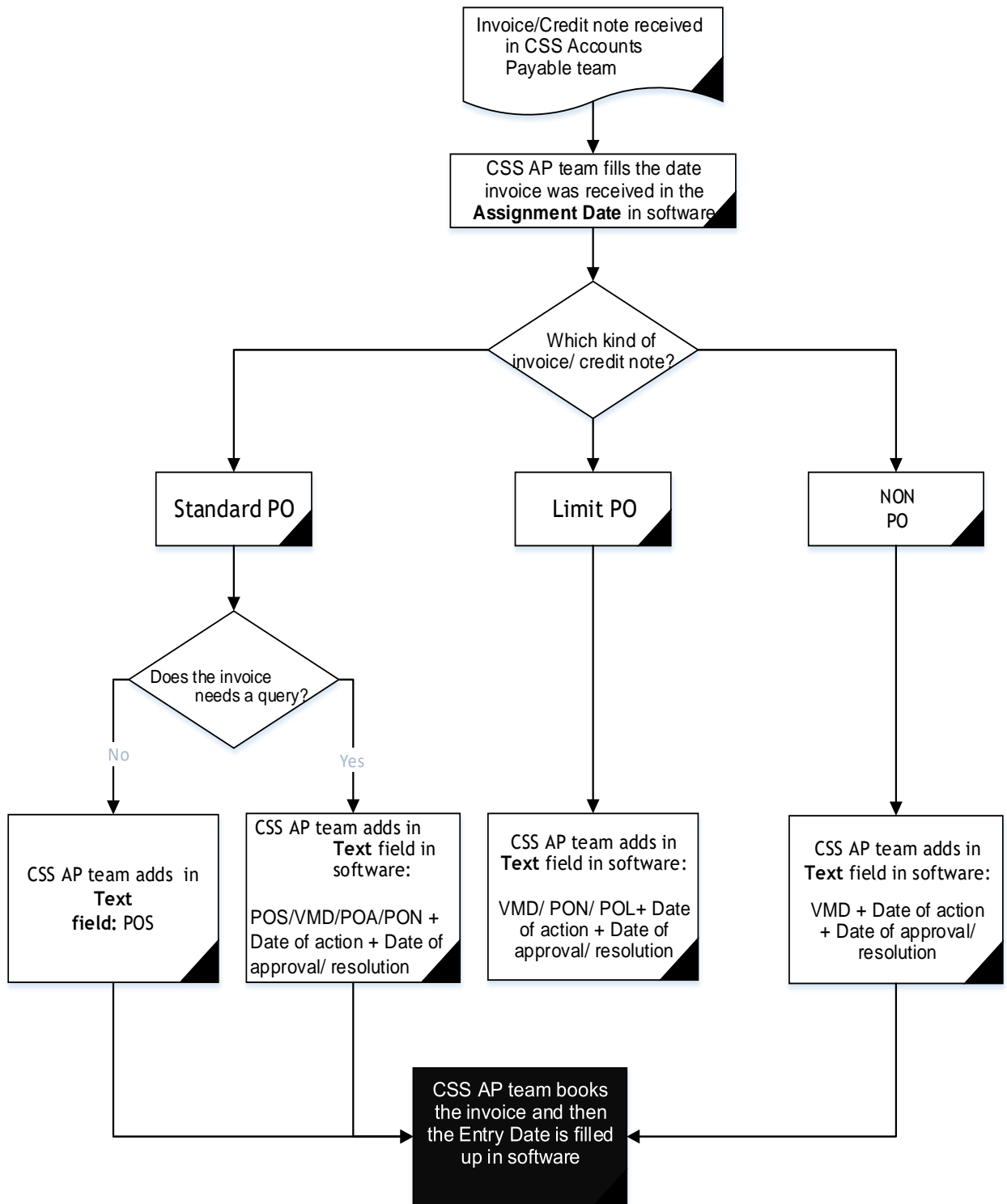
PON: missing PO/ PO not approved

POL: missing approval on Limit PO – as a reminder Limit is the PO for service

MGR: missing GR

POA (PO on assets): Fixed Asset

This is how **the modified process will look like** in order to make measures more accurate.



Because most of the backlogs arose in the context of timeliness, that is SLA 1.0 and 2.0 described above the method proposed will affect those statistics in the following way.

SLA AP 1.0 Invoice Approval Request (5 days). How it is going to be calculated.

Standard PO (no query): Entry Date Vs Assignment Date – as it was calculated before.

Standard PO (query): Date of Action Vs Assignment Date – if for example the invoice about standard PO bears a misunderstanding and is sent back for clarification, the statistics will look into the invoice receiving date and the date of it being sent back for query.

Limit PO and NON PO: Date of Action Vs Assignment Date – in these cases AP teams send the invoices for approval anyway, which might not be in place in case of Standard PO, where it can be posted right away and the case will be transferred to GR team.

SLA AP 2.0 Invoice Processing Timeliness (2 days). How it is going to be calculated.

Standard PO (query): Entry Date Vs Date of approval/ resolution

Limit PO and NON PO: Entry Date Vs Date of approval/ resolution

I believe that this method will contribute to the reduction of false negative performance results, that breaks the processes' timeliness and quality performance, as we discussed above each negative result is reviewed after the data is published. The employee of the Accounts Payables department has to cooperate with the SLA team member and describe each deficiency found one by one, which is very time consuming. With the method proposed even when there will be a doubt in the result's correctness, it will be easier for the employee to retrieve data according to abbreviation in it. Also, the different dates provided in the recording will help to find the e-mailing done on the exact date and prove the internal audit that the statistics are false negative and there should not be a recorded deficiency of the performance.

Besides obvious evolution of the correctness of measures in the solution described, this small process change will reduce time consumed on the investigation of the requested if it is performed by another employee. The work process policy implies that a request cannot be skipped by one employee because he thinks it is addresses for his or her colleague working

on the same shared mailbox. Using the method of abbreviations proposed and dates of actions taken booked in the software the history of the request will be understood easier and task will be performed faster despite its unfamiliarity to the employee. In this way, the working time waste will be reduced.

The other result of this improvement will be increased customer satisfaction, because the employee will be able to be more accountable to client, will be able to explain the reasons of the delays and what can be done to solve the situation. This will lead to the increased collaboration between the SSC and BU.

As a result of improvements and all the positive outcomes mentioned above the employee productivity will also show an increase, unfortunately this cannot be proven with empirical data yet, but this conclusion is logically connected to all the above-mentioned developments of proposed solution.

Conclusion

The goal of the thesis that was to analyze the performance measurement systems and to suggest improvements to it is reached. The detailed analysis helped to identify the corrections that could be done and that will not increase but most probably will reduce the cost of performance control and measurement system reporting.

The above presented thesis had described the importance of performance measurement systems in a Shared Service Center. The literature review created a basis for understanding of different points of view about the performance and the creation and implementation of measures that can yield the most correct result. We observed the evolution of measures and what they should look like to satisfy the current business environment. The later chapters gave us the understanding of how the organizational structure of the Shared Service Center and processes in the departments of interest, the Accounts Payables and Procurement correspond to the controls' requirements described in the literature. We built a block summary of controls that are in place in a Shared Service Center.

The discussion about strategy, mission and vision of the corporation gave the understanding of what is required from each and every employee. This understanding built a foundation for the analysis of performance measurement systems in place, why were the quantity, quality and timeliness taken as the major variables and how important the controllability and accountability are in the employee's perception. We observed how well a task must be programmed in a shared service center so that employee can deliver the best possible performance.

And finally, the thesis analyzed an actual performance backlog issue in the Accounts Payables department. There was created a map for the analysis and solution, data gathered contributed to cause analysis and let the thesis to come up with solution and prevention steps. Each cause is discussed in detail, ranked from medium to high importance and is categorized according to root it is coming from. Detailed solutions are presented to solve the processual issues, responsibility and knowledge improvements are proposed.

The suggested improvements in the area of measures present an inclusion of behavioral approach to the measurement of the timeliness. The implementation of abbreviation system will bring a noticeable evolution to the process and most importantly the performance measurement systems applied, they will become more objective, responsive, and complete.

References

1. Wang, S. and Wang, H. (2007), "Shared services beyond sourcing the back offices: organizational design", *Human Systems Management*, Vol. 26, p. 281.
2. *Transforming Government: People, Process, and Policy* Vol. 4 No. 3, 2010 pp. 210-219, Emerald Group Publishing Limited 1750-6166 DOI 10.1108/17506161011065190
3. See Appendix 1 source *Transforming Government: People, Process, and Policy* Vol. 4 No. 3, 2010 pp. 210-219, Emerald Group Publishing Limited 1750-6166 DOI 10.1108/17506161011065190
4. Quinn, B., Cooke, R., and Kris, A. (2000) *Shared services: mining for corporate gold*, Prentice Hall, London.
5. Ulrich, D. (1995) *Shared services: From vogue to value*, *HR. Human Resource Planning* (18:3), pp 12 - 24.
6. Bergeron, B. (2003) *Essentials of Shared Services*, (1 ed.) John Wiley & Sons, Hoboken.
7. PricewaterhouseCoopers *Statement of Capabilities: Shared Services*
8. *Performance Measurement & Control Systems for Implementing Strategy* (Prentice-Hall, 2000)
9. *Performance Measurement & Control Systems for Implementing Strategy* (Prentice-Hall, 2000) chapter 13, pages 295-298
10. Please see appendix 2
11. See Appendix 3 and 4
12. Miller, G. A. (1956). "The magical number seven, plus or minus two: Some limits on our capacity for processing information". *Psychological Review*. 63 (2): 81–97.
13. *Management Control Systems*, By Robert Anthony and Vijay Govindarajan 12TH EDITION
14. Paper originally prepared for C. Chapman, A. Hopwood, and M. Shields (eds.), *Handbook of Management Accounting Research: Volume 3* (Elsevier, 2009).
15. *Organizational Cultures: An International Journal*, Volume 15, Issue 4, December 2015, pp.15-26. Article: Print (Spiral Bound). *Mission, Vision, and Corporate Values*.
16. *A to Z of Management Concepts & Models*. 5/1/2005, p374-376. 3p/ Collins, James C. (James Charles), 1958, Porras, Jerry I.

17. Strategy from the Outside In: Profiting from Customer Value, George Day, Christine Moorman, McGraw Hill Professional, 2010
18. Herbert A. Simon, Public Administration Review, Vol. 6, No. 1 (Winter, 1946), pp. 53-67
19. k Gulick, Luther, and Lyndall Urwick, eds. Papers on the Science of Administration. Institute of Public Administration, Columbia University. 1937.
20. The decision making here is taken in a sense of a work process, once more a specialization point of view, for example how the task may be done more efficiently or how the outcome of the task might be maximized in a chain of tasks.
21. Because the article was written in late 40s', he brings the example of a person whose job is typing in the article, the same example can be brought nowadays for a driver, whose "process" is driving.
22. Research by the Oxford University
<http://www.nuffield.ox.ac.uk/politics/whitehall/Machinery.html>
23. Herbert A. Simon, Public Administration Review, Vol. 6, No. 1 (Winter, 1946), pp. 53-67
24. California Management Review. Spring83, Vol. 25 Issue 3, p88-106. 19p.
25. California Management Review. Spring83, Vol. 25 Issue 3, p88-106. 19p.
26. California Management Review. Spring83, Vol. 25 Issue 3, p88-106. 19p.
27. See appendix 5
28. Referred further as IC
29. There will not be further specification, this is an example of how the departments will be described and how this matches the classical organizational theory
30. Key Performance Indicators (KPI)
31. Further referred as PO
32. Electronic funds transfer
33. Management Accounting for Business, Drury Colin, Published by Cengage Learning (2009), ISBN 10: 1408017717 ISBN 13: 9781408017715
34. Unfortunately there is a very limited number of researches done in the field of shared services, and even less theory about it, but a few articles target the operational risks in SSeS and one of them is a source to this risk differentiation, that is "Mitigating risks in a shared service relationship: the case of a Malaysian bank Rozita Amiruddin, Aini Aman, Sofiah Md Auzair, Noradiva Hamzah and

Ruhanita Maelah School of Accounting, Faculty of Economics and Business, Universiti
Kebangsaan Malaysia, Selangor, Malaysia”

35. Aron and Singh, 2005; Aron et al., 2005; Das and Teng, 2001; Nicholson and Aman, 2008b

36. The risks and control framework developed by Das and Teng Das, T.K. and Teng, B.S. (2001),
“Trust, control and risk in strategic alliances: an integrated framework”, Organization Studies, Vol.
22 No. 2, pp. 251-83.

37. Causes with low importance are irrelevant for the research

38. The internal audit department, there is a lack of controls set up yet

39. See appendix 3

40. Performance Measurement & Control Systems for Implementing Strategy (Prentice-Hall, 2000)
chapter 11, page 237

41. Limit, non PO, standard

Appendix 1

Source: Transforming Government: People, Process, and Policy Vol. 4 No. 3, 2010 pp. 210-219,
Emerald Group Publishing Limited 1750-6166 DOI 10.1108/17506161011065190

SSC [...]	Ulrich (1995)	Schmidt (1997)	Forst (1999)	Schulman <i>et al.</i> (1999)	Quinn <i>et al.</i> (2000)	Gold <i>et al.</i> (2001)	Kagehmann (2001)	Bergeron (2003)	Davis (2005)	Jensen and Joh (2006)	Goh <i>et al.</i> (2007)	Wang and Wang (2007)	Aksin and Masini (2008)	Becker <i>et al.</i> (2009)	Total
[...] is the result of the consolidation/ concentration process within an organization	+	-	-	+	+	-	-	+	-	+	+	+	+	+	9
[...] is engaged in support services/ staff functions/ internal services	-	+	-	+	+	+	+	-	+	+	+	-	-	+	9
[...] reduces costs/competitive costs	-	-	+	+	+	-	-	+	-	-	+	+	+	+	8
[...] has a focus on internal clients/delivery to internal customers	-	-	+	+	+	-	-	+	+	+	+	-	-	+	8
[...] is aligned with external competitors	-	+	+	+	+	-	-	+	+	-	+	-	-	-	7
[...] is a separate organization within the group	-	+	-	+	-	+	-	+	+	+	+	-	-	-	7
[...] is operated like a "normal business unit"	-	+	+	-	+	+	-	+	+	-	+	-	-	-	7
[...] improves service quality/ competitive quality	-	-	-	+	+	-	-	+	-	-	+	-	+	-	5

Characteristics
of SSCs

213

Table I.
Analyzed definitions
of the term "SSC"

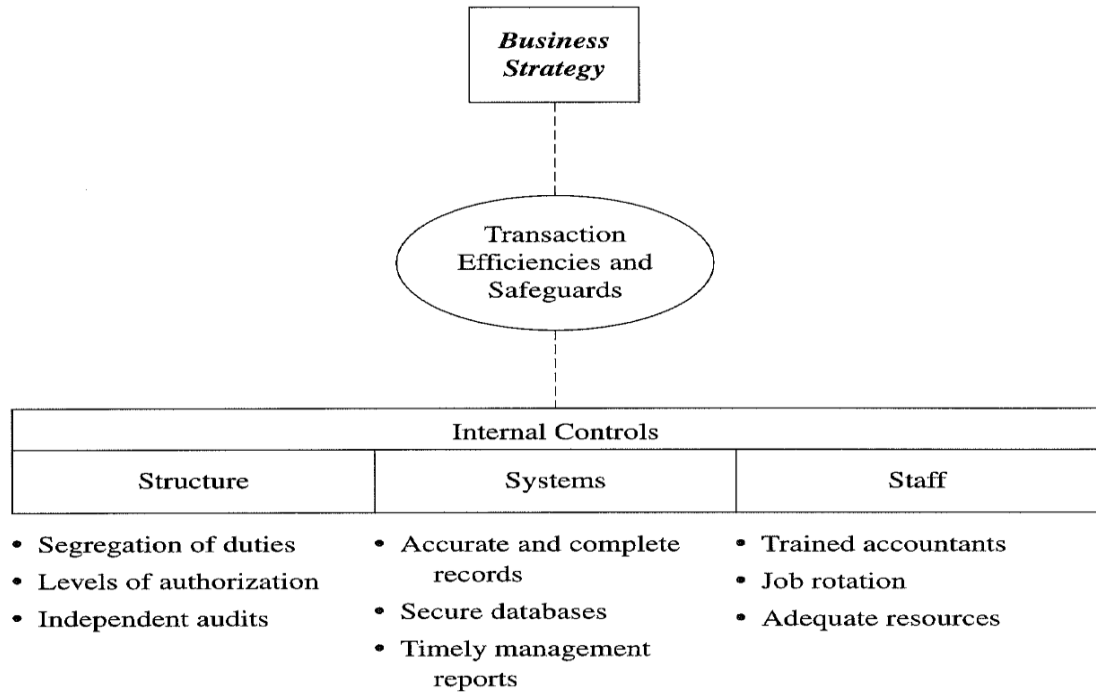
Table I.

SSC [...]	Ulrich (1995)	Schmidt (1997)	Forst (1999)	Schulman <i>et al.</i> (1999)	Quinn <i>et al.</i> (2000)	Goold <i>et al.</i> (2001)	Kagelmann (2001)	Bergeron (2003)	Davis (2003)	Janssen and Johan (2006)	Goh <i>et al.</i> (2007)	Wang and Wang (2007)	Aksin and Masini (2008)	Boeker <i>et al.</i> (2009)	Total
[...] makes use of "best practices"	-	+	+	-	-	-	-	-	+	+	+	-	-	-	5
[...] uses resources company/ agency-wide	+	+	-	-	-	-	+	-	-	-	-	+	-	-	4
[...] has established a supplier-customer relationship	-	-	+	-	+	-	-	-	+	+	-	-	-	-	4
[...] is controlled by business units	+	-	-	-	-	+	-	-	-	+	-	+	-	-	4
[...] provides services that are tailored to customers' needs	-	+	+	-	+	-	-	-	-	+	-	-	-	-	4
[...] supports several units	-	-	-	+	-	-	+	-	-	+	-	-	-	+	4
[...] charges back to business units/ agencies	-	+	-	-	+	-	-	-	+	-	-	-	-	-	3
[...] focuses on continuous improvement	-	-	-	+	-	-	-	-	-	+	-	-	-	-	2

Appendix 2

Source: Performance Measurement & Control Systems for Implementing Strategy (Prentice-Hall, 2000) chapter 13, page 285

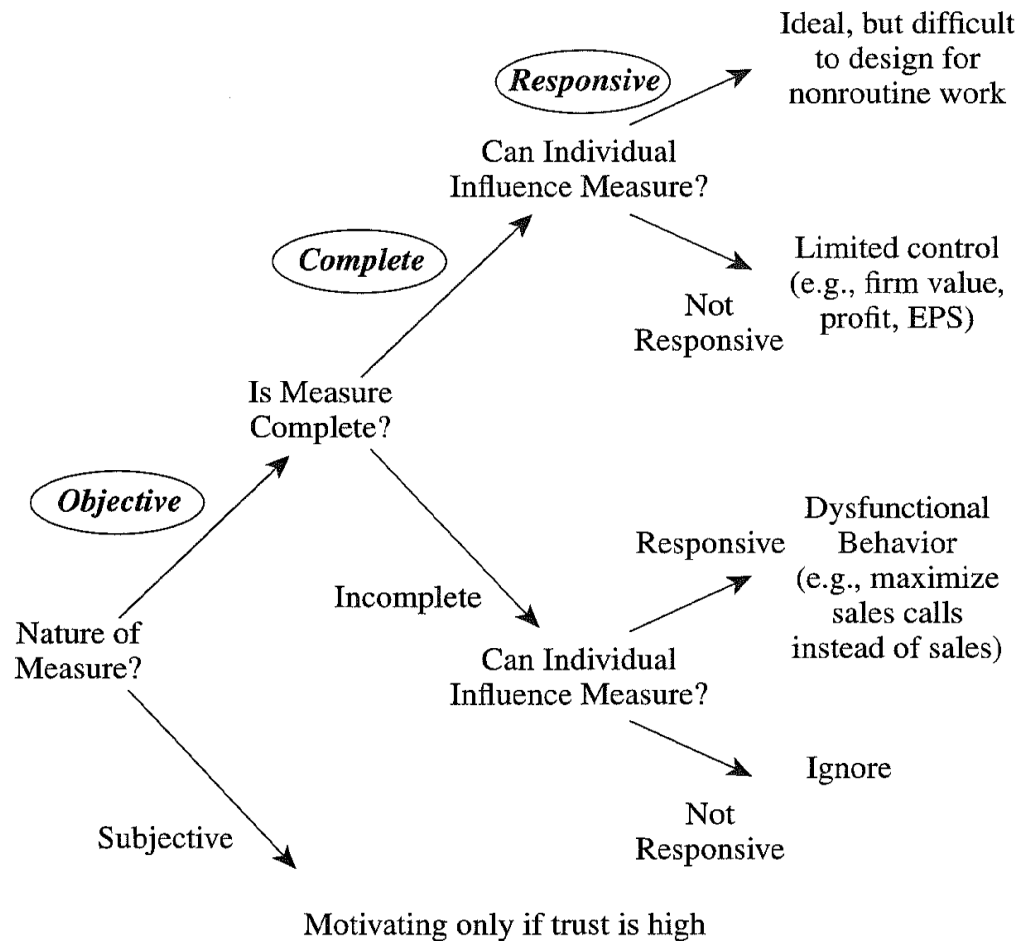
FIGURE 13–2 Internal Controls: The Foundation of Every Business



Appendix 3

Source: Simons "Levers of control", p 77.

FIGURE 11-3 Nature of Measures



Source: Adapted from Simons, *Levers of Control*, p. 77.

Appendix 4

Source: Simons "Levers of control", p 173

TABLE 14-2 Human Behavior, Organizational Blocks, and the Levers of Control

ORGANIZATION MAN/WOMAN DESIRES TO	ORGANIZATIONAL BLOCKS	MANAGERIAL SOLUTIONS	RELEVANT CONTROL LEVER
Contribute	Unsure of purpose	Communicate core values and mission	Beliefs systems
Do right	Pressure or temptation	Specify and enforce rules of the game	Boundary systems
Achieve	Lack of focus or resources	Build and support clear targets	Diagnostic control systems
Create	Lack of opportunity or afraid of risk	Open organizational dialogue to trigger learning	Interactive control systems

Source: Adapted from Simons, *Levers of Control*, p. 173.

Appendix 5

Source: California Management Review. Spring83, Vol. 25 Issue 3, p88-106. 19p

Table 2. "Real World" Stakeholder Grid

Power Stake	Formal or Voting	Economic	Political
Equity	<ul style="list-style-type: none"> • Stockholders • Directors • Minority interests 		<ul style="list-style-type: none"> • Dissident stockholders
Economic		<ul style="list-style-type: none"> • Suppliers • Debt holders • Customers • Unions 	<ul style="list-style-type: none"> • Local governments • Foreign governments • Consumer groups • Unions
Influencers	<ul style="list-style-type: none"> • Government • SEC • Outside directors 	<ul style="list-style-type: none"> • EPA/OSHA 	<ul style="list-style-type: none"> • Nader's Raiders • Government • Trade associations

