

**UNIVERSITY OF KWAZULU-NATAL**

**INTRODUCING SHARED SERVICES WITHIN ESKOM'S  
TRANSACTIONAL PROCUREMENT AND SUPPLY CHAIN  
MANAGEMENT**

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degree of  
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**Leadership Centre  
Faculty of Management Studies**

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## **DECLARATION**

I, Sello Moloantoa declare that

- (i) The research reported in this dissertation, except where otherwise indicated, is my original research.
- (ii) This dissertation has not been submitted for any degree or examination at any other university.
- (iii) This dissertation does not contain other persons' data, pictures, graphs or other information, unless specifically acknowledged as being sourced from other persons.
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**Sello Moloantoa**

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## **ABSTRACT**

Organizations normally introduce and implement changes in their respective departments. The general assumption is that the changes are meant for the improvement of operations, efficiencies and cost control measures, among other things. This research project was prompted by the fact that Eskom is introducing Shared Services within its Transactional Procurement and Supply Chain Management. It is important that this study is undertaken, through a survey, involving top executives, upper and middle management, as well as operational employees. Perceptions of the inherent successes or failures the new system might have on Eskom as an organization will be ascertained. Perceived difficulties will make the results more interesting, in that the sampling methodology used has to be compatible with the targeted research market. The results of the survey are important for sharing with Eskom's management as the findings have a direct bearing on the improvement of the project. Whether Eskom should proceed or not with the introduction of Shared Service within the Transactional Procurement and Supply Chain Management is the problem statement of this research project. Although this project is meant for a particular market sector in the organization, the consequences of the benefits accrued and/or losses incurred will reverberate throughout the whole organization as it has multiple independent transactional procurement and supply chain outfits running in all their departments in South Africa. Whether the previous dispensation was beneficial or not, is subject to what is referred to as the 'burning platform' in Chapter 1. The researcher was an Eskom employee at the time of the research project, and the project was aimed at looking at Eskom's corporate challenges. The survey was conducted conveniently among Eskom employees comprising two sets of respondents: executive management and operational employees drawn from upper and middle management together with supervisory and front staff. Convenience Sampling was done among what was believed to be the employees within the value chains of Procurement and the Supply Chain. The survey results have shown the distinct difference between the perceptions of the executive management and operational employees in that the former are more supportive of the project and well aware of its introduction, while the opposite is true for the operational employees. There was also a marked agreement noted where both responding groups regard the current set-up within the procurement and supply chain management as being fraught with problems. Both groups also agree that this

section does not yield the required results. These research findings are significant for Eskom's management to take note for benefits to accrue by virtue of a buy-in from the different stakeholders. The Eskom employees are expected to implement, manage and improve the efficiencies within the Procurement and Supply Chain Department, and this research project can be taken to have served as an unofficial but important research tool on behalf of the company.

## TABLE OF CONTENTS

<b>Description</b>	<b>Page</b>
Title Page	i
Declaration	ii
Acknowledgements	iii
Abstract	iv
Table of Contents	vi
Annexures	x
List of Figures	xi
List of Tables	xii
List of Definitions	xiii
List of Acronyms and Abbreviations	xiv

### **CHAPTER ONE: INTRODUCTION**

#### **Introduction**

1.1	Introduction	1
1.2	Statement of the research problem	2
1.3	Background to the research problem	2
1.4	Defining Shared Services	5
1.5	Objective of the study	6
1.6	Delimitation of the study	7
1.7	Assumptions	7
1.8	Synopsis for the rest of the research project	8
1.9	Chapter Summary	10

### **CHAPTER TWO: LITERATURE REVIEW**

2.1	Introduction	12
2.2	Systems Thinking	12
2.3	Shared services within the Transactional Procurement & Supply Chain	13
2.3.1	Shared Services Defined	13
2.3.1.1	History of Shared Services	14

2.3.1.2. Transactional Procurement and Supply Chain Management	17
2.3.2. Centralised versus Decentralised Shared Services	17
2.4. Embarking on Shared Services	18
2.4.1. Adopting Shared Services	19
2.5. Merits of Shared Services	21
2.6. Characteristics of firms using Shared Services	22
2.7. Shared Services Success Stories	23
2.7.1 South African Shared Service Centre's	24
2.7.2. North American Shared Service Centre's	24
2.7.3. European Shares Service Centre's	25
2.7.4. Latin American Shared Service Centre's	25
2.7.5. Asian Shared Service Centre's	25
2.7.6. Global Shared Service Centre's	26
2.8. Shared Services - Challenges and Shortcomings	26
2.9. Data Interpretation & Analysis on Eskom's stance on Shared Services	27
2.9.1. Eskom's definition of Shared Services	28
2.9.2. Shared Services in Eskom	28
2.9.3. Eskom scope for Shared Services	29
2.10. Chapter Summary	32

### **CHAPTER THREE: RESEARCH METHODOLOGY**

3.1 Introduction	33
3.2 Process followed	34
3.3 Response profile	36
3.4 Respondents	37
3.4.1. Respondents base	37
3.4.2. Number of respondents	38
3.4.3. General demographics of respondents	39
3.5. Sampling Design	39
3.5.1. Convenience Sampling	39
3.6 Questionnaire Design	40
3.6.1. Research Instrument	40
3.6.2. Planning	40
3.6.3. Ethical Considerations	41

3.6.4. Web based Questionnaire	41
3.6.5. Pre-testing	43
3.7 Procedure	43
3.7.1. Initial Pre-Survey	43
3.7.2 Initial Data Collection	44
3.7.3. Follow-up on data collections	44
3.7.4. Responses	45
3.7.4.1. Undelivered emails	45
3.7.4.2. Non-response profile	45
3.7.5. Unexpected challenges	46
3.8. Limitations	46
3.9. Analysis of Data	47
3.10. Validity of Data	47
3.11. Reliability of Data	49
3.12. Chapter Summary	50

## **CHAPTER FOUR: RESEARCH FINDINGS AND INTERPRETATION**

4.1. Introduction	51
4.2. Gathering of Data	51
4.2.1. Measurement of variables	51
4.2.1.1. Independent Variables	52
4.2.1.1.1. Demographics of respondents	52
4.2.1.1.1.1. Age	52
4.2.1.1.1.2. Gender	53
4.2.1.1.1.3. Qualifications	53
4.2.1.1.1.4. Work Experience	54
4.2.1.2. Dependent Variables	55
4.2.1.2.1. Research Dimension 1: Knowledge about the introduction of Shared Services in Supply Chain Management	56
4.2.1.2.2. Research Dimension 2: Welcoming of Changes	57
4.2.1.2.3. Research Dimension 3: Management of affected staff	58
4.2.1.2.4. Research Dimension 4: Benefit realisation	59
4.2.1.2.5. Research Dimension 5: The establishment of a contact centre	59
4.2.1.2.6. Research Dimension 6: Assessing the current status perception within	



P & SCM	60
4.3. Interpretation of results	61
4.3.1. Qualitative and Quantitative analysis for Group 1	61
4.3.1.1. Research Dimension 1: Knowledge about the introduction of Shared Services in Supply Chain Management	61
4.3.1.2. Research Dimension 2: Welcoming of Changes	62
4.3.1.3. Research Dimension 3: Management of affected staff	63
4.3.1.4. Research Dimension 4: Benefit realisation	64
4.3.1.5. Research Dimension 5: The establishment of a contact centre	65
4.3.1.6. Research Dimension 6: Assessing the current status perception within P & SCM	66
4.3.2. Qualitative and Quantitative analysis for Group 2	67
4.3.2.1. Research Dimension 1: Knowledge about the introduction of Shared Services in Supply Chain Management	67
4.3.2.2 Research Dimension 2: Welcoming of Changes	67
4.3.2.3. Research Dimension 3: Management of affected staff	68
4.3.2.4. Research Dimension 4: Benefit realisation	68
4.3.2.5. Research Dimension 5: The establishment of a contact centre	69
4.3.2.6. Research Dimension 6: Assessing the current status perception within P & SCM	70
4.4. Chapter Summary	73

## **CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS**

5.1. Introduction	74
5.2. Recommendations	75
5.3. Further Research Requirements	76
5.4. Chapter Summary and Conclusions	78

<b>REFERENCES</b>	<b>80</b>
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## **ANNEXURES**

**Annexure 1** GROUP 1 Questionnaire

**Annexure 2** GROUP 2 Questionnaire

**Annexure 3** Initial letter to the respondents

**Annexure 4** Eskom's response to the researcher's survey

**Annexure 5** Eskom's letter to the Finance & Procurement Departments

## List of Figures

<b>No.</b>	<b>Description</b>	<b>Page</b>
2.1	Systems Thinking Sub –problem 1	14
2.2	Systems Thinking Sub –problem 2	18
2.3	Systems Thinking Sub –problem 3	27
2.4	Eskom’s Shared Service ‘1 + 5 Operating Model’	31
3.1.	Response Profile Graph	36
4.1	Average Age demographics Graph	52
4.2	Average Gender Demographics Graph	53
4.3	Average Qualifications Profile Graph	54
4.4	Knowledge of Shared Services in Eskom Graph	57
4.5	Average Reception to Changes Graph	58
4.6	Average Contact Centre Split Graph	60
4.7	Average Current System Assessment Status Graph	61
4.8	Average Dependent Research Variables	73

## List of Tables

<b>No.</b>	<b>Description</b>	<b>Page</b>
3.1	Survey Map Tracking	34
3.2	Response Profile	36
4.1	Age Demographics	52
4.2	Gender Demographics	53
4.3	Qualifications Profiling	53
4.4	Eskom Work Experience	55
4.5	Knowledge of Shared Services in Eskom	56
4.6	Reception to Changes	57
4.7	Management of Affected Staff	58
4.8	Contact Centre Split	59
4.9	Average Dependent Research Variables	73

## List of Definitions

### Description

Eskom –Electricity Supply Commission. South African Government parastatal responsible for providing more than 95% of South African's electrical power needs.

GroupWise – An internal email for Eskom employees meant for communication and available on the company's intranet.

Sisonke (Nguni word for 'we are together') project. A project started by Eskom during its restructuring project in 2005.

Transactional procurement and buying – A process referred to when end-users request to purchase a product or service from the buying department by starting a process through the usage of an SAP[System Analysis and Program development system].

**List of Acronyms and Abbreviations**

<b>Acronym</b>	<b>Description</b>
BU	Business Unit
IT	Information Technology
URL	Unique Resource Locator, an address link on the internet
P&SCM	Procurement and Supply Chain Management
FPSS	Finance and Procurement Shared Services
HR	Human Resources

# CHAPTER ONE

## INTRODUCTION

---

### 1.1. Introduction

An appreciation of the need for this research originated with what Schulman, D.S., Harmer, M.J., Dunleavey, J.R. and Lusk, J.S (1999:127) named 'the burning platform'. They describe this as getting solutions through process enhancement after defining the business problem.

In Eskom's case the 'burning platform' is as a result of the following procurement and supply chain problems {*Eskom Finance and Procurement Shared Services (FPSS) newsletter*, Issue 1, December 2008}:

- Complex, non-standard, duplicate and costly processes and infrastructure;
- Excessive time spent on transactional activities as opposed to core functions;
- Disparate reporting and many versions of the truth, and
- Sub-optimal compliance, risk and control environment.

Eskom is a South African based electricity utility company, with its head office in Johannesburg. Eskom generates an estimated 95% of South Africa's electricity, as well as 45% of electricity used in Africa ([www.eskom.co.za](http://www.eskom.co.za)). It is also stated on their website that their major role is to supply electricity within the industrial, agricultural, residential, commercial and re-distribution arenas to support South Africa's growth and development aspirations. Eskom's decision to embark on Shared Services within the Transactional Procurement and Supply Chain Management is discussed under Literature Review in Chapter 2.

Eskom's official newsletter further goes to mention that their primary driver is process efficiency and service delivery to business units through standard processes.

## **1.2. Statement of the research problem**

Schulman *et al.* (1999: pp127-128) suggest that cost is more of a symptom rather than it is an underlying problem. Eskom's Finance Director, when interviewed by *Eskom News* (2007: pp.21), an official business magazine for the organization, declared that he wanted to see the organization leveraging the procurement savings, improving the procurement spend and improving supplier relationships. The article also mentions that Eskom had earlier launched the Sisonke (Nguni for 'we are together') project in 2005, in response to the perception of the Finance Director that the organisation had been operating in 'silos' of activity, especially on the Transactional Procurement and Supply Chain Management front. Sisonke looked at 'introducing a new cross-functional approach with all divisions working together to effect operational change and add value to the organization, ultimately realising tangible savings', *Eskom News*(2007: p. 24).

The aim of this research project is to establish whether or not the perception of the introduction of shared services within the Transactional Procurement and Supply Chain Management in Eskom is that it will result in cost savings and efficiencies for the whole organisation. These perceptions are discussed in the 'Findings' section under Chapter four (4).

## **1.3. Background and rational to the research problem**

Although it is only at the launch stage, the restructuring of the Procurement department began in the 2005. Eskom is also currently using what can be referred to as the *Draft Eskom Supply Management Strategy 2006-2011*. This is a working document within the company's procurement and supply chain fraternity with strong links to the Sisonke project which is aimed at 'a supply chain improvement and procurement transformation initiative' that was launched by Eskom in mid 2005 to target significant spend areas in Eskom for value extraction [<https://hyperwave.eskom.co.za/>].

Some of the reasons why Eskom is embarking on shared services for the P&SCM (*FPSS Newsletter*, Issue 1, December 2008) are the following:

- That Eskom is facing challenges in meeting its mandate to deliver electricity to its customers in South Africa and beyond its borders;



- In order to position Eskom's P&SCM organisation to meet these challenges, a new P&SCM strategy was approved by Eskom's Executive Committee at the end of 2006;
- An operation model was approved in 2007 and includes a component of shared services focussed on finance and procurement;
- While the Operating Model Programme is focussed on operational and strategic activities of P&SCM, the shared services programme is focussed on transactional activities within finance and procurement.

The researcher has opted to focus on the one leg of the shared services component; that of transactional procurement and supply chain management. The study will not, however, deal with the financial aspects of these two components. This study has come at an opportune time as the organization is kick-starting the process of building a business-case for this initiative. It is assumed that the organisation is still in the learning stages regarding this project, and that it hopes to achieve value extraction as described below.

Upon describing why companies and organisations embark on Shared Services, Schulman *et al.* (1999:27) point out that the customers as well as the business environment demand it. They mention that global competition forces all companies to become competitive and to be adaptive. Schulman *et al.* (1999: 177 – 181) cite 'compelling reasons' for pursuing shared services as follows:

- Avoidance of Duplicate support functions;
- Dealing with Competitiveness issues;
- Dealing with Non-value adding departments;
- Dealing with Non-strategic support loads; and
- Addressing Non-core, non-strategic activities.

Schulman *et al.* (1999: 177 – 181) further mention the benefits of a shared service environment resulting in the following:

- Pooled experience of resources;
- Enhanced career progression for employees;
- Synergies being realised;
- Resulting in lean, flat organisations;

- Ability to recognise groups within organisations; and
- Dissemination of best practises.

Wyman (2004: 1) also comments that increasing earnings for utilities means turning to back office and shared service organisations to refocus or generate savings. But Wilson (2005:30) has different estimates of cost-cutting at between 25 percent and 50 percent of the annual procurement spend. It is important to note that benefits are measured both quantitatively and qualitatively. In *Business Economist* 1998, (author unknown), it is stated that the benefits of shared service far outweigh the risks of implementation.

According to this journal, of the many companies responding to their survey, cost savings were sighted by an overwhelming majority as the primary benefit from shared services, followed by improved service and standardised processes across Europe. The journal also adds that there are more qualitative benefits in improved service levels, as well as product and operational rationalisation and harmonisation, and better quality information for supporting business decision making (Wilson, 2005:30). Wilson(2005:30) concludes from the survey results done within the governments by Accenture that the three objectives of shared services were to:

- Help improve efficiencies;
- Reduction of costs; and
- Addressing the residents' demand for improved efficiency.

Wilson (2005:30) adds to these objectives by stating that they standardise processing environments, as well as improve service quality and speed of delivery. A different perspective comes from Engle (2006:20) where he states that shared services are meant for support services, which have dedicated resources that a company cannot afford in a globally competitive environment as they appear to be an expensive luxury.

Redman, T., Snape, E., Wass, J., Hamilton, P. (2007: 1487), assert that shared services is fairly young by noting that many commentators suggest that the birth of shared services started during the 1980's. More research is required in order to ascertain the best advantages that can be offered by introducing shared services in organisations, as well as to learn from previous experience. There have been various discussions regarding the advantages versus the disadvantages of embarking on shared services. This will be discussed in more detail in Chapter 2.

#### 1.4. Defining Shared Services

There are various definitions regarding shared services from different authors. Schulman *et al.* (1999: 9) refers to shared services as putting together the resources of a company that undertakes the same activities across the organization and servicing all sections at high service levels and at lower costs. Redman *et al.* (2007:1487) remark that the shared services definition appears to be elastic and dynamic in concept. They refer to Ulrich (1995:14) who explains the term as the combination or consolidation of services within a corporation, and Redman *et al.* (2007:1487) suggest that this would be a single organizational phenomenon, occurring when separate business units in a company are brought together.

The customer focus is also expressed by Joachim (2001:34), where he defines shared services as a provision of services that are meant to meet the requirements of the customer at agreed performance standards but at a lower cost. This statement is supported by a more strategic statement by Legare and Bechtel (2001: 1), where they state that shared services are a business strategy meant for increasing shareholder value, reducing costs, whilst also improving service quality in various functions like purchasing, corporate finance, human resources and information technology, among others. In the shared service discussions, a great deal is mentioned about the centralization or decentralisation of activities. Such description is also commented on by Triplet and Scheuman (2000: 40), where they refer to the operation of shared services as a combination of the efficiency and leverage of centralisation with the superior customer services associated with decentralisation. Schulman *et al.* (1999:13), suggest that shared services are when services are decentralized. They claim that shared services are comparable with decentralization as they go hand in hand. However, Schulman *et al* seem to contradict themselves when they refer to what they call a 'false dichotomy' where they argue that neither centralization nor decentralisation in any form of hierarchy works in any environment of global competition. Joachim (2001:34) does not seem to agree that shared services have anything to do with decentralisation or centralisation. Forst (2002:38) agrees when he states that the idea of shared services is to bring together or concentrate the resources and experience of the organisation into one dedicated department that is meant to support the whole organisation. A deeper understanding of what shared services are all about is needed, especially in relation to

the terms 'centralisation' and 'decentralisation'. This will be further discussed in Chapter 2. Marshal (2001) as cited to by Davis (2005:1-17), explains that many Shared Services Centres begin by taking over repetitive transaction processing from their subsidiaries, such as accounts payables, accounts receivables and payroll. Davis further argues that the task of Shared Services Centre's is to implement the best methods to perform the abovementioned processes. This is a different approach to starting Shared Services Centres s from what was discussed before as reasons for starting Shared Services Centres. In this definition, although costs are still the main cause, though not mentioned directly, efficiency seems to be the main reason. Davis also comments that service staff for supporting departments tends to build up over the years within subsidiaries, with a resultant duplication of services as they operate independently within their own systems and processes.

