Case Study:
An Evaluation of the Effectiveness and Efficiency of the Anglo Coal Financial Shared Services Centre

by

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CONFIDENTIALITY CLAUSE

DATE : 2006-06-15

To Whom it May Concern

Re: Confidentiality Clause

Due to the strategic importance and company specific information contained in this research it would be appreciated if the contents remain confidential and not be circulated for a period of no less than five years.

Sincerely

Y. Rampattan
DECLARATION

This research has not been previously accepted for any degree and is not being currently submitted in candidature for any degree.

Signed

Date
ACKNOWLEDGEMENTS

There are a number of people without this dissertation might not have written, and to whom I am greatly indebted. Without their time, support and effort, this endeavour would not have been achievable. The writing of a dissertation is a demanding and sometimes exhaustive process that is impossible to complete without the personal and practical support of numerous people. I would like to express my thanks and gratitude to:

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ABSTRACT

With the renewed emphasis in recent years on profitability as the key corporate metric, "forgotten" functions such as finance, human resources, procurement and IT are back in the spotlight. They are not only being viewed as sources of cost efficiency, which has been the traditional focus, but also as tools for corporate strategy and competitive advantage.

But turning these functions into strategic value drivers can be as difficult as spinning straw into gold. Indeed companies have adopted a variety of approaches, from simple cost reduction and consolidation to discrete outsourcing and offshore strategies. However inconsistent approaches have led to equally inconsistent results. Benefits are available, but, in many instances, they are less than ideal and frequently short lived.

In this paper, we will evaluate the effectiveness and efficiency of the newly implemented Anglo Coal Financial Shared Services Centre to determine if the inherent benefits of introducing a shared services environment is being realised. We will benchmark the current "AS-IS" state of the SSC to best practice in order to assess the gap and recommend a set of possible initiatives that, if implemented, will help improve the performance of the SSC.

A broad, systematic approach was used in the diagnosis of the SSC that incorporated the three primary elements of a system – the processes, the technology that enables the processes and the people that drive the process. The research methodology is divided into two phases. Face-to-Face interviews were utilised to assess the process and technology aspects while a rating questionnaire was used to evaluate the people aspects.

The study then makes several recommendations to help correct the most critical findings on process, technology and people of the study.
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CHAPTER ONE: INTRODUCTION

1.1 Introduction

In a customer driven and an ever-increasingly competitive market, companies are constantly looking for new and innovative ways to improve performance (decrease bottom line, increase top line), to execute at speed in line with strategy and to stay ahead of the business curve.

Since the mid 1990s Financial Shared Service Centres (FSSCs) have become an established part of the business landscape and are likely to remain so for the foreseeable future. Research indicates that more than 35% of Fortune 500 companies now have shared service structures (Arthur Anderson Worldwide, Insights on European shared services operations., 1997). The market in which multinational companies operate is characterised by globalisation, mergers, acquisitions and consolidation requiring companies to standardize operations to stay competitive. An effective way of keeping costs down and improving efficiency is by moving certain functions to one central location. One way to meet this challenge is for companies to set up an FSSC.

When first conceived, the objective of the shared services concept was almost exclusively to create vast data processing for large volumes of paper invoices/ journals and other transactional documents. However, firms quickly realised that FSSCs could also be vehicles for the centralisation of higher value added activities such as treasury, cash flow management and corporate reporting. The need to align the business strategy and administrative processes, combined with a desire to reduce headcount, is often the primary motivation for the move to FSSCs. Recent reports by Ernst & Young, Arthur Andersen, KPMG and PwC have highlighted the growing importance of FSSCs in delivering accounting services in the multinational and pan-European environment. A key element of the F SSC phenomenon is the evolving role of the finance function and the ongoing efforts to improve the quality and value added derived from accounting services. This move to establish FSSCs in Europe has been prompted by a number of factors including:
• The enormous pressures on the accounting function in multinational corporations (MNCs) to cut costs in highly competitive markets.

• The comparative high cost of Southern African accounting services when benchmarked against back office costs in North America and Europe.

• The opportunities for centralisation presented by the harmonisation of accounting standards, taxation regimes and the liberalisation of telecommunications markets.

• The emergence of enabling technologies in the form of International Direct Dial, International Virtual Private Networks, enterprise resource planning (ERP) systems and inbound international toll free services.

Managers have been justifiably sceptical about the potential benefits from the establishment of FSSCs. In particular, operating site accountants argue that the back office overhead is typically a relatively low proportion of a company’s total base cost when compared with the major back office re-structuring or re-engineering needed to achieve an FSSC. The evidence from practice, however, would suggest that this skepticism is unjustified, as the opportunities from FSSCs for a sustainable reduction in an organisation’s cost base can be significant and wide reaching. The most obvious opportunities for companies come from eliminating non-value added activities such as multiple authorisation processes and reconciliations. Organisations can gain economies of scale and improved productivity by consolidating and centralizing repetitive or transaction based activities. FSSCs facilitate the leveraging of global purchasing powers, redesigning processes to take advantage of technologies and focusing staff efforts on providing a better quality of service to customers both external and internal.

1.2 Motivation of the Study

Anglo Coal decided to centralise parts of the Financial Services that were housed in each colliery into a Financial Shared Services Centre with the aim of reaping cost savings from economies of processing scale. However as with most new and rather unfamiliar initiatives it becomes necessary to evaluate its progress or to determine if the initial objectives have been achieved.
The most salient benefits of the study will be to Anglo Coal who will receive an evaluation of the post implemented SSC as compared to world best practice. The study will allow them to better understand what is required to optimise the SSC in terms of performance and service delivery.

Other benefits of the study include adding to the body of knowledge on implementing shared services in the Southern African business landscape which could have immense value to other mining companies with similar characteristics as Anglo Coal. Further benefits of the study will be derived on a personal level. As a management consultant, a greater understanding of shared services centres and its implementation in Southern Africa offer substantial opportunities for obtaining value and performance improvement that can be offered to current and future clients.

1.3 Problem Statement

Determine the “AS-IS” or current state of the Anglo Coal Financial Shared Services Centre (ACFS) in terms of effectiveness and efficiency by identifying areas of improvement and making recommendations that will assist Anglo Coal in closing the performance gap.

