Abstract

Public Organisations (POs) have been criticised for their bureaucratic and intrusive style of working – with issues such as red tape, low service levels and costs continually deteriorating the overall reputation of POs. In recent times POs have been encouraged to collaborate with each other in distributed and loosely coupled networks by making use of each other’s services, i.e. the sharing of services. The development of these networks is a complex endeavour because they contain several organisations whose developments are often out-of-sync and their resources and absorptive capacity is limited and diverse. This study uncovers and examines three shared services development projects. In each of the cases a different collaboration strategy was taken. Using the core competency and absorptive capacity theory the three arrangements are compared and linked to the starting situation. The findings show that development of shared service arrangements is influenced by path-dependent factors including the type of organisations involved, their relationships, its absorptive capacity and geographical location.

1. Introduction

In the extant literature, sourcing of Information Technology (IT) and common business processes such as Human Resources (HR) and Finance and Accounting (F&A) have been addressed for some time [11, 37]. However, issues regarding the choice of a sourcing strategy has often remained murky, hidden behind euphemism, perceived differently by various stakeholder groups, and generally not easily analysed. The collaboration by public organisations (POs) can play a vital role in helping them to achieve their strategic goals and allowing them to divert savings. Shared services reduce overlap between common activities by concentrating similar activities in a single business unit to profit from the economies of scale and scope [20, 21, 37]. A Shared Service Organisation (SSO) or Shared Service Centre (SSC) is a separate and accountable semi-autonomous unit, which delivers specific pre-defined services to the operational entities of that organisation on the basis of certain conditions [5].

POs have now started cooperating within Public Service Networks (PSNs) in which each PO can provide or consume services from the other. In this way they can improve their service provision and simultaneously accomplish efficiency gains [21]. The development and management of shared services in a PSN is a complicated endeavour, as it often involves multiple agencies having different objectives, resources, capabilities, processes and levels of IT sophistication [21, 22]. However, through extensive reengineering, standardisation and consolidation, these services can be separated from the core activities and delivered as shared services to all users of all involved POs within the PSN [37]. In this context, a new SSO is founded having relationships with many users in other organisations that need to be governed. The development is further complicated due to the diversity of key stakeholders and their interests [31]. In countries such as the UK, PSNs are perceived to mainly focus on “joining up” service provision. It is also alleged that public service networks may transform the approaches of government organisations at all levels i.e. local, national and central. Martin et al., [26] state that in an attempt to transform public services, governments around the world are seeking to realise change through policies intended to both transform the structures of public-service provisioning and facilitate the agency of public servants working within these.

Differences in strategic objectives, capabilities and resources often characterise organisations wanting to share services in a PSN. Potential partners may have different processes and levels of IT sophistication that need to be synchronised before services can be shared. The inter-organisational relationships in a public service network need to be structured in such a way that services are allocated to the SSO and that new specific roles are introduced, and coordination between them is embedded in a collaboration strategy. There is limited research in the public domain that uses theoretical paradigms to
explore shared services. Therefore, the motivation of this research is to contribute to this emerging field through an exploratory study of three different PSNs.

We move further by providing an overview of the shared services concept in general and specifically its significance in the public sector context. The research methodology adopted for this study is presented subsequently. Case studies are presented showing three different forms of networks ranging from centralised to decentralised. Then we discuss the results and implications of the research to theory and practice. Finally, conclusions and recommendations for further research are presented.

2. Shared Services as a collaboration strategy

The shared services concept illustrates standardisation and strengthening of communal functions across different organisations to condense information process replication and augment information and knowledge sharing [29]. The shared services model is primarily about optimising resources – illustrating a collaborating strategy or a transitional process between the whole organisation, with its individual divisions and with external enterprises [5]. Aksin and Masini [1] complement these conceptions by interpreting shared services as the strategy of homogenising, reforming, and strengthening established business functions and processes in an organisation, so as to enhance efficiency and effectiveness with both cost cutback and overall profitability in mind.

In the public sector context, literature indicates that the shared services concept has demonstrated to be an imperative constituent when it comes to increasing government efficiency by working in collaboration [4]. Janssen and Wagenaar [23] also assert that by sharing administrative processes across public agencies it is anticipated that a considerable escalation in efficiency and improved services delivery can be created, thus reforming the public sector. Becker et al., [4] support the latter argument that processes executed manifold times by several organisational divisions are executed once in a shared services model. In this respect, shared services constitute a form of government collaboration which is defined as a voluntary agreement between two or more distinct POs to deliver government services [9]. Gil-Garcia et al., [15] also state that collaborative projects are becoming increasingly important for public administration theory and practice. The prime rationale for collaboration and establishing shared services in the POs is achieving more efficient service delivery, reflected in cost advantages as well as in higher service quality [4, 7, 20].

When reviewing the various literature discussing public sector transformations [e.g. 45, 49] it is apparent that the public sector has thoroughly taken note of the benefits derived in the private sector and continues to strive for best practice. Despite the considerable transformations in the government service delivery, many governments from the mature democracies are still struggling to improve services while managing costs i.e. trying to achieve better value for their investments [7, 11]. The authors argue that albeit this challenge is not new, ever-loftier election pledges and higher benchmarks set by the private sector organisations have substantially raised both citizen expectations (in terms of quantity and quality) and political stakes from the public sector. Brockett [7] supports the latter conceptions by stating that many POs are feeling the implications of recent recession (also facing greater challenges in meeting needs of their communities) and looking at significantly reducing their workforce, thereby cutting costs and mainly focusing on shared services.

In this respect, Brockett [7] offers examples from three West London local authorities that proclaimed an exclusive shared service alliance that links a number of geographically dispersed local authorities, enabling them to share resources. The motivations for this arrangement have been largely influenced by the fact that one local authority in the alliance had adequate capability and competence to provide services for up to eight other councils [7]. Blankene [6] argues, using an example of the collaboration of seven municipalities in the Netherlands, that no standard implementation plan could be outlined in advance and various forms of collaboration are possible. Collaboration on the execution of Information and Communication Technology (ICT) and business processes does not need to imply collaboration on other aspects e.g. policy-making.

In summary, the concept of shared services in the public sector context and more specifically, the local authorities, have not followed a standard development path. The current local government modernisation agenda puts shared services delivery in the centre ground of government policy, following the ‘Gershon Review’ [11, 14]. Moreover, looking at the abovementioned theorised conceptions, it can clearly be argued that no longer POs can instinctively focus on undertaking any activity on an individual basis as the most lucrative way of thriving. This argument is supported by Miskon et al., [29] and Wang and Wang [39], who state that the assertion of potential competence and efficiency gains,
incorporated customer-centric services, and improved exploitation of scarce competencies and capabilities – are some captivating propositions that POs seek to derive from other public sector organisations.

3. Theoretical Background

Due to the relative newness of SSOs and PSNs, there is limited research in the public domain that explores the concept in depth. Certainly only a few studies analysed the concept using theoretical models [20, 21, 30]. There is, thus, a clear research gap in the area that needs to be addressed if practitioners and researchers are to fully understand how to strategically exploit SSOs and PSNs. In this respect, there are a number of theories that can offer a conceptual framework for analysing SSOs and PSNs. In particular, theories that have been proposed for studying organisational networks in the past can offer a conceptual lens for understanding collaboration in PSNs. Core competencies theory [12, 32] and absorptive capacity [8] can be used for understanding the path-dependent development of shared service arrangements.

3.1 Core Competencies Theory (CCT)

Core competency theory signifies a pedagogical theory in which establishment coalition associates tend to work in an alliance to increase their competence [12]. This theory is also an example of a source of achieving sustainable competitive advantages [17]. However, the type of activities (i.e. core or non-core competencies) in the firm that could be outsourced or shared is still surrounded in controversy as most of the research community perceives that the firm’s core activities should not be outsourced [3]. The rationale for such argument is that outsourcing of the core competencies may condense the incentives in the firm’s innovation, revealing critical technologies and amplify the potential competitors, thus counteracting the benefits realised due to outsourcing. Generally decision makers favour to preserve their core activities and outsource the non-reusable and non-core activities to external providers [3, 12].

In public administration the focus on citizen-interaction and keeping close relationships is often viewed as a core competence that should be retained in-house. With regards to POs involved in PSNs, Janssen and Joha [21] report that POs need to collaborate with each other to form a network and effectively coordinate the pools of resources and adjust them using their core pooled competencies. POs are forced to work more efficiently and want to share instead of outsourcing in order to keep close control of the services and ensure innovation and customer-orientation. The latter is likely to be enhanced when the public service networks include agencies with core resources and competencies. Therefore, CCT offers a conceptual explanation for the type of competencies that may be shared in a public sector context.

3.2 Organisational Absorptive Capacity (OAC)

Cohen and Levinthal [8] pioneered the concept of absorptive capacity in the field of strategy. This concept was extracted from the economic theories (e.g. primarily Schumpeterian) that examined the role of Research and Development (R&D) in economic performance. The perception of absorptive capacity evolved from preceding research on organisational learning [42]. Organisational learning has been defined as the growing insights and successful restructuring of organisational problems [36], the process of recuperating the actions through improved understanding [13] and the capability of the organisation to evaluate and act upon internal and external stimulus in a collective and focused manner [27]. Conversely, Cohen and Levinthal [8] describe that absorptive capacity is a firm’s ability to identify, assimilate and exploit external knowledge to commercial ends. This focus on external knowledge dates back to March and Simon’s [25] research, which note that most innovation results from borrowing rather than invention. In this respect, an open view of organisations is particularly appropriate for IT, which is mostly provisioned, rather than developed internally in the public sector.

Absorptive capacity can be viewed as the ability of an organisation to complete a learning process. A significant learning effort is typically associated with IT, as it represents a complex implementation process. To cope with IT’s complexity, implementation is typically incremental and is accompanied by a continuous integration effort of data and applications. The degree of integration of a company’s information system, called IS integration, is a proxy of IT maturity and quality. It can be said that integration of shared services leads to improved performance through absorptive capacity, i.e. that absorptive capacity has a mediation role. In the context of PSNs, each of the organisational members has a certain absorptive capacity influencing the overall performance and development. Malhotra et al., [24, p. 151] explain absorptive capacity as ‘a set
of organisational routines and processes by which organisations acquire, assimilate, transform, and exploit knowledge to produce dynamic organisational capabilities’. Furthermore, Malhotra et al., [24] suggest that integrative inter-organisational process mechanisms are an important construct in absorptive capacity that include: Joint Decision Making – explained as the ‘extent to which an enterprise and its supply chain partners make joint decisions related to their interlinked business activities’, Inter-organisational Process Modularity – which refers to the extent to which interlinked processes between an enterprise and its supply chain partner are structured as relatively independent sub-processes with clear interfaces, and Standard Electronic Business Interfaces – the use of common specifications or formats for exchanging and processing of information at the interface between an enterprise and its supply chain partner. These mechanisms are important for governing the relationships among organisations in PSNs.

4. Research approach

Our objective is to explore collaboration arrangement for electronically provided services using shared services in public sector networks. Our research methodology is based on three phases [19] namely: research design, data collection and data analysis. The research design utilises an interpretive, qualitative case study approach. An interpretive approach allowed the authors to navigate and better explain this phenomenon, as the social world cannot be reduced to isolated variables, such as space and mass, and it must be observed in its totality [34]. Qualitative research is multi-method in focus, involving an interpretive, naturalistic approach [10]. This implies that the qualitative researchers study things in their natural environment, and they comprehend events in terms of meanings that people bring to them. The qualitative paradigm recommends that researchers observe human behaviour and action as it occurs in mundane everyday life [35].

A multiple case study approach was employed for this research allowing for examining a phenomenon in its natural setting, employing multiple methods of data collection to gather information from one or a few entities e.g. people, groups, or organisations [38, 41]. Case studies can be single or multiple – however, a single case may not provide sufficient insight into the variety of possible collaboration arrangements of shared services within the setting of public organisations. There are many types of SSO and configurations. Multiple case studies enable the researchers to examine and ‘cross-check’ findings and may provide the research with a more ‘robust’ investigation [18]. As in the case of this research – three case studies are investigated having three different forms of networks ranging from centralised to decentralised.

The data collection procedure used in the study followed the prescriptions as found in the normative literature for doing fieldwork research [41]. Qualitative research methods including data collection via formal, in-depth structured and semi-structured interviews, observation, websites and archival documentation, were adopted. Interviews are regarded as the main tool of qualitative research for the data collection process [10] and constituted the main data source. Participants from each of the case study organisation were interviewed using structured interviews. Nine structured interviews were performed based on the interview agenda. Over 25 semi-structured interviews also took place with employees of the three public organisations but without the use of an interview agenda. Using this type of interviews the authors attempted to clarify some issues that derived from the structured interviews. The use of unstructured interviews allowed some important insights on the case studies to be collected (e.g. employee perceptions and having to adapt to new ways of working).

5. Case Studies

The sharing of services among autonomous public agencies requires the close cooperation among those agencies in the context of public service networks. In PSN arrangements, the sharing of services is driven by reduced budgets and the expectations of citizens and businesses to improve services. In this study, three public organisations (Case 1, Case 2, and Case 3) are investigated in the Netherlands having three different forms of collaboration arrangements, ranging from centralised to decentralised, as visualised in Figure 1. All the selected networks were already in operation for several years, which enabled us to develop a retrospective view of the developments.
5.1 Case 1 – Centralised Shared Services (CSS)

In an attempt to avoid a large duplication of efforts and to accomplish cost savings, several programmes were founded aimed at creating shared services for Dutch municipalities. Municipalities are free to design their systems, choose their sourcing options and to choose appropriate technology. This freedom has created a huge diversity in systems, although nowadays it is acknowledged that at a general level the processes and main functionalities are similar among the municipalities. The unbundling of services started mainly by looking at those services which were already available and which were already shared by municipalities at local level. This resulted in a focus on services that were relatively easy to unbundle and to share centrally resulting in quick wins. In this way, the innovativeness and risks of developing services is kept limited and the main benefits arise from the economies of scale. The potential users of the shared services are all public agencies in the Netherlands. The main benefit of these shared services is that it helps to adopt new information technology quickly and to ensure that all agencies have access to certain services. Agencies with limited resources and knowledge would be able to advance their efforts, as they would be helped to adopt and implement the shared services.

The use of shared services relieved public agencies from the burden of developing and maintaining services in-house and resolves the need for having in-house expertise. As such, these services reduce fragmentation of the development of similar services over and over again. Although, it saves resources for the design and management of ICT applications, it also consumes resources for governing the relationships among the users and SSOs. As the services are provided to many agencies, in order to minimise the governance efforts, the centralised shared service centre adopted a ‘take it or leave it’ approach. No customised services are offered although some limited configuration is possible. The main challenge was not related to the creation of shared services, but to its adoption by users. Over time this has resulted in the creation of implementation support which outlines an implementation plan, the actions needed to be taken and user support.

The governing board of the SSO is made up of high-level representatives of all layers of government, including ministries, provinces, municipalities and respective public organisations (i.e. such as the water board). This board focuses on the long-term issues and has a relatively large distance from the users, as one interviewee puts it “their awareness of our problems is limited and they are not talking about our real problems”. The distance between the governing board and the daily practice is quite high and there is little room for customisation, as this would harm the economies of scale. The service provisioning is supported by standardised Service Level Agreements (SLAs) that are offered by account managers. Account managers are responsible for the close interactions with the local government. This level has the advantages of enabling close relationships among the stakeholders. Nevertheless, they were criticised for their inability to act upon the suggestions and systematically and structurally inventorying problems. Nevertheless, the account managers are the one who identify, assimilate and exploit the knowledge of the other parties for the improvement of the shared services. Their input has resulted in a user requirement assessment and in the development of a new application for delivering the shared services.

5.2 Case 2 – Federated Shared Services (FSS)

The federated shared services case consists of six cooperating municipalities. Although it is federated, this collaboration is dominated by one large
municipality who provides their services to other, smaller and mainly neighbouring, municipalities. The smaller municipalities are mainly driven by their inability to develop the services themselves, by a lack of resources, expertise and skills for realising services, which is reinforced by current budget cuts and public spending. As pointed out during the interviews, each of the small municipalities had between two and five FTE in their IT departments. The large municipalities already developed systems and were using the services internally before starting to offer them to other municipalities. This historical path dependency is the consequence of starting with already developed and proven services; prior to this the small municipalities developed their own services and often struggled with IT. Slowly the small municipalities started to use some of the systems of the large municipalities and over time more and more services were used. The sharing of services seems to be a natural extension of the resource sharing activities that were going on. Interviews revealed that the prior experience helped to avoid having complicated negotiation processes about which services to use and how to shape the modules and interfaces.

In the FSS arrangement, the decision-making powers and responsibilities are divided over six municipalities, although the largest municipality is the natural leader and has the most influence. All network partners have contractual relationships and most of the services are guided by SLAs which are primarily focused on availability and speed of delivery. Although the SSO was concentrated in one geographical location, for the small municipalities a condition was that the SSO employees should spend time at the other municipalities to ensure the ability to quickly react to local needs and to have a simple interaction line. A helpdesk function was created functioning as a one-stop shop for all users. The helpdesk prioritises requests and forwards the user requests to the right person. The SSO was founded as a legal entity having its own responsibilities and being accountable to the board of directors. The board members consist of representatives from the municipalities involved and the board is headed by the head of the largest municipality. The decision-making is mainly driven by the large municipality. Policy makers at the municipalities make proposals for the strategic directions and decisions that need to be taken in cooperation with the SSO. Again, the large municipality is often in control and takes a leading role in these proposals. Many interviewees pointed out that this has resulted in regular tensions between the needs of the large and all the smaller municipalities, as they face a different set of challenges.

5.3 Case 3 – Decentralised Shared Services Networks (DSSN)

In comparison to the first cases, this type of collaboration arrangement is the most complicated construction as every organisation can serve both as shared service providers and users. The whole service delivery is modularised and the modules are provided by various organisations, which in turn use the modules of the other organisations. In practice about two-third of the organisations are both a service providers and users, whereas the others are only users. The network investigated consists of 12 parties. The interview results suggest that there were a number of discussions about who is going to provide which services and about the obligations whether or not to use the services. Some of the services are naturally provided by a certain organisation, as this organisation might be a frontrunner or viewed as having a best practice in the field, whereas, for many other services this is unclear. Although some organisations did not prefer to become a shared service organisation, several wanted to become one to ensure that some of the activities are retained. Especially the small organisations did not want to run certain shared services, whereas relatively large municipalities (with around 6-12 FTE) wanted to use their existing staff and become a shared service provider. This has resulted in similar shared services offered by different organisations, whose basis is the same, but different in terms of overall functionality and quality. A number of non-resolved issues within this DSSN arrangement have resulted in the decision by the partners that no new partners could enter the network. An interviewee indicated that an exception would be organisations having services and capabilities not included in the network yet, but this did not happen so far.

The interviews revealed that there are many cross-relationships that need to be managed among the collaborating organisations. This network is dominated by formal service level agreements and regular organisational level meetings. There is a governance board with high-level representatives from all the organisations. Regular meeting are held with all the shared service organisations. For several providers this will involve service provider and user meetings and at the operational level these meetings will involve employees. One interviewee stated that
The interviewees suggested that there have been many conflicts in the past and it is likely that some conflicts will occur in the future. Past conflicts have resulted in the decisions by several organisations to abandon the network. This has resulted in more formalisation of communication, decision-making platforms, long term agreements about budget allocation and payment for services, and clear service level agreements. Regular newsletters including presentations of staff members were used to create an understanding of the diverse network. Also a directory of persons and their responsibilities were shared to ensure that they could be identified quickly. The development and enhancement of services is a complicated process as it needs the agreement of all players. This results in a long lead time for enabling changes and allocation of resources to accomplish these changes.

6. Discussions

The review of extant literature clearly shows that the development of shared services in PSNs is a complex endeavour because they contain several organisations whose developments are often out-of-sync and their resources and absorptive capacity is limited and diverse. While there are different types of PSNs, we found that previously published studies on PSNs failed to explore these different types in adequate depth. Furthermore, there is limited research focusing on conceptualising these different networks and their rationale using theoretical foundations.

One of the main drivers related to the core competencies theory can be found in all three case studies examined in this research. Government organisations want to focus on their core business and consider ICT as non-core [40]. Their overall aim is to reduce costs and management attention by utilising SSOs, whereas getting access to better and higher quality services at the same time. Nevertheless, several interviewees considered service delivery as a core competence, for instance one interviewee stated, “yes this is a core activity, but the main thing is that given our budget and ICT-staff others can do much better”. Service delivery to their constituents becomes more electronic suggesting that electronic service delivery might be viewed as (partly) a core activity, although by far less important than policy-making and the activities for ensuring public values like security and safety. The main argument is that although it might be a core area, it is acknowledged by the interviewees that there is limited variety in service delivery among municipalities and there is an urgent need to use external resources given the drastic budget cuts. Hence, sharing is viewed as an option, whereas outsourcing is hardly viewed as an option, given the associated risks. Although in fact there might be limited possibilities to exercise influence, the basic idea is that public organisations share the overall objectives and ambition level and would better take care of ensuring high service levels and innovation than the citizens would expect. This also confirms the suggestion of Arnold et al., [2] and Miller et al., [28] for business networks that risks and risk mitigation are also a predominant concern in public networks and should be shared.

Inspired by absorptive capacity theory, we discuss joint decision making, modularity and interfaces. In all cases there was the issue of IT-systems and process modularity (unbundling of services) to ensure that these could be shared among a number of public agencies. On the other hand, organisations must carefully assess and select their network partners (i.e. absorptive capacity is different). The centralised case is characterised by loose relationships, whereas the more decentralised cases are characterised by tight relationships. In the latter case the organisations are subordinates and the functioning is dependent on the weakest link. This can be very risky in terms of transaction-specific capital, as much investment has been made and is still being made in the relationships, and because of the loss of resources control. Much of the relationships are contract-based as SLAs are used, whereas there was limited monitoring of the SLAs. In the centralised network the governance was dominated by formal mechanisms for ensuring the interaction. This can be attributed to both the central nature and the large user base. The more decentralised cases put more emphasis on knowledge sharing and formal and informal relationships.

Especially small municipalities have limited choice and need external resources to improve their services provisioning, nevertheless there is a need for a strong willingness to form commitments, as sharing results in high dependencies on each other. In the decentralised PSN there is a transfer of resources to the shared service organisations. The resources are not necessarily recoverable if a relationship ceases. In the federated arrangement the small municipalities are resigned to the large municipality and their say in the development and influence on the long term and
strategic development is considered as essential. As a result, partnerships should be selected carefully, as a failure to do so has caused a stop on extending the network in the last case. This resulted in a larger stake on having close relationships with each other to ensure high levels of information sharing. In the networks, resources are heterogeneously distributed across organisations and are imperfectly transferred between organisations and there is a strong need for governance mechanisms in order to operate the dependencies among resources and ensure efficient use [33]. The three networks investigated differ significantly from each other and have different governance structures. The type of arrangement is influenced by the factors such as geographically closeness, the existing working relationships and availability of resources and capabilities at each of the organisations, the power structure among network members, and ease of access to each other resource. This has two implications. First, the shared service arrangements should not be considered as a homogenous concepts as many forms and network structures are possible. Second, the resulting network is influenced by many factors and there seems to be no best arrangements. In both domains more research is necessary.

The IT governance structure within collaborating organisations was different in all three types of networks. Decision-making boards were aimed at giving the long-term direction and making of strategic choices. Whereas in the CSS the decision-makers were criticised for not being aware of the real problems, similar voices were not heard in the other cases. All arrangements had a contractual base and were in some way guided by service level agreements. The federated network has the least formal agreements, as many of the relationships between the large and small municipalities evolved over time. In the CSS, a significant number of user SLAs were necessary given the huge amount of users, whereas SLAs guided the complexity and expectations in the DSSN. The formal and informal relationships were handled in different ways. The CSS completely relied on formal relationships and communications with their users, enabling information relationships among users by organising workshops and other events. In the FSS most of the staff was familiar with each other and the contractual arrangement included the regular change of the staff to also reside at the user locations. The decentralised SSN focused on formal communications for enhancing the ability for finding each other and stimulating information relationships. Their aim was to develop the relationships, which was considered as necessary to deal with the complexity. It was also clear that the distance between the decision makers and operational level employees within the shared service arrangements was quite large in the centralised situations, whereas communication, social relationships and knowing each other were of key importance in more decentralised situations. In this respect, the literature on OAC and CCT offers the context to understand the use of actual governing mechanisms of SSOs and they offered valuable conceptual reasoning that could clearly explain the rationale and motivations for undertaking SSOs in the public sector.

7. Conclusions

Three different cases of shared service development in public administration were investigated, with a focus on services provided electronically. The collaboration strategy and resulting shared services arrangements were analyzed using the core competencies and absorptive capacity theory. Although CTT was developed initially for the private sector, it proves to be useful for the public sector as CCT explains that sharing is the preferred option and outsourcing not, given the associated risks. Shared services are preferred over outsourcing as this is an arrangement within the public sector. ACT shows that shared service development is influenced by factors, including the type of organisations involved, geographical closeness, the ties and relationship between the organisations, the type of services, power structure among the members, budgets and available resources. Especially small municipalities have limited choice and can benefit from the resources of other POs to improve their services provisioning. There is a need for a strong willingness to form commitments, as sharing results in high dependencies on each other.

The results of this study have important implications to further theory development in the discipline and further research. First, sharing of services should not be considered as one type of construction. The drivers for sharing are motivated externally by drastic budget cuts, but reinforced by internal lack of resources and capabilities. The results are that organisations start to share services that directly affect the functioning of their service delivery. Service delivery can be considered as one of the core competencies of POs, although it’s less important than policy-making and ensuring public values like security and safety. Second, the type of arrangements in SSOs depends on the type of public
organisations and subsequently the services that need to be shared. Especially the size and existing ICT function determines the role in the network. Bottom-up developed networks consist of organisations that are comparable in size and geographically close to each other. This suggests that equality among organisation and closeness are major factors in forming such constellations. In contrast, top-down driven networks or networks characterised by a dominating actor are driven by the need to embrace new technology and services without having the internal resources and capabilities of doing so. The sharing of services is considered as a better alternative by public organisations than outsourcing to a market party from the core-competencies view. Although there are limited possibilities to exercise influences, the idea is that public organisations shared the overall objectives and ambition level and would better take care of ensuring high service levels and innovation than the market would be. From an absorptive capacity view this shows the importance of close partner capabilities to ensure the organisations’ willingness to invest in commitment to the relationship and to share information. The SSO should identify, assimilate and exploit the knowledge of the other parties for the improvement of their operations and services, and to innovate. This influences the IT-governance significantly, as, although the dominating party seems to rule over the other parties in two of the investigated cases, they are willing to invest in relationships in terms of having account managers, organising conferences and workshops or putting employees geographically close to the users. In this context, an organisation’s absorptive capacity has a strong positive effect on the network performance. The empirical evidence in this research suggests that all three networks developed over time and the organisations had to learn from each other. The ability to have open relationships and decision-structures that are able to deal with problems contribute to the sustainability. Core competencies theory and absorptive capacity were found to be suitable for investigating collaboration centered around shared services.

This research has limitations as it focused on three types of PSNs and clearly more research is needed to explore other types of arrangements and business models. Therefore, substantial future research is needed in order to better understand the varied effects and influences of risks in these relationships and the complexities of governance in shared service arrangements.

References