### **1.5. Objective of the study**

The objective of this project is to find out if the introduction of shared services within the Transactional Procurement and Supply Chain Management is going to benefit Eskom as an organisation. Shared services have already been introduced within the Human Resources department, and this research, involving a survey among Eskom employees and management will assist with perceptions relating to extending this further. This study is important as it comes at a time when the organization is busy with a business case in this respect, and the timely findings will come in handy for senior management to consider before starting with the project, as envisaged for implementation in the near future. However, this study is not directly commissioned by the organisation, but will serve as an independent yardstick pertaining to perceptions, as well as employee and management reception of a shared services' initiative within the Transactional Procurement and Supply Chain Management. Eskom as a large corporation presumably has a 'compelling reason' for wanting to introduce shared services within Procurement and Supply Chain Management as mentioned under 'Background to the research problem', in point 1.2 above. It will also be the study's objective to:

- define what is meant by shared services;
- find out why some companies embark on shared services; and
- analyse and interpret data from the survey results.

Although the Sisonke principles have already started to bear some fruit, Eskom is yet to

introduce 'shared services' in its totality. The company has issued a communiqué through its *GroupWise* communication medium on 8 October 2007 about its decision to implement this. Their anticipated implementation date was around December 2010. At the time of the study, they were running a business case. This study will help to find out what the current role-players in the different BU's think the benefits will or will not be, once shared services is implemented. Eskom's business case will be based more on the preparation of the whole organization towards the change. The results of this study's findings will be forwarded to Eskom's management for consideration. Their earlier communication has also supported employee involvement during the business case, hence the researcher's decision to embark on this independent research initiative.

### **1.6. Delimitation of the study**

Due to money and time constraints, the survey will be conducted with a convenient sample which will be taken from what the researcher believes are the stakeholders within the transactional procurement and supply chain management in Eskom. This is discussed under research methodology in Chapter 3 below. Lastly, the survey will only cover the employees and management sample, and not the unions and external service providers as this will be outside the scope of this research project.

### **1.7. Assumptions**

A few assumptions have been made to help the researcher get started with the research project. These assumptions will act as guidelines for this research project to be undertaken and serve as a springboard on which the survey needs to be shaped.

These are as follows:

- The decision taken by Eskom to introduce shared services within Transactional Procurement and Supply Chain Management is a big decision both in terms of the money involved and employee dynamics' point of view. The assumption is that it should be treated with the sensitivity it deserves, especially since it is not implemented as yet;
- The assumption is that the research instruments to be designed will easily be responded to by Eskom employees who have a certain level of education and understanding, with basic literacy levels, and it is assumed that all employees

who have Eskom's GroupWise email system fall under this category;

- It is assumed that Eskom's P&SCM employees who are going to be affected by the introduction of shared services within the Transactional Procurement and Supply Chain Management have little knowledge regarding the advantages or disadvantages of shared services;
- It is assumed that the respondents have prior knowledge of the general transactional procurement and supply chain processes within Eskom;
- It is assumed that the selection list of respondents will rank from middle to upper supervisory, and to managerial positions, while the senior management list will be senior by virtue of the senior positions held in Eskom's executive management , normally referred to as the Top 200 in Eskom terms;
- The lower end of the employee levels will be excluded from the survey, as it is assumed that they may not be in a position to relate to the electronic survey sent to respondents by virtue of most of them not having personal computers and not being registered on the emailing system and are mostly working outside the office environment;
- It is assumed that the design of the research instrument will be sufficient to prompt relevant answers from the questions posed to the respondents. The convenient selection of role players organisation-wide is undertaken without being controversial and sensitive, especially since this research is seen by the researcher to be independent and critical to what the organisation is yet to implement;
- It is assumed that it will be enough only to survey internal Eskom employees as compared to surveying Eskom suppliers and unions as well, who may well be over-sensitive to this issue which is yet to be implemented and there are inherent change management issues which need to be addressed first; and
- The assumption is that Eskom's management would be interested in the findings of this research, and will respond either positively or critically to these findings.

### **1.8. Synopsis for the rest of the research project**

This introduction is followed by the rest of the research project sections which are divided into the Literature Review, the Research Methodology, the Research Findings

and Interpretation, and lastly the Conclusions and Recommendations. Each section is summarised as follows:

## **Chapter 2- Literature Review**

This chapter will discuss what the literature says in the field of shared services in general, as well as shared services in the transactional procurement industry in particular. To cover the breadth of this topic, there will be a literature review covering Transactional Procurement and Supply Chain Management. Systems thinking will be used mainly in the context of Eskom's decision to launch Shared Services in Transactional Procurement and Supply Chain Management.

## **Chapter 3- Research Methodology**

This chapter will discuss what methodology was used in researching for this project, and why certain methodologies were decided upon. It will also state why other methodologies were not employed.

## **Chapter 4- Research Findings and Interpretation**

The findings from the research will be discussed in detail. A combination of quantitative and qualitative methods will be used in analysing the research findings through what is referred to as the mixed method with a comparison being undertaken with what emerges from the literature review.

## **Chapter 5- Conclusions and Recommendations**

The results of this project will be presented here, including what still needs to be researched further. This topic is also very practical in Eskom terms, and thus the conclusions and recommendations will be made available to Eskom's senior management on request.

## 1.9 Chapter Summary

The burning platform in the case of Eskom was discussed by extracting what was their perceived problems within their supply chain management, among which were complex, non-standard, costly processes and infrastructure, as well as excessive time spent on transactional activities as opposed to core functions.

The brief history of Eskom was also discussed as it is the company under discussion. The statement of the research problem is about why Eskom has decided to embark on introducing shared services within the transactional procurement and supply chain management. Most of the background problems were discussed around Eskom, mostly from their communiqué, the Finance and Procurement Shared Services, also known as *FPSS* Newsletter.

Shared services were defined from literature, of which most will be discussed under literature review in Chapter 2.

The objectives of the study, which are:

- The definition of shared services;
- Why companies embark on shared services, and
- The analysis and interpretation of data obtained from the survey.

The delimitations of the study were also highlighted, and lastly the assumptions made were discussed.



## CHAPTER TWO

### LITERATURE REVIEW

---

#### 2.1. Introduction

Attention will be paid to the definition of terms employed in the research topic: *Introducing Shared Services within Eskom's Transactional Procurement & Supply Chain Management*.

Shared Service is the core theme for the whole research project and serves as the backbone for this literature review. For the purposes of the whole research project, it is used in conjunction with other area-specific terms such as 'transactional procurement and supply chain'. According to Novack and Simco (1991:141), procurement can be defined as the action of buying goods and services for an organisation, or even as the activity of obtaining goods or services. Novack and Simco (1991:141) further claim that the supply chain is also known as a distribution channel that consists of participants and intermediaries linked physically, behaviourally and through information with the aim of facilitating transactions among the channel members. In concluding this link, the closest explanation of the term 'transactional' is best described by Redman *et al.* (2007:1487) when they state that models in Shared HR Service for:

- Professional;
- Advisory , and
- Transformational roles

Marshall (2001) in Davis (2005:1) states that most Shared Services Centres start by taking over the repetitive nature of the transaction processing like payroll, accounts receivable and accounts payable. The focus of this research project is only limited to the first one, albeit on the procurement and supply chain side in Eskom. This is best described as the satisfaction of the needs of the customers in the value chain through performing day-to- day business transactions like ordering services and products on behalf of the users in the Business Unit by the procurement practitioners. Transactional activities can be taken to be the small actions compared to the other three models mentioned by Redman *et al.* (2007:1487) above. A view from Eskom describes

transactional as 'non-strategic process-driven functions that can be enabled through technology and typically characterised by high volumes, low complexity and of repetitive nature'. This view was taken from Eskom's official newsletter *Finance and Procurement Shared Services (FPSS Issue 1, December 2008:2)*. Research within Eskom is discussed in detail when synthesising the whole broad literature review under 'Data Interpretation and analysis of Eskom stance on Shared Services (see page 28 below).

Lastly, the latter part of the research project, is an attempt to answer, through research, whether or not there will be benefits accruing to Eskom as an organisation in the form of cost savings and efficiencies relating to service delivery through implementation of shared services. This literature review is discussed within the procurement and supply chain context and looks at the objectives discussed under section 1.5 where it is defined what shared services is, and from the differing perspectives to find out what has mainly led organisations to embark on shared services; and lastly to analyse and interpret data on the basis of whether or not shared services can be introduced to Transactional Procurement and Supply Chain Management with or without a financial benefit to Eskom as an organisation.

Systems' thinking, with the help of the 'Inspiration software', was used as a framework to build the skeleton upon which the whole literature review's body rests.

## **2.2. Systems Thinking**

In order for this research project to be outlined in a systematic manner, the researcher has used the systems thinking methodology. In his thesis, Korpel (2005: iii) has claimed that systemic is the way the elements of a system relates to each other and into the larger system within which it exists. He further cites that a systemic phenomenon 'describes the interconnectedness and complexity of the system and implies that if something is done to one part of the system it will initiate a change on the whole system.' Other references for the systems thinking methodology include:

- George & Weimerskirch (1998:4) who describes systems thinking as a discipline that sees whole parts and a framework that sees interrelationships instead of individual things, for seeing patterns of change rather than static snapshots, and

- A document titled '*Total Quality Management*' as obtained from a Unisa website, cites Van Zyl (2002:17) as saying that a system consists of a set of interrelated and interdependent parts which are aligned in a way so as to produce a unified whole. The document also cites Van Zyl (2002:17) as saying that something that happens in one part of a system affects what happens in the whole system.

There were a host of sub-topics needing research to ensure that the subject is covered extensively. It should also be mentioned that systems thinking was also supported by learning software, called *Inspiration* as found on the web, [www.inspiration.com](http://www.inspiration.com).

Out of this thorough planning, the following was achieved:

The main problem was articulated. This was mainly rooted within the initial research topic, which was '*Introducing Shared Services within the Transactional Procurement and Supply Chain Management*'.

Out of this main theme, systems thinking, inspired by *Inspiration*, resulted in the derivation of the following three sub-sections:

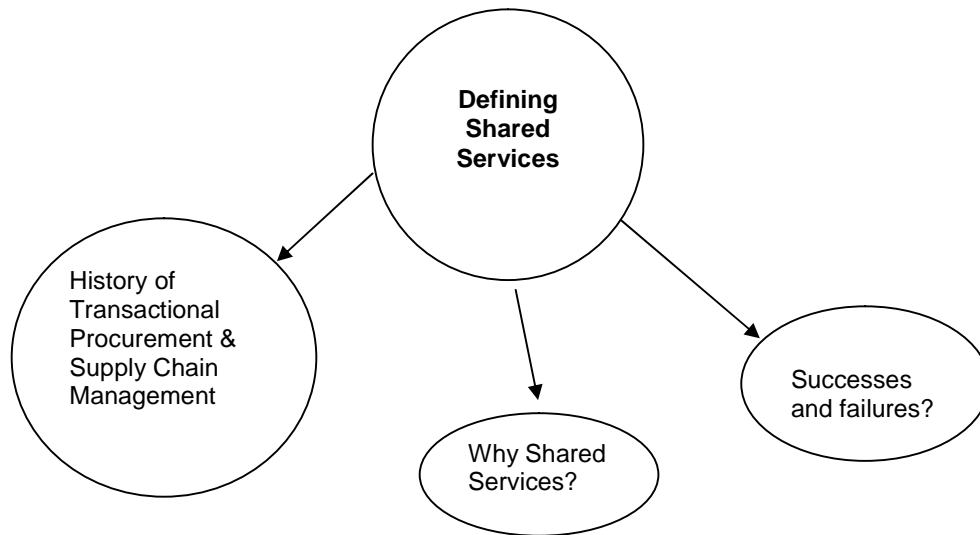
- Defining Shared Services (refer to Figure 2.1 below);
- Why firms embark on Shared Services (discussed under point 2.4 below); and
- Interpretation of data in pursuance of meeting Eskom's goals (discussed under 2.9 below).

All the above-mentioned sub-problems relating to this research project will have their own sub-sub-problems that will be discussed in detail as part of the literature review.

## **2.3. Shared Services within the Transactional Procurement and Supply Chain Management**

### **2.3.1. Shared Services defined**

This section has reference to the systems thinking sub-problem depicted in figure 2.1. below. First the history of shared services is discussed, then the reasons why firms embark on shared services are addressed (see figure 2.2), and lastly the successes and failures are presented (see section 2.6 through section 2.8).



**Figure.2.1. Systems Thinking-Sub Problem (Achieved using *Inspiration* software)**

The figure above shows how the definition of shared services can be achieved by using a systems thinking approach. The main nucleus of defining shared services has multiple sub clusters as discussed below:

### **2.3.1.1. History of Shared Services**

There are various definitions for shared services from different authors. Schulman *et al.* (1999:9) refers to shared services as putting together the resources of a company which undertakes the same activities across the organization for servicing their partners at high service levels and at lower costs. Another definition from Schulman *et al.* (1999:71) mentions that shared services is putting together company resources which perform same activities spread throughout the organization. Schulman *et al.* (1999:71) further states that this is done for servicing multiple internal partners at much lower cost with higher service levels achieved. The common goal is to delight external customers and also to enhance corporate value, Schulman *et al.* conclude. Shared service is regarded, according to Cooke (2006: 214), as an internal function that is outsourced to provide well-defined services for the companies' internal customers from the different business units. He further describes shared services to be about bringing a host of business functions together to achieve economies of scale and also to pool data,

processes and resources effectively.

These four definitions tend to agree that the shared service is meant for servicing the organisation's internal customers, especially for specific needs of a bigger entity. However, David (2005:2) maintains that shared service is provided by a single organisation in order to provide services more efficiently and effectively so that other multiple organisations and entities can benefit. This definition differs from the definitions of both Schulman and Cooke as referenced above, as David includes an external organisation in his definition. The two definitions by Schulman *et al.* and Cooke, do not oppose each other. Some companies may opt to introduce shared services for their sole usage, as is the case with Shared Services for the Human Resources Department within Eskom, of which the researcher is an employee, whilst some organisations may use shared services for others outside the organization. Such is the case with a shared service for most of the hotel hospitality industry, where electronic bookings are done centrally on behalf of member hotels. It is also possible that a combination of both the above definitions may apply, where both internal customers and external stakeholders use the same shared services centre. Forst (2002:41) also supports the notion of introducing shared services to strengthening internal controls, by indicating that it allows the enterprise to organise and deliver internal support services in a more efficient manner, and it leverages the capability of staff resources throughout the entire enterprise effectively. However, this still needs further research.

The customer focus is also expressed by Joachim (2001:34) where he defines shared services as a provision of services that are meant to meet the requirements of the customer at agreed performance standards and at lower cost. This statement is supported with a more strategic statement by Legare and Bechtel (2001:3), where they state that shared services is a business strategy meant for increasing shareholder value, reducing costs, whilst also improving service quality in various functions like purchasing, corporate finance, human resources and information technology, among others. Joachim's definition of shared services entails the provision of services that meet the defined customer requirements at agreed performance standards, and also at a lower cost. The definition adds a most important factor, that of costs. A similar view is shared by Legare and Bechtel (2001:1), where they state that shared services is a business strategy that increases shareholder value, and reduces costs, thus improving the quality of internal service functions in areas such as corporate finance, human

resources, information technology, and corporate communications and purchasing. The researcher recognizes that Legare and Bechtel (2001:1) have also added another factor to introducing shared services, that of quality, and that purchasing is mentioned as one of the areas where shared service can best be introduced, which is the core of this research project.

Wang and Wang (2007:281) define shared service as the standardization and consolidation of functions that are common in multiple organizations for reducing the duplication of information processes and increasing information and knowledge sharing.

Schulman (1999: 3) shares a ten-point exploratory framework where he describes what shared services are about, claiming that they:

- Are meant to enhance corporate value;
- Will assist with strategic growth;
- New management responsibility creation;
- Assist companies to focus on venture service and support;
- Would ensure that business units concentrate on aspects of the operations that are strategic;
- Will transfer into core shared service processes the secondary activities of Small Business Units;
- Provision of concentrated resources for same support activity performance;
- Achieve high service levels at minimal costs through the provision of support structures;
- Assist in technological investment value add; and
- Focus on achieving continuous improvement.

Novack and Simco (1991:147) explain transactional procurement as being a response to transaction initiated by a department due to a new or existing need. Novack and Simco (1991:147) further define procurement as the act of buying goods and services for the organization, consistent with the user requirements. In a study of European countries having the Shared Service Centres, Curtis Miller (1999: 46), describes shared service centres as a back office arrangement of a multinational company that performs transaction-oriented functions at much 'acceptable costs'. This description ties in with

this research topic in that it deliberates on transactional services. It is also imperative that in describing what shared service is about, its origins are also explained. There are various differing thoughts as to the exact origins of shared service. Redman *et al.* (2007:1487) estimate that shared service started in the early 1980's, while Zhang and Li (2006:18) think that competitiveness in the Information Technology services sector during the 1990's has resulted in information sharing, which is an equivalent of shared service.

### **2.3.1.2. Transactional Procurement and Supply Chain Management**

Eskom describes transactional functions as non-strategic process-driven functions that can be enabled through technology (*FPSS Newsletter*, Issue1, December 2008). They further state that these transactional functions are characterised by high volumes, low complexity and a repetitive nature.

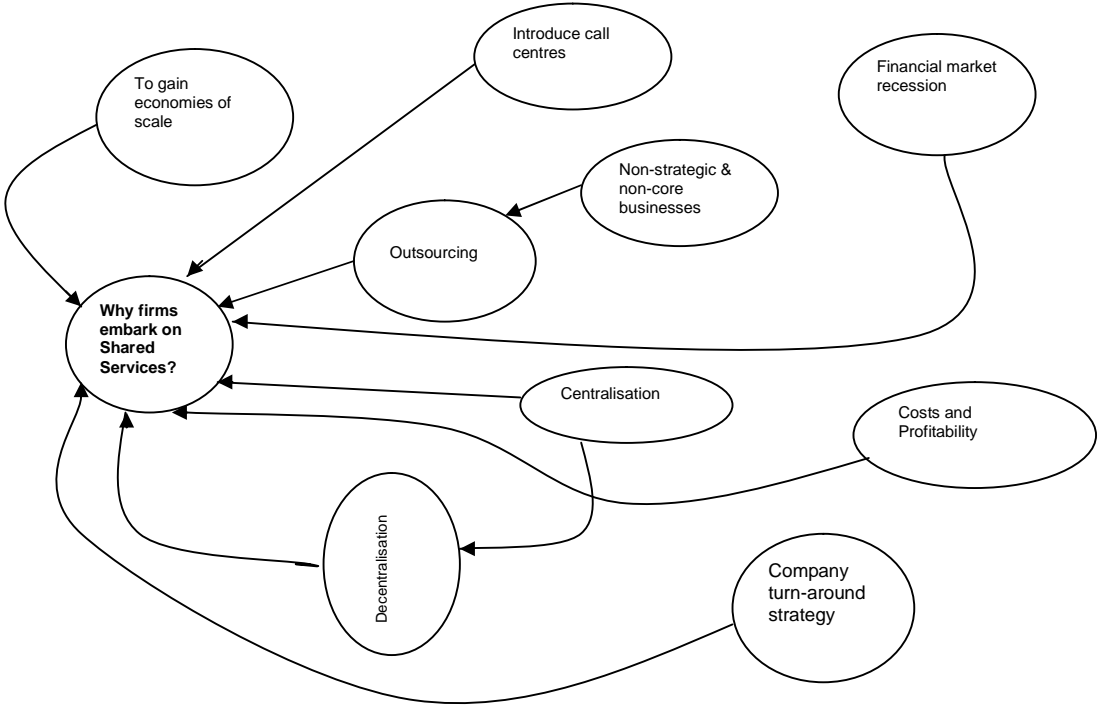
### **2.3.2. Centralised versus Decentralised Shared Services**

In the shared services discussions, much is mentioned about the centralisation or decentralisation of activities. This is also mentioned by Triplet and Scheuman (2000: 40), where they describe the operation of shared services as a combination of efficiency and leveraging of centralisation with the superior customer services associated with decentralisation. Schulman *et al.* (1999:13), suggest that shared services are when services are decentralized. They claim that shared services work together with decentralization. However, Schulman seems to contradict himself when he refers to what he calls a 'false dichotomy', stating that neither centralisation nor decentralisation in any form of hierarchy works in any environment of global competition. Joachim (2001: 34) does not seem to agree that shared services have anything to do with decentralisation or centralisation. Forst (2002:38) states that the idea of shared services is to bring together or concentrate the resources and experiences of the organisation into one dedicated department that is meant to support the whole organisation. This contradiction still needs a deeper understanding of what shared services is all about, especially in relation to the terms 'centralisation' and 'decentralisation'.

Another perspective on whether shared service is a centralisation or de-centralisation

concept is articulated by Ulrich (1995) in Redman *et al.* (2007:1487), where he states that the combination or consolidation of services in a corporation would mean that shared services are a single organisational matter which occurs when separate business units in a company are brought together. With the above differing perspectives, the researcher believes that it is not yet certain as to whether or not shared services is the centralisation or de-centralisation of services, and this is yet to be concluded and can be subject to further research. Other authors are of the opinion that the distinction between shared services and outsourcing seems to be very limited, and that shared service can be some form of 'internal outsourcing'. Oates in Redman (1998:9) and Wolfendale (2003:45) is of the view that shared services is centralised. He indicates that centralised shared services have advantages of centrally controlled procurement, reporting and increased flexibility to training and information sharing.

**2.4. Embarking on Shared Services**



**Figure.2.2. Systems Thinking Sub-Problem 2(Achieved using *Inspiration* software)**



Figure 2.2 above shows why firms embark on shared services by using a systems thinking approach. This was achieved by using Inspiration software which enables one to have multiple scenarios to systematically approach a problem.

#### **2.4.1. Adopting Shared Services**

Schulman (1999:41) states that the shared services environment accomplishes three important goals, which are to:

- Capitalise on economies of scale and improve service quality for common support by minimizing the sales and administration costs;
- Focus on customer related activities like selling and after sales servicing, by freeing up the divisional and management resources of strategic business units;
- Enable the support functions to be more professional and gain experience by providing consolidated critical mass support.

However, Schulman et al (1999:41- 46) is quick to point out that there are potential hazards which accrue from the creation of a shared service environment. They claim that these arise:

- By tying together all of the Business Units'(BU's) infrastructure;
- When more management time and commitment due to migration to the new shared services is needed;
- In avoiding emotional barriers, there might be possible problems regarding where and how accountability is managed;
- Infrastructure of all BU's should be tied together.

McKinney (2006:2) presents a different perspective regarding the reasons for investing in shared services which not least of all are costs. David (2005:1) provides other reasons for adopting shared services such as updating or replacing financial management systems for the financial institution, and also resolving reportable conditions and/or material weaknesses in internal controls, and improving effectiveness for ease of management decision-making. Forst (2002:41) suggests that the reasoning behind creating a shared services centre involves the fact that many BU's performing exactly the same, staff work, will work in the same place. This is also the view that shared service is synonymous with centralisation. This is discussed under centralization

versus decentralization above. Wilson (2005:30) mentions that there are three objectives to introducing shared services. These are to:

- Trying to assist with efficiency improvement;
- The reduction of costs; and
- Addressing the client's demand for improved services.

According to Wilson (2005:30), other objectives include standardizing the processing environment as well as improving service quality and at the same time speeding up delivery. Davis (2005:2) says that another reason why shared services centres are formed is because of the huge build-up of support service staff and a great deal of redundancy. Davis also mentions that the subsidiaries from the different countries often operated independently with their own systems and processes which normally became expensive. Reilly (2000) in Davis (2005: 2) observes four strategic reasons for adopting shared services as:

- Enhancing professional services by being part of a wider business change management;
- Achieving higher degree of organisational flexibility in order to respond to changes within the business; and
- Minimizing organisational administrative trivia by allowing organisation to strategically reposition itself, and

Miller (1999: 46) suggests that firms which establish shared services primarily aim to minimise head count and reduce costs, whilst benefiting through access to skilled, multi-lingual employees based at a central office.

Most authors seem to be in agreement that there are more positive spin-offs to firms adopting the shared services approach as against the negatives. This includes the management of redundancy due to a build up of support services staff (Davis, 2005:2). Another perspective is provided by Shah (1998: 8) where he maintains that technology, rapid globalisation of business, strategic knowledge management, corporate flexibility and measuring what matters, are positive spin-offs for a shared service centred organisation.

## 2.5. Merits of shared services

McKinney (2006:2) claims that the benefits of moving administrative transactions from the original divisions or subsidiaries to shared services are substantial, as they offer an opportunity to end duplication and help to streamline activities. Davis (2005:2) echoes this view when he states that shared services centres are set up as independent business service groups within the corporation and usually operate on a break-even basis. Davis further points out that most Shared Services Centre's are expected to recover their own costs by charging back to the line units. However, the researcher questions the 'independence' of shared services, and thinks that this might have to be researched further in order to establish if it is true or not. From Davis's point of view, shared service organisations are not expected to make a profit, as they just break even. How true this is has yet to be established. Wyman (2004:5) says that an advantage of investing in shared services is through cost savings from economies of scale, which results in senior management focussing on support functions that are not forgotten, and dedicating talent to quality of service and costs improvement. A great deal of literature supports the view of increased economies of scale. Forst (2002:41) lists the advantages as efficiency gains, organisational effectiveness, higher profitability and enhanced customer service.

The potential benefits through the implementation of shared services within Eskom's Transactional Procurement and Supply Chain Management (*Newsletter*, Issue 1, December 2008) are listed as:

- The reduction of duplicate transaction processes across all divisions;
- The delivery of service to all end users;
- The creation of an internal organisation focused on transactional processing;
- The provision of a platform for management to execute the current business vision of Eyethu, which stands for one Eskom, unified, working together in partnerships with others; and
- The creation of new career opportunities for the employees of shared services.

Shah (1998:7) brings a different perspective to the firms adopting shared services. He maintains that there are certain characteristics that a firm should have in order to benefit from shared services. His first-line candidates for shared services include the

following:

- Cash business for example telemarketing, billing, accounts receivable which are 'order to cash' arrangements;
- Procurement, vendor management, asset management which results from 'procurement to pay' transactions;
- Human resources, payroll and insurance from 'hire to retire' transactions;
- General ledger, conciliations and taxation within the 'accounting to reporting' sphere;
- Others examples include fleet management, facilities management and auditing, etc.

In this instance, there is correlation between what Shah (1998:7) has mentioned in bullet 2 above, and what Eskom is intending to do, with the introduction of shared services within the procurement and supply chain management.

Wang and Wang (2007: 282) also declare as 'strategic opportunities' the cost savings through business process re-engineering, as well as information and knowledge sharing beyond back office business processes. The researcher also adopted the above table for designing the research instrument for this dissertation, albeit more revised and based on the shared services for the transactional purchasing and supply chain front. This is discussed further under the research chapters that follow.

## **2.6. Characteristics of firms that are using shared services**

It is important that the trends of firms using the shared services approach is checked, especially with a view to assessing whether Eskom shares those characteristics, or whether new trends can be established. Porter in Shah (1998:6) argues that being able to share the activities is a 'potent basis for corporate strategy because sharing enhances comprehensive advantage by lowering differentiation costs'.

Shah (1998:6) says that shared services supports an overall trend in business for companies to move from spending a lot of time on transactional processes and reporting, towards spending time on managing control, risk and decision support. Shah (1998:6) adds that shared services allow the local business units to deal more with

processes that are expert-driven as compared to the ones that are striving for efficiency.

This dissertation would also like to establish whether the following shared services characteristics, as listed by Shah (1998:7), are applicable to Eskom as a company or not:

- Running it like a business –as relating to a shared services organisation being run like a business, as against a cost centre;
- Being a low cost provider resulting in minimal costs;
- Affording a high degree of specialisation by dealing better with repetitive and less specialised activities;
- Offering a leveraged skill base by affording expensive specialists resulting from larger market base;
- Being customer and process focussed - due to a strong commitment in working within the highly process oriented environments;
- Having a leading edge technology - by pooling among the different divisions resulting in a leading edge technology;
- the company will have service level agreements of high quality service standards and procedures with their clients;
- The shared service organisation may have its own reward and compensation strategy, which will result in high performance; and
- shared service organisation can focus on operational effectiveness through continuous improvement.

## **2.7. Shared Services - Success Stories**

A brief investigation was undertaken to establish which companies have already implemented shared services. This research was limited to establishing the names and the brief success stories only, as compared to knowing the full extent of the services and analysis thereof, since that would fall outside the scope of this research project. However, it is important that this review is done, in order to contextualise if Eskom is going to be dealing with a known and successful phenomenon in South Africa, as well as in the rest of the world.

### **2.7.1. South African Shared Services Centres**

Eskom's *Procurement and Supply Chain newsletter* (Issue 1, December 2008:2) claims that all Fortune 500 companies are using Shared Services Centres. The newsletter further states that in South Africa, many local companies which have already implemented shared services are:

Afrox, Anglocoal, Anglo American ,Angloplats, BHP Billiton, City of Cape Town, Gauteng Shared Services, Goldfields, Grintek, Ingwe Coal, Mittal Steel, Nampak, National Brands, SAB, Sanlam, Sappi, SASOL, and Standard Bank.

It is not known how these companies have fared regarding their successes and challenges of their Shared Services Centres (see Further Research Requirement in Chapter 5).

### **2.7.2. North American Shared Services Centres**

Most of the Fortune 500 companies have implemented Shared Services Centres, Davis, (2005:5).

- According to Fisher (1998) in Davis, (2005:4), General Electric (GE) was one of the first companies to implement shared services, with the North Americans being the first to set up Shared Services in the 1980's. This notion is supported by Miller (1999:47), who adds that shared services are normally introduced in capital cities. Davis (2005:4) claims that GE's introduction of shared services has resulted in the improvement of both the quality and the productivity of work, as they reduced the accounting systems by 80% and the finance support staff was cut by 30%;
- Davis... also reports that 'Digital Equipment Corporation (DEC) had also set up the Shared Services Centres in the USA around the 1980's. This move assisted them to realise \$40 to \$50 million a year in 'hard dollar savings.'(Davis 2005: 4);
- Barclays Bank also reduced their company-wide human resource costs after they had consolidated their HR services for its six operating divisions into HR Shared Services Centres (Hogg, 2003 in Davis, 2005: 4);
- Davis further states that Krafft Foods has been pioneering the extension of Shared Services to their entire value chains. This has helped them reduce build

up in inventory, and lowered their operation costs while improving customer service.

### **2.7.3. European Shared Services Centres**

Davis recalls that many US firms used their USA domestic experience to start Shared Services Centres in Europe around the 1990's. The following are but a few examples of firms, which had adopted Shared services:

- Elizabeth Arden International – This being a global cosmetics company, they formed one of the earliest Shared Services Centres in Europe in the 1990's (Davis, 2005: 6). According to Davis, this firm succeeded in lowering their administrative costs by 30%, cutting the head-count by 60% and also reducing working capital by 50%.
- Davis, further states that American Express managed to concentrate all of their back-office work of their credit card service in Europe from 15 to one centre in Brighton, England, thus saving on all associated costs.  
Whirlpool, the global appliance manufacturer, also had their Shared Services Centres established in Dublin around 1995. According to Davis, they took over the accounting operations of 14 different countries in Western Europe. (Miller 1999:47).

### **2.7.4 Latin American Shared Services Centres**

Davis, (2005:7) concludes that there are relatively few Shared Services Centres which have been established in Latin America. One example is MetLife, which has subsidiaries in Brazil, Argentina and Uruguay. They have reduced the closing of books worldwide to just 3 days after they introduced shared services.

### **2.7.5. Asian Shared Services Centres**

Davis (2005: 6) provides the following information:

- Anixter Asia Pacific – this US subsidiary started their Shared Services Centres in

Singapore to service Australia, China, Hong-Kong, Indonesia, Malaysia, the Philippines, Singapore, South Korea, Thailand as well as Taiwan. Davis concludes that this meant that the Asian subsidiaries were relieved of their purchasing administrative obligations;

- India- many American and European Companies have established large call centres that are servicing their English-speaking customers worldwide. A few examples of such firms include American Express, GE, Capital and British Airways. Davis records that overhead costs in the region of 40% to 70% are realised because of low operating costs.

#### **2.7.6. Global Shared Services Centres**

Here, Davis, (2005:8 – 9), shares the information about two firms that have opted to have Shared Services Centres catering globally. These are:

- Deere & Co., which is an agricultural equipment producer that set up global Shared Services Centres in the US to help consolidate foreign currency payment to their suppliers (Kroll, 1997in Davis 2005: 8), thus realising huge savings on currency prices and banking fees; and
- Asea Brown Boveri that handles intra-company transactions centrally by using their world treasury centre in Zurich.

#### **2.8 Shared Services – Challenges and Shortcomings**

Not much literature is available on any major setbacks or shortcomings regarding shared services. This information is necessary for a company such as Eskom to note, since the introduction of shared services within the Transactional Procurement and Supply Chain is in its infancy. Shah (1998:5) has however, noted a few misconceptions regarding shared services:

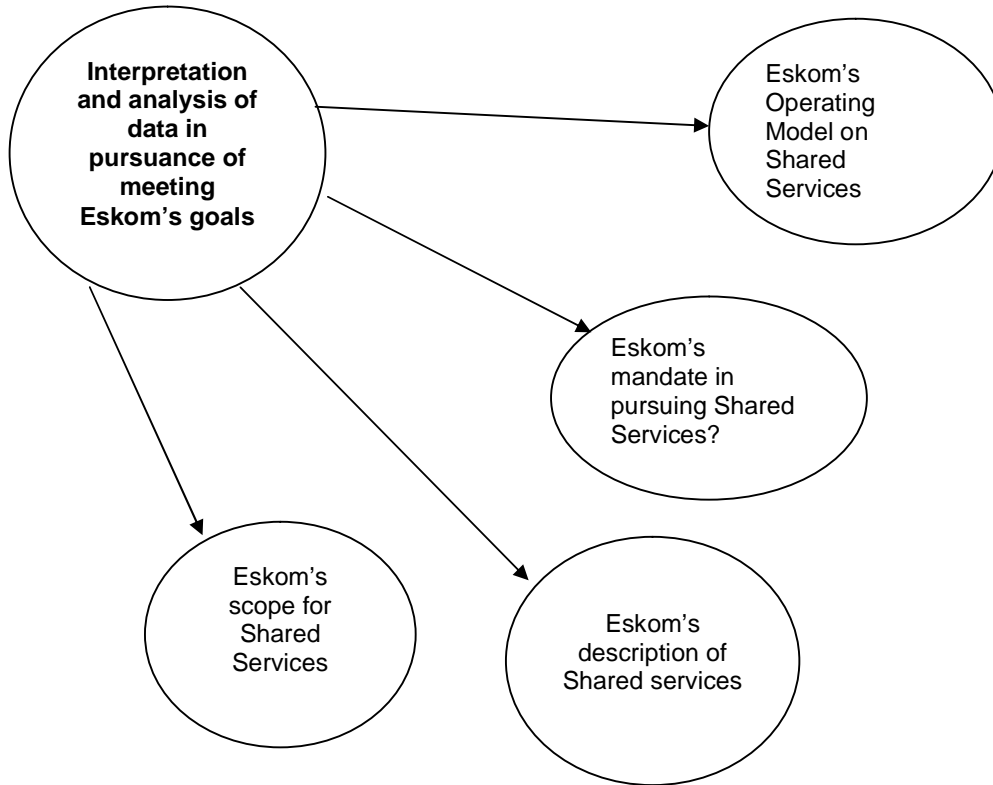
- Shared services equivalent to centralisation;
- Being a cost-reduction mechanism; and
- Only limited to transactional-based processing functions.

Miller (1999: 47) warns of inherent risks in embarking on shared services in the form of



process risks, human resources risks and management risks.

## 2.9. Data interpretation and analysis of Eskom's Stance on Shared Services



**Figure 2.3. Systems Thinking Sub –Sub Problem 3 (Achieved using *Inspiration* software)**

Figure 2.3 depicts how the interpretation and analysis of data can be achieved. This was enabled by using the *Inspiration* software to systematically approach this last sub problem from the main problem under discussion.

Following the discussion above, data from the literature review is synthesised and analysed from Eskom's perspective. This includes researching Eskom as a company relating to its introduction to Transactional Procurement and Supply Chain shared services, and comparing it to the broader literature review on shared services. The research within the company included discussions and meetings with senior management of Shared Services, as well as using official communication on the company's intranet website and official newsletters from the FPSS desk. Eskom has already implemented Shared services within the Human Resource Division (HRSS), and is extending the system to FPSS. Although Eskom is embarking on both Finance

and Procurement Shared services, the scope of this research project is limited to the Procurement and Supply Chain Management (P&SCM) only.

### **2.9.1. Eskom's Definition of Shared Services**

From their official newsletter, *FPSS*, (Issue 1, December 2008, p 2) which they launched in December 2008, Eskom describe shared services as 'the consolidation and redesign of administrative processes into an internal service centre(s) with a purpose of delivering high quality services to the business units'. They further state that 'In consolidating the processes, the level of service that would normally be offered to the business units is not compromised. The higher service levels associated with Shared Services are achieved through improved standardized processes, service management capability and a culture shift towards a high performing organisation'.

This definition is not very different from what was earlier mentioned by the different authors. Schulman et al (1999:71) says that shared services is where there is a concentration of organizational resources which perform like activities, and typically spread across the organization, for it to service multiple internal partners at lower cost, and higher service levels. Schulman et al (1999:71) add that the goal would be to delight external customers as well as to enhance corporate value. Shared service is also regarded as an internal outsourced function which provides well defined services for the organizations' internal customers from various business units Cooke, (2006: 214).

### **2.9.2. Shared Services in Eskom**

An extract from their newsletter, the *Finance and Procurement Shared Services (FPSS newsletter*, Issue 1.December 2008, pp.2), reads: 'Different organisations implement Shared Services for different reasons', and they go on to say that 'At Eskom, the primary driver is process efficiency and service delivery to business units through standard processes'. The researcher also observed that Eskom shares the view of others such as McKinney (2006: 1) who commented that businesses decide to embark on shared services for a variety of reasons, not least of all costs. David (2005:55) also stated other reasons for adopting shared services as updating or replacing financial

management systems for financial institutions, and also resolving reportable conditions and / or material weaknesses in internal controls, and improving effectiveness for ease of management decision making. It can be noted that Eskom has not mentioned costs as the main driver, but rather process efficiency and service delivery. However, it is almost certain that by doing this, Eskom will benefit financially through the positive spin offs of introducing the Shared Services Centre within its Transactional Procurement and Supply Chain Management.