1.4 Objectives of the Study

The study was a high-level assessment with the aim of identifying possible performance improvement areas and to find the obstacles (“burning platforms”) that are preventing ACFS from achieving its vision of being the preferred supplier of shared services to Anglo Coal initially and ultimately Anglo American.

This study was conducted in April 2005 and the findings and recommendations arising from the review are contained in this study.

The AS-IS Analysis consisted of the following components:
1. An evaluation of the Processes (process effectiveness) and Technology or Automation (assessment of systems/technology) –

1.1 Current processes followed and identifying inefficiencies/obstacles preventing ACFS from achieving its vision.

1.2 The systems that enable the processes and how they function to enable any performance improvement.

2. An assessment of the Organisation and People (Cultural assessment), Behavioural Change

2.1 The views on aspects of culture (management practices, leadership, structure, motivation etc) and the potential impact it has on performance (the employees’ perception of current company practices and areas for improvement.).

1.5 Research Methodology

The analysis commenced within ACFS with selected people being systematically interviewed against a series of questions over a two day period with the aim of gathering information that will allow the researcher to achieve the objectives defined above.

1.5.1 Data Collection Methods

The study utilised two different techniques of assessment to collect data:

1.5.1.1. Face-to-face Interviews
Face-to-face interviews were conducted with all key personnel to establish the critical gaps in the Processes and Management Methodology employed at ACFS. Personnel from all three functions were interviewed in 2 hour sessions using a predefined set of questions. The sample population was chosen subjectively depending on the position in the Shared Services Centre (SSC) and their ability to provide information about the function.
1.5.1.2. Survey Questionnaire
Quantitative Analysis techniques were employed in the form of a survey questionnaire to establish the cultural and change management perceptions of the personnel employed at the SSC. The questionnaire will consist of 116 questions. The first 7 questions are biographical questions while the remaining 109 questions are open-ended, each having 5 possible response choices ranging from “Strongly Disagree” to “Strongly Agree” to record the opinion of the respondent. The respondent will provide their feedback on a separate answer sheet. The responses will be translated and measured using nominal and ratio data scales.

1.6 Sample Selection

Sampling is the selection of a group of people in the chosen population through which the researcher may be able to draw conclusions about the entire population.

For the AFCS study non-probability sampling (sample elements were drawn individually from the population) selection techniques where employed to determine the Face-to-Face interviewees. The criterion was seniority in the organisation, experience, length of service and recommendations from the client.

No sample selection was required for the Cultural Questionnaire as the respondents used in the study were in fact the entire available population of 51 staff. Hence a 100% response rate was achieved.

1.7 Limitations

The following limitations have been identified in the dissertation:

- The face-to-face interviewees are employees of Anglo Coal. There is a chance that the interviewees would not be as honest and forthcoming or would “sugar-coat” their responses for fear of victimisation. Although interviewees are informed of the anonymity of their responses it is understood that there will still remain a
degree of uncertainty in the integrity of the data. The research will however cross check the validity of responses with other interviewees to ensure consistency.

- The dissertation is limited to a ‘snap-shot’ in time of the ACFS i.e. April 2005. The relevance therefore to other financial shared services centres is limited.
- The benchmarks employed are for organisations primarily in Europe and North America with quite different operating and labour conditions. Although a country risk factor has been built into the benchmarking exercise, it does raise limitations in the future use of this dissertation to measure the efficiency of other FSSC’s in Southern Africa.

1.8 Structure of the Dissertation

1.8.1 Chapter One: Introduction

Chapter one is the introduction to the entire dissertation. It provides the reader with an overview of the background, value and objectives of the study. It also briefly states the research methodology to be used in the study, sample selection and limitations.

1.8.2 Chapter Two: Literature Review

Chapter two is a literature search using secondary sources of data and is broadly divided into two sections. The first subsection concentrates on the dynamics of a shared service while the second deals with the theory surround the Burke-Litwin model.

The shared service subsection begins with a short history of shared services gain an understanding of its inception. It will then assess the definition of a shared service to establish any characteristics followed by assessing the primary reasons or objectives for organisations implementing a shared service environment. Following this, is an analysis of the main characteristics of shared services including an overview of best practice methodologies being employed worldwide to enhance, in particular, the efficiency and effectiveness of financial shared service centres.
Finally, the second subsection, evaluates the theory of Organisational Diagnosis and the use of the Burke-Litwin Model in diagnosing performance of organisations with a view of incorporating the model in the study of the people aspects of the Anglo Coal Financial Shared Services Centre.

1.8.3 Chapter Three: Anglo Coal and the Financial Shared Services Centre (ACFS)

Chapter three is a brief background of Anglo Coal, its strategic initiatives being incorporated at present, an overview of its financial performance and finally a contextualisation of the implementation of the Financial Shared Services Centre.

1.8.4 Chapter Four: Research Methodology

Chapter Four covers the methodologies adopted for the research. The methodology is broadly divided into two aspects. Firstly, the methodologies employed in the Face-to-Face interviews to gain greater understanding of the process and technological aspects of the ACFS and secondly, the methodologies utilised in the Cultural Assessment which will evaluate the human dimensions of the ACFS. The Cultural Assessment has its theoretical underpinning in the Burke-Litwin Model which was reviewed in Chapter Two.

1.8.5 Chapter Five: Analysis of Findings

Chapter Five covers the discussion and analysis of the results of the study. The chapter is therefore divided into two sections in line with the two major areas studied. The first being an analysis of the Face-to-Face interview responses and the second an evaluation of the Cultural Assessment results. This dissertation is largely a descriptive study; therefore the perceptions and opinions are purely that.
1.8.6 Chapter Six: Recommendations and Conclusions

Chapter Six entails drawing conclusions from the study and making valuable recommendations regarding the problem statement and research objectives.

1.9 Conclusion

There are numerous articles and reports available primarily by several performance improvement and management consulting firms worldwide and a few published research papers on the subject of shared services however to the best knowledge of the research no published works relate to applying the principles of the shared services to a case study evaluation. The researcher therefore hopes that this dissertation will not only be used as medium to obtain an MBA degree, but will also present good reading and mostly provide Anglo Coal with useful information that will help them improve the current shared service centre towards achieving service excellence. The next chapter will review the past and present body of literature on the subject of shared services centres from its beginnings to establishing key characteristics that ensure its successful operation.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Shared services have been acclaimed by the business press (Cassell 1997; Jackson 1997; Lester 2001) as the alternative for larger organizations to cut costs through cutting out costly duplication and achieving economies of scale. In the following subsections shared services are briefly described. The description is mainly based on Kagelmann's Ph.D. thesis (Kagelmann 2001) and popular management literature (Bergeron 2003; Quinn, Cook & Kris 2000; Schulman et al. 1999).

2.2 A Short History

The first shared services centres were implemented in the late 1980s. Two reasons explain the occurrence of shared services in the US at that time. First, a legal orientation towards corporations laid the fundamentals for companies to set up new legal units which internally could provide services to other units within a corporate group (Moller 1997; Quinn, Cooke & Kris 2000). Second, a technological orientation towards networked computing centralized relational databases and so forth, enabled organizations to more extensively work over geographical boundaries (Peak & Azadmanesh 1997).

Some people think that General Electric's financial services, which were founded in 1984, was the first type of shared service (Kagelmann 2001, 19). However, another source mentioned Jim Bryant as father to the shared service term, when he implemented one at Baxter Healthcare in the late 1980s (Moller 1997). And Quinn et al. (Quinn, Cook & Kris 2000, 19) write, that Bob Gunn believes the term was coined when he led a best practice study at A.T. Kearney in 1990. Consequently, it is unclear who coined the shared service term and when this happened.

Regardless of who coined the shared service term, it appears that it has its origin in the US. A legal orientation towards corporations in the US in the 1980s was responsible for
the development of shared services and put them on the map. At that time, shared services were merely implemented in the finance function.

From the US the concept was exported to other parts in the world. Among these was Europe, which was a number of years behind the US in adopting this new way of providing internal support services. However, Europe is currently catching up (Moller 1997) and is already implemented or under implementation in many large organizations. One reason for the very fast diffusion of shared services lies probably in its unreserved praise in management literature and business press.

There are a number of approaches to shared services being adopted around the world. They range from the most basic form of consolidation of transactional activities all the way to creating an independent business set up to provide shared services internally and to sell shared services externally to multiple clients. There are choices and decisions to be made and the models need to be seen as evolutionary over time, as the shared services organisation has a chance to mature and evolve. At its most basic, the move to shared services involves the consolidation of transaction processing and administrative work. Services such as payroll and accounts payables are typically mandated services in that business units are not allowed to go out and source their own payroll for example. This trend to consolidation and away from decentralisation is evident in global companies with multi-site operations.

To grasp the main ideas of the shared service concept, we will evaluate some definitions before assessing the objectives of implementing a shared services centre. The researcher will then seek to establish a greater understanding of the characteristics of shared services and finally evaluate the best practice trends of financial shared services by evaluating world-class practices. This will help construct the methodologies and areas to be investigated during the research and to develop a performance gap between the ‘AS-IS’ ACFS operation and the ‘SHOULD-BE’ OR ‘COULD-BE’ operation.

2.3 Definitions of Shared Services

The following definitions provide an insight into what the shared services concept is.
Schulman et al. (Schulman et al. 1999, 9) define shared services as: “The concentration of company resources performing like activities, typically spread across the organisation, in order to service multiple internal partners at lower cost and with higher service levels, with the common goal of delighting external customers and enhancing corporate value.”

Bergeron (Bergeron 2003, 3) writes that: “Shared services is a collaborative strategy in which a subset of existing business functions are concentrated into a new, semi-autonomous business unit that has a management structure designed to promote efficiency, value generation, cost savings, and improved service for the internal customers of the parent corporation, like a business competing in the open market.”

Moller (Moller 1997) describes shared services as “an independent organisational entity which provides well defined services for more than one unit (which may be a division or business unit) within an organisation. The shared service centre is responsible for managing its costs and the quality and timeliness of the services it provides to its internal customers. It has its own dedicated resources and typically will have informal or formal contractual arrangements, often called service level agreements, with its customers.”

Finally, Quinn et al. (Quinn, Cook & Kris 2000, 11) give a short description that: “Shared services at a simple level refers to the practice of business units, operating companies and organisations deciding to share a common set of services rather than have a series of duplicate staff functions.”

Common for the definitions above is that they all focus on optimising corporate resources and processes in a new organisational entity. Fundamentally, the shared service model is about optimising people, capital, time, and other corporate resources (Bergeron 2003, 3).

2.4 Objectives of Shared Services

General objectives to implement shared services are often related to quality, speed, dependability, flexibility, and cost. Similar attributes for implementing shared services are described in, for example, Kagelmann (2001), Quinn, Cooke & Kris. (2000) and Schulman et al. (1999).
The most obvious opportunities for companies come from eliminating non-value-added activities such as multiple authorisation processes and reconciliations. The organisation can gain economies of scale and improve productivity by consolidating and centralising repetitive or transaction-based activities. Redesigning processes to take advantage of technologies and leading-edge practices and focusing staff’s efforts on providing a better quality of service to customers – both external and internal.

Shared Services Centres (SSC’s) provide a means to employ lower paid people who specialise in data entry and transaction processing, to reduce the amount of management required to deliver a quality service, to improve productivity and to standardise processes across operating sites. While costs are often a key driver, the over-riding priority is normally to take the routine transaction processing away from local controllers allowing them to focus on supporting the business. As companies extend their presence across borders, through mergers and acquisitions or organic growth, and through the convergence of fiscal, legal and tax regulations such as in Europe, the world is becoming more homogenous. It is becoming increasingly illogical to maintain a duplicate infrastructure within each country of operation and the improvements in functionality of IT software make geographic location irrelevant.

Financial Shared Services Centres allow organisations to:

- Employ lower paid staff to specialise in data entry and transaction processing
- Reduce the amount of management required to deliver a quality service
- Improve productivity
- Standardise processes across operating units and across countries
- Obtain consistent and comparable information across units, countries and business systems.

A shared services approach allows greater connectivity across the organisation and throughout the supply chain. Limited labour pools and changing skill bases no longer need to be a deterrent to entry either globally or domestically. The organisation does not have to worry about staffing business units already handled by its SSC and can instead
direct all its attention to staffing the core business functions critical to those business units.

As in standardisation, shared services seek cost reduction and efficiency, however, unlike standardisation; cost reduction is not the only driving force. It involves a new approach to personnel, process and technology, and a realignment of organisational structure. The objective is to enhance value and improve service levels, while all the time reducing costs. It is also an ideal springboard for implementing enterprise-wide software systems.

Cost is often a primary driver for establishing an SSC, but research suggests that service quality has equal importance (Ulbrich 2005). Organisations focusing their SSC implementation solely on cost reduction end up with poor quality services, which are more expensive to operate than higher service quality alternatives. The cost of rework is much higher in an environment where there is little focus on performance measurement, service level agreements and service costing.

One goal with shared services is to set up a center of scale (Kagelmann 2001). Moller (1997) describes that “by moving many small groups of administrative and clerical staff into a single location, considerable economies of scale can be achieved, peaks and troughs of work load can be better managed and the spans of control of supervisors to clerics can be increased considerably.” Besides economies of scale due to concentration in a separate organisation, an acquired power can help to negotiate better terms and prices which can cut even more costs due to e.g. volume discounts.

Additionally, extra revenues can be generated when opening shared services to others. Besides improving the organisations working capital, also financial risk management can benefit from external revenues (Kagelmann 2001, 75–76).

Establishing a center of expertise is another expressed objective. Through concentration on core competencies, output quality can be enhanced at the same time as cycle time is reduced (Kagelmann 2001, 76–77).
Creating shared services helps to create a platform for business growth, flatten organisational structure, and support of general group strategy. It is often a step towards globalisation, an enabler for cultural organizational change, or a step towards external outsourcing (Kagelmann 2001, 79–81).

2.5 The Three Pillars of Shared Services

From the definitions and evaluation above some characteristics can already be identified. However there are three pillars that serve as the foundation for shared services. These not only help define its past and present state, but will help shape its future. The following subsection will evaluate these three pillars and the aspects that make them up.

2.5.1. Consolidation:

Business process reengineers (such as Davenport & Short 1990; Davenport 1993; Hammer & Champy 1993; Kaplan & Murdock 1991) often emphasise cost cutting through reorganising core processes. They believe that organisations can reduce costs for service provision while at the same time maintaining or improving an organisation's products and services in terms of quality and flexibility (Toffler & Shapiro 1985). The philosophy behind business process reengineering and its main focus on core processes is now widely applied by almost all organisations. Hence, when working with change activities to enhance performance, it has become a matter of course to focus on core activities. However, in recent years another alternative has come to the managers' attention.

Instead of working with core process, where often not much potential for improvement is left, support processes have come into the spotlight for change activities. Today, many managers believe that support processes still have potential for extensive improvements which unfortunately frequently have been neglected in earlier change activities (Kagelmann 2001; Schulman et al. 1999). Therefore, organisations still perform multiple times support processes and non-strategic activities within the same organisation. However, such duplication is considered an unaffordable luxury for many organisations.
today (Quinn, Cooke & Kris 2000). Therefore, management concentrates on how to optimise such support activities.

The concept of the shared services promotes the idea to concentrate all duplicate activities and processes into one common organisational unit where processes and activities are treated as the unit’s core business (Schulman et al. 1999).

Consolidating related activities and information reduces redundant processes and leverages economies of scale. Best practice companies were early adopters of shared services and have deployed this organisational structure to address a broad range of financial and non-financial processes. Most of the value comes from consolidating routine, high-volume transaction processing activities that share common requirements across the organisation, such as invoice payment and credit collection.

The key to successful consolidation using shared services centres is to organisationally consolidate while simultaneously simplifying, standardising, and automating targeted processes. Consolidation also involves system rationalisation to reduce the overall number of applications in use throughout the organisation. World-class companies operate with 44 percent fewer applications per billion dollars of revenue than average. Companies combining best practices in application rationalisation, data standards, and centralisation have been able to drive down the total cost of finance by 44 percent.

2.5.1.1 Process Consolidation

Tasks that should be gathered in shared services should not be critical tasks from a competition point of view neither should customer contacts or sales points be put into shared services to retain their interconnection to the core business (Schulman et al. 1999, 93). Thus, only support processes and non-strategic activities should be bundled in shared services.

Peter Drucker best describes the first rule of any performance improvement initiative in saying “There is nothing so inefficient as making more efficient that which should not be done at all”.
Best practices focus on identifying the most efficient way to execute a process. This includes elimination of unnecessary iterations, handoffs, and excessive detail requirements reviews and approvals. For example, world-class companies can close their books in under three days by using best practices for managing information; such as higher materiality levels and eliminating unnecessary inter-company transactions and allocations. These companies produce 44 percent fewer manual journal entries and 60 percent fewer general ledger reports than average companies (Hackett Group).

Another good example of the streamlining process is reducing variance reporting and analysis. Most companies spend a significant amount of time and effort on reconciling variances of actual results from plan. In contrast, world-class companies rely on exception-based reporting to identify problems, focusing only on the most significant variances. This not only frees up analyst time to more thoroughly investigate and analyse major variances but also reduces information overload.

2.5.1.2 Labour Consolidation

Research has shown that employees are more satisfied and their competencies can be better utilised and anchored in the organisation, which contributes to improved knowledge management (Kagelmann 01, 77–78). By feeling that their knowledge is more appreciated, employees can also contribute to a new service minded attitude, which is important when creating a new level of internal customer-supplier relationship or business partnership.

On the other hand, establishing shared services can carry along problems especially when moving to a new place. The consolidation of employees from most times within the parent organisation into shared services can cause motivation issues amongst staff. Motivation can decrease due to work overload in the beginning and people enjoy working in an environment where there is little focus on determining and meeting customer needs. This can lead to larger labour turnover.
This implies a loss of know-how, and new personnel have to be employed. The new employees lack an understanding for business transactions. The cost of hiring and training additional staff again ensures that in the end the move to a shared service becomes a very expensive option. As shown in Figure 2.1 respondents to an akris.com survey voted the second greatest implementation risk to be low employee support.

![Graph showing the greatest risks in setting up an SSC](image)

**Figure 2.1: The Greatest Risks in Setting up an SSC**

Source: Andersen/akris.com survey 2001

This reinforces the need for senior management commitment and effective change management to increase employee buy-in and secure cooperation during and after the creation of the SSC.

The Cultural Assessment is designed to evaluate the employee aspect of the shared service.

### 2.5.2 Automation
Technology has an important enabling role to play in delivering shared services. The move to a shared services culture will almost inevitably involve adjustment or extension of an organisation’s information technology (IT) arrangements, particularly in the areas of finance or enterprise resource planning applications and call-centre technology.

Automating manual processes shortens processing cycle times and ensures higher quality by eliminating the potential for human error. For example, automating accounts payable transactions such as matching, payment, and dispute resolution can decrease the error rate and ensure greater compliance with purchasing policies, which also decreases the overall time to process invoices.

Another key aim – and benefit – of moving to an SSC environment is to consolidate the various (often incompatible) applications operated by different business units into common system platform. For larger organisations, where 20 or more different systems is not uncommon across the group, it may not be possible to switch to a single system overnight, but an initial target of, say five systems should be achievable.

Any move to a shared services environment must incorporate a clear understanding of an organisation’s IT strategy. The shared services unit must not only be able to interact with other business unit’s IT systems, but also needs to be in a position to take advantage of new IT solutions while carrying out it’s services, which can lead to cost reductions and improved performance. Some organisations will have already implemented ERP or a standard finance system throughout their operations, in which case this can be immediately incorporated within the shared services unit. Organisations that have yet to embrace standard finance or ERP applications – or who have failed to successfully roll-out large ERP projects – should give thought to the dual benefits of establishing a standard centralised finance platform and shared-services environment simultaneously.

In addition, call centres have become a valuable resource in many organisations, not only for (potential) customers to make contact with a view to purchasing products and/or services, but also internally, within the organisations. When human resource activities are being incorporated into the shared services unit, in particular, call centres can be used to support employee benefits and travel, accounts receivable (credit and collection)
management and, in some cases, to support external customers. For handling routine, standard enquiries call centre solutions may be replaced by client ‘self-service’ facilities using browser-based intranet technologies. Success will typically come from:

- A strong customer management capability built around effective call centre technology
- Well deployed finance or ERP systems which reflect the unique requirements of a single instance, SSC environment
- Effective use of intranet and other knowledge management technologies to leverage staff time and experience
- An e-business strategy to enable key manual processes to be web-enabled over the short term.

Recent advances in technology have enabled finance support processes to be performed with little if any reduction in service levels. Web browser and internet technologies, XML and web services, financial analytics and document imaging software are just a few examples of how technology considerations play an important part in the implementation strategy.

Self-service transactions are leading another major advance in automation. Web-enabled tools allow people to connect directly to business processes such as requisitioning and expense report submissions. This newer generation of tools enables people inside and outside of the company’s walls to directly access relevant information. For example, suppliers can inquire about payment status, customers can access billing information, and employees can check the status of expense reimbursements, all without requiring a call to the finance department. According to Giga Research, 80 percent of all customer service calls are bill-related (Gillespie, 2002). By presenting information in real time and eliminating layers of intermediaries, self-service offers dramatic cost savings.

Automation can also be used to improve risk management. Implementing a single customer master file and electronic links to a credit rating agency enables a company to automatically update customer credit scores. This gives companies the ability to manage global credit exposure in real time.
Table 2.1: Examples of Automation Best Practice

Source: Hackett Group

2.5.3 Standardisation

Improving the consistency of processes and data is fundamental to a best practice approach. Processes and policies that vary among and even within business units create confusion and lead to inconsistent levels of quality and effort. Lack of standard data architecture and definitions results in redundant input and excessive time spent gathering and reconciling data—time better spent analysing results. Moreover, the time wasted
gathering and reconciling data slows the close and report process and reduces visibility to key financial and operational performance indicators between closing periods. Standardizing processes and systems dramatically improves efficiency and the integration of information needed for the highest value-add analysis.

Implemented effectively, best practices drive closer alignment between day-to-day operations and overall strategic objectives. This can include linking current activities more closely to strategy and also developing new processes that currently are not being performed, such as market analysis, competitor analysis, customer analysis, and portfolio analysis. World-class companies can deliver 20 percent more analytical support with 50 percent fewer staff by adopting best practices in the areas of planning, budgeting, forecasting, and management reporting (Hackett Group). For a world-class company with $1 billion in revenue, this amounts to 20 percent more effectiveness at roughly $450,000 lower cost annually (Hackett Group).

Effective strategic alignment requires that companies focus their analytical efforts around information pertaining to key performance measures such as those identified in a balanced scorecard implementation. Unfortunately, much hype has surrounded the concept of a balanced scorecard, and many companies assume that balance means equal weightings among performance measures. The measures should focus predominantly on the achievement of strategic objectives and promote an external, competitive focus. Balance is achieved by combining internal and external as well as leading and financial lagging indicators.

Strategic alignment also involves a move from calendar-driven planning and analysis to a dynamic process triggered by significant events. At the vast majority of companies, the forecasting process rarely looks beyond the current fiscal year, missing the chance to identify potential problems and opportunities. In contrast, the best practice of rolling forecasts forces a more long-range view of the business and can virtually eliminate the time-consuming annual budget. One of the reasons that calendar-driven forecasting cycles still prevail in 60 percent of companies is that incentive compensation plans tend to include financial targets based on annual budgets rather than other measures, such as the value created.
<table>
<thead>
<tr>
<th>Process Area</th>
<th>Best Practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>Establish procedures that are clear, simple, and appropriately detailed at the activity level and are available online. Tailor policies for specific geographic regions and cultures within the organisation.</td>
</tr>
<tr>
<td>General accounting</td>
<td>Centrally maintain a uniform single chart of accounts that is used by all product lines/business units.</td>
</tr>
<tr>
<td>Planning and reporting</td>
<td>Ensure comparability across all relevant entities through consistent sourcing, structuring, definitions, and calculations of measures. Use technology to share data and definitions throughout the organization with quick and easy access.</td>
</tr>
<tr>
<td>Planning and reporting</td>
<td>Base line item details on materiality and volatility.</td>
</tr>
<tr>
<td>Planning and reporting</td>
<td>Use exception-based reporting and tailor reports to individual needs.</td>
</tr>
<tr>
<td>Planning and reporting</td>
<td>Store information in a data warehouse with the ability to slice and dice data to view measures in multiple dimensions (organization/level, customer, product/project, channel, and so on).</td>
</tr>
<tr>
<td>Planning and reporting</td>
<td>Use rolling forecasts and determine outlook by the decision-making time horizon of the measure/component and the ability to make meaningful and reliable estimates.</td>
</tr>
</tbody>
</table>

Table 2.2: Examples of Process Standardisation Best Practice

Source: Hackett Group
Globally, more than two-thirds of companies use service level agreements specifically for managing their shared services organisations. SLA’s are an integral part of defining the roles to be followed by all parties to ensure the desired level of performance and specified expected deliverables are maintained. However poorly developed SLA’s can be administratively complex and engender a lack of stakeholder buy-in and involvement. The alternative is Charge-backs. There are two methods:

- Charge-back by function or service provided or,
- Charge-back by specific unit characteristics (such as revenues or number of employees per unit).

The choice of one over the other is, for the most part, driven by complexity and ease of administration. Most charge-back systems are performed manually. They can be difficult and cumbersome to administer.

Both these methods come with their share of drawbacks however both are strategically sound and there are ways to skirt their shortcomings. For example, leading companies do not over-structure or formalise the SLA process. Rather, they keep it simple and turn the process into an ongoing dialogue with the internal client, emphasising the importance of adhering to written commitments and mutually agreed upon performance levels. Rather than eliminate the charge-back, companies implement it in such a way that some level of transparency is embedded for the service provided – ensuring there is clear accountability and a focus on services that internal customers value most.

2.6 The Burke Litwin Model

The purpose of this review is to examine the Burke-Litwin organisational diagnostic model which will be used in the formation of the Cultural Assessment questionnaire. In order to understand this model, a brief explanation of organisational diagnosis is warranted.

2.6.1 The Notion of Organisational Diagnosis
Many organisation development (OD) strategies exist for improving an organisation’s effectiveness (Beer and Spector, 1993; Cummings and Worley, 1993; Rothwell & Sredl, 1992). One of these strategies, organisational diagnosis, involves “diagnosing”, or assessing, an organisation’s current level of functioning in order to design appropriate change interventions. The concept of diagnosis in organisation development is used in a manner similar to the medical model. For example, the physician conducts tests, collects vital information on the human system, and evaluates this information to prescribe a course of treatment. Likewise the organisational diagnostician uses specialised procedures to collect vital information about the organisation, to analyse this information, and to design appropriate interventions to correct the deficiency.

Like the physician, the organisation must be viewed as a total system. That is, the organisation can be viewed as a total system with inputs, throughputs, and outputs, connected by feedback loops. The feedback loops illustrate the idea that systems are affected by outputs (e.g., products and services), as well as its inputs.

In viewing organisations as systems, it is important to direct the attention to these activities and processes within the system that are considered to be vital to organisational life. However, the scope of a diagnosis may be either narrow and symptomatic or broad and systematic. For example, a narrow and symptomatic diagnosis involves a very quick scan of the organisation, focusing on trouble spots (Tichy, 1983). The problem with this type of research is that, all too often, the problem keeps reoccurring. Therefore, it is important to systematically examine the entire system when conducting organisational diagnosis (the latter is the scope applied by the researcher hence the view to evaluate the people, processes and technology of ACFS). An organisational model is a representation of an organisation that helps us to understand more clearly and quickly what we are observing in organisations. Burke explains the many ways in which organisational models are useful (in Howard and Associates, 1994):

1. Models help to enhance our understanding of organisational behaviour.
2. Models help to categorise data about an organisation.
3. Models help to interpret data about an organisation.
The model provides a systematic way to collect data on the organisation and to understand and categorise the data. Models often identify vital organisational variables which are hypothesized to exist prior to the research (in this study it is hypothesised that the moving to the shared services environment will have produced negative motivation and change management issues). Models also depict the nature of the relationships between these key variables (e.g., one organisational variable impacts another). Without a model to guide the collection of data and to interpret the data, a researcher must instead collect data based on hunches and analyse it for themes. An explicit model greatly aids the diagnostic process, given the complexity of organisations and the massive amount of information available for analysis.

2.6.2 The Theoretical Constructs of the B-L Model

The Burke-Litwin Causal Model of Organisational Performance and Change (B-L Model), was developed by Litwin and others (Litwin & Stringer, 1968; Tagiuri & Litwin, 1968) and later refined by Burke in the late 1980’s (Burke & Litwin, 1992). This model includes key features which go beyond several other models:

- Includes twelve theoretical constructs (i.e. organisational variables)
- Distinguishes between the culture and the climate of an organisation
- Distinguishes between transformational and transactional dynamics
- Specifies the nature and direction of influence of organisational variables
- Is based on previous models, empirical studies and OD practice.

The twelve organisational variables in the B-L Model are external environment, mission and strategy, leadership, organisational culture, structure, management practices, systems, work unit climate, task requirements and individual skills, motivation, individual needs and values, and individual and organisational performance. With the representation of the external environment as a variable, it is evident that open systems theory underlies the B-L Model. The external environment variable is considered to be the input to the system with individual and organisational performance variable representing the output (see Figure 2.2).
As is evident through the climate (blue) and culture (red) variables, Burke and Litwin make a distinction between organizational climate and culture. Climate is defined as individual’s perceptions of how their work unit is managed and how effectively they and their colleagues work together (see Figure 2.3) (Burke & Litwin, 1992). People are much more cognisant of organizational climate than culture i.e., climate is in the foreground, whereas culture is in the background). In contrast, culture has been defined as the relatively enduring set of values, norms, and beliefs that underlie the social system of the workplace (Burke & Litwin, 1992). These values, norms, and beliefs related to organisational culture are not entirely available to one’s consciousness.

In addition to the distinction between culture and climate, the B-L model distinguishes between transformational and transactional dynamics within organizations. Burke and Litwin’s (1992) consideration of transformational and transactional dynamics is rooted in leadership theory and specifically, in the differences between leaders and managers. In
the model, transformational change is associated more with leadership, while transactional change is associated more with management. Hence, transformational dynamics represent fundamental changes in behaviours and values that are required for genuine change in organizational culture. In terms of management, transactional dynamics are the everyday interactions and exchanges in work life related to organizational climate (Burke & Litwin, 1992). The variables in the B-L Model which account for transformational dynamics are depicted in Figure 2.3; Note that this is a truncated version of the model (i.e., the top half of the model with the performance variable)

![Figure 2.3: Transformational Variables in the B-L Model (Burke and Litwin 1992)](image)

The arrows in the figure above depicts the influence of one variable on another and the directionality of the influence. While the arrows are bi-directional (i.e., representing relationships), Burke and Litwin (1992) would have made the arrows circular, if it were possible, to represent reality more accurately. Moreover, Burke and Litwin postulated casual relationships between variables; the notion of casual relationships has not been hypothesized in previous models. It is asserted that a top-down casual chain exists, in which the top variables have a greater influence on the bottom variables. For example, Burke and Litwin believe that culture has a stronger influence on systems, given its
placement in the hierarchy of the model. The model, therefore defines the important variables and the important interactions between variables to consider during planned change interventions.

The variables in the model which account for transactional dynamics are depicted in Figure 2.5; again illustration is a truncated version of the model (i.e., bottom half of the model).

Figure 2.4: Transactional Variables in the B-L Model (Burke and Litwin; 1992)

To summarise, the “Burke-Litwin Model” has been developed to examine organisational change and performance. It provides a link between assessment of the wider institutional context and the nature and process of change within an organization. It makes the following key points:

- The external environment is the most powerful driver for organisational change
• Changes in the external environment lead to significant changes within an organization – its mission and strategy, its organisational culture and its leadership

• Changes in these key factors lead to other changes within the organisation – changes to structure, systems and management practices. These are more operational factors and changes in them may affect motivation, which in turn impacts individual and organisational performance.

• The model describes 12 organisational variables (incorporating the 7 variables of the 7-S model) and the relationships between them. Each of the variables interacts and a change in any one of them can eventually impact on the others. This is useful in explaining not only how the organizations perform, but also how they can change.

2.7 Summary

The literature review has consulted numerous secondary sources of data to establish an understanding of the concepts of the shared services centres. The evaluation began with an overview of its beginnings to understand the objectives and benefits, moved into assessing the various definitions that have been developed to draw out characteristics and finally looked at the three themes of consolidation, standardisation and automation that are consistently expressed in the reviewed literature. The review has helped to define the essential dynamics and make-up of shared services centres including what best practice and world class operations have incorporated to extract increased value out of the SSC.

The review then turned to the concepts of organisational diagnosis and more specifically the use of the Burke-Litwin Model with a view of incorporating the methodologies into the evaluation of the people or human aspects of the Anglo Coal Financial Shared Services Centre.

The following chapter will present an overview of Anglo Coal. The chapter will detail the market conditions and strategic initiatives, the financial performance of the company, and provide a very brief overview of the shared services centre. The chapter is intended to merely contextualise the reader.
CHAPTER THREE: ANGLO COAL

3.1 Introduction

South Africa’s coal industry is the second biggest mining sector after gold, with sales contributing 16% of export revenue to South Africa’s mineral sales and 4% to the GDP. South Africa is the world’s second largest coal exporter, after Australia, as well as second lowest cost producer, after Indonesia. Bituminous or steam coal remains South Africa’s main export coal, with anthracite having to be imported, due to diminishing reserves.

South Africa has limited coal reserves. An estimated 34 billion tons remains, and based on present consumption rates, South Africa could have a mere 7 billion remaining by 2040. South Africa’s coal mines are situated in the Mpumalanga, Free State, northern KwaZulu-Natal and Northwest Provinces. Most collieries are concentrated around the towns of Witbank, Ermelo and Secunda.

As in the gold industry, the coal sector has undergone similar mergers, acquisitions and name changes over the past few years. What has emerged are three major producers and exporters, namely Anglo Coal, Ingwe (a BHP Billiton subsidiary) and Xstrata (previously Duiker, with Swiss Glencore International as a major shareholder).

3.2 Markets Conditions

During the year, coal demand was strong and prices increased markedly. Metallurgical coal prices were driven by robust steel sector raw material demand, led by sustained Chinese economic growth and rising imports, a tight supply situation and logistics chain constraints. Healthy thermal coal off-take in China moderated the level of Chinese exports.

Power, oil, gas and thermal coal prices were influenced by continued inefficiencies in the logistics chain, mainly affecting South Africa and Australia, coupled with growing global energy demand and security of supply concerns. Relatively small imbalances in supply
and demand continue to bring significant price and directional uncertainty to the world’s energy and raw material markets, especially for thermal coals. Spot South African steam coal prices increased by 73% during the first six months and, although they had reduced by 25% at year end, they remain well above historic average price levels.

3.3 Anglo Coal South Africa

Anglo American’s coal interests are held through wholly owned Anglo Coal. Anglo Coal is an international coal producer with mining operations in South Africa, Colombia, Venezuela and Australia. It produces thermal, PCI (pulverised coal injection) and metallurgical and coking coals for international customers.

Anglo Coal South Africa is a wholly owned subsidiary of Anglo Coal. Its primary mining interests are concentrated in the Mpumalanga province (see Figure 3.2).

3.3.1 Financial Performance

In the year ending 31 December 2004, Anglo Coal SA produced about 54.5 million tonnes of coal, a 5% increase on the previous year. Much of the increase was on the back of strong domestic demand from power utility Eskom. The operating profit for South African-sourced coal was R 1,570 million, an 83% increase on 2003, with export prices 42% higher. Earnings for the period, however, were negatively affected by the continued appreciation of the rand.
### Table 3.1: Financial Summary of the Anglo Coal

**Source:** Anglo American Annual Financial Report 2004

Operating profit for South African sourced coal, at $244 million, was 83% higher than in 2003 and export prices were up 42%. The rand continued to strengthen against the dollar, reducing headline earnings by $17 million. Production rose by 5% to 54.5 million tonnes. This reflected strong domestic demand from Eskom, the South African power utility, which led Kriel and New Vaal collieries to produce at record levels. Plans are in place to acquire additional mining equipment for New Denmark, the other colliery serving the domestic market, so that it can increase output substantially in 2005. Production at most of the export mines was slightly higher, with the exception of Bank and Landau, where difficult mining conditions affected production.

Capital expenditure in South Africa rose by $27 million, mainly due to the development of Isibonelo colliery, due to start production in 2005. Following the signing of a memorandum of understanding with BHP Billiton relating to the Western Complex reserves, a feasibility study is investigating the optimal use of these reserves.
3.4 Anglo Coal Financial Shared Services Centre

The financial shared services centre was established in April of 2004. It was incorporated in the Witbank area, centrally located around the seven initial collieries for which it provide services. The seven collieries are: Goedehoop, Landau, Greenside, Bank, Kriel, New Clyshedale and Kleinkoppie.

The plan is to incorporate New Vaal and New Denmark into the shared services by the end of 2005. IBM Consulting was employed to assist in the implementation and set-up of the shared services.

The basic financial accounting and payroll functions were consolidated into the shared services. The staff carrying out these functions in each of the collieries were moved and absorbed into the ACFS. The current organisational structure at the ACFS is depicted in Figure 3.3 below.
3.5 Summary

Anglo Coal is a perfect candidate for the implementation of a shared services centre. Its spread of collieries is centrally located around Witbank allowing for the set-up of the SSC in this area. Anglo Coal must be commended for its initiative to establish a SSC which to the knowledge of the researcher is an innovation in the mining sector. The successful implementation of the ACFS will pave the way for other mining companies who share similar characteristics of having several business units with decentralised functions located around a potential epicentre. One such mining giant is BHP Billiton who has several mining interests in the Witbank area as well.

The next chapter will detail the research methodologies utilised in the collection of primary data on the research dilemma.
CHAPTER FOUR: RESEARCH METHODOLOGY

4.1 Introduction

The research approach is exploratory to evaluate the current state of the ACFS. The research was divided into two approaches in order to collect the data required. The primary data collection methods are as follows:

1. Face-to Face interviews
2. Cultural Questionnaire

Each of the approaches will be dealt with individually to explain the methodologies and reasons employed for each.

4.2 Face-to Face Interviews

4.2.1 Sample Selection

The sample was selected through a non-probability technique called purposive sampling. Purposive sampling is a non-probability sample that conforms to certain criteria and essentially contains two major types – judgement and quota sampling. Judgement sampling was employed by the researcher primarily due to the time constraints of the analysis. The selection criteria for the sample were experience, length of service and their position in the department. The researcher believes that the interviewees had to be able to have wide and broad hands on knowledge of working with the processes and systems at the ACFS. For this reason only the management and supervisors were chosen. A list of all personnel and their respective positions in ACFS was obtained from the client. Once chosen, a list was constructed of names and interview times (table 4.1). This was submitted to the client to ensure transparency and that all required personnel were made available for the interviews.
Role | Name
---|---
Financial Manager | E. Wiese
Payroll Manager | D de Jager
Financial Controller Manager | L. Baving
Accounts Payable Supervisor | L. Rossouw
Treasury/Cashbook Processing Supervisor | K. Batt and E. Erasmus

Table 4.1: List of Face-to Face Interviewees

4.2.2 Instrumentation

The face-to-face interview questions are exploratory to help identify and qualify the problem areas faced by the line management and employees of ACFS. The data will largely be qualitative in nature however quantitative information will also be sort in the form of estimated lost time and impact on poor performance of staff. The reason for this is to attach a rand value of the potential cost of poor performance or problems identified during the study.

4.2.3 Face-to Face Questionnaires

A potential set of interview questions were constructed and reviewed using internal resources with the researchers company (Beyond Capital) and the Anglo Coal client sponsor to ensure transparency was maintained throughout the analysis. One set of questions were developed for Financial Accounting department (which will encompass General Ledger, Management Accounts, Accounts Payable and Treasury and Cashbook Processing) management and line employees and one for the Payroll department management and line employees. The primary reason for this was these two functions are the two major services provided by ACFS and are quite different from each other from a process point of view. The questions used in the interviews are contained in Appendix Four and Five for Financial Accounting and Payroll respectively.
4.2.4 Face-to-Face Interview Procedure

The interviews were conducted in 2 hour sessions in random order depending on the availability of the employees. This was conducted over a two day period between the 12th and 13th of April 2005. Two interviewers were present during the interviews – one to acknowledge the response and engage the respondent and another to take notes.

All respondents were informed of the anonymity of their responses and the reason for the study was clarified up-front.

4.3 Cultural Questionnaire

Organisational culture and climate can simply be defined as the pattern of meanings, beliefs and expectations, shared by its members, which tends to govern the behaviour of all individuals and groups within that organisation. Good corporate governance requires us to audit our finances, take stock of our inventory, maintain our vehicles and plants on a regular basis and monitor our marketing initiatives. In talking to CEO’s we hear that staff are their most valuable asset and yet how often do we hear of an annual staff audit, in line with other good corporate governance issues? It is often said that if we don’t win their (staff) hearts, you won’t have their minds.

4.3.1 Sample Selection

No sampling technique was required for the cultural questionnaire as the total employee base of 51 employees at ACFS were present to complete the questionnaire. This generated a 100% response rate for the questionnaire. The questionnaire was rendered to all employees at ACFS on the 14th of April 2005.

4.3.2 Instrumentation
The research was qualitative and exploratory in nature. The instrument utilised for the collection of primary data was a questionnaire (see Appendix 1).

The first seven questions are biographical questions that are concerned with nominal data that will help dissect the population.

The questionnaire thereafter uses a rating question methodology. Rating questions ask the participant to position each factor on a companion scale and will essentially produce ordinal data (show magnitude relationships of more than and less than but have no distance or unique origin).

Questions 8 to 116 are rating questions were the respondent is asked to record their opinion that closest fits one of five possible rated answers ranging from “Strongly Disagree” on one side of the spectrum to “Strongly Agree” on the other.

The questionnaire is presented in two parts – one, the questionnaire sheet and two, the answer sheet (see Appendix 2). The answer sheet contains a multiple choice component upfront relating to the biographical questions (1 to 7) and then a matrix of the rating scale choices for the remaining questions (8 to 116) which the respondent will mark either with an X or a Tick.

4.3.3 Questionnