AN EXPLORATION OF HOW SHARED CORPORATE SERVICE OPERATE AND PERFORM IN ENGLISH LOCAL GOVERNMENT

by

Thomas Pike

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Centre for Local and Regional Government Research, Public Management Research Group, Cardiff Business School, Cardiff University

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Abstract

The concept of shared services has been heavily promoted by UK central government, reportedly offering a mechanism to reduce costs and improve service performance. This advocacy of shared services has advanced ahead of academic research and evidence.

This thesis aims to assess whether using this model results in reduced costs and improved performance in local government. A theory-driven research framework is used to assess the impact of using this form of partnership.

The dominant theoretical rationale underpinning shared services is the intention to create a partnership to generate economies of scale, achieving reduced costs and improved performance. The model is thought to benefit from effective relationships which reduce supervision costs, and is dependent on effective implementation processes. The research project also incorporates counter-perspectives, which suggest there are limits to economies of scale, and potential challenges to the partnership relationship.

The findings of the study indicate that, firstly, in comparison with other models of service delivery, clients of shared services report a more negative perception of performance. Secondly, it seems respondents in those authorities using shared services extensively are more likely to perceive that performance has declined. Thirdly, qualitative data indicate that shared corporate services have been implemented in a limited form, most often constituting a shared management arrangement, perceived to deliver cost reduction but with little evidence of performance improvement. Finally, the findings offer limited evidence of economies of scale, although the data provides some support for the notion that high-trust partnership relationships can reduce supervision costs, and conversely, finding that partnership working can also result in disruption or dysfunction which may bring the partnership to an end.

The thesis offers recommendations for theory, research and policy. Overall, it would seem that the effectiveness of shared service partnerships is highly contingent upon the form they take, the effectiveness of the implementation process and a clear understanding of the associated benefits and risks.
Chapter 1: Introduction

1. Introduction

Faced with complex challenges and limited resources, inter-organizational partnerships are increasingly proposed as the mechanism to improve the effectiveness and efficiency of public services. Osborne (2010: 425) describes an era of complex and ‘fragmented service delivery systems’ for public services. Within this context, public services ‘are increasingly characterized by hybrid forms of organization variously described as partnerships, collaborations networks or alliances’ (Entwistle, 2010: 162). The provision of public services incorporates collaboration, use of markets and quasi-markets, and the involvement of a range of different agencies (Bevir and O’ Brien, 2001).

Confronted with deep-rooted social challenges and pressing financial concerns, ‘governments increasingly see partnerships as their delivery instrument of choice’ (Entwistle et al, 2007: 63).

Alongside internal provision and privatization, governments have developed collaborative arrangements, integrated and co-ordinated activity, and hybrid forms of organization to provide services and respond to social challenges (Osborne and Brown, 2005: 62 – 4). In theory, partnerships offer a range of benefits. They are able to maximize the return from scarce resources (Entwistle, 2010: 164), enable better policy making by including different stakeholders (Lowndes and Sullivan, 2004), access additional resources or the skills of other sectors to improve performance (Andrews and Entwistle, 2010; Cohen 2001), or address a complex policy challenge (McQuaid, 2010; Kettl, 2006). Specific forms of partnership may be selected for specific goals (McQuaid, 2010). Partnerships between public services may be formed to address a complex social challenge, with two or more public providers working across their organizational boundaries to address the challenge and improve service effectiveness (Andrews and Entwistle, 2010: 3). Public-public partnership may also be used to create scale and share production costs (Andrews and Entwistle, 2010: 3 – 4), with shared services a relatively new and untested form of public-public partnership.
An emerging area of theory and research relates to the use and performance of the shared services model within the public sector. Through this model, public services enter into relationships with one another to provide services, using a variety of models (Oakerson, 1999; Ruggini, 2006; Brown and Potoski, 2003). The shared services model is described in the private sector literature as concentrating corporate services or resources ‘in order to service multiple partners at lower cost with higher service levels’ (Schulman et al, 1999: 9). The model is characterized by the pooling of corporate services, such as finance services, to provide services across a large organization or group of companies (Bergeron, 2002; Hogg, 2003; Ulrich, 1995). Dollery, Akimov and Byrnes (2009) assert that sharing services can result in improved performance in the public sector, noting that some functions more amenable to sharing (e.g. IT, procurement, HR) than others. Corporate services encompass a range of functions (including IT, procurement and HR), providing support to customer-facing services, including transactions, professional and advisory services, and infrastructure. In the domain of public policy, the performance of corporate services has been challenged, described as ‘Cinderella areas… significantly behind the private sector in both effectiveness and efficiency’ (Cabinet Office 2005: 5). Shared services are proposed as the remedy, reducing costs and improving performance (DCLG, 2006; NAO, 2007). This thesis sets out to evaluate and understand the theoretical basis underpinning shared services and to gather, assess and evaluate relevant data from the local government sector in order to evaluate the assumption that using shared corporate services will lead to improved performance and reduced costs.

New forms of shared delivery between government bodies are hypothesized to create additional scale, resulting in improved performance (Dolley and Grant, 2010; Ruggini, 2006; Schulman et al 1999). In addition, the model is hypothesized to benefit from reduced supervision costs, owing to trust and goal alignment between government partners (Brown and Potoski, 2003; Warner and Bel, 2008). The success of the shared service is also thought to be dependent on the effectiveness of the implementation process for this new and innovative service model (Piening, 2011; Borins, 2001b). The use of rational management
and political negotiation processes are proposed as methods to support successful implementation and operation (Osborne and Brown, 2005). However, there are also a number of potential challenges to the model, including potential limits to the benefits of scale (Niskanen, 1971; Downs, 1967). Further, there may be serious principal-agent problems, including potential for goal misalignment and breakdown of trust (Holmstrom and Milgrom, 1991; Gomez-Mejia and Wiseman, 2007). There are identifiable barriers to successful operation and performance of shared services, including conflicting partners and uncertain benefits (Dollery et al, 2009: 216).

This thesis represents the first study to consider the theoretical foundations of shared corporate services in English local government and to systematically evaluate performance effects achieved by the use of a shared services model. The theoretical foundations of the model are underdeveloped and evidence on the performance of shared services sparse. To overcome this research gap, this thesis sets out to understand the theoretical foundations upon which the concept of shared services is based, identify where the model is used, gather data on the operation and performance of shared services, and assess the impact of using this form of public-public partnership.

2. Thesis aims and objectives
There is a significant gap in the field of literature and research into the use of shared services in local government, with limited evidence available to demonstrate the performance effect of using shared corporate services. This research project aims to assess the theoretical foundations of sharing corporate services, and develop a research methodology and framework to evaluate how shared services have operated within local government. The thesis aims to judge whether using a model of shared corporate services does result in reduced cost and performance improvement. Furthermore, the research project is intended to explore and explain the performance implications of using shared services.
The thesis introduces a research framework and methodology to identify and access evidence regarding the development, deployment, operations and performance of shared corporate services. Several key research questions will be addressed. Which authorities are using shared corporate services, which services are shared, with which partners and through which model? How are shared services partnerships established? What can we learn from how shared services have been implemented? How do shared services operate within local government? Which models perform best? Does using a model of shared service improve performance and reduce cost? How relevant and accurate are the theories underpinning shared services? And significantly, which factors explain the observed performance?

These initial questions help to establish a basis for a study into the impact of adopting shared corporate services, allowing for the development of an appropriate theory-driven research and evaluation framework to identify the changes sought through implementing corporate shared services, impacts, and explanation of why a given impact has occurred. The aims of this research project will be met by outlining the theoretical foundations of shared services, understanding the changes anticipated from the use of the model, and considering counter arguments and theories. A mixed methods research strategy will be used, with the quantitative research activity seeking to identify where corporate services are in place and access performance data to enable comparison. Qualitative research will be used to understand how the model has operated and the results achieved.

In this introductory chapter, a number of key issues are considered. Firstly, the theoretical and policy contexts in which shared services are located are described. The chapter then considers the meaning of shared services, and explores how to interpret performance of corporate services. Finally, the chapter provides an overview of the structure and content of this thesis.
3. Theory context

Osborne (2010, 9) highlights the complex challenges in the twenty-first century, recognizing the ‘complex, plural and fragmented nature of public policy implementation and service delivery’. Within this context, Brown and Potoski (2003, 441) argue that ‘governments not only choose which services to deliver, but they also choose how to deliver those services’. A number of alternative service delivery methods are available, from internal provision, to contracting and relationships with public organizations. Warner and Hebdon (2001: 42) point to the examples of inter-municipal cooperation, reverse privatization, and government entrepreneurship as alternative methods of service provision.

Support for collaboration is based upon the belief that there are a number of potential benefits, including the pooling of resources (McQuaid, 2010: 131), enhanced strategic capacity… or the simple belief that cooperation is inherently good’ (Davies, 2002: 176). Boyne (2003) comments that use of partnerships may drive improved performance, with the caveat that this depends upon ‘whether they are able to mobilize more skills and resources than single organization acting in isolation’ (Boyne, 2003a: 371).

The concept of collaboration (or partnership) has been taken to refer to a range of organizational forms, from formalized and contract-based relationships, to loose networks of interest and mutual understanding (Newman 2001; Davies, 2002). Different forms of partnership may be appropriate in different circumstances (McQuaid, 2010: 127 – 129). Partnerships between public bodies are advocated where contracting with the private sector is perceived to be too risky and sectoral differences too difficult to manage. Government bodies share similarities in objectives, legal constraints, and face political scrutiny (Brown and Potoski, 2003; Warner and Hefetz, 2002). Furthermore, a partnership between government bodies is also appealing where economies of scale can be achieved (Warner and Hebdon, 2001).

Within this thesis, the shared services model is regarded as a form of public-public partnership, with the intention to improve the performance and reduce the costs of corporate services (Schulman et al, 1999; Bergeron, 2002; Hogg, 2003;
Ulrich, 1995; Dollery and Grant, 2010). Within the emerging public sector literature, the shared service model is proposed to create scale, resulting in reduced cost and performance improvement (Ruggini, 2006; Dollery and Grant, 2010). The model is thought to benefit from the creation of scale, and effective partnership relationships which reduce supervision costs (Dollery and Grant, 2010; Tomkinson, 2007; Brown and Potoski, 2003). In theory, the shared services model could be applied to a range of public services, rather than being restricted to corporate services. However, given that the roots of the model are drawn from the sharing ‘back office’ functions within large corporations within the private sector (Dollery and Grant, 2010), and the overt policy advocacy for sharing back office services and costs (DCLG, 2006a; NAO, 2007), it is appropriate to use corporate services as the focus of the study. Furthermore, emerging policy research on shared services in English local government indicates that corporate services are the most commonly used form of shared service (Symons et al, 2011). From Australia, Dollery and Grant (2010) suggest that back office services such as ICT, Human Resources are most amenable to a shared model, but that the model may also be extended to other services such as waste management.

However, to date little systematic research has been carried out which examines these assumptions. This thesis provides a first look at an initiative of great policy significance.

4. Policy context
In recent years, the concept of sharing services has been promoted by UK central government, reportedly offering new models of service delivery to address long-standing public service challenges: aiming to reduce costs and improve service performance. This focus is not restricted to the UK, with policy makers and government bodies in other countries such as the United States and Australia exploring and using models of shared services (Ruggini, 2006; Brown and Potoski, 2003; Dollery and Grant, 2010). Under the UK Labour government (1997 – 2010), local authorities were challenged and encouraged
to use new models of service delivery to improve the performance and efficiency of services. The Department for Communities and Local Government produced reports (DCLG, 2006a; 2006b; 2006c; 2006d) articulating the benefits of partnership working including shared services, and offering guidance on how to establish shared services partnerships. At the core of the argument supporting shared services is the belief that methods of service delivery should be challenged and new models considered. This was clearly expressed under the Labour administration: ‘no longer can public bodies automatically take the stance that undertaking any activity on a standalone basis is the most cost-effective way of going forward’ (DCLG, 2006d: 13). The DCLG report Service Transformation Through Partnership (DCLG, 2006c: 5), encouraged greater partnership working, stating that ‘the present climate sees two key demands facing local authorities – increased expectation on service delivery (and) pressures on local authority expenditure’. Sharing services is offered as model to achieve these aims, but the challenges have been noted:

‘The development of shared services in the public sector is not a new concept. But it is enjoying a particularly keen focus across local government at the moment, as a potential panacea for many of the key challenges facing the sector. The promise of potential efficiency gains, integrated customer-centric services, and better use of scarce skills and capacity is certainly attractive in principle to many local authorities. In practice however, there are currently few examples of where the potential benefits mooted for shared services arrangements have been fully realised’ (CLG, 2007a: 5).

Endorsement of shared services has continued under the Conservative/Liberal Democrat national government (2010 - present). The Comprehensive Spending Review (HM Treasury 2010; 8) set out the government’s spending plans and priorities, providing ‘a settlement for local government that radically increases local authorities’ freedom to manage their budgets, but will require tough choices on how services are delivered within reduced allocations’. The sharing of services and functions continues to be pursued by central government, with the Secretary of State for Communities and Local Government, Eric Pickles advocating ‘sharing senior staff and back offices, savings taxpayers millions of pounds and showing its possible to do more for less’ (DCLG, 2011). However,
the concept of shared services has now gone beyond corporate services. From Wales, a report to the Minister for Social Justice and Local Government, ‘Local, Regional, National: What services are best delivered where?’ (Welsh Government, 2011), makes a number of recommendations for collaborative service delivery across public services. This includes proposals for: shared procurement or management of waste and recycling to be organised collaboratively by local authorities; management and delivery of strategic highways be organised collaboratively at a regional level; collaboration over the provision of particular functions within services, such as ICT systems and procurement for library services, and collaborative provision of some functions of social care (Welsh Government, 2011: 6 – 9). Thus, empirical evidence on this issue has the potential to inform current policy and practice.

5. Understanding shared corporate services

Shared services have been defined in a number of ways. Dollery, Grant and Asimov (2010) suggest that shared services can broadly take three forms: horizontal shared services arrangements ranging from ad hoc arrangements to fully shared administration; vertical models, which involve a relationship between local and central or regional government bodies; and intergovernmental contracting. Ruggini (2006: 30) follows a similar convention, understanding shared services to be ‘intergovernmental cooperation at the local level either by formal written contracts or informal verbal agreements’.

Rethinking service Delivery, Volume 3: Shared Service and Public/Public Partnerships (DCLG, 2006d) defined shared services as ‘collaboration, partnering of other joint-working between local authorities or other public sector bodies to organise the commissioning, provision or delivery of services jointly. A common example is the joint provision or commissioning of ‘back office’ or support services’ (DCLG, 2006d: 6). Structures for Collaboration and Shared Services Technical Notes (DCLG, 2006b) outlines a range of different configurations of shared services, from in-house provision, to joint service provision between authorities, to commercial trading partnerships (DCLG, 2006b: 9). A plethora of alternatives for service provision are offered.
At this point, a key principle needs to be established. Sharing services will be taken to mean that responsibilities, activities, operations (and other functions) are not solely provided by and within one authority, but between organizations or on behalf of more than one organization. Though the wording – and the concept – is imprecise, government guidance indicates that shared services referred to a relationship with another organization:

‘Many councils are now considering sharing services, working collaboratively or developing joint approaches to service delivery and to procurement. These different terms are used interchangeably…However, what is important is that authorities are now considering wider options beyond their own boundaries’ (DCLG, 2006d: 13).

This approach is consistent with reports within the local government sector, with the New Local Government Network (Symons et al, 2011: 13) defining shared services as ‘collaboration between public sector bodies to deliver services or provide facilities’ and excluding centralization of services within an authority from this definition as many authorities operate a model of centralized support function.

There are variety of models for sharing services, supported by a range of legal models and a level of overlap between potential categories of sharing. However, returning to the definition of shared services as ‘joint-working between local authorities or other public sector bodies to organize the commissioning, provision or delivery of services jointly’ (DCLG, 2006d: 6) helps us understand the study’s central conceptual issue. What does sharing mean and what forms can it take? Cutting through some of the legal terminology, it is appropriate to categorize models for shared services under three groups. Oakerson (1999: 17 - 8) offered a classification of seven modes of producing services, with three relating to shared services options. The first method is described as ‘co-ordinated’ production, where councils co-operate on activities affecting both areas. ‘Joint production’ where local authorities use a single service unit, and ‘intergovernmental contracting’ where local authorities contract services from one another. Dollery, Grant and Akimov’s (2010) offer a different frame, describing three forms of shared services in Australian local government.
They describe ‘horizontal shared services’ where local authorities develop joint arrangements from ad hoc resource to full shared administrative model. Their description of ‘vertical shared services’ to describe partnership between local authorities and national/regional counterparts, and ‘intergovernmental contracting’ in which local authorities voluntarily undertake functions for national or regional government. When applied to shared services in English local government, the ‘horizontal’ shared services model is anticipated to be the dominant form of local authority-local authority partnerships.

Within this study, Oakerson’s categorization has the greatest resonance. The first category, the ‘co-ordinated production’ model, could include ‘intra-service’ partnership such as sharing a single service (Tomkinson, 2007), and represents more informal collaboration. The second category relates to Oakerson’s definition of ‘joint production’, where public bodies use a single production unit to provide services (1999: 17 – 8). Different governance models could be used, including formal joint ventures, structures or governance arrangements between local authorities (Tomkinson, 2007). The third category relates to ‘intergovernmental contracting’ where we would expect local authorities to contract with one another as providers and clients. A variation of this could feature local organizations jointly procuring corporate services from another provider (public or private).

Before concluding this section it is appropriate to define and describe corporate services. *Delivering Efficiency in Local Services* (ODPM, 2004) offers the following definition of corporate services:

> ‘Corporate Services includes such functions as Finance; Human Resources (HR); Information and Communications Technology (ICT); Legal; Procurement; Facilities or Estates Management; and Marketing and Communications’
> (ODPM, 2004a: 25).

Furthermore, *Transformational Government* (Cabinet Office, 2005) made a clear distinction between ‘front-office’ and ‘back-office’ functions within government bodies, linking the former with functions that customers interact with directly, and the latter covering functions that support the front-office. The
strategy considers elements such as finance and human resources to be corporate services, located in the back-office. This definition is applied within academic research, with Dollery and Grant (2009) and Allan (2006) denoting functions such as HR, procurement and HR to be back office, corporate or back room services. A further perspective on corporate services also suggests that corporate services also support managerial and political-level decision-making, action and implementation of changes to services (Tomkinson, 2007). The wider grouping of corporate services includes transactional elements such as the processing of invoices or payments, professional and advisory functions (such as legal advice), and provision of infrastructure (Symons et al, 2011).

Given the prior research into shared services in the private sector has focused on corporate services (Schulman et al, 1999; Hogg, 2003), it is appropriate to focus on the operation and performance of shared corporate services within the public sector. Prior public sector research has also considered which services may be most amenable to sharing, with corporate services identified as a priority area for action (Dollery and Grant, 2009; Symons et al, 2011, Tomkinson, 2007). From Australia, Allan (2006) suggests it may be beneficial to use a shared service model for corporate services, owing to the potential for substantial scale economies.

Furthermore, the policy imperative for local authorities to generate efficiency savings (ODPM, 2004; Quirk, 2005) reveal an overt focus on reducing the costs of providing corporate services and advocacy for new models of service delivery (DCLG, 2006a; NAO, 2006). The costs of corporate services have been ‘more prominent in current policy debates than in previous rounds of local government reorganization’, with UK central government encouraging councils to develop unitary structures or use forms of shared services to make substantial efficiency gains in corporate services (Andrews and Boyne, 2009: 741). Demands for greater efficiency and the intention to reduce expenditure have been focussed on corporate services, with shared services offered as a model to achieve this. Therefore a research study focussed on the operation and performance of shared services is highly relevant to the current policy environment.
6. Assessing the performance of shared corporate services

The concepts of public service performance and improvement are contested and subjective. Owing to the political, ideological and subjective influences on concepts of service improvement, ‘there is no fixed and universally applicable set of criteria for evaluating whether improvement has occurred’ (Boyne, 2003a: 368). For the purposes of this research project, measurement of performance focuses on output measures, such as efficiency and economy. The thesis also learns from the insight offered by the service literature, focusing on the importance of the customer perception of the service they receive and the quality of the service. The rationale for using this model of performance measurement is the assumption of advocates for shared services that use of shared services will improve both efficiency (output) and service quality (perception). The White Paper *Strong and Prosperous Communities* suggested that that alongside efficiency, service quality can be improved by using partnership models, boldly asserting a belief in ‘significant opportunities to improve the quality and efficiency of services by joint working’ (DLCG, 2006a: 137). The adoption of shared corporate services is intended to improve organizational performance across the following headline dimensions:

- Economy (and cost)
- Efficiency
- Effectiveness
- Quality
- Service user satisfaction.

These dimensions are likely to be valued differently by different constituents. In practice, we may expect a more complicated picture of the performance of shared corporate services across a range of performance dimensions (Boyne, 2003a: 368), or potential differences between inputs (e.g. cost) and outputs (efficiency), and the experience, satisfaction and perception of quality from the consumer (Normann, 2001; Osborne 2011).

Furthermore, reported performance must be evaluated within a theory-driven
research framework, with measures in place to assess performance against theories which underpin (or challenge) the proposal to use shared corporate services. The use of this framework enables analysis and evaluation: How was service performance expected to change? How did the shared service perform, and against which dimensions? How do shared services perform compared to other forms of delivery? What is the relationship with theory? As expressed by Boyne, Entwistle and Ashworth (2010: 6) ‘if the theory works, then a change in the explanatory variables that are assumed to be important should in turn produce a change in service performance’.

7. Plan of the thesis

The chapters which follow assess the theoretical basis for the shared services model, review relevant areas of literature, design a suitable research framework and set of methods incorporating both qualitative and quantitative research elements, review the data from quantitative and qualitative research exercises, and evaluate the findings from the exercise.

Chapter two summarizes existing studies considering the theories and evidence relating to the use of shared services. Most significantly, there is scant academic research into the design, operation and performance of shared services within local government in England. Very little data exists on where shared corporate services arrangements are in place, the models used and the performance achieved. Much of the private sector literature reflects use of a shared service centre with a large private organization, rather than as an inter-organizational partnership (Bergeron, 2003; Ulrich, 2003). Dollery (2008: 97) has produced an overview of the international evidence on shared services in local government noting both a limited evidence base and findings which are ‘suggestive rather than persuasive’. As shared services represent a specific collaborative arrangement, a public-public partnership between two local authorities, the wider collaboration literature is explored to identify relevant theory and evidence.
Entwistle (2010: 164) identified rationales for use of partnership, with two rationales relevant to the shared services reform agenda: advantages of scale and supervision. Theories which suggest partnership can benefit from scale (Sullivan and Skelcher, 2002; Askenas et al, 1995) have particular relevance to this thesis. Furthermore, the arguments in favour of shared services also connect with the supervision rationale (Entwistle, 2010: 165), suggesting that positive and trusting relationships between partners foster success, and can achieve and benefit from lower supervision costs (Williamson, 1991; Brown and Potoski, 2003). The literature also reveals awareness that there may be disadvantages associated with collaboration, potentially including service quality, risk management, and responsiveness to consumers.

The third chapter sets out a theoretical framework for the research, drawing on academic literature and relating this to the policy foundations of shared corporate services. As a new reform, setting out a clear policy framework allows the identification of the dominant proposition(s) underpinning the reform initiative. Given there is an implicit theory underpinning the shared services reform agenda, this will be made explicit by drawing out the policy perspective, before constructing a theoretical framework. A review of policy documents, largely produced by central government (c. 2004 – 2007) reveals the policy foundations for shared corporate services (Cabinet Office, 2005; NAO, 2007; DCLG 2006a; DCLG, 2006b; DCLG, 2006c; DCLG 2006d). The shared services are defined as an inter-organizational arrangement between two public sector bodies, providing services to more than one organization (NAO, 2007: 13) and creating additional scale to improve performance while reducing costs (DCLG, 2006b; Ruggini, 2006; Dollery and Grant, 2010). This model of service delivery is thought to benefit from effective partnership relationships which reduce supervision costs, owing to trust and goal alignment between government partners (Dollery and Grant, 2010; Tomkinson, 2007; Brown and Potoski, 2003; Warner and Bel, 2008). Theories related to economies of scale and supervision underpin the argument that sharing services can result in reduced costs and improved performance. The success of the shared service is also dependent on the effectiveness of the implementation process, using rational management and political negotiation methods to embed an effective
service (Piening, 2011; Borins, 2001b; Osborne and Brown, 2005). Alternative propositions are also outlined, suggesting limits to the benefits of scale (Tullock, 1965; Williamson, 1985; Niskanen, 1971; Downs, 1967). Furthermore, several studies suggest potential for difficulties in relationship between partners, including tension in the principal-agent relationship, conflicting goals and requirements of the agent (Gomez-Mejia and Wiseman, 2007) and challenges in making collaboration successful (Ranade and Hudson, 2003).

The third chapter aims to set out a clear theoretical framework for the research project, based around the following propositions:

I. **Proposition 1**: A shared services partnership will bring service improvement and reduction in cost. The main mechanism to achieve this is through economies of scale.

II. **Secondary proposition 1.1**: Shared service arrangements benefit from high-trust relationships between partners, with lower supervision costs.

III. **Secondary proposition 1.2**: Successful operation and performance of shared services is dependent on effective implementation processes, benefitting from both the rational management and political negotiation approaches.

IV. **Counter-proposition 2.1**: Increases in scale beyond a certain point will result in deteriorating performance.

V. **Counter-proposition 2.2**: Larger units will create diseconomies of scale. Smaller units, greater fragmentation, and competitive pressure will improve performance.

VI. **Counter-proposition 2.3**: Adoption of a shared corporate services partnership will result in a decline in service performance, owing to challenges in the partner relationship.
The fourth chapter of this thesis outlines the research methods and framework used to undertake a viable and valuable study. The research framework is intended to ensure that the research project is designed to address key questions reflecting the links between theory, implementation, operation, and performance. Within a theory-driven research framework, a mixed methods research strategy is used. There are distinctive benefits to use of the quantitative and qualitative methods in this context, with the former offering the ability to analyse measures of performance and offer comparison between cases, and the latter providing the opportunity for insight into the operation and performance of shared services. This research strategy is intended to enable assessment of performance of different service models through quantitative research, explanation of performance through qualitative research, and attribution of any effects observed.

Chapter five seeks to apply the research strategy. Two methods are to be used within a mixed methods research design. The quantitative research phase will use survey of local authorities to identify where shared services are in place. The survey should also generate data on perceptions of the performance of shared corporate services, using a multi-informant approach to target senior managers in each local authority to provide data on the perception of performance of corporate services. Challenges and limitations of this approach are recognized and discussed, notably the challenges associated with nonresponse, response and coverage. In addition, the research only produces findings at a fixed point in time. The qualitative research method is also set out in chapter five. The multiple-case study approach, based on semi-structured interviewing, can provide an opportunity to gather deeper understanding of the operation of shared services within local government, and assess perceptions of performance and improvement.

The sixth chapter describes, reports, and analyses findings from a survey into the operation and performance of shared corporate services. It identifies the models of service provision used in different authorities and draws initial lessons on how and where shared services are used. The results suggest that sharing is in early stages of adoption, with the model used less extensively than
internal or outsourced provision. Shared corporate services was more frequently reported district councils, with no authority reporting more than 20% of corporate services provided through a model of sharing. All models reported represented a public-public partnership between neighbouring local authorities. The chapter then brings together key findings, indicting some notable results and relating these findings to the theoretical framework. Firstly, the survey indicates there is no evidence to suggest sharing services results in better performance. The data suggests a trend counter to this, with shared services arrangements perceived to perform worse than other models of provision (largely internal services) notably when considering the quality of service and satisfaction with service. Secondly, survey data suggests those authorities using shared services more extensively are more likely to perceive that performance has declined.

Chapter seven summarized the findings of qualitative research, providing information on the models of shared services used, the changes associated with using the model, and the operation of shared services. These data enhance our understanding of shared corporate services. The findings suggest limited depth and reach of shared corporate services within English local government. Most significantly, the models identified in four case studies are firmly located towards the informal end of the spectrum of models available, typically restricted to informal collaboration of one or more smaller services (audit, legal, or procurement). The models reported to be shared corporate services are actually a shared senior management arrangement, within a partnership between two local partners who reportedly have existing strong relationships. This is more closely associated with Oakerson’s (1999) description of ‘co-ordinated production’ rather than a more formal or developed structure. There is some indication of a reduction in cost, with significant emphasis placed on building resilience in smaller authorities and if not improving, then at least maintaining the existing performance levels. There is limited evidence to suggest that shared corporate services have created economies of scale and improved performance. The findings suggest something of a paradox. While an informal shared management arrangement may produce some benefits (reduced costs) owing to reduced supervision
costs, questions remain over the sustainability of the model and the ability to reduce supervision costs while still providing effective services. Qualitative data also suggested that deterioration in the relationships can result in disruption or even an end to the partnership. Shared services partnerships may be designed to benefit from reduce supervision costs, with less monitoring and limited structural change. However, in practice the arrangements may not result in improvement, and may prove difficult to monitor and manage. The qualitative research indicates the effectiveness of the implementation process does have a relationship with the effectiveness of the shared service entity: in cases where there was absence of rational planning, direction, and a superficial approach to political negotiation gave weak foundations for shared corporate services.

The final chapter of this thesis draws together the findings of this research project, assessing the theoretical foundations of sharing corporate services, and aiming to conclude whether using a model of shared corporate services does result in reduced cost and performance improvement. The final chapter observes where shared services are in place, the forms of sharing used, how shared services operate in local government and how the arrangement performs. Taken together, the quantitative and qualitative research suggests that sharing services may result in reduced cost. There is limited evidence to suggest that sharing services has resulted in improved performance; there is, however, evidence to suggest that shared services are perceived to perform worse than non-shared provision. It is possible to draw some initial lessons regarding supervision costs within a shared services arrangement between two local authorities. The strong relationship between partners, high levels of trust, existing positive relationships and political alignment were all cited as key to the selection of the model and partner with whom to work. The ability to reduce management costs by sharing a senior manager appears to be based upon high-trust relationships between partners. It is also vital to point out that the challenges of the principal-agent relationship are not removed by working through a shared services arrangement, as tensions between partners over time allocation, vision and direction were reported. Challenges in the partnership relationship not only undermine the ability to reduce supervision costs; they can result in severe dysfunction or lead to termination of the
partnership. Weak design and implementation processes appear to undermine the stability of the shared service entity.

The concluding chapter closes by drawing out key implications for theory, research and policy. Regarding theory, it is conceivable that the shared service models within local government are intended to be more informal and be closely connected to the supervision rationale. The theoretical framework underpinning shared services ought to recognize both scale and supervision as potentially integral to local authorities’ future use of the arrangement, and engage with benefits, challenges and risks associated with different models. Secondly, it is conceivable that the performance impacts observed are the result of poor design and implementation processes, giving an unstable foundation for the service. Assuming shared services will continue to operate in the future, later studies into the performance of shared services should consider whether new, larger models of shared services are created, and if so, test for scale within any new models. In addition, future research should focus on the implementation approaches used in larger or more ambitious shared services arrangements. Finally, the case study research suggests the rationale for shared services may actually be based upon cost reduction, with less regard for performance improvement or user experience. In the current context of severe financial constraints on public service expenditure (HM Treasury, 2010) and emphasis on the need for greater efficiency and reduced expenditure (DCLG, 2011), the indication that sharing services may produce cost reduction is likely to resonate with central and local government policy makers.

This thesis also suggests implications for future research into public-public partnerships and shared services. Quantitative research methods should also be applied to external and archival data. Furthermore, future research methods should seek to generate additional comparative data, and use longitudinal methods to test performance change over time. Finally, there are significant implications for policy. The policy rhetoric of central government seems disconnected from the operation and performance of shared services, with limited implementation and limited effects. Central government policy makers should use evidence on the operation and performance on shared services to
offer additional guidance to achieve more effective models of shared services, and to develop richer evidence-based policy, describing the benefits of shared management arrangements. There may be implications for how the sector prepares for, and supports, shared services.
Chapter 2: Literature review

The introductory chapter set out the context in which shared services have been advocated, and provided an overview of this thesis. The second chapter moves on to provide review of relevant literature, assessing theory and evidence to inform a study into shared corporate services. This chapter begins by providing a broad survey of theories relating to shared services, exploring the private sector literature, considering emerging research from the public sector and the initial lessons that can be drawn. The chapter then moves on to focus on the collaboration literature, exploring theories which suggest why collaboration is proposed to achieve positive results. Theories related to scale and supervision offer rationales which could explain why shared services are hypothesized to improve performance. In addition, theories related to the mechanics of partnership working (trust, risk, partner relationship) are discussed. The chapter then turns to review evidence on performance improvement through the use of collaborative arrangements. It closes by drawing lessons from the literature which can inform a study of shared corporate services, and suggests how research into the operation and performance of shared services can make an original contribution to the field. As an emerging area of research, a study into shared services could provide useful insight into a particular model of provision (a form of service delivery partnership between two local authorities), offer additional evidence to consider how collaborative arrangements perform, and enable comparison between models.

The literature specifically on shared services within the public sector is limited in size, depth and of the evidence available. As shared services represent a specific collaborative arrangement, a public-public partnership between two local authorities, the wider collaboration literature is explored below. By drawing on theory and evidence from the collaboration literature it should be possible to identify areas of work that will have utility for studying shared services. Within this study, the terms collaboration and partnership are taken to be synonymous, reflecting the wider interpretations and diversity of models for inter-organizational relationships.
1. Shared services

The starting point for this literature review is to assess and summarize what is known about shared services. The local government White Paper *Strong and Prosperous Communities* (2006) endorsed a commitment to partnership working between local authorities and other agencies, asserting authorities must draw on ‘the capacity of the best service providers in the public, private and third sectors’ (DCLG, 2006a: 136). Within this context, shared services were proposed as a method which could result in improved performance and reduced costs. This thesis applies the definition of shared services as ‘joint-working between local authorities or other public sector bodies to organize the commissioning, provision or delivery of services jointly’ (DCLG, 2006d: 6). Moreover, the public sector literature clearly points towards shared services as an arrangement involving two or more public bodies collaborating to deliver services (Dollery and Grant, 2010; Oakerson, 1999; Ruggini, 2006).

The review of relevant literature applies specific boundaries in order to achieve clarity of purpose. Firstly, this thesis excludes centralized corporate services arrangements from the definition of shared services applied throughout the research project, as this focuses on an intra-organizational change rather than an inter-organizational change. Secondly, external contracting between one public sector body and one private provider are omitted from the definition of shared services as this arrangement demonstrates a contractual relationship between one supplier and one provider. In this model, there is no indication of public sector partners working together to commission or provide a service together.

1.1. The theory of improvement through sharing services

The field of literature specifically relating to shared services within the public sector is in early stages of development. However, by drawing on both the private and public sector literatures it is possible to identify two inter-related rationales which suggest how shared services will operate and perform. Firstly, the use of shared services is intended to generate economies of scale, which fuels improvement of services and reduction in costs. Secondly, it aims to make better use of management resources and technical skills to improve
services. This is described by Redman et al (2007: 1486) as involving consolidation of resources, technology and staffing, resulting in ‘cost reduction, improving service quality, process simplification, sharing best practice’. It is also worth noting that much of the private sector literature has tended to focus on implementation of the shared service model within a large organization (Hogg, 2003; Ulrich 2006). Prior research on shared services within the private sector considers the shared service arrangement as bringing together services within a large private organization. For example, Schulman et al (1999: 9) describe shared services to be ‘the concentration of resources performing like activities, typically spread across the organization, in order to service multiple partners at lower cost with higher service levels’. Bergeron (2002: 3) view shared services in private industry as ‘collaborative strategy in which a subset of business functions are concentrated into a new, semi-autonomous business unit that has a management structure designed to promote efficiency, value generation, cost savings, and improve service for the internal customer of the parent corporation’. Though this is a useful and fruitful area of research, exploration of this field of literature is restricted in this thesis as it focuses on an inter-organizational view rather than the intra-organizational approach.

From the private sector literature there is a clear emphasis on shared services being used to generate additional scale and concentration of resources to provide improved service. Schulman et al (1999: 41) offers three goals of shared services – to minimize administrative costs and create scale, free up management resources, and create a critical mass of support activities thereby allowing them to gain additional attention. Bergeron (2002: 27) describes shared services as ‘a hybrid approach that shares characteristics with centralization (e.g. access to the latest technology, economies of scale, and downsizing), decentralization (e.g. customer focus and agility to better meet customer needs), and outsourcing (e.g. offloading of non-strategic activities)’. Other notable contributions to the field emphasize shared services as a mechanism to achieve efficiency gains, providing case studies from private firms and advocating shared services to pool resources to support all business areas (Quinn, Cooke, and Kris, 1999; Reilly and Williams, 2003).
At this stage it is important to note that shared services are not conceptualized as a form of centralization. Ulrich (1995: 14) argues, it is ‘just the opposite’ as the model allows business units to retain decision making, a view shared by Walsh and McGregor-Lowndes (2008), who observe that while decision making is retained by the business, ‘economies of scale [are delivered] through common business systems and consistent standards’.

Ruggini (2006: 30 - 36) draws on theory and practice of shared services in public services in America, arguing that the rationale for use of sharing and the anticipated outcomes are clear. The model aims to achieve economies of scale and generate cost savings, offers the ability to give greater uniformity of service levels, optimizes use of facilities and services, and achieves operational improvements owing to increased flexibility. The imperative for English local authorities to share services is expressed by Tomkinson (2007: 6), commenting that ‘some councils are too small and do not have the volume of resources to respond to the government’s improvement and efficiency requirements at the same time as responding to the rising expectations from local people’.

Economies of scale are proposed to be the mechanism which drives improved performance, with Dollery and Grant (2010: 43) arguing that the genesis of shared services in the public sector comes from the use of the model in large private corporations to generate economies of scale. Shared services may not be an appropriate model for all public services (Dolley et al, 2009).

1.2. Evidence of improvement through sharing services
Before turning to consider evidence from research into the experience of using shared services within the public sector – in the UK and internationally – it is worth briefly considering some of the data provided by private sector studies. Significant emphasis within the private sector literature is given as to ‘how’ to create shared service arrangements, the models available, processes to establish the arrangement, and operation of the arrangement. Key studies from the field are based upon selected sample cases reflecting examples of organizations which have reduced costs and/or improved performance (Bergeron, 2002; Schulman et al, 1999), rather than comparative or quantitative studies. Hogg claims that adopting a shared services centre to provide human
resources routinely provides organizations with a 30 to 50 percent reduction in administrative HR costs (Hogg, 2003: 34). Aside from reference to a 56% reduction in headcount within Barclays bank, no evidence is, however, provided to support this claim. Similarly, Ulrich also outlines a case for shared services, using sample cases, suggesting that Northern Telecom saved over $1,000,000 per year, but little evidence of how this was achieved (Ulrich, 1995: 13).

Literature on shared services within the public sector is limited; however, recent research has begun to address this deficit. For example, Dollery, Akimov and Byrnes (2009: 208) recognize the strong advocacy for shared services in Australian local government, but also note that the ‘policy shift has unfortunately not been accompanied by an adequate analysis of the economic basis for shared services, feasible alternative models for shared service arrangements and available empirical evidence on the economic efficacy of shared services’.

Within the local government sector, very little academic research has been conducted to assess the benefits of adopting different models of shared services. One exception, specifically looking at shared corporate services in English local government, by Gordon-Murray, Rentell and Geere (2008) provided six case studies of shared procurement functions between smaller local authorities. This shared service arrangement is defined as one in which ‘a number of councils jointly employ their own dedicated procurement specialist, sharing the costs, agreeing the priorities’. Notably, 13 of 16 councils who were engaged in as part of the six case studies did not have access to dedicated procurement resource until the arrangement was in place. Four of the six case studies were based on informal business cases and a foundation of previous networking. Four case studies were reported to have established their arrangements in response to central government policy initiatives and efficiency gains were perceived to have been achieved (Gordon-Murray, Rentell and Geere, 2008: 540 – 555). This initial study into shared services in local government is helpful as demonstrates how a qualitative approach has been used to understand how the service model operates, and gives an indication of the perception of performance.
A second study on shared services relating specifically to shared Human Resources functions within the National Health Service (Redman et al, 2007: 1495 - 496) highlights the drivers for use of shared services in four Primary Care Trusts (PCTs). The first rationale for use of shared services was reported to be expediency, with the shared services models developed at a time when there was significant structural change in the NHS. Case studies suggested that the use of shared services was intended to help NHS bodies through a time of difficulty, following reorganization of services. Secondly, it was expected to achieve cost reduction, given NHS management cost ceilings limiting spend on management activities, and as all four case study organizations had significant deficits. Thirdly, there was an intention to retain and provide a quality HR service. However, the research suggested that the ‘transformational’ element of the services were not thought to have been provided through then shared services model, and the perceived standards of the core operational services ‘drew varied responses’. There appears to be an additional motivation for the model to succeed, with cases suggesting that had the HR shared service not been developed, there was a risk that the functions of the PCTs would be subsumed with a foundation hospital and loss of control would be experienced (Redman et al, 2007: 1499).

A third – non-academic – study from the New Local Government Network (Symons et al, 2011), based on a survey of 58 councils and a compendium of known shared services arrangements held by the South West Improvement and Efficiency Partnership, found a high proportion 90% of authorities reported using forms of shared services for a variety of services, with a focus on back office sharing (Symons et al, 2011: 21). The report authors estimate that 20% – 30% back office savings may be achievable, but conclude that shared services have ‘been characterised by an approach of limited scope; focusing on back office functions… This approach has typically delivered only modest savings’ (Symons et al, 2011: 25 - 32).

International studies on the use and performance of shared corporate services can add to the picture. From Australia, Dollery and Grant (2010) review the experience of shared services in Australian local government to consider the
planned savings, actual savings, implementation costs and other changes (2010: 50). They concluded that shared services ‘at least at the level of Australian state and territory government administrations, have produced highly variable outcomes’ (Dollery and Grant, 2010: 52). The intention to create economies of scale by pooling resources may have been successful in some specific cases. Dollery, Akimov and Byrnes (2009) consider previous studies from Australia, largely surveys and accounting estimations, concluding that shared services ‘can improve of local service delivery’ with some functions more amendable to shared services (e.g. IT, procurement, HR) than others. However, the ‘degree of success varies dramatically from case to case’ and there are barriers to implementation, including complexity of the process, conflicting objectives and uncertain benefits (Dollery, Akimov and Byrnes, 2009: 216 - 217).

Further international evidence is provided by Ulbricht (2010), applying a single case study in Sweden to look at the people, policy and process changes associated with shared services, noting that employee resistance proved problematic. Niehaves (et al, 2010: 276) undertook two case studies within Germany, concluding financial savings to be the main rationale for sharing services, and that two preconditions are key: leadership support and prior cooperation between partners.

1.3. Application to shared services research
There are a range of studies which suggest and test the rationale for using shared services, with emphasis given to cost reduction. In some cases, this is coupled with an intention to improve performance or provide a quality service (Gordon-Murray, Rentell and Geere, 2008; Niehaves et al, 2010; Redman et al, 2007). While some examples point to a reduction in costs from using shared services and the creation of economies of scale, the evidence is not clear cut (Dollery and Grant, 2010). Other case studies consider conditions which may support implementation and operation of shared services including trust, relationships and prior cooperation (Niehaves et al, 2010). The literature review is helpful, as it outlines the view that shared services are expected to improve performance and reduce costs. Secondly, economies of scale are
thought to be at the heart of the shared services arrangement. Thirdly, research suggests that there are a varied set of models available and there may be attributes of the arrangement (e.g. partnership relationships) which impact on performance.

There are some limitations to the field of literature relating specifically to corporate services. Single case studies and comparative case studies have been valuable in explaining and detailing the operation and performance of shared services, and a set of early studies have provided valuable evidence on the comparative performance of shared services arrangement (e.g. Redman et al, 2007; Gordon-Murray et al 2008; Dollery and Grant, 2010). However, there is less evidence available to compare the performance of shared services arrangements against other forms of service delivery.

Previous research into the use and performance of shared services will inform this research study. Theories underpinning the use of shared services have been identified, studies have been conducted to assess how the models work, and there has been some initial exploration of whether sharing services results in improved performance. This research study will build on previous work, utilizing theory and evidence on the use and operation of shared services. In addition to qualitative methods, this research project also aims to use quantitative methods to enable comparison between different organizations. It also aims to add to the field of literature by focusing on comparison between the performance of shared services models and internal provision, investigating how use of the model can impact on performance, and relating findings back to the theoretical foundations which underpin the shared services model.

2. Shared services as a form of collaboration

Given the limited research into shared services, the wider collaboration literatures can be drawn upon to develop theory and hypothesis for the use of shared services. Some of this material does require translation back into the specific context of shared corporate services, as Gordon-Murray et al (2008:
544) observe, much of the research on collaboration has tended to focus on ‘delivering services as opposed to collaboration in the delivery of corporate services’. The concept of collaboration between organizations has been advocated, based upon the notion that through collaboration, organizations will be able to make improve services and maximize the use of their resources. The White Paper *Modernising Government* advocated that ‘by working together with other services, each organization can make more effective use of its resources’ (Cabinet Office, 1999: 30). As described by Entwistle (2010, 162), ‘inter-organizational collaboration has indeed assumed a central place in the international tool-kit of public management reform’. While theory and advocacy for the use of collaborative ventures is well developed, evidence on how partnerships provide better results is scarce.

It is appropriate to draw boundaries to focus this literature review on theories and evidence which can help understand how local authorities work together in a shared service arrangement. This review largely concentrates on the notion that a partnership arrangement can make better use of resources, or generate scale. This emphasis is echoed in central government policy documents supporting shared services, which indicate a belief that it is possible to use shared services to make better use of resources between authorities and create economies of scale (NAO, 2007; DCLG, 2006a).

The activities of individuals or loose networks, and partnerships between one local authority and one private (or nonprofit) sector provider are also excluded from this research. The latter is excluded from the study as represents a form of contracting between one public provider and a private contractor, rather than a shared arrangement. The former is excluded, as the individual-level relationships at the inter-organizational level do not necessarily mean structural interdependence or formation of a collaborative entity (Entwistle, 2010: 162).

### 2.1. Collaboration models

Collaboration has been taken to refer to a range of organizational forms, from formalized and contract based relationships, to loose networks of interest and mutual understanding (Snape, 2003; Newman 2001; Davies, 2002).
Collaborative or partnership arrangements fall between markets and hierarchies and can take a range of forms. They are ‘neither highly formalized bureaucratic structures nor fleeting contractual relationships between purchasers and providers’ and should be considered ‘as a relatively enduring and at least reasonably formalized network arrangement’ (Entwistle, 2010: 162). As McQuaid argues (2010: 127), ‘different types of organization or partnership are appropriate in different circumstances’ and selection of a model depends on what the partnership is seeking to do, the partners involved, and how the activities are carried out. Andrews and Entwistle (2010: 2 – 3) highlight theories which suggest there may be sectoral rationales for using different forms of partnerships, and different benefits of each form of partnership. They summarize: ‘theories of sectoral difference suggest that the public, private, and nonprofit sectors each possess unique advantages that can enable them to deliver improvements on these core administrative values’ (2010: 2). Teisman and Klijn give an indication of the sectoral argument (2002: 197) asserting that partnership working ‘gives the government a new legitimacy: the efficiency of the private sector and the involvement of civil society’.

Cohen (2001) theorized that each sector – public, private, non-profit – have differing characteristics and strengths. Public-public partnerships are typified as operating to tackle a complex social issue by sharing resources across boundaries to respond to a particular challenge (Milbourne et al, 2003). Public-public partnerships have been developed to respond to complex policy challenges across organizational boundaries, introducing different skills, resources and approaches from different public bodies to respond to a particular challenge or set of challenges. There may be some variations to this model (e.g. some involvement of community groups), but key features of this form of partnership are to coordinate activity, integrate functions, and develop relationships to respond to social challenges (Osborne and Brown, 2005: 62). Through this model, different types of services may be linked to resolve a ‘wicked’ issue (McQuaid, 2010: 129). Kettl (2006: 13) describes how the growing complexities of social challenges require response across administrative boundaries. Much of the research on public-public partnership
working focuses on how the models are used within complex areas of social policy such as health, employment, or strategic challenges within a local area.

Furthermore, although much of the prior research into public-public partnership working has tended to focus on tackling complex social problems, this form of partnership can – in theory – create scale across boundaries (Andrews and Entwistle, 2010: 3 – 4). This is consistent with the arguments of central government policy (DCLG, 2006a, 2006b, 2006c, 2006d), which suggests that the use of a shared services partnership can provide greater efficiency. In addition, it is proposed that public-public partnerships may be created with an intention to improve performance, but also limiting risk by working with another public body (Brown and Potoski, 2003). As a form of partnership, arrangements for shared corporate services are distinct from strategic, policy and service-outcome based partnerships as focus on the provision of support services, and with an intention to improve performance and reduce cost. A study into the use of shared services opens up a new avenue of research.

The theories surrounding the advantage of using public-private partnerships are worth reflecting on briefly, as the potential shared services models include the potential involvement of private partners. Involvement of the private sector is based upon the assumption that efficiency gains will result, owing to the ability of private sector businesses to thrive in contested resource markets and as they are less constrained by bureaucratic activities (Andrews and Entwistle, 2010: 5).

While there is a very broad field of literature considering public-public partnerships to respond to a complex social issue, there has been less emphasis on partnerships between local authorities to create greater scale. The use of a local authority-local authority partnership to deliver corporate services is a new manifestation of public-public partnership. As such, theories and evidence of the operation and performance of the model can provide additional insight into this field of research.
2.2. Theories of improvement through partnership

Entwistle (2010: 164) suggests that there are four main rationales for partnership; advantages of scale, advantages of scope, supervision (i.e. transaction costs), and learning. Two particular rationales are of the greatest relevance to a study into the operation of shared services; the arguments for scale and supervision. The former is closely associated with central government advocacy for shared services, suggesting that sharing services can create scale, resulting in improved services and reduced costs (NAO, 2007). Furthermore, the review of the shared services literature suggests that the scale rationale is at the heart of the model. The second rationale is linked with the expected sharing arrangement between two or more public bodies. Within this model, the relationship between partners and use of a joint service delivery arrangement has implications for the management and supervision of services. The supervision rationale posits that markets and hierarchies impose high transaction costs on service provision. Partnerships, in theory, can benefit from reduced transaction costs as the partners are united in common goals and a trusting relationship. Given that the shared corporate services model is focused on delivery of support functions, the scope and learning rationales are of less relevance to this study. Theories which suggest that sharing services will benefit from scale or supervision are explored below.

This is not to suggest that collaborative ventures are only assumed or proposed to have a positive effect, as a large volume of literature indicates challenges to successful collaboration (McQuaid, 2010) and a suggestion that ‘left to their own devices, collaborations are much more likely to reach collaborative inertia than collaborative advantage’ (Vangen and Huxham, 2010: 180).

2.3. Scale rationale

Entwistle (2010: 164) suggests that the creation of scale allows public services to ‘maximize their return from scarce resources’. Larger public services may be able to achieve economies of scale because they have greater capacity, reduce input prices and have greater capacity to serve a large client base. Therefore as the scale of production increases, the proportion of costs falls. Conventional arguments for economies of scale (e.g. Stigler, 1958) have new application, the
concept that a partnership arrangement can be used to generate scale. Sullivan and Skelcher (2002: 36) consider different approaches to collaboration, identifying that one of the reasons an organization may enter into a partnership is to maximize the use of resources. Lowndes and Skelcher (1998) suggest that partnerships can create scale, reducing duplication and sharing overheads. Advocates suggest that collaborative working can generate scale, improving efficiency and organizational performance. Askenas et al contend that greater efficiency should arise from encouraging greater flexibility to divert ‘decisions, talent, rewards and actions where they are most needed’ (Askenas et al, 1995: 2 - 3). McQuaid (2010: 130 – 34) summarizes a number of benefits associated with collaboration, with several elements relating closely to the scale argument: sharing knowledge, expertise and resources, pooling of resources to ‘increase the total level of resources brought to bear on problems’, improving efficiency and removing duplication. This is particularly potent in the case of shared services, where a partnership is expected to operate across boundaries. Theory and research from the United States point to a belief that partnership between public services can create scale. Warner and Hefetz (2002: 71) argue that intergovernmental co-operation can be used to gain the benefits of scale. Finally, Warner and Hebdon (2001: 322) consider how partnerships between public bodies could operate, arguing that this partnership model ‘allows governments to achieve economies of scale while keeping services in the public sector’. Inter-municipal cooperation also is offered as an alternative mechanism to create and exploit scale economies (Warner and Bel, 2008: 724).

2.4. Supervision rationale
A second area of theory of particular relevance is the notion that partnership working between two trusted partners will produce better results, with lower supervision costs. Entwistle (2010: 165) comments on arguments regarding markets and hierarchies, noting that both incur supervision costs either through internal structures or contract management. In theory, ‘partnerships promise lower transaction costs because they because partners do not, at least in theory, need to be supervised; they can be trusted to do the right thing because everyone is working towards the same goals’. There are two connected
explanations of why a shared services partnership may achieve and benefit from lower supervision costs. Firstly, that the notion of sharing services implies relational contracting is used, with shared goals and high levels of trust which can reduce transaction costs. Secondly, the choice of a partner from the same sector may be because the partner has fewer incentives to engage in opportunistic behaviour, giving more stable partnership and enabling reduced supervision costs (Brown, Potoski and Van Slyke, 2006).

The theory that partnerships could benefit from reduced transaction costs is related to principal-agent theory. Walker and Davis (1999: 16) comment that principal-agent theory is ‘concerned with the search for optimal incentives and governance structures’, given the potential for, and experience of opportunistic behavior of agents. However, they suggest that relational approach to contracting between a local authority and a provider (assumed to be private) could offer benefits, building greater mutual dependence and improved communication. In addition, ‘contractual trust and competence trust’ could be built through relational contracting, and would ‘manifest itself in co-operation, mutual assistance’ (Walker and Davis, 1999: 23). Amirkhanyan (2008: 256) describes the theory of cooperative contracting:

‘Monitoring officials work jointly on overcoming obstacles, using common language, and maintaining relationship.... As a result, the contractors’ opportunistic behavior and the transaction costs are minimized, and performance is influenced by professional and informal rather than bureaucratic accountability pressures’.

These theories have application within the context of public-public partnerships. Long-term, high-trust relationships within a partnership could, in theory, reduce conflict in relational exchange and thus support improved service delivery (Entwistle and Martin, 2005: 237 - 38).

Transaction cost economics suggests that when deciding how to provide services, the organization takes into account the relative cost of producing the service (assets, human resources, capital) and the transaction costs, such as monitoring the service (Brown and Potoski, 2003). This is based upon the
evaluation of the ‘comparative costs of planning, adapting and monitoring task completion under alternative governing structures (Williamson, 1981: 552 - 53). Williamson (1991: 281) identifies ‘hybrid' forms of organization between market and hierarchy, with greater flexibility in contracting arrangements, reducing monitoring costs and offering some mitigation of risks. Klijn (2010: 313) suggests that high-trust relationships should reduce transaction costs by building the relationship between partners, aligning of goals and giving greater predictability to the arrangement. This trusting relationship, alignment and flexibility reduce transaction costs (Brown and Potoski, 2003).

Finally, the decision of two public bodies to enter into a partnership may reflect a perception that other public service providers are more trustworthy than providers from another sector. Other government providers may be seen as particularly trustworthy and credible partners for local authorities (Andrews and Entwistle, 2010; Marvel and Marvel, 2008). Trust may be higher owing to the perception that the bodies both face political scrutiny, cannot transfer profits, share similar legal constraints, share similar public service goals and similar organizational characteristics (Brown, Potoski and Van Slyke, 2006).

Partnerships may benefit from reduced supervision costs, owing to the use of relational contracting and high-levels of trust between partners, resulting in lower transaction costs. A potential explanation for the creation of a partnership between public providers is the assumed reliability of another public body.

2.5. Mechanics of partnership working
Supporting the notion that using shared services can improve performance are a number of theories which look at factors such as trust, risk and partnership relationships in a variety of settings, and observe some practical challenges (Geddes, 2006; Ranade and Hudson, 2003; Grimshaw et al, 2002). Brown and Potoski (2003) suggest that trust, relationship and risk are of central importance when local governments decide how to provide services. Gazley (2008) underlines the importance of strong relationships within a collaborative arrangement, given the voluntary nature of their participation, the higher degree of mutual planning, alignment of goals and resources.
McQuaid (2010) summarizes a number of key success factors hypothesized to be ingredients which help facilitate success within a partnership. Key factors include strategic focus and shared vision, strategic leadership, the importance of trust and organizational match (McQuaid, 2010: 138 – 41). These factors however, along with resource costs, accountability, partnership relationships, can inhibit success (McQuaid, 2010: 136 - 37). Huxham and Vangen (1996) identify similar success factors including a shared vision, equal standing of partners, communication, and trust. The theory is developed by Vangen and Huxham (2010: 166) who argue that managing collaborative arrangements is complex and challenging, and themes such as aims, trust, knowledge sharing and culture can lead to collaborative advantage (or conversely, collaborative inertia). In a wide review of the collaboration literature, Entwistle (2010: 170 - 171) notes the three most frequently cited behaviours associated with effective collaboration: shared aims, trust and leadership. Klijn (2010: 313) suggests that trust ‘may bring about a saving in transaction costs’ because it brings greater predictability between partners, and more flexible contracting or relationship between partners. Management of trust may be problematic as it can be difficult to develop and maintain trust, and that there can be costs with high-trust relationships, including tendency toward selection of non-contentious options (Entwistle and Martin, 2005: 238).

There is a long history of research describing potential challenges within a principal-agent relationship (Alchian and Demsetz, 1972). Brown and Potoski (2003: 447 – 48) demonstrate the potential pitfalls in relationships between a contracting government body and vendor. They note the potential for misalignment of goals, information asymmetries, stating that ‘agents can shirk problems because principals have trouble monitoring the quality of agents’ performance and executing corrective measures’. This risk may be perceived to be greater when contracting with private organizations. As Brown, Potoski and Van Slyke (2006: 326) argue, ‘asset-specific services or difficult-to-measure services make governments vulnerable to unscrupulous vendors who, as principal–agent theory suggests, may exploit their information advantage by lowering service quality and quantity. Where there may be elements of risk
(weak market, difficulty managing contracts), ‘governments are likely to employ joint contracting… or contracts with organizations that share their mission’ (Brown and Potoski, 2003: 448).

Further exploration of the principal-agent relationship is required. As suggested by Osborne, McLaughlin and Chew (2010: 192), ‘trust is at the heart of any interorganizational relationship and governance’ and challenges are based upon information asymmetry, risk and costs, and understanding trust as both an input and an output of a partnership. Given these challenges, Osborne, McLaughlin and Chew (2010: 192 – 94) offer ‘relational governance’ to describe how public services can enter into stronger relationships with one another, building relationships between individuals and the organizations, noting the potential challenges of adopting this model.

2.6. Evidence on improvement through use of partnerships

A key feature of the collaboration literature is focus on factors which explain how partnerships operate. Few studies focus on the efficiency or effectiveness of a collaborative activity, or offer comparison with other methods of service delivery or evaluate whether particular forms of partnership actually result in greater efficiency or service effectiveness.

The research gap here is summarized by Entwistle (2010: 166), who states ‘we just do not know whether working in partnership is better than working alone. In place of this, researchers have sought to understand the contingencies which affect partnership working’. Davies illustrates perhaps the central challenge of partnership research and analysis. It is a more straightforward task to evaluate the processes of partnerships rather than to judge their effectiveness, as ‘there are few visible outputs that can be attributed with confidence to partnership working’ (Davies, 2002: 176). Further, the measurement of performance of partnerships is contested (Entwistle, 2010: 166).

A significant proportion of prior research in partnerships has focused on strategic collaboration (Geddes, 2006), and on the development of local partnerships intended to achieve improved outcomes in a given policy field.
Within these areas of work, partnership arrangements have varied in structure and dynamics, from loose collaborative and network-based ventures, to more formalized management structures. From these areas of research, useful lessons on the principals of trust, relationships, and interdependence can be drawn. In addition, the experience of public-private partnerships can be drawn upon to consider factors which may influence the performance of services.

This section of the chapter turns to evidence related to sectoral advantage arguments. It then considers evidence on scale and supervision within partnerships, before reviewing evidence on the mechanics of partnerships.

2.6.1. Sectoral advantage

One key study related to the sectoral advantage theory are worth describing briefly here. Andrews and Entwistle (2010) offered a quantitative analysis of data from 46 UK service departments (both perception data and statutory performance data) to evaluate whether particular forms of partnership are associated with any specific performance impacts. The study reveals ‘a positive association between public-public partnerships and public service effectiveness, efficiency, and equity. Conversely, partnership with private sector organizations was negatively associated with effectiveness and equity’ (Andrews and Entwistle, 2010: 14). This is significant for a study of shared corporate services, as it supports a hypothesis which suggests public-public partnerships could result in improved performance. A study into the use of shared corporate services in local government can be differentiated from wider public-public partnerships to some extent, as it is focussed on back office service provision, and expected to be between two or more local authorities rather than wider public sector partners. This offers the opportunity to focus on the theoretical basis, operation and performance of a specific form of partnership which has received little academic attention.

2.6.2. Scale

Turning to the arguments that partnerships will generate scale to improve, there are studies which are informative here. A study focused on US health partnerships by Shortell et all (2002) drew on participant perception of
performance, recognizing that there partnerships may create scale to improve service. Shortell et al (2002: 65) suggest the importance of scale, but recognize potential limits. ‘While size and diversity are needed to achieve legitimacy, they also create significant management and policy implementation challenges involving coordination, communication, conflict management, priority setting, and monitoring activities’.

Warner and Bel (2008: 724) compare public service infrastructure in Spain and the United States, noting that in Spain there is less emphasis on competition and greater emphasis on maintaining the benefits of scale. Given this focus, Spanish public services make use of hybrid forms of organization including public firms and mixed public-private partnerships with the public body retaining strategic oversight. Further, public-public or mixed public-private models are proposed to allow less costly monitoring, thus reducing transaction costs as the services remain under control of local government (Warner and Bel, 2008; 726).

The view that generates scale receives some attention by Warner and Hebdon (2002: 322). They demonstrate that amongst local governments in New York State ‘inter-municipal cooperation was the most common form of restructuring (55% of all reported restructuring cases)’ from 1990 to 1997, arguing that this approach ‘allows governments to achieve economies of scale while keeping services in the public sector’ (Warner and Hebdon, 2002: 322).

2.6.3. Supervision

Moving on to consider the implications of supervision costs of different arrangements, Brown and Potoski’s (2003) transaction cost research suggests a high level of local government pragmatism in service provision decisions. Utilising the 1997 International City/County Management Association (ICMA) survey in the United States they demonstrate that transaction costs and risks play a key role in how governments decide to provide services. They state that ‘the costs and benefits of different production methods vary across services, market contexts, and institutional settings’ (Brown and Potoski, 2003: 464). Evidence from public-private partnerships suggests supervision costs may be relatively high within this model. Teisman and Klijn (2006) conducted an
empirical study into the decision making process and models of collaboration on the expansion of Rotterdam harbour (1990 - 2001), highlighting three models of partnership. In their evaluation of the operation of these models of partnership, they claim that government cannot truly act in a collaborative manner with other agencies, as government agencies want to retain ‘their primacy within the process’ and in practice public-private partnerships are ‘transformed into contracting out schemes’ (Teisman and Klijn, 2006: 204). This is supported by Bloomfield’s (2006: 407) analysis of long-term public-private partnerships, acknowledging that within long-term public-private partnerships, allocation of risks has been problematic ‘including risks created by uncontrollable circumstances, the absence of market forces, inadequate expertise, and the high cost of contract enforcement’ (Bloomfield, 2006: 406).

Marvel and Marvel’s research (2008) into monitoring arrangements between government bodies and partners suggested ‘monitoring intensity differs systematically between services provided through other governments and those provided through nongovernmental entities, with less monitoring effort accorded to the former’ (2008: 187 - 88). They suggest that this could be the result of a high trust relationship, better monitoring arrangements, or the types of service provided through this model. However, they do offer a reflection on their data, suggesting that ‘monitoring of other governments is not perceived to be as productive as monitoring of nongovernmental entities’ and ‘problems with accountability and monitoring could provide partial explanation for the drop in inter-governmental contracting’. A growing area of literature explores trends in service provision. This suggests that the desire of local administrators to manage risk and to respond to market failure or contract failure may result in services remaining in-house, being established with another public body, or returning to internal provision through the process of reverse privatization (Brown and Potoski, 2003; Hefetz and Warner, 2004).

2.7. Evidence on the mechanics of partnership working
Research on the mechanics of partnership working (relationship, trust, and risk) is relevant to this study. Several studies suggest that successful collaborative ventures require a clear vision, shared between partners and ability to provide
solutions to conflict resolution (Vangen and Huxham, 2010). The interpretation offered by Huxham and Vangen (2003; see also Vangen and Huxham, 2010) when reviewing the health of partnerships is that trust may be built incrementally over time, and this may impact on the pace and extent of partnership working.

Brown and Potoski (2003:462) suggest that governments prefer to engage either contract with other governments, who they are likely to trust. Similarly, through their longitudinal study of privatization and reverse privatization, Hefetz and Warner (2004: 185) note that principal-agent problems ‘are found in external relations particularly between a government and its contractors’.

Partnerships have varied in structure and dynamics. Useful lessons on core partnership principals of trust, relationships, and interdependence can be drawn out. For example, drawing on case study examples from Local Strategic Partnerships and regeneration projects, Geddes (2006: 92-3) argues that power relationships between partners are unbalanced, that ties between agencies remain weak, and concerns remain that they ‘undermine democracy and accountability’ (Geddes, 2006: 92-3). Alongside conducting two detailed case studies of public-private partnerships, Grimshaw et al (2002) draw on a number of studies to suggest that relational contracting rarely occurs within contracts, and owing to imbalances in power relationships between partners and an unequal distribution of gains (2002: 482-99). Klijn (2010: 315) reviews evidence from business administration to conclude that higher levels of trust in partnerships results in better supplier relations and lower costs.

Gazley (2008) observes the importance of trust and communication in less formal arrangements between local government and nonprofit organizations in the United State. Using survey data, the study concludes that trust is portrayed as key ingredient of success of a partnership, as ‘trusting relationships not only emerge from by also substitute for formal agreements’ (2008: 151). Outside of the contract relationship, a range of softer tools are available to influence partnerships, from funding, cultural norms, to reputation and trust.
Bel, Hebdon and Warner (2007: 512) draw on earlier studies of refuse collection and social services in two areas within the United States to demonstrate that trust can develop or erode over time with the latter ‘leading to more contract specificity and completeness’. However, noting these risks, relational contracting could offer greater flexibility and potentially lower costs.

2.8. Theory and insight from services literature

As Osborne (2010b: 2) observes, research and policy making within the field of public services have traditionally used the research focus of ‘New Public Management’, emphasising the importance of input and output control, and the use of competition and contestability to drive improvement and reduce costs. Osborne et al (2008: 60 – 63) argue as a result, much of the existing public management theory and research has its roots in manufacturing logic. However, emerging theory and research on public services governance suggests that change and innovation in public services are beyond the intra-organizational frame drawn from traditional management theory drawn from the private sector - and more specifically, from manufacturing (Osborne, 2010a). Moore and Hartley (2010: 68 – 69) offer examples of innovations across public services which ‘change production systems that cut across the boundaries of organizations… They enlarge and improve range of resources that can be tapped to enlarge and improve the performance of the production system’. In addition, they change the boundaries between provider and consumer.

Research into the formation, operation, and results achieved by using shared corporate services can learn from services logic and theories drawn from the services literature. Elements of the shared services reform proposal have roots in manufacturing theory – most notably, the arguments related to the creation of scale, reduction of input costs, specialisation, and removal of duplication. However, further insight into how shared services operate and perform will gain from using theories drawn from services literature, including the relationship with the customer, the process to deliver services, and the inter-organizational nature of the shared services model.
Services theory differs from manufacturing theory, as the former focuses on ‘activities concerned with the transaction of intangible benefits; the latter addresses the activities that produce goods for sale (Osborne, 2010a: 2). Normann (2001: 115) summarises the different focus that services theory provides, by suggesting that ‘the offering is a reconfiguration of a whole process of value creation, so that the process - rather than the physical object – is optimized in terms of relevant actors, asset availability, and asset costs’.

Normann (1984) points out the distinctive identity of service logic, highlighting three key features. Firstly, Normann (1984: 6–7) points to ‘the basic intangibility of services (as opposed to concreteness of manufactured goods)’. Secondly, ‘most services consist of acts, and interactions’. The third element is that ‘production and consumption of a service cannot always be clearly kept apart, since they generally occur simultaneously and at the same time’.

Gronroos (2000a: 197) highlights two key implications of applying service theory rather than manufacturing logic: a shift from the internal consequences of performance to the external consequences; and greater focus on process, rather than structures. As a result, he exhorts organizations to re-orient their activities around customers, as ‘the organization’s performance in service encounters determines whether it will be successful and profitable or not’ (Gronroos, 2000b: 305). The consumer plays a role in the creation of value (Gronroos, 2011). Vargo and Lusch (2004) set out ten premises of service-dominant logic, emphasising the intangibility of services, the role the customer and the role of the enterprise in the service relationship. Of greatest relevance to research into the operation and performance of shared corporate services are the premises that the customer is a co-creator of value; a service-centred view is inherently customer oriented and relationship; and that value is always uniquely determined by the beneficiary (Vargo and Lusch, 2008: 7).

Normann (1984: 3–4) suggests that the growth of public services in the 1960s resulted in a move towards manufacturing theories, with agencies aiming to achieve greater efficiency. However, this has led to severe limitations in public agencies, viewing consumers as passive and inactive, and focussing on the process of production. In addition, Normann (1984: 85) suggests that ‘real
scale advantages are to be found in knowledge and management and the effective utilization of existing resources, including the client’, and that there may be limits to the scale benefits from technology, logistics and production resources. The importance of the network – or ‘value constellation’ - is critical in services theory. For Normann and Ramirez (1993: 69) ‘the most attractive offerings include customers and suppliers, allies and business partners, in new combinations’ and emphasising the importance of constructive relationships with suppliers and partners to achieve better value. Gronroos (2000a: 5) focusses on the importance of a constructive relationship between providers, and between providers and customers, and the importance of sharing information and generating solutions to meet customer needs.

The insight provided by services literature has implications for research into the operation and performance of shared services. Firstly, that assessment of the performance of a service is subjective, and the customer or consumer of the service will make a judgement about the performance of a service based on their experience. Secondly, that the judgement of how a service is perceived to perform is dependent on the process (or interaction) as well as the outcome (Normann, 2002). Thirdly, that the construction of value takes place across a network, involving suppliers and consumers in active roles, and with the customer playing a role in constructing value (Vargo and Lusch, 2007). Within the boundaries of this study, the customer is defined as the internal customer who receives corporate services. In this context, assessment of performance must consider perception of the service and the relationship between the provider and the consumer.

2.9. Application to shared services research
As highlighted above, there are a number of useful lessons that can be applied, including some consideration of arguments related to sectoral choice and the performance effects of using particular forms of collaboration, such as public-public partnerships (Andrews and Enwistle, 2010). In addition, conditions which may impact on the performance of a collaborative arrangement, including key themes of trust, relationship and risk, have been discussed (Vangen and Huxham, 2010). The consideration of existing theory and evidence related to
the creation of scale within partnerships suggests that it is conceivable a partnership arrangement could create scale, though there few examples of this in a service partnership. Testing the operation of shared services to assess whether scale has been created will provide useful evidence to add to this field of research. In addition, the consideration of arguments related to transaction cost economics and principal-agent theory can be used to design a study into the use and performance of shared corporate services, understand the relationship between partners.

However, there are specific limitations within the collaboration literature. Firstly, few studies provide evidence which demonstrates partnerships achieving improved performance, such as greater efficiency or economy. Secondly, there is a need to better define the types of partnerships used (McQuaid, 2010), their rationale, purpose and operation. This can then be related to both measures of performance, hypothesis of improvement and arguments of conditions which support or inhibit partnership working. For example, much of the literature focuses on public-public partnerships to respond to a social policy challenge, integrate functions or join up to respond to a particular challenge or set of challenges. There has been less focus on back office service partnerships, or partnerships between two local authorities to provide a specific service through a model of sharing. Finally, a significant proportion of the evidence on partnership working is derived from case studies, reflecting the focus on operations and relationships within partnerships or comparative case studies. A useful area to pursue is a comparative analysis between service delivery partnerships, to consider whether partnerships produce better performance than internal delivery, or whether different forms of partnership (by size, or model used) achieve different levels of performance.

3. Conclusion
While theory and evidence directly relating to shared services is limited, it is possible to learn from prior collaboration studies to inform a study into the performance of shared services.
The emerging field of literature relating specifically to shared services within public services has begun to consider theories of how and why shared services models are adopted, with some initial international studies considering the performance of difference shared services arrangements and certain key conditions which may facilitate success. The more extensive material related to collaboration provides useful insight into a study of shared services, with theories of scale and supervision of particular significance in hypothesizing why shared services are used, and certain key conditions associated with effective collaborative ventures. Potential disadvantages to sharing services are noted, from the principal-agent relationships or supervision difficulties, presence or absence of a range of conditions which support a partnership (trust, vision, goal alignment). This review of relevant literature has been vital in developing a set of theoretical propositions related to the performance of shared services.

However, there are three unresolved issues within the fields of literature which must be considered. Firstly, research into the performance of shared services is at an early stage of development. Turning to the collaboration literature, much of the research focuses on strategic development, policy initiatives, or specific public-facing projects. Fewer studies were designed to gather evidence which demonstrates collaborative arrangements achieving better efficiency or economy, though there are some very helpful exceptions to this (e.g. Andrews and Entwistle, 2010). Given the strong interest in the shared services model – and collaboration more widely – a research project focused on the performance of shared services could provide a useful contribution to the field of literature.

Secondly, we do not know much about the forms of shared services used in different local authorities, the models used, the changes made by use of shared services, and how they perform. Much of the collaboration research has considered public-public strategic policy partnerships, or partnerships to respond to a particular policy imperative. The use of shared services between local authorities is a different form of collaboration, a local authority-local authority service partnership. This research project seeks to understand how this may operate, the performance observed and comparison with alternative models of provision. By doing so, it can provide insight into a form of
collaboration that has received less attention. This would require consideration of the rationale for the selection of shared services, the changes made by use of the model, and the performance observed.

Finally, there are some methodological challenges which must be addressed in future research. A significant proportion of the evidence on collaboration is derived from case studies, reflecting the focus on operations and relationships within partnerships. There is an opportunity for quantitative research methods to be used in this research project, enabling comparison between different service providers and models of delivery. There is a need for further exploration of the performance of different models.

This chapter has reviewed two key fields of literature, synthesized theories which can be used to explain the use of collaborative arrangements, noting the potential utility of scale and supervision theories. It has also considered factors which may impact on the performance of a partnership arrangement. This research and evidence will inform the development of theoretical framework used in the following chapter.
Chapter 3: Theoretical framework for the research

1. Introduction
Fundamentally, this study seeks to understand the rationale for the adoption of shared services arrangements, the models used, the performance of shared corporate services, and to gain insight into the factors which may explain the performance observed.

The previous chapter provided a review of two fields of literature, shared services and collaboration, highlighting relevant theory and evidence to develop this research project. The concept of shared services within local government in England is relatively new, with limited theory and research available to hypothesize or evidence how the model impacts on performance. The literature review identified three limitations of prior research relating to shared corporate services within local government. Firstly, there is limited evidence relating to the performance of collaborative service delivery models (such as a local authority-local authority service delivery partnership) and very little evidence specifically relating the performance of shared corporate services or testing of hypotheses relating to this model. Secondly, we do not know much about the forms of shared services used in different local authorities and how they perform. Thirdly, there is limited comparative evidence on the performance of different models of shared services, or different service models. This thesis aims to address the limitations described above through a study into the performance of shared corporate services in English local government.

The aim of this chapter is to provide a clear theoretical framework for the research. It is essential to note at this juncture that the strong central government advocacy for shared services appears to be based upon an implicit theory. Therefore, the chapter begins by drawing on central government policy documents to highlight the changes expected from the use of shared corporate services, the descriptions of how the model is expected to operate, and the results it is anticipated to achieve. The intention of this exercise is to explore the content of the proposed reform, aiming to make explicit the theoretical foundation of shared services in local government. Two key themes emerge
from the review exploration of government policy documents. Firstly, the argument that sharing services can result in improved performance, owing to the creation of scale. Secondly, the view that the development of a shared services partnership can provide a mechanism to create economies of scale.

The policy framework and theoretical framework are interrelated. Given that there is an implicit theory underpinning the shared services reform agenda, this will be made explicit by drawing out the policy perspective and integrating this within a theoretical framework.

The policies which underpin shared services are drawn from conventional economic theory (Stigler, 1958; Shepherd, 1990), which suggests that additional scale can result in improved performance. The policy perspective connects with academic perspectives which suggest partnership working can create economies of scale (Andrews and Entwistle, 2010; Sullivan and Skelcher, 2002; Ruggini, 2006). This leads to a dominant theoretical proposition, asserting that a shared services partnership will bring service improvement and reduction in cost through economies of scale. In addition, the theoretical framework offers a secondary proposition, contending that shared service arrangements are dependent on, and benefit from, high-trust relationships and lower supervision costs (Brown and Potoski, 2003; Entwistle and Martin, 2005). A further secondary proposition suggests that the effective operation and success of the shared service model is dependent on effective implementation (Osborne and Brown, 2005). Counter-propositions suggest that sharing services may not result in improved performance. Firstly, drawing on alternative economic theories to suggest that economy of scale does not necessarily result in improved performance (Niskanen, 1971). Secondly, it is conceivable that there may be challenging conditions within partnership working, such as difficult principal-agent relationships, which may adversely impact on performance (Huxham, 1993; Vangen and Huxham, 2010).

This chapter sets out a clear theoretical framework for the research project, based around the following propositions:
I. **Proposition 1:** A shared services partnership will bring service improvement and reduction in cost. The main mechanism to achieve this is through economies of scale.

II. **Secondary proposition 1.1:** Shared service arrangements benefit from high-trust relationships between partners, with lower supervision costs.

III. **Secondary proposition 1.2:** Successful operation and performance of shared services is dependent on effective implementation processes, benefitting from both the rational management and political negotiation approaches.

IV. **Counter-proposition 2.1:** Increases in scale beyond a certain point will result in deteriorating performance.

V. **Counter-proposition 2.2:** Larger units will create diseconomies of scale. Smaller units, greater fragmentation, and competitive pressure will improve performance.

VI. **Counter-proposition 2.3:** Adoption of a shared corporate services partnership will result in a decline in service performance, owing to challenges in the partner relationship.

2. **Policy framework**

A theory-driven research framework is applied through this thesis to understand the theoretical basis of shared services, anticipated impacts on performance, and consideration of alternative theories and impacts. This is founded on the premise that reform of public services may be undertaken to achieve a range of ends (Pollitt and Bouckaert, 2000: 6).
The objective of this section of the chapter is to identify and make explicit the theories which underpin the shared services reform agenda, so that this can be incorporated within a theoretical framework.

2.1. Intended outcomes from use of shared corporate services

By drawing on government literature it is possible to identify the outcomes anticipated from the use of shared corporate services.

The Labour government (1997 – 2010) emphasized the importance of using partnership as part of a mixed economy of service delivery, with the Prime Minister (Tony Blair) explaining that ‘it is partnership with others - public agencies, private companies, community groups and voluntary organizations - that local government’s future lies’ (Blair, 1998: 13). Partnership working is identified as a tool to deliver service improvement. Within this wider policy context, the model of shared services offers a specific form of partnership to achieve specific benefits. Shared services are defined as ‘collaboration, partnering of other joint-working between local authorities or other public sector bodies to organise the commissioning, provision or delivery of services jointly’ (2006d: 6). The White Paper, Strong and Prosperous Communities (DCLG, 2006a), indicates strong endorsement for use of shared corporate services, with a vision for authorities to operate with ‘shared back-office functions and integrated service delivery mechanisms’ (DCLG, 2006a: 64). In this context, ‘shared services do not represent an end in themselves, but they provide a means, to greater efficiency and effectiveness’ (NAO, 2007: 12). The intended outcomes of using shared services are made clear:

‘The Cabinet Office estimates there is scope to save £1.4 billion from annual expenditure on finance and human resources functions, and to improve service quality by implementing shared services across the public sector’ (NAO, 2007: 7).

Central government policy suggests that adoption of shared services will generate improved service performance and reduced costs. The Transformational Government strategy (Cabinet Office, 2005) supports a move
to shared services within the public sector, identifying two key drivers: to release efficiency savings and to improve service quality. Efforts to achieve these aims should focus on corporate services:

‘Human Resources, Finance and other corporate services, where improved professionalism, standard systems and processes and effectiveness of these corporate functions should achieve efficiency gains across the whole public sector and in the functions themselves, as well as enhancing the employee experience and realising indirect efficiencies from better financial, personnel, knowledge and asset management’ (Cabinet Office, 2005: 12).

A review of Strong and Prosperous Communities indicates that service quality can be improved, boldly asserting that there are ‘significant opportunities to improve the quality and efficiency of services by joint working’ (DCLG, 2006a: 137). The deployment of a model of shared corporate services is linked to increased quality of corporate services, and would positively impact on the satisfaction of users in service areas. ‘The potential benefits are not simply about financial savings but cover broader issues around quality of service’ (NAO, 2007: 13). The adoption of shared corporate services is intended to improve organizational performance across the following headline dimensions:

- Economy (including overall cost of corporate services provision)
- Efficiency
- Effectiveness
- Service quality
- Satisfaction.

This integrates both the manufacturing based logic of business (inputs/outputs), and service logic (Normann, 2001; Osborne, 2011). The policy direction gives a clear impression of the expected benefits arising from effective design and operation of shared services, including reduced costs and better outputs (e.g efficiency). The latter three dimensions of performance (quality, satisfaction and effectiveness) are vital in this study, learning from services theory on the subjectivity of the customer’s experience of the service, the importance of the service process, quality, and the outcome. Measuring inputs, outputs and
outcomes alone would misrepresent the importance of the customer’s experience as ‘service users expect effectiveness as a necessary condition of services delivery’ (Osborne, 2010a: 4).

2.2. Changes to be made through use of shared corporate services

While it has been possible to identify the broad impacts on dimensions of performance that policy makers aspire to achieve, this does not establish how shared corporate services will achieve these performance improvements. Two important questions emerge: Firstly, which changes are expected as result of implementing shared corporate services? Secondly, how are these changes expected to deliver the anticipated performance improvements? As research into the use and performance into shared services in the public services is limited, a useful starting point is to assess how policy makers expected service provision to change as a result of use of shared services.

2.2.1. Organization of services

Boyne (2003: 370) points to organization of services as ‘the traditional method of redesigning public services provision’. The deployment of a shared model to provide corporate services is anticipated to effect changes to organizational scale and governance, advocating a collaborative model and offering new service models. A range of models are available (DCLG, 2006d), offering new structures, governance arrangements and contracting between partners. Central government documents reveal a keen focus on achieving greater efficiency through collaboration:

‘No longer can public bodies automatically take the stance that undertaking any activity on a standalone basis is the most cost-effective way of going forward’
(DCLG, 2006d: 13).

Economies of scale

The key changes that policy makers anticipate from shared corporate services highlights the importance of achieving economies of scale in delivering the intended performance outcomes. This intention is overtly expressed as a reform, with local authorities under pressure to:
'Achieve economies of scale… rather than being restricted by local authority spatial boundaries … For example, authorities and agencies might consider co-locating services (or) sharing back-office functions' (DCLG, 2006a: 109).

Furthermore, the declaration that ‘some district councils are too small to have the capacity to secure efficiency’ (DCLG, 2006a: 62), suggests that policy makers believe there is considerable potential for significant scale economies. The case for shared services in the public sector is outlined by the National Audit Office report *Improving Corporate Functions using Shared Services* (2007: 13), arguing that that ‘shared services are about combining corporate service activities across…different organizations, to bring efficiency savings and to improve service’. *Strong and Prosperous Communities* (DCLG, 2006) extends this argument, proposing that service improvement can be achieved through sharing services. Improvements ‘can be secured by joint planning, sharing resources and skills, aggregating demand and sharing services across a larger area’ (DCLG, 2006a: 140). The theory used to underpin the promotion of shared services in public services is that the pooling of resources - including people, assets and technology - allows a reduction in input prices, increased ability to spread cost, and a reduction in duplication and waste (DCLG, 2006a: 140). Guidance from the Department for Communities and Local Government (*Structures for Collaboration and Shared Services Technical Notes*) suggests that using sharing services is feasible, as many back office functions are ‘routine transactions’ and are ‘capable of being exported across local authority boundaries’ (DCLG 2006b: 30). This analysis points clearly and explicitly to a dominant policy perspective, the belief that sharing corporate services will allow for greater economies of scale.

**Collaboration**

The proposals to achieve improved performance through greater scale do not take a conventional form. This improvement is expected to be delivered through shared back-office functions, forming new partnerships and relationships to provide or commission corporate services (DCLG, 2006a: 63). This argument demonstrates an intention to change the organization of services
provided by local government, suggesting the use of collaborative or partnership service models are expected to become further entrenched in the structure and organization of local government (DCLG, 2006a: 64). These new models of working encourage a ‘shared services culture’ (Cabinet Office, 2005: 7), releasing greater efficiencies and require new skills, behaviours, and greater ‘collaborative working based on openness and trust’ (DCLG, 2006d: 50).

The shared corporate services model is intended to pool and aggregate resources across organizations (DCLG 2006d: 15). The economies of scale thought to produce improved performance for corporate services are not envisaged to stem from enlarging the size of individual local authorities, but through embracing forms of sharing with other organizations. This reveals a presumption that partnership with others can act as a proxy for size or structural change, can achieve greater economies of scale and improve performance.

**Effective implementation**

The intended outcomes of using models of shared services are clear. However, the success of the model is not purely based on the design of this arrangement, but the implementation processes used to deploy the new model. Central government policy makers highlight the importance of effective implementation processes, making the case for a rational planning approach to deploy shared services models. Guidance from the Department of Communities and Local Government states that ‘tackling the difficult issues of shared services and joint working will be easier if authorities follow a logical step-by-step approach’ (DCLG, 2006d: 16). The *Strong and Prosperous Communities* White Paper asserted that the use of shared services model is ‘achievable through sound knowledge and improved project approaches’ (DCLG, 2006a: 16).

Two key elements of this rational planning approach stand out as particularly worthy of focus. Firstly, the development of an analytic and ‘logical’ approach to the development and implementation of shared services, emphasising the importance of research and analysis. An example of this comes from the Department of Communities and Local Government, stating they are ‘working with local authorities and key stakeholders… [and] consideration of the case for
sharing back office functions, transactional services and other key services’ (DCLG, 2006a: 140). Secondly, the encouragement of a rational planning approach can be seen in the formalisation of a step-by-step method to develop and deliver a shared corporate services arrangement, beginning with an assessment of the case for joint working (strategic fit, ambitions, short listing potential partners), to using a project management approach to deliver the new arrangement (DCLG, 2006c: 26). Thus successful implementation of new shared service arrangements is presented as contingent upon effective implementation processes, including rational planning activities.

3. Dominant proposition

Exploration of the expectations and arguments of policy makers indicates that two theories are at the heart of the shared services reform: economies of scale and collaboration. This section considers earlier theory and evidence in drawing out a dominant proposition for this research project, aiming to identify theories which explain how and why using shared corporate services will impact on performance.

3.1. Economies of scale

Given the dominance of policy arguments encouraging scale through the creation of corporate services, it is appropriate to delve deeper into the theoretical perspectives associated with economies of scale to inform this study.

Schulman et al (1999: 41) described three goals of shared services – to minimize administrative costs and create scale, free up management resources, and create a critical mass of support activities. Within the limited field of research into shared services within public services, economies of scale have been identified at the heart of the rationale for use of the model (Ruggini, 2006; Tomkinson, 2007). Through a review of theory and evidence related to shared services in Australia, Dollery and Grant (2010: 43) argued that the genesis of shared services is in the creation of economies of scale. Within local government, the concept of economies of scale in local government ‘is that total service output influences the average cost of providing a unit of given quality’
Arguments for greater scale were influential in Britain in the 1960s and 1970s, leading to reforms in London and other parts of the country (Boyne, 1995; Dearlove, 1979; Newton, 1982). This perspective is drawn from economic theories in the private sector which hold that larger organizations or units are able to spread central costs and overheads, such as management costs and property assets across a broader range of services (Stigler, 1958), therefore reducing the input costs involved in service production and providing greater economy. Furthermore, increased scale can reduce input prices, as a larger organization has greater purchasing leverage (Shepherd, 1990). These perspectives indicate that increased scale can result in greater economy which may be reflected in lower cost services.

It is also hypothesized that greater scale will allow for improved efficiency. According to this theory, greater scale makes the provision of specialist staff, expertise, technical resource and equipment more efficient (Boyne, 1996: 810; Andrews and Boyne, 2009: 741) as these resources can be procured at a lower cost, and shared across a larger organization. In addition, by integrating services into a larger unit, it is anticipated that benefits will emerge from the removal of duplication (Lomax, 1952), and that the integration of services into a larger unit offers an opportunity for standardization. It may be hypothesized that greater access to specialization, expertise and technology will increase the quality of service provision, and positively impact on the satisfaction of users in services. Evidence within local government indicates that ‘administrative efficiency is higher in larger organizations’ (Andrews and Boyne, 2009: 755). Though the dominant proposition is drawn from the manufacturing field, the services literature can also provide insight. Normann (1984) gives a nuanced perspective, reflecting that increasing scale of knowledge and management can have positive impact, most notably when the knowledge and role of client is incorporated in delivering value. This suggests that in addition to reduced inputs (e.g. cost) and improved outputs (e.g. efficiency), scale can – in theory – also drive improved satisfaction.

3.2. Partnership and economies of scale
Theories relating to collaborative working provide the background to this
Collaborative arrangements can take a range of forms. ‘The term “partnership” covers a multi-dimensional continuum of widely differing concepts and practices’ (McQuaid, 2010: 128). This includes highly structured partnerships based upon a contract and formal relationship, to a localized and relatively informal arrangement such as a ‘handshake agreement’ between two local authorities (Ruggini, 2006). Partnership arrangements fall between markets and hierarchies and should be considered ‘as a relatively enduring and at least reasonably formalized network arrangement’ (Entwistle, 2010: 162). In the context of shared services, the expectation of policy makers seems to suggest that the partnership would be based upon a relatively established and formal arrangement to provide services.

The argument that a partnership between local authorities can create economies of scale reflects a view that partnerships can utilize resources across organizational boundaries. McQuaid (2010: 130 – 34) points to the benefits of scale achieved by partnerships: sharing skills and resources, pooling resources, improving efficiency and removing duplication. Lowndes and Skelcher (1998) suggest that partnerships may create additional scale, therefore reducing duplication and sharing overheads. In many studies, this sharing of resources and capacity has been intended to resolve a specific policy challenge. However, it is also conceivable that partnership can be formed to create greater scale, aspiring to improve services and reduce costs (Andrews and Entwistle, 2010: 3 – 4).

The theory that partnership working can result in improved performance suggests that greater efficiency can be achieved by working across organizational boundaries. Central to this perspective is the flexibility the arrangement brings, including additional capital and capacity, working across boundaries to address priorities, diverting ‘decisions, talent, rewards and actions where they are most needed’ (Askenas et al, 1995: 2 - 3). Theories supporting partnership working suggest that it provides a mechanism to maximize resources (Sullivan and Skelcher, 2002: 36). This is supported by Smith, Mathur and Skelcher (2006: 160), who suggest that partnership working offers the benefits of ‘enhanced service delivery and policy achievement’.
through the integration of activities across agencies’. As the services provided by at least two principals are integrated into a single service provided by one agent, greater scale can be achieved, and theoretically benefits linked to conventional economies of scale will emerge from this arrangement. This leads to one dominant proposition at the heart of this research project, suggesting that sharing services can create scale and improve performance.

**Proposition 1:** A shared services partnership will bring service improvement and reduction in cost. The main mechanism to achieve this is through economies of scale.

### 2.3. Secondary proposition: Collaboration

Partnership working, using a shared services model, is positioned as the mechanism through which improved service performance is achieved. A secondary proposition can be articulated, suggesting that it is the ability to reduce supervision costs by using shared services that result in positive results from the partnership arrangement.

It is conceivable that the nature of partnership working enables reduced supervision, resulting in improved performance or reduced costs. Entwistle and Martin (2005) document a theoretical shift related to partnership working in public services, with procurement of services moving away from competition-driven procurement to a more collaborative model. Long-term, high-trust relationships, in theory, reduce conflict in relational exchange and thus support improved service delivery and reduced transaction costs (Entwistle and Martin, 2005: 237 - 38). Applying the framework of transaction cost economics to the decision to enter a long-term partnership arrangement is useful for identifying potential benefits of the arrangement. If shared corporate services are accepted to conform to the hybrid form of organization, it is apparent that benefits will arise from greater flexibility in contracting arrangements, allowing for easier dispute resolution and reducing monitoring costs (Williamson, 1991: 281). This presents a view of partnership working as less adversarial than competitive contracting, benefiting from less conflict in the relationship, reducing
monitoring costs and resulting in lower service production costs.

Within this context, the ability to reduce supervision costs is identified as key part of the rationale for partnership working. A key ingredient enabling this to happen is trust between partners. Osborne et al (2010: 192) argue that ‘trust is at the heart of any interorganizational relationship’ and challenges are focused on the principal-agent relationship, including, information asymmetry, risk and costs. Klijn (2010: 313) suggests that a high-trust relationship should reduce transaction costs by building the relationship between partners, the alignment of goals and greater predictability.

Entwistle (2010: 165) notes that, in theory, partnerships have lower transaction costs as they require less supervision given the alignment of partners and high-trust relationships, factors which Brown and Potoski (2003) argue, form part of government decision-making on how to provide services. Other public sector providers may be seen as particularly trustworthy partners (Andrews and Entwistle, 2010; Marvel and Marvel, 2008). This assumed trust encourages public services to contract with one another, setting shared objectives, and reducing supervision costs since, in theory, partners are working towards the same goals (Entwistle, 2010: 165). Warner and Bel (2008: 726) argue that public-public partnerships can provide greater efficiency and reduced transaction costs. Evidence related to the advantages of local authorities working with in partnership with other public services suggest that public-public partnerships are associated with ‘public service effectiveness, efficiency, and equity’ (Andrews and Entwistle, 2010: 14). Gronroos (2000a: 5) focusses on the importance of a constructive relationship between providers and the importance of sharing information and generating solutions to meet customer needs. By developing better relationships across providers and with customers, it is possible to drive greater value – such as improved performance or reduced costs (Normann and Ramirez, 1993). The discussion above identifies a second proposition.

**Secondary proposition 1.1:** Shared service arrangements benefit from high-trust relationships between partners, with lower supervision costs.
2.4. Secondary proposition: Effective implementation

The use of shared services is anticipated to provide a departure from current intra-organizational models of back office support and can learn from theory related to innovation implementation. Osborne and Brown (2005: 122) characterise the distinctive elements of innovation as newness, its relationship to invention, discontinuity with the prevailing organizational paradigm and ‘being both a process (“innovating”) and an outcome of that process (“an innovation”).’ Innovation and change are frequently positioned as a normative good; however, this argument is subject to growing challenge (Sturdy and Grey, 2003: 659). This challenge applies to the design, introduction and operation of shared services in local government; success of the model is not solely based on the design of the model, but also on the implementation process (DCLG, 2006d).

The focus on shared services are implemented can learn from prior research into the processes of innovation design and implementation. Innovation is not merely a good idea or an invention, but ‘the creation and implementation of new processes, products, services and methods of delivery which result in significant improvements in outcomes, efficiency, effectiveness or quality’ (Albury, 2005: 51). For Osborne and Brown (2005: 129), implementation is the core of innovation, ‘involving the introduction and adaptation of a new idea within a new environment’. There are a number of practical challenges to successful implementation, including poor leadership, weak engagement and communication, unclear strategy, poor co-ordination and management support (Beer and Eisenstat, 2000: 30). Implementation of innovations in the public sector are also complicated by the stringent control environment (Grady, 1994: 469), and public service organizations face the challenge of creating an environment supportive of innovation (Borins, 2001b: 318).

The impetus for innovation can be drawn from a political imperative impetus, research push (through the generation of new knowledge), market pull, or as a proxy for individual or organizational performance (Osborne, 1998; Osborne and Brown, 2005: 188). The introduction of shared services bears the hallmarks of having a political imperative impetus, with the reform advocated and endorsed by central government, and also may be suggestive of a research
push towards new models of corporate service delivery (i.e. clients who expect better corporate services). Osborne and Brown (2005: 195) highlight four approaches to the management of the innovation process in public service organizations: the rational management approach; the political negotiation approach; the building block approach; and the learning network approach. The selection of the most appropriate approach to managing the innovation process should be based on an understanding of the organizational context, the impetus for reform, and the goals of the innovation. The political impetus for shared services, the design of a new organizational model across partners, and the aims of the innovation indicate that the rational management and political negotiation approaches have the most relevance to this study.

Rational management advances an ‘analytical, formal and “logical”’ approach to form strategy (Boyne and Gould-Williams, 2003: 194). This approach is closely linked to the development of planned strategy described by Mintzberg and Waters (1985: 259), exhibiting features of formal planning, deliberate intention, developing detailed plans (incorporating details on time, resources, budget), and a clear approach to implementation. The rational management approach is rooted in rational systems perspective, seeing innovation as a ‘linear set of stages to be managed sequentially’, benefiting from a concrete implementation plan which is design to embed the chosen option (Osborne and Brown, 2005: 198). Given the complexity of arrangements for shared services - a plethora of potential partners and multitude delivery models and mechanisms - central government endorsed a rational management approach to ensure that models of shared corporate services are appropriately designed and successfully implemented. Indeed, detailed government advice is available to help set up a shared service partnership, from legal and structural guidance (DCLG, 2006b), to theoretical advice in the Rethinking Service Delivery volumes (DCLG, 2006d).

Boyne and Gould-Williams (2003: 116 - 17) summarize a number of benefits thought arise from adopting rational management, including: a clarification of objectives; an allocation of resources in line with priorities; improved communication with staff; the channelling of efforts; identification of external
events and internal changes; and the opportunity to make decisions on alternative strategies based upon comprehensive information. On the basis of the summary above, it is hypothesized that the implementation of shared corporate services will benefit from a rational planning approach, theoretically enabling a considered assessment of an appropriate partner, a comprehensive review of possible delivery options, and a detailed step-by-step approach to implementation.

However, there are limitations with the model including the difficulty obtaining and analysing a complete data set; and as the development and delivery of a plan is dependent on power to implement the required actions, influencing and changing the work and priorities of other actors within the organization (Boyne 2001: 77). Therefore, the ability to execute a plan or strategy can be seriously constrained by the complex, shifting nature of organizations, and altering power relationships (Lindblom, 1979). The implementation of shared corporate services can also learn from the political negotiation approach. This approach is rooted in natural systems perspective of organization (Osborne and Brown, 2005: 204), suggesting that organizations are collections of interest groups with different goals and highlighting the importance of negotiation. A counter-point to rational planning is offered by Lindblom (1959: 157), arguing that the success of a strategy is only determined by the consensus that supports it. Quinn (1980: 52) argues for ‘logical incrementalism’, setting broad goals, allowing for flexibility and acknowledging that strategy and change are the result of varied and complex power relationships between different stakeholders. At the heart of the political negotiation approach is persuasion, identifying key stakeholders for a particular innovation and seeking to influence them (Osborne and Brown, 2005: 205). This focus has particular resonance in the case of shared corporate services, which involves the integration of alternative structures, processes, cultures, and management arrangements into one unit. More importantly this also requires the integration of the services of two discrete political organizations, alignment of goals and interests into a new model.

The contingency approach suggests that there is no one best way to manage change or innovation, but that not all approaches are equally effective in
specific circumstances (Osborne and Brown, 2005: 209). Borins’ (2001c: 175 -79) research on public service innovation, highlights that a high proportion (84%) of cases of innovation pointed towards inter-organizational cooperation, often initiated by leaders with a broader scope and vision, and requiring ‘collective effort to respond to a problem, involving negotiation, familiarization, coordination, and, ultimately, cooperation’. This adds weight to the notion that the implementation of shared corporate services will benefit from both a rational management and political negotiation approach, identifying and influencing key stakeholders, and designing and executing plans based on evidence and analysis. Successful innovation is dependent on design, implementation and diffusion of the innovation, and the ability to overcome potential barriers (Beer and Eisenstat, 2000) and manage risk (Borins, 2001a). In his study of innovation in the health sector, Piening (2011) found that ‘implementation effectiveness was positively related to innovation effectiveness’, as organizations that had a platform for change, a clear design and implementation approach, flexibility and the dynamic capability to adapt and overcome obstacles had greater success. The three types of obstacles to the innovation process are bureaucratic obstacles (e.g. bureaucratic attitudes), internal organization obstacles (e.g. coordination, staff or union opposition), and political obstacles (e.g. doubts, adverse impacts on interest groups) (Borins, 2001; cited in Osborne and Brown, 2005: 192 – 93). Leadership, vision and communication are cited as critical elements (Beer and Eisenstat, 2000; 37), support from the top, rewards and resources for innovation (Borins 2001a: 313), and careful selection of implementation methods (Dibben and Bartlett, 2001).

This section introduces a further secondary proposition, bringing together the importance of both rational and political approaches to the innovation implementation process.

**Secondary proposition 1.2:** Successful operation and performance of shared services is dependent on effective implementation processes, benefitting from both the rational management and political negotiation approaches.
3. Counter propositions

The research framework must be informed by an analysis of alternative or competing theories relevant to a reform initiative, allow for tracking and assessment of competing contradictory propositions, and evaluation of negative or unintended effects. An examination of academic literature can however identify potential counter theories. Two useful areas of prior research and theory are of relevance to this study: counter arguments related to economies of scale; and theories which indicate challenges to the operation and performance of partnerships.

3.1. Challenges to economy of scale

Alternative theoretical perspectives hold that increased size and scale in public organizations can produce mixed or negative impacts. Firstly, there may be limits to the benefits of scale, with Tullock (1965) arguing that increases in scale will eventually negatively impact upon organizational performance, as problems of control and co-ordination grow. Pointing to declining ‘marginal efficiency’, Tullock (1965: 51) suggests a non-linear relationship between scale and performance, with economies of scale leading to a point of maximum performance, followed by declining performance trajectory. Williamson (1985: 183) echoes the argument that there are limits to scale, pointing to bounded rationality and limited spans of control, indicating that increased scale may result in increased hierarchical levels and diminished information sharing.

Part of the challenge to theories of greater scale derives from public choice theory, which contends that ‘if public officials monopolize service delivery, then the result is oversupply and inefficiency’ (Boyne, 1998: 474). Niskanen (1971) suggests that increased size and scale in public services will result in greater inefficiency. The larger an organization becomes, the greater the opportunity for the organization to behave in a monopolistic way, resulting in high cost and declining service quality. This theory asserts that the replacement of large organizations with smaller units will result in improved performance, as competitive behaviour and information on price and quality drive organizations to improve (Niskanen, 1971). In addition, the presence of a competitive market required for greater efficiency. Elements of public choice theory favour smaller
units of government to deliver services effectively. Tiebout (1956) argued that
greater fragmentation of government into smaller units increases competitive
pressure. This perspective argues against greater scale, endorsing greater
fragmentation and smaller units. Downs (1967) adds a further concern over
increasing scale in the public sector, that while quality and quantity may remain,
increasing size and scale will result in deteriorating responsiveness and
flexibility (Downs, 1967: 160).

Arguments from services logic suggest that there may be limits to the benefits
that can be provided by scale (Norman, 1984). To best meet customer need ‘a
service organization should not be unnecessarily bureaucratic or have a large
number of hierarchical levels’ (Gronroos, 2000b: 304). This limits customer
knowledge, and curtails ability to make decisions to service customer
effectively. In this context, additional scale can inhibit quality, effectiveness and
satisfaction. Instead, by designing services and systems on customer need,
reducing tiers and delegating knowledge and decision-making to the front line
can offer greater benefit to the customer (Gronroos, 2000b: 306). Generating
additional production scale does not inherently result in better services provided
to the customer, and could diminish responsiveness to the customer and
engagement with their expectations and perceptions, the quality of the service,
the processes and effectiveness of the service.

While government policy advocated a partnership arrangement as method of
achieving economies of scale, in practice this may be diminished as
independent (and potentially divergent) organizations withhold resources from
the arrangement, reducing the potential for economies of scale.

**Counter-proposition 2.1:** Increases in scale beyond a certain point will result
in deteriorating performance.

**Counter-proposition 2.2:** Larger units will create diseconomies of scale.
Smaller units, greater fragmentation, and competitive pressure will improve
performance.
3.2. Challenge to partnerships

The proposition that partnership can be used as a vehicle to improve services is not free from challenge. This model is complex, and unlike internal provision of services, where different incentives and control mechanisms are available, performance is dependent on an effective relationship between client and contractor (Williamson, 1991). Drawing on principal-agency theory, it is possible to identify counter-propositions which suggest potential negative impacts on performance through using a shared service approach to delivering corporate services.

At the core of the principal-agent problem are issues of trust, control, information, goal alignment and monitoring. Holmstrom and Milgrom (1991: 50) present this problem clearly:

‘Given a highly incomplete performance measures and a highly complex set of potential responses from the agent, how can the agent be motivated to act in the social interest?’

Trust, relationship and risk have been identified as central to successful delivery of services through a contract arrangement, with Huxham (1993) noting that loss of control for the individual organization may be implicit within a partnership arrangement, drawing attention to the need for a comparison of the transaction costs of alternative methods of production. This perspective holds that it is cheaper to buy one-off services, but that internal provision is appropriate for ‘transactions that involve recurrent exchange in the face of a…degree of uncertainty and that incur transaction-specific investments’ (Williamson and Ouchi, 1983: 18). Where high-specification or high-risk services are required, it is suggested that either a services will remain in-house, or a contractual relationship with another government body may be adopted. Brown and Potoski (2003: 464) argue that governments balance risk and benefits in service production decisions, and while ‘external contracting may save costs, it can be riskier’, and ‘contracting with other governments can mitigate such risks’.

The need to control agents has been central to debates on agency theory. As Besley notes (2006: 100), ‘the problem of monitoring is at the heart of the
classical statement of principal-agent problems’. The monitoring of the performance of agents is required to prevent shirking (Alchian and Demsetz, 1972), and opportunism owing to contractual incompleteness. A fundamental challenge to the logic behind shared services is visible. It is suggested that ‘agents are more likely to impose their own agenda and pursue their own interests when there isn’t a single principal with clear, unified and unambiguous objectives’ (Gomez-Mejia and Wiseman, 2007: 28). This has particular resonance in the case of shared corporate services, where some models for service provision include opportunities for one agent to provide services to a number of principals. With more than one principal, there is potential for conflicting aims, directions and goal incongruity. This theoretical perspective may undermine claims of the capacity of shared services to provide economies of scale through partnership working. Indeed, it is proposed that ‘the existence of multiple principals strongly indicates that not all principals will agree on goals’ and regardless of the monitoring arrangements, structures, or incentives it will lead to at least one of the principals dissatisfied (Waterman and Meier, 1998: 179). From this, it can be hypothesized that there will be increased cost associated with adopting a shared corporate services arrangement owing to increased monitoring costs for the contract. At worst, goal conflict between partners could have a negative impact on performance.

Ranade and Hudson (2003) suggest that through collaboration, the transaction costs may remain high owing to collaborative inertia. They argue that the time and effort to develop and deliver services through a partnership ‘can break the will of even the most committed collaborator… the transaction costs of the collaborative imperative appear to require more serious study and assessment’ (Ranade and Hudson, 2003: 47). Gronroos (2000a) highlights the importance of dialogue, in business-to-business relationships, and relationships between an organization and the customer. In both contexts, this is essential in creating value. However, ‘to achieve this, suppliers and service customers and their customers have to share information and keep each other informed about their requirements and intents’ and in practice, dialogue is difficult to develop and maintain as both parties have to be motivated to do so’ (Gronroos 2000a: 5 – 7). The difficulties in creating and maintaining rich and engaged relationships
may undermine the ability of the shared services partnership to succeed.

It is conceivable that the delivery of corporate services through a shared services arrangement will result in reduced quality and responsiveness. Where a service is faced with uncertainty, there is a need for the supplier to be flexible to accommodate new requirements. Entwistle et al (2002: 13) point out ‘there may be limits to the levels of responsiveness that external contractors can offer’. A comparison with alternative methods of providing corporate services would be useful within this study. In-house provision offers the benefit of greater control, particularly when there is a degree of uncertainty, and may deliver a more responsive service (Williamson, 1971). Alternatively, it could be proposed that competitively contracting out corporate services directly to a private sector provider will produce a positive impact on performance, as a competitive environment drives greater efficiency (Savas, 2000).

**Counter-proposition 2.3:** Adoption of a shared corporate services partnership will result in a decline in service performance, owing to challenges in the principal-agent relationship.

### 4. Conclusion

This chapter has set out a theoretical framework for the research. Theories suggesting economies of scale result in improved performance and reduced cost (Stigler, 1958; Shepherd, 1990) underpin the argument that shared services can create scale (Schulman et al, 1999; Dollery and Grant, 2010). This has a unique twist, with the dominant proposition suggesting that a shared services partnership provides a model to achieve this scale:

1. **Proposition 1:** A shared services partnership will bring service improvement and reduction in cost. The main mechanism to achieve this is through economies of scale.

Review of the collaboration literature suggests that a secondary proposition is
relevant to the operation and performance of shared services. The supervision rationale suggests that using longer-term partnerships between public partners, motivated to similar goals and with high-trust relationships, may impact on the outcomes achieved by a partnership (Entwistle, 2010).

II. **Secondary proposition 1.1:** Shared service arrangements benefit from high-trust relationships between partners, with lower supervision costs.

Furthermore, the success of implementing an innovation is hypothesized to be related to the results it achieves (Piening, 2011). Implementation of shared services should use rational management and political negotiation approaches (Osborne and Brown, 2005; Borins 2001c). Successful innovation is dependent on design and implementation, and the ability to overcome barriers and manage risks (Beer and Eisenstat, 2000; Borins, 2001a).

III. **Secondary proposition 1.2:** Successful operation and performance of shared services is dependent on effective implementation processes, benefitting from both the rational management and political negotiation approaches.

The chapter also identifies counter-propositions as part of the theoretical framework. Sharing services may not result in improved performance, and use of the model could have an adverse impact on performance. Firstly, economy of scale does not necessarily result in improved performance, as beyond a certain point, increases in scale may result in adverse impacts (Tullock, 1965; Gronroos, 2000b). Secondly, larger units will create diseconomies of scale (Niskanen, 1971), and smaller units are more likely to achieve positive results. Thirdly, there may be challenging conditions within partnership working, such as difficult principal-agent relationships, which adversely impact on performance (Gomez-Mejia and Wiseman, 2007).

IV. **Counter-proposition 2.1:** Increases in scale beyond a certain point will result in deteriorating performance.
V. **Counter-proposition 2.2**: Larger units will create diseconomies of scale. Smaller units, greater fragmentation, and competitive pressure will improve performance.

VI. **Counter-proposition 2.3**: Adoption of a shared corporate services partnership will result in a decline in service performance, owing to challenges in the partner relationship.

A range of propositions are outlined above, related to dominant theoretical perspective and non-dominant theories, to aid construction of a rounded research framework that gives due weight to potential impacts beyond those outlined by policy makers.

Having outlined the policy context and considered relevant theories, the challenge is to design a research framework, strategy and methods to enable exploration, explanation and evaluation of the shared services reform agenda. The following chapter aims to operationalize this theoretical framework into a research framework, designing methods to consider how sharing services impacts on performance.
Chapter 4: Research strategy

1. Introduction
At the heart of this research project is the intention to evaluate and explain how shared corporate services operate and perform. The evaluation and explanation of performance, reform and improvement within the public sector is subject to number of challenges, from debates over research and evaluative methodologies, explanation and attribution of performance, and the extent and the impact of reform. To enable investigation, assessment, evaluation and explanation of the impacts of using shared corporate services, a clear research framework and strategy must be applied.

This chapter explains the research framework, strategy and methodology to be used within this study. It describes how a theory-driven research framework underpins this study, intending to explore of whether the shared services reform agenda has resulted in improved performance. In addition, the framework is intended to ensure that the research project addresses key questions reflecting the links between theory, implementation, operation, and performance.

The chapter turns to consider how to design an appropriate study, drawing on previous research and considering the methods applied. There are benefits to both the quantitative and qualitative models in this context, with the former offering the potential for analysis of measures of performance and comparison between cases, and the latter providing the opportunity for insight into the operation and performance of shared services. Having considered different options, a mixed methods strategy is selected. This strategy is intended to enable:

- Consideration of the extent and application of this set of reforms.
- Assessment of performance of different service models through quantitative research.
- Exploration and explanation of performance through qualitative research.
This research strategy has been selected for this study, to provide sufficient data and information to enable judgment on whether (or not) sharing corporate services does result in improved performance and reduced cost, and to ascertain factors which influence performance.

2. Understanding reform and improvement

Despite rhetoric emphasizing the importance of identifying ‘what works’ in policy formulation and service reform (Newman, 2001), evaluation of previous public management reforms expose limitations. Boyne (et al, 2003: 1-2) highlights the deficiency of previous evaluations of public management reforms, with less focus on the ‘impact of new arrangements of public service provision’ and a tendency towards ‘explanation rather than evaluation’ of reform initiatives. This critique highlights the importance of adopting a research strategy that supports evaluation of the effect and extent of the shared services reform agenda, identification of explanatory factors, and impact on organizational performance. The concept of reform focuses on intent to design or formulate changes to methods of delivery of public services (Boyne et al, 2003: 3). This is not to conclude that reform only results in positive outcomes or delivery of planned changes. The linkage between any reform initiative and performance can be difficult to substantiate and a clear research framework is intended to allow explanation of performance observed.

The concept of service improvement is contested: ‘there is no fixed and universally applicable set of criteria for evaluating whether improvement has occurred’ (Boyne, 2003a: 368), and customers apply their own perception of value to the services they receive (Gronroos, 2011). The problem of identifying performance improvement is exacerbated when attribution and impact are attempted. Boyne (2003: 368) draws on a larger body literature to identify dimensions of service performance (including quantity, efficiency, and value for money) that can be used for evaluation though they are likely to be valued by different constituents. In addition input and output measures, it will be vital to test the customer’s perception of shared corporate services that they receive, focussing on the quality of the service, and the effectiveness of the service.
2.1. A theory-driven approach to research and evaluation

This section details the research framework to be applied within this study. It describes the approach to be taken to identify understand, explain and evaluate whether performance improves, following the use of shared services. A theory-driven research framework is applied in this research project, identifying the theories which underpin the shared services reform agenda, predictions of the effect, but also taking into account counter theories. Specific reforms may also have unplanned or hidden impacts on other dimensions of performance.

Following Chen’s (1990) approach, Boyne et al (2003: 5) advocate that ‘evaluation must be theory-driven, which means that it is based on assumptions and arguments concerning the relationship between a reform and its effect’.

The theoretical basis of shared services has been explored in chapters two and three, setting out the theoretical perspectives underpinning the shared services reform agenda. Consideration of intended effects such as cost reduction allows a judgement of the impact of a reform according to its own terms (Pollitt and Bouckaert, 2000: 6; Boyne et al 2003: 15). However, ‘an exclusive focus on intended outcomes effectively loads the evaluative dice in favour of the theoretical perspective that has been selected’ (Boyne et al, 2003: 15). Therefore, research into shared corporate services needs to identify the dominant underlying theories and propositions, counter theories and potential unintended effects. It is also worth noting that reforms may also be initiated to achieve ‘intermediate ends’ such as strengthening of political or managerial power, or for symbolic reasons (Pollitt and Bouckaert, 2000: 6).

Effective research is dependent on gathering, analyzing and interpreting information; however, evaluative research has been ‘bedevilled by a lack of agreed criteria’ and conflicting views on how to evaluate performance (Boyne et al 2003: 14; Boyne, 2003a: 368). The choice of appropriate data and evaluative criteria and in public sector research has been further limited by a lack of reliable data and the difficulty of making meaningful comparisons between organizations (Pollitt, 2000: 189).

The evaluative method outlined above needs to be supported by reliable
performance measures and information. Selecting reliable measures of performance is essential. Walker and Boyne (2006: 377 - 78) distinguish these two broad categories, with external measures taken as ‘judgements that are made by stakeholders in the environment of an organization’ and internal measures representing the ‘views of stakeholders in an organization’. While neither is free from subjectivity, external measures are created owing to specific interest in measuring and sharing this information, and these archival measures are perceived as highly reliable as they are audited and verified (Walker and Boyne, 2006: 378). However, external archival data may not always cover all relevant dimensions of performance and may reflect the biases of the compiler. Internal and perceptual measures can also be subject to flaws, including compilation, measurement and accuracy, recall, and knowledge of actual performance (Walker and Boyne 2006).

In theory, it would be preferable to adopt both internal and external measures of performance within research into the performance of shared corporate services, drawing on archival and perceptual measures. The measures themselves need to be carefully selected and relate back to theoretical propositions that underpin a given theory. However, should external measures be inaccessible, perception data would be used.

3. Research strategy

3.1. Methods used in previous studies
Before outlining a research framework for shared corporate services, it will be helpful to consider previous studies relevant to shared services and incorporate the best practices identified into the methodology adopted in this study.

3.1.2. Quantitative studies
While much of the collaboration literature has tended to use qualitative research, featuring a single case study or a small number of case studies there are examples of studies which focus on the performance effect of using partnerships. Entwistle and Martin (2005) outlined future directions for research
into use of partnerships in the public sector, recommending quantitative tests of the propositions that suggest improved service delivery. A study by Andrews and Entwistle (2010) applied a theory-driven research framework, setting out propositions on the expected effects of different forms of partnership, public-public, public-private and public-non-profit in 16 local authorities in Wales. The research used external performance data (dependent variables) and perception measures from a 2002 survey of local authority managers, and using controls (past performance, expenditure). Using this methodology, the authors could draw conclusions on the performance of each arrangement and the relationship with theoretical propositions. Though drawn from a wider literature on options for service delivery, Brown and Potoski (2003) adopted a theory-driven approach; applying transaction costs economics and institutional theory to explain the reasons behind service production decisions. The research incorporated a number of control methods to allow for attribution of effects (Brown and Potoski, 2003). The researchers do acknowledge limits within some of their evaluative measures, for example, the difficulty of identifying reliable measures for risk analysis (Brown and Potoski, 2003: 449).

Research into the effect of adopting a model of shared corporate services can draw upon the previous quantitative studies, as the method has enabled evaluation of public service reforms and allowed conclusions to be drawn. Flaws in several quantitative studies can include a lack of control measures or weak or incomplete performance measures. Other concerns are raised over inadequate comparison between organizations or services. A key limitation of quantitative research in the context of this research project is that it does not allow any detailed observation of the cases.

3.1.3. Qualitative research
Research into the performance effects of providing services through a partnership arrangement on public service delivery is limited, and largely uses case studies. There are benefits to this approach, offering in-depth studies into the operation of a partnership and the context in which it operates. Grimshaw et al (2002) present two detailed case studies to assess whether performance gains arise from adopting a partnership arrangement to deliver services.
Interviews with senior managers were used to gather perceptual data on the performance on the partnership arrangements (Grimshaw et al, 2005: 485). The research tested several hypotheses; for example, that partnership and outsourcing allow the public body to focus on its specialized services (Grimshaw et al, 487). The use of interviews provides perception data on the effects of partnership, and the qualitative method can identify transferable findings. Teisman and Klijn’s (2002) empirical study of decision making process and models of collaboration on the expansion of Rotterdam harbour (1990 - 2001) highlight three models of partnership adopted during this time. The analysis focuses on the changing forms of the partnership over time, and the impact of the differing forms of partnership on service delivery (Teisman and Klijn, 2002: 201). The research results in a number of lessons on how decisions are made through the alternative partnership methods and a consideration of underlying reasons. Qualitative research using case study method can provide a research tool to gain insight into how a partnership operates, the development of relationships, and could be used to access perceptions of performance.

3.2. Selection of research strategy
There are broadly three alternative research strategies which could be employed within this research framework: quantitative; qualitative; and mixed or combined qualitative and quantitative methods. Streib and Roch (2005: 47) summarized methodological and theoretical limitations of studies of public administration, noting the importance of selecting and using appropriate research methods to produce a quality study. Similarly, Ashworth, Boyne and Entwistle (2010: 216) noted the limitations of the literature specific to public services research, arguing for research which is ‘cross-sectoral, comprehensive, multi-methodological, and longitudinal’. Further, as set out by Silverman (2010: 10), the researcher needs to select a ‘method that is appropriate to what you are trying to find out’. The key to this research project is selecting a research strategy and methods which provide information and insight into the operation of shared services, the performance observed, the changes made by the model, and allow evaluation of theoretical propositions which underpin the reform.
The use of a theory driven framework suggests a deductive approach to research (Bryman, 2004: 9). As a strategy, quantitative research is more closely associated with the deductive approach (Bryman, 2004: 438) and has merit within this research project. The use of a quantitative research strategy can be utilized within study into the performance of shared services, as it can be used to help understand the theory behind use of shared services, defining concepts and outlining measures to be used, and measuring the impact of shared services (Bryman, 2004: 61 - 81). Critiques of qualitative research suggest that the method is largely used to support an inductive approach to research. However, as Bryman (2004: 270) notes, ‘there is no reason why qualitative research cannot be employed in order to test theories that are specified in advance of data collection’ and can allow greater flexibility to evaluate exploration of a concept.

Both quantitative and qualitative research strategies and methods are subject to challenge. Quantitative research has been challenged for the employment of a natural sciences approach outside that context, creating an artificial sense of accuracy and presenting a static impression of the phenomenon observed (Bryman, 2004: 78 - 79). Qualitative research has been challenged for its subjectivity, lack of transparency, and difficulty in drawing general conclusions (Bryman, 2004: 284 - 285). The third potential research strategy is to bring together both quantitative and qualitative research techniques into a combined or ‘mixed’ research method. There are advantages to this approach, using both techniques to gain a clearer understanding of the model being considered. There are also challenges to address. Firstly, the idea that research methods carry epistemological commitments, with Guba (1985) arguing that the two methods represent different paradigms and cannot be brought together. Secondly, that the methods are associated with paradigms underpinned by different values and foundations (Bryman, 2004: 453). The research strategy used in this study must enable the identification of the model of service used, measure the performance of corporate services, and allow explanation and attribution of performance.
3.3. Mixed methods
A mixed methods approach will be used within this study. Using quantitative research methods allows measurement and analysis of performance, assessment of the relationship between the performance observed and different theoretical perspectives. In addition, use of qualitative research strategies in a mixed methods approach provides greater depth and richness to the study and the conclusions that can be drawn. It enables the researcher to explore the operation of the service model in-depth, review the model adopted, and investigate the performance observed. Use of a mixed methods strategy does, however, present significant challenges. As highlighted in the critique above, many researchers have indicated the incompatibility of the methods. However, this research project follows Bryman’s argument (2004: 270) that there is no reason why quantitative research methods should not be used as part of a deductive approach to test theories. The challenges for a researcher are to make sure that the rationale for using mixed methods approach is well founded and that this applies to the outcomes presented from the research (Bryman, 2008: 99).

The chosen research strategy for this project is to use both quantitative and qualitative methods in a mixed methods design. The strategy will be founded on a theory-driven framework, with a sequential design, commencing with a quantitative research phase, then drawing on qualitative methods to understand and explain the performance observed.

This mixed-methods approach is intended to enable:

- Consideration of the extent and application of this set of reforms.
- Assessment of performance of different service models through quantitative research.
- Exploration and explanation of performance through qualitative research.
4. Research design

Having outlined a research strategy, it is appropriate to select a relevant research design. This design would need to enable assessment of the performance of corporate services, understanding and explanation of the performance observed, and assessment of how this relates across the sector.

4.1. Options for research design

A range of alternative designs could be used within a research strategy: experimental, cross-sectional, longitudinal or case studies (Bryman, 2004: 56). In addition, mixed methods research offers variations of design, with triangulation, exploratory, explanatory, and embedded designs available to the researcher (Bryman, 2004: 451 – 464). Within mixed methods research, Creswell, Plano Clark and Garrett (2008: 66) consider potential concerns that should be addressed prior to use of a mixed methods research design. Bryman (2008: 98) emphasizes the need to specify how and why the strategy has been chosen, the focus of different elements of research, and how to bring results together.

Quantitative research is not immune from potential methodological errors. Key challenges feature cautions over data and accuracy as noted above (Fernandez and Fabricant, 2000), data gathering methods and type of measure (Enticott, 2004; Walker and Boyne, 2006); and selection of control variables to identify internal and external influences on performance. Boyne et al (2003) view the majority of public management reforms as ‘quasi-experiments because there is no “control group” except organizations themselves at previous points in time’ (Boyne et al, 2003: 46). However, several methods can be used to judge the success of quasi-experiments, the strongest being ‘comparison of performance changes, before and after reform, in strong and weak implementation groups’ (Boyne et al, 2003: 46 - 47). This approach mixes the benefits of longitudinal and cross sectional studies, and allows for statistical controls to evaluate performance and the impact of other variables. Boyne (1998) points to weaknesses in two methods of quantitative evaluation. Firstly, many studies do not provide a reliable pre-reform baseline or trajectory of performance, and reduces the ability to demonstrate that improved performance is derived from
the reform. Further, bivariate cross-sectional analyses may fail to control for other variables that may influence performance (Boyne, 1998: 477). The absence of meaningful control variables can undermine the reliability and authority of empirical studies (Boyne, 1999: 481-82). The quantitative methodology to be used within research focused on the performance of shared corporate services should enable comparison between different models adopted, use appropriate controls, access relevant data and identify connections with theory.

The research framework can be supported by research and analysis of perception measures and in-depth exploration of the operating model. This information can be gathered through a range of techniques, including semi-structured interviews (Auger, 1999), multiple informant surveys (Enticott, 2004), elite sector-wide surveys (Hefetz and Warner, 2004; Dilger et al, 1997), and detailed case studies (Teisman and Klijn, 2002). It should be noted that there are also weaknesses with perception measures, surveys, and case study approaches. Perception data may contain flaws, including accuracy, recall, measurement and knowledge of actual performance (Walker and Boyne, 2005). Additionally, the survey approach is subject to some of the concerns over use of perception measures, accuracy of response, and validity of judgements that can be made from the survey (Enticott, 2004). The case study method allows greater focus on environment variables impacting performance, and perception data.

4.2. Selection of a research design
For a study of the impact of adopting a model of corporate shared services, quantitative research should be utilized to identify the comparative performance of shared service, identifying where shared services are in place, and controlling for other environmental impacts on performance. This should then be followed by qualitative research method to enable further analysis of effects, impacts and explanation.

The approach outlined above is a sequential ‘explanatory design’ as the method begins with a quantitative phase of work, then supported by qualitative
methods ‘to help explain the initial quantitative research’ (Creswell, Plano Clark and Garrett, 2008: 68). Fair, reliable, and robust sampling methods are required, as researchers need to consider the challenge and impact of using different sample groups and participants when using a mixed methods approach. Creswell, Plano Clark and Garrett (2008: 76) offer a potential solution to this challenge in an exploratory research design, recommending that the same group of participants, or a subgroup, take part in the second phase of research. Relevant criteria would need to be applied to aid explanation of effects observed, such as selecting participating authorities based on significant results, non-significant results, outliers, extreme cases, predictors, demographics, or a combination of factors (Creswell, Plano Clark and Garrett, 2008: 77). These challenges will be addressed within chapter five below.

In addition to these two key challenges in sequential explanatory design, one further issue is considered: how to handle conflicting or contradictory findings. Two potential responses are offered, to identify and discuss the results, or to engage a further stage of research. The approach followed within this research project will be to identify and discuss findings and give direction for future research, but within the time constraints of a PhD programme would not engage a further stage of research.

This section has outlined a proposed research strategy, noting potential challenges or limitations to consider when operationalizing the strategy. A mixed methods approach is to be used, using a sequential explanatory design, with quantitative research followed by a later phase of qualitative research.

5. Evaluation and explanation
Returning to the principles of theory-driven evaluation, the research project aims to both evaluate whether a reform has occurred, and explain the effect of the reform. Has the reform occurred in theory and also practice? What is the impact? Can the impact of the reform be separated from other influences on performance? What has been the overall impact on performance? (Boyne et al, 2003: 153).
Alongside using quantitative and qualitative methods to understand the operation and performance of shared services, reference to institutional theory could also be utilized to account for differences between theory and reform, and reform in principle and reform as implemented. Pollitt and Bouckaert (2000) suggest that reforms may occur for intermediate ends such as the strengthening of political power, symbolic, or legitimizing reasons (Pollitt and Bouckaert, 2000: 6 - 7).

Evaluation and explanation will benefit from quantitative and qualitative research, underpinned and driven by a strong theoretical grasp of the changes expected from the reform initiative. This allows rigorous analysis, consideration of other influences on performance, and a wider understanding of alternative non-dominant theories that may influence the reform. We may expect a range of different effects on performance arising from the implementation of a reform, as trade-offs and dilemmas are common (Pollitt and Bouckaert, 2000: 7).

6. Conclusion

A theory-driven research framework provides the foundations for this research project.

The introduction of shared corporate services constitutes a reform initiative, with theoretical perspectives underpinning this development. It is appropriate that a theory-driven evaluative approach is adopted, and dominant, non-dominant, secondary and conflicting propositions are considered. From this basis, it is possible to attempt assessment of the relative improvement, stagnation or decline across a range of different aspects of performance. A mixed methods approach is adopted within this study, as it is intended to enable:

- Consideration of the extent and application of this set of reforms.
- Assessment of performance of different service models through quantitative research.
- Exploration and explanation of performance through qualitative research.
Evaluation and explanation of shared corporate services will benefit from both quantitative and qualitative research, using comparative quantitative data and detailed case studies to pursue evaluation between forms of delivery analysis, comparison against specified performance measures and enable explanation and evaluation of effects. Finally, although this chapter has outlined a preferred framework for research and analysis in theory, in practice there may be a number of barriers to fully using the framework.

Having set out a research framework, strategy and methodology, the following chapter seeks to operationalize this research strategy. Chapter five outlines the research methods to be applied and the sources of data that will be used, considering benefits and limitations of methods and sources of data. It draws upon the overall research methodology (mixed methods) and design (sequential), setting out the methods to be used. Two key research methods are identified: a survey of local government managers in England to gather quantitative data, and multiple-case study approach to understand how shared services operate. The aim of chapter five is to operationalize the research strategy, accessing relevant data to evaluate and explain the performance of shared services and extent of the shared services reform initiative.
Chapter 5: Data

1. Introduction
This chapter aims to set out research methods to be used to study the performance of shared corporate services. This will address the benefits, limitations and challenges of the methods used and sources of data.

At the core of this research project is the intention to understand whether sharing corporate services can achieve improved performance and reduced cost. Review of government policy and exploration of academic literature led to the development of a theoretical framework. The previous chapter describes how a theory-driven research framework underpins this study, aiding an understanding and exploration of whether the shared services reform agenda has resulted in improved performance. In addition, the framework adopted will ensure that the research project addresses key questions reflecting the links between theory, implementation, operation, and improvement. A mixed methods strategy research strategy has been selected, aiming to evaluate the performance of shared services and alternative service methods, explanation of performance observed, and the relationship with theories which underpin or challenge shared services.

Having set the context for data gathering, this chapter describes how the research strategy will be operationalized. This thesis adopts two research methods, to generate evidence allowing analysis of these propositions. Firstly, a quantitative data gathering exercise using a survey method to identify where shared corporate services are in place, the models used, and perceptions of the performance of corporate services. Secondly, the use of case studies based on semi-structured interviews and documentary analysis to explore how shared corporate services operate and perform. The methods have been selected to generate data to understand why shared corporate services have been used in local authorities, the models used, the performance of shared corporate services, and gain insight into the factors which may explain the performance observed.
The chapter opens by defining key concepts to be incorporated within the study, moving on to describe the quantitative research method. A survey is to be used. A sampling frame is developed, responding to a number of potential challenges or limitations, such as coverage, response and non-response (Groves et al, 2004). The survey is intended to operate across all English local authorities, using a multiple-informant method and drawing on the perception of clients of corporate services. The survey method is also intended to identify where shared services are in place and the models used, to enable analysis of performance and relationship with theoretical propositions.

The chapter then focuses on the qualitative research method. A multiple-case study method is to be used, drawing on semi-structured interviewing and documentary analysis. Four case study local authorities will be identified from the survey based on their performance and amount of service provided through a shared model. This method will allow exploration of cases, understanding how shared services operate and providing information which can be used to consider the relevance and application of the theoretical propositions.

The chapter closes by offering a section on research ethics and reflexivity, outlining the researcher’s experiences, knowledge and assumptions which impinge on this research, and the steps taken to ensure academic rigour.

2. Operationalizing concepts

2.1. Why operationalize?
Operationalization is the process by which concepts are defined, measures devised, and indicators selected to enable analysis of theoretical propositions (Bryman, 2004: 65).

2.2. Problems in operationalization
The process of operationalization poses a number of potential hazards. This includes defining concepts and measures, selecting appropriate indicators and assessing reliability and the validity of chosen indicators. Drawing on strategic
management research, Crook et al (2006: 411) highlight the concern that method has driven theory. Further, responding to concerns that empirical data may not be sufficient to provide accuracy, Shah and Corley (2006: 1832) argue that the increased use of multiple methods to build and test out ‘accurate, generalizable, and practically useful theory in a field as inherently complex as management research’. A critical feature of measurement lies in identifying underlying definitions (Venkatraman and Ramanujam, 1986: 802).

3. Concepts
The starting point is to identify and define relevant concepts to underpin the development of measures to assess the impact of using shared services.

3.1. Shared services
As explored in chapter three, shared services are defined in government guidance as ‘collaboration, partnering or other joint-working between local authorities or other public sector bodies to organise the commissioning, provision or delivery of services jointly’ (DCLG, 2006d: 6). This can take different legal forms, involve different contractual relationships, and occur with different partners. Shared services can be distinguished from outsourcing and from centralization within one organization. This study sets out to identify which forms of shared services have been utilized.

3.2. Corporate services
Corporate services are the subject of study. Delivering Efficiency in local services, defined: corporate services as:

‘Finance; Human Resources (HR); Information and Communications Technology (ICT); Legal; Procurement; Facilities or Estates Management; and Marketing and Communications’ (ODPM, 2004: 25).

In addition, these services do not directly provide a service to the service users and residents but support service delivery (Cabinet Office, 2005).
3.3. Economies of scale
Exploration of academic literature and government policy documents indicated that the creation of economies of scale is proposed to be the means through which shared services result in improved performance. Schulman et al (1999: 41) described three goals of shared services – to minimize administrative costs and create scale, free up management resources, and create a critical mass of support activities. Economies of scale through partnership is defined as being achieved through integration of processes, and by organizations ‘pooling their resources, people, assets and equipment, and as a consequence, reducing the resources and necessarily the cost’ (DCLG, 2006b: 36) a view underpinned by theories relating to shared services (Ruggini, 2006; Tomkinson, 2007).

3.4. Dimensions of performance

3.4.1. Economy
Within public services, economy has been utilized as a concept to gauge a specific dimension of organizational or service performance. Following Boyne, (2002: 17), this study will define economy as the ‘cost of procuring specific service inputs of given quality’.

3.4.2. Efficiency
The efficiency of public service organizations has been under a high level of scrutiny in recent years. For example, the Office of the Deputy Prime Minister Delivering Efficiency in Local Services (2004: 8) termed as efficiency as reducing inputs or prices for the same outputs, getting greater outputs or improved quality for the same inputs, or proportionally more outputs or improved quality for an increase in resources (ODPM, 2004: 8). Within this study, efficiency will follow a similar definition of technical efficiency, representing the cost per unit of output (Boyne, 2002: 17 - 18).

3.4.3. Effectiveness
The concept of effectiveness has been subject to much debate and has been interpreted in a number of ways (Venkatraman and Ramanujam, 1986). The definition of effectiveness used in this study follows the conventional positioning
of effectiveness as the ‘achievement of the formal objectives of services’ (Boyne 2002: 18) and providing the anticipated outcomes (Vargo and Lusch, 2007).

3.4.4. Quality
Service quality was highlighted as an important dimension of the performance of local authorities through sharing services (DLCG, 2006a: 137). Quality can be defined in several different ways, from definitions such as ‘value-adding activity’, and meeting or exceeding specified standards of service. Within this study, quality will be taken to refer to the latter definition as this is consistent with the arguments from services literature, highlighting the importance of the customer perception of quality (Gronroos, 2000).

3.4.5. Satisfaction
The notion of user satisfaction is fluid, and can act as a proxy for some of the dimensions of performance listed above (Boyne, 2003a: 368). Satisfaction can be distinguished from quality or effectiveness in services logic, as it combines satisfaction with the outcome (effectiveness and quality) and the service process or interaction (Osborne, 2011). In the case of corporate services, the concept of user satisfaction will be defined as the extent to which recipients of a corporate service are satisfied with the services provided to their department.

4. Quantitative data
Given the absence of existing data sets, it is proposed that two sources of data are used within this research project: A survey across both tiers of local government to identify forms of sharing, and perceptions of impact; and case studies featuring a small number of authorities using shared services arrangements.

4.1. Introducing a survey method
A survey across both tiers of local government is intended to collect information on the forms of sharing that authorities have adopted, identify where arrangements are in place, and the forms they have taken. Broadly, the use of a survey of local authorities in England aims to:
• Identify the forms of sharing that are used across the sector, and where they are in place.

• Gather information on other controls and relevant variables, including the size of the sharing arrangement, form of sharing, and partners involved.

• Gain perception data on performance of sharing arrangements.

The following section moves on to consider the suitability of a survey method.

4.2. Reliability

Bryman (2004: 70 - 72) has identified stability, internal reliability, and inter-observer consistency as prominent factors in determining the reliability of a measure. In this research project, reliability is taken to refer to the stability and consistency of data. This method of data gathering has lower levels of reliability as measures of will be based upon perception of respondents rather than audited archival data. The reliability of results can be partially controlled by submitting the questions to multiple respondents within an organization and by selection of appropriate participants.

4.3. Validity

At its core, validity refers to ‘the extent to which an account accurately represents the… phenomena to which it refers’ (Hammersley, 1990: 57, cited in Silverman, 2010: 275). Measures used in the study will therefore need to be clearly identified and possess validity, and causal relationships need to be assessed. A survey is required to identify which organizations are currently engaged in shared arrangements for corporate services, and dimensions of the model used. This would provide a framework against which to assess propositions, matching observed performance with the model of delivery.

4.4. Comprehensiveness

A survey will be directed to all local authorities in England, aiming to identify how local authorities provide corporate services and the forms of sharing used, or any difference in effects between upper and lower tier authorities. The
survey would be available online and tested by practitioners in the sector to ensure that it is in an accessible form. A return rate of around 10% (amounting to c40 authorities) would be required to enable analysis of quantitative data.

4.5. Time period
The survey would be released at the start of the data gathering phase of the research project, taking place over a short period of time.

5. Survey method
This section outlines how the survey method will be used within a study focusing on performance of shared corporate services.

5.1. Focus of the survey method
The use of a survey method is intended to gather data which enables exploration of theoretical propositions set out in chapter three. The following table identifies how the survey method can be used to generate data which can be analysed and tested. The method can make significant contributions to the testing of the core proposition, allowing evaluation of how shared services compare to other forms of provision and perceptions of how corporate services perform after the adoption of shared services. It can also provide data which allows some evaluation of counter-propositions. Coupled with qualitative data, it may be possible to evaluate the performance of shared services models, understand and explain why particular performance patterns are observed.
**Table 1:** Using surveying to analyse theoretical propositions

<table>
<thead>
<tr>
<th>Proposition</th>
<th>Quantitative research focus</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Proposition 1:</strong> A shared services partnership will bring service improvement and reduction in cost. The main mechanism to achieve this is through economies of scale.</td>
<td><strong>Partial testing of proposition:</strong> Survey questions to establish where shared services are in place, models used and operational information. Survey questions to probe users perception of corporate services against each dimension of performance. Survey questions (for those using shared services) to probe perception of performance after adopting a model of shared services.</td>
</tr>
<tr>
<td><strong>Secondary proposition 1.1:</strong> Shared service arrangements benefit from high-trust relationships between partners, with lower supervision costs.</td>
<td><strong>Partial testing of proposition:</strong> Survey questions to establish models of service used, including shared services, in-house and contracted. Survey questions to probe performance of corporate services.</td>
</tr>
<tr>
<td><strong>Secondary proposition 1.2:</strong> Successful operation and performance of shared services is dependent on effective implementation processes, benefitting from both the rational management and political negotiation approaches.</td>
<td><strong>Partial testing of proposition:</strong> Survey questions to focus on the models of services and performance effects.</td>
</tr>
<tr>
<td><strong>Counter-proposition 2.1:</strong> Increases in scale beyond a certain point will result in deteriorating performance.</td>
<td><strong>Partial testing of proposition:</strong> Survey questions to establish models of service used, and estimates of size. Survey questions to probe performance of corporate services.</td>
</tr>
<tr>
<td><strong>Counter-proposition 2.2:</strong> Larger units will create diseconomies of scale. Smaller units, greater fragmentation, and competitive pressure will improve performance.</td>
<td><strong>Partial testing of proposition:</strong> Survey questions to establish models of service used, and estimates of size. Survey questions to probe performance of corporate services.</td>
</tr>
<tr>
<td><strong>Counter-proposition 2.3:</strong> Adoption of a shared corporate services partnership will result in a decline in service performance, owing to challenges in the partner relationship.</td>
<td><strong>Partial testing of proposition:</strong> Survey questions to establish models of service used, and estimates of size. Survey questions (for those using shared services) to probe perception of performance after adopting a model of shared services.</td>
</tr>
</tbody>
</table>

A form of multiple-informant survey is to be used, aiming to seek responses from 3 to 4 senior respondents (producers and clients of corporate services)
from a similar echelon in each local authority, recognizing that different parts of each organization may have a different view of performance and allowing this to be tested. As Enticott et al (2009: 231) point out, the data from elite surveys may be fragile, despite respondents having detailed knowledge of subject studied, as different individuals within organizations have different views (Enticott et al, 2009: 231) and this can build a richer understanding of the subject. Theoretical challenges to the accuracy of survey work are highlighted. A sampling framework is constructed to respond to these challenges.

A survey methodology ‘seeks to identify principles about the design, collection, processing, and analysis of surveys’ (Groves et al 2004: 30). A sample framework must be developed to identify a sample of respondents from within the target population, taking into account concerns over coverage, representation, bias, access to respondents, and the impacts of potential nonresponse (Groves et al, 2004: 33).

5.2. Sampling frame
A sampling frame is required to identify a viable sample from the target population (Groves et al, 2004: 45). Two potential issues need to be taken into account: the risks related to accuracy of responses, and the ability to generate inferences from the sample group.

5.2.3. Coverage
There are three key of challenges that need to be addressed in the selection of a sample group. Firstly, the sample group could suffer from undercoverage. Secondly, recognizing the potential ineligibility of respondents to participate in the survey. Thirdly, noting the potential for bias towards a particular group of respondents (Groves et al, 2004: 55).

5.2.4. Nonresponse
The validity and usability of responses from a sample survey are dependent on response rates. At the level of overall response, the unit response rate will be determined by access to respondents or refusal to participate and inability to participate (Groves et al, 2004: 170 - 78). The quality of survey data can also
be negatively affected by nonresponse to specific questions (item level). Groves (et al, 2004: 188 - 95) indicate some of the causes of item level nonresponse, including inadequate understanding of the question posed, failure to access the required information, and lack of willingness to disclose the information.

5.2.5. Response
The sampling framework must also consider the reliability of responses produced. For example, the Beatty-Herrmann (2002) model of response process for item-missing data indicates four categories in the production of a response to a question: available (information can be gathered with minimal effort); accessible (some effort required); generatable (can be estimated); inestimable (cited in Groves et al, 2004: 188). There are several potential hazards in answering survey questions, including flawed judgements and estimations, to misinterpretation and misreporting of information (Groves et al, 2004: 209). Further, respondents may encounter problems of comprehension and compilation, understanding questions posed and terms used, and formatting an answer (Groves et al, 2004: 221).

5.3. Application for shared services - target population
As there is no existing information on where shared corporate services arrangements are in place, all English local authorities (above town councils, and excluding single purpose bodies) are within the scope of this survey.

5.4. Shared services sampling frame
A multiple informant approach to surveying respondents is proposed, aiming to gather the views of more different representatives of an organization. Enticott (2004: 744 - 47) highlights a number of methodological problems with elite studies, suggesting that targeting senior managers may introduce sources of bias, and misrepresent information or perceptions of that organization. Though a multiple informant study may increase time and cost of a study, it can improve the accuracy and validity of the information gathered. There are other concerns over this method as analysis of the data arising can be complex, and the researcher must beware an organization submitting one ‘corporate’ response to
a multiple informant survey (Enticott, 2004: 746). Such an approach will be modified for this study, as multiple respondents will be contacted within an organization, though this will be limited to management levels to ensure that respondents are contactable and well positioned to provide an informed response. Given the potential number of respondents to this survey, electronic surveys will be used to ensure efficiency of collection and ease of access.

5.5. Target population
Selection of service areas as target groups to represent local government must take into account both operational and strategic support from corporate services. Responses from three service departments will be sought, drawn from housing services, environmental services and planning and development. These services are provided at a large scale of operation, represent a diverse set of local authority activities, and have diverse functions within their service areas which require both the support of efficient processes provided by corporate services but also require more strategic support. A core benefit of targeting these three service areas is the general consistency with how the services are organized within local authorities; owing to technical specialism and complexity of the functions, it is rare that these services are fragmented and dispersed across different departments.

Housing services are provided by unitary authorities, and within two tier areas, by district-level authorities. Some elements of planning services are provided by county-level local authorities within two tier areas (transport planning and strategic development), and planning applications by district authorities, with all these aspects provided by unitary authorities (CLG, 2007b: 12). A similar division occurs for waste services, as collection of waste is provided by lower-tier authorities in two-tier areas, and disposal by upper tier authorities. By using a sample from these services, it will be possible to extract information from different tiers of local government.

5.6. Target respondents: Non-corporate services
There are practical challenges in identifying roles to target as respondents to the survey, as each local authority has its own discrete structural arrangements
and job roles. This restricts the survey to targeting respondents at managerial level; in this case, the Head of the relevant service department (housing services, or planning services). These roles are well positioned to give an informed perspective on the performance of corporate services provided to them. They interact with corporate services on strategic issues such as development of relevant training material, ICT requirements, and financial management, and have an understanding of the requirements of their own service department.

5.7. Target respondents: Corporate services

A separate survey will target responses from the Director of corporate services (or equivalent role) within each local authority. Where a Director is in place overseeing all corporate services, they will be well positioned to provide a perspective on the performance the services at a high level, any change over time, and relationship to the model of operation. This group has been targeted to gather information on how corporate services are organized and provided, gather information on other controls, including the length of time the sharing arrangement has been in place, and perception of the performance of corporate services.

The survey aims for Directors of corporate services to provide information on independent variables, with non-corporate services providing information on performance (dependent variable). Extracting data from both areas is intended to provide a measure of control, taking into account the views of both suppliers and consumers of corporate services. To mitigate against the risk that Directors of corporate services will not respond, or will provide partial responses, non-corporate services respondents will also be asked to provide information on how corporate services are provided.

5.8. Survey questions

Survey questions will be designed for both target groups to elicit a meaningful response and generate data which can be assessed against the theoretical propositions.
Using this method it should be possible to identify where sharing arrangements exist, the form of sharing adopted, and estimated expenditure of each corporate service area. A range of questions will be designed to gain perception data relating to the performance of corporate services; focusing on the economy, efficiency, effectiveness and quality of corporate services, and gauging perceptions of satisfaction. This can be linked with information on method of service delivery and size of arrangement to test for scale effects. In addition, respondents will be asked whether introducing corporate services has improved performance against the dimensions outlined above.

Using the survey method, it should be possible to provide a baseline for the expenditure of each corporate service, form of sharing operated, and number of partners involved. The data relating to the methods of service delivery should then enable comparison between different delivery mechanisms and performance of corporate services against each dimension of performance.

However, there are limitations to the judgments that it will be possible to make based upon survey data. Firstly, further analysis would be required to assess how entering a shared corporate service creates additional scale. Secondly, the survey data can only provide perception of performance of corporate services, and perception of whether using shared services results in improved performance. In addition, information on the conditions that create improved performance, or lead to deteriorating performance, cannot be probed through this method. Factors which could impact on performance - such as the nature of the principal-agent relationship, or success of the implementation processes, will need to be probed through case studies.

5.9. Summary
A survey approach has been outlined, identifying a sampling frame and target respondents, setting out the information sought and recognition of some of the challenges and limitations of surveying.

The use of a survey can provide useful data for this study, identifying where shared services are in place, the models used, the performance of shared
services, and potentially, can provide comparison between different local authorities and models of service delivery. There are, however, limitations to the survey approach. Firstly, data is limited to perception of performance rather than using external measures. Secondly, the method does not allow investigation of each proposition, such as an understanding of partner relationships or implementation processes. Thirdly, there are potential challenges to the completion of the survey method, including levels of response or accuracy of responses. Finally, use of a survey at a single point in time does not enable a longitudinal study capturing change over time, but is restricted to perception of performance and improvement in a static context.

Three target services areas have been identified on the basis of the complexity of their service. Roles within the organizational hierarchy have been selected on the basis of contactability and their ability to produce an informed response. Within a shared services study, unit nonresponse could occur owing to failure to deliver the survey request to the target respondent(s), refusal to complete the survey, or inability to provide the requested data. Given the broad spread of target respondents, the potential of a high unit nonresponse rate is significant. There are some practical steps that can be taken to encourage response, such as: restricting the size of the survey so it does not appear a burden; piloting the survey with representatives in the sector; providing information on what the survey is for, who is compiling the study, the benefits of having the data and how it can be used to benefit their own organization. Some level of item nonresponse can also impact on the validity of data gained through a survey method.

The potential for nonresponse interfaces closely with a further issue, the accuracy of responses provided. This can be partially managed by directing specific questions - such as the size of shared service arrangements - to specific respondents and therefore reduce the chance of inaccurately generate responses being provided. In some cases, questions using a ranking scale for a response will be employed to gather perceptions on performance. In addition, the questions will need to be carefully formatted, and tested prior to release so that they are understandable, usable, and relevant (Groves et al, 2004: 241).
6. Qualitative research

The research project will also draw upon qualitative research methods, conducting a small number of case studies to understand how shared services arrangements operate.

The case study method allows greater focus on environment variables impacting performance, and perception data. Case studies have frequently used to evaluate the operation and performance of partnership working. Entwistle and Martin (2005: 240) suggested that the evaluation of performance of partnership arrangements ought to draw upon cross-sectional comparison across specified data sets, and detailed case studies to track the extent of change. The case study method can add weight to evaluation of reform, particularly when supported by quantitative data.

The quality criteria used to assess the data provided by a multiple-case study approach takes a different approach to the validity, reliability, comprehensiveness, and time frame criteria set out above for the quantitative measures. Silverman (2010: 289 - 90) argues that a positivist approach can be applied to qualitative research, and issues of reliability and validity remain important to this methodology: ‘unless you can show your audience the procedures you used to ensure that your methods were reliable and your conclusions valid’ there is little point to research. Bryman (2004: 273 – 74) offered two stances on reliability and validity in social research: adapting the definitions for qualitative research (citing Mason, 1996); or setting alternative criteria: credibility, transferability, dependability and confirmability. This study adopts the latter position. Bryman, Becker and Sempik (2007) considered how reliability and validity can be translated into qualitative research, suggesting that rather than transferring quantitative research definitions of reliability and validity into qualitative research, social researchers recognized the value of using qualitative criteria within a mixed methods research strategy.

6.1. Credibility

The notion of credibility is that the findings of the researcher can be reported to others, the approach to conduct the case study following good practice and the
findings made available for others to consider (Bryman, 2004: 275). The methods to develop the case study and detailed findings are outlined below, aiming to demonstrate that a credible approach has been used.

6.2. Transferability
Transferability encourages the researcher to consider whether the findings can apply outside the case study (Bryman, 2004: 275). The use of a small number of case studies enables in-depth analysis of all corporate services within an organization or shared services configuration and if there are consistent messages from the case studies, this could suggest that some of the findings are transferable within the sector.

6.3. Dependability and confirmability
This approach suggests that the research is auditable, with clear decision making points and all material available for audit, and that the researcher has acted in good faith (Bryman, 2004: 276), practices which will be followed in this study. Use of a series of case study visits offers the opportunity to gather qualitative information on performance within different organizations. Again, results produced would need to be treated cautiously, as they are not founded on qualified and audited data sets, but perceptions of participants. Case studies can be scheduled to complement any quantitative research, enriching the analysis and explanation of the performance observed.

7. Use of case studies within a mixed methods research design
This section outlines how a multiple-case study method will be used in this research project. It focuses on the relevant areas of study to be addressed through case studies. The multiple-case study approach will be used to:

- Further explore findings arising from the survey research.
- Conduct deeper research into elements of the study not reached through the survey approach.
- Explore and explain the performance observed within sample cases.
The use of case studies offers the ability to gain deeper insight into the selection, implementation, operation, and performance of shared corporate services (Bryman, 2004: 458). A multiple-case study approach is a crucial part of this research project, enabling deeper insight in the performance and operation of corporate services and to gain additional insight into the relationship between different variables (Bryman, 2004: 460). Case study research focuses research on the complexity and specific nature of the cases (Stake, 1995), and as interviewing techniques can be used for intensive examination (Bryman, 2004: 49).

A qualitative approach, founded on multiple-case studies, offers the potential to focus on different dimensions of the operation, performance, and perception of corporate services. The method offers the opportunity to gain deeper insight into the views, perceptions, and experiences of those who have created, operated, work within, or receive shared corporate services. In addition, this research tool can help understand the context in which shared services operate (Bryman, 2004: 28). Furthermore, use of interviewing techniques may be able to help elucidate the reasons why shared corporate services have been adopted, the implementation processes, the model of operation chosen, and the performance impact (Bryman, 2004: 281). The multiple-case study approach uses two data sources: semi-structured interviewing with a range of participants and a review of documents.

7.1. Conducting a multiple-case study approach

The use of a multiple-case study approach allows a level of flexibility, exploration, and consideration of relationships between variables Bryman (2004: 286). Information presented through the case study approach can be used to address the theoretical propositions, understand and explain observed performance. The multiple-case study approach will be used to explore findings arising from the survey, and conduct deeper research into elements of the study not reached through the survey approach.

The use of a multiple-case study method can also provide information to identify whether the propositions which support shared services are accurate. The
adoption of this research sets out to understand the changes made by the introduction of shared services and mechanisms (such as greater scale) which may drive any observed performance. The multiple-case study approach can investigate partnership relationships, by seeking views from interviewees on how the partnership is implemented, structured and operates. The table below identifies how the semi-structured interview approach will be used within a multiple-case study approach to extract information.

Table 2: Using interviews to analyse theoretical propositions

<table>
<thead>
<tr>
<th>Proposition</th>
<th>Qualitative research focus</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Proposition 1:</strong> A shared services partnership will bring service improvement and reduction in cost. The main mechanism to achieve this is through economies of scale.</td>
<td><strong>Partial testing of proposition:</strong> Semi-structured interviews to identify how shared services operate, to understand the changes made by using a shared model, and to ascertain if scale is created.</td>
</tr>
<tr>
<td><strong>Secondary proposition 1.1:</strong> Shared service arrangements benefit from high-trust relationships between partners, with lower supervision costs.</td>
<td><strong>Partial testing of proposition:</strong> Semi-structured interviews to identify how shared services operate. Questions to probe the relationship between partners, including the development of the partnership and operation of model.</td>
</tr>
<tr>
<td><strong>Secondary proposition 1.2:</strong> Successful operation and performance of shared services is dependent on effective implementation processes, benefitting from both the rational management and political negotiation approaches.</td>
<td><strong>Partial testing of proposition:</strong> Semi-structured interviews to identify the design of the new model, partnership relationship and operation of the model.</td>
</tr>
<tr>
<td><strong>Counter-proposition 2.1:</strong> Increases in scale beyond a certain point will result in deteriorating performance.</td>
<td><strong>Partial testing of proposition:</strong> Semi-structured interviews to identify how shared services operate, including consideration of whether or how scale is created.</td>
</tr>
<tr>
<td><strong>Counter-proposition 2.2:</strong> Larger units will create diseconomies of scale. Smaller units, greater fragmentation, and competitive pressure will improve performance.</td>
<td><strong>Partial testing of proposition:</strong> Semi-structured interviews to identify how shared services operate, including consideration of whether or how scale is created.</td>
</tr>
<tr>
<td><strong>Counter-proposition 2.3:</strong> Adoption of a shared corporate services partnership will result in a decline in service performance, owing to challenges in the partner relationship.</td>
<td><strong>Partial testing of proposition:</strong> Semi-structured interviews to identify how shared services operate. Questions to probe the relationship between partners, including the development of the partnership and operation of model.</td>
</tr>
</tbody>
</table>
7.2. Selection of cases
The selection of appropriate sites is vital in ensuring that assessment of how and why different models of sharing corporate services appear to result in different perceptions of performance. Cases will be identified following the cross-sectoral survey and analysis of responses.

Figure 1: Case study selection

<table>
<thead>
<tr>
<th>High level of sharing</th>
<th>Low perception of performance</th>
<th>Council</th>
<th>Council</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low level of sharing</td>
<td>High perception of performance</td>
<td>Council</td>
<td>Council</td>
</tr>
</tbody>
</table>

7.3. Participants and semi-structured interviews
The approach to each local authority will be made through the Chief Executive, aiming to secure participation, with each authority to be offered anonymity within the study and a copy of key findings. The data gathering approach will use semi-structured interviewing with an estimated six participants per authority. Participants will be selected based on their ability to provide a perspective on the formation, implementation, operation, and performance of shared corporate services. Inevitably, each participant brings with them a differing set of experiences and relationship with shared corporate services which must be taken into account when evaluating responses. Participants will include non-corporate services representatives and corporate services representatives, Director-level representation and managerial representation to understand the views of those with differing relationships with the shared services function. The same range of participants will be invited to take part in the study in each organization, to aid consistency. The individual(s) who completed the initial
survey response will also be invited to participate in the qualitative stage of research. The following roles will be invited to participate in semi-structured interviews in each case study:

- Chief Executive
- Head of corporate performance (or equivalent)
- Survey respondent
- Second non-corporate services representative (as above)
- Director of corporate services or equivalent
- Corporate services manager or equivalent.

Semi-structured interviewing approach will be used within each case study. By using this approach, it is possible to outline a specific list of topics, address of research interest, and specific questions to pose interviewees (Bryman, 2004: 321). To ensure consistency of application, interviews will be conducted by one researcher with a pre-formulated interview guide, including a set of interview questions. In addition, all questions will be asked and similar wording used (Bryman, 2004: 321). However, many questions will be designed as open questions, providing the interviewee with the freedom and flexibility. The interview approach will learn from Kvale’s work (1996) to outline the skills of a good interviewer: knowledgeable; able to structure the interview; clear; gentle; sensitive; open; steering; critical; remembering critical points; and interpreting and able to clarify issues.

7.4. Summary
The multiple-case study approach based on semi-structured interviewing can provide an opportunity to gather deeper understanding of the operation of shared services within local government. It should provide information to support analysis of the relevance and accuracy of the core proposition, secondary propositions and counter propositions. Using interviews is not an entirely objective activity, as the information given is indirect and there is potential for bias (Creswell, 2009: 179). The semi-structured interview approach is to be developed, using a range of pre-set questions, and will be reviewed by the academic panel to apply rigour.
A qualitative methodology, founded on multiple-case studies, offers the potential to focus on different dimensions of the operation and performance of corporate services. The case study method should enable deeper insight into the views, perceptions, and experiences of those who have created, operated, work within, or receive shared corporate services and enhance the analysis of the shared services reform initiative. The second dimension of the qualitative methodology is described below.

8. Use of documents within a mixed methods research design
There are very good reasons why documents form a relevant tool for research in a multiple-case study analysis. As Creswell (2009: 175) recognizes, qualitative research typically gathers multiple forms of data, such as interviews, observation or documents. Within this research project, the use of semi-structured interviews is combined with review of internal documents. The evaluation of relevant internal documents has two core purposes. Firstly, to consider the context in which organization operates and how this relates to the operation of shared corporate services. Secondly, to access relevant documents to demonstrate how (and why) shared corporate services were established. To support, enable, and inform each case study, a range of documents will be reviewed and analysed. Documents can provide a useful form of information, offering an accessible and unobtrusive form of data, providing a source of information which have been compiled and produced by the participants for a purpose (Creswell, 2009: 180). It is important to recognize the potential limitations of documents as a source of data, including the ability of the researcher to identify and access the documents, the documents may be incomplete or inaccurate, and they are likely to have been produced for a specific purpose (Creswell, 2009: 180).

The usefulness and reliability of each document considered will follow Scott’s (1990) criteria of authenticity, meaning, credibility, representativeness (cited in Bryman, 2004: 381). Authenticity focuses on whether the evidence is believed to be genuine and of unquestionable origin. The credibility criterion considers
whether the document is free from error or subject to distortion. Representativeness asks whether the evidence is typical of its kind, and the meaning criterion asks whether the evidence clear and comprehensible (Bryman, 2004: 381). The latter two categories are likely to resonate within this study, as local government published documents can be identified as authentic and with meaning (i.e. they can be understood by the researcher). However, as with other official state or government documents, the credibility criterion is useful as provides a frame to consider the biases within the document (Bryman, 2004: 387). Further, the representativeness criterion has a different application in this context, considering whether the findings identified in documents within this study are transferable into other contexts.

8.1. Organizational context
Each case study’s strategic plan\(^1\) can offer an overview of the stated priorities of the authority, highlights of recent performance, objectives of the authority. In addition to this, review of the Comprehensive Performance Assessment (and later, Use of Resources assessment by the Audit Commission) can give an external, audit-driven overview of the performance, capacity, direction, priorities and strengths and weaknesses of the authority. This understanding is enhanced by review of the Audit Commission annual audit letter which may provide further information on the performance, priorities, progress against targets, and capacity of the organization. Each document has potential weaknesses and limitations. The strategic plan may not focus on weaknesses and areas for improvement and is likely to be selective in the narrative presented about the organization.

The Comprehensive Performance Assessment report for each authority may provide useful data on the performance, capacity and operation of each local

\(^1\) Please note, the term ‘strategic plan’ is used to refer to the key document outlining the objectives and priorities of an organization over a period of time, with these documents frequently titled ‘strategic plan’, ‘corporate plan’, or ‘business plan’. The term is used for consistency and to aid the anonymity of authorities rather than refer to a more specific document title.
authority. The reports are produced following a detailed assessment by the Audit Commission, focussed on a range of dimensions of operation, management and performance. There are two challenges to the credibility of the document. The reports may not necessarily reflect the up-to-date performance of the organization, as many authorities were subject to Comprehensive Performance Assessment from 2004 onwards. In addition, the analysis given and summary information provided may reflect the interests and priorities of the auditors against set criteria and reviewing selected evidence and information, giving a broad overview rather than detailed analysis. The annual audit letter provided by the Audit Commission to local authorities may provide a useful source of data, providing a summary of organizational performance against set criteria such as value for money, and providing useful contextual information on the performance of an organization. External assessment of performance, management and capacity is useful as can help identify challenges faced by an organization, but does reflect the interests, views and frame applied by external bodies.

8.2. Operation of shared services
Two further sets of documents are identified as potentially providing useful information to help understand the background and context of each case study: Annual Efficiency Statements and committee reports.

The intention of using these types of document is to assess whether the organization has formally reported use of shared corporate services in recent years; or whether the authority has reported savings from the use of shared corporate services. Annual Efficiency Statements were submissions required of local authorities under the national Labour administration to outline 2.5% annual efficiency savings. Reports were submitted to the Department for Communities and Local Government. This set of data could potentially reveal whether authorities have implemented shared corporate services, and whether they have taken savings or efficiencies from this model. The data could explain each case authority’s approach to achieving efficiency savings and the role of shared services within this. The submissions are likely to present some bias. The document is part of the organization’s own narrative regarding its performance,
direction and strategy, and would need to be seen within this context. In addition, an absence of data on sharing corporate services in the Annual Efficiency Statement does not mean that the arrangement is not in place, or that it has failed to achieve savings or improve performance. The model could be more informal, or the changes made and savings achieved (or counter effects) may have happened outside the Annual Efficiency Statement timescale or process.

In addition to Annual Efficiency Statements, published committee reports from case study authorities could provide information on the establishment and operation of shared corporate services. Depending on the formality of the arrangements, this could include the business rationale for using shared corporate services, partner and model selection, and potentially performance of the arrangement. As a document produced by the local authority, it is subject to the views and biases of both officers and the political administration. Finally, the actual data presented may differ from the actual experience of the service and the organization. Despite these limitations it is worth exploring these public documents to consider whether the authority has made public any information on the models of sharing services considered, used, and whether there is any evidence suggesting the impact of this model.

This section has described how use of published documents has two purposes: Firstly, to consider the context in which organization operates and how this relates to the operation of shared corporate services; secondly, to access relevant documents to demonstrate how shared corporate services were established and how they perform. This is a useful component of the qualitative research methodology, complementing and supporting interview-based research.

9. Research ethics

This section aims to highlight key ethical principles, the particular application of these principles within research focussed on public services, and how they have been treated within this research project. In addition, it focusses one further
area of importance to this study: the implications of engaging in practitioner-led research.

9.1. Application of ethical principles

Bryman (2008: 508) summarises the different positions taken by sociologists, from the universalist stance that argues ‘ethical precepts should never be broken’, to situation ethics arguing for ‘a certain amount of flexibility in decision making’ on a case by case basis. Four key ethical principles can be used to guide research practice: whether there is harm to participants; whether there is lack of informed consent; whether there is an invasion of privacy; and whether deception is involved (Diener and Crandall, 1978; cited in Bryman, 2008: 509).

Turning first to consider potential harm to participants, a number of prominent social research projects have highlighted the potentially harmful consequences of engaging in research activities. Research projects should be carefully assessed during the design stage, to anticipate and guard against potentially effects which may be harmful (Bryman, 2008: 510). To mitigate potentially harmful effects through publication, records and information related to individuals should be treated in confidence (Bryman, 2008: 210). Conducting research in a public services organization raises specific questions about the status of managers and staff as research subjects, and highlights a potential tension between providing findings which are in the public interest, versus the rights of the individual. There is a key role for researchers to generate evidence to inform evidence-based policy (Nutley et al, 2007), and to understand processes of change within specific public organizations (Brown and Osborne, 2005). A richer understanding of potential harm to participants arising during research into public services is provided by Dixon-Woods and Bosk (2011: 258 – 59). They suggest that managers and employees may fear potential harm, as ‘publically available data may threaten their interests or reputations’, generate unwelcome self-insights, cause offence and hurt when work is published, or ‘provoke acknowledgement of uncomfortable realities’. Dixon-Woods and Bosk (2011: 270) argue that potential harm to participants’ is managed by recognizing that ‘the stakes for them in social science research can sometimes be high’, and as a result potential research subjects shape the
questions asked of them and how they are answered. The need to avoid harm to the participant should not mean that the public interest in gaining knowledge is ignored. The challenge is meeting both requirements. The design of a study into the formation, operation and performance of shared corporate services highlighted areas of potential harm for participants. The first area of potential harm relates to participants’ providing negative information on the formation, operation and performance of the shared services model. By sharing opinions and reflecting on experience, there is potential for adverse impact on the reputation of their organization, resulting in political or senior management dissatisfaction or repercussions. This risk is mitigated through ensuring the name, location and key pieces of data are kept as anonymous so that the whole case study is treated as anonymous. The second area of potential harm to participants relates to their own identity and confidentiality. To provide anonymity, all participants are anonymous, records will be deleted at the close of the research project, and no role titles will be referred to in the findings of the research. These measures will be taken to avoid harm to participants, while ensuring that rich and useful data is available to evaluate how shared services are formed, operate and perform in specific settings.

The second ethical consideration relates to consent given by the participant. This interacts with the earlier category of preventing harm to participants. They should be made aware of the research topic, participants should give informed consent (Bryman, 2008: 510), with the participant receiving sufficient information to be able to make an informed decision. As set out by the UK’s Economic and Social Research Council Ethical Framework (2010, 28), ‘informed consent… entails giving sufficient information about the research and ensuring that there is no explicit or implicit coercion so that prospective participants can make an informed and free decision on their possible involvement’. The challenge of providing sufficient information on the study to generate informed consent is limited by the need to balance informed consent with providing too much information contaminating people’s answers (Bryman, 2010: 512; Dixon-Woods and Bosk, 2011; 266). A further challenge relates to the formalization of consent, with researchers at risk of merely completing a rule-based process (Dixon-Woods and Bosk, 2011; 266). In this research
project, participants in the qualitative research activity using the online survey will be required to read through a short introduction section outlining the focus of the research, the types of questions posed, confirming the confidentiality and anonymity of their responses, and giving them the potential to opt in to the research by completing the survey. The qualitative research stage aims to gather richer information from participants, including their perceptions of how shared corporate services were formed and implemented, the operation of the model and the performance effects of using shared services. Accordingly, the participants will be provided with a summary of the research, the aims of the research, why they have been invited to participate, and the broad areas of enquiry. In addition, in advance of the case study visit, each participant will be provided with a copy of the consent form and no interview will proceed without the participant being asked to re-read and sign the consent form. Finally, the approach to case study research used in this study emphasises the importance of responsibility and character on the part of the researcher (Dixon-Woods and Bosk, 2011; 270), using the supervision panel and Research Ethics Committee as two groups which give oversight and challenge to the processes of designing, collecting and reporting data.

Linked to the notion of informed consent, is the right to privacy. As Silverman (2010; 166) observes, privacy and confidentiality are vital. This can involve changing references to months or seasons, offering and maintaining anonymity. Participants should have the opportunity to refuse to participate in parts of the study (Bryman, 2008: 513). Dixon-Woods and Bosk (2011: 265) emphasize the importance of explicitly gaining staff co-operation. In the case of this research study, there is public interest in how a new form of public service operates and the results it achieves. As outlined above, participants will be provided information on the focus and purpose of the research, the choice of whether to participate, the ability to withdraw from the research at any point and with all their records destroyed, and an assurance that information will be held confidentially and securely so that only the researcher can trace this back to an individual for a limited time.
The process of gaining informed consent is based upon the researcher being open with the participant about the purposes of your research. Silverman (2010: 171) argues that ‘any other course involved an unacceptable degree of deception’. However, in practice ‘deception in various degrees is probably quite widespread… because researchers often want to limit participants’ understanding of what the research is about so that they respond more naturally to the experimental treatment’ (Bryman, 2008: 514). In the case of this research project, the central challenge related to deception is the recognition ‘it is rarely feasible… to provide participants with a totally complete account of what your research is about’ (Bryman, 2008: 514). To mitigate against this, each case study authority will be provided a short summary of the research project, the background to the study, questions posed by the research and the methods used.

9.2. Practitioner research

Furthermore, as this research project focussing on the performance of shared corporate services in local government has been undertaken by a local government practitioner, the benefits and implications of practitioner-led research are taken into account in the design, governance and execution of the project. The ethics of practitioner research have been considered in greater depth in the health sector, education (Campbell and Groundwater-Smith, 2007) social work (Lunt and Fouche, 2010) and business organizations (Maxwell and Beattie, 2004). The benefits, issues and challenges of practitioner research are highlighted below, with a proposal to respond to the specific challenges relating to research ethics in this project.

There are perceived benefits to practitioner research: understanding the context, recognition of a particular setting, understanding and advantages of particular data sets, and the ability to forge relationships with stakeholders (Lunt and Fouche, 2010). In the education sector, Sachs (2007: xiv) argues that ‘practitioner research has at its heart a desire to know and act on specific circumstances in the interests of improving practice in an environment of mutual trust and respect’. However, a number of tensions also exist, from negotiating access to participants, keeping good faith and protecting ongoing relationships,
maintaining confidentiality, and the ability of practitioners to be self-critical around their own definitions and ways of working (Lunt and Fouche, 2010). The independence and impartiality of researchers should be made clear, and conflicts of interest or any partiality should be highlighted (Sliverman, 2010: 156). Further challenges relate to ethical review and research governance (Lunt and Fouche, 2010: 220). Evidence from the Human Resources Management discipline highlights particular challenges for practitioner-researchers, finding that most practitioner researchers see themselves as practitioners first and foremost (Maxwell and Beattie, 2004: 253). These challenges are further compounded if research is focused in-house.

A number of challenges to practitioner-led research focus on the complexities of intervention and confidentiality in cases of complex individual-level social studies such as practitioner studies of social care. In the context of this study, these tensions are slightly eased by being focused on the provision of back office services with no direct impacts and implications for vulnerable participants. In addition, although I am a local government practitioner, the subject matter and area of focus are services and a service model that I have not directly worked in or with. A fuller exploration of these issues is given in the reflexivity section of this thesis. Lunt and Fouche (2010: 229) summarise concerns over practitioner research, asserting that it ‘may sometimes have the potential to be clumsy, insensitive and detrimental to research participants’.
The key challenges within this research project are to identify areas of partiality and how this can be both exposed and mitigated, the role of assumed knowledge, poor research design, and addressing the four key ethics issues of research projects (as covered above).

The first challenge for the practitioner leading this research project is to acknowledge areas of partiality, at the start of the research project and to reflect on this through the duration of the project. Partiality may reflect a particular orientation or set of assumptions, or reflect the difficulties in weighing competing accountabilities to clients, teams, professions and organisations (Lunt and Fouche, 2010: 222). Through the duration of this research project, I ensured that I did not have direct responsibility or accountability for corporate services,
did not engage with development of shared services models in my local authority, nor engage with any of the qualitative case study authorities. In the reflexivity section of this thesis I explore in greater depth my work and academic interests and experiences. The mitigation for partiality was to ensure that selection of cases, grouping of services to focus on, labelling of alternative service models, design of all research questions (posed through surveys and the semi-structured interviewing) were subject to review and challenge by the supervision panel. Furthermore, findings from both the qualitative and quantitative research were presented to the supervisory panel at different stages, from early analysis of raw data – both quantitative and qualitative – to providing later drafts, to ensure that the findings were consistent with the patterns observed in source data. The research methodology, design and selection of qualitative research questions (semi-structured interviewing) were submitted to the research ethics committee to ensure accuracy and transparency of the questions to be posed. To mitigate against practitioner assumptions inappropriately guiding research questions, both quantitative and qualitative research questions were designed with the supervision panel, and participant questions were tested with local government practitioners and revised, before releasing to the participants.

Lunt and Fouche (2010: 222) highlight concerns that ‘the quality of practitioner research may be variable’. As a practitioner and PhD student it was vital that I engage with particular areas of skills development. Again, the role of the supervisor and supervision panel is critical in helping design learning activities to acquire relevant knowledge and skills, giving approval to each stage of the research activity and offering advice to improve the quality of the research and analysis. Ethics review will not purely take place through a single submission to Cardiff Business School Research Ethics Committees, but through testing, challenging and refining at various stages of the research activity. This model is intended to demonstrate ‘reflective practice’ by being self-critical and challenging assumptions (Lunt and Fouche, 2010: 225), recognising a key role for the supervision panel and the importance of research ethics governance via the relevant committee.
10. Reflexivity

Having discussed and outlined a research framework, strategy, methodology and detailed the methods to be used, it is appropriate to address the issue of reflexivity. Creswell (2009: 233) offers a helpful definition, arguing that this means ‘researchers reflect about how their biases, values, and personal background… shape their interpretations formed during a study’. The reason for this is based upon the view that ‘research cannot be value free but to ensure that there is no untrammeled incursion of values into the research process’ (Bryman, 2004: 22). This requires recognition that researchers are ‘implicated in the construction of knowledge through the stance that he or she assumes in relation to the observed and through the ways the account is transmitted’ (Bryman, 2004: 500).

As a senior officer in local government, I inevitably approached the research with assumptions, perspectives and knowledge. My perceptions of shared services, collaboration and service improvement have been shaped by my experiences. Between September 2004 and March 2007, I worked as a graduate trainee on the national graduate development programme for local government, based in a large County Council. In this role, I supported the development of the Local Area Agreement and a project to help develop the Local Strategic Partnership, gaining insight into strategic partnerships between different public bodies and partners. This gave an opportunity to gain insight into the operation of partner relationships, experience of where success was achieved and where challenges were encountered.

Secondly, prior to commencing this research programme, I completed a postgraduate diploma at Warwick Business School with an emphasis through the programme on the use of partnership to resolve social challenges. I commenced employment in local government in an era in which the use of partnerships was strongly advocated within local government, and parts of the academic research I encountered focussed on what makes partnership work rather than whether partnerships achieve improve performance.
From March 2007 onwards, I have worked for a conservative-controlled London borough. In the early years of my time in the authority, there was a distinct political emphasis on the importance of reducing back office costs. The model of corporate services was described as internal shared services, having centralised support functions from different service departments into a corporate function. I had direct experience of this support service, with the organization experiencing capacity challenges within Human Resources, finance and ICT services during this time. This experience provided me with an understanding of some of the challenges which can restrict service performance: management capacity and capability, simplicity or complexity of processes and supporting technology infrastructure, complexity of service demands and the ability of managers and employees in services to work with a lean support function. In addition, I have gained insight into how political and organizational vision impacts on service design. It is imperative to note that the council is currently going through a market-testing exercise for all corporate services, with an intention to deliver corporate services through an outsourced arrangement. My experience of corporate services informs the assumptions that I had as I commenced this study. Firstly, that using internal service provision is no guarantee that corporate services will be high performing. Secondly, that where a large local authority gathers together corporate functions into a central team (whether described as internal shared services or not), this may not result in improved performance. Thirdly, that the choice of service model also reflects political priorities.

From September 2008 to September 2011 I was the Head of a library service, gaining experience in leading a service through significant change. My experience of changes within the library sector colour my perspective on collaboration. Until very recently, there have been very few examples of alternative service delivery models for library services. This position is tempered by recent developments which suggest that new models of service delivery will be tested, including shared services, with an overt emphasis on reducing expenditure, rather than purely to improve service performance. However, it is also worth noting the positive experience of the London Libraries Consortium, where 13 local authorities collaboratively use the same ICT
system, reporting reduced costs. Colleagues involved in this model cite cost reduction; though have also recounted anecdotes suggesting the difficulty in taking strategic decisions regarding the development and operation of the ICT system. I bring some direction and indirect experience of collaboration, expecting the growth of collaborative arrangements in coming years and limited use to date, an overt intention to reduce costs, and recognising the potential for difficulties in decision-making or management of the partnership.

As a more general point, as I have worked in local government for several years, my knowledge and assumptions impact on how I may conduct the operation of research. Turning first to the quantitative research phase, I may use my own knowledge to design questions and a survey approach (online) to secure participation and provide an efficient survey. This could involve making assumptions about the ability of interviewees to address particular questions, such as commenting on different dimensions of performance. Turning to the qualitative research phase, I excluded some very interview questions that a non-local government practitioner may have included. For example, I did not ask interviewees to describe their roles as I have insight into what different roles involve.

To address these challenges and to add academic rigour, there are three steps that I will take. The first measure to be taken is to ensure that my own local authority is excluded from the study to ensure that my own assumed knowledge about the performance of my employer is excluded. The second measure is to ensure that I have regular and robust challenge from my supervisor and academic team. This will provide opportunity for my assumptions and proposals for research design and the development of tools. Taking this further, the supervision panel will advise on development of the survey method, the questions to be posed, development of the internal method and semi-structured interviewing questions. Each research tool will be provided to the interview panel before use. Thirdly, the survey questions and tool, and interview questions will be piloted by local government practitioners before release, to ensure the questions are clear, accurate and understandable.
10. Conclusions

Chapter four identified an overall research framework, strategy and methodology, aiming to assess whether sharing services results in improved performance. A theory-driven research framework underpins this study, intending to aid understanding and exploration of how shared services are established, implemented and how they operate, and whether the shared services reform agenda has resulted in improved performance and reduced costs. A mixed methods strategy research strategy is to be applied.

This chapter has sought to apply this research strategy, and operationalize the research methods to be used within this study. Two methods are to be used within a mixed methods research design. The quantitative research phase uses a survey method to identify where shared services are in place and where corporate services are provided through a different model. The survey should also generate data on perceptions of the performance of shared corporate services, using a multi-informant approach to target three senior managers in each local authority to provide data on the perception of performance of corporate services. Challenges and limitations of this approach are recognized and discussed, notably the challenges associated with nonresponse, response and coverage. Having considered these challenges, the approach to surveying is set out at a high-level. A clear sampling frame and target population are identified, aiming to respond to the potential for undercoverage and inaccurate response. The questions will need to be carefully formatted, and tested prior to release so that they are understandable, usable, and relevant (Groves et al, 2004: 241).

The qualitative research method uses a multiple-case study approach to gather deeper understanding of the operation of shared services within local government.
Chapter 6: Quantitative data analysis

1. Introduction

Chapter five outlined how the research framework would be operationalized, aiming to generate data to identify, evaluate and explain how shared corporate services operate and perform. This chapter sets out findings from the quantitative research method, presenting findings from a survey of local government and relating these findings with theoretical propositions which underpin (or challenge) the shared services model.

The dominant theory suggests sharing services will create economies of scale (Ruggini, 2006; Schulman et al, 1999) using collaboration to improve performance (Lowndes and Skelcher, 1998) owing to high-trust partnership relationships and reduced supervision costs (Brown and Potoski, 2003). The effectiveness of the shared services arrangement is also thought to be contingent on the effectiveness of the implementation process (Brown and Osborne, 2005; Piening, 2011; Borins 2001c). Counter propositions argue that scale does not necessarily result in improved performance (Niskanen, 1971), or that partnership relationships can be complex and problematic (Gomez-Mejia and Wiseman, 2007). The quantitative research method sets out to identify where shared services are in place, where alternative models are used, and access perceptions of performance. By drawing this data together, it should be possible to explore these propositions, and enable evaluation of how shared services perform.

The first part of the chapter focuses on the first set of data provided by the survey, commenting on the models of service provision used in different authorities and drawing initial lessons on how and where shared services are used. The chapter then sets out results on the performance of corporate services, comparing the perceived performance of shared services with other forms of service provision (predominantly internal provision). The data used for this analysis is drawn from a survey of senior managers in local authorities who are clients of corporate services, offering their perception of the performance of
corporate services. The analysis then focuses on local authorities who have reported that they use shared services, with tests designed to evaluate whether performance has improved as a result of using shared corporate services. A short section describes the separate responses provided by senior officers who lead corporate services, with a low response rate limiting this section to a short discussion of key points.

The chapter then brings together key findings, indicting some notable results and relating these findings to the theoretical framework. Firstly, the survey indicates there is no evidence to suggest sharing services results in better performance. The data suggests a trend counter to this, with clients of shared services arrangements more likely report negative performance, most notably when considering the quality of service and satisfaction with service. Secondly, perception data suggests respondents in those authorities using shared services extensively are more likely to perceive that performance has declined.

2. How corporate services are provided

Through a large data gathering exercise, each local authority in England was contacted independently to seek responses to an online survey. This generated a total of 116 responses from senior managers with planning, housing and waste services (or similar roles), drawn from a range of authorities. Analysis of data below is at conducted at organizational unit level. Of the respondents:

- 35 local authorities supplied details on how corporate services are provided (percentage shared; percentage provided internally; percentage outsourced); a further 68 respondents provided a response but no information on the model of service used.
- Of these 35 organizations, 15 respondents identified a model of shared corporate services in place.

The following analysis focuses on the responses provided the 35 authorities who have indicated the model used for the delivery of corporate services (and performance), indicating the mean and range of responses. The majority of
responding authorities were district authorities (26 district councils responded to the survey), with two county councils providing a response, two unitary authorities, two metropolitan district councils, and two London authorities.

Given the relatively low response rate, it has been necessary to use the responses of Heads of service from non-corporate services to indicate the model of service delivery for corporate services, providing benchmark data upon which to measure performance.

**Figure 1**: Survey respondents

<table>
<thead>
<tr>
<th>1. Adur District Council</th>
<th>13. Huntingdonshire District Council</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Carlisle District Council</td>
<td>14. Lewes District Council</td>
</tr>
<tr>
<td>5. Crawley Borough Council</td>
<td>17. Malvern Hills District Council</td>
</tr>
<tr>
<td>8. East Staffordshire Borough Council</td>
<td>20. Sheffield City Council</td>
</tr>
<tr>
<td>27. Thurrock Council</td>
<td>28. Tunbridge Wells Borough Council</td>
</tr>
<tr>
<td>29. Welwyn Hatfield Council</td>
<td>30. West Lancashire District Council</td>
</tr>
<tr>
<td>31. Wokingham Borough Council</td>
<td>32. Worcester City Council</td>
</tr>
<tr>
<td>33. Worcestershire County Council</td>
<td>34. Wychavon District Council</td>
</tr>
<tr>
<td>35. Wyre Borough Council</td>
<td></td>
</tr>
</tbody>
</table>
2.1. Models of corporate service provision

The expectation of policy makers is for greater use of alternative service delivery methods. The local government White Paper *Strong and Prosperous Communities* (DCLG, 2006a: 63) developed a vision for local authorities to develop ‘new models of working, which should also involve collaboration between councils and other public bodies, if they are to achieve ambitious further efficiency improvements’. Central government policy suggested that public services should take significant steps towards the use of shared services, with the National Audit Office (2007: 10) recommending that public bodies should make use of shared services, and if they opt not to ‘they should demonstrate clear business cases showing why shared services are not the most suitable model’. The expectation of policy makers suggests extensive use of alternative service provision models for corporate services, including shared services. The survey method is intended to gather information to identify the range, This information should enable baseline data to test whether shared services result in improved performance.

The 32 respondents who completed this section of the survey – indicating models of service provision – provided very useful information. A very high proportion of corporate services are reported to be provided internally, with a mean of 83.8%.

In addition, the responses indicate a lower level of working through outsourced contracts. Only six respondents indicated that more than 10% of corporate services are provided through outsourced arrangements. Two authorities provided responses suggesting extensive use of contracts with private providers, with one authority indicating 100% corporate services through an outsourced contract (presumably excluding client side management) and another authority indicating 90% of corporate services are provided through this method.

11 respondents provided responses including estimates of the percentage of corporate services provided through a model of sharing (and a further four authorities indicating sharing is in place, the model used, but did not estimate
the percentage). The level of sharing with other organizations is restricted in terms of the percentage of services provided through this model, with a low mean, a limited range, and the majority of responses suggesting that only a smaller proportion of corporate services are provided through a shared model. Five respondents reported 10% of corporate services are provided through a model of shared services. A further four respondents reported that around 5% of corporate services are shared; and only one respondent indicated that more than 20% of corporate services are provided through shared services.

**Table 2: How corporate services are provided**

<table>
<thead>
<tr>
<th>Service Provided</th>
<th>N</th>
<th>Minimum Percentage</th>
<th>Maximum Percentage</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage corporate services provided internally</td>
<td>32</td>
<td>.00</td>
<td>100.00</td>
<td>83.8531</td>
<td>29.54046</td>
</tr>
<tr>
<td>Percentage corporate services provided through outsourced contract</td>
<td>32</td>
<td>.00</td>
<td>100.00</td>
<td>10.1563</td>
<td>24.51084</td>
</tr>
<tr>
<td>Percentage corporate services provided through model of shared services</td>
<td>32</td>
<td>.00</td>
<td>20.00</td>
<td>2.8625</td>
<td>4.88696</td>
</tr>
<tr>
<td>Number of partners in contract</td>
<td>15</td>
<td>1.00</td>
<td>11.00</td>
<td>3.3333</td>
<td>2.66369</td>
</tr>
<tr>
<td>Length of shared services contract</td>
<td>5</td>
<td>2.00</td>
<td>10.00</td>
<td>5.6000</td>
<td>4.03733</td>
</tr>
</tbody>
</table>

**Key finding:** The survey data suggests that sharing services is the least popular service delivery model for corporate services, with far smaller mean percentage of services provided through this model (2.86%) compared to outsourced provision (10.16%) and internal delivery (83.85%).
2.2. Models of shared service delivery

In addition to providing data on how corporate services are provided, 11 authorities who use a model of shared services also identified the model of sharing used in their authority:

- 9: Joint delivery partnership with another public organization (e.g. another local authority)
- 1: Buying in a service provided by another public organization
- 1: Providing a service which another public organization buys from you

The most common method of shared corporate service delivery reported is a joint delivery partnership with another public organization. Following the trend to share delivery with a partner body, the vast majority of respondents are sharing services with another local authority; two reporting involvement of another public body, and one respondent indicating interaction with the voluntary sector.

The results indicated that relatively few partners are involved in any one sharing arrangement (a mean of 3.33), with only one notable exception where the respondent estimated 11 partners are involved in the sharing arrangement. The distribution of other responses indicate 2 to 3 partners as common to many shared corporate services models.

The range of expenditure on corporate services is very broad, reflecting the size of the local authority and the service, and potentially the economy of corporate service department(s). Data here is incomplete, and cannot be used for detailed analysis in this study. This also stands for percentage estimates of spend on service budgets on corporate services. This may be inaccurate, as the range of percentage estimates span from 1% to 42%, with clusters of responses at 5 – 10% (higher frequency); 15 – 25%; and 30% and above. A number of respondents were unable to provide an estimate, and given the wide spread of responses this data needs to be treated with caution. A similar point stands for a question aimed to probe percentage of spend on shared corporate services,
as few responses have been collected providing limited opportunity for testing of propositions.

Only four respondents indicate shared corporate services in place prior to 2006, with the mean slightly distorted by one partnership being in place in 1994 and an exception to most other responses. Sharing appears to be more of a recent trend, with ten shared arrangements implemented within a three year time period (2006 – 2009). This data is helpful in establishing a time-bound control which may impact performance.

**Key finding:** The survey data suggests that sharing services is the least popular service delivery model for corporate services. Where shared services arrangements are in place, the partnership is most likely to be a ‘joint delivery’ partnership between two local authorities, with a relatively small percentage of services provided through this model.

### 3. Comparative performance of shared services

#### 3.1. Context

The dominant theoretical proposition suggests that a shared services partnership will bring service improvement and reduction in cost through economies of scale (Ruggini, 2006; Dollery and Grant, 2010; Schulman et al, 1999). This utilizes theories suggesting economies of scale can reduce costs and improve service performance (Stigler, 1958; Shepherd 1990) and that collaboration between partners can create scale by using resources across boundaries (McQuaid, 2010). Further, shared services are hypothesized to perform better than alternative models owing to high-trust relationships and lower supervision costs (Brown and Potoski, 2003). Successful operation is dependent on effective implementation (Osborne and Brown, 2005; Piening, 2011; Borins 2001c). A range of counter arguments are made to these points, disputing that scale will guarantee improved performance (Niskanen, 1971), that is not inevitable that partnership working will reduce transaction costs (Gomez-
Mejia and Wiseman, 2007), recognizing also that there challenges in securing advantage through collaboration (Vangen and Huxham, 2010).

Through the survey of all authorities in England, respondents were identified by role and presented with a range of questions to gauge their perception of the performance of shared corporate services. Respondents were asked to indicate the model of corporate services deployed within their authority, and to indicate their perception of performance against five dimensions of performance.

This data can be used to match perception of performance with model of corporate services used. Breaking the 35 responding authorities into two sub-groups for further analysis highlights the differences in perceived performance. 15 authorities highlighted a model of sharing corporate services existing within their organization; 20 authorities responded to indicate that there are no shared corporate services arrangements within their organization. In the analysis below, authorities are denoted either as an organization using shared corporate services, or as an organization which does not use shared corporate services (which covers both in-house and outsourced delivery). The results indicate differences between the perceptions of those who use shared corporate services and those who do not, with the latter broadly reporting more positive views of performance of corporate services.
<table>
<thead>
<tr>
<th></th>
<th>Number of authorities</th>
<th>Lowest response value*</th>
<th>Maximum response value*</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economy</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-shared:</td>
<td>20</td>
<td>2.00</td>
<td>6.00</td>
<td>4.0000</td>
<td>1.21395</td>
</tr>
<tr>
<td>Shared:</td>
<td>15</td>
<td>2.00</td>
<td>5.00</td>
<td>3.6000</td>
<td>1.12122</td>
</tr>
<tr>
<td><strong>Efficiency</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-shared:</td>
<td>20</td>
<td>1.00</td>
<td>6.00</td>
<td>3.8000</td>
<td>1.32188</td>
</tr>
<tr>
<td>Shared:</td>
<td>15</td>
<td>2.00</td>
<td>5.00</td>
<td>3.8667</td>
<td>1.12546</td>
</tr>
<tr>
<td><strong>Effectiveness</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-shared:</td>
<td>20</td>
<td>1.00</td>
<td>6.00</td>
<td>4.4000</td>
<td>1.27321</td>
</tr>
<tr>
<td>Shared:</td>
<td>15</td>
<td>2.00</td>
<td>5.00</td>
<td>3.9333</td>
<td>1.03280</td>
</tr>
<tr>
<td><strong>Quality</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-shared:</td>
<td>20</td>
<td>1.00</td>
<td>6.00</td>
<td>4.5500</td>
<td>1.27630</td>
</tr>
<tr>
<td>Shared:</td>
<td>15</td>
<td>2.00</td>
<td>5.00</td>
<td>3.8000</td>
<td>.94112</td>
</tr>
<tr>
<td><strong>Satisfaction</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-shared:</td>
<td>20</td>
<td>1.00</td>
<td>6.00</td>
<td>4.1500</td>
<td>1.26803</td>
</tr>
<tr>
<td>Shared:</td>
<td>15</td>
<td>2.00</td>
<td>5.00</td>
<td>3.7333</td>
<td>.96115</td>
</tr>
</tbody>
</table>

* Responses from disagree strongly (1) to agree strongly (6)
3.2. Performance of corporate services: Statistically significant findings

Responses from both groups regarding the quality of corporate services differ significantly. The disparity between the two groups is marked. Those who receive corporate services through a shared services model indicated a lower mean response of the quality of service, and those who receive corporate services through a non-shared model report the highest mean value of all their responses on performance of corporate services. A one-tail test is applied, to test the dominant propositions relating to scale and performance.

Analysis through an independent samples t-test (see Table 4 below) indicated the largest mean difference in respondent perception of all dimensions of performance, with a difference of -.75000 reported. A clear effect can be observed. Those who do not receive shared corporate services report a high mean score (4.5500; with a standard error mean of .28935) compared to those who do receive shared corporate services (mean 3.8000; SE .23400). In a one-tailed test, the statistical significance is visible, with p of .032 observed (therefore significant at the 0.05 level). The results demonstrate that there is a statistically significance trend which demonstrates that the perception of quality of corporate services does differ between those who do not receive corporate services through a model of sharing, and those who do. Those respondents from authorities who do not use shared corporate services report a more positive view of quality of service.

3.3. Performance of corporate services: Other findings

Those who did not share corporate services reported greater economy compared to those who share (mean 3.60; SE of .27145), but this was not statistically significant at p>0.05 in a one-tailed test, with a p of .163. Turning next to efficiency of services, this is the only performance dimension against which those who receive corporate services through a shared model record a higher mean than those who do not; however, findings were not statistically significant. Responses from those who do receive corporate services through a non-shared services model indicate a more positive view of the effectiveness of corporate services; however, this difference was not statistically significant,
with a $p$ of .127 observed. Finally, data related to satisfaction with corporate services suggests those who receive corporate services through a non-shared model report higher satisfaction with corporate services. This difference was not statistically significant at $p>0.05$, with a $p$ of .148 observed.

### 3.4. Summary

This high level analysis of data from two respondent groups suggested a trend which requires further examination and analysis: those who report that they receive corporate service in a non-shared services model have a more positive view of the performance of corporate services. However, this could only be demonstrated with when focussing on quality of service, as a statistically significant relationship has been identified.

**Key finding:** There is no statistically significant data to demonstrate that sharing services results in better performance than alternative service models. There is statistically significantly evidence which suggests the perceived quality of service provision is greater in internal delivery models.
<table>
<thead>
<tr>
<th>Corporate services provide good economy</th>
<th>Levene's Test for Equality of Variances</th>
<th>t-test for Equality of Means</th>
<th>95% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>Sig.</td>
<td>t</td>
</tr>
<tr>
<td>Equal variances assumed</td>
<td>.038</td>
<td>.846</td>
<td>-1.008</td>
</tr>
<tr>
<td>Equal variances not assumed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate services provide good efficiency</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equal variances assumed</td>
<td>.117</td>
<td>.735</td>
<td>.161</td>
</tr>
<tr>
<td>Equal variances not assumed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate services provide good effectiveness</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equal variances assumed</td>
<td>.417</td>
<td>.523</td>
<td>-1.196</td>
</tr>
<tr>
<td>Equal variances not assumed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate services provided to me are high quality</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equal variances assumed</td>
<td>1.575</td>
<td>.218</td>
<td>-2.001</td>
</tr>
<tr>
<td>Equal variances not assumed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I am satisfied with support given by corporate services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equal variances assumed</td>
<td>.523</td>
<td>.475</td>
<td>-1.106</td>
</tr>
<tr>
<td>Equal variances not assumed</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4. Analysis of control variables
The following section is designed to consider a range of alternative variables which could influence the performance reported by respondents. Firstly, the analysis focuses on alternative variables which could impact on the performance observed and reported in different authorities, incorporating analysis:

- By known (previous) organizational performance
- By the spend of the authority
- By size of the responding authority
- By tier of local government.

A thorough analysis is required to ensure that any alternative causal factors are taken into account when reaching conclusions on whether using a model of shared services impacts on performance.

Table 5 below separates out data into two separate respondent groups – those who share, those who do not share – to test for any relevant correlations.
### Table 5: Correlation of performance: Shared and non-shared corporate services

<table>
<thead>
<tr>
<th>Compare shared &amp; non-share authorities</th>
<th>Economy*</th>
<th>Efficiency</th>
<th>Effectiveness</th>
<th>Quality</th>
<th>Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPA category</td>
<td>Pearson Correlation</td>
<td>.</td>
<td>.</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.</td>
<td>.</td>
<td>.</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td>Citizen satisfaction</td>
<td>Correlation</td>
<td>-1.000**</td>
<td>-1.000**</td>
<td>1.000**</td>
<td>1.000**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.</td>
<td>.</td>
<td>.</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td>Corporate and democratic spend</td>
<td>Correlation</td>
<td>-.272</td>
<td>-.416</td>
<td>-.113</td>
<td>-.341</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.326</td>
<td>.123</td>
<td>.688</td>
<td>.213</td>
<td>.095</td>
</tr>
<tr>
<td>Net service spend per capita</td>
<td>Correlation</td>
<td>-.086</td>
<td>.174</td>
<td>-.139</td>
<td>-.089</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.760</td>
<td>.536</td>
<td>.623</td>
<td>.753</td>
<td>.251</td>
</tr>
<tr>
<td>Area</td>
<td>Correlation</td>
<td>.049</td>
<td>.120</td>
<td>-.212</td>
<td>-.141</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.862</td>
<td>.670</td>
<td>.447</td>
<td>.616</td>
<td>.524</td>
</tr>
<tr>
<td>Population 2001</td>
<td>Correlation</td>
<td>.037</td>
<td>.193</td>
<td>-.315</td>
<td>-.206</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.895</td>
<td>.490</td>
<td>.253</td>
<td>.462</td>
<td>.322</td>
</tr>
<tr>
<td>Index of Multiple Deprivation</td>
<td>Correlation</td>
<td>-.262</td>
<td>.092</td>
<td>.247</td>
<td>.219</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.346</td>
<td>.744</td>
<td>.374</td>
<td>.434</td>
<td>.733</td>
</tr>
</tbody>
</table>

| Do not use shared corporate services   | CPA category                           | Pearson Correlation | .102 | -.061 | .082 | .082 | -.068 |
|                                       | Sig. (2-tailed)                        | .794 | .877 | .833 | .833 | .862 |
| Citizen satisfaction                   | Correlation | -.287 | -.204 | -.521 | -.389 | -.315 |
| Sig. (2-tailed)                        | .454 | .599 | .150 | .301 | .409 |
| Corporate and democratic spend         | Correlation | -.286 | -.347 | -.314 | -.440 | -.411 |
| Sig. (2-tailed)                        | .221 | .133 | .178 | .052 | .072 |
| Net service spend per capita            | Correlation | -.134 | -.272 | -.336 | -.454* | -.454* |
| Sig. (2-tailed)                        | .574 | .246 | .147 | .044 | .044 |
| Area                                   | Correlation | .148 | .007 | .024 | .030 | .044 |
| Sig. (2-tailed)                        | .533 | .977 | .921 | .902 | .852 |
| Population 2001                        | Correlation | .043 | -.131 | .042 | -.203 | -.296 |
| Sig. (2-tailed)                        | .856 | .581 | .859 | .390 | .204 |
| Index of Multiple Deprivation          | Correlation | -.098 | -.204 | -.195 | -.336 | -.330 |
| Sig. (2-tailed)                        | .681 | .387 | .410 | .148 | .155 |
4.1. How does previous performance relate to performance of corporate services?

Two measures of known organizational performance can be applied: overall assessment of performance derived from the Comprehensive Performance Assessment (data set from 2008, covering all top-tier authorities); and overall citizen satisfaction (data set also from 2008, covering all top-tier authorities). These data sets do not cover all authorities\(^2\), with results from 11 authorities available. However, this data can give an impression indicating whether overall organizational performance impacts on perception of performance of corporate services. The data suggests that the mean Comprehensive Performance Assessment of organizations using shared corporate services (mean 4.00; SE.000) and those who do not (mean 4.11; SE.309), were closely aligned. An independent samples t-test suggested that this difference was not significant, with a \(p\) of .875 observed in a two-tailed test.

In addition, data on citizen satisfaction with the council (Audit Commission, 2008) is used as a proxy for one element of organizational performance. The data demonstrates that those who use a form of shared corporate services (data only available from two authorities) have slightly lower mean citizen satisfaction score (41.4; SE 1.1). However, in a two-tailed test, a \(p\) of .674 is observed and there is no statistical significance.

**Key finding:** There is no statistical significance in the difference between the observed performance of those organizations who use shared corporate services and those who do not.

\(^2\) The data set is limited to top-tier authorities – from whom data is available in 2008. The Audit Commission opted not to update the District Council 2003/2004 CPA scores. From 2006, the Commission will only undertake comprehensive performance assessment (CPA) recategorisation activity in the following circumstances:

* where a council requests re-categorisation and is able to demonstrate significant evidence of improvement
* or where the Commission identifies evidence of significant deterioration”.

http://www.audit-commission.gov.uk/localgov/audit/cpa/CPA_district/Pages/DistrictCPAscores.aspx#downloads
4.2. How does financial data relate to performance of corporate services?

Data on organizational spend can be used to ascertain whether there is a link between the level of organizational spending, and the performance of corporate services observed. The data is from local authorities financial data return to central government, and the two measures here are net spend on services per capita and corporate and democratic core spend both for 2008. This data set does not strictly match the definition of corporate services applied throughout this study and needs to be treated with caution. It does however provide a high level view suggesting the level of spend on corporate services and other democratic and central expenditure.

Focussing first on corporate and democratic core spend (per capita), it is clear that those who share corporate services report a lower mean level of spend (21.185; SE 1.63) than those who do not share (mean: 25.06; SE 1.68). This may be partly explained by the type of authorities who are more likely to use a form of shared services. The 15 authorities who indicated a model of sharing is in place, 13 are district councils (86.7%) and two are county councils (13.3%). Of the 21 authorities who indicated a model of shared corporate services is not used, only 12 (57.1%) are district authorities, with 42.9% of respondents representing unitary or upper tier authorities.

Net service spend per capita data from each authority indicates a similar trend. Those authorities who share services have a lower net service spend per capita (mean 345.93: SE 126.45) compared to those who do not share (mean 803.99: SE 170.83). Again, this can be explained by the make up for both groups, as upper tier and unitary authorities have a greater range of functions to provide, and larger budgets.

**Key finding:** Spend on corporate services is lower in organizations that use shared corporate services. This may be partly explained by sharing being reported by a vast majority of district councils.
4.3. How does the size of the authority and local demographics relate to perception of performance of corporate services?

The geographical area covered by authorities who provide shared corporate services (mean 488.67: SE 170.79) is similar to the geographical area covered by those who do not share (mean 48:86: SE 111.04), and there are no statistically significant trends between size of geographical area covered across both groups, nor when analysing each group separately.

The mean population served by those who use shared corporate services is smaller than that covered by those who do not share. This may be explained by the higher proportion of district authorities within the former group.

Data from the index of multiple deprivation showed that those who share have a lower mean (15.94, SE: 2.02) than those who do share (mean 18.89, SE: 2.29), however, across both groups, no statistically significant correlations exist.

**Key finding:** There is no evidence that size of the local authority impacts on the perceived performance of shared corporate services.

4.4. Performance of corporate services in different tiers of local government

Analysis of data from those authorities who share corporate services highlighted a critical issue: only one of the 15 authorities who indicated a model of shared corporate services was in use was a unitary authority, with one county council included in the data; and 13 district level authorities. This means that the data set analysed above needs to be refined to provide baseline data on the difference between sharing/non-sharing results purely within two-tier local government. This will provide a more accurate impression of performance within two-tier local government. By restricting analysis of respondent data to those provided by organizations in two-tier local government, commentary needs to focus on the mean, distribution and variance of the responses.
Table 6: Perceived performance within two tier local government

<table>
<thead>
<tr>
<th>Group Statistics</th>
<th>Compare shared and non-share authorities</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate services provide good economy</td>
<td>Shared</td>
<td>15</td>
<td>3.6000</td>
<td>1.12122</td>
<td>.28950</td>
</tr>
<tr>
<td></td>
<td>Non-shared</td>
<td>13</td>
<td>4.2308</td>
<td>1.23517</td>
<td>.34257</td>
</tr>
<tr>
<td>Corporate services provide good efficiency</td>
<td>Shared</td>
<td>15</td>
<td>3.8667</td>
<td>1.12546</td>
<td>.29059</td>
</tr>
<tr>
<td></td>
<td>Non-shared</td>
<td>13</td>
<td>4.0769</td>
<td>1.32045</td>
<td>.36623</td>
</tr>
<tr>
<td>Corporate services provide good effectiveness</td>
<td>Shared</td>
<td>15</td>
<td>3.9333</td>
<td>1.03280</td>
<td>.26667</td>
</tr>
<tr>
<td></td>
<td>Non-shared</td>
<td>13</td>
<td>4.6923</td>
<td>1.03155</td>
<td>.28610</td>
</tr>
<tr>
<td>Corporate services provided to me are high quality</td>
<td>Shared</td>
<td>15</td>
<td>3.8000</td>
<td>.94112</td>
<td>.24300</td>
</tr>
<tr>
<td></td>
<td>Non-shared</td>
<td>13</td>
<td>4.9231</td>
<td>.95407</td>
<td>.26461</td>
</tr>
<tr>
<td>I am satisfied with support given by corporate services</td>
<td>Shared</td>
<td>15</td>
<td>3.7333</td>
<td>.96115</td>
<td>.24817</td>
</tr>
<tr>
<td></td>
<td>Non-shared</td>
<td>13</td>
<td>4.5385</td>
<td>1.05003</td>
<td>.29123</td>
</tr>
</tbody>
</table>

*Responses from disagree strongly (1) to agree strongly (6)
Table 7: Independent sample t-test - performance in two-tier local government

<table>
<thead>
<tr>
<th>Corporate services</th>
<th>Levene's Test for Equality of Variances</th>
<th>t-test for Equality of Means</th>
<th>95% Confidence Interval</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>Sig.</td>
<td>T</td>
</tr>
<tr>
<td>Corporate services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>provide good</td>
<td>.070</td>
<td>.793</td>
<td>-1.41</td>
</tr>
<tr>
<td>economy</td>
<td></td>
<td></td>
<td>1.41</td>
</tr>
<tr>
<td></td>
<td>.053</td>
<td>.820</td>
<td>-4.55</td>
</tr>
<tr>
<td>Corporate services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>provide good</td>
<td>.041</td>
<td>.840</td>
<td>-1.94</td>
</tr>
<tr>
<td>efficiency</td>
<td></td>
<td></td>
<td>1.94</td>
</tr>
<tr>
<td></td>
<td>.016</td>
<td>.901</td>
<td>-3.12</td>
</tr>
<tr>
<td>Corporate services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>provided to me are</td>
<td>.150</td>
<td>.702</td>
<td>-2.11</td>
</tr>
<tr>
<td>high quality</td>
<td></td>
<td></td>
<td>2.11</td>
</tr>
<tr>
<td></td>
<td>.046</td>
<td>.210</td>
<td>-2.10</td>
</tr>
</tbody>
</table>
4.4.1. Performance of corporate services in two tier local government:

Statistically significant findings

Data from an independent samples t-test (see Tables 6 and 7 above) indicated significant differences of perception of quality of services. A clear effect can be observed. Those who do not receive shared corporate services report a high mean score: (4.9167; SE .28758) compared to those who do receive shared corporate services (mean 3.7857; SE .26057). In a two-tailed test, this difference shows a large statistically significant difference is observed at $p>$0.01, with a $p$ of .004 observed.

In addition, those who reported their authority used forms of shared services reported lower satisfaction with corporate services. An independent samples t-test (see Table 7 above) showed those who do not use shared corporate services averaging a more positive response (4.5000; SE .31382) than those who do (3.7857; SE .26057). In a two-tailed test, it has been possible to establish this difference has small statistical significance at $p>$0.05 with a $p$ of .044 observed.

Key finding: Within two tier local government, those who report that their organization does not use shared corporate services have a more positive view of the quality of services and greater satisfaction. In both cases a statistically significant trend is observed.

4.4.2. Performance of corporate services in two tier local government: Other findings

Those within two tier local government who did not share corporate services reported greater economy (mean 4.1667 with a standard error mean of .36584) compared to those who share (mean 3.6429; SE of .30755). This difference was not statistically significant at $p>$0.05 in a two-tailed test, with a $p$ of .169. Turning to perceptions of economy, those who use shared corporate services reported having a marginally lower mean (3.8571; SE .33198) compared to those who do not share (4.0000; SE .38925). This difference was not statistically significant at $p>$0.05 in a two-tailed test, with a $p$ of .653 recorded. A similar pattern is observed when considering effectiveness. Those who do
not use shared corporate services averaging a more positive response (4.667; SE .30977) than those who do (3.9286; SE .28640), but not statistically significant at $p>0.05$, with a $p$ of .063 observed.

**Key finding:** In two tier local government, perceptions of economy, efficiency and effectiveness are higher from respondents who do not use shared corporate services. However, there are no statistically significant trends discernable.

### 4.4.3. Summary

Of the 15 respondents who indicated that they received a percentage of corporate services, 13 respondents are identified as operating within two-tier local government. It is prudent to have run reports comparing the perceived performance of shared and non-shared corporate services arrangements within two-tier government only, to enable more accurate parallels to be drawn. As a result of this, there is a stronger statement about the perceived performance of shared corporate services: against all dimensions of performance within two tier local government, those who receive shared corporate services report more negative responses. Within this, there is one performance dimension where a small statistically significant trend can be identified (satisfaction), and one large statistically significant trend can also be discerned (quality).

### 5. Performance of shared corporate services arrangements

The analysis above highlights the differing perceptions of performance of corporate services between authorities who deploy corporate services through a model of sharing, and those who do not. However, this analysis does have limits as it does not provide information on whether the performance of corporate services has shifted as a result of moving to a model of shared services. The discussion below reviews responses from authorities who use a model of shared services, to consider whether the extent of sharing services (i.e. proportion of corporate services provided through a shared model) impacts on performance.
5.1. Data on the performance of shared services

The use of shared services has been strongly advocated by central government, with suggestions that the model will reduce expenditure and improve services (NAO, 2007).

This policy perspective is underpinned by the argument that sharing services between public bodies can create scale through collaboration (Schulman et al, 1999, Ruggini, 2006). In addition, it is hypothesized that partnerships can benefit from reduced monitoring costs through high-trust partnership relationships (Brown and Potoski, 2003; Entwistle and Martin, 2005). Counter theories suggest that using shared services will not result in improved performance, owing to the limits of scale (Niskanen, 1971), difficulties in the principal-agent relationship (Gomez-Mejia and Wiseman, 2007) and challenges in securing advantage through collaboration (Vangen and Huxham, 2010).

The survey included a section for those authorities who had indicated that a shared corporate services model was used. Questions were designed to assess whether respondents had perceived a change in performance as a result of using shared corporate services. Of the authorities who provided responses for the model of corporate services used and view of performance, 15 indicated that a model of sharing is in place. Of these 15 organizations, 13 are district level authorities one is a unitary authority; and one is a county council. Eleven respondents provided percentage figures for the extent of shared corporate services (and a further four authorities indicating sharing is in place, the model used, but unable to estimate percentage). The level of sharing with other organizations is restricted in terms of the percentage of services provided through this model, with a low mean (5.25% corporate services provided through a model of sharing, in organizations where sharing is in place and the extent has been estimated), a low range, and the majority of responses suggesting low levels of services provided through this method, with only one respondent indicating more than 20% services provided through a shared model. The data set provides information on economy, efficiency, quality and satisfaction from which judgements can be made.
Table 8: Correlations between shared service and performance

<table>
<thead>
<tr>
<th></th>
<th>Percentage corporate services provided through shared services</th>
<th>Sharing corporate services has improved the efficiency of service</th>
<th>Sharing corporate services has improved the economy of service</th>
<th>Sharing corporate services has improved the quality of service</th>
<th>Sharing corporate services has improved my satisfaction with the service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>-619*</td>
<td>-634*</td>
<td>-743**</td>
<td>-713*</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.042</td>
<td>.027</td>
<td>.009</td>
<td>.021</td>
</tr>
<tr>
<td>N</td>
<td>32</td>
<td>11</td>
<td>12</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>Sharing corporate services has improved the efficiency of service provided to my service area.</td>
<td>Pearson Correlation</td>
<td>-619*</td>
<td>1</td>
<td>.828**</td>
<td>.813**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.042</td>
<td>.000</td>
<td>.001</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>11</td>
<td>14</td>
<td>14</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Sharing corporate services has improved the economy of service provided to my service area.</td>
<td>Pearson Correlation</td>
<td>-634*</td>
<td>.828**</td>
<td>1</td>
<td>.878**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.027</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>12</td>
<td>14</td>
<td>15</td>
<td>14</td>
<td>13</td>
</tr>
<tr>
<td>Sharing corporate services has improved the quality of service provided to my service area.</td>
<td>Pearson Correlation</td>
<td>-743**</td>
<td>.813**</td>
<td>.878**</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.009</td>
<td>.001</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>11</td>
<td>13</td>
<td>14</td>
<td>14</td>
<td>13</td>
</tr>
<tr>
<td>Sharing corporate services has improved my satisfaction with the service provided to my service area.</td>
<td>Pearson Correlation</td>
<td>-713*</td>
<td>.869**</td>
<td>.830**</td>
<td>.976**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.021</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>10</td>
<td>13</td>
<td>13</td>
<td>13</td>
<td>13</td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).
5.2. Performance of shared services: Statistically significant findings

Focusing first on relationship between perceptions of economy and the extent of shared services, there is a negative correlation between the size of the shared corporate service and, and the performance reported. A negative correlation of -.634 is observed. The results are statistically significant with a p of .027 (significant at 0.05 level) and suggest that the greater the proportion of services provided through a model of sharing, the worse the perception of economy.

Turning next to efficiency, there is a negative relationship between the size of the shared service arrangement and the perceived efficiency of the service, with a statistically significant negative correlation of -.619 and a p of .042 (statistically significant at the 0.05 level in a two-tailed test, see Table 8). This suggests that the greater the extent of the shared service arrangement, the lower the reported efficiency.

The relationship between sharing corporate services and perception of quality of service received also reveals negative correlation. There is a large statistical effect to be observed here; the correlation coefficient is -0.743 with a p of 0.09 (significant at the 0.01 level), a large and discernable negative effect. The data here shows a significant statistical trend: the greater the extent of shared services, the worse the perceived impact on quality of service.

Finally, when reviewing data related to satisfaction with corporate services, a negative correlation of -0.713 is observed. The data suggests that the greater the extent of shared services the more negative the response provided.

**Key finding:** This is a consistent picture across all four elements of performance: economy, efficiency, quality, and satisfaction. A statistically significant trend is visible for each dimension of performance, with a negative correlation indicating the greater the shared service arrangement, the worse the perceived performance.
6. Corporate services perspectives

6.1. Performance of corporate services: Descriptive statistics
As the senior managers responsible for the delivery of corporate services, respondents were posed a variant of the questions posed to Heads of services who receive corporate services (the client departments) as questions focussed on the performance of the services they provide. For example, clients of corporate services were asked to respond to the statement ‘corporate services provided to us offer good economy’. Producers of corporate services were asked to provide a response to an amended statement, ‘our corporate services offer good economy’.

This data can be used to match perception of performance with model of corporate services used. Six Directors of corporate services provided a response which included both the model of service delivery used in their authority, and their assessment of the performance of corporate services. Of these respondents, five indicated that model of shared corporate services was used within their authority (though only four of these five respondents estimated the percentage of sharing in place).

Given the low level of response, and the disparity in the size of respondent groups it is very difficult to draw out meaningful analysis of this data set. Comparison between the two groups is not possible and statistical analysis between groups will not present valid or usable results. Therefore, no independent samples t-tests have been produced in this chapter. Senior managers who provide corporate services through a shared model present a positive view of the efficiency, effectiveness, and quality of services provided (all with a mean of 6 out of 7), and a slightly more positive view of the support provided to client departments (with a mean of 6.2).

6.2. Model of corporate service provision
Of the authorities who provided responses for the model of corporate services used and view of performance, 6 indicated that a model of sharing is in place – four district authorities, one unitary, and one county council. Five respondents
indicated the percentage of corporate services provided through different models. The respondents indicate a high percentage of corporate services provided internally, with a range of between 75% and 95% corporate services provided internally, and a mean of 85.8%. This is consistent with the estimates provided by Heads of services who receive corporate services whose responses suggested a mean of 83.8% corporate services were provided internally.

Though the data set is small, data from respondents suggest the mean percentage of corporate services provided through an outsourced contract is lower than the estimates provided by Heads of services. Four respondents indicated at a mean 9.1% of corporate services are provided through a model of sharing, with a range from 2.5% to 20% (lower than the mean response given by Heads of service who receive corporate services). All indicated that the model of sharing services used is through an arrangement with another local authority. One further respondent indicated that they used a model of sharing via an ‘other’ model, though did not indicate the percentage of services provided through this model.

Four respondents indicated the number of partners in the sharing arrangement, with a mean of 1.75 and a range of 1 – 3 partners. Given the low level of responses here, there are limitations to the assessments to the conclusions that can be reached; though this does offer further evidence that within authorities who provide services through a model which incorporate shared corporate services, the number of partners involved tends to be relatively low.

6.3. Performance of corporate services: Discussion
Those who provide corporate services through a model of sharing report a positive view of the efficiency of those services, higher than the views of those who receive shared corporate services (with a mean of 3.867 from 6 point range). Those who share corporate services also expressed a positive view of effectiveness, and of the quality of those services. Focussing on satisfaction, the view presented by the senior managers who provide corporate services is
more positive than those who receive shared corporate services (3.7333) and those who receive corporate services from a non-shared model (4.1500).

**Key finding:** Providers of the services rate the performance higher than consumers.

### 6.4. Performance of shared corporate services: Discussion

Responses on the efficiency, economy and effectiveness of services as a result of using a shared model receive positive responses.

**Key finding:** Limited and anecdotal evidence from three providers of corporate services suggest they perceive sharing has improved performance.

### 6.5. Summary on corporate services perspectives

This analysis has been limited to a short description of the findings of a small set of responses. The trends presented must be treated cautiously given the low response rate. There are several findings to note here. Firstly, the size of shared services arrangements is also reported to be relatively low percentages, lending additional credibility to the responses provided by non-corporate services respondents, typically involving a public sector partner (between one to three partners) and arrangements lasting around three years. A similar picture emerged from the responses provided by non-corporate services respondents. It is also worth noting that the providers of corporate services are more likely to indicate a positive view of the performance of shared corporate services than those who receive the service, though this cannot be demonstrated through tests of statistical significance.

### 7. Discussion

As a relatively recent reform initiative, there is limited existing research available to assess how shared corporate services perform. While largely limited to the perception of senior managers who are clients of corporate services, and using a relatively small sample from the sector, this study makes a useful contribution
by considering how shared services perform compared to other forms of service delivery, and how using shared services may impact on performance.

7.1. Performance of shared services compared to non-sharing arrangements for corporate services

The collection of data on the models used for corporate services, the extent of shared services and the perceived performance of corporate services enabled testing of the comparative performance of shared corporate services. At a policy level, central government policy suggested that sharing corporate services can reduce costs, improve efficiency and effectiveness (NAO, 2007: 7), increase service quality and satisfaction (Cabinet Office, 2005). Models of shared services have been strongly advocated by central government (DCLG, 2006a, NAO, 2007: 10).

At the heart of this study is a dominant theoretical proposition, articulating a perspective that a shared services partnership will bring service improvement and reduction in cost through economies of scale (Ruggini, 2006; Schulman et al 1999), using a collaborative model (Lowndes and Skelcher, 1998). This draws on conventional economic theory to suggest that this can result in reduced costs and improved performance (Stigler, 1958; Shepherd, 1990). In addition, it is hypothesized that shared services utilize high-trust relationships, achieving and benefiting from lower transaction costs than other forms of service delivery (Entwistle, 2010; Warner and Bel, 2008). If the dominant proposition is correct – and the central government policy advocacy is correct – then shared services models may achieve better performance than alternative models. It is hypothesized that the successful operation of shared services is contingent on effective implementation processes (Osborne and Brown, 2005; Borins, 2001c; Piening, 2011).

Data generated through this survey provides a sample of authorities who use shared services or alternative models of service provision. It indicates that where shared services arrangements are in place, the partnership is most likely to be a ‘joint delivery’ partnership between two local authorities, with a relatively small percentage of services provided through this model. The data has
revealed a statistically significant trend for one dimension of performance. Quality of service provision was perceived to be more positive in organizations which do not use shared services. It has also been possible to observe trends which suggest that perceptions of economy, effectiveness, and satisfaction are more favourable when a non-shared service model for delivery of corporate services is used, though this was not statistically significant and could potentially be tested with a larger response group.

There is no statistically significant data to demonstrate that sharing services results in better performance than alternative service models. On the contrary, there is statistically significantly evidence which suggests the quality of service provision is greater in internal delivery models.

Of the 15 respondents who indicated that they received a percentage of corporate services, 13 respondents are identified as operating within two-tier local government. By focussing data analysis on two-tier local government alone, the findings are stronger. Against all dimensions of performance, those respondents who are clients of shared corporate services reported more negative perception of the performance of corporate services. Two statistically significant trends can be identified, with satisfaction and quality of corporate viewed more negatively within organizations where shared services are used, compared to organizations where shared services are not reported to be used.

The data generated by a survey of all English local authorities provides a small sample, but enables initial testing of the arguments that support the use of shared services. There is little evidence to suggest that using shared services is perceived to result in improved performance. There is evidence which suggests that authorities who use shared services have lower satisfaction with services, and lower perception of the quality of corporate services, when compared with authorities who do not use shared services. This indicates that counter to the dominant theory, sharing services does not necessarily result in improved performance.
7.2. Performance of organizations who use shared corporate services

As above, the dominant theory supporting use of shared corporate services suggests that the model can create economies of scale and drive performance improvement (e.g. Dollery and Grant, 2010) benefit from high-trust partner relationships (Brown and Potoski, 2003) and effective implementation (osborne and Brown, 2005). Counter arguments dispute that greater scale will improve performance (Niskanen, 1971), identify problems in partnership working (Gomez-Mejia and Wiseman, 2007; Vangen and Huxham, 2010). To test these theories, respondents from organizations which use shared services for corporate service provision were asked questions on how corporate services performed following the introduction of shared services.

The data presents a consistent picture across all four elements of performance: economy, efficiency, quality, and satisfaction. The greater the percentage of services provided through a shared model, the worse the perception of performance reported by managers who receive the service. This should be tempered by a reminder that this is a small responding group, that no shared arrangement has more than 20% of services provided through this model, and that many of the mean responses are slightly positively inclined:

- **Efficiency**: There is a negative relationship between the size of the shared service arrangement and the performance observed, with a statistically significant negative correlation of -.619 and a $p$ of .042.
- **Economy**: The mean result clearly indicates a broadly more positive view of shared corporate services (mean 4.20). This is statistically significant with a $p$ of .027 with a negative correlation between the percentage of shared corporate service, and the performance observed.
- **Quality**: The impact on quality of service highlights a large statistical effect and a negative correlation. The greater the extent of shared services, the worse the impact on quality of service.
- **Satisfaction**: A large effect can be seen with a $p$ of .021 and negative correlation of -0.713; a clear relationship in which the greater the proportion of services provided through a shared arrangement, the more negative the perception of performance.
This initial evidence on the use of shared corporate services suggests that the greater the extent of shared corporate services, the worse the perception of performance.

7.3. Theoretical propositions
The survey data provided enables some analysis of the dominant proposition, secondary proposition and counter propositions. The conclusions reached are limited owing to the low response rate. A summary of the findings and areas for additional research using qualitative methods is given in Table 9, with description of key findings following below.
**Table 9: Initial findings from quantitative research**

<table>
<thead>
<tr>
<th>Proposition</th>
<th>Tested in quantitative research?</th>
<th>Initial results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Proposition 1:</strong> A shared services partnership will bring service improvement and reduction in cost. The main mechanism to achieve this is through economies of scale.</td>
<td>Partially testable</td>
<td>Initial findings: No data indicating sharing services results in improved performance. Perception data suggests that other methods of service delivery are perceived to perform better than shared services. The greater the shared services arrangement, the worse the perception of performance. Further testing in multiple case study approach? Probe to assess whether scale is created in shared services arrangements.</td>
</tr>
<tr>
<td><strong>Secondary proposition 1.1:</strong> Shared service arrangements benefit from high-trust relationships between partners, with lower supervision costs</td>
<td>Partially testable</td>
<td>Initial findings: Perception data suggests that other methods of service delivery are perceived to perform better than shared services. Further testing in multiple case study approach? Probe to gain insight into how shared services operate, the changes that are made by use of shared services, and to explore partnership relationships.</td>
</tr>
<tr>
<td><strong>Secondary proposition 1.2:</strong> Successful operation and performance of shared services is dependent on effective implementation processes.</td>
<td>Partially testable</td>
<td>Initial findings: Perception data suggests that other methods of service delivery are perceived to perform better than shared services. Further testing in multiple case study approach? Probe to gain insight into how shared services were implemented and how they operate, including the use of rational management and political negotiation approaches.</td>
</tr>
<tr>
<td><strong>Counter-proposition 2.1:</strong></td>
<td><strong>Partially testable</strong></td>
<td><strong>Initial findings</strong></td>
</tr>
<tr>
<td>----------------------------</td>
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</tr>
<tr>
<td>Increases in scale beyond a certain point will result in deteriorating performance.</td>
<td>Perception data is available relating to the performance of corporate services and percentage of services provided through a shared model.</td>
<td>There is initial evidence to suggest larger sharing arrangements (defined by % services through shared arrangement) have a negative relationship with performance.</td>
</tr>
<tr>
<td><strong>Limitations</strong></td>
<td>There is no data available to evaluate how shared services operate, including whether scale is created or limits to scale.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Counter-proposition 2.2:</strong></th>
<th><strong>Partially testable</strong></th>
<th><strong>Initial findings</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Larger units will create diseconomies of scale. Smaller units, greater fragmentation, and competitive pressure will improve performance.</td>
<td>Perception data is available relating to the performance of corporate services and percentage of services shared.</td>
<td>There is initial evidence to suggest larger sharing arrangements have a negative relationship with performance.</td>
</tr>
<tr>
<td><strong>Limitations</strong></td>
<td>There is no data available to evaluate how the shared service arrangement operates, including whether scale is created or if there are limits to scale.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Counter-proposition 2.3:</strong></th>
<th><strong>Partially testable</strong></th>
<th><strong>Initial findings</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Adoption of a shared corporate services partnership will result in a decline in service performance, owing to challenges in the partner relationship.</td>
<td>Perception data is available relating to the performance of corporate services and models of service delivery.</td>
<td>Perception data suggests that other methods of service delivery are perceived to perform better than shared services, and that the larger the shared service arrangement the worse the performance.</td>
</tr>
<tr>
<td><strong>Limitations</strong></td>
<td>There is no data available to evaluate how the shared service arrangement operates, partnership relationships or transaction costs.</td>
<td></td>
</tr>
</tbody>
</table>

**Further testing in multiple case study approach?**
Probe to assess whether scale is created in shared services arrangements, to gain insight into how shared services operate, and access perceptions of performance and improvement.
7.3.1. Dominant proposition
The dominant theory is reflected in central government policy, articulating an argument that sharing services can provide improved performance and reduced cost by creating scale (Ruggini, 2006; Dollery and Grant, 2010; Schulman et al, 1999).

There is no data to indicate that sharing services results in improved performance. The data provided runs counter to the theory that sharing services results in improved performance, suggesting that other methods of service delivery are perceived to perform better than shared services. In addition, the data suggests that the greater the shared services arrangement, the worse the perception of performance.

7.3.2 Secondary proposition: partnership relationship
The secondary proposition suggests that shared service arrangements are dependent on, and benefit from, high-trust relationships between public sector partners, providing a platform for reduced monitoring costs (Entwistle, 2010; Brown and Potoski, 2003).

The quantitative phase of research provides partial testing of this proposition. The survey provides data on the models of corporate service provision, models of sharing, and the number of partners in each arrangement. Perception data suggests that other methods of service delivery are perceived to perform better than shared services, with the perceptions of quality and satisfaction worse in shared services arrangements and with a statistically significant result.

Quantitative data cannot provide insight into how the partnership operates and whether shared services generate and utilize high-trust relationships and lower supervision costs.

7.3.3. Secondary proposition: effective implementation
The success of implementing an innovation is hypothesized to be related to the results it achieves (Piening, 2011). Implementation of shared services should use rational management and political negotiation approaches (Osborne and
Successful innovation is dependent on design and implementation, and the ability to overcome barriers and manage risks (Beer and Eisenstat, 2000; Borins, 2001a).

The quantitative research phase provided data on the perceived performance of corporate services, both in shared corporate services and non-shared arrangements, providing the basis for comparison of models. In addition, the survey provided data on the perception of whether shared services have resulted in better performance. The findings are significant, as the implementation of shared corporate services appears not to have resulted in improved performance, but has a negative trend. The qualitative research activity will be designed to gain further insight into the design, implementation and operation of shared services to evaluate the importance of implementation processes.

7.3.4. Counter propositions
Counter arguments which suggest that sharing services will not result in improved performance are related to two areas of prior research and theory: challenges and limitations of economies of scale; and theories which suggest challenges to the formation, operation and performance of partnerships.

Firstly, counter propositions argue that increasing scale will have an adverse impact on performance (Niskanen, 1971; Downs, 1967), that there are limits to scale (Tullock, 1965), or that smaller units and fragmentation will result in improved performance (Tiebout, 1956). There is initial evidence from the survey of English local authorities which suggests that larger shared services arrangements have a negative relationship with performance, notably quality and satisfaction with services where statistically significant trends were observed. It is not possible to demonstrate limits to scale through the quantitative data.

Moving on to consider the counter proposition that a shared services partnership will generate improvement, there are two key challenges. Firstly, that there is potential for significant challenges within the principal-agent
relationship (Gomez-Mejia and Wiseman, 2007; Waterman and Meier, 1998) and that transaction costs may remain high (Ranade and Hudson, 2003).

Perception data is available to offer an insight into the comparative performance of shared services arrangements. The data suggests that other methods of service delivery are perceived to perform better than shared services, and the greater the size of the shared services arrangement, the worse the perceived performance.

8. Conclusion

This chapter set out to use a survey method to allow investigation and exploration of the performance of shared corporate services. The intention of this exercise was to identify where shared services are in place, where alternative models are used, and access perceptions of performance. By drawing this data together, it is possible to explore theoretical propositions, explaining and evaluating the performance of shared services.

The findings present notable results. Firstly, 35 local authorities supplied details on how corporate services are provided with estimates of the percentage of services provided through different models. Of these 35 organizations, 15 respondents identified a model of shared corporate services is in place. Where shared services arrangements are in place, the partnership is most likely to be a ‘joint delivery’ partnership between two local authorities, with a relatively small percentage of services provided through this model.

Secondly, having considered the perceived performance of shared services compared to other service delivery models, there is no statistically significant data to demonstrate that sharing services results in better performance than alternative service models. There is data which suggests an opposite trend, with statistically significant data which suggests the quality of service provision is greater in internal delivery models. Furthermore, when focusing analysis on two-tier local government (where the vast majority of shared services arrangements were reported), the trend is amplified: statistically significant data
suggests the quality of service provision and satisfaction with services is lower in shared services arrangements. This is significant as the challenge related to scale within the services literature suggested that increasing scale can reduce responsiveness to customers. In turn, this will be visible in worsened customer perception of the quality of the service and service processes, and their experience (Gronroos, 2011; Gronroos, 2000a; Gronroos, 2000b; Normann, 1984).

Thirdly, when considering whether sharing services results in improved performance, the perception of clients of shared services suggests a consistent picture across all four elements of performance: economy, efficiency, quality, and satisfaction. A statistically significant trend is visible for each dimension of performance, with a negative correlation indicating the greater the shared service arrangement, the worse the perceived performance. When relating this data to the theoretical propositions, the analysis is limited at this stage given a lack of data on the scale of any shared service arrangements or the nature of the partnership relationship. The data emerging from the quantitative research suggests a weak link between the dominant proposition which asserts that shared services will improve performance by creating scale. Put simply, there is no evidence of improved performance.

The qualitative research can enhance the depth and quality of analysis available. The next chapter will engage with four case studies to provide insight into how each partnership operates, considering the reason for using shared services, the nature of partner relationships and the changes made by use of shared services. This makes a significant contribution to the research, focusing on research questions which could not be posed through quantitative research and aiming to generate in-depth understanding of how each shared service partnership operates and performs. Findings from qualitative research will then be related to the theoretical framework and the findings of the quantitative research activity.
Chapter 7: Qualitative data

This chapter sets out findings from four shared services case studies, drawing on documentary evidence and semi-structured interviews to assess how shared corporate services have operated in each sample case. The chapter assesses the rationale for using a model of shared corporate services, the implementation and operation of the model and the effect of using shared corporate services. All case studies are then assessed against the theoretical propositions regarding use of shared corporate services and consider the implications for performance.

As indicated above during the quantitative element of the research project, the use of shared corporate services within local government has been relatively limited. Each of the cases featured in this chapter are small scale, with only a part of the wider grouping of corporate services provided through a model of shared services. The analysis below indicates striking similarities in the rationale for use of shared services; developing resilience of services, efficiency savings, and opportunism. Furthermore, the methods used to create shared corporate services indicated a tendency towards selection of an informal – and small scale – model of shared corporate services, based around use of a shared senior management post. The majority of respondents cited reduced costs as a key driver. However, the experience of using shared services was not universally successful, and one arrangement had ceased to operate. The changes made by use of shared services suggest that the models had not created scale, and there is little evidence of performance improvement from use of this limited form of shared services.

The case studies below were selected as they had participated in the quantitative research phase, reporting that they had shared corporate services in place. A matrix was applied (performance and percentage of services shared) to select cases from each category. Three case studies took place in November 2010, with the researcher visiting each authority. However, it was not possible to arrange a fourth case study on site, with several authorities who
fit the relevant criteria declining to take part. Two telephone interviews were arranged with Directors of council D.

The chapter opens by drawing on documentary evidence to set the context in which each case study operates, identifying the strategic direction of each authority, the external assessment of performance and capacity, and highlighting the model of service used in each authority. Published committee reports are reviewed, aiming to identify the reasons for use of shared corporate services, operation and performance of the arrangement as reported by the case study. The second part of the chapter then provides a description of the key findings from case study research, grouping key findings against different themes, such as rationale for using shared services. Finally, the chapter considers how the findings relate to theoretical propositions and the prior findings of the quantitative research exercise, allowing evaluation of the performance of shared services and partial testing of theoretical propositions.
Table 1: Case study authorities

<table>
<thead>
<tr>
<th>Authority</th>
<th>Size of authority (population, census 2001)</th>
<th>Estimated % shared corporate services</th>
<th>Shared service performance (survey perception data)</th>
<th>Size of authority (Fte)</th>
<th>Political control</th>
<th>Corporate performance (CPA and Use of Resources)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Council A</td>
<td>80000</td>
<td>5%</td>
<td>Improved shared services</td>
<td>261</td>
<td>Conservative</td>
<td>CPA: Fair UoR: 2 (of 4)</td>
</tr>
<tr>
<td>Council B</td>
<td>98000</td>
<td>5%</td>
<td>Declined post-sharing</td>
<td>420</td>
<td>Conservative</td>
<td>CPA: Fair UoR: 3</td>
</tr>
<tr>
<td>Council C</td>
<td>139000</td>
<td>10%</td>
<td>Improved post-sharing</td>
<td>539</td>
<td>Conservative</td>
<td>CPA: Excellent UoR: 3</td>
</tr>
</tbody>
</table>


1. Descriptions of case studies

1.1. Council A case study background
The authority featured in this case study is a small district council in England. It is conservative controlled, with a small local population and is one of the least deprived local authority areas in England. The authority’s strategic plan outlined four key objectives (abridged) to improve the local area, sustain and promote the local economy, support healthy and happy communities, and improve services while reducing cost. The latter priority identified partnership working as a key method to deliver effect change and improvement.

Turning next to the performance and capacity of council A, the Comprehensive Performance Assessment (2004) and annual Audit Letter (2008 – 2009) give an indication of how council A operates. The authority was described as being ‘fair’ as a result of the inspection in 2004, noting limitations in how the business is managed including objective setting, performance management, and stating that key partners were not effectively engaged in future planning. Main strengths were recognized to include strong community leadership, some good services, and high public satisfaction. The annual audit letter (2008 - 2009) reported that the council achieved a level 2 score overall, on a scale of one (inadequate) to four (performing strongly). The report noted that the authority was ‘getting the basics right in managing its finances and governing its business’. In addition, the report noted that proper arrangements were in place to manage economy, efficiency and effectiveness.

1.2. Shared corporate services in council A (Partially shared audit service with one partner authority)

Through the survey exercise to identify use of shared corporate services (May 2009), an estimated 5% of corporate services provided were reported to use this model. The respondent indicated a relatively positive experience of using shared services, with responses suggesting performance has slightly improved post-adoption of shared corporate services.
Through the Annual Efficiency Statements, Council A did not specifically report any savings from the use of shared corporate services (2004 – 2008) though reported achieving £67,000 from deleting a post in corporate services in 2006 – 2007. Again, partnership and sharing services are noted as part of the strategic direction of the council.

Exploration of public committee reports tells a similar story: an intention to use partnerships to improve services and reduce costs, but scant evidence of prior success. An online search of committee paper archives using the terms ‘shared services’ or ‘partnership’. It was possible to identify where shared corporate services arrangements may be in place, or where opportunities have been sought in:

1. Audit services 2006 – 2007: Sharing arrangement with another authority resulting in a £42,500 saving from deleted post 1.5Fte.
2. ICT services strategy 2008 – expressing intention to share services.
3. Legal and corporate services 2008 - HR, licensing, corporate property identified for potential partnership/shared services working.

A further report on the financial future for the council (2009) cited the intention to reduce overheads by applying the following principles to partnership working, where: ‘there is an existing arrangement to which we can easily join or participate’, where new arrangements are ‘bi-lateral, rather than multi-lateral’, and where outsourcing can be used to provide an improved service.

Of most significance for this study is the annual report (2009 – 2010) which indicated that the partnership to deliver audit services (the sole shared corporate service) had ceased. The aim of the partnership was expressed retrospectively as being ‘able to demonstrate a more effective use of resources, shared expertise and skills, and demonstrated greater flexibility and resilience’ and had operated for three years. However, the report then noted that the partnership would end at the end of the financial year for several reasons ‘including different views to the way the partnership’s governance arrangements were planned for the future’.
1.3. Council B case study background

Council B is a conservative-controlled council in the south east of England. The area is relatively affluent, though with some inequalities. Council B’s strategic plan (2010 – 2015) emphasises the challenging financial environment in which services are operating, the intention to protect services where possible, and highlighting the success of alternative delivery methods in recent years such as outsourcing. The authority’s vision is for a vibrant area, with healthy, safe, neighbourly, sustainable communities and aimed to improve the quality of life in the borough. The strategic plan makes reference to partnership working as a means of improving services, noting that the organization works with many partners and many services are now outsourced: environmental services, council tax, revenues and benefits, contact centre and ICT, leisure, and housing repairs and maintenance. The use and application of shared services receives limited reference within the strategic plan.

The Comprehensive Performance Assessment of 2004 found council B to be a ‘fair’ council, in the process of change and improvement. Strengths of the authority were reported to be good core service delivery, development of management teams, a clear financial strategy, and effective local partnerships. However, a number of weaknesses were noted including the vision and priorities of the organization and performance management for the future. The report noted ‘limited evidence of partners and the community being involved in determining the council’s strategic objectives’. The annual audit letter (2008 – 2009) gave the authority a rating of 3 (out of four) for Use of Resources. The audit letter noted that a key strength for council B is ‘the volume of services outsourced which has secured value for money whilst maintaining good satisfaction levels’. Financial management and value for money were noted as strengths.
1.4. **Shared corporate services in council B** (Partially shared audit and procurement functions with one partner authority)

Annual Efficiency Statements submitted by the authority to central government revealed expectations that developing a partnership for audit services will result in greater efficiency. The future strategy set out in the forward plan for 2007 – 2008 reported that, as part of the review of service provision, council B were ‘embarking on a Shared Services Review covering all of our central and support services. Each will be evaluated to determine whether they can be provided in a more effective and efficient way.’ The submission also reported this would take 18 months. The submission also reports the establishment of the shared audit and procurement functions between two authorities, with the audit partnership resulting in a more efficient model of audit services, joint audits across partners, with the approach ‘still in the early stages’ but predicting savings ‘in time and also in quality’. The model of shared corporate services is noted to be ‘exchanging time of an audit manager for a procurement manager’ improving the expertise of both partners.

Review of committee papers from council B indicate that a ‘Shared Services Review’ was planned and funded from 2007 onwards, to operate for two years to look at options for ICT, Council Tax and Revenues and Benefits. This involved a market testing and bidding exercises, with a later contract for several services awarded to a private contractor.

A later announcement (March 2011, post the qualitative research activity) reveals that the shared audit function will take a new direction. Council B and other local councils will buy-in audit services from the upper tier authority, with an intention to save £55,000 in the first year of the arrangement (2011 – 2012).
1.5. Council C case study background

The authority featured in this case study is an urban district council in south England with a large population. The authority is conservative controlled. The local authority area is prosperous, though there are areas of deprivation.

Council C’s strategic plan (2009 – 2012) identified key strategic objectives: a place to achieve and prosper, a clean and green area, healthy and safe communities. The final strategic objective was to provide efficient and effective service, with an intention to consider alternative methods for service delivery, including sharing services, to improve efficiency, cost or performance. Within this, council C explicitly committed to develop ‘shared services to ensure value for money’, as well as work more closely with local partners and reviewing higher cost services.

The Audit Commission assessment (2009 Use of Resources) identified council C as one of the top performing authorities in England. The authority has made good progress in delivering previous objectives – including offering a shared front office service point, sharing a legal service with two other local authorities and a shared internal audit function with three other local authorities. These shared corporate services arrangements are intended to ‘provide services jointly; to improve them and to reduce costs’. In addition, the authority notes that it is part of an existing sub-county level improvement partnership with other local authorities, sharing some learning and development functions, and business improvement activities.

Council C’s strategic plan also indicates where shared services arrangements could be utilised in the future, with Human Resources and ICT both identified. The approach to be taken with the former is outlined as exploring ‘with partner, opportunities to develop new, more cost-effective ways of working’. In addition, the strategic plan also reinforces the commitment to seek opportunities for shared services, with the aim to ensure services are ‘resilient and can deliver large financial savings’.
The Comprehensive Performance Assessment found council C to be an excellent authority, and likely to improve in the future. The report noted that the organization had a strong track record, effective performance management mechanisms, strong and clear leadership. The authority was noted to have demonstrated effective use of partnerships with the report noting that the council is effective at increasing capacity through partnerships.

The annual audit letter (2008 – 2009) noted that the council achieved a level 3 score overall, reporting effective Use of Resources and value for money. The audit letter noted effective arrangements in place across the organization to manage finances and resources. The audit letter reported that council C leads partnership initiatives within the county area – including benchmarking and business transformation, thought to help the authority achieve ‘stretching efficiency targets’.

1.6. Shared corporate services in council C (Partially shared audit, legal, print and payroll with up to four local partners)

Through the survey of local government to identify use of shared corporate services (May 2009), a respondent from council C identified the council as using shared corporate services, with an estimated 10% of corporate services provided through this model.

The submission of Annual Efficiency Statements reported savings from internal reorganization. In the 2005 – 2006 backwards look, a procurement partnership with another local authority was reported, with the approach expected to produce benefits in future years. Furthermore, the 2007 – 2008 backwards look report notes ‘joint working’ as part of the range of activities used to deliver efficiency. The report notes savings achieved from joint working with another authority for corporate services, though figures are not available.

The overview and scrutiny committee (2009) noted that shared services for legal services would be considered though would need to retain local accountability. Savings of £113,000 were expected from sharing legal services,
with a partner authority providing two senior management posts (shared across three partners) and sharing an ICT system to manage cases. Core legal services posts were to remain within council C. Savings were expected to come from reducing external legal fees, reducing duplication and process improvements. A later meeting approved the provision of payroll services to another local authority, achieving £10,000 saving.

Audit services were initially shared with one other local authority, with a report to the overview and scrutiny committee (September 2008) noting that sharing an audit function with one other authority brought in net gains of c.£13,000 per annum, improved resilience, and ability to co-ordinate work plans and audits. A later proposal presented to Audit Committee (February 2009) reported proposals to share an audit function with up to four other local authorities, which could achieve savings of up to 15% the service budget in the medium term. Benefits of improved service and reduced cost were expressed to be ‘resilience’, improved standards of service, reduction in duplication, and cost savings. Risks to successful delivery were noted, requiring effective governance, competent execution, clear indication of the work programme and standards expected. The report gives detailed explanation of how the service would operate, featuring a modified workplan, clear charging arrangements, development of specialisms in teams, and a structure and approach seeking to learn from another four-authority shared services function. In addition, the rationale for choosing potential partners is made clear; close relationships, near geographical neighbours, and all participating in a four-way formalised improvement partnership at top leadership levels.

The authority was clear that the partnership of services is not without risk. The strategic risk register indicated potential for goal misalignment between partners, alternative prioritisation, friction, or inability to deliver goals.
1.7. Council D

Council D is a largely rural district authority in the midlands, and is conservative controlled. The local area is relatively affluent.

The strategic objectives are for a local authority area which is safe, to protect the environment, economic success, promote health and well-being, children and young people, and stronger communities. In addition, a range of council priorities and values are also expressed, with partnership noted as a priority, including sharing resources. Council D’s strategic plan highlights the recent improvements in the performance of the authority. The strategic plan highlighted an intention to achieve savings by working in partnership with a neighbouring authority with the imperative to reduce costs. This would include ‘exploring joint working and shared services opportunities’ with a neighbouring, including sharing some corporate services.

Council D’s comprehensive performance assessment (CPA) of 2009 noted a positive direction of travel from being ranked as ‘poor’ to being ‘fair’. The report acknowledged that council D had made significant progress in addressing the weakness previously identified, and improving the organizational infrastructure. This included clear political and managerial leadership and stronger management, a greater focus on improvement and priorities, and stronger community and local partnerships. The report noted that value for money, finance and performance management were adequate and had improved. In addition, the report noted that, historically, ‘partnership working was ineffective and others have been reluctant to work’ with council D. The inspection reported noted the development of a shared services approach, but noted ‘it is too early to see the anticipated outcomes’ though recognising that the authority has a greater sense of purpose, which has improved partner relationships.

The annual audit letter (2007 – 2008) commented that the council had improved performance across the majority of performance indicators though had started from a very low base. Council D was assessed as performing adequately. The use of shared services was noted, and the council was advised to ‘monitor the impact on capacity of the pilot joint Chief Executive working arrangements’ and
develop the business case for shared services. The report acknowledged that the development of a shared management team with a neighbouring authority was one of only four such arrangements in England. The partnership is expected to save £1.3m over three years from 2010 – 2011, and while this may provide better services, there is ‘significant risk for both councils in ensuring robust and legal governance arrangements are maintained’. Existing shared services arrangements, and emerging shared services arrangements ‘will require close monitoring’.

1.8. **Shared corporate services in council D** (Shared payroll and a plan to fully share all services between two partners)

The forward look Annual Efficiency Statement (2007 – 2008) identified the future strategy of council D to rationalise some service delivery, consider externalisation, and work more closely with other local authorities – particularly to achieve procurement savings. Committee reports from council D provide additional details on the plans to implement shared services with a neighbouring borough. In 2008 (September) the authority approved a concordat for joint working with their local authority partner, setting up an acting joint chief executive and a political-level shared services board to oversee the process. The concordat set out to:

- Increase the levels of customer satisfaction through the improvement of services.
- Produce realistic cash savings in order to deliver improved services.
- Strengthen and share skills, expertise and learning in order to deliver better services.

The concept of sharing services is defined as where a ‘joint team can deliver the service… more effectively’. The proposal to operate in a shared service arrangement is intended to achieve significant financial savings; provide economies of scale to be sustainable (as lower tier authorities are small), aim for more efficient ways of working, improve performance sustainability and resilience and develop capacity and capability.
Council D and its partner began sharing services in 2008, with a joint CEO appointment for one year, using three phases of work. A private company was contracted to develop a business case to outline what services could/should be shared between the two councils and what savings could be achieved. The report noted that potentially all services could be shared between the two councils and that this could be achieved over a three and a half year period. In the first 18 months of the partnership, a number of services were shared between the two authorities, including three corporate services: ICT, payroll, and procurement. Between the two authorities, a net saving of £67,000 was achieved in 2008 – 2009 through sharing services; and £357,000 net in 2009 – 2010. A shared ICT function business case was approved in late 2009, with the first phase of work intended to create a single ICT team and use the systems and infrastructure provided by council D as it had received recent investment.

The Audit Commission also carried out a high level audit of joint working with their partner organization, reporting back to committee. The report found that ‘overall governance arrangements are sound’ and ‘risks of these arrangements are regularly evaluated and mitigating actions are put in place where necessary’. It noted that the organization has also recognized the need for an exit strategy and developed a high level framework for shared services, including ‘a framework for dealing with conflicts of interest and for dispute resolution which are both important’. The auditor recommended employee liability insurance so that each authority remains responsible for its own employees. In addition, external legal advice should be sought, contingency plans developed and the potential savings from shared services revised downwards.

The case study featuring council D used a modified methodology, based around two telephone interviews with members of the council’s leadership team. The methodology was amended to secure participation with a fourth authority, given the difficulties in agreeing participation from an authority meeting the specified criteria.
2. Qualitative data

Qualitative data from case studies is set out through a thematic analysis allowing exploration of how and why shared services were established in case study local authorities, the operation of the model of shared corporate services and the perceived impact on performance.

Table 2 below provides further information on the case study participants from each authority. To maintain anonymity, role titles are not given.

Table 2: Case study participants

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2.1. Rationale for sharing

The dominant theoretical proposition is drawn from conventional economic theory, suggesting that larger organizations are able to spread central costs and overheads, provide specialist staff, reduce input costs and duplication across a broader range of services and reduce input costs (Stigler, 1958; Shepherd, 1990; Boyne, 1996). It is proposed that partnership arrangements can seek improvement through economies of scale, and reduce transaction costs (Entwistle, 2010; Redman et al, 2007). The effective operation of shared
services arrangements is contingent on effective implementation processes (Osborne and Brown, 2005; Piening, 2011; Borins, 2001c). There are, however, counter-arguments which suggest adverse impacts, owing to potential for partner conflict. Given this academic context, the research anticipated reduction in costs and performance improvement (both outputs and customer perception) to be offered as the rationales for shared services.

Qualitative data from all four case studies indicated that reduction in expenditure or efficiency savings were seen as key objectives of using shared corporate services. An overwhelming majority of interviewees (18 of 20) across all case studies used terms such as ‘efficiency’, ‘cost saving’ or ‘efficiency savings’ to describe why their organization opted to use a form of shared corporate services. Significantly, over half the interviewees (10 of 18) from three of four case studies also pointed toward ‘business resilience’, ‘resilience’ or ‘capacity’ being cited as a key driver for the use of shared corporate services. A number of interviewees (7 of 18 three case studies) from also suggested that the use of shared corporate services reflected a pragmatic solution to a specific challenge, or the testing of a new model of service.

As one senior officer in Council A commented, the use of a shared services model to provide audit service was:

‘…Very much cost driven. I very much viewed this from some distance as I was not directly involved. But cost savings are undoubtedly the main reason. I think there is some opportunism too, as there often is as some people were leaving and there was an opportunity’ (Director⁵, council A).

Within council B, two services were noted to be provided through a shared service arrangement with a clearly stated intention to reduce expenditure. One senior officer articulated a view that sharing corporate services would be used ‘where it will work…where money can be saved and quality maintained’

⁵ Roles are divided into three categories to note the grade and responsibility of respondents while maintaining their anonymity: Director (CEO, Director, Assistant Director); Service Manager (Head of service, Service Manager); and Officer
(Director, council B). A colleague shared the same view: ‘we want to make savings in any ways that are reasonable’ (Director, council B). Senior officers in council C and Council D also pointed towards the intention to use shared services to reduce expenditure, with one Service Manager in council C suggesting ‘there was a need and an opportunity… to share services with another local authority and reduce the costs’ (Service Manager, council C).

Two further rationales were cited in different case authorities. Firstly, a view that use of sharing services could provide ‘resilience’ or ‘capacity’ to specific functions, as expressed by one interviewee: ‘there were two driving forces. Resilience and cost reduction’ (Director, council C). The notion that sharing corporate services would provide resilience to smaller business units such as procurement or audit services was reflected by interviewees from three case study authorities. One interviewee from Council A reflected on why resilience was a key driver for use of shared services:

‘We are a very small council and we do have limited resources, and in some areas we almost have silos of working because we have only one person in each function, like payroll. So there are real problems with resilience when people are sick or away from the office… [shared services were intended to] cover vulnerabilities and achieve savings’ (Service Manager, council A).

A colleague from Council A took this further, noting the tension between having access to technical or specialist knowledge and expertise and the limited funding for specific services.

‘In small teams, you’ve got this issue of expertise versus cost and resilience in times of absence… That [resilience] was a concern, and in terms of partnership, something to strengthen’ (Director, council A).

This notion of resilience was referred to by different interviewees as access to additional resources, staffing, cover for absences and addressing skills gaps. The senior manager responsible for one shared service in council C articulated the notion of improved resilience to reflect access to ‘a larger core of staff and
the development of specialisms’ within the service function, and ‘provide a sustainable service’ (Service Manager, council C).

Secondly, when considering the rationale for using shared services, there appears to be some convergence between the objectives of using shared corporate services – such as the intention to reduce costs or provide access to additional staffing or skills – and the opportunity to test or deploy the model. In all four case studies, a number of interviewees (7 of 20 interviewees) pointed towards the creation of a shared corporate service as pragmatic, opportunistic, extending existing relationships with another local authority, or reflecting the intention to test a new model of service delivery. One senior officer in council B described how the creation of a shared services arrangement for audit services was driven by internal reorganization, a gap in the management structure and a good relationship with a neighbouring borough:

‘Often efficiencies fall out from doing things jointly… it is a bit fortuitous because our chief auditor left. We could have replaced him, or we could at another way of doing it’ (Director, council B).

This suggested recognition that through existing relationships with a known partner it might be possible to test a new model of service. One Service Manager in council B noted audit services were ‘easier to share’ as they to operate at arms-length from the council. This sense of the early use of shared services being pragmatic, to test a new service delivery method, and to reduce costs was shared by three of five interviewees in council C:

‘The first occasion when shared services were contemplated was actually in response to a different driver than efficiency. It was quite pragmatic. We supported another district council, a neighbouring council, because of difficulties they were experiencing in running their audit service. So our first shared service – our first shared manager and then, first shared service – was around audit… Subsequent to that, we looked at more proactive means to establish shared services’ (Service Manager, council C).

As noted above, interviewees were likely to cite two or more reasons for using a model of sharing to provide corporate services. There was a clear aspiration to
produce savings combined with resilience of services, access to skills, knowledge, support, and additional cover, and the ability or opportunity to test new service models.

2.2. Models of shared services used
Academic literature suggests that shared services are expected to benefit from the creation of economies of scale, and use of a partnership mechanism to maximise use of resources (Sullivan and Skelcher, 2002; McQuaid 2010). In addition, relationships are anticipated to be relatively flexible, allowing for easier dispute resolution and supervision (Williamson, 1991). It was anticipated that the models used in local authorities would demonstrate creation of scale, a semi-formal or formal arrangement, and strong partnership relationships. Table 2 below highlights some of the key features of each of forms of shared services used in each case study authority. There are a range of similarities in the forms of shared services used. At the centre of each implemented arrangement is a shared senior management post(s). Alongside this, joint work planning, shared projects or activities are reported as key elements of the shared service arrangement.

Council A and council B interviewees described how services were provided with one local partner, via a relatively informal mechanism. Council A operated one shared corporate service; the audit function. At the heart of this arrangement was a shared Head of Service, provided by the partner authority for part of the week, with joint planning of audits, some shared projects or exchange of staff members for specific audits. As expressed by one senior manager, the shared audit service was established as ‘pretty much an informal, shared management arrangement’ (Service Manager, council A). The arrangement was described as flexible or informal by over half the interviewees. The arrangement came to an end in March 2010:

‘Essentially it started with a shared manager – a shared management role. I don’t think there was a great drive to analyse the different models or what would be the most successful. I think it was more or less, there is an opportunity, let’s do it’ (Director, council A).
Council B establish shared arrangements for both procurement and audit services in a bi-lateral relationship with another partner. A Service Manager described how the local authority preferred the ‘flexible and informal approach [consistent with] …the spirit of sharing’. The belief that the shared service arrangement was relatively loose and flexible was reiterated, with 3 of 6 interviewees describing the arrangement using terms such as flexible, informal or co-operative. One Service Manager described the arrangement:

‘The relationship is relatively informal and that is why it has worked. We don’t have a bureaucratic framework where we have to fill in detailed timesheets for each authority’
(Service Manager, council B).

Directors from council C and council D outlined a more developed view of how shared services were intended to be used in future years. One Director described the planned way forward as:

‘A hosting authority model, looking for a justification for who should lead. We needed a smart and swift way forward’
(Director, council D).

Interviewees from council C suggested more extensive use of shared corporate services. One officer described the authority using ‘different models for different services’. A Director expressed the different models in place for different services, and the importance of one senior manager to lead the arrangement:

‘Pretty much they are different in the model they use. With audit, you’ve got four boroughs with two teams and one central person to run it. This was an early lesson from shared services, to appoint one person to run it rather than try to run it in collaboration… With legal, there is a different dynamic with teams still fairly locally based’
(Director, council C).

It is notable that in each case study authority, the models of shared corporate services – at least initially – are described as flexible or using terms to reflect the relative informality of the arrangement. There are striking similarities in the models of shared services used within each case study authority. The models used all are relatively small scale, and are based around a form of partnership for a discrete service with a local authority partner(s). There is limited evidence
of integration or consolidation of teams, new governance, consolidation of property, though there are examples from council C where a shared ICT system is utilised.

A key feature of each arrangement is a shared senior management post, with few references to structural change within this model. Two authorities, council C and council D, indicated that they planned to develop and extend the use of shared corporate services and planned to develop more shared service arrangements in the future. The models observed are located towards the more informal and collaborative forms of partnership, reflecting ‘collaboration between bodies for the better delivery of services, e.g. sharing of expertise or cost reduction’ (DCLG, 2006b: 9). At the heart of the arrangements are access to senior management skills and knowledge, some shared tasks and activities, within a relatively flexible or informal collaborative arrangement. There is limited evidence that additional scale has been created. In two of the case study authorities there was no reference to any form of documented agreement to manage the shared function. The conclusion drawn from this is that the forms of shared services adopted to date are more akin to a shared management arrangement, with some process or policy changes, and some integration of functions or activities.
### Table 3: Models of sharing used in each case authority

| Authority | Shared service | Description of key features of the model
|-----------|----------------|----------------------------------------------------------------------------------|
| **A**     | Audit service  | - **Partner(s):** Originally, one neighbouring district authority, expanding to a three-way agreement in 2009 and ending in 2010  
- **Management:** Shared senior management post provided by partner authority through a local contract  
- **Staffing:** Staff based in their own local authorities, within their own local authority structures, grades and terms and conditions  
- **Policy and planning:** Single workplan used to develop audit programme for two authorities, some shared learning and development. Separate policies, procedures and reporting arrangements in place for each authority. Some joint audits for specific projects  
- **ICT:** No shared systems  
- **Location:** Teams remain in the local authorities, Head of Service allocates time to each authority  
- **Contract:** No contract specified. Arrangement ceased April 2010 |
| **B**     | Audit service  | - **Partner(s):** One neighbouring district council  
- **Management:** Two senior management posts (Head of Audit, Head of Procurement) included within partnership arrangement. Each authority employs a Head of Service and provides up to 50% of their time to partner authority in a two-way agreement  
- **Staffing:** One shared audit officer, hosted within council B but funded by both authorities (50% each). Staff are based in their own local authorities, within their own local authority structures  
- **Policy and planning:** Shared audit programme, including joint audits. Larger procurement exercises operate for both authorities and smaller procurement activities can be replicated. Separate policies, procedures and reporting arrangements in place for each authority  
- **ICT:** No shared systems  
- **Location:** Teams remain in the local authorities, Head of Service allocates time to both councils  
- **Contract:** Service Level Agreement *(NB: the arrangement ended in April 2011, replaced by contracting in services from county authority).* |

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6 The text here is derived from interviews with officers from each authority.
| Partner(s): A four-way local authority partnership between district council partners is in place to consider options to consider business improvement options, including sharing services |
|------------------|---------------------------------|
| **Audit**: partnership expanded to cover four local authorities |
| **Legal**: partnership with three local authorities |
| **Management**: Different arrangements in place for each service |
| **Audit**: Shared senior post between two authorities, supported by two team leaders managing two authorities each |
| **Legal**: Shared Head of service and operational manager, provided by partner authority |
| **Staffing**: |
| **Audit**: Shared senior teams, auditors to remain locally based under a team leader |
| **Legal**: Retain own monitoring officer and core staff, locally based |
| **Policy and planning**: |
| **Audit**: Joint work planning, standard processes for audit, joint audits for specific topics |
| **Legal**: Aiming to standardise processes and share specialist knowledge. Each authority retains a monitoring officer to comply with own policies, procedures and reporting arrangements |
| **ICT**: Shared audit systems and shared legal case system are used (from 2009 – 2010 onwards) |
| **Location**: Teams remain in the local authorities, aside from senior posts noted above |
| **Contract**: Legal agreements in place with performance reporting methods and governance structure |

| Partner(s): One neighbouring district council |
| **Management**: Shared ICT service with partner intended to be 'single team' though over several phases of work |
| **Staffing**: Under partnership agreement, the authorities are using a ‘lead authority’ model with one authority taking over running and responsibility for both authority's services |
| **Policy and planning**: Intention to develop a single ICT function and portfolio of systems, policies and management processes |
| **ICT**: Council D to provide one ICT service for two boroughs |
| **Location**: Intention to review locations for future service delivery |
| **Contract**: Agreed ‘concordat’ between authorities with each service to be reviewed and joint decision-making process in place |
2.3. Changes expected from sharing

The dominant proposition holds that shared corporate services are based upon economies of scale. If this is borne out in practice, the changes expected would include use of specialist staff and expertise and taking measures to reduce input costs and spread costs across units (Stigler, 1958; Shepherd, 1990) or share resources across boundaries (Askenas et al, 1995). In addition, shared services benefit from reduced supervision costs (Entwistle, 2010).

Across all case studies, there is evidence of consistency in the types of changes that were thought would arise from the implementation of shared corporate services. For example, 10 of 18 interviewees (councils A, B and C) commented that they expected the shared services arrangement to bring in ‘learning and skills’ using terms such as best practice, professional skills, new or better approaches to particular services to emphasize this point.

Over half the interviewees from council A expected the use of shared corporate services to achieve reduction in expenditure for the local authority, with access to a skilled senior manager at the heart of the expected changes. Five of six interviewees commented that the sharing of a senior manager provided by a partner was a change in the service model: ‘One of the main effects was going to be sharing a Head of Service. We could bring in additional resilience to the service’ (Service Manager, council A). The same interviewee also felt that the shared services arrangement would lead to ‘reduced intensity of audit and more of a risk-based approach’. Similar views were expressed within council B.

Some changes to service delivery were expected. One Director felt that the shared services arrangement would take a relatively emergent approach:

‘We weren’t sticking to a rigid approach, but a more flexible or fluid approach… I didn’t think it would necessarily change the way the service way delivered…but we did have the ability to draw on the experience of other areas and may begin to look at different ways of running the service’ (Director, council B).

This suggests that accessing the skills and knowledge of a senior manager would also result in other changes as to how the service operated. In councils
A and B, 8 of 13 interviewees felt that the shared service arrangement would bring ‘new ways of working’, developing the skills of the team, improve support for services or learn from best practice. While the benefits of this approach were noted, some risks were also observed including restricted access to the Head of Service.

Within council C, the changes expected from using a model of shared corporate services varied, depending on which services the interviewees were describing. For example, two interviewees focussed on legal services, with an expectation that the service would use shared resources across boundaries, access additional support and specialisms. Several interviewees (3 of 5) focussed on staffing changes arising from use of shared corporate services. A senior manager responsible for one of the shared corporate services commented that they had expected sharing services to increase the skills, knowledge and flexibility of the team. In the first shared corporate services arrangements, one Director indicated that the key change was in the senior management structure of the service with fewer changes to how the service operated:

‘The partnerships have worked differently. Some of them have been, depending on how they were set up, more of a shared management structure, not so much cross-working… in the beginning, there was a shared manager and everything kept working as was. The legal partnership [involves] more cross working. But we’ve not had a model where we’ve brought everyone into one body’ (Director, council C).

Directors from council C and council D (four interviewees in total) focussed on expected changes in the future, when more extensive and comprehensive models of shared services are expected to be deployed. In council D, the programme of work developed from lower level sharing of services such as payroll to a shared services programme which will ‘change everything, including systems, structures, processes, management, performance, and deliver savings’ (Director, council D). Similarly, in council C, two Directors pointed towards planned development of shared services in the future within a four-way local authority improvement programme.
While the literature suggests shared corporate services may result in additional scale, there is limited evidence that significant scale has been created. Instead, the case studies demonstrated that the key changes were based upon use of a shared senior manager, some joint work programmes and activities, and intending to derive benefits from less supervision. In the case study where a higher proportion of services were provided through a shared model, some additional integration was evident; and council D indicated bold plans to integrate all services, though provided limited evidence of the story to date.

2.4. Performance changes expected
Advocates of shared corporate services suggest the model can result in reduced costs and greater efficiency, and improve service quality and satisfaction (Cabinet Office, 2005; DCLG, 2006c). Partnership working is hypothesized to improve performance by sharing resources, learning and skills, creating scale, or reducing supervision costs (Entwistle 2010; Smith, Mathur, Skelcher, 2006: 160). There are a range of potential challenges to this. Strikingly, the intention to improve performance of corporate services received little comment from interviewees when asked to describe the rationale for sharing services. A further question was posed to understand how sharing services was expected to impact on performance. Review of the qualitative data from case authorities shows that there were two key areas where a performance impact was anticipated. Firstly, some reduction in expenditure was expected by 18 of 20 interviewees. Secondly, improvement – or at least, maintenance – of service quality were expected. Six of twenty interviewees commented that they expected the share service arrangement to maintain the current level of service (using a variety of terms to reflect this), while making better use of management resources.

Within council B, three interviewees reflected expectations that the current performance of audit services would be maintained. One Service Manager service felt the objective of the shared services arrangement was to ‘ensure that the quality of the service remained high’. Colleagues noted that the impact on performance may differ between services:
‘For audit service, there would potentially be an improvement in performance as we learn from one another and develop skills. For procurement, it is a slightly different kettle of fish. The manager was under-utilised, and can use his skills across two boroughs to achieve a cost saving’ (Director, council B).

At the heart of Council C’s use of shared corporate services was an intention to achieve financial savings. All respondents commented that efficiency, savings or cost reduction were sought through use of shared corporate services. Two senior officers reflected that while shared corporate services aimed to achieve reductions in cost, it was also vital that the quality of the services should be maintained: ‘I expected there to be no change in performance. Quality should remain the same’ (Director, council C).

Similarly, within council A, six interviewees indicated that the achievement of savings was a key objective of shared corporate services, with three interviewees pointing to savings released by sharing the costs of a senior management post. Those closest to the service – senior officers responsible and those working in the service – anticipated some improvements as to how the service is provided including development of skills within their team, specialisms, better work planning and access to additional resources.

The responses above present a clear message. There was an expectation of reduced cost, improved efficiency, and continued standards of service quality.

2.5. Establishment of shared services arrangements
This element of qualitative research aimed to understand how shared services arrangements are established, considering the design and implementation processes to embed shared services. It was hypothesized that the successful operation of shared services would be dependent on effective implementation (Piening, 2011), learning from both rational management and political negotiation processes (Osborne and Brown, 2005; Boyne and Gould-Williams, 2003; Borins, 2001c). If these factors are present, the case studies should reveal formal processes to consider shared services options, project and
implementation planning, and a sequential approach to implementation. This would be coupled with an awareness of the importance of key stakeholders in the process, decision-making and ability to influence the model and operation.

The four case studies considered in this research project highlighted the importance of local discussion, negotiation and knowledge in partner selection and establishment of a shared services arrangement. The implementation processes were described as ‘flexible’ or ‘informal’ by ten of twenty interviewees, featuring local discussion and negotiation with a preferred partner authority (or authorities) with whom there were existing relationships at officer and political level. Few references were made to a more process-driven or structured approach to developing shared corporate services. In the early shared services arrangements, council C also used a relatively loose approach to establish the model:

‘There was a dialogue. Would it be worth going into some sort of partnership? It took off from there. I suppose that was interesting from my point of view because it was relatively unstructured. It was almost informal, or it could have been… It was almost an opportunity. They needed support; we had a strong audit team… It was relatively straightforward, more so than the newer four-way partnerships’ (Senior officer, council C).

A similar picture emerged in council A. During interviews, the informal nature of the negotiation process with other local partners was highlighted, with one officer commenting ‘we’ve done the courtship dance with a number of authorities’, and reflecting that the audit partnership was established as a gap emerged in the management structure ‘otherwise it wouldn’t have happened’. Four of seven interviewees suggested that the reason the sharing arrangement emerged with the given partner – and in the form it took – was in part based upon long-standing good relationships between the two local authorities at both officer and member level. No interviewees pointed to a tendering, business case, or options appraisal process. This position is consistent with council B, where no interviewees referred to a formal process. One Service Manager also note the potential challenges of embedding this informal arrangement including
‘different cultures in different authorities, a lack of management time and a steep learning curve’.

A Director in Council B commented that the partner selection was driven by conversations with senior colleagues from authorities within the local area:

‘The process started with a discussion amongst Chief Finance Officers to see if we can make this [shared audit services] work’
(Director, council B).

A second Director commented that the discussions with potential partners were held with the ‘right authorities’ i.e. those which were relatively close, with good political and managerial relationships: ‘There were meetings with other local authorities, debate and discussion to see if you’ve the same ideas’ (Service Manager, council B). Having identified a potential partner, senior officers from the specific services (audit, procurement) were tasked to design how to deliver the service. A similar approach was reported by a Service Manager in council C who commented that the first shared services arrangement with one other local authority started informally:

‘We did consider alternatives and a risk management assessment of different options…Although the arrangement was informal, it became obvious to me quite soon that it needed to be formalised… we did make sure there was an agreement, that it was signed up to and formalised’
(Service Manager, council C).

As council C developed use of shared service and plans to make more extensive use of the model, the processes to select partners and a service model were reported to have begun in a more structured way. During interviews, four interviewees (of 6) reflected that a new four-way local authority partnership is now in place, using a formal governance structure, review process, and set of business cases to assess shared services and improvement options for different services.

‘The first occasion when shared services were considered, was actually in response to slightly different drivers to efficiency and was quite pragmatic, in that we supported another council in difficulties they were having running their audit service… Subsequent to that, we established
more proactive ways of looking at shared services and established [an] improvement partnership, out of which, shared services have come’ (Director, council C).

A colleague from the corporate management also agreed that there is a need to both develop relationships as well as use a formal process: ‘you need the business case to be accurate… but you need to take politicians with you’. Both interviewees from council D commented that the two local authorities had previously worked together on different projects and this relationship was at the heart of the expanded use of shared services:

‘Member relationships improved between both authorities and trust developed. The Chief Executive of one of the two boroughs retired, providing an opportunity. We wanted to look to share services and the two boroughs are very close, with the main centres ten minutes apart. The relationship started by us sharing payroll for twelve months and over that time the relationship developed’ (Director, council D).

The initial establishment of shared services between case authorities and partners appeared to lean heavily on strong officer and political relationships to initiate the relationship and agree a service model. This suggests that elements of political negotiation took place at the senior officer and political level, including agreement of the high-level model and choice of partners. However, there is less evidence of rational management activities being used, and recognition of a number of practical challenges to successful implementation and operation. There is some indication that later shared services arrangements in council C and council D were subject of more extensive planning, appraisal of options and formalisation.

2.6. Relationship with partners
In the context of shared corporate services, high-trust partnership relationships are hypothesized to be at the heart of collaborative arrangements (Brown and Potoski, 2003; Klijn, 2010). This view was anticipated to be at the centre of shared services. Conversely, it was also noted that the benefits of reduced supervision costs may be outweighed by difficult principal-agent relationships which may result in adverse effects (Gomez-Mejia and Wiseman, 2007).
The establishment of a shared service arrangement, and the models used, indicate the importance of local negotiation and agreement with a local authority partner(s). The experience of partnership, the implications for service delivery and aspirations for future service delivery differed significantly between cases. For example, the case study at council A indicated that the shared audit service (largely based around a shared senior management post) had ceased and the service had returned in-house, with all interviewees bar one suggesting significant tensions in how the partnership operated and planned to operate in the future. Council D offers a very different view, where a very small initial arrangement – sharing payroll services – became superseded by a programme to share all services with a neighbouring borough.

In three case studies the presence of, or potential for, tension within the partnership was noted. Within council C, four of five interviewees suggested there had been some tensions within the relationship in the past. Council B respondents were more likely to emphasize a positive relationship, though recognize potential areas of tension. Within council A, interviewees both described the positive relationships which led to the developing and operation of the model, and the souring of relationships as the partnership ceased. As the arrangements were largely based on a shared senior management approach, areas of potential tension were noted to include access to the managerial resource, objectives and strain on the shared senior manager.

The data relating to the rationale for using shared corporate services highlighted opportunism, pragmatism and strong relationships between two local authorities as part of the reason the model is adopted. This rationale appears to be reflected in both the design and operation of shared corporate services, with an interviewee from council B commenting on the flexibility of the arrangement:

‘If you’re going to make something more formal, then you need to be confident that it will achieve what you want. The way we approached it was well, yes, we’ve got this idea that it could work in this fashion but before we commit ourselves for a period of time, let’s see what the benefits are for both parties and see if what we believe in works’ (Director, council B).
The informality of the arrangement was believed to be partly based on the size of partnership and the strong relationship with the partner. One Director commented that ‘once a partnership has more than two partners, it must be formalised. Any external contract needs a proper contract and client side… with greater size there is risk of dispute’. One interviewee commented that ‘the spirit of the partnership is good’, but noted there had been some tension in the organization when one partner billed the other for additional time provided by the manager of a partnered service.

One senior manager asserted that the four-way local authority partnership gives a firm structure for local authorities to work with, a process and programme of review, authorities can opt in or out of different shared services arrangements:

‘To me it is about a long-lasting relationship, not speed dating. What we’ve got is a core set of things where we decide ok, we’ll see this group as a de facto position but it doesn’t stop anyone looking at other areas with other partners… You’ve got to have the critical mass to work on’ (Director, council C).

The relationship between council C and partners drew comment from two interviewees, presenting a view that other local partners feared the development of shared services would be part of a take-over by council C. One interviewee took this further, stating that ‘at the start it was a real problem that other local authorities though that we wanted to take them over. But this has settled down now, as different authorities lead in different pieces of work’.

Those who manage or work within a shared service arrangement recognized the potential for tensions between partners and pressure on service delivery. For example, two interviewees from council B commented that the senior manager providing the shared service does come under pressure from both authorities, to achieve objectives and provide a high quality service to both, and it is their task to mitigate these demands as far as possible. A Service Manager commented that ‘there is some pressure on the senior manager. The employer has the first call and has priority if needed’ (Service Manager, council B).
Senior officers also recognized potential tensions within a shared service arrangement, with one Director (council C) commenting that relationships with partners were ‘not always easy’ and there is always the risk that authorities may disagree over objectives and work programmes. A Service Manager noted the potential tensions:

‘Disputes are a vulnerability in the partnership, but at the moment we are in a honeymoon period. There is a risk that some may think that they might not get enough time… We have agreed apportionments of time, but they are hard to achieve. We need to manage expectations’ (Service Manager, council C).

The interviewee offered a view on how this could be mitigated stating that ‘informal relationships at top levels aid the partnership’ and that local relationships between partners had improved in recent years, as in earlier stages there had been a ‘lack of alignment’.

However, the case study of council A offered an example of how a relatively informal partnership arrangement could cease. One Service Manager described it as ‘a good partnership, absolutely flying in the early days…it would have worked well if there were no staffing issues, everyone was really professional and you could remote work’ (Service Manager, council A). As a third organization joined the partnership, two interviewees reported that this placed strain on the partnership and capacity with problems emerging. The shared services arrangement became harder to manage, proposals to restructure the service were not financially beneficial, or could impact on the political accountability of authority:

‘The audit manager became manager of both audit services. That arrangement worked splendidly for several years. Difficulties started to arise when there were problematic staffing issues at the authorities and there was no presence, team leader presence, physical presence in the authority to deal with that… That became very problematic with a member of staff requiring capability procedures’ (Director, council A).
As a third partner engaged in the partnership, a new structure was proposed, including a team leader for each authority. As the service grew to cover three areas, a Service Manager reported that a ‘staffing issue pulled the partnership apart’. One officer commented:

‘We couldn’t justify a team leader for audit, we are just too small. You can’t have a team leader who is in charge of one person… we took a different view and the proposals were against our ethos of generic working… Two is company, three’s a crowd. All of a sudden you lose the economies of scale and get disadvantages of being too big’ (Officer, council A).

The absence of a governance structure, system or processes to manage the partnership was noted by one Service Manager:

‘I think with the audit partnership, we would have said we wanted a little bit more of a governance structure… there was no formal governance arrangement that may – or may not – have helped’ (Service Manager, council A).

This case study offers an example of how an informal arrangement can unravel when strategic and operational pressures resulted in the breakdown of the partnership arrangement, with staffing issues, alignment of goals, allocation of time and resource contributing.

A different case was described by two Directors at council C, who described how one authority is expected to leave the four-way improvement partnership as they felt outsourcing services would provide greater financial benefit.

The four case studies suggest that strong partnership relationships and high levels of trust are required between partners, and were integral to both the establishment of the arrangements. The ability to work with another local authority, with high levels of trust appears to have motivated the selection of the model. Forms of political negotiation appear to be relatively light touch, restricted to the selection of partners and high-level choice of the service model. However, there is less evidence of political negotiation informing the future governance structure, relationship or decision-making; and little evidence of this
approach being used within the organizations through the management structures and staff networks. The success of the model also seems to be dependent on the ability of both partners to retain high levels of trust and alignment. Limited steps have been taken to supervise the arrangement, with little reference to contracts, service level agreements or monitoring. There is limited evidence of rational management approaches being used to select and deploy a shared service arrangement; however, council C have developed a more structured approach for more recent arrangements, and a stronger approach to political negotiation. It is conceivable that weak design and poor implementation practices undermined the success of the model in cases observed, and may explain the results observed.

It is apparent that the intention to benefit from reduced supervision costs is at the heart of the rationale for use of the model. However, two case studies illustrate the potential for partnership relationships to cease, with goal misalignment or disagreement potential causes. In addition a number of interviewees cited the potential sources of tension within the arrangement, with principal-agent relationships a potential area of challenge, undermining the shared service arrangement and benefits of reduced supervision costs.

2.7. Performance of services

Fundamentally, the use of shared corporate services was proposed to improve efficiency and service performance. This could include reduce inputs or improve outputs such as efficiency (Boyne, 2002) as well as quality and perception of services (Normann, 2001; Osborne, 2011).

Before addressing whether models of shared services had improved performance, it is worth revisiting the expectations of each authority where a shared service model was proposed. Returning to the rationale offered by each case authority, it was clear that one area of performance – cost – had received significant attention. Further, in some cases there was an expectation that the model may improve the quality of the service, and that there may be some improvement in how the service is provided, with a majority of interviewees (11 of 18) from three councils (A, B, C) suggesting that they expected new skills,
and new ways of working as a result of shared services.

Across four case authorities it is striking that there is little evidence that using shared services resulted in improved performance. Emphasis was placed on some of the savings achieved and maintenance of existing standards of service. In three cases, changes as to how the service operated were observed and received positive support. Reviewing all cases, there seems to be ambiguous evidence on whether shared corporate services resulted in performance improvement. For example, in council B, while four of six interviewees described some improvement to the audit method; however, only two of six interviewees felt that performance had improved. One Director was emphatic:

‘I am able to say it has been a fantastic success, in that costs have gone down and quality has improved… A lot of the time this is down to the individuals involved’
(Director, council B).

Another interviewee (Service Manager) indicated that the quality of audit services had improved and the cost-effectiveness of procurement services had improved as were previously underutilised. However, a fellow Director was more reticent, noting that while there were savings from the arrangement there was not necessarily a demonstrable improvement in performance.

‘There probably was no noticeable change in performance; these are not high visibility services. There was some improvement in policies and procedures. As the focus was on the back office, performance changes were not really seen. There were cost savings, I am not sure there were performance improvements but we may have learnt from good practice elsewhere’
(Director, council B).

Similarly, mixed evidence emerged from council C with all interviewees commenting that the shared service arrangements had reduced cost. However, the impact on service performance was less clear cut. Four interviewees argued that standards of service had been maintained and savings achieved, but only one interviewee pointed to better service overall:
‘The change in the level of performance depends on which partner you are, and which service you are looking at. Is it better, is it worse? It is probably about the same. Audit, I haven’t noticed any difference or any less service… Lots of our partnerships haven’t been up and running long enough’
(Service Manager, council C).

Different impacts in different services were highlighted by one Director:

‘If we make a very crude distinction between service delivery and cost, if we look at print and graphics, we’ve saved the amount of money we expected to and the service is running really well… legal services has not progressed at the pace we wanted it too’
(Director, council C).

Both Directors in council D acknowledged that the performance effect of using shared corporate services had been uneven, with one Director commenting that ‘those services which have been shared have not declined’.

When interviewees were asked to comment on whether using shared corporate services had actually resulted in improved performance, a majority (11 of 18) commented on changes to processes, procedures or practices of the service. For example a Director in council A felt that though the shared audit arrangement had ceased, the approach to audit services had changed:

‘One of the spin offs from a senior management perspective is that the audit style did change [including]… a cross-fertilisation of audit approaches across the two authorities’
(Director, council A).

Two clients of the service commented that the quality of the service appeared to have at least been maintained in the shared service model, with one Service Manager commenting ‘it led to an improved audit programme, new methods of audit and a risk-based approach – a positive direction’. A Service Manager felt that ‘I had more contact with the new audit manager, which was positive’.

Four officers from council B reflected on some of the changes made as to how the services are operated: a smarter, risk-based approach to audit, access to specialisms and knowledge and bringing good practice. One interviewee
described a ‘more consistent approach, new practices and procedures’ (Service Manager, council B).

The case studies suggest that the use of shared corporate services may have had a positive impact on specific dimensions of performance: financial, by reducing expenditure and some suggestion there may be greater efficiency by maintaining service standards with less money. However, evidence on improved performance is notable by its relative absence, aside from two case studies providing data which suggests that the quality of a specific service, audit in council's A and B, had improved.

2.8. Has the shared services arrangement achieved the authorities’ rationale for sharing services?
Returning to the opening paragraphs of this section, it is clear that interviewees from case study local authorities suggested that the rationales for using the model were to reduce expenditure, offer business resilience, and the intention to test a new model of service.

Overall, the rationales offered above appear to have been partially achieved. Some savings were achieved by each case study. New models of service have been tested and there is some indication that case authorities intend to refine and develop shared services arrangements in the future.

Three interviewees from council A indicated that at least part of the rationale for using shared corporate services – even though it had now ceased – had been achieved, as it reduced expenditure:

‘I presume the money was saved because savings were taken at the time with a reorganization. We have used new best practice approaches to audit services too’
(Service Manager, council A).

All of interviewees from council C suggested that the use of shared corporate services had achieved part of the rationale for sharing services: the aim to reduce expenditure. However, this is tempered as the savings may not have
achieved the savings target set, or fully delivered against other aspects of the original rationale:

‘In terms of our predictions in the business case, we have not met the financial targets as set by the business case… However, we have made savings through partnerships. They have been slower in coming forward than we would have liked. I don’t think we’re necessarily unusual in that… In terms of resilience, yes [we have improved] but it is a longer-term development and might be difficult to show this in some of the partnerships. But for example, we can show this in some cases. So yes we’ve achieved, but perhaps not as far as we would like as fast as we would like’
(Director, council C).

Two interviewees (Directors) from council D felt the original intention of using shared corporate services had been met, with some lower level savings achieved, trust and relationships established.

The notion of resilience received significantly less attention when interviewees were considering whether shared corporate services had achieved the original rationale. One Service Manager from council A commented that they believed all the benefits of partnership had been achieved ‘and a future partnership now would only improve resilience’ suggesting that the sought-after resilience had not be provided. A colleague felt that though the partnership had ceased ‘it was a very positive experience, it brought new methods and a fresh view… though came to a natural split’ (Service Manager, council A). However, no interviewees suggested that some of the expected resilience had been achieved. One officer described a ‘murky end’ to the partnership, stating:

‘I think we’re disappointed with the whole partnerships area. It promises a lot but hasn’t delivered a great deal. But we’ve got to reduce our costs and we’ve got to improve our resilience. We will be taking a shared services direction. We’re just working on a different commissioning and sourcing strategy’
(Service Manager, council A).

In addition, there is a suggestion from council C that they have improved their approach to establishing and managing shared service arrangements and will share services in the future.
‘The improvement partnership [between four authorities] made a decision to collectively put a small amount of money into a business transformation team to do the analysis required before concluding there really is a business case. One of the products of that is we’ve had other benefits. If at the end of the day we’ve decided not to share… all of us have reduced our costs, even if we didn’t get to the sharing stage’ (Director, council C).

Early models of shared services were recognized as flexible, relatively informal, and emerged as a pragmatic response to an opportunity such as a manager leaving an organization. This approach has then been developed and extended to set up a formal review structure and programme to consider business cases to share services, with a clear focus on reducing cost and maintaining service standards. Services delivered through a shared model to date are relatively small scale.

3. Validity of theoretical propositions

This section of the chapter considers findings from the qualitative research. It is structured around the propositions regarding the use and performance of shared corporate services to consider how they relate to the implementation, operation and performance of the models in each case study.

3.1. Do shared corporate services create economies of scale and result in improved performance, or are there limits to scale?

The dominant theory suggests that sharing services will create economies of scale (Ruggini, 2006; Schulman et al, 1999) using a collaborative arrangement to improve performance (Lowndes and Skelcher, 1998). Arguments for the benefits of scale suggest management costs and other overheads can be assigned across several services (Stigler, 1958). Greater purchasing power can reduce costs (Shepherd, 1990), and specialist staff, resource can provide greater efficiency (Boyne, 1996a) and reduce duplication (Lomax, 1952). This suggests that economies of scale will improve the performance of corporate services, particularly against measures of economy (and cost), efficiency
(Boyne, 2002), and quality, effectiveness and user satisfaction (Normann, 1984; Osborne 2011; Gronroos, 2000b). The counter-proposition suggests that increases in scale beyond a certain point will result in deteriorating performance (Downs, 1967; Niskanen, 1971) and smaller units will achieve better results (Tiebout, 1956).

There is limited evidence that significant scale has been create through any shared services arrangements considered in this study. Though in theory, a shared service arrangement may serve a larger client base, there is little evidence that administrative duplication has been reduced in the models observed. At the centre of each shared service arrangement was a shared senior management post(s), with development of some joint projects, a shared workplan, some shared learning and development to increase skills of teams. Two case studies indicated use of a shared ICT system. There may be an intention to develop shared services longer-term with a more formal approach, but the initial models described in this study are more akin to a shared senior manager, supported by some joint projects or activities, and a high-trust relationship between two neighbouring authorities. There was limited evidence of the development of specialisms, and occasional allocation of resource across authorities, reduction in input costs or duplication. Further, the operational changes made by using shared services are restricted. There is limited evidence that the input costs have fallen substantially. The forms of shared services observed have made few substantial structural or organizational changes to create greater scale.

Within council A, there is some limited evidence that use of shared audit services reduced duplication – through sharing some elements of an audit plan, and replicating audit similar audit exercises in both authorities. Both partners retained separate services and purely shared a management role. A similar form of sharing was in place within council B, with two senior management posts shared between two authorities and some shared projects or activities.

Council C suggested some evidence of additional scale being created, with use of a shared ICT platform, some reorganization of legal services to reduce
duplication of management roles and to reduce external legal fees. However, as with other case studies the key changes to service delivery were chiefly focused on the shared use of a senior manager, who implemented a number of changes as to how the service was provided and little evidence of additional scale is presented.

Documentary evidence and interviews with officers indicate that the use of shared services has had mixed impact on performance, with few interviewees citing any improvement of performance. There were few responses from interviewees which suggest that the use of shared services actually improved performance. However, some data pointed towards a limited but positive impact on specific dimensions of performance, cost and implied efficiency, and suggestions of improved quality in two audit arrangements. This must be tempered by the recognition that one of the shared services arrangements has now ceased and has not been replaced, and a second shared service arrangement has been replaced by the authority contracting a service from the upper tier authority. There is evidence of improved financial performance, by reducing expenditure. There is some indication of greater efficiency by maintaining service standards with less money. This is offset by the absence of evidence suggesting improved quality, satisfaction or effectiveness – reiterating the insight from services logic suggesting greater scale or complexity can adversely impact services to the customer (Normann, 1984; Gronroos, 2000b).

There is some limited evidence that there is a limit to scale within the models observed, given the weak foundations and limited organizational changes. Drawing on the data from council A, there is an implication that the design of this smaller shared services operation was inadequate to meet the demands of three local authorities, and the model would need to be redesigned to develop capacity. To conclude, there is no visible relationship between the form of sharing corporate services used and the creation of scale. Further, there is little evidence that the shared services arrangements studied actually improved performance.
3.2. Do shared corporate services benefit from, and achieve, reduced supervision costs?

The secondary proposition relating to use of shared corporate services in local government is the notion that partnership working can reduce supervision costs. In theory, the shared service arrangement provides a mechanism for this to happen (McQuaid, 2010; Lowndes and Skelcher, 1998), owing to high-trust relationships and benefiting from lower supervision costs (Brown and Potoski, 2003; Entwistle, 2010: 165). The counter perspective argued that a shared service arrangement may feature difficult partner relationships and can result in an adverse impact on performance (Waterman and Meier, 1998, Gomez-Mejia and Wiseman, 2007).

It was suggested in that as shared corporate services are likely to feature longer-term relational contracting, they are likely to produce better results than internal or outsourced provision. What is most striking and consistent across all four case studies is the form that the reported shared corporate service arrangement takes. In all cases (and in the quantitative research study), all examples considered are based upon a relationship between two or more local authorities. At the heart of the relationship was a shared senior management post or posts. This change was supported by other areas of change such as work planning, some skills development, some access to additional skills, and in one case a common ICT platform. The core of the shared corporate services model reported in this study is more accurately described as a shared management arrangement, within a collaborative arrangement between two local authorities. The case studies suggest that the use of shared corporate services may have had a positive impact on specific dimensions of performance; reducing expenditure, and maintaining service standards.

It is possible to draw some initial lessons regarding supervision costs within a shared services arrangement between two local authorities. The strong relationship between partners, high levels of trust, existing positive relationships and political alignment were all cited as key to the selection of the model and partner with whom to work. There was limited emphasis on contracts, service level agreements or monitoring activity, suggesting that partners were satisfied
to use light-touch supervision arrangements, given (in theory), trusting relationships were in place. In turn, the ability to use a light-touch monitoring arrangement appears to have led to some reduction of the cost of the service provision.

The process to develop a shared services arrangement appeared to begin with a strong relationship, a shared intent to consider the opportunity to work together beforehand then agreeing a model and reaching agreement. This finding suggests that local authority partners may see one another as credible partners, with pre-existing relationships and trust at officer and political-level helping to facilitate the creation of a shared services function. However, within each case study, there was recognition of potential areas of tension which could have an adverse impact on performance, including workload allocation, responsibility and financial implications.

It is also vital to point out that the challenges of the principal-agent relationship are not removed by working through a shared services arrangement. The experience of council A offers a cautionary tale. Tensions between partners, misalignment of goals and ambitions, and concerns over the capacity of the model brought the end of the partnership. This case study suggests that the shared corporate services arrangement ceased owing to misalignment between the objectives of three partners, a service design which did not meet the needs of all clients and discrepancies between the longer-term vision of the principal and the agent. There is some anecdotal evidence that the inadequate service model, coupled with misalignment of the vision and direction of different partners, had resulted in some performance decline (or fear of performance decline). There was no governance framework, approach or principles which could be applied to maintain the partnership.

The argument that shared services benefit from lighter monitoring arrangements appears to be an Achilles heel, with experiences from authorities in this research project suggesting that a lack of supervision, misalignment and tensions between partners brought out the end of a shared services
partnership. This raises serious concerns over the stability of this form of partnership, and the credibility of the supervision rationale in this context. It may be hypothesized that there is a relationship between the flexibility of the partnership arrangement and performance and sustainability of the partnership. This would be demonstrated through an ability to withstand tensions, pressures or changes within the partnership, and high-trust relationships which allow the arrangement to operate effectively.

The ability to share the costs, and skills, of a senior manager(s) and high-trust partnership relationships, suggest that the ‘supervision’ rationale (Entwistle, 2010) underpins the operation of the shared corporate services arrangements considered in this study. Paradoxically, the informality of the partnership and potential for challenges in the relationship between partners undermine the ability of the partners to reduce supervision costs and provide adequate services. Indeed, the potential and presence of conflict can counter act the benefits of reduced supervision costs, even ending the partnership. The counter-proposition suggesting that adoption of shared services may result in a decline in service performance owing to challenges in the partnership relationship resonates, with one local authority shared services partnership coming to an abrupt end amid tensions between partners.

3.3. Is effective operation of shared services dependent on effective implementation?

The secondary proposition asserted that successful operation of shared services is not purely based on the design phase, but dependent on effective implementation processes (Osborne and Brown, 2005: 129). As a new form of service delivery, based on an inter-organizational partnership, the use of rational management techniques allows for evaluation of different options, setting a clear direction and objectives, allocation of resources in line with priorities, channelling efforts, and a effecting a well-designed and sequential implementation plan to embed the chosen option (Boyne and Gould-Williams, 2003; Osborne and Brown, 2005). The importance of rational management was emphasised by policy advocates (DCLG, 2006d: 16; DCLG, 2006a). In addition, the proposition also suggested that the implementation of shared
services would also benefit from political negotiation approach. As the shared service arrangement is designed, implemented and operates across separate and distinct organizations, the ability to identify, negotiate with and influence key partners is vital (Osborne and Brown, 2005: 205).

Across all four case studies, the initial design of the shared services partnership was relatively informal. The process to select partners leaned heavily on existing officer and political relationships between neighbouring local authorities, with 7 of 20 interviewees pointing towards the creation of shared corporate services and pragmatic, opportunistic or the extension of an existing relationship. This may in part reflect the form of partnership adopted in each case. Trust and strong relationships were frequently cited as crucial the establishment and operation of the shared services models. The processes to establish the new shared services arrangement were described as flexible or informal. Very few references were made to using a structured approach to developing shared corporate services.

Within both council A and council B, there were no references to activities associated with rational management approaches – data collection, options appraisal, business cases, formal project planning, a clear implementation plan. In both cases the design of the model and methods to effect the new arrangement were informal, based on higher level officer (and political) discussions between two authorities who had a prior relationship. The resulting models were relatively superficial, based on shared access to a senior manager for a discrete back office function, with few changes to the organization and provision of services. There were no references to any implementation or change management activities to support the new operating models, and no references to any risk management or mitigation activities to support the new arrangement. The informality of the design and implementation processes may have undermined the stability of partnership, as interviewees recognized the potential (or existence) of tension within the arrangement and the absence of a governance structure to help resolve or reconcile tensions. In both cases, the shared services arrangement came to a premature end: in council A, the service terminated and returned in-house; and in council B the service ceased.
and bought in from the county authority. There is no evidence that rational management techniques - data collection, options appraisal, project and risk planning - were used in the design of the model or the implementation processes. It is conceivable that an absence of rational management techniques undermined the successful design, operation and performance of shared corporate services in council A and council B.

However, the case study featuring council C suggested greater use of rational planning techniques, with four of five interviewees citing the importance of a formal review and decision process when considering the use of shared services. In addition, the case study suggested that the early shared services arrangements were initially considered through informal partner discussions, and then formalized into a shared services model. The approach to partnership was formalized through the creation of a four-way local authority improvement partnership, establishing a clear relationship between partners, a review programme, methodology, and decision-making structure to consider further shared services opportunities. There is some evidence which suggests a rational planning approach has been used in the development of shared services, with a formal governance structure and process established between partners to consider shared services opportunities. This required initial investment, a team in place to develop business cases to consider shared services, and a political-level decision structure to opt in or opt out of particular shared services structures. Several senior officers indicated the importance of both political negotiation and partner relationship development, along with the development of robust business cases for shared services. The direction for use of shared services differs from councils A and B, as the shared services arrangements remain in place, have achieved greater savings and further shared services models are under development. The council D case study suggested that the original intention for shared corporate services was to use relatively informal methods of service design, with limited service changes. Following the appoint of the joint Chief Executive Officer and management teams, there appears to be a greater focus on the importance of rational planning – reviewing the business case, data, and service design – in creating a shared service, though this work was incomplete at the time of the case study.
Turning next to the use of political negotiation in the design and implementation of shared services, there are two key themes to highlight. Firstly, in all case studies, the importance of strong local political relationships was seen as crucial to the design of the arrangement, the impetus to test the model, and the choice of partner. Secondly, the formality and the depth of the political negotiation approach differs across case studies from relatively light-touch discussion prior to testing a model (councils A and B) to clear governance structures and decision-making bodies (councils C and D). Across all case studies, the ability to work with another local authority appears to have motivated the selection of the partner. Fundamentally, the success of the models is also closely linked with the relationship between partners, in the case of council A the souring of the relationship leading to a termination. In all cases, the initial shared service arrangement appears to have been opportunistic and pragmatic, with a limited model based across two partners. Engagement at senior officer and political levels were cited in all studies. However, the ability to use an informed approach to political negotiation at different levels and with stakeholder groups varies across cases. Within council A, three limitations of the political negotiation approach can be highlighted. Firstly, the case suggested that there was limited senior management and political leadership activity to influence and negotiate the direction and objectives for the shared services entity. Secondly, the governance and decision-making mechanisms of the shared service arrangement appeared to be not well formed, meaning that the future planning of the arrangement not influenced by leaders of council A but led by the partner authority. Thirdly, interviewees pointed towards staffing challenges which put pressure on the partnership, from allocation of time across partners and the logistics of access to senior support, with no apparent strategies in place to resolve challenges within the service operations and influence stakeholders involved at this level. Within council C the political negotiation approach appears to be more developed. Firstly, by identifying four local authorities who could be delivery partners, and creating a governance structure with senior officer and political representation to agree and set objectives and direction. Secondly, by developing a joint business transformation team, with key team members from council C seconded to the team, with influence in the review
process. Finally, by engaging with key stakeholders at political, managerial and service-delivery levels in the review process, to gain insight and support at different stages of the review.

This analysis suggests that there effectiveness of the implementation process does have a relationship with the effectiveness of the shared service entity. There is a connection between the effective operation and performance of the shared services arrangement, and the effectiveness of the implementation processes. In this study, there is a negative link: an absence of rational planning and a superficial approach to political negotiation gave weak foundations for shared corporate services in two case studies and contributed to the collapse of the shared service arrangement. A limited vision and design for the new shared entity was compounded by weak implementation processes. However, the example of council C suggests that a more formal and planned approach to design and implementation, and a political negotiation approach including a formal governance and decision-making structure may give a more robust foundation for shared services. This has not necessarily translated into significantly improved perception of performance, though financial benefits have been realised.

4. Integrating quantitative and qualitative findings

4.1. Quantitative findings
The quantitative research method generated strong findings. The survey revealed no data to demonstrate that sharing services results in better performance than alternative service models. There is data which suggest an opposite trend, with statistically significant data which indicates the quality of service provision is greater in internal delivery models. Further, when considering whether shared services results in improved performance, the perception of clients of shared services suggests a consistent picture across all four elements of performance (economy, efficiency, quality, and satisfaction). Authorities making more extensive use of shared services were more likely to report a negative perception of performance, post-implementation.
The data from the quantitative research offers no evidence of improved performance from use of shared corporate services, and a weak link between the dominant proposition which suggests shared services will improve performance by creating scale. Given the negative performance trends reported, there may be a link with the secondary proposition, which argues that shared services partnerships benefit from and depend on high-trust relationships, and with the counter-theory suggesting that challenges in the partnership relationship can adversely impact on performance.

The data available from the qualitative research exercise can provide a richer understanding of how shared services operate, seeking to identify whether shared services do create scale or not, the nature of the partnership relationship, and the operation of the arrangement.

4.2. Qualitative findings
As with the findings of the quantitative research activity, the case study method suggests that the shared corporate services models used are relatively small scale, representing only a small part of corporate services provided through a shared method.

The models reported to be shared corporate services are better described as a shared management arrangement, within a partnership between two or more partner district councils. Significantly, the documentary evidence and case study interviews suggest that the model may achieve a reduction in cost, but with emphasis placed on building resilience in smaller authorities and maintaining the existing performance levels. There is scant evidence to suggest that shared services are perceived to have actually resulted in performance improvement.

The data generated through the qualitative research methods does not indicate the creation of significant economies of scale. Instead, the ability to access a skilled manager, with a lower transaction costs owing to high-trust relationships and less access to the manager appears to have greatest resonance with the
model of service reviewed in these case studies. Trust and strong relationships were frequently cited as crucial the establishment and operation of the shared services models; and conversely, absence of these factors seem to have led to the collapse of a shared service arrangement in one case study.

The qualitative research suggests a weaker link between the models of shared services observed within the case studies and the dominant theory. Though there is evidence suggesting that sharing services may reduce costs, any performance improvement is less apparent, and the demonstration of scale is largely absent. Given the models observed, the secondary proposition suggesting that high-trust partnership relationships will reduce supervision costs appears to have a stronger link. There is a counter argument here too suggesting that deterioration in the partnership relationship can result in disruption or an end to the partnership. In addition, there does appear to be a relationship between the successful operation of the model and the effectiveness of the implementation processes used.

4.3. Relationship between quantitative and qualitative data
There are clear points of continuity between the findings of both research methods. The quantitative data suggests small scale shared services arrangements, with more negative performance compared to other service models, and evidence indicating the larger the shared services arrangement the worse the performance. The qualitative data reinforces the view that shared services are relatively small scale, suggesting that they are informal and largely based around sharing a senior role.

The quantitative research method revealed no evidence of performance improvement using shared services. The qualitative research tempers this finding, by presenting data which suggests that costs have been reduced by use of the shared services model. In addition, in several case studies, performance was argued to have ‘been maintained’ rather than diminished. There are potentially three reasons for this different interpretation of performance. Firstly, the qualitative research studies took place over twelve months after the quantitative research, so the shared service arrangement may
be more established in the second phase of research. Secondly, the qualitative research activity took place against a backdrop of the comprehensive spending review, indicating local authorities would be required to make significant savings and would need to consider different methods to reduce expenditure. Thirdly, through face-to-face interviews, participants may be more likely to describe performance and operation more positively.

The findings of the qualitative research phase are useful as part of a mixed methods research exercise. There are two areas where findings differ to the quantitative research findings; evidence of reduced costs and more ambiguous data relating to performance. This does not detract or undermine the quantitative research findings. The overall impression of performance remains consistent as there is no clear evidence that sharing services results in improved performance. Further, the qualitative research enables better analysis of theoretical propositions, suggesting that the shared services arrangements are limited in size, scale and impact and enabling richer analysis of the relationship with theoretical propositions.

5. Conclusion
Findings from the qualitative element of the research exercise result in a different picture of what shared corporate services are and how they operate. Most significantly, the shared corporate services models used in the four case studies are firmly located towards the informal and collaborative end of the spectrum of models available. There has been limited use of shared services, with the arrangements considered in this study small scale and covering a small proportion of one or a small number of corporate services. The qualitative research exercise shows that the shared service arrangements have limited depth and reach. The models reported to be shared corporate services, upon examination are comprised of a shared senior management post, within a collaborative partnership between two local partners who largely have existing strong relationships, more closely related to Oaskerson’s (1999) model of co-ordinated production. The rationale for using shared corporate services may reflect the model chosen. There is some indication of a reduction in cost, but
significant emphasis placed on building resilience in smaller authorities and, if not improving, then at least maintaining the existing performance levels.

The changes effected by using shared corporate services are limited, with the main emphasis being a shared management post, joint work planning and some access to specialism or additional resources. The performance effects seen are at best ambiguous with scant evidence of shared services arrangements driving improvement. The partnerships themselves do not necessarily have a strong contractual element or robust footing, with one arrangement ceasing before the case study took place, and one being superseded by a county-wide shared service. The argument that shared services benefit from lighter monitoring arrangements appears to motivate the use of the model, and can be used to derive some financial gains. However, arrangement should be used with caution as there may be a fundamental flaw in the argument that shared services benefit from high-trust relationships between closely aligned partners. Experiences from authorities in this research project suggested that a lack of supervision, misalignment and tensions between partners brought out the end of a shared services partnership. This raises serious concerns over the stability of this form of partnership.

Across all four case studies, the form the partnership took appeared to be relatively loose and informal. The process to select partners leaned heavily on existing officer and political relationship between neighbouring local authorities. This may in part reflect the form of partnership adopted in each case: sharing a senior management post between two or more authorities, with the manager effecting lower level changes to how the service operates. Trust and strong relationships were frequently cited as crucial the establishment and operation of the shared services models; but, a lack of trust, difficult partner relationships and misalignment of goals can lead to dysfunction or deterioration of the partnership arrangement.

Evidence from two case studies suggests that there is a link between the effectiveness of the implementation processes and the results achieved by the partnership; potentially undermining the successful operation of the model. A
third case study authority which used a more developed approach to implementation (and had a stronger performance, planning and partnership background) achieved greater financial savings and appears to have a more robust foundation for the arrangements including a clear review, decision and governance process.

Having considered the findings of qualitative research and related this to the findings of the quantitative research exercise, the following chapter brings together this research study through a concluding chapter. The conclusion reviews the key points of each chapter within this study, offering reflections on the performance of shared corporate services and the relationship with theories which support or challenge the model. The conclusion then closes by drawing out key lessons for theory, methods and policy.
Chapter 8: Conclusion

1. Introduction

This thesis has offered the first study evaluating the use and performance of shared corporate services in English local government. The theoretical foundations and policy drivers which underpin the shared services reform agenda have been unpacked, outlining the propositions which underpin shared corporate services. At the same time, alternative theoretical perspectives have been explored, challenging the expected benefits of using shared corporate services, and offering alternative mechanisms to explain effects observed. As part of the study, the shared services and collaboration fields of literature were reviewed. A theory-driven research framework has been applied, using a mixed methods research strategy to gather data to enable evaluation of whether using shared corporate services results in improved performance. Quantitative and qualitative data present some interesting patterns which suggest some far-reaching conclusions and implications. To date, the use of shared corporate services within English local government is limited, both in terms of the extent of use across the sector and the depth of application. Models used appear to be relatively superficial and effectively representing a shared management arrangement rather than a fully shared service. Finally, where shared corporate services are in place there is evidence to suggest that performance does not improve but may be perceived to decline.

This chapter has three key aims. Firstly, to revisit the questions considered by this study and provide context for the conclusions reached. Secondly, to review each chapter within the thesis, setting out the research questions posed, the process followed, and highlighting key findings. The third and final section of this chapter reflects on the theoretical, methodological and policy implications of these findings.
2. Background to the study

The use of partnerships to design and implement policy, and to deliver services, has received considerable attention in recent debates about the management and performance of public organizations. Partnerships are recognized as a key tool of policy makers (Entwistle, 2010: 164), reputedly providing mechanisms to improve service effectiveness and efficiency. Partnerships between public bodies are hypothesized to enable service improvement. Warner and Hebdon (2001: 322) argue that the public-public partnership model ‘allows governments to achieve economies of scale while keeping services in the public sector’. Shared services are a specific form of public-public partnership, with the intention to improve the performance and reduce the costs of corporate services (Schulman et al, 1999; Bergeron, 2002; Hogg, 2003; Ulrich, 1995; Dolley and Grant, 2010; Ruggini, 2006). Boyne (2003) offered a cautionary caveat, commenting that the outcomes achieved by a partnership arrangement depend on ‘whether they are able to mobilize more skills and resources than single organization acting in isolation’ (Boyne, 2003a: 371).

In the policy arena, the central government advocacy for shared services was clear. Local authorities were challenged to engage in new ways of working to improve performance and reduce costs. Shared services were portrayed as potential models which could achieve these aims. Cabinet Office estimated savings of £1.4 billion from expenditure on finance and human resources, noting that ‘savings reported to date are relatively small’ (National Audit Office, 2007: 7 - 8).

The adoption of shared corporate services has advanced far ahead of academic theory, research or analysis. There has been limited exploration of the theoretical basis of shared services in the public sector, scant research into how shared services have performed in the public sector and a small field of literature. To overcome this research gap, this thesis set out firstly to understand the theoretical foundations upon which shared services are based. The initial literature review looked widely at theory and evidence on shared
services and collaboration, including the operation, partner relationships and the more limited evidence on performance of partnerships.

It is evident that the consideration and endorsement of shared corporate services is a major policy development, requiring academic research and critique. The starting point of this research project was to understand the foundations and performance of shared corporate services, the rationale for use of shared services and the models used. Fundamentally, the aim was to determine whether sharing corporate services did result in reduced costs and better performance; and if so, to provide a meaningful understanding of the cause any perceived performance improvement. To achieve this aim, it would be necessary to identify which authorities are using shared corporate services, the models used, the operation of the partnership, and assessment of the performance of corporate services.

3. Overview of the thesis

In the first chapter of this thesis, sharing services was defined to reflect that responsibilities, activities, operations (and other functions) are not solely provided by and within one authority, but between organizations or on behalf of more than one organization. To provide clarity the study adopted the following definition of shared corporate services: ‘joint-working between local authorities or other public sector bodies to organise the commissioning, provision or delivery of services jointly’ (DCLG, 2006d: 6).

There is a continuum of options for sharing corporate services, from relatively informal collaboration such as sharing expertise and knowledge, to a service commissioned on behalf of two partners, or a commercial trading operation (Ruggini, 2006; DCLG, 2006d). Services can be provided through a method of co-ordinated production, joint production (using a single production unit), or contracting between local authorities (Oakerson, 1999). The more formalized and more developed shared services options would be expected to demonstrate some of the following features: distinct governance, standard processes, economies of scale, customer driven service and continuous
process improvement (National Audit Office, 2007: 13). The models reviewed within both the quantitative and qualitative research stages demonstrated that each shared services arrangement had the hallmarks of a relatively informal collaborative venture using forms of ‘co-ordinated production’.

The first chapter in this thesis set out the context for the study, highlighting the theoretical setting in which shared services are located. Partnerships have been used extensively to develop and implement policies, and increasingly, for service delivery. Shared services are a particular form of public-public partnership, intending to reduce service cost and achieve performance improvement. The chapter also set out the aims of thesis and the broad research framework. Analysis of shared service policy documents suggested economy (cost), efficiency and quality could improve as a result of using the shared service model. The thesis used a theory-driven research framework, to investigate the following: How was service performance expected to change? How was the service implemented and how does it operate? How did the shared service perform, and against which dimensions? How do shared services perform compared to other forms of delivery? What is the relationship with theory? Does a shared service model achieve reduced costs and improved performance? The quantitative and qualitative research activities allowed evaluation of the performance of shared corporate services. The evidence presented by this study was clear; adoption of this model did not necessarily result in performance improvement.

The second chapter provided a comprehensive literature review, noting that the literature specific to shared services is limited. To bridge this gap and understand theories underpinning shared corporate services, chapter two reviewed the wider collaboration literature. Theories which suggest that public-public partnerships can benefit from scale (Sullivan and Skelcher, 2002; Warner and Hebdon, 2001) have particular relevance to this thesis, and clearly relate to the proposition that shared corporate services can improve performance through the creation of a scale within a partnership. Furthermore, the arguments in favour of shared services connect with the supervision rationale (Entwistle, 2010: 165), suggesting that positive and trusting relationships
between partners foster success, and derive benefits from lower supervision

costs (Williamson, 1991; Brown and Potoski, 2003). The literature also reveals

awareness that there may be disadvantages associated with collaboration, with

potential barriers to success (Vangen and Huxham, 2010) and the potential for
difficult relationships between partners (Ranade and Hudson, 2003). The view

that partnerships could be disrupted by difficult relationships is based upon an
interpretation of principal-agent theory, asserting that the presence of multiple

principals could make goal alignment, trust, and communication more

challenging (Besley, 2006; Gomez-Meier and Wiseman, 2007). While the

existing studies point towards the conditions of existing partnerships and factors

which may influence success, there are few studies which evidence outcomes

or outputs of using partnerships. Finally, the review of previous literature

suggests a need for more comparative and quantitative studies, and research

into how an inter-local authority partnership operates.

The third chapter sets out a theoretical framework for the research, drawing on
academic and policy literature advocating the use of shared corporate services.
A policy framework was introduced, recognizing that the shared services reform
agenda has an implicit theoretical foundation (economies of scale). This is
made explicit by reviewing the content of central government policy documents
supporting the use of shared services (NAO, 2007; DCLG 2006a; DCLG,
2006b; DCLG, 2006c; DCLG 2006d). The operational changes thought to be
effected by shared corporate services include providing services to more than
one organization (NAO, 2007: 13), and creating additional scale (DCLG, 2006b:
30). Shared services are proposed to result in reduced costs, greater efficiency
and improved outputs – learning from convention economic theory (Boyne,
2002) but could also result in improved quality and satisfaction if the reform is
based around the customer needs and relation (Normann, 2001.

It has become clear that central to the shared services reform proposal is the
proposition that greater economies of scale will deliver improved performance,
an effect which can be accomplished by local authorities entering into a
partnership arrangement (DCLG, 2006b: 36). Secondly, it is asserted that the
shared service model benefits from high-trust partnership relationships.
Detailed exploration of the literature interpreted, enhanced and made explicit the assumptions of the shared service reform initiative, identifying the theoretical perspectives upon which the model is founded. Having explored the dominant and secondary theories, the chapter also incorporated analysis of alternative and competing theories which challenge the use of shared services. This includes theories suggesting there are limits to the benefits of scale, and the challenges of the principal-agent relationships and supervision costs.

The fourth chapter outlined the research methods applied. The thesis used a theory-driven research framework to evaluate performance, and understand the relationship between findings and the propositions underpinning the reform (Boyne et al, 2003: 5). A mixed methods research strategy was selected, aiming to generate perception data to enable evaluation of the performance of shared services, and reflecting an intention to understand how shared services operate. The first phase of research was based upon a survey method to enable comparison between different models of service provision, and to understand how the adoption of shared services is perceived to impact performance. A second phase of research used qualitative methods to engage with comparative case studies in-depth to explore the effects observed in the study in more depth.

Chapter five described how the research strategy and framework was operationalized, using a sequential research design incorporating quantitative and qualitative methods. A survey method was at the centre of the qualitative research phase, extracting information on where shared corporate services are in place, the model used, the performance of services and the performance of services following use of shared services. Data generated through this approach is restricted to perceptions of performance, rather than administrative performance data measuring actual outputs. Through a large data gathering exercise every local authority in England was contacted, generating a total 116 responses from senior managers. 35 local authorities supplied details on how corporate services are provided. Of these 35 organizations, 15 respondents identified a model of corporate services in place. The statistical analysis was based upon the responses provided by the 35 authorities who have indicated
the model used for the delivery of corporate services. For the qualitative research activity, a multiple-case study research was used. Selection of four case studies provided insight into the design, implementation, operation and effects of using shared corporate services. Cases were selected through a two-by-two matrix of performance reported and the percentage of services provided through a shared model, to ensure a range of cases were considered. This featured a high-performing service with higher percentage of shared services, a high-performing service with a lower percentage of shared corporate services, a low-performing service with a higher percentage of shared services, and a low-performing service with a low percentage of shared services. All case authorities were English district councils, and the method incorporated both interviews and documentary analysis.

The sixth chapter set out findings from the survey of English local authorities. The use of shared corporate services was largely reported within two-tier local government, with shared services seemingly in early stages of adoption and no authority reporting more than 20% of corporate services provided through a model of sharing. Typically, the arrangements were small in size, with a small number of services provided through a shared service model. All models reported through the survey featured collaboration between local authorities, using forms of ‘co-ordinated production’ (Oaskerson, 1999). The quantitative research stage revealed two key findings. Firstly, respondents from authorities using shared corporate services indicated a more negative perception of service quality. Within, two-tier local government the data was indicated that both quality and satisfaction were viewed more positively in organizations that do not use models of shared services. This was supported by statistically significant data highlighting this trend. Secondly, when reviewing the performance of organization using shared services arrangements, a clear trend was visible. The greater the percentage of services provided through a shared model, the worse the perception of performance.

Chapter seven outlined findings from the qualitative research exercise. Evidence was more mixed, with a number of interviewees reporting savings arising from the use of shared services. Interviewees indicated that the use of
shared corporate services was typically restricted to one or more smaller service (audit, legal, or procurement). The models of sharing observed tended to be a limited, largely based around the joint use of a senior manager and some shared work planning. To date, the more ambitious shared services models offered and proposed by central government have yet to take hold. The qualitative research suggests that that sharing services may result in reduced costs though not through increased scale. The evidence of performance improvement is less clear, and any demonstration of economies scale is largely absent. This suggests a weaker link with the proposition that shared services create scale and result in improved performance.

The cases suggested that trusting relationships may lead to the development of the partnership, and can help achieve reduced supervision costs. However, the success of the partnership is far from guaranteed. A paradox is apparent here. While an informal shared management arrangement may produce some benefits owing to reduced supervision costs and management costs, questions remain over the sustainability of the model and challenges within the principal-agent relationship which could impact on the ability to reduce supervision costs and provide effective services. Deterioration in the partnership relationship can result in disruption or end to the partnership, fundamentally undermining the argument that shared services benefit from reduced supervision costs owing to high-trust relationships and goal alignment between partners. In addition, there is a connection between the effective operation and performance of the shared services arrangement, and the effectiveness of the implementation processes. In this study, there is a negative link: an absence of rational planning and a superficial approach to political negotiation gave weak foundations for shared corporate services in two case studies and contributed to the collapse of the shared service arrangement. A limited vision and design for the new shared entity was compounded by weak implementation processes.
4. Implications of this study

4.1. Models of shared services

Given the paucity of prior academic research in this field, the study set out to identify: Which authorities are using shared corporate services, which services are shared, and with which partners? While sharing services was widely endorsed and the potential benefits celebrated, the use of shared corporate services appears to have taken a relatively consistent form. All shared corporate services partnerships reported were within two-tier local government, the vast majority of them being operated by district-level Conservative controlled local authorities. The extent of sharing services was limited in three key ways. Firstly, the shared arrangements were not for all corporate services but for a small proportion of corporate services, typically estimated to be 5% - 10% of the total (with one outlying authority with 20%) of services provided through a shared model. Secondly, sharing corporate services appears to have actually focussed on sharing one or no more than a small number of the whole suite of corporate services. Thirdly, given the small scale of the sharing, most collaborating organizations only shared a senior management post rather than created a fully integrated service.

4.2. Key findings

4.2.1. Does sharing services result in improved performance and reduced costs through the creation of scale?

The dominant theoretical proposition asserted that a shared services partnership will bring service improvement and reduction in cost through economies of scale. Two counter theories suggest that there are limits to benefits that can be derived from scale. Firstly, the argument that increases in scale beyond a certain point will result in declining performance; and secondly, that larger units create diseconomies of scale.

The data generated by this study allowed exploration of this theory and the relationship with the operation and performance of shared services. Firstly,
there is limited evidence that significant scale has been create through any shared services arrangements considered in this study. Though in theory, a shared service arrangement may serve a larger client base, there is little evidence that administrative duplication has been reduced in the models observed. The operational changes made by using shared services are highly limited and there is little evidence that the input costs have fallen substantially or that duplication is reduced. The forms of shared services observed have made few substantial structural or organizational changes to create greater scale.

Furthermore, the findings from the quantitative research exercise indicated that authorities using shared corporate services reported more negative perceptions of the performance of services than those who did not use shared corporate services. In this case, a statistically significant trend could be seen for quality of service provision, and within two-tier local government, both quality and satisfaction. In addition, the quantitative research highlighted findings which suggested that the greater the extent of sharing, the worse the performance reported.

Case studies revealed that models of shared corporate services were expected primarily to reduce cost, to build resilience within a service and to modify how the service was provided. There was some evidence to demonstrate savings by use of the shared services model, reducing management costs by sharing a senior post. Documentary evidence and interviews with officers indicated that the use of shared services had limited impact on performance, with few interviewees citing any improvement of performance.

The quantitative research also indicated that larger shared services arrangements perform worse than smaller shared services arrangements. Though the data set is limited in size, a clear trend emerged from authorities which use shared corporate services. The larger the service arrangement, the worse the performance reported. It is conceivable that the model of shared services observed within this study, a shared senior manager with smaller and more limited operational changes, does not lend itself to greater scale. A larger
shared management arrangement may create scale, but equally, may be more complex to operate or manage. It may be possible to hypothesize that the minimal models of shared services observed within this thesis have limits to their size; however, any decline in performance could relate to a number of factors, including complexity of the partnership relationship and management capacity, rather than to assume that this is an effect of scale.

Drawing together the quantitative and qualitative research finding suggests that sharing services may result in reduced cost, but there is limited evidence to indicate that sharing services has resulted in improved performance. There is evidence which relates to arguments from the services literature, suggesting greater scale, complexity or misalignment with the customer can adversely impact on customer experience, quality and perception of services (Normann, 1984; Gronroos, 2000b). The research did not identify scale effects within the case studies observed. These results suggest a weak link with the proposition that shared services create scale and result in improved performance.

4.2.2. Do shared corporate services achieve reduced supervision costs owing to high-trust relationships?

The secondary proposition linked to the use of shared corporate services reflected the theory that shared service arrangements are dependent on high-trust relationships between partners, achieving reduced supervision costs and providing a model to deliver services. Counter theories suggested that adoption of a shared corporate services partnership will result in a decline in service performance, owing to challenges in the partner relationship.

The quantitative research provided little evidence that the use of shared corporate services results in improved performance or lower costs. Although the qualitative research findings suggested that the use of the model had reduced costs, few interviewees suggested that services have improved as a result of the introduction of a shared arrangement, though existing standards of service had been maintained. The quantitative data suggested a negative relationship between sharing services and performance, with other models of provision reporting better perception of performance.
Using case study data, it is possible to draw some initial lessons regarding supervision costs within a shared services arrangement between two local authorities. The strong relationship between partners, high levels of trust, existing positive relationships and political alignment were all cited as key to the selection of the model and partner with whom to work. The ability to reduce management costs by sharing a senior manager also appears to be based upon high-trust relationships between partners. Access to a joint, skilled Head of service was recognized as central to the shared services arrangement, supported by some shared projects and joint work planning. Where high-trust relationships were absent, or where the relationship deteriorated, the operation of the shared services was put at risk. This confirms that the supervision rationale (Entwistle, 2010) underpins the operation of the shared corporate services arrangements considered in this study. As well as being central to the success of the shared management arrangement, challenges in the principal-agent relationship can also fundamentally undermine the operation and performance of the shared services arrangement. It is also vital to point out that the challenges of the principal-agent relationship are not removed by working through a shared services arrangement, as tensions between partners over time allocation, vision and direction were reported in case studies. Furthermore, the experience of council A offers a cautionary tale. Tensions between partners, misalignment of goals and ambitions, and concerns over the capacity of the model brought an end to the partnership. This provides evidence to suggest that difficulties in the partnership relationship can have an adverse impact on performance and undermine the theory that shared services are based upon, create and benefit from reduced supervision costs. Experiences from authorities in this research project suggesting that a lack of supervision, misalignment and tensions between partners brought out the end of a shared services partnership. This casts serious concerns the sustainability of this model of shared services, and application of the supervision rationale in this context.
4.2.3. Is success of the shared services model dependent on effective implementation processes?

The secondary proposition asserted that successful operation of shared services is not purely based on the design phase, but dependent on effective implementation processes. In this study, it was proposed that the effective implementation would draw on both rational management and political negotiation approaches, to set a clear direction, evaluate options and carefully plan implementation – while also maintaining relationships between partners. The use of rational management techniques allows for evaluation of options, allocation of resources, prioritisation, and a effecting a well-designed and sequential implementation plan to embed the chosen option (Boyne and Gould-Williams, 2003; Osborne and Brown, 2005). As the shared service arrangement is operates across separate and distinct organizations, the ability to identify, negotiate with and influence key partners is vital (Osborne and Brown, 2005: 205).

In two cases (council A and council B), there was very little evidence which suggests that activities associated with rational planning were used. The selection of the partner and the chosen model were seen as opportunistic, pragmatic and giving the chance to test a new model. No references were made to data collection, options appraisal, business cases, formal project planning, implementation planning or change management activities. In both cases the design of the model and methods to effect the new arrangement were seen as informal with few changes to the organization and provision of services. The informality of the design and implementation processes may have undermined the stability of partnership. In both cases, political negotiation approaches and partnership governance appeared to receive little attention. A contrasting the example comes from council C, suggesting that a more formal and planned approach to design and implementation, and a political negotiation approach including a formal governance and decision-making structure may give a more robust foundation for shared services. This has not necessarily translated into significantly improved perception of performance, though financial benefits have been realised.
There is a connection between the effective operation and performance of the shared services arrangement, and the effectiveness of the implementation processes. A limited vision for the shared service model is compounded by a weak implementation process. In this study, there is a negative link: an absence of rational planning and a superficial approach to political negotiation gave weak foundations for shared corporate services and contributed to the collapse of the shared service arrangement. In one case, there is more evidence of an effective implementation process and governance structure, the shared corporate services arrangements achieved greater savings, had greater stability and the organization intends to extend the use of shared services in the future.

The key findings can be summarized in the table below.
<table>
<thead>
<tr>
<th>Theory proposition</th>
<th>Findings</th>
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| **Proposition 1:** A shared services partnership will bring service improvement and reduction in cost. The main mechanism to achieve this is through economies of scale. | Limited evidence that shared corporate services arrangements have created scale or scale effects or resulted in improved performance.  
Quantitative data suggested a negative relationship between sharing services and performance.  
Qualitative suggested that sharing services has reduced costs, with little evidence of improved performance. |
| **Secondary proposition 1.1:** Shared service arrangements benefit from high-trust relationships between partners, with lower supervision costs. | Qualitative data suggested there is a stronger relationship with the proposition suggesting that high-trust partnership relationships can reduce management costs.  
Trust and strong relationships were frequently cited as crucial the establishment and operation of the shared services models. |
| **Secondary proposition 1.2:** Successful operation and performance of shared services is dependent on effective implementation processes. | Qualitative data suggested that weak design and poor implementation undermined the shared services model. |
| **Counter-proposition 2.1:** Increases in scale beyond a certain point will result in deteriorating performance. | Quantitative data suggested that in the models used (shared management) there is potentially a negative relationship between size and performance. |
| **Counter-proposition 2.2:** Larger units will create diseconomies of scale. Smaller units, greater fragmentation, and competitive pressure will improve performance. | Quantitative data suggested that in the models used (shared management) there is potentially a negative relationship between size and performance. |
| **Counter-proposition 2.3:** Adoption of a shared corporate services partnership will result in a decline in service performance, owing to challenges in the partner relationship. | Quantitative data suggested a negative relationship between sharing services and performance.  
Data gathered from case studies highlighted the perception that tension in the partner relationship could result in deterioration of performance. This could include dispute, financial implications or misalignment of goals. One arrangement was reported to have ceased, with misalignment of goals a key factor. |
The findings of this study are significant. Shared corporate services have been limited in the extent, breadth and the depth of application within local government. Where shared services have been used, clients perceive performance to be more negative than respondents from authorities where there are no shared corporate services in place. Furthermore, the greater the extent of shared services, the worse the performance reported. Having observed results which run counter to the dominant theoretical perspective, it is appropriate to review potential limitations of the research, before considering implications for theory, research, and policy and practice.

4.3. Potential limitations of the research

This thesis has presented findings which indicate that shared services have been implemented in a limited form, based around a small scale arrangement to share a senior manager(s) between local authorities. Contrary to the Labour government’s policy rhetoric, the findings of this thesis suggest shared services in English local government are not perceived to generate performance improvement. There is, however, evidence that the model can result in reduced costs, thereby offering succour to the current coalition government as it endeavours to cut back local service provision. There are a number of possible explanations for these findings.

Firstly, it could be that the research project has been poorly constructed, operationalized and conducted, resulting in findings which run contrary to some of the expectations of policy makers and the dominant theoretical perspective. To ensure that the research project was well designed, a theory-driven research framework has been applied, conducting research into the theories which could be used to support – or challenge – shared corporate services to ensure that the research tests for adverse impacts. In addition, theories which suggested sharing services may be problematic were also considered, to ensure that key perspectives inform the quantitative research. As set out in chapters four and five, a research
framework, strategy and design were applied to identify how shared services perform. The questions to be posed through a survey of local authorities were reviewed by the academic team, and were tested within the local government sector before release to ensure the online survey tool was accessible and easy to use. All target respondents were individually identified and communicated with.

However, there are five potential limitations in the research approach that applied. Firstly, as no external archival measures of performance are available, perception measures were generated and were used to undertake the quantitative analysis. It is possible that the use of archival measures would paint a very different picture of the impact of sharing on corporate services performance. Secondly, the models of service reported in this study were described by clients of the service via the survey of local government, which could impact on the accuracy of models reported. The use of alternative descriptions of the shared services models might generate different findings. Thirdly, the overall response rate to the survey questions was relatively low, limiting the extent of testing that was possible and offering one response per authority rather than multiple-informants. Fourthly, a fault with the online survey system was not picked up during the testing phase, and data relating to one dimension of performance (effectiveness), when asking those who use shared services to comment on how sharing has impacted on performance. 7 Finally, as the results are based upon perception data, there is the risk that respondents have misjudged the performance of their organization.

To counter these limitations, a number of steps have been taken. The questions to test perception of performance were reviewed by the

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7 A commercial online survey tool was used to access perception data from local government officers. Questions were designed and converted into the online form, with logic set for each question to make the online survey navigable and to help ensure accurate responses were given. However, an error in the logic for one question (asking respondents to comment on whether sharing had improved effectiveness) meant that respondents were not able to input data against this field.
academic panel and tested with local government practitioners to ensure they were relevant and accurate. The description and analysis given throughout this study also reflects that the analysis of performance is drawn from perception measures, rather than external data. Secondly, although the models of shared service delivery were described by clients of shared services, the commentary outlining responses from Directors of corporate services closely relate to the models described by clients of the service. In addition, by selecting four case studies it was possible to confirm that the models reported in the quantitative research were accurate and representative. Thirdly, given the potential for a low overall response rate and single responses from local authorities, the qualitative research phase was designed and intended to generate in-depth data on the operation and performance of shared services, using a wider range of stakeholders. This included further consideration of whether shared services achieve improved performance. Fourthly, although one field of data is absent from the analysis of the performance effects of adopting a sharing arrangement, the overall narrative is clear. Against the remaining four dimensions of performance, there was a clear trend demonstrating that clients within authorities who use shared corporate services reported declining performance. Finally, the use of a mixed methods approach provides the opportunity to engage with cases in greater depth, enabling more detailed analysis.

Although there are limitations of the research approach applied, measures have been taken to mitigate this. The limitations of the research approach do not account for the differences between policy rhetoric and the experience of using shared services.

Turning next to policy making, it could be hypothesized that the shared services policy had been proposed without a full evidence-based approach. This view is expressed by Dollery et al (2009) in Australia, who considered the potential positive and negative implications of using shared services and some consideration of the theoretical basis of shared services. Returning to the context of English local government, the shared
services reform agenda was located within wider advocacy for the use of partnership models, as reflected in the local government White Paper *Strong and Prosperous Communities* (DCLG, 2006a). It is possible that research informing counter-propositions had not been adequately considered when generating the shared services reform proposal.

Finally, it is conceivable that the shared services reform is constructed upon weak theoretical foundations. Certainly, the literature on shared services is very limited, especially when applying the frame of cross-organizational models to be used within the public sector. The theoretical basis of shared services in the public sector has required identification and construction, given the limited prior academic focus. The emphasis of shared services within the private sector pointed towards the creation of large support functions bringing together disparate activities into an internal shared services centre. When applied to cross-organizational arrangements within the public sector, the model takes a different form. The theoretical basis of shared services in the public sector can be stitched together by drawing on implicit policy expectations, theory and evidence from the private sector, and theory and evidence on shared services and collaboration from the public sector. A full review of policy expectations, theory and evidence has been used to develop a theory-driven research framework, mitigating the risk that the theoretical foundation of shared services has not been accurately identified. However, it is entirely conceivable that there is a disconnection between the dominant theoretical perspective and the models of shared services used within local government.

There may also be broader explanations of the findings observed. It is possible that the espoused rationale for the use of shared services was a rhetorical device intended to gain support for changes to how local government is structured and operates. Underneath the rhetoric of 'shared services and integrated delivery mechanisms' (DCLG, 2006a: 64) the rationale could have been to trial shared services as a precursor to structural change in local government or local government reorganization. It is important to note that the
release of *Strong and Prosperous Communities* (DCLG, 2006a) also gave provision for several authorities in two-tier areas to apply for unitary status. The shared services reform could be portrayed as another tool to enable local government reorganization, or the benefits intended from reorganization (greater scale, reduced costs, and improved performance). Further, the support for shared services could be politically or ideologically driven, intending to encourage markets and quasi-markets for the provision of corporate services. In this context, sharing services could be taken to reflect softer language intending to increase the role of markets in service delivery. Finally, the shared service approach could have been the product of isomorphic fads of policy-makers, and pursued in order to gain legitimacy (Newman, 2001). It is conceivable that the adoption of shared services models is a form of compliance with government policy. Ashworth and colleagues (2009: 169) suggest that the concept of compliance suggests ‘over time, organizations are moving in the direction that is consistent with isomorphic pressures, for example toward a new model of public service management promulgated by the state’. It could also be suggested that the shared services reform initiative is another example of a management fad or fashion, based on the assumption that the reform will lead to improved performance (Ogbonna and Harris, 2002). The adoption of a form of shared services in the cases observed within this research could, perhaps, be partly the product of normative or coercive forces, or related to a particular management fad or fashion.

Having considered and discussed potential limitations of the research approach, and other factors which may have impacted on the performance observed, the chapter now focuses on the implications of this thesis.

**5. Implications of this research**

This thesis sets out significant findings on the operation and performance of shared services within local government, with implications for theory, research and policy.
5.1. Implications for theory

5.1.1. Shared services and improved performance

This thesis applied a definition of shared services as ‘joint-working between local authorities or other public sector bodies to organize the commissioning, provision or delivery of services jointly’ (DCLG, 2006d: 6). This could take a range of forms (Ruggini, 2006: 30).

Policy-makers indicated expectations that the shared services model would result in improved service quality and efficiency savings (Cabinet Office, 2005). The deployment of a model of shared corporate services was also linked to increased quality of corporate services, and would positively impact on the satisfaction of users in service areas. ‘The potential benefits are not simply about financial savings but cover broader issues around quality of service’ (NAO, 2007: 13). This would impact positively on economy, efficiency, effectiveness (Boyne, 2002), but also improve the services provided to customers including quality and satisfaction (Normann, 2001; Osborne, 2011).

However, the evidence generated by this research project suggests two findings which challenge the theory that sharing services results in improved performance. Firstly, the models of shared services reported through a survey of local government, and the models observed during qualitative research indicate that very limited forms of shared services have been adopted, largely concentrated on a shared senior manager. Secondly, although some reductions in expenditure were reported, there is limited evidence to suggest sharing services results in improved performance. It is conceivable that the shared services reform initiative is more firmly rooted in the intention to reduce cost rather than the intention to reduce cost and improve performance. There is, on the contrary, evidence to suggest that the models of shared services observed result in deteriorating performance.

These two findings suggest that the theoretical foundation of shared
services should be refined and clarified. Given that the practical application of shared services has taken a limited form, the theories underpinning the model should be refined to acknowledge this specific form of shared services and offer rationales for why different models are adopted. This could provide for further in-depth analysis of the reasons why a particular model is adopted, the expected performance of different models (financial and service performance), and the factors taken into account when a model is selected.

Having observed that shared services arrangements are not perceived to result in performance improvement, there are a range of questions which ought to be posed in future research. As the forms of shared services reported in this thesis are early manifestations of a new service model, will larger and more complex models of shared services emerge in future years? Would more effective implementation practices result in better results? Would a more overt focus on customers – as suggested by services logic – result in better quality, perception and satisfaction? If the dominant theory – and policy perspective – has not sufficiently taken account of factors which could adversely impact on performance, such as goal misalignment or declining trust, then we may expect a general trend where performance improvement through shared services is difficult to achieve and sustain.

Also pertinent to the original question posed by this thesis – does sharing services result in reduced cost and improved performance – is whether a larger or more developed shared service model would exhibit closer correspondence with the theory that sharing can create scale, therefore achieving performance improvement and reduced cost. This latter point would suggest that the shared service model has been misapplied and the concept poorly implemented. Future research should evaluate the performance of alternative models of shared services (should they develop) to consider whether the use of a larger, more complex or more formal arrangement achieves different results.
5.1.2. Effects of scale

The dominant theory suggests that a shared services partnership will bring service improvement and reduction in cost through economies of scale (Schulman et al, 1999: 41). A unique public sector twist was applied. The shared service model would not operate within one organization, but across different bodies (NAO, 2007; DCLG, 2006a, 2006b; Ruggini, 2006). The arguments that shared services can create scale resonated strongly in emerging theory related to shared services and the wider use of collaborative models in the public sector (Dolley and Grant, 2010; Entwistle, 2010; Ruggini, 2006). This perspective is based upon conventional economic theory, suggesting that economies of scale can result in reduced costs and improved performance (Stigler, 1958; Shepherd, 1990).

In addition, as part of the theoretical framework, it was possible to identify two counter theories which suggested that there are limits to benefits that can be derived from scale. Firstly, there is the argument that increases in scale beyond a certain point will result in declining performance (Tullock, 1965). The second argument contends that larger units will create diseconomies of scale and deteriorating responsiveness (Niskanen, 1971; Downs, 1967: 160).

This research project enabled testing of these theories. The findings offer limited evidence that significant scale has been created through any shared services arrangements. The depth of the shared arrangement also appeared limited, largely based upon a shared senior management post(s), with development of some joint projects, a shared workplan, some shared learning and development to increase skills of teams.

The quantitative method indicated that authorities who used shared corporate services reported lower perceptions of the performance of services than those who did not use shared corporate services, and that larger shared services arrangements reported worse performance. The qualitative data adds to this picture. Case study analysis revealed that sharing services was reported to have limited impact on performance, with few interviewees citing any
improvement of performance. However, the sharing arrangement does appear to have resulted in reduction of costs.

The implications for theory are clear. The data presented in this thesis suggest that economies of scale may not be present within a shared services arrangement or cause any significant improvement in performance. Given these findings, there is a case to refine theory on the use of shared services. The models observed did not appear to have economies of scale at the heart of their arrangement, and the qualitative research also suggested that cost reduction was a more overt focus for the use of the model. It may be that in more extensive or broader models of shared services, that the economy of scale rationale has greater application. Future theory should draw distinctions between different forms of shared services and the anticipated effects of each model. This should incorporate theory related specifically to smaller scale, informal collaboration (such as sharing a manager) which may have a different intended outcome, such as cost reduction, and method to achieve this. Further, future research ought to probe the use of shared services within different tiers of local government. Given the vast majority of cases reported within this study are district councils, it is conceivable that the rationale for use of shared corporate services is related to the limited size, scale and scope of district authorities and the need to reduce expenditure while maintaining access to professional and technical advice. This could provide an additional frame for future research, testing the rationale for use of the shared services by tiers of government, and by considering whether different models are applied within different tiers, intending to achieve differing goals. Given unitary and county-level authorities are larger, the models of sharing used and the results may differ. This should be tested in future research.

Furthermore, as financial pressures remain on local authorities in the future years, later studies into the performance of shared services should consider whether new, larger models of shared services are created, and if so, test for scale within any new models. At this stage, there is a weak link between the models of shared services used, the creation of scale, and performance. Longitudinal studies would be required to consider whether shared services
arrangements grow and develop over time (or not), and the effects on performance.

Given that the vast majority of shared services are within two-tier local government and between district councils, future research on shared services would need to consider whether different models of shared services are intended to be used within different levels of government. Initial data on the use of shared services functions used by Cabinet Office and other central government departments suggest a greater size and detailed operating model for the function (NAO, 2007). This differs from the smaller scale, informal and more emergent models used by district authorities.

5.1.3. Partnership relationships
The theoretical framework underpinning shared services indicated a belief that a partnership could be used to improve service performance and reduce costs by creating high-trust relationships, reducing supervision costs (Brown and Potoski, 2003; Entwistle, 2010). However, there are challenges to the arguments that partnerships will create high-trust relationships and result in performance improvement. As Besley notes (2006: 100), ‘the problem of monitoring is at the heart of the classical statement of principal-agent problems’. This presents challenge to the logic behind shared services, as it is suggested that ‘agents are more likely to impose their own agenda … when there isn’t a single principal with clear, unified and unambiguous objectives’ (Gomez-Mejia and Wiseman, 2007: 28). Further, where there are multiple principals there is potential for misalignment of goals, poor communication which can lead to client dissatisfaction (Waterman and Meier, 1998: 179).

The findings of the qualitative research indicate a closer correspondence between the theoretical proposition that shared services are dependent on high-trust partnership relationship and the models of service observed. Where parts of the literature emphasized high-trust relationships between public sector partners as a key factor informing the decision to use a public services partnership (Entwistle and Martin, 2005; Brown and Potoski, 2003), and this was reported to be at the heart of the case studies considered. Nevertheless,
potential principal-agent challenges to the success of informal collaborative arrangements did appear to influence the breakdown of one of the shared services arrangements observed in this study. In one case study, divergent goals and aspirations for the service in the future, a lack of operational management capacity, potential expansion of the partnership, and conflict between partners resulted in the partnership arrangement ending. These findings resonate with theories suggesting that collaboration is complex, challenging, and does not guarantee positive results (Huxham, 1993; Ranade and Hudson, 2003; Vangen and Huxham, 2010).

Access to a shared senior manager was recognized as central to the shared services arrangement, supported by some shared projects and joint work planning. The ability to share a senior manager(s) and high-trust partnership relationships, suggest that the intention to reduce management and supervision costs motivate and underpin the operation of the shared corporate services arrangements considered in this study. Paradoxically, challenges in the partnership relationship were found to undermine the arrangement or lead to the collapse of a partnership arrangement. Based on trusting relationships and alignment of goals, a shared services partnership (focused on a shared management arrangement) offered the ability to reduce monitoring costs and therefore achieve reduction in cost. However, a major flaw is apparent in how the supervision theory has been applied in this context. Difficulties in maintaining trust, alignment and adequate management of the partnership fundamentally undermine the stability of the arrangement and the potential benefits.

Furthermore, the qualitative research presented evidence from one case study where the partnership relationship had broken down. An inadequate service model, coupled with misalignment of the vision and direction of different partners, had resulted in performance decline. There was no governance framework, approach or principles which could be applied to maintain the partnership. Difficulties in the principal-agent relationship resulted in the termination of the arrangement itself.
This has implications for the theoretical perspectives underpinning shared services, as it seems that whilst informal partnerships offer the potential to reduce costs, there are also risks to the sustainability of the partnership and service delivery. The challenges appear to involve the development and maintenance of high-trust partnerships to achieve reduced supervision costs, and potentially, the governance structures and behaviours required to maintain partnership and reconcile conflict. The findings from the qualitative research in this study also suggest that within a limited form of shared services, the capacity and capability of the manager relates closely to the performance of the arrangement and this should inform future theory and practice.

This thesis did not offer the opportunity to test whether larger partnership arrangements with a greater number of partners perform better or worse than arrangements with fewer partners. However, anecdotal evidence from two case studies suggested a fear that a larger partnership is less likely to succeed, given the increased potential for tension between partners. This should be made more explicit in future theory, and tested through future studies. In addition, theory would benefit from greater exploration of decision-making, negotiation structures and governance arrangements in shared services as they develop in future years, to assess whether more developed arrangements have tools to resolve and reconcile conflict or not.

The findings of qualitative research suggest that any cost reduction is dependent on high-trust, strong partnership relationships, and access to a single senior manager. This suggests that the supervision rationale relates closely to the adoption of sharing services in local government (Entwistle, 2010). Conversely, principal-agent challenges and goal misalignment may have an adverse impact, as was the case for council A. Future theory might continue to consider both the foundations of performance improvement (scale, supervision), and engage with variables which may impact on the success of the model.
5.1.4. Effective implementation

The secondary proposition argued that effective operation of shared services, and positive results from the model, are dependent on effective implementation processes (Osborne and Brown, 2005: 129). As a new form of service delivery, based on an inter-organizational partnership, the use of rational management techniques allows for evaluation of different options, setting a clear direction, channelling efforts, and a effecting a well-designed and sequential implementation plan to embed the chosen option (Boyne and Gould-Williams, 2003; Osborne and Brown, 2005). Furthermore, the implementation approach should use political negotiation approaches. The ability to identify, negotiate with and influence key partners is vital (Osborne and Brown, 2005: 205).

The qualitative research phase enabled some testing of this proposition, by engaging four case studies to focus on the impetus for shared services, the design and implementation processes, the operation of the model and the results it achieves. The case study research highlighted two cases where implementation processes appeared to be weak, with little evidence of rational planning activities or a considered approach to implementation. In these two cases, there was little evidence of the political negotiation approach. High-level engagement with senior officers and members from a local authority initiated the shared service development. The model did not extend before a relatively light touch arrangement, sharing a senior manager. There is no evidence of formal governance or decision-making forums, and very little evidence of rational management or political negotiation activities to support implementation. One case study pointed towards a more developed design and implementation approach, using options appraisal, business case development, a shared business transformation team and a clear governance and decision-making structure. In addition, there appeared to be greater awareness of the importance of political negotiation, at political levels, through representation in project design and review teams, through the decision-making structure, and engagement with staff and managers as stakeholders.

This research suggests there are implications for future theory related to shared services. There appears to be a connection between the design of the model,
the effectiveness of the implementation process, and the results achieved. Regarding the light-touch model of shared services observed and the implementation processes observed, there appears to be a negative relationship: weak implementation processes have supported a light-touch model, with shared services not perceived to have improved performance. Development of theory in the future should consider the implementation processes associated with different shared service arrangements (larger or more complex) to support evaluation of the relationship between the depth and extent of the model, the complexity and effectiveness of implementation, and the results observed.

This thesis did not offer the opportunity to test whether larger partnership arrangements are supported by more developed approaches to implementation. This should be made more explicit in future theory, and tested through future studies. Furthermore, this thesis only engaged with one partner in a shared services arrangement. It would be beneficial for future studies to seek the perceptions and data from all partners engaged in the arrangement, to identify how the political negotiation approach has been used in different organizations, and the relative merits of political negotiation compared with rational management.

As the partnership operates across organizations, future research should also look at how the implementation of shared services is managed within different partner entities. This study focusses on how one partner within each shared service arrangement managed the implementation process, with a tendency towards more informal design and implementation activities (with the exception of council C and the emerging work of council D). It would be useful to engage other partners in case study research to assess how implementation approaches to the same shared services may differ across partners, and assess how this impacts on perception. The importance of effective implementation processes – from design to embedding and managing the arrangements – have been reiterated through this study. Poor implementation and weak design give an unstable foundation for the shared services entity.
5.2. Implications for future research

This research project used a mixed methods research strategy, aiming to gather quantitative data on the performance of shared corporate services, allowing comparison between alternative service delivery models, and testing additional controls. Much of the literature focusing on collaboration between public bodies has focused on the behaviours associated with successful arrangements or environment factors (as explored by Entwistle, 2010), with less emphasis on the performance of collaborative ventures. This research project set out to gather quantitative data in order to undertake analysis to judge whether sharing services does result in improved performance or reduced costs. Ashworth, Boyne and Entwistle (2010: 212) reflected on previous studies of public service improvement, recognizing that ‘the lack of qualitative evidence on service improvement is striking’. This research project incorporated qualitative research, engaging four detailed comparative case studies to understand how shared services operate in practice and the perceptions of those who work in an organization which uses shared services. As a new phenomenon, use of qualitative research gave the opportunity to gain an understanding of how the model operates rather than to solely focus on the outcomes achieved.

The integration of quantitative and qualitative methods was central to this thesis. The quantitative research utilized a survey method to gain information on the models of service delivery used in different local authorities, understand where shared services are in place, and to gain data on the perception of performance of corporate services in different local authorities. The data presented findings which indicated that shared services are not perceived to result in improved performance. Solely using a quantitative research method would have led to an incomplete analysis, leading to the presentation of a distorted set of findings and changed the conclusions reached by this thesis. Using a mixed method gave the opportunity for further testing of theoretical propositions and a new frame for the study (Bryman, 2004). The quantitative research gave an opportunity to understand the rationale for using shared services, the model adopted, the changes made by the shared service arrangement and the operation of the model. The findings of this phase of
research fundamentally changed the conclusions that can be drawn on the use and performance of shared corporate services. Findings of the qualitative research indicated that the forms of shared services reported within the survey research were constrained in their size, complexity and formality. Essentially, they were light touch, informal and based around a shared management post. This indicated that the extent and depth of the shared services reform agenda is limited. Without a mixed methods approach, the findings would have been too narrow to draw broader lessons about sharing services.

Had the quantitative study operated in isolation in context, the research project would not have been able to test all propositions and would have presented very different results. Using the quantitative method, it would have been possible to test the dominant proposition to judge whether shared services resulted in improved performance, identify where shared services arrangements are in place, and offer some comparison between models. However, it would not have been possible to identify the mechanism that drove any change in performance. It would not have been possible to identify whether greater scale had been created, understand how the partnership operates, or the nature of the partner relationships. Solely using a quantitative research method would have limited the findings generated by this thesis. It would have enabled testing the performance of shared services. It would not have identified that the models of sharing are far from the models expected by the dominant theory and policy rhetoric, nor offering information indicating how shared services operate, nor provide data to indicate that the model has reduced costs. The quantitative findings could have presented a position which is somewhat misleading, a view that shared services do not improve performance. This is tempered by the evidence provided by the qualitative research activity, showing that shared services have taken a limited form, scale has not been generated and the key changes are sharing management costs and capacity.

Similarly, had this study purely used a qualitative research method, several theoretical propositions or parts of theoretical propositions would not have been tested. The method would enable testing of how shared services partnerships operate, whether scale is created, the nature of partnership relationships, and
provide some indication of the performance implications of using shared services. However, it would not have enabled comparison between different service models, nor full exploration of the performance impacts of using shared services. Purely using qualitative research would not have provided the evidence (which came from quantitative research) which demonstrates that shared services arrangements are perceived to perform worse than other models of provision. This too would have presented a misleading position, which is tempered by the quantitative data outlining sector performance trends.

This thesis suggests there are implications for future research methods, when evaluating the performance of shared corporate services. The use of mixed research methods was crucial to understand the perceived performance of shared corporate services, the rationale for using shared services, how the arrangement operated, and some comparison within the sector. Noting that shared corporate services are still advocated within the local government sector, future research should draw on mixed methods, incorporating qualitative methods to understand the models used. This qualitative research should seek to access the perceptions of participants from different partners within the shared service arrangement, to test perception and experience from different partners rather than one single representative partner. This should focus on the implementation and operation of shared services, as well as the results they achieve. It would also be beneficial to focus on the barriers to effective implementation through case study research. Most significantly, quantitative research methods should also be applied to test the actual performance of different models, drawing on external and archival data where possible. Furthermore, future research methods should seek to generate additional comparative data, between different shared corporate services, internal provision (with different models available), and outsourced models. Within this study, a lack of data from authorities using outsourced models of corporate services limited the depth of quantitative evaluation that was possible. Research methods should incorporate longitudinal methods to test performance change over time to allow consideration as to whether greater maturity of the relationship results in improved performance; or if a lengthier relationship results in greater tension.
5.4. Implications for policy

The policy debate regarding shared corporate services seems disconnected from the current reality of the operation of shared corporate services within local government, the models used and reasons for selecting these models, and the performance of shared corporate services. Much of the policy debate has centred on promotion of a range of different models of corporate services, an expectation that shared corporate services would improve performance and should be used widely (NAO, 2007). Bold savings were estimated, and the benefits of shared services were widely articulated, described as ‘a potential panacea for many of the key challenges facing the sector’ (CLG, 2007a: 5).

However, findings of this study paint a very different picture, one of limited use, light-touch models, and little evidence of improved performance, and more substantial evidence suggesting the opposite. Despite strong central government advocacy for the model, the breadth and depth of shared corporate services is limited.

There are four key policy implications to focus on. Firstly, there is an apparent gap between central government policy rhetoric, and the operation and performance of shared services in local government. Secondly, as shared corporate services are one of the increasingly important forms of inter-local government delivery partnerships, the findings of this study should inform future debates. Thirdly, there are implications for evidence-based policy making in the future. Finally, as the shared services arrangements are relatively small in size in local government, there may be implications for how the sector prepares for, and supports, shared services.

The policy debate has operated at a different level to the reality of shared services. There is a significant gap between the rhetoric of central government policy makers and the reality of shared services implementation and operation in local government. The models used are not deep or extensive, instead focussing on more informal collaboration and sharing of management resources. Policy makers should consider the distinct differences between shared management arrangements and shared corporate services, and reflect on the limited application of shared corporate services and limited benefits.
derived from these light models of shared corporate services. Forms of shared services reported within this study are more akin to shared management arrangements between smaller councils, and the movement to adopt shared services has taken a very different direction to that originally expected. There are key questions to consider: What causes the dissonance between the policy as articulated, and as implemented? What information would support local government decision making when considering forms of shared services? Should the policy be widened or refined to include additional information and guidance on shared management arrangements? Policy makers may benefit from the initial findings drawn out in this thesis. Shared corporate services have not been used extensively within local government, and it cannot be conclusively proved that the model can provide improved performance. There is, however, evidence that the models observed can result in reduced costs.

Secondly, as local authorities will operate in a challenging financial environment over coming years, there may be greater endorsement of new methods of service delivery. The provision of corporate services through a model of shared services represents an early example of a local authority-local authority service delivery partnership; albeit the forms used to date are limited in depth and range of services provided through this model. The findings of this study suggest that supervision costs and partnership relationships are central to the benefits achieved by shared services, with less evidence of scale being created. In the development of future local authority-local authority partnerships, local decision-makers should consider the outcomes they are intending to achieve, the models available, and the risks associated with each model. There are some benefits to a smaller, informal partnership, but there are also challenges and high levels of dependency on a local partner. This has implications for future application of shared services for non-corporate services. If a smaller, more limited model of shared services (such as a shared management arrangement) is applied, some lower level financial benefits could be achieved, but questions over the sustainability of this limited form of shared services would persist. The risks related to the principal-agent relationship should be considered fully before considering the use the more informal shared services arrangement. Wider consideration of the benefits and risks associated with larger and more complex
models would be required. Furthermore, local authorities should be encouraged to heed advice on the importance of effective design and implementation processes, to give a firmer foundation for shared services arrangements.

Thirdly, this research has implications for evidence-based policy making. There should be recognition of the gap between the reform as proposed and the shared services arrangements that have been implemented, with a summary of the performance of models used to date. Given the evidence to date, should shared services continue to be advocated? If so, which models and what is the impact of the use of different models? Future policy should consider the distinction between smaller, relatively informal management arrangements and more ambitious, complex and formal shared services arrangements, debating the rationale for use of each and the expected performance outcomes of different models. Moreover, the shared services reform agenda raises a wider query over evidence-based policy making. This should reflect that providing mechanisms to report back on the outcomes achieved against specified reform initiatives would give greater transparency, and could inform the development of evidence-based policy making in the future.

Finally, if shared services continue to operate as smaller functions, local authorities should develop appropriate support structures and mechanisms to facilitate better performance. Given the high dependency on a shared senior management post, there is a general need for training and development support for this post holder, training and support for their teams working in new arrangements, and training and skills development for senior officers and members to manage shared service functions. Furthermore, local authorities should develop and devise legal and governance frameworks to provide a structure to manage their relationship with another local authority, aiming to provide a conduit to resolve tensions within the partnership structure and an effective governance and decision-making framework.
6. Conclusion

The implementation and operation of shared services has advanced ahead of academic research or evidence. There is a significant gap in the field of literature and research into the use of shared services in local government, with limited evidence available to demonstrate the performance effect of using shared corporate services.

The concept of shared services has been heavily promoted by central government reportedly offering new models of service delivery. The benefits of using shared services were boldly articulated, with the shared services reform initiative aiming to reduce costs and improve service performance (Cabinet Office, 2005; NAO, 2007; DCLG, 2006a).

This thesis recognized the endorsement and establishment of shared corporate services as a significant policy reform initiative, requiring academic research and critique. This research project set out to make an insightful contribution, offering the first study in the operation and performance of shared corporate services within English local government. This aimed to judge whether sharing corporate services did result in reduced costs and improved services; and if so, to explore and explain the determinants of any improvement.

A theory-driven research framework was used throughout this thesis, using a literature review to understand the rationale for using shared services and identify the mechanisms which are hypothesized to drive performance improvement. The shared services policy reform initiative was based upon an implicit theory. This thesis made that theory explicit, setting out a dominant proposition regarding the operation and performance of shared services. The dominant proposition suggested that a shared services partnership will bring service improvement and reduction in cost through the generation of economies of scale (NAO, 2007; DCLG, 2006b: 30; Ruggini, 2006; Dollery and Grant, 2010). A secondary proposition was incorporated within the research project, drawing on the wider collaboration literature to suggest that shared service arrangements are dependent on high-trust relationships between partners, achieving and benefitting from lower supervision costs (Entwistle and Martin,
Furthermore, the effectiveness of the implementation process was proposed to relate the effectiveness of the service itself (Osborne and Brown, 2005). Counter-propositions were outlined, offering alternative perspectives on how shared services may be expected to perform and factors which may influence performance. It was conceivable that the generation of scale could result in deteriorating performance, and that larger units could create diseconomies of scale (Niskanen, 1971; Downs, 1967). The theoretical framework also recognized that it was possible that there may be potential for difficulties in any principal-agent relationship, including conflicting goals and requirements of the agent (Gomez-Mejia and Wiseman, 2007) and challenges to the ability to reduce supervision costs (Besley, 2006).

The findings of this thesis are clear. Firstly, shared services have taken a limited form, with limited impacts. The shared services model has not been used deeply or extensively, and has largely been based around an agreement to share the costs of a senior manager. Secondly, the use of shared services has not resulted in performance improvement, with quantitative evidence suggesting the opposite effect. However, the case study research qualifies this position, suggesting that sharing services may have resulted in some reduction in expenditure. Thirdly, there is limited evidence to support that the dominant proposition underpinning shared services – that the model will create scale, improving performance and reducing costs. Instead, the findings of this study suggest that the success of the model is more closely related to the supervision rationale, that the model is dependent, and benefits from, high-trust partner relationships to reduce supervision cost. Conversely, the research also found evidence which suggests that difficulties in the partner relationship could result in deteriorating performance or an end to the arrangement, fundamentally undermining the sustainability of the model. There does appear to be a relationship between the effectiveness of the implementation process and the results achieved: a limited design coupled with a weak implementation process resulted in the termination of the partnership.

Using a mixed methods approach, it was possible to gather data to enable evaluation of whether using shared corporate services results in improved
performance. Quantitative and qualitative research presented findings which suggest notable conclusions and implications. The use of shared corporate services within local government is limited, both the extent of use across the sector and the depth of application. Models used are relatively superficial and largely based around a shared management arrangement rather than a fully shared service. Respondents from organizations using shared corporate services reported more negative perception of performance than those from organizations who do not use shared services. Furthermore, where shared corporate services are in place there is evidence to suggest that performance does not improve but may decline. The findings of qualitative research enhanced the understanding of the operation and performance of shared corporate services. The case study research suggested that sharing services can result in reduced cost, drawing on a shared manager to reduce management and supervision costs. However, there was scant evidence that shared services achieve any performance improvement, and evidence suggesting deteriorating perceptions of service quality and customer satisfaction.

There is a weak link between the theory that shared services will create scale and drive performance improvement as there is little evidence that the shared services arrangements observed created scale, or achieve improved performance. Given the forms of shared services observed (more informal cooperation based upon shared management resources), the supervision rationale for the creation of shared services has greater resonance. There are two aspects to this. Firstly, the case studies observed within this study suggested that previous relationships or contact between local authorities, trust between senior officers and at the political level, and perceptions of shared organizational characteristics enabled the organizations to enter into a shared service arrangement. Secondly, high levels of trust, strong partnership relationships, and access to a single senior manager suggest that theories related to the ability to reduce supervision costs through a partnership model have some validity. The experience of shared services arrangements reported in this study point towards the creation and operation of informal shared management arrangements between local partners, with trust enabling less
supervision and reduced management costs. However, a cautionary note must be applied here. The counter arguments suggesting that partnership relationships, goal alignment and trust are difficult to achieve and sustain also have relevance to the cases observed within this study. There is evidence of dysfunction and disintegration of partnership arrangements. While high-trust relationships may motivate a relatively informal model of shared services, with low supervision and management costs achieving some cost reductions, there are notable examples demonstrating challenges within the partnership arrangement including one partnership arrangement ceasing entirely. Therefore, while an informal shared management arrangement may produce some benefits owing to reduced supervision costs and management costs, questions remain over the sustainability of the model and challenges within the principal-agent relationship which could impact on the ability to reduce supervision costs and provide effective services.

The findings of this thesis have implications for future theory, research and policy related to shared services, and more broadly, public-public service delivery partnerships. Turning the implications for theory, there are three main points to make. Firstly, do the performance effects reported in this study indicate an inadequate theoretical foundation for shared services? The findings of this research suggest that the shared services models observed are not closely related to arguments that the arrangement will generate significant scale, which in turn generates performance improvement. It is conceivable that the shared service models within local government are intended to be more informal and be closely connected to the supervision rationale as the dominant theoretical proposition. The theoretical framework underpinning shared services ought to recognize both theories as potentially integral to local authorities shared services, though this may differ depending on the models used and observed. Secondly, it appears that, in part, the performance impacts observed are the result of poor implementation of a limited model. Would a larger, more complex or more formal arrangement exhibit closer correspondence with the theory that sharing can create scale, therefore achieving performance improvement and reduced cost? As financial pressures remain on local authorities in the future years, later studies into the performance
of shared services should consider whether new, larger models of shared services are created, and if so, test for scale within any new models. Thirdly, the rationale for shared services may differ from the expectations of policy, as the findings of case study research suggest the primacy of cost reduction as the rationale for using shared services, rather than the broader intent to reduce costs and improve performance.

This thesis suggests implications for future research into public-public partnerships and shared services. A mixed methods approach was integral to this study, offering comparative data and rich understanding of cases to provide insight into how shared services operate. Quantitative research methods should also be applied to test the actual performance of different models, drawing on external and archival data where possible to validate or challenge the perception evidence outlined in this case. Furthermore, future research methods should seek to generate additional comparative data, and use longitudinal methods to test performance change over time to allow consideration as to whether greater maturity of the relationship results in improved performance. A similar approach ought to be used for other forms of public-public service delivery partnerships, seeking to understand how the arrangement operates and performs, comparatively and over time. Comparative studies from public services in the UK, and internationally, would be highly valuable, comparing the performance of different models in different contexts.

Finally, there are significant implications for policy. The policy rhetoric of central government appears significantly disconnected from the reality of shared services within local government, with limited implementation and limited effects. Central government policy makers might make use evidence on the operation and performance on shared services to consider offering additional advice and guidance to achieve more effective models of shared services (and the risks involved). Alternatively, this data might be employed in order to inform a richer evidence-based policy, offering shared management arrangements on the spectrum of shared services options and clarifying the potential benefits of different approaches. As shared corporate services are one of the first forms of
inter-local government delivery partnerships, the findings of this study should inform future debates, noting that the intended reform may be disconnected from the implemented model. Finally, as the shared services arrangements are relatively small in size in local government, there may be implications for how the sector prepares for, and supports, shared services.
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