In order to position Eskom's Procurement and Supply Chain (P&SCM) organisation for these challenges, a new P&SCM strategy was approved by Eskom's Executive Committee at the end of 2006. An operating model to implement this strategy was approved in 2007 and includes a Shared Services component that is focused on both Finance and Procurement. Shared Services' main objective is to minimise duplication of effort across divisions and to improve service levels to the business units. While the Operating Model Programme is focused on the operational and strategic activities of P&SCM, the Shared Services programme is focused on transactional activities in both Finance and P&SCM' *Newsletter*, (Issue 1. 12 December 2008,p.3).

### **2.9.3. Eskom's scope for Shared services**

In order to manage their Shared Services Centres adequately, Eskom has scoped their Procurement Shared Services Centres as follows:

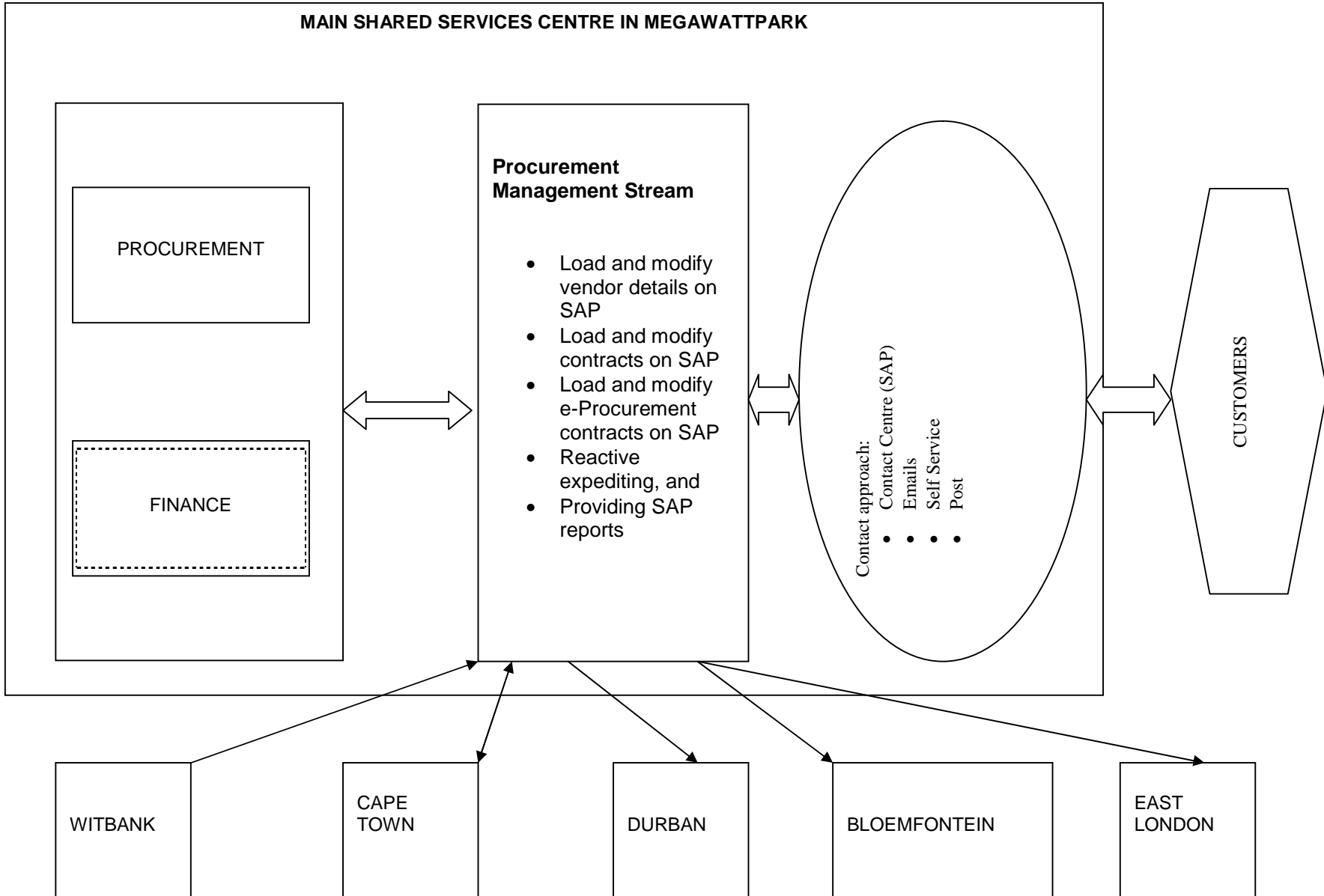
- Load and modify vendor details on SAP;
- Load and modify contracts on SAP;
- Load and modify e-Procurement contracts on SAP;
- Reactive expediting; and
- Providing SAP reports.

The above scope was also taken from an extract on their official newsletter, *FPSS*, (Issue 1. December 2008, p. 3).

In conclusion, Figure2.4 shows an adapted shared services model from Eskom's generic model found in their official newsletter. This model shows that Eskom will have one main shared service centre based at their head office, in Megawatt Park,

Johannesburg, supported by five 'satellite' offices in various centres. Once more the aim of this research project is to focus on procurement, hence the shaded finance department on figure 2.4. According to Dollery, B., Hallam, G., Wallis, J. (2008:343), there is little known about shared services models. It is thus interesting to note that Eskom is introducing this in its shared service project.

**Figure.2. 4. Eskom’s Shared Service ‘1 + 5 Operating Model’. Adopted from *FPSS Newsletter*, Issue 1, December 2008: adapted here for Procurement and Supply Chain.**



## **2.10. Chapter Summary**

This literature review has commented on what some of the literature says regarding shared services. Background information has been dealt with from different perspectives. This was important in the context of the topic for this dissertation. Various definitions and terms were described, including purchasing and supply-chain, which are both linked to the dissertation topic. It is from this review that part of the research instrument was designed in the form of two sets of separate questionnaires, one for employees and the other for executives. This will be dealt with in more detail in the following chapters covering research methodologies and findings.

Secondly, systems thinking were used as a framework to design the topics and sub-topics for the literature review. As a result, three main sub-problems were designed, being the definition of shared services, the reason why firms embark on shared services, and finally the synthesis of the research literature with what Eskom is embarking on.

The different definitions for shared services were discussed, as well as the reasons for firms to embark on shared services. Success stories as well as challenges faced by firms embarking on shared services were also discussed from an international, global and local point of view.

Lastly, Eskom, was also looked at and discussed from the point of view of the shared service project which is currently underway, including their understanding of some terms and definitions, and their shared service operating model.

## CHAPTER THREE

### RESEARCH METHODOLOGY

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#### 3.1. Introduction

The decision by Eskom to introduce shared services within its P&SCM might mean that there is little known about the project (Singleton, Straits, Straits, and McAllister, 1998:89-91), especially from the Eskom's P&SCM employees point of view. It was in this context that the study was approached through an exploratory perspective. Singleton *et al.* (1998:90) also state that with exploratory studies 'there are no clearly delineated independent variables and therefore no categories within which to classify what one sees'. This view is also supported by Creswell (2003:30) when outlining qualitative research. He makes the point that where there is little known about the research topic, then the researcher would seek to listen to those that participate and to build an understanding based on their different ideas.

This research project was approached mainly from a qualitative perspective, for reasons already articulated. This is also complimented with a quantitative enquiry through the use of survey questionnaires. The use of the research approach employing more than one method for data collection is known as triangulation, (Sarantakos, 1993:440, Singleton *et al.*, 1998:360, Tashakkori and Teddlie, 2003: 273).

Churton (2000:168) reminds us that 'qualitative data takes the form of commentaries, transcripts, dialogues and so on'. He further argues that the quality of the information regarding quantity should be emphasized to get a detailed picture. The research population is Eskom's Procurement and Supply Chain Management, and the rationale for choosing this population is discussed below under 'respondent's base'. Some of the pertinent information relating to shared services was also discussed in Chapter 2, however, this chapter dwells much on the design of the research instrument used being the survey questionnaires which were designed within the paradigm of a qualitative research methodology. Leedy, in Hoosen (2004:45), describes the survey method as 'being used to describe the incidence, frequency and distribution of certain characteristics of a population'. It is vital that the focus remains on a good and sound research method, which will yield

measurable observations from the questionnaires, directed to the research population.

The chapter further focuses on many elements including how certain measures were taken to ensure that the correct survey methods were followed, the justification of the sample size, the use of a pilot study, the questionnaire design, the follow-up procedures and it also deals with problems encountered in getting the questionnaires back from the research population.

Annexures 1 and 2 of the two surveys are found at the end of the chapter. One survey was for executive management, whilst the second one was for the operational staff.

### **3.2. Process Followed**

The 185 potential respondents consisted two groups, 30 from group 2, being mainly executives and directors in Eskom, and 155 from group 1, referred to as the 'General' group consisted of a random spread of general managers, senior managers, middle managers, supervisors, specialists and lower level employees. The two groups were chosen for reasons of separating the decision makers from the implementers. The researcher wanted to see how the policy makers and the general employees would respond to this important information, hence the two surveys.

The pre-test responses will not form part of these findings, as this was part of the questionnaire development.

The chart of the various interventions is summarized in the table below.

<b>Date</b>	<b>Description</b>
19 February 2008	Initial letter sent to Group 1 respondents
25 February 2008	Survey pre-testing with a small team
28 February 2008	Initial letter sent to Group 2 respondents
04 March 2008	Research instrument made available to respondents
06 March 2008	Trace feedback on responses
07 March 2008	Follow up on slow responses and non-responses
14 March 2008	Official closing date for survey responses

**Table 3.1. Survey map tracking**



After sending an initial notification letter to the respondents on 28 February 2008, the real research instrument was made available to them for participation a few days later. This was meant to sensitize the respondents first before the real work could begin.

The template of the survey was web-based. This meant that every participant was sent an electronic link which they had to open online in order to download a questionnaire which they then had to fill in and send back. The system automatically returns the filled-in template to the web manager as feedback.

This process is instantaneous and this makes it easy for the respondent to complete without any hassle. This is also a modern technological advancement that the researcher believes many researchers have started using, and given its advantages, it is likely to grow steadily within the research community as time goes on. In the past researchers who opted to use the email system had to attach the questionnaire to the email, which in turn had to be saved on a personal computer by the respondents and then later attached again to be returned by email. Mistakes occur when these processes are followed. However, the web-based research methodology means certain software needs to be used. This can only be done by the specialists in the industry. Because the researcher did not have the expertise to create this facility, the researcher decided to contract the services of one of the service providers called *Whisper-It Wireless* to upload the questionnaires onto the IT system and servers. This was after he the researcher had prepared the research instruments. The web company only worked as instructed by the researcher. Another well-known item of computer software, developed to aid in the analysis of quantitative data, is 'NUDIST' (non-numerical unstructured data, indexing, searching, theorising). (White, 2002:121).

The scope of work for the web manager included the following:

- Uploading the questionnaires from the researcher into the IT system;
- Activating a URL address for linking purposes on agreed dates;
- Creating a virtual two-way communication between researcher and respondents;
- Setting up of closing dates electronically;

- Removing the questionnaire from system after the closing date; and
- Furnishing the researcher with raw material.

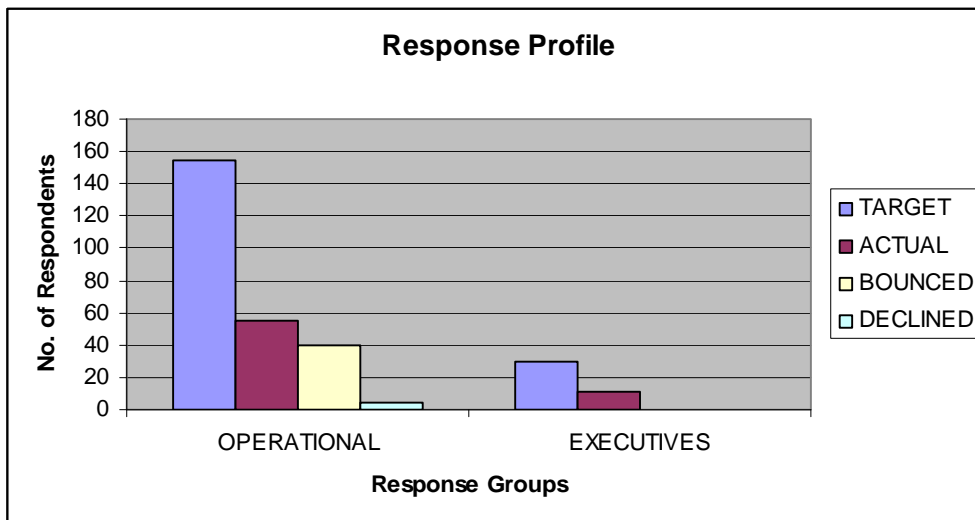
### 3.3. Response Profile

After sending the initial communication via the Eskom email, there were automatic responses that came as undelivered email. There may be reasons for this, including the fact that some users had moved office, resigned or changed email addresses. Of this list, forty came back as undelivered. This list was adjusted and sent again, with a few more now going through. Three of the responses (as mentioned above) were direct answers from a few respondents who announced their inability to participate for various reasons including that they have nothing to do with the Procurement and Supply Chain Department.

Out of a total of 155 from group 1, 55 responded, 40 had bounced, with 4 declining. From group 2, only 11 responded. The statistics above are summarised under the table below.

Respondents	Targeted Responses	Actual Responses	Bounced emails	Declined	Response Rate
Group 1	155	55	40	4	35.5%
Group 2	30	11	0	0	36.7%
<b>Total</b>	185	66	40	4	35.75

**Table 3.2. Response Profile**



**Figure 3.1. Response Profile for Respondents average**

Although follow-ups were done up to the day before the closing date, some respondents never responded, nor did they give reasons for their non-response(s). The researcher did not feel the need to 'hunt' for replacement respondents in the face of the high non-response. The reason is that the researcher was convinced that the initial number of respondents was satisfactory to yield an acceptable opinion, and that the follow-up done was sufficiently thorough to activate some positive responses. The researcher then decided that any later fill-ins would constitute an unfair 'top up' that would not make any sense. The results of the response as they stand would mean something of value to the profile of the Eskom participants.

Having said the above, the author believes that the actual responses received are adequate for the purposes of this research project. This was in line with the delimitations mentioned in point 1.6 in Chapter one where the resource constraints were identified.

### **3.4. Respondents**

#### **3.4.1. Respondents' base**

The respondents can also be referred to as the research population. Welman and Kruger (1999:47) describe the research population as 'the study object which may be individuals, groups, organisations, human products and events'. This research was directed at Eskom's Procurement and Supply Chain Management. The research topic is 'Introducing Shared Services within Eskom's Transactional, Procurement and Supply Chain Management'. The Procurement and Supply Chain Department is responsible for purchasing services and goods on behalf of Eskom. Two separate questionnaires were sent out. The initial questionnaire was sent to a mix of Eskom's Procurement and Supply Chain Management employees, ranging from senior management, middle management, supervisors and employees in the lower grades. The convenience sampling method was used. The reason for choosing this method was to try and include the subjects that are immediately available or to hand, (Allison O'Sullivan, Owen, Rice, Rothwell, and Saunders 1996:43) as compared to targeting the general population. This Eskom group was

targeted with the assumption that they are affected by the daily operations of the procurement and supply chain department in one way or another. Then the second questionnaire was targeted to senior executives in Eskom. Most questions were generic, except for questions relating to strategy for the senior group. This group of respondents were targeted by virtue of the positions they hold within Eskom, and findings from this group survey will certainly have an effect on the way forward regarding the actual project execution by Eskom.

### **3.4.2. Number of respondents**

There is a debate as to what is the best formula to apply when deciding on an acceptably representative sample size. Welman and Kruger (1999:64), as well as Churton (2000:171) seem to be in agreement that a Figure of around 200 should be an 'acceptable' sample size. Huysamen, (1994: 47) holds the view that 'the size of the population should be borne in mind when the size of the sample is determined'. Other authors recommend that the sample should not exceed 500 in order to satisfy the sample error formula. (Welman and Kruger.1999:64). While Bless and Achola (1990: 65) describe their 'rule of thumb' method as being 5 % of the population. This begs the question of how much is an acceptable sample size. This still needs further research and clarity. The researcher is of the view that Eskom's Procurement and Supply Chain Management department population, estimated to number approximately 6000 employees ([www.eskom.co.za](http://www.eskom.co.za)) is too big to serve as the sample of this research.

A total of 185 potential respondents comprising two groups were chosen as follows:

#### **3.4.2.1. Group 1**

155 respondents were chosen, representative of most Eskom employees, including management, supervisors and operational employees. This group's questions were designed in a manner that would cater for the operational understanding of the changes inherent in the introduction of shared services within the transactional procurement departments.

### **3.4.2.2. Group 2**

A total of 30 respondents were chosen from Eskom's executive management. This is the pool considered to be the key decision makers within the company. It included Managing Directors, General Managers and Senior Managers for the Divisions and Departments. This pool of respondents' questionnaire focused more on the strategic point of view as envisaged by the introduction of shared services in Eskom. This was done to approach the survey from a systemic point of view.

### **3.4.3. General Demographics of Respondents**

This survey was targeted at different respondents within national Eskom. A proper mix of varying educational and experience levels was anticipated. Ranging age levels, and a balanced race and gender profile was also catered for. Since this sample was expected to represent the procurement and supply chain fraternity within Eskom, a representative list of 185 potential respondents was chosen. This was the fine-tuning of the sampling frame with the aim to 'develop a comprehensive list of the individuals that make up the target population' (Churton, 2000: 171). This was done to target only those who had something to do with procurement and supply chain in Eskom, as opposed to opening the net wide to everyone. This was achieved generally, but it cannot be said without difficulty, as the email system can be filtered departmentally and divisionally to the researcher's advantage.

## **3.5. Sampling Design**

### **3.5.1. Convenience Sampling**

After weighing the different sampling techniques and taking the time and cost factor into consideration the researcher chose to use this technique. According to Allison *et al.* (1996:43), this method involves the persons that are immediately available. Bless and Achola (1990: 67) define a sample as the sub-set of the entire population investigated and whose findings are generalised to represent the whole population. They conclude by stating that 'sampling means abandoning *certainty* in favour of *probability*' (Bless and Achola, 1990:65). The researcher concurs with this statement as not all research subjects can be reached at times and it cannot be

said with certainty that the views of the sample represent the whole research population. This statement is also true regarding why a certain number was chosen as a representative sample for the Eskom research population under point 3.2.2 above.

### **3.6. Questionnaire Design**

#### **3.6.1. Research Instrument**

The research instrument was designed specifically to try and address the research project. It had to be within the context of procurement and supply chain management. The initial questions were around the knowledge of the change Eskom was planning to introduce within Procurement and Supply Chain Management. There were questions around possible benefits if shared services were to be adopted, which was followed by the survey on the current procurement procedures, and lastly on the demographics of the respondents. It was necessary to have this blend of questions asked, as transactional shared services are planned for introduction within an already existing framework of a purchasing department, hence the need to qualify whether the existing system needs any 'tampering' with, or should it be left as it is. Secondly, the change, according to the researcher would be one of the biggest Eskom has ever made within the P&SCM environment.

#### **3.6.2. Planning**

This research project used primary data, which is original data, collected by the researcher, as mentioned in Welman and Kruger (1999:147). As a result, prudent steps had to be taken to ensure that the questionnaire was acceptable firstly to Eskom as an organisation under study, secondly to the Eskom employees who are the subjects, and thirdly to the researcher who will write up the findings. Finally, the questionnaire had to comply with the University of KwaZulu Natal's research rules and ethical requirements. Some of the following were observed, as delineated by Welman and Kruger (1999:171):

- Allowing respondents to formulate their own responses by carefully choosing between open and closed-ended questions;

- Observing the respondents' education levels;
- Avoid offending the respondents or the organisations under research. Strive for brevity, through avoidance of long and double-barrel questions which may be confusing; and
- Avoiding leading questions and / or suggesting answers to respondents.

### **3.6.3. Ethical Considerations**

Not all the research projects are subject to research subject's consent. Welman and Kruger (1999:181) are of the view that ethics as an issue come into play under certain conditions, including when the participants are recruited, or during the intervention to which they are subjected as well as when results are published. In keeping with the guidelines given by the University of KwaZulu Natal, an ethical declaration form was filled in and sent to the University for approval because the subjects were going to be affected by the measurement procedure and the results being disseminated. Ethical considerations covered what topic was going to be researched, who the anticipated respondents would be, and how far the people's privacy may be affected among other issues. An initial letter was sent to all the respondents informing them of the intention to engage them in this research project. Basic information, including voluntary participation, anonymity, confidentiality, the research topic, the name of the University and contact details, as well as the aim of the research project was communicated. Permission was also sought from a Senior General Manager of the P&SCM to undertake this study by means of an internal email system. A group notification letter is attached as Annexure 4. Bourque and Fielder (1995:145) stress the point that 'protecting the respondents and doing them no harm are the primary responsibilities of anyone who conducts a survey'.

### **3.6.4. Web-based questionnaires**

Some of the older survey methods included administering questionnaires through:

- The post office;
- Personal Interviews; and
- Telephone Interviews.

Web-based survey methods 'eliminated the need for cumbersome and expensive transfer and tracking of forms; data entry, and verification', Cooper, C.J., Cooper, S.P., del Junco, J.D., Shipp, E.M., Whitworth, R., Cooper, S., (2006: 10).

This research project was aimed at Eskom's Procurement and Supply Chain Management, where the researcher is also based. Welman and Kruger (1999:150) state that group contact with a captive audience will result in lower research costs. All communication had to be managed within the ambit of Eskom's communication structure. One of the simplest ways of reaching out to almost everyone in Eskom is to make use of its email system, also known as GroupWise. An initial request to undertake this study was made to the Senior General Manager of the Procurement and Supply Chain Management in October 2007. The researcher thought it prudent to utilize this simple method as it was going to yield quicker results by virtue of its speed and because it utilised the already existing infrastructure. The added benefit was that the researcher is within the ranks of the organisation being researched, and that the respondents will not see his research as being 'foreign'. The previous method used in sending out the surveys involved attaching a template to each respondent's email. This meant that the respondent had to save the template, fill it in and then attach it again upon responding. This is the traditional method of doing electronic surveys. However, it has the disadvantage of taking a lot of effort and time, especially on the respondent's side, to first save and then attach it to the response. Past experience has also shown that research respondents are put off by this and would prefer an easier way out. A more up-to-date and simpler way of doing surveys is to utilize the web. Instead of attaching the questionnaire, a special address is created for all respondents in a form of a web-address link. When each respondent logs on to this link, he or she downloads the questionnaire, fills it in and then automatically sends the questionnaire by pressing the finish, or send button. The researcher used the latter method after designing the research template and engaging the services of an expert who had all the necessary software to do it at a minimal fee. It should be stressed that this service was only for this purpose and not in designing the complete questionnaire. All related analysis and conclusions still remained the responsibility of the researcher.



### **3.6.5. Pre-testing**

'Effective pre-testing of the instrument is a basic method of assessing the impact of all the approaches to preventing or minimizing method effects' (King, Liu and Haney, 2007:462). Welman and Kruger (1999: 146) agree when they state that the pilot study investigates validity and reliability. Reliability in this instance is the manner in which the scores obtained could be substantiated on other different measuring occasions.

With regards to this research project, a group of ten initial respondents were asked to participate in the pilot study by being participants that responded to the initial draft of the questionnaire. This was done before the final questionnaires could go out in real time. This group comprised Eskom employees. Welman and Kruger (1999:146) state that the purpose of a pilot study is to test the material using a limited number of subjects from the same population for which the study is intended. The sample was a mix of the managerial, operational and supervisory staff. An added benefit was that the respondents actually filled in all the questions, and some gave feedback regarding how some questions were to be constructed and worded. This served the purpose of pre-testing, and after this exercise, the revisions were made and the revised questionnaire was sent out. This group does not form part of this research project survey.

## **3.7. Procedure**

### **3.7.1. Initial pre-survey**

An initial letter was sent out to each potential respondent informing them about the study and requesting of them to be participants in a survey. The names and details of the researcher, the aim of the study and the research topic, the name of the university and contact details as well as other relevant information was made available. This was an attempt to pave the way and also to prepare them in advance. The real questionnaire was sent to them within the following ten days. The two questionnaires for the respondents can be found in Annexures 1 and 2 respectively. The anonymity letter for social desirability effects (King, Liu and Haney, 2007:458) is in Annexure 3.

### **3.7.2. Initial Data Collection**

A fair mix of both open-ended and closed-ended questions was blended to cater for differing question types. Closed-ended questions were used to elicit direct answers by providing respondents with a set of different answers to choose from. Open-ended questions were also provided to the respondents to write down own comments. The questionnaire method is efficient as it allows for anonymity and it promotes honesty. According to Bless and Achola, (1990:42), the survey is the collection of information from many cases, with each case investigated on the particular aspect under consideration. The researcher preferred to use self-administered questionnaires due to their convenience. Such samples, according to Bourque and Fielder (1995:136), are only considered when the investigator is confident that the desired sample population is accessible from the designated location. The researcher is of the opinion that the subjects for this research were easily accessible by virtue of them all being Eskom employees, and agrees with the statement by Bourque and Fielder (1995:75) that this method is also less expensive than telephonic surveys or face-to-face interviews. During the initial notification to the respondents, the official closing date for the return of the material was indicated. This date was the 14 March 2008. After one week had lapsed, it was noted that the response rate was slow. This called for follow-up to be done in the form of a reminder.

### **3.7.3. Follow-up on Data Collection**

A database of those who responded earlier was captured, and a follow-up was made with those that had not yet responded; this was in the form of a reminder letter with information about the link to the questionnaire. In order not to frustrate those who had responded, the follow-up was made individually with those who did not respond, as opposed to writing a blanket email to everyone as was the case with the initial introductory letter. However, even with the introductory letter, the recipients were 'blind copied'. This was in keeping with the requirements for anonymity.

### **3.7.4. Responses**

The response profile started to show signs of improvement after doing the follow-up. Some of the respondents also mentioned that they had already responded. An investigation revealed that some respondents were sending the responses to the originator, instead of using the link provided. This can be ascribed to the fact that there is an email culture in the organisation that means that one has to respond to the writer, and some instructions are not read carefully by the reader. For the response rate, the reader is referred to the research findings in chapter 4, section 4.5 'Interpretation of results'. Also refer to table 4.2 on page 54.

#### **3.7.4.1. Undelivered emails**

The advantage of using the electronic web-based survey is that the results of the delivery rate are instant. It takes only a few seconds or minutes to see which addresses did not deliver successfully. This can then be profiled and addressed immediately. The reasons for non-delivery range from a wrongly typed address, a closed account or even an error due to not updating latest records. On the part of the respondents, an example is when people change their names due to marriage and other reasons. This statement concurs with what Bourque and Fielder (1995: 14) stated when they maintained that 'the most studied disadvantages to mail questionnaires are their low response rate'.

In the case of this research project, there were few returns as well. These returns also affected the number of respondents negatively. Care was also taken not to continue obtaining other respondents to replace the lost ones. This was done in order to avoid possible bias in the process.

#### **3.7.4.2. Non-response profile**

Some of the respondents declined to participate in the survey stating different reasons. Non-response normally represents what is called a 'non-response error', which is a result of some elements of the sample not responding due to different reasons. Bless and Achola (1990:78) state the following reasons for non-response:

- Illness, language proficiency of the respondent;
- Respondent not found due to change of personal details like the address, name or death;
- Interview of respondent not taking place as planned.

### **3.7.5. Unexpected challenges**

Although the researcher was of the view that all protocol was observed with obtaining approval from Eskom's management regarding the research topic and participation beforehand, there was one instance where this was challenged. It emerged in one of the communications that there was confusion regarding the real shared service project run by Eskom and the research study project of the researcher. It seems as though the researcher's questionnaires were being regarded as part of the real project in the organization. Only after careful explanations and proof of prior communication, was it established that the researcher was running an independent study in pursuance of a master's degree. This communication was also addressed to all the respondents who were on the distribution list database of the researcher. This communication is in Annexure 4. This intervention also shows the extent to which the researcher achieved Eskom's engagement with the research project, which was the intention.

### **3.8. Limitations**

The parallel process where Eskom is communicating to the Procurement and Supply Chain Management Department, as well as the researcher's request to undertake a survey on the same matter, i.e., introducing shared services within the department, should not cause confusion and be seen to be contradictory. Any actions that would potentially be seen to have negative connotations from the researcher were to be avoided.

Lastly, this research project had to be feasible in terms of time and resources available.

### **3.9. Analysis of Data**

This Chapter only covers the research methodology, and it is not the intention to describe the findings here as these are discussed in more detail under the Research Findings' chapter following this one. However, it is important that the data, which formed the very basis of the research, be summarised under this chapter in order to give a perspective on how it was obtained. The analysis of this data was manually done using the excel spreadsheet and projecting graphs from the results. As mentioned under 'Respondents' in point 3.2 above, there were two pools of respondents; the first being the Eskom staff believed to have a relationship with the Procurement and Supply Chain fraternity, as well as Senior Eskom Management, including General Managers and Directors. It was fairly easy for the researcher conveniently to choose from the related departments, as he is also an Eskom employee. The total numbers chosen for general staff and senior management were 155 and 30 respectively, totalling 185. There was a balance of gender, and age with some youth, some middle-aged and some senior employees involved. It can also safely be generalised that the employees who are in the two pools have good educational levels ranging from matric to university degrees and diplomas.

Chapter 4, which is going to deal with the research findings, will elaborate further on the quality of the research that resulted from this survey. Out of the 185 possible respondents, there were a total of 55 returned survey responses from the general staff and 11 from senior management. This makes a total of 66 responses or a 36 percent response rate. The researcher is satisfied that this is acceptable and sufficient to enable the findings to be generalised to the Transactional Procurement and Supply Chain Management Division as a whole, and can be used for improving the implementation of Shared Services within the Transactional Procurement and Supply Chain Management, which was the main objective of this research project.

### **3.10. Validity of Data**

According to Welman and Kruger (1999:139) construct validity refers to the degree to which the instrument measures the intended construct rather than irrelevant

constructs or other measurement errors. Welman and Kruger indicate that the chosen design or research instrument should be able to answer the research question and ultimately serve the purpose for which it was intended in the first place. Churton (2000:159) seems to agree with the above notion by stating that 'validity refers to the extent to which the results of research provide a true picture of what is being studied.' For the above to be met, the researcher has taken care to design the research template, taking into consideration other factors that may have an effect on the outcome of the research, some of which, according to Welman and Kruger (1999:98-128) are referred to as:

- Internal validity and threats, like history or spontaneous change to the environment Secondly, the other factors which might influence the researcher's control can include the knowledge about the Hawthorne, Placebo and the John Henry effect. [It is beyond the scope of this chapter to explain in full detail what these effects mean, but they have a bearing on the respondent's ability to behave or answer in a certain manner, and as to whether the results will be reliable or not]; and
- Lastly, Welman and Kruger (1999:98-128) cite that external validity and threats also refers to the population validity and ecological validity which in turn relates to how the findings can be generalised to the population as well as the circumstances to which the research will apply.

The respondents for this research project are Eskom employees, and so is the researcher. An effort was made during the design of the research instrument to attempt to balance it in such a way as to soften the bias that may have resulted from the above fact. Whether this was really achieved is very difficult to tell. As Churton (2000:159) puts it, it is difficult to achieve total or absolute validity as this relies upon perceptions and interpretations within sociological reasoning. The pilot study was also used to investigate the validity of the research instrument. This exercise had the benefits of providing the researcher with initial feedback regarding the questionnaire design, wording and structure.

### **3.11. Reliability of Data**

Bless and Achola (1988:115) describe reliability as concerning the 'degree to which a particular procedure gives equivalent results over a number of repeated trials'. This notion is echoed by Churton (2000:157) who declares that for the research to be reliable, it should yield identical results if done under repeated identical research conditions. Although it is not within the scope of this research project, Bless and Achola (1988:111) as well as Welman and Kruger (1999:143-145) point out that there are scientific means that can be used to estimate reliability by using the following methodologies:

- Test-retest method;
- Equivalent or parallel form method;
- Split-halves method;
- Internal consistency method; and
- Interrator, intercoder, tester/test or measurement scorer reliability method.

For this research project, it was not necessary to go to the extent of using the above tools; however, an effort was made in designing the research instrument to address reliability of the whole research project by utilising other current work from research exercises, and the literature review on the topic. It would not have been feasible or economically viable to undertake a duplicate research study under the same conditions in the Eskom environment due to governance issues and time constraints.

### **3.12. Chapter Summary**

This Chapter has highlighted the research methodology of this research project. The respondents were the first element of discussion. The research instrument design method was then discussed. The whole procedure of the pilot study, the manner in which data was disseminated to the respondents and subsequent follow-up on outstanding responses was discussed. The limitations to the research project were also discussed. Lastly, the data's validity and reliability were a point of discussion in determining whether the research methodology was adequate or not.

The two research instruments used for the research are attached as Annexures 1 and 2, as well as the communication with management.

The choice of the two groups was easy as the researcher knew how to sift the information on Eskom's email system database to conveniently select his target population.

The usage of the web-based survey method also came in handy, to be able to use the advanced technology in a positive manner as discussed. The researcher was responsible for the drafting of the research instruments, which the web manager needed only to execute.

The development and rationale for the contents of the research instrument was discussed to be within the procurement and supply chain management as regards the introduction of shared services within the transactional procurement and supply chain department through a series of strategic questions in a form of a survey.

The researcher did all the analysis as per the variables independently. The demographics of the respondents, including the age, gender, education and experience profiles were discussed.



## CHAPTER FOUR

### RESEARCH FINDINGS AND INTERPRETATION

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#### 4.1. Introduction

This chapter discusses the findings of the research project. Although the research project took a qualitative approach to collecting data, the interpretation methodology to be used is mixed method, which uses both the qualitative and quantitative methods (White, 2002:67-68). Two samples of respondents were chosen through convenience sampling. The first sample of 155 respondents was chosen from a mix of Eskom lower grade employee positions to middle and upper management, while the second sample of 30 was taken from senior executives and Directors of Eskom.

A web-based survey method was used. Software programmes have been developed in recent years to aid in the analysis of qualitative data. However, the final interpretation is still left up to the researcher. (White, 2002:121) This chapter will discuss the findings of the survey as well as provide an interpretation of those results.

#### 4.2. Gathering of Data

##### 4.2.1. Measurements of Variables

The thrust of this research project involves establishing the perceptions of the Eskom's P&SCM employees and management regarding the introduction of shared services within the Transactional Procurement and Supply Chain Management Division. Kirsh(1959) in Singleton *et al.* (1988:72), states that it is important to distinguish between the explanatory variables and extraneous variables. For the purpose of this project, the focus will be only on the former variable, which has two principal types, viz., the dependent and independent variable (Singleton *et al.* 1988:72) as discussed below.

#### 4.2.1.1. Independent Variables

The independent variables will profile the demographics of the respondents, their age and gender profile, as well as their qualification and work experience. Both Groups 1 and 2 will be profiled under the same table and graphs as per the independent variable, but the findings of each group will be analysed separately per group (see section 4.3 below).

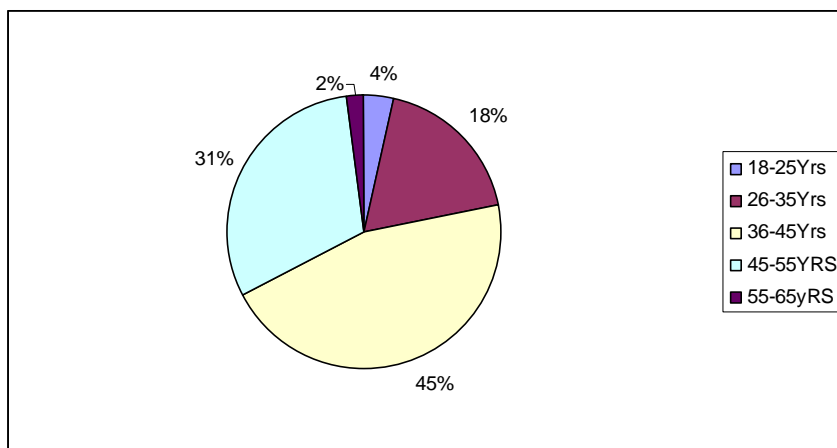
##### 4.2.1.1.1. Demographics of Respondents

There was a fair mix within the various demographic profiles of the respondents. The information regarding the two group's age, gender, education and experience profiles are depicted under the following tables and figures.

###### 4.2.1.1.1.1. Age

Age	Group 1	Group 2
18-25 Years	2	0
26-35 Years	10	3
36-45 Years	25	2
45-55 Years	17	5
55-65 Years	1	1
<b>Total</b>	<b>55</b>	<b>11</b>

**Table 4.1. Age Demographics Table**



**Figure 4.1. Average Age Demographics for both groups**

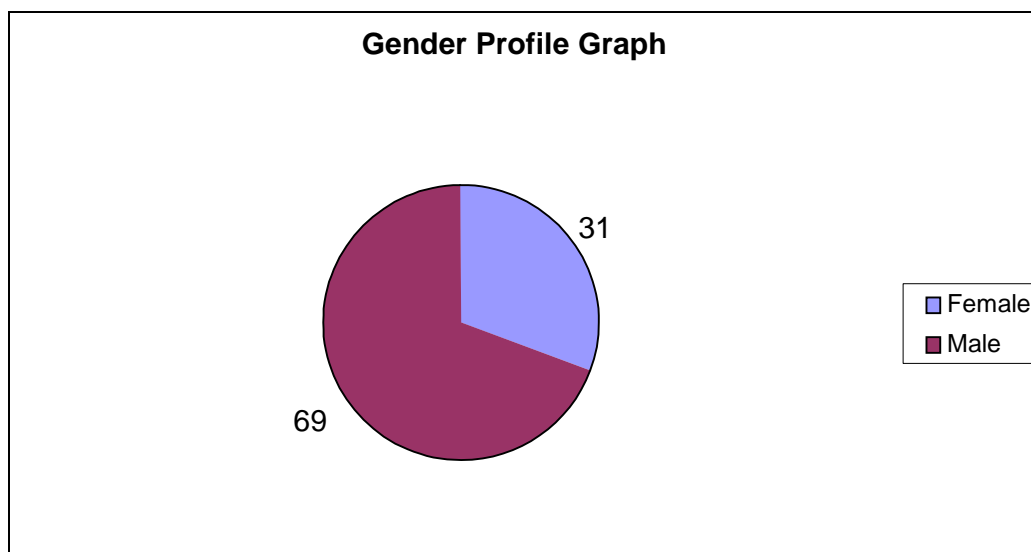
The above figure shows that the majority of the respondents were from the 36-45 age groups which represent 45% of the total respondents, followed by the 45-55

years age group at 31%. The youth group aged between 18 – 25 years was not properly represented, with only 4% responding. The 55-65 age groups showed a mere 2% response rate.

#### 4.2.1.1.1.2. Gender

Gender	Group 1	Group 2
Female	17	5
Male	38	6

**Table 4.2. Gender Demographics**



**Figure 4.2. Gender Profile Average Graph**

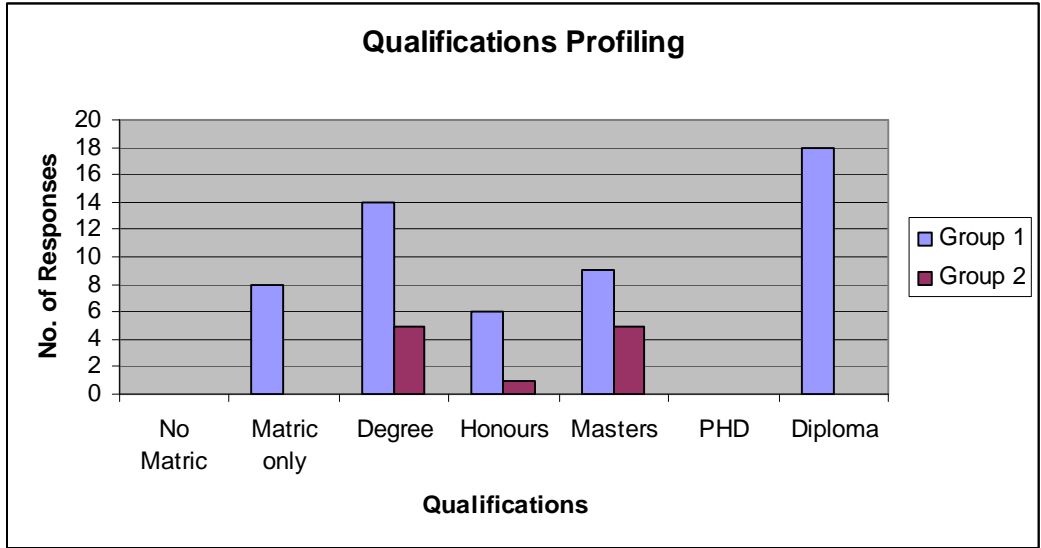
The men represented more than half the respondents in the survey. However in the Group 1, there was about 30% female representation, whilst close to 45% of females represented the Eskom executive group compared to their male counterparts.

#### 4.2.1.1.1.3. Qualifications

Both groups were asked to respond to the varying qualification levels. The table below records their response.

	No Matric	Matric Only	Degree	Honours	Masters	PHD	Other	Total (Vertical)
Group 1	0	8	14	6	9	0	18	55
Group 2	0	0	5	1	5	0	0	11
<b>Total (Horizontal)</b>	0	8	19	7	14	0	18	<b>66</b>

**Table 4.3. Respondents Qualifications Profiling**



**Figure 4.3. Respondents Qualification Profile average**

It can be deduced from the above qualifications figure that most of the respondents held other qualifications to the ones listed in the survey questionnaire. The questionnaire also had provision for responses regarding which qualification they had other than the ones mentioned. Most of the respondents had diploma qualifications. This can be seen on Table 4.5 above with 18 respondents with diplomas.

The senior management qualification profile is at the degree, honours and masters levels, while the operational group has a mixed range of qualifications from Matric level to degree levels.

**4.2.1.1.1.4. Work Experience**

This was one of the survey questions asked to establish how long the respondents had been working for Eskom. The assumption was that the longer the respondents had been in the organisation, the better the chances of their having knowledge regarding the previous status within Eskom’s Procurement and Supply Chain Management Department.

<b>Experience</b>	<b>Group 1</b>	<b>Group 2</b>
Less than 1 year	1	3
More than 1 year but less than 3 years	5	0
More than 3 years but less than 5 years	3	0
More than 5 years but less than 10 years	13	2
More than 10 years but less than 20 years	19	2
More than 20 years	14	4

**Table 4.4. Eskom Work Experience**

Table 4.4 above shows that more than 34 percent of the group 1 respondents were in Eskom's employment for more than 10 years, followed by 25% of employees with more than 20 years, which, when combined, constitutes more than half the respondents working more than 10 years.

The average years worked by the Eskom Executives is around 1.8 years, which is far less than the average of 9 years from the Eskom General group. The deduction made is that the general group represents the majority of the implementers of Company policy, and that their view regarding the *Introduction of Shared Services within Eskom's Transactional Procurement and Supply Chain Management* will have meaning and weight. These views are discussed next under the interpretation of variables below.

#### **4.2.1.2. Dependent Variables**

In section 1.2 above under the statement of the research problem, it was mentioned that the aim of this research project is to establish what the perception is on whether or not the introduction of shared services within the Transactional Procurement and Supply Chain Management in Eskom will result in cost savings and efficiencies for the whole organisation. The questionnaires were then so designed to extract some answers from both group 1 and 2.

The six main research issues were the following:

- Knowledge about the changes regarding the introduction of shared services within the Transactional Procurement and Supply Chain Management;

- Whether these changes are welcome and believed to be bringing about positive outcomes;
- How the staff affected should be managed;
- If there are any benefits to be realized within a certain timeframe;
- Whether there is a need for a contact centre and the location of such, if needed; and
- whether the current system is yielding any positive spin-offs for the organisation.

These issues are an extension of the main objectives referred to earlier under section 1.5, which are to see if the introduction of Shared Services within the Transactional Procurement and Supply Chain Management would lead to:

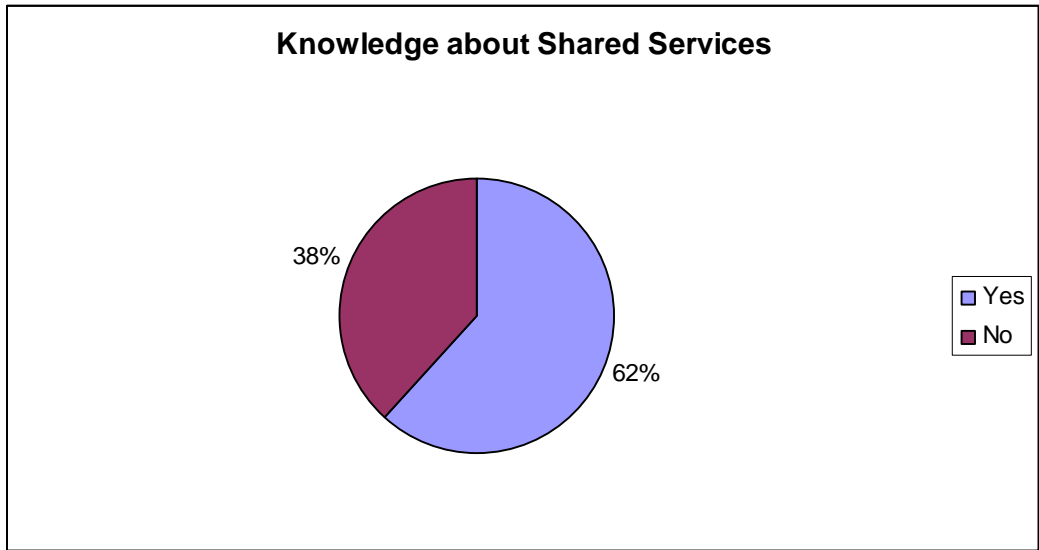
- Improved efficiencies;
- Reduction in costs; and
- Addressing the residents' demand for improved efficiency.

Each of the above dependent variables, hereafter referred to as dependent research dimensions, is discussed in turn.

#### **4.2.1.2.1. Research Dimension 1: Knowledge about the introduction of shared Services in supply chain management**

	<b>Yes</b>	<b>No</b>	<b>Positive response Rate</b>
Group 1	32	20	58.18%
Group 2	9	1	81.82%

**Table 4.5. Knowledge of Shared Services in Eskom**



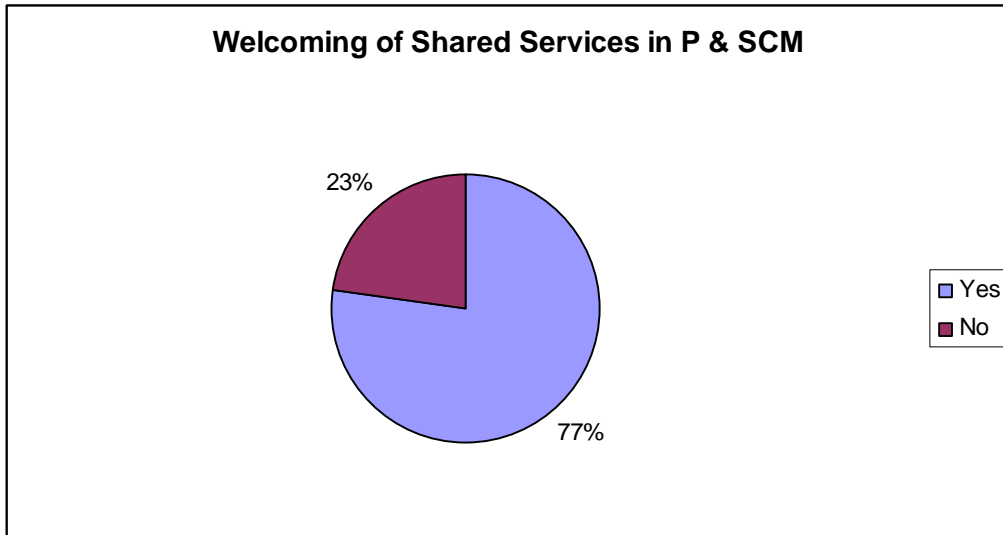
**Figure 4.4. Knowledge of Shared Services in Eskom average**

Of the 55 respondents in Group 1, about 58.18% of these said they had heard about the changes that Eskom was about to introduce within the Transactional Procurement and Supply Chain Management Department. Figure 5.5 also confirms that the majority of respondents, at 62% for both groups, knew about the changes planned.

**4.2.1.2.2. Research Dimension 2: Welcoming of Changes**

	Yes	No	Positive response Rate
Group 1	41	12	74.55%
Group 2	11	0	100%

**Table 4.6. Reception to changes**



**Figure 4.5. Reception to changes average**

There is approval for change by the majority of respondents, representing 77% as seen in Figure 4.6. All the executives agreed that the Transactional Procurement and Supply Chain Management should be changed to shared services. From group 1 respondents, there are reservations expressed by about 25% of these respondents. Some of the reasons cited by this group include the following:

- *'Eskom makes one change after another. Before people understand the one change they bring out another change;*
- *Modify and polish where necessary and stop frustrating (sic) people and business at large;*
- *Not as efficient as everybody thinks;*
- *Since Human Resources went the same route, the service has gone bad;*
- *The experience with HR shared services was not a good one, I assume the same will be with Procurement'.*

#### 4.2.1.2.3. Research Dimension 3: Management of Affected Staff

Description of questionnaire	Group 1	Group 2
Relocate existing procurement staff to shared services centres	41	10
Transfer existing procurement staff to other departments	14	4
Recruit new staff within Eskom	25	4
Recruit new staff outside Eskom	26	4

**Table 4.7. Management of affected staff**



Under this question, the respondents had the opportunity of advising on how they thought Eskom should best deal with the issues of staff movement. This is also the only question where they had an option of choosing more than one answer. In Group 1, about 74% agreed that the existing procurement staff should be targeted to manage, lead, control and work in the shared services centres.

#### **4.2.1.2.4. Research Dimension 4: Benefit Realisation**

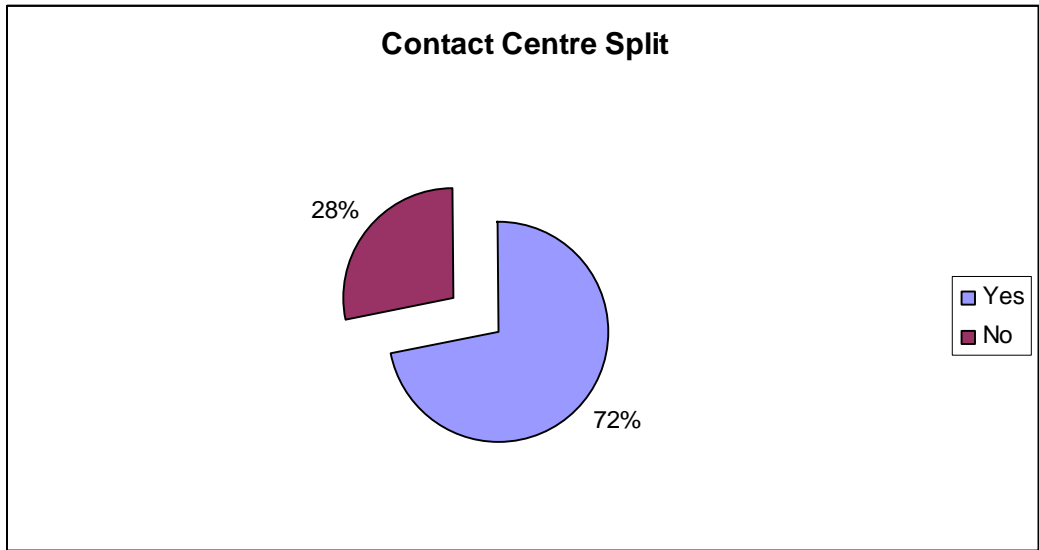
From the three objectives mentioned under section 1.5., the definition of shared services was discussed review in chapter 2. The second objective relates to reasons why organisations embark on shared services. Part of the research questions focused on benefit questions which were used for this research project to promote responses regarding benefit realisation prospects in Eskom (see table 2.1, section 2). There were a total of 10 benefit realisation questions for both groups, and there was an average 59% approval rating from group 1, and a 76% approval rating from group 2.

As regards the expected benefit realisation period, the majority of Group 1, at 18%, feels it will take some time, of up to five years, before Eskom benefits from the shared services environment of the Transactional Procurement and Supply Chain Management Division, whilst 63% of group 2 feel that two years should be enough for benefits to start trickling through.

#### **4.2.1.2.5. Research Dimension 5: The Establishment of Contact Centre / Call Centre**

	<b>Yes</b>	<b>No</b>	<b>Positive response Rate</b>
Group 1	38	15	69%
Group 2	10	1	90%

**Table 4.8. Contact centre split**



**Figure 4.6. Contact centre split average**

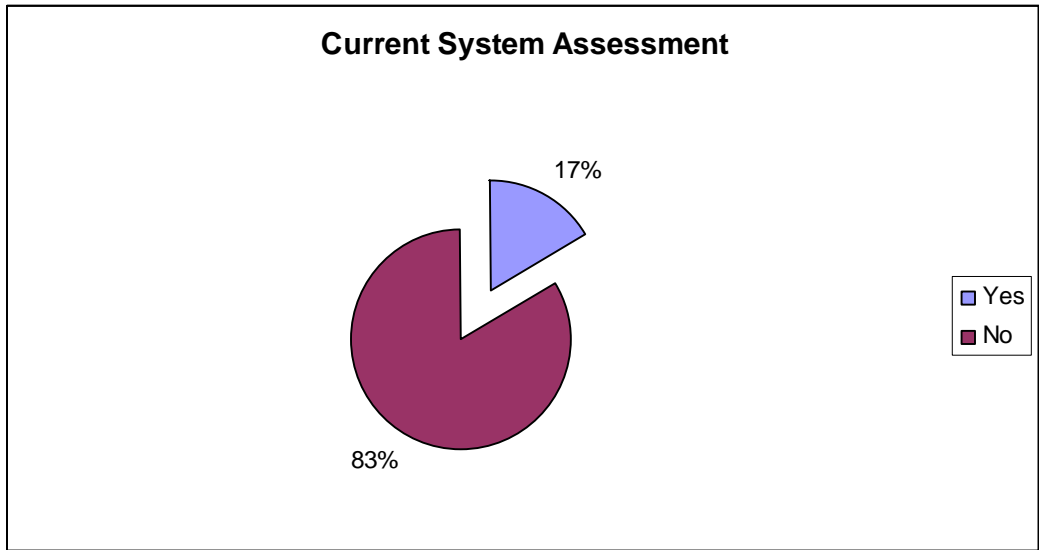
An overwhelming majority from both groups 72% feel it is appropriate to establish a contact centre environment for the Transactional Procurement and Supply Chain Management if shared services are to add any value.

**4.2.1.2.6. Research Dimension 6: Assessing the Current Status' Perceptions within P&SCM**

Most of what was already surveyed under the five variables above had something to do with changes in the future. This variable is specifically assessing the current status, to see if there are any current benefits as perceived by the respondents.

The findings for this variable show that both Groups of respondents agree that the current system is not efficient.

Group 1 returned a 69% negative response, whilst 54.5% from the executive also agree that the current system is not working. This is summarised in Figure 4.8 below.



**Figure 4.7. Current System Assessment Average in Eskom**

**4.3. Interpretation of Results**

It was mentioned in Chapter 3, the research methodology has taken both a qualitative and quantitative approach, and these findings will discuss the six research dimensions from the two perspectives for both group 1 and 2. As with data analysis in section 3.7, the averages of findings will be recorded using an excel spreadsheet.

**4.3.1. Qualitative and Quantitative Analysis for Group 1**

Group 1 represented the general operational, supervisory and first line management of the employees within the Transactional Procurement and Supply Chain Management department, including those perceived to have direct liaison with the department. The findings will be discussed from both the qualitative and quantitative perspective for the main research dimensions as follows:

**4.3.1.1. Research Dimension 1: Knowledge about the introduction of shared Services in supply chain management (Question 1)**

For question 1, 58.18% of respondents said they had prior knowledge regarding the introduction of shared services, whilst 36.36% had no prior knowledge. A follow-up to question 1 was: How did those that knew hear about it?

These responses were filled in by 33 of the 55 respondents, representing a response rate of 60% for this specific question. Some of the sources declared were the following:

- 'Email from Eskom College';
- 'Email from Group Communications';
- 'It came up with my discussions with the commercial department';
- 'Road Show;
- 'Heard in the corridors'.

These figures show that there was general knowledge pertaining to the changes Eskom wanted to introduce regarding shared services, as well as the fact that there was talk about such changes.

#### **4.3.1.2. Research Dimension 2: Welcoming of the Changes (Question 5)**

When asked whether the respondents welcomed shared services within the Transactional Procurement and Supply Chain Division, 41 respondents agreed, representing 74.55% of the total against only 12 respondents who were against it (21.82%). Questions 6 and 7 are follow-up questions to question 5, and they were so interlocked that it depended on how they responded to question 5 whether they could answer the follow-up question. This follow-up to question 5 was for those not welcoming shared services. All of the 12 respondents responded to this question, and some of their responses are as follows:

- 'Because shared services does not work in HR, why would it work for Procurement which is at this stage even in a bigger mess';
- 'Eskom makes changes one after another, before people understand they bring another change. The best for our company will be to make what we have work. Modify and change where necessary...';
- 'Since Human Resources went the same route, the service has gone bad';
- 'The experiences with HR shared services was not a good one, I assume the same will be with Procurement';
- 'the expertise will be diluted'.

Respondents seem to compare shared services in Transactional P&SCM to the existing shared services within HR, and some of the respondents feel that the

'negative' experiences that they have had in HR will rub off on the new P&SCM shared services.

However, for those that welcome shared services, earlier mentioned as 74.55%, they were also given an opportunity to respond in question 7 as to why they would welcome the move, which they have all filled in responses for, and the following responses were given by some of them:

- 'Because it will streamline the process and improve efficiency';
- 'Easy and fast service. Pool of resources available to deal with urgent purchases';
- 'Improved supplier relationships and buying power';
- 'Centralised function for easy access';
- 'Shared services in Eskom is done for the better economic of scale which gives the company a buying power' (sic).

All of the responses show why the respondents are in favour of the new shared services in Transactional P&SCM.

#### **4.3.1.3. Research Dimension 3: Management of Affected Staff (Question 11)**

This question asked how Eskom deal should with the staff for Shared Services Centres implementation, and the respondents were given a choice between four different options which were:

- Relocate existing procurement staff to shared service centres, and this option received a 74.55% approval rating from 41 respondents, and/ or
- Transfer existing procurement staff departments, where 14 respondents, representing 25.45% were in favour, and/or
- Recruit new staff within Eskom, which got a 45.45% positive response from 25 respondents, and/or
- Recruit new staff outside Eskom, where 26 respondents (47.27%) gave positive responses.

This particular question allowed the respondents the chance to choose more than one option. This was done to make choices easier as the question did not cater for comment input.

From the above numbers, it can be seen that most respondents used this opportunity to express themselves especially for the recruitment part of the questions. It can also safely be concluded that for those respondents who responded positively for the relocation part of the first question, did not opt for the transfer option of the second question.

#### **4.3.1.4. Research Dimension 4: Benefit Realisation (Questions 14-24)**

Questions 14 to 24 were benefit realisation questions relating to eleven assumed benefits. The respondents had to choose either a Yes or a No. All the eleven assumed benefits, as the name implies, are positive in their nature, and if the answer is a yes, it means that the benefit is supported.

The eleven potential benefits to be gained through the introduction of shared services within P&SCM, as well as their response rates were listed as follows:

- Question 14: An integrated total solution approach to problems through re-centralisation of its functions. 31 respondents (56.36%) think this is the case, while 4 respondents (7.27%) do not think so.
- Question 15: More selective and strategic contribution because employees will be more specialised. Only 24 responded positively, representing 43.64%, while 11 respondents (20%) do not agree.
- Question 16: Improved cross-group learning and sharing of good practises through having common information base. 26 (47.27%) responded in the affirmative, and 9 respondents (16.36%) do not think so.
- Question 17: Better management information, provided more consistency across organisation as a whole. 34 respondents, representing 58.18% agree, and 3 (5.45%) disagree on this potential benefit.
- Question 18: Greater efficiency and professional provision through streamlining and simplifying services. 47.27% (26 respondents) agreed with this statement whilst 9 respondents (16.36%) did not agree.
- Question 19: More efficient resourcing through economies of scale in staffing facilities. 27 respondents (49.09%) responded in the affirmative, and 8 (14.55%) disagree.

- Question 20: Improved career development for employees. 27 respondents, representing 49.09% think 'Improved career development' will be a benefit, while 14.55% (9 respondents) do not think that there will be improved career opportunities.
- Question 21: Higher customer satisfaction ratings through improved match between customer expectations and service. 22 respondents (40%) recognise this as a potential benefit as compared to 23.64% (13 respondents) who do not.
- Question 22: Better service specifications via service level agreements and performance monitoring as a result of internal market system. 27 of the respondents (49.09 %) said yes and 8 respondents (14.55%) said no.
- Question 23: Facilitation of corporate investment in the execution of corporate goals. 52.73% (29 respondents) agreed, whilst 6 respondents (10.91%) disagreed.
- Question 24: Greater transparency of cost of services and easier monitoring of budgets. 27 respondents representing 49.09% agreed, against 8 respondents (14.55%) who did not agree.

17 respondents did not answer all these questions, representing 36.36%. The reasons for this phenomenon are unclear, but this might be due to earlier questions, especially question 5, which asked whether the respondents 'welcome shared services within procurement in Eskom? 12 respondents indicated that they do not welcome it. It may be assumed that these 12 respondents for question 5 are also included in the 17 non-respondents for the benefit questions 14 through 24. Alternatively, it could have been a systemic problem which was not detected on time when the survey was still running. Given this finding, the researcher has found it impossible to plot the averages on the graph as the percentages will not add to a 100%, and conclusions will be difficult to arrive at for these benefit questions.

#### **4.3.1.5. Research Dimension 5: The Establishment of Contact Centre / Call Centre (Question 26)**

For this question, 53 out of 55 in the survey sample responded, and 69.09% of this number agreed with the establishment of a contact centre as opposed to only 15 respondents representing 27.27% who did not agree to the concept of a contact centre establishment.

A follow-up question 27 has shown that most respondents, 21 (38.18%), as opposed to 17 (30.91%), would like to see a de-centralised contact centre which is not based at the head offices in Johannesburg, but would prefer the contact centres to be departmentalised. This might mean that the respondents see a need to retain separate divisions or the existing status quo within P&SCM.

#### **4.3.1.6. Research Dimension 6: Assessing the Current Status' Perceptions within P& SCM (Questions 31-36)**

- Question 31: The current procurement set up is efficient. An overwhelming 69.09% disagreed.
- Question 32: Most procurement customers get their orders on time. A mere 18.18% agreed as opposed to 65.45% who did not agree.
- Question 33: The buyers are coping with the work-load. 76.36% of the respondents think that the buyers cannot cope with their workload.
- Question 34: The suppliers are happy with the system. Only 20% agree, against 63.64% who think that Eskom suppliers are not happy with the P&SCM.
- Question 35: There are economic benefits to be realised by Eskom. 29 respondents, representing 52.73% out of 55, think that Eskom is not reaping any benefits from the current situation within P&SCM.
- Question 36: Eskom has adequate skills and expertise to manage the procurement department. 33 respondents (60%) do not agree, as compared to 13 (23.64%) who agree on the expertise pool base within P&SCM.

17% of the respondents did not respond to any of the questions from question 31 to question 36. The reasons for their non-responses are unclear.



### **4.3.2. Qualitative and Quantitative Analysis for Group 2**

Group 2 is the Management and Executive management sample which was used to represent the views and perceptions from the decision makers. There were a total of 11 respondents within this group. Most of the questions were almost the same as those from Group 1, except for a few questions which were thought to be not applicable to them, for example, whether they would be part of a shared service centre, which is question 8 on the Group 1 questionnaire but this was not included for Group 2, and there were a few others. The following six dimensions are discussed as in group 1.

#### **4.3.2.1. Research Dimension 1: Knowledge about the introduction of shared Services in supply chain management (Question 1)**

When asked if they knew about the launching of shared services within the transactional P&SCM, nine executive respondents (81.82%) confirmed that they knew about the introduction of shared services, and only one did not know, while the eleventh one did not respond.

#### **4.3.2.2. Research Dimension 2: Welcoming of the Changes (Question 5)**

For this dimension, there was an overwhelming agreement from all eleven executives (100%) that shared services should be introduced in the Transactional P&SCM department. Also, all executives responded to the follow-up question 6 as to why they would welcome shared services in the transactional procurement and supply chain management. Some of their comments were the following:

- 'It brings good change';
- 'It will result in efficiencies and value for money';
- 'It will streamline transactional procurement and provide service to the end user';
- 'Standardisation, efficiencies, speed and overall improved service';
- 'To build a more efficient Eskom so that we can better tackle the challenges we are currently facing and in the future'.

#### **4.3.2.3. Research Dimension 3: Management of Affected Staff (Question 7)**

This question had four possible options to choose from as follows:

- Relocating existing procurement staff to shared service centres. The response was a high 90.91% affirmation from 10 respondents;
- Transfer existing procurement staff to other departments which received 4 affirmative responses (36.36%);
- Recruit new staff within Eskom also got 4 responses (36.36%);
- Recruit staff outside Eskom also received 4 responses (36.36%).

These questions show that the executives would like to have the Shared Services Centres centralised and manned by the experienced officials, even if it means movement of the staff.

#### **4.3.2.4. Research Dimension 4: Benefit Realisation (Questions 10-20)**

- Question 10: An integrated total solution approach to problems through re-centralisation of its functions-7 responded yes (63.64%) whilst 2 (18.18%), responded with a no, and one did not respond.
- Question 11: More selective and strategic contribution because employees will be more specialised.72.73% believe that the introduction of shared services within the Transactional Procurement and Shared Services division will yield selective and strategic contributions which will assist with employee development.
- Question 12: Improved cross-group learning and sharing of good practises through having common information base. A high response rate of 81.82% agrees with this potential benefit question.
- Question 13: Better management information, provided more consistency prevails across organisation as a whole - The response rate of 81.82%was achieved, with none responding in the negative.
- Question 14: Greater efficiency and professional provision through streamlining and simplifying services–Again, a high positive response rate of 81.82% was registered by the group 2 respondents.

- Question 15: More efficient resourcing through economies of scale in staffing facilities – Nine respondents agreed with an overwhelming 81.82% response rate.
- Question 16: Improved career development – Another 81.82% of the respondents believed that there will be opportunities for the affected employees.
- Question 17: Higher customer satisfaction ratings through improved match between customer expectations and services. Only one respondent (9.09%) did not think that there will be higher customer satisfaction ratings, while 8 respondents (72.73%) believe the customers' expectations will be met.
- Question 18: Better service specifications via service level agreements and performance monitoring as a result of internal market system. Again, only one respondent did not believe that service level agreements will yield better service specifications, as opposed to the other 8 respondents (72.73%).
- Question 19: Facilitation of corporate investment in the execution of corporate goals – With one respondent still not responding to these benefit questions, two did not believe that the benefits can be accrued for corporate investments, while 7 respondents, representing 63.64% of the respondents believe in this potential benefit.
- Question 20: Greater transparency of cost of services and easier monitoring of budgets – 72.73%, which represents 8 of the respondents, confirm that there will be greater transparency of cost of services and easier monitoring of budgets.

One executive manager did not fill in all of the benefit questions 14 to 24. However, the researcher believes that an overwhelming majority of the respondents are of the view that there will be noted benefits if Eskom were to introduce shared services within the Transactional Procurement and Supply Chain Management department.

#### **4.3.2.5. Research Dimension 5: The Establishment of Contact Centre / Call Centre (Question 22)**

There was a split as to whether the contact centre should be based at the head offices or divisionally, with 54.55% favouring the head office option, whilst

36.36% preferred decentralised contact centres managed through Eskom's generation, Transmission, Distribution and Corporate divisions.

#### **4.3.2.6. Research Dimension 6: Assessing the Current Status' Perceptions within P& SCM (Questions 25-30)**

These perception questions pertain to an assessment of the current processes within the P&SCM in Eskom. Of the six statements surveyed, the findings were as follows:

- Question 25: The current procurement set up is efficient. Most respondents (81.82%) disagree that the current systems are efficient.
- Question 26: Most procurement customers get their orders on time. Only two respondents (18.18%) believe that orders are processed on time, while 72.73% (8 respondents) think that there are delays in processing orders.
- Question 27: The buyers are coping with the work-load. 72.73% do not believe that the staff compliment within the buying department is sufficient to cater for the needs of the department.
- Question 28: The suppliers are happy with the system. More executives do not believe that Eskom suppliers are happy with the systems pertaining to their business with Eskom. This view is expressed by 72.73% as opposed to only 18.18% who believe that the suppliers are happy with the present system.
- Question 29: There are economic benefits to be realised by Eskom - a split of 54.55% versus 36.36% was noted regarding the general benefits to be accrued by Eskom, with the majority in agreement.
- Question 30: Eskom has adequate skills and expertise to manage the procurement department. The majority of the executive respondents (54.55%) do not think that Eskom has adequate skills to manage the procurement department.

A total of 30 respondents were chosen from Eskom's executive. This is the convenient pool considered to be the key decision makers within the company, inclusive of Managing Directors, Senior Manager and General Managers for the Divisions and Departments. This pool of respondents' questionnaire focussed more

on the strategic point of view as envisaged by the introduction of shared services in Eskom. This was done to approach the survey from a systemic point of view.

Another general observation of the responses to the variables on the *Introduction of shared services within Eskom's Transactional Procurement and Supply Chain Management* was that Group 2, being executives in Eskom, look set to support the changes by a majority. One can deduce that maybe this is because of the strategic nature of the project, as well as the fact that this process was started at that level. The average response rate for the five main variables mentioned under point 4.4, Measurement of Variables, is around 87.7 percent. The sixth variable was the only one in the negative, being that of the assessment of the current status within the Procurement department.

The observations from Group 1 should be taken seriously. This group has been highly critical on most of the variables surveyed. The average response for group 1 is 67 percent, 20 percent below that of group 2. This information also indicates a gap that needs to be narrowed between the senior executives and employees on implementation issues. Some of the determinants of the gap may be: communication, employee involvement in decision-making and unionism, among others.

A major finding is the mutual agreement between group 1 and group 2 regarding the current system. Both groups feel that the current Procurement system is not efficient and that there may be improvements through the implementation of shared services. This change will receive a positive reception from both executives and Eskom in general, and it should be coupled with a contact centre, the location of which is still a matter of debate.

The discussion under chapter 2, Literature Review, was based on the research on shared services in general and shared service within procurement and the supply chains in particular. The review also dug a little deeper to understand what shared service is, why firms embark on it, and it also highlighted success stories. The observation from this research project is that most of the Eskom employees are aware of what shared service is, as the Human Resources (HR) Department is currently using this system for some of their outputs. So, it was not difficult to ask

for their opinion on the introduction of shared services within the Transactional Procurement and Supply Chain Management division.

Another observation is that it was proved that shared service is predominantly suitable for transactional activities. It should be noted that one manager intervened by writing a letter to his entire department explaining how my research was linked to the entire project. His contribution resulted in the revision of the research topic as the researcher also understood that Eskom was planning to manage only the transactional activities in the Supply Chain Management under Shared Services. Shah (1998:5) regards it as a misconception that shared services is limited to transactional-based processing activities but this has yet to be proved.

It was also evident during the research that the executives of Eskom are fully behind the introduction of shared services within the Transactional Procurement and Supply Chain Management Division. As discussed under the literature review, Eskom had communicated to the Procurement and Supply Chain Management department through their official newsletter in December 2008 to the effect that the organisation was aiming for higher service levels through improved standardised processes, service management capability and a culture shift towards a high performance organisation.

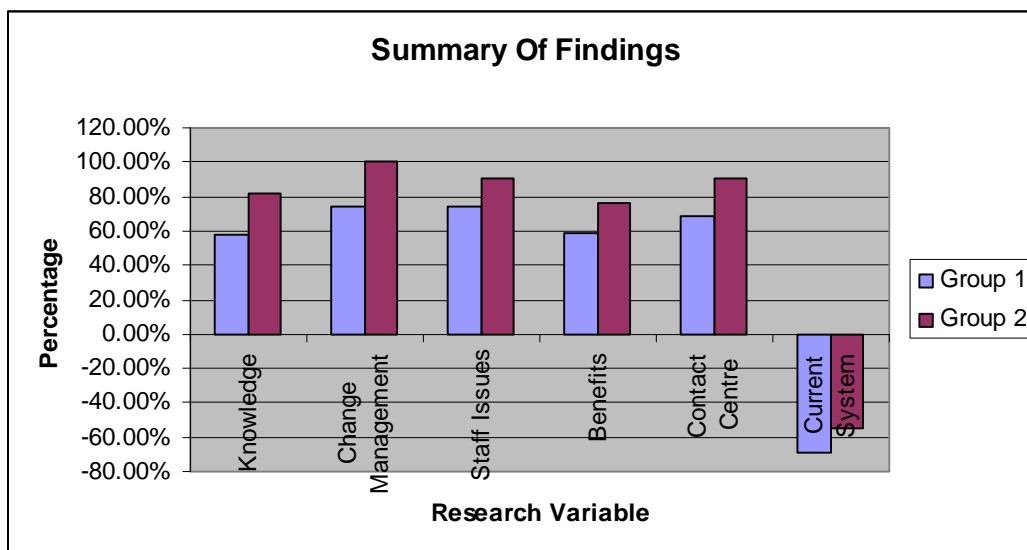
#### 4.4. Chapter Summary

The six main dependable variables discussed under Section 4.4, including Eskom’s knowledge regarding the introduction of shared services in the P&SCM, issues regarding change management, staffing, benefits realisation, location of a contact centre, and lastly assessing the current system, were mapped. These findings are what came out of the research exercise and this is merely an interpretation from the raw information received. This does not necessarily mean that there is something wrong with the department, but it certainly paves the way for Eskom management to start investigating this through their own independent surveys. At least this research project shall have assisted with shedding some light on the existing perceptions.

Of the six main variables as mentioned under 4.4 ‘Measurement of Variables’. The top five are the ‘Yes’ responses as summarised in the Figure below:

Variable Thrust	Group 1	Group 2
Knowledge	58.18%	81.82%
Change Management	74.55%	100%
Staff Issues	74.5%	90.9%
Benefits	59%	76%
Contact Centre	69%	90%
Current System	-69%	-54.5%

**Table 4.9. Dependent Research Variables**



**Figure 4.8. Summary Dependent Research Variables**

## CHAPTER FIVE

### CONCLUSIONS AND RECOMMENDATIONS

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#### 5.1. Introduction

This study was presented in five sections namely the Introduction, Literature Review, Research Methodology, Research Findings and Interpretation and finally the Conclusions and Recommendation are discussed under this chapter.

The purpose of the study was underpinned by the desire of Eskom to restructure the procurement and supply chain with the aim of maximizing efficiencies. Eskom has already adopted what they refer to as the *Draft Eskom Supply Chain Management Strategy 2006-2011*. The research problem was derived from Eskom's desire to mitigate high costs associated with servicing the different business units with many independent but identical purchasing and supply chain functions. The researcher decided to undertake this study in order to establish if there would be any value in introducing shared services within the Procurement and Supply Chain Management Division.

Through the Literature Review, definitions of shared services were investigated, including the birth of shared services and its usage in industry. Systems thinking was used as a tool to 'map out', through a system called 'Inspiration', a workable theme to best discuss the intricacies relating to shared services, including:

- The definition of shared services;
- The difference between centralised and de-centralised shared services;
- Reasons for adopting shared services;
- The merits of shared services;
- The characteristics of firms using shared services;
- Success stories of shared services around the globe; and
- Shortcomings or challenges of shared services.

The research methodology employed a web-based survey method for a total of 185 potential respondents comprising the operational employees, middle to upper management, as well as the executives in Eskom only. This method is believed to



be the latest in technological advancements and better than the traditional post office and email attachments approach. This is so because it is instant and easy to use. There were interesting findings in that there were two sets of respondents, and the first group, which comprised the general employees of Eskom, seem to hold different views from the executive group regarding in the following six variables:

- Knowledge about the introduction of shared services;
- Change management prerogatives if shared services is introduced;
- Staffing issues relating to the introduction of shared services;
- Benefit realization prospectus relating to shared services;
- Whether or not there is a need to introduce a call centre with shared services, and
- Assessing the current status within Procurement and Supply Chain Management.

The only area where group 1 and group 2 seemed to share agreement was on the efficiency regarding the current set-up. Both groups agreed that the current set-up was not efficient. . The aim of this chapter is to highlight the limitations to the research project, and also to share success stories. Recommendations are pointed out for areas that still need research due to lack of evidence during this project.

## **5.2. Recommendations**

As discussed under Chapter 4, the findings reveal that the majority of the respondents welcome the decision of Eskom to introduce Shared Services within the Transactional Procurement and Supply Chain. Figure4.5 shows that an average of (77%) for both group 1 and group 2 agree that shared services are a welcome exercise. Only (23%) of respondents have reservations concerning shared services' introduction. The recommendation is for Eskom's management to take the reasons for the reservations seriously so that improvements can be made. Some of the remarks by the respondents relating to why they would not welcome shared services are mentioned under point 4.3.1.2 'Welcoming of the Changes' above.

Regarding the introduction of a call centre for the running of shared services, there was also an overwhelmingly positive response to establish such an entity. A

combined (72%), (see figure 4.6) for both groups 1 and 2 show support for such a centre, although they differ in views regarding the best location for the call centre/s. The recommendation is to research further to see how best to address this issue. Another point of note is that due to the highly divergent views between management and operational employees, this could be due to a lack of employee involvement in decision-making, as well as lack of communication in general. The recommendation by the researcher would be to provide Eskom's P& SCM with the survey results to assist them in decision making within this department.

Table 4.5 shows that an overwhelming (82%) number within the executive level managers were aware of the introduction of shared services within the Transactional Procurement and Supply Chain Management Department, compared to only (58%) of the operational employees in their category.

### **5.3. Further Research Requirement**

There are a couple of areas where answers to questions could not be provided by the researcher. This could mainly be due to the fact that the issues might have been off-track and unrelated to the topic at hand, while some formed part of the topic but research findings were minimal or non-existent. Further research is still required on the following issues that the researcher believes were not adequately addressed:

- The history of the application of shared services;
- The success of shared services within the South African context;
- The advantages versus the disadvantages of shared services;
- Whether shared services means centralisation or decentralisation;
- Whether shared service departments are independent of other departments they are servicing or not;
- The extent to which web-based surveys are conducted by academic researchers as compared to the traditional ways of doing surveys, including post office mailing and attachments on emails;
- The debate surrounding the acceptable sample size and number of respondents to make the finding generally acceptable;
- Are shared transactional services in Procurement and Supply Chain Management common?
- Can shared services be limited to transactional activities only?

- Can shared services be used by profit-making organisations only or not?
- And lastly, what is the opportune time to conduct and conclude a research survey, and under what circumstances?

#### **5.4. Chapter Summary and Conclusions**

The objectives of the study were to establish, through the survey, perceptions relating to value extraction and benefit to Eskom by the introduction of shared services within the Transactional Procurement and Supply Chain Management.

From the research finding in Chapter 4, it is evident that Eskom employees are in agreement, that shared services will bear fruit for Eskom if implemented correctly under certain conditions. Another research finding shows how respondents believe a certain time frame might yield positive results, with executive management forecasting a quick return on investment of between a year and two years, whilst the majority of the operational group believe it will take Eskom between three to five years to yield positive outcomes if they introduce Shared Services within the Transactional Procurement and Supply Chain Management now.

The majority of Group 1 and Group 2 respondents are in agreement that the current processes which underpin the running of the Procurement and Supply Chain Management is fraught with difficulties and inefficiencies. Figure 4.8 shows this agreement. This means that the department (Procurement and Supply Chain) needs a total revamp. With the above finding it can safely be assumed that the objectives of this study were achieved. The researcher has noted through research that the positives far outweigh the negatives in companies that opted to use shared services. This can be seen through the study mostly undertaken by Davis (2005) on Shared Service Centres (Shared Services Centres), most of these being in North America, Europe, Asia, Latin America and other Global Shared Services Centres. For most of them, his findings were that there were notable savings in cash, head count, efficiencies or profitability.

This survey has also pointed in the same direction that the majority of the respondents feel, that shared services is the way to go and believe that Eskom as an organization will realize positive spin-offs in time.

The findings have confirmed the views of what was discussed under literature review, especially on the reasons why firms embark on shared services. The findings have been that most respondents felt that the introduction of shared

services within the transactional shared services in procurement and supply chain in Eskom will bring efficiencies and streamlined activities. This was also discussed in the literature review under why firm embark on shared services.

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Dear Colleagues

#### **Finance and Procurement Shared Services Project**

EXCO and the Eskom Board approved the **Procurement and Supply Chain Management Strategies** in September and November 2006 respectively. The **Operating Model** for the implementation of these strategies, including a Shared Services component, was approved in May this year.

The **Shared Services component** will focus on **Finance, Procurement and Supply Chain Management**.

The first phase of the Shared Services project will focus on the development of a **Business Case** and commenced on 1 October. (The entire project is estimated to take about a year to implement.)

A detailed analysis of the transactional services of Financial and Procurement Services, related to the services listed below, will be conducted:

- **Financial Services:** Accounts Payable, Sundry Payments; Asset Register; Sundry Debtors; Cash Management; Payroll; ME Processing Coordination; Travel Accounting
- **Procurement Services:** Buying; Contract Negotiation; Master Database Management; Contract Management; Specialised Procurement; Supplier (Vendor) Management, including Black Economic Empowerment (BEE) Evaluation; Quality Assurance
- **Logistics and materials management functions across Eskom**

#### **Way forward**

**Data is required from the business** to enable the successful development of a valid business case for submission to EXCO. All applicable data is to be provided to the Project Team of Eskom and Accenture.

During the process you may be personally requested to provide information to the Project Team. Any delays in the information gathering process will negatively impact deadlines and costs.

We thank you in advance for your support and cooperation in this significant endeavour.

**Bongani Nqwababa**

**Finance Director**



**UNIVERSITY OF  
KWAZULU-NATAL**

RESEARCH OFFICE (GOVAN MBEKI CENTRE)  
WESTVILLE CAMPUS  
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15 OCTOBER 2009

MR. S MOLOANTOA (206524941)  
LEADERSHIP CENTRE

Dear Mr. Moloantoa

**ETHICAL CLEARANCE APPROVAL NUMBER: HSS/0599/09M**

I wish to confirm that ethical clearance has been granted full approval for the following project:

***“Introducing shared services within Eskom’s Transactional Procurement and Supply Chain Management”***

**PLEASE NOTE: Research data should be securely stored in the school/department for a period of 5 years**

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully

  
.....  
**PROFESSOR STEVEN COLLINGS (CHAIR)  
HUMANITIES & SOCIAL SCIENCES ETHICS COMMITTEE**

cc. Supervisor (Prof. R Taylor)  
cc. Mrs. C Haddon

**From:** Ben (Shared Services) van Wyk  
**To:** Moloantoa, Sello  
**Date:** 2008/03/28 01:28 PM  
**Subject:** Project response to Shared services within P & SCM Survey by : Sello Moloantoa

Good Afternoon,

I refer to the emails titled "Shared services within P & SCM Survey" circulated on the 28th of February 2008 and "Eskom Procurement & Supply Chain Survey" circulated on the 3rd of March 2008 by Sello Moloantoa.

I am responding to these emails as Project Manager for the Finance and Procurement Shared Services project. This project is currently in Design and Build phase and the team is in the process of consolidating feedback from the design workshops that were conducted with business experts from all divisions. Communication to all impacted stakeholders will only be rolled out as soon as our engagement with the unions is concluded.

I would like to bring to the attention of all recipients of the emails that the questions asked in that survey were not informed by the current realities of our project and its status. Specifically, we bring your attention to the following issues that could potentially cause confusion:

- \* The survey refers to Shared Services in Procurement, while our project focuses on transactional activities in both Procurement and Finance.
- \* The survey cites, amongst other things, relocation options, contact centre strategy, location of shared services centres and benefits realization that the project is not in a position to communicate as the details are not known at this early phase of the project.

The survey was circulated to solicit responses that would be used to compile a research report that will be submitted to the University of Kwa-Zulu Natal in partial fulfillment of the requirements towards an M.Comm degree. **The Finance and Procurement Shared Services for Eskom should, therefore, not be associated with the content or questions posed in the survey.** The project will communicate to all stakeholders as per the project's engagement plan and all communication will come directly from the Project Management Office. For further information, please contact the project on [FPSS@eskom.co.za](mailto:FPSS@eskom.co.za).

Regards,

Ben van Wyk

Dear Sir / Madam

My name is Sello Moloantoa. I am employed by Eskom as the Technical Services Manager at Eskom Convention Centre. I am currently busy with my Masters in Commerce (Project Leadership & Management) with the University of Kwazulu Natal (UKZN). This is part of the CAPEX training and development program started by Eskom 4 years ago.

I am at the stage where I need to do research work for my dissertation. My topic is:

***"Introducing shared services within Eskom's Transactional Procurement and Supply Chain Management"***

My supervisor is Prof Robert Taylor of UKZN Leadership Centre, contactable at 013 260 1297 and email [taylorr@ukzn.ac.za](mailto:taylorr@ukzn.ac.za)

The above topic was identified in the current context through which the Eskom's Procurement and Supply Chain Department embarks on launching shared services by end 2008. This is an independent and critical approach on same topic.

I am herewith inviting you to please participate in my research exercise by answering the electronic survey. I believe you play a pivotal role within the procurement and supply chain environment. This will only take about 15 minutes to complete. Your participation is voluntary and will be treated in the strictest of confidentiality, and will be used for this research process only. However, it is important that you fill in your personal details to ensure information authenticity as per academic requirements.

I believe your contribution will not only assist me in my research, but also Eskom as my findings will be presented to Eskom's management which may be used to improve efficiencies within the organization.

The electronic survey will be available within the next 14 days and you will be provided with log-in details then, and should be returned by the 14<sup>th</sup> of March 2008.

Thanking you in advance

Sello Moloantoa

011 651 6153

082 800 7661

email: [sello.moloantoa@eskom.co.za](mailto:sello.moloantoa@eskom.co.za)



**Q 1 Do you know if procurement department is going to launch a Shared Services Centre (SSC)?**

Yes

No

**Q 2 How were you informed?**

Form area for Q2, showing a vertical line on the left and a vertical bar on the right.

**Q 3 Were you recently approached by any individual or company to assist with research in this respect?**

Yes

No

**Q 4 Do you feel that this will change how things operate within Eskom?**

Yes

No

**Q 5 Do you welcome shared services within procurement in Eskom?**

Yes

No

**Q 6 Why is it you do not welcome Shared Services in Eskom?  
(Please type in your reason(s) below)**

Form area for Q6, showing a vertical line on the left and a vertical bar on the right.

**Q 7 Why would you welcome Shared Services in Eskom?  
(Please type in your reason(s) below)**



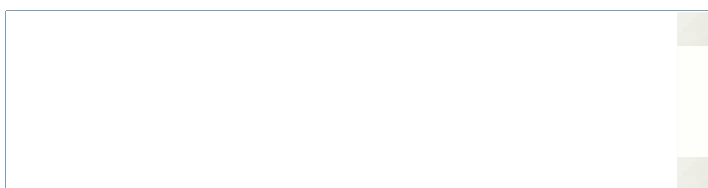


**Q 8 Will you consider being part of the SSC?**

Yes

No

**Q 9 Why would you consider being part of SSC  
(Please state your reason(s) below)**



**Q 10 Why would you not consider being part of SSC?  
(Please state your reason(s) below)**



**Q 11 How should Eskom deal with the staff for SSC implementation? (You may choose more than one)**

Relocate existing procurement staff to shared services centres

Transfer existing procurement staff to other departments

Recruit new staff within Eskom

Recruit new staff outside Eskom

**Q 12 Do you have other/additional ideas on how Eskom should deal with the staff for SSC implementation?**

Yes

No

**Q 13 Please specify (Type in below)**



**Q 14 Benefits to Eskom**

	Yes	No
Do you think it will add value towards the department's efficiencies?	<input type="radio"/>	<input type="radio"/>
Do you feel that the SCC will result in cost savings?	<input type="radio"/>	<input type="radio"/>
Do you think Eskom as an organization is ready for shared services within procurement?	<input type="radio"/>	<input type="radio"/>

**Q 15 If Eskom implements a SSC within procurement,How long do you think it will last for?**

- 1 Year
- 3 Years
- 5 Years
- 10+ yrs before the decision is reversed
- Decision will never be reversed

**Q 16 Will the SSC result in the introduction of a contact centre?**

- Yes
- No

**Q 17 Where would the ideal location for the contact centre be?**

- Megawatt Park (Eskom's Head Office)
- Departmental (Generation, Transmission, Distribution, Corporate)

**Q 18 Future Within Shared Services**

	Agree	Do not Agree
I am currently employed within the procurement department	<input type="radio"/>	<input type="radio"/>
I may consider working for a SSC	<input type="radio"/>	<input type="radio"/>
I believe that there will be developmental opportunities within SSC's	<input type="radio"/>	<input type="radio"/>

**Q 19 For the Current System**

	Agree	Do not Agree
The current procurement set up is efficient	<input type="radio"/>	<input type="radio"/>
I believe most procurement customers get their orders on time	<input type="radio"/>	<input type="radio"/>
The buyers are coping with the work-load	<input type="radio"/>	<input type="radio"/>
The suppliers are happy with the system	<input type="radio"/>	<input type="radio"/>
There are economic benefits realised by Eskom	<input type="radio"/>	<input type="radio"/>
Eskom has enough, adequate skills and expertise to manage the procurement department	<input type="radio"/>	<input type="radio"/>

**Q 20 What is your age?**

- 18-25 years  
 26-35 years  
 36-45 years  
 45-55 years  
 55-65 years

**Q 21 What is your gender?**

- Male  
 Female

**Q 22 What is your highest qualification?**

- No matric   
  Matric only   
  Degree   
  Honours Degree   
  Masters Degree   
  PHD Degree   
  Other

**Q 23 Please specify**


---

**Q 24 Employed within Procurement as:**


- Buyer (BBL, BBU, CCL)
- Senior Buyer (CCU)
- Manager (MMM, MMU)
- Professional (PAO, PPP, PPG)
- Specialist (SSS, SSE)
- E Band (EEE)
- General Manager
- Director
- Employed in Eskom but outside procurement

**Q 25 How many years have you been employed within procurement:**

- Less than 1 yr
- More than 1yr but less than 3 years
- More than 3yrs but less than 5 years
- More than 5yrs but less than 10 years
- More than 10yrs but less than 20 years
- More than 20 years

**Q 26 Please type in any other comment regarding the introduction of shared services within procurement:**

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**Q 1 Do you know if procurement department is going to launch a Shared Services Centre (SSC)?**

Yes

No

**Q 2 How were you informed? (Please type below)**

**Q 3 Do you feel that this will change how things operate within Eskom?**

Yes

No

**Q 4 Do you welcome shared services within procurement in Eskom?**

Yes

No

**Q 5 Why is it you do not welcome Shared Services in Eskom?  
(Please type in your reason(s) below)**

**Q 6 Why would you welcome Shared Services in Eskom?  
(Please type in your reason(s) below)**

**Q 7 How should Eskom deal with the staff for SSC implementation? (You may choose more than one)**

- Relocate existing procurement staff to shared services centres
- Transfer existing procurement staff to other departments
- Recruit new staff within Eskom
- Recruit new staff outside Eskom

**Q 8 Do you have other/additional ideas on how Eskom should deal with the staff for the Shared Services Centre implementation?**

- Yes
- No

**Q 9 Please specify (Type in below)**

**Q 10 Potential Benefits to Eskom: The introduction of Shared Services Centre within Procurement will result in:**

	Yes	No
An integrated total solution approach to problems through re-centralization of its function.	<input type="radio"/>	<input type="radio"/>
More selective and strategic contribution because employees will be more specialized.	<input type="radio"/>	<input type="radio"/>
Improved cross-group learning and sharing of good practises through having a common information base.	<input type="radio"/>	<input type="radio"/>
Better management information, provided more consistency prevails across organization as a whole.	<input type="radio"/>	<input type="radio"/>

Greater efficiency and professional provision through streamlining and simplifying services.	<input type="radio"/>	<input type="radio"/>
More efficient resourcing through economies of scale in staffing facilities.	<input type="radio"/>	<input type="radio"/>
Improved career development.	<input type="radio"/>	<input type="radio"/>
Higher customer satisfaction ratings through improved match between customer expectations and service.	<input type="radio"/>	<input type="radio"/>
Better service specifications via service level agreements and performance monitoring as a result of internal market system.	<input type="radio"/>	<input type="radio"/>
Facilitation of corporate investment in the execution of corporate goals.	<input type="radio"/>	<input type="radio"/>
Greater transparency of cost of services and easier monitoring of budgets.	<input type="radio"/>	<input type="radio"/>

**Q 11 Will the Shared Services Centre result in the introduction of a contact centre?**

- Yes  
 No

**Q 12 Where would the ideal location for the contact centre be?**

- Megawatt Park (Eskom's Head Office)
- Departmental (Generation, Transmission, Distribution, Corporate)

**Q 13 I believe that there will be developmental opportunities within Procurement Shared Services Centre**

- Agree  Do not Agree

**Q 14 I believe Eskom will realise the benefits within:**

- 0-1 yr
- 1-2 yrs
- 2-3 yrs
- 3-4 yrs
- 4+ yrs
- Benefit will not be realised

**Q 15 For the Current System**

	Agree	Do not Agree
The current procurement set up is efficient	<input type="radio"/>	<input type="radio"/>
I believe most procurement customers get their orders on time	<input type="radio"/>	<input type="radio"/>
The buyers are coping with the work-load	<input type="radio"/>	<input type="radio"/>
The suppliers are happy with the system	<input type="radio"/>	<input type="radio"/>
There are economic benefits realised by Eskom	<input type="radio"/>	<input type="radio"/>
Eskom has enough, adequate skills and expertise to manage the procurement department	<input type="radio"/>	<input type="radio"/>

**Q 16 What is your age?**

- 18-25 years
- 26-35 years



- 36-45 years
- 45-55 years
- 55-65 years

**Q 17 What is your gender?**

- Male
- Female

**Q 18 What is your highest qualification?**

- Diploma
- Degree
- Honours Degree
- Masters Degree
- Phd
- Other

**Q 19 Please specify**



**Q 20 Employed within Eskom as:**

- Manager
- Professional
- Specialist
- E-Band
- General Manager
- E Band (EEE)
- General Manager
- Managing Director
- Chief Executive

**Q 21 How many years have you been employed within Eskom?**

- Less than 1 yr
- More than 1yr but less than 3 years
- More than 3yrs but less than 5 years
- More than 5yrs but less than 10 years
- More than 10yrs but less than 20 years
- More than 20 years

**Q 22 Please type in any other comment regarding the introduction of shared services within procurement:**

