SHARED SERVICE CENTRES IN THE PUBLIC SECTOR – BUILDING CORPORATE GOVERNANCE OR IMPLEMENTING BARELY-ALTERED ORGANISATIONAL CHANGES?

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Abstract: Criticism of the New Public Management (NPM), based primarily on the economic indicators of job evaluation and management efficiency has led to the evolution of this approach and emphasising the role of cooperation as a key element of an efficient public management model – Public Management Governance (PMG) or Collaborative Public Management (CPM). This article presents the role of Shared Service Centres (SSCs) in public management based on a cooperation model both at the level of employees and organisational units. The article also attempts to answer the question whether the process of establishing SSCs can be viewed as the beginning of building corporate governance in public administration, or whether local governments are limited to introducing the necessary organisational changes by implementing a shared service only.

Keywords: public management, shared service centres, corporate governance, change management.

Introduction

The environment, in which economic entities currently operate, is characterised by high volatility, both in the legal, competitive, demand, supply and technology area. In 2016, Klaus Schwab, the president of the World Economic Forum in Davos, announced the beginning of the next, fourth industrial revolution, which will significantly affect the model of society (Schwab, 2018). Organisational changes taking place within the entities are an inseparable element of their functioning (Sloan, 1967). The introduction of organisational changes is a process that very rarely goes directly through clean, subsequent stages of analysis, choices and implementation (Pettigrew, Whipp, 1991). The driving force of organisational changes in business is gaining or maintaining a competitive advantage or, ultimately, 'keeping up' with the turbulent environment. Efficiency and profitability are the basic measures of this process.
The 1980s was a period of decentralisation of business management. Many companies moved significant areas of business from headquarters to operational/regional levels. This concerned such areas as: sales and marketing, human resources, information technologies, finance or shopping and logistics, which were to be paid for by the so-called profit centres. The decision-making level was moved to lower (operational) levels of the organisational structure. However, this solution had its significant disadvantage – the lack of coordination between individual managers or centres (internal competition, divergence of partial goals), and was characterised by a loss of economies of scale. In the mid-1990s, there was a partial return to the centralisation of specific areas of activity (e.g. human resources management, finance and accounting, computerisation) and thus a new approach known as shared services was born (Aguirre, Couto, Neilson, 2015). It is worth emphasising that the public sector, despite operating in a much more stable environment, is a subject to similar rules, and similar shared service centres began to be used to increase the efficiency of public unit management.

**Literature review**

The criticism of public management coincides, among others, with the 1980s, when the need to implement reforms, modelling and introducing organisational solutions specific to the business sector was pointed out (Osborne, Brown, 2005; Osborne, Gaebler, 1992; Hood, 1991; Kearney, Hays, 1998). It should be noted that the goals of public sector organisations differ from the objectives of business entities, since the former aim to create public value, while the latter should aspire to create private value (Pekkarinen, 2011). In the public sector, the overall goals of assessing management work seem less clear-cut, and the value of the public sector is much harder to define. The effects of the work of public sector managers are not assessed "by individual consumers, but on the political market of citizens and in collective decisions of representative democratic institutions" (Moore, 1995) In other words, public organisations aim to provide values not only to individuals but also to the society as a whole. The typical business approach in the public area (New Public Management – NPM) has also been criticised. The use of the same measures for assessing the management of private sector entities bypassed or marginalised the role of the state in creating social or public policy. The key to understanding the evolution of the public sector management model is the fact that it has undergone a transformation from public administration to public management over the past 30 years. Public administration is primarily focused on the compliance with regulations when providing services, while public management is directed, first of all, at achieving results and, secondly, at the individual responsibility of the manager for making decisions (Hughes, 2017). The term NPM has evolved and been adopted as a description of general discipline (Pollitt, 2016), and over time additional terms have appeared in the literature: “market society”
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(Lan, Rosenbloom, 1992), “post-bureaucratic paradigm” (Barzelay, 1992), or “Enterprising government” (Osborne, Gaebler, 1992).

The result of the discussion was the introduction of a new term for public management: Neo-Weberian State – NWS (Pollitt and Bouckaert, 2000), in which the role of the state and citizens as the entities responsible for initiating key social and public processes was emphasised. N. Flynn (1997) draws attention to the penetration of solutions characteristic of the private sector to the public one, in particular in the area of management, which emphasised that despite everything the driving force for change in this particular area is the political factor (e.g. reforms of M. Thatcher). Cuts in public spending, as reflected in social policy, had an impact on management (Scott, 2001). Public sector managers were forced to compete rather than cooperate, which made the undertaken initiatives not consistent, that, in turn, negatively influenced the functioning of public administration. The key role of cooperation in management is emphasised by the concept of New Public Governance – NPG (Sangiorgi, 2015), which results in, among others, better relations between public and local authorities with residents (Osborne, 2010). The comparison of public management models according to the NPM and NPG concepts is presented in Table 1.

Table 1.
Comparison of public management models according to the NPM and NPG concepts

<table>
<thead>
<tr>
<th>Concepts</th>
<th>Key elements</th>
<th>Value</th>
<th>Citizens</th>
<th>Services model</th>
<th>Innovations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NPM</strong></td>
<td>performance, customer orientation, decentralisation</td>
<td>unit and market value</td>
<td>citizens as customers</td>
<td>intra-organisational model that transforms inputs into effects</td>
<td>innovation within the organisation</td>
</tr>
<tr>
<td><strong>NPG</strong></td>
<td>sharing potential, resources and cooperation</td>
<td>focused on public value and cooperation</td>
<td>citizens as co-producers</td>
<td>creating hybrid organisational forms</td>
<td>innovations in cooperation networks</td>
</tr>
</tbody>
</table>

Source: Sangiorgi, 2015, p. 334.

Cooperation and sharing resources of the NPG model is directly in line with the assumptions of creating a market for shared services and their implementation in the public area. Decentralising service delivery can make it difficult to ensure consistent quality of services in the context of resource constraints and the need for economies of scale (Curry, 1999). In shared service centres (SSCs), whose aim is to provide professional services to supported units (e.g. financial and accounting, legal, payroll and human resources), the role of human resources, their mutual cooperation and openness to change is crucial (Ulrich, Grochowski, 2012). The above-mentioned selection of SSCs employees is more important when providing front office services than in the case of back office services (Piercy, Rich, 2009). A review of the literature does not clearly identify key features of SSCs (Schulmanetal et al., 1999; Bergeron, 2003), but it is worth quoting the empirical research of Schulz and others (2009), who claim that SSCs’ common features are: (1) aggregation of processes to reduce costs, (2) emphasis on ensuring customer satisfaction and the effectiveness of services rendered compared to services offered on the market, and (3) model of cooperation with supported units similar to market
relations offered by external service providers. An example of the public market of shared services in Australia (Borman, 2010) indicates that, among others, two elements are particularly important for obtaining high quality and efficiency of SSCs’ operation, namely: (1) providing a full range of services obligatorily shared by all serviced units and (2) establishing a mechanism for charging fees for services rendered, thanks to which the serviced units can monitor the level of costs incurred, therefore they are interested in minimising their consumption. For a better understanding of the essence of the creation and functioning of SSCs, the model developed by Urlich (1995, 1997, 1998, 2000, 2009) should be analysed. Factors fuelling shared services are: (1) improving performance, (2) improving the security of services provided by redesigning processes, (3) specialisation, (4) using technology. According to Urlich, the organisation of shared services can be divided into transaction-based and transformation-based services (Boglind, Hällsten, and Thilander, 2011). Transactional services relate primarily to repetitive services, e.g. financial and accounting, HR and payroll services. Transformation-based services concern non-routine activities that are aimed, for example, at implementing the strategy. SSCs should then be organised as “centres of excellence” or “centres of specialist knowledge” employing technical experts (Ulrich et al., 2009), therefore, the SSCs organisation should reflect its business profile. When providing shared services, SSCs should duplicate best practices in a given subject area, as well as copy them for all other entities, thus providing services at the highest level (Forst, 1997). Creating a SSC in a public or local government area is conditioned by the formal and legal organisation of these structures. The example of the local government sector in Germany shows that SSCs can be organised in two ways: (1) a centralised organisational model in which services are provided in one place to several other administrative units of the same municipality – internal services only, (2) a constellation of units providing the common service for units located in several municipalities (Niehaves, Krause, 2010). Regardless of the organisational models adopted, the provision of shared services is initiated by and based on the cooperation of public sector entities (Modrzyński et al., 2018).

Methodology

The purpose of this article is to present the process of implementing organisational changes in the public sector and to identify the determinants of this process on the example of Polish local government experience. In addition, the objective of the paper is to show the impact of globalization processes and the implementation of internal business sector solutions on the increase in competitiveness and the development of regions through more efficient functioning of local governments. The article uses the results of research work carried out in cooperation with the Union of Polish Metropolises, the Association of Polish Townships and the author's
own analysis of the implementation of the Shared Services Centre in the Municipality of Elbląg. In the research hypothesis, the author points to the key role of creating corporate governance in the units covered by shared services and SSCs to ensure effective cooperation and thus to provide shared services at the required level. The implementation of the assumed goal will be possible by obtaining answers to the following questions: (1) do the current legal provisions enable the implementation of uniform organisational and management solutions at the level of local government units?; (2) while implementing SSCs in local governments, should the procedure focus on internal processes only?; (3) do local governments use HRM tools (building employee competence profiles)?; and (4) are SSCs a simple tool to increase the efficiency of public and local government administration, or do they point to the necessary area for implementing organisational changes in the public sector?

**Organisation of self-governmental SSCs in Poland**

The process of creating a public market of shared services in Poland was defined by the amendment to the Act on the municipal self-government (2015), under which self-governments can create specialised entities to support joint operations (Modrzyński, 2018). When presenting the effectiveness of functioning, the objective and subjective scope of services rendered, and the process of creating shared services, reference should be made to research conducted by Modrzyński and others (Modrzyński, Modrzyński et al., 2018), which were conducted in cooperation with the Union of Polish Metropolises gathering 12 largest cities or the Association of Polish Townships. The research enabled, among others, getting acquainted with the opinions of local government authorities regarding the assessment of the introduced organisational changes related to the creation of Shared Services Centres in municipalities, which provided for an initial assessment of the effectiveness of the above mentioned legislative changes. According to the commonly indicated goals of organisational changes that take place in the public management space, efficiency measures are the most appropriate to make an assessment (Ulbrich, 2010). It should be emphasised, however, that in the case of local governments surveyed in Poland these goals were not so clear. Unification of accounting procedures and policies of entities covered by joint services was the most important goal of the idea of implementing SSCs in local governments and this goal was achieved in less than 2 years of functioning of these solutions under Polish regulations (Modrzyński et al., 2018). The next objectives of creating the SSCs were: increasing the level of management efficiency of units covered by shared services and reducing the risk concerning implemented processes/services rendered. Economic goals related to reducing costs and increasing productivity were also indicated, but the rank of these objectives was significantly lower (Figure 1).
Figure 1. Presentation of the answers to the question: What were the goals behind the creation of the SSCs? (average rating according to respondents, scale 1-5). Source: Modrzyński, Gawłowski, Modrzyńska, 2018.

Analysing the assessment of the objectives of establishing the SSCs presented by the local government, some grouping can be made: (1) goals related to increasing the level of security, which is vital in the area of public funds management, (2) economic objectives – saving budget funds and (3) quality aims – e.g. improving the quality of services provided. Comparing the planned values with their implementation, it can be seen that the latter group of goals has been fully achieved. It has to be emphasised that local governments are the least able to achieve economic goals, which – as N. Flynn (1997) indicates – may be the result of political factors. Citizens assessing the work of public administration primarily pay attention to the efficiency and quality of services received, the aspect of effectiveness of spending is also important, but introducing organisational changes and reducing employment from a political point of view is not an easy task to carry out, especially in small, local communities. The overall assessment of the effects of SSCs’ implementation in the largest local governments in Poland is shown separately for SSCs and supported units (Figure 2-3).
Based on the available literature (Raudla, Tammel, 2015), it can be stated that the design of organisational changes and the implementation of SSCs in the public sector is carried out separately, and remodelling of processes, in which at least two entities are involved, requires coordination and integration of the process of introduced changes. The subjective scope of the shared service provided by local government’s SSCs includes primarily educational units (Modrzyński, 2018), which constitute the most numerous group of all units in a given commune (even about 75-80%). When designing shared services for this group of entities, it is worth to analyse the administrative structure of these units in terms of competency profiles of given jobs. Assuming that the pillars of the shared service provided will be financial and accounting, payroll, reporting and tax services (currently such a model exists in virtually every local government’s SSCs in Poland), the SSCs’ creation process should be based on the transfer of
employees performing the above-mentioned tasks to the newly created unit. Practice and legal regulations enable the transfer of employees of organisational units of the commune to the SSCs under Art. 22 of the Act on Local Government Employees or pursuant to Art. 23 of the Labour Code. Despite the fact that the commune head, under the provisions of law, exercises the powers of official superior not only in relation to employees of the commune office, but also regarding the heads of commune’s organisational units (cf. Article 33 (5) of the Act on commune self-government and Article 7 point 1 and 3 of the Act on Local Government Employees), he or she may not enter into the employment relations with other persons employed in the municipal organisational unit (Supervisory decision of the Podlasie Voivode, 2007). In practice, it means that within the self-government structure, individual managers of organisational units implement their own individual strategies, define organisational structures and separately define competence profiles for individual positions. It should be noted that the above legal solutions do not support public administration in introducing standardisation and specialisation in the area of, e.g., HR, which is confirmed by the results of the analysis of the implementation of SSCs in the financial and accounting, tax and payroll services of educational units in the city of Elbląg (figure 3-4). The multitude of positions found in most local government units is often in opposition to solutions used in the private sector. In turn, the implementation of corporate governance is largely a pillar of building an effective and efficient SSCs in local government.

**Figure 3.** Diversification of administrative positions of educational units in the city of Elbląg in the area of payment. Source: own study based on the SSCs implementation analysis for the city of Elbląg (June-August 2019).

**Figure 4.** Diversification of administrative positions of educational units in the city of Elbląg in the area of property administration. Source: own study based on the SSCs implementation analysis for the city of Elbląg (June-August 2019).
The organisation of administrative units in the public sector, with particular emphasis on local government units, is based on vertical, hierarchical subordinate relationships, in which the subordinate units perform tasks and report to the supervisory units (Modrzyński et al., 2018). These types of connections hamper, or even prevent, cooperation between individual units not related to decisions. The idea of SSCs, also in the public area, is based on the mutual relationship of the units being served with the servicing unit in the implementation of shared services. Special attention should be paid to HR and payroll issues (e.g. in the area of education), which require mutual cooperation as well as the transmission of information and data necessary for the correct calculation and payment of remuneration. These types of dependencies are based on flexible horizontal and horizontal organisational structures. Despite the pressure to change the formula of public management that has taken place in the last 30 years in many countries (Amsler, O’Leary, 2017), and in spite of emphasising the role of Collaborative Public Management (CPM) or Collaborative Governance (CG), in Polish public management practice the most commonly applied system is still command-and-decision system. There are many definitions of CMP or GC in the literature on the subject (O’Leary, Vij, 2012), but their common denominator is cooperation. SSCs are just such entities and their activity should be based on cooperation and horizontal relations with serviced entities, especially in the public area. It is worth noting that the introduced legal changes on the one hand enabled local governments to create SSCs and entrust them with the implementation of specific tasks in the form of a shared service, on the other hand did not introduce tools supporting their implementation in the form of, e.g., building a uniform corporate governance (e.g. standardisation of positions in organisational units subordinate to the commune). The lack of standardisation of administrative positions in units covered by shared service is problematic for at least three reasons. First, when creating SSCs and transferring employees from supported units, there is a problem of leaving tasks in the unit without personnel protection. In a situation where, e.g., employees responsible for payments also perform tasks that are not the subject of a shared service, when they are transferred to SSCs in a shared service unit, tasks that are left in the supported unit do not have a responsible person assigned. Secondly, the functioning of SSCs and the provision of a shared service requires constant mutual cooperation of individual employees from supported units and SSCs. In a situation where the administration has a diverse combination of tasks assigned to its employees, the problem arises due to the lack of explicit responsibility for individual processes. Thirdly, the lack of uniform job positions makes it impossible for the local government to run an efficient HR policy, including conducting training policy or efficient recruitment process.

Cooperation at the level of organisational units of the commune and its individual employees is an extremely important pillar for the effective implementation of SSCs. The research and results of the implementation analysis clearly show that this area does not belong to the areas of special interest of local authorities, irrespective of the fact whether SSC was established or not. In the analysed group of 115 heads of educational units in Elbląg,
only 2.4% participated in managerial training in 2015-18, and 4.5% in training in the area of HRM (Figure 5).

<table>
<thead>
<tr>
<th>Theme</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td>56.8%</td>
</tr>
<tr>
<td>Education law</td>
<td>12.7%</td>
</tr>
<tr>
<td>OHS and fire protection</td>
<td>10.3%</td>
</tr>
<tr>
<td>Labor law</td>
<td>5.2%</td>
</tr>
<tr>
<td>HRM</td>
<td>4.5%</td>
</tr>
<tr>
<td>IT</td>
<td>3.6%</td>
</tr>
<tr>
<td>Administrative</td>
<td>2.7%</td>
</tr>
<tr>
<td>Management</td>
<td>2.4%</td>
</tr>
<tr>
<td>Finances and accountancy</td>
<td>1.2%</td>
</tr>
<tr>
<td>Salaries</td>
<td>0.6%</td>
</tr>
</tbody>
</table>

**Figure 5.** Thematic structure of training for managers of educational units in Elbląg. Source: own study based on the SSCs implementation analysis for the city of Elbląg (June-August 2019).

Local governments focus primarily on training the heads of their organisational units in the areas of the so-called hard skills, substantive, directly related to the profile of the managed unit. The so-called soft training courses are often overlooked, no matter whether they develop very important skills in these positions i.e. competencies in team management, team building or change management. It is worth emphasising that when examining the expectations of managers in terms of training needs, they unambiguously indicated the need to improve qualifications in the area of the above-mentioned soft competences (managerial 8.7% and HRM 15.8%). When analysing the qualifications of the management staff, it should be remembered that in accordance with the law, all persons applying for the position of the head of an educational unit must have a university degree and completed post-graduate studies in the management of the educational institution. During post-graduate studies, the emphasis is primarily on educational law and substantive issues related to the day-to-day management of the educational unit. Entering the area of joint service and cooperation with SSCs forces, both the head and the employees managed by him or her, need to cooperate with the management and employees of SSCs. It should be emphasised that the biggest challenge in the process of creating SSCs is the human factor. Some employees, often with very high professional competences, are transferred to the SSCs, while the head of the educational unit has to deal with and divide any tasks left to be performed by the remaining employees. In addition, the implementation of existing tasks, e.g. in the area of finance and payroll services, requires ongoing cooperation with the new unit – SSCs, which can be challenging as well. The experience of local governments in Poland shows that this element of creating SSCs and designing a shared service is the most difficult, hence its unfavourable projection on the first period of functioning of many new units (Modrzyński et al., 2018). For the effective
implementation of SSCs in the local government, it is important to provide the necessary information to the heads of units and their employees about the principles of the new unit, the rules of cooperation or tasks allocation. The conducted research shows that the level of acceptance for changes introduced in the organisation is greater in the situation when employees have full access to information about the scope and purposefulness of introduced changes.

Another key element of the analysis concerning the qualifications and competences of the management of entities covered by joint service is their previous managerial experience acquired in managing other entities, including entities from the private sector. The seniority of the managerial staff of the studied educational units is close to 29 years, with an average of 9 years at a given managerial position. In most cases, they are people who work for several years in the current educational unit. In the group of 115 principals and deputies, only 20 people, i.e. 17.4%, have experience in managing another educational unit. In the case of experience in managing other local government units (except for educational institutions), only 3 managers, i.e. 2.6%, have such experience. As far as experience in managing units from outside the public sector is concerned, 8 managers (7%) have such experience, although it should be emphasised that in most cases it is related to the experience acquired while running their own business (Figure 6).

![Figure 6](image)

**Figure 6.** Presentation of research results of heads of educational units in Elbląg in the area of managerial experience. Source: own study based on the SSCs implementation analysis for the city of Elbląg (June-August 2019).

Having experience in managing other units is crucial for efficient change implementation. The manager who managed other units is more experienced, open to new challenges, and thus usually better perceives the situation in which the unit is served by SSCs. When creating SSCs, it is worth drawing upon such managers who accept new situations and express a desire to participate actively in the process of designing changes—they represent the so-called change leaders, sought-after in this particular situation. The use of such leaders when introducing
changes in local government units will be even more effective when the change is implemented by an "outsider" – e.g. local government management or the SSCs’ director.

Summary

A review of the literature and the author's own research made it possible to positively verify the research hypothesis presented in the article. The introduction of corporate governance is part of the discussion in the literature on the transformation of NPM into NPG or CMP. The lack of standardisation of work in local government units makes it difficult to conduct an effective HR policy, which assumes the creation of competence profiles and training aimed at specific processes implemented in given positions. Improving the efficiency of public administration depends on the fulfilment of specific conditions, which include: (1) standardisation – introducing corporate governance, (2) cooperation – implementation of horizontal relations between units, (3) implementation of HRM tools, including training in, among others, the acquisition of soft skills. It should be noted that without the first of these elements, namely standardisation, all subsequent ones lose their relevance. Introducing uniform standards regarding, among others, the organisational structure of local government units and positions is a sine qua non condition for the effective implementation of NPG or CMP models. Therefore, the question arises whether SSCs are a simple tool to improve the efficiency of public management. The research conducted in the largest Polish local governments confirms this thesis, however, it should be emphasised that the implementation of the shared service is only the beginning of the process of improving management efficiency. The implementation of SSCs enables the definition and clarification of the problem areas associated with the provision of a shared service, which is the starting point for the process of standardising the following elements: administrative positions, implemented processes and risk measurement, i.e. building corporate governance in the public sector.

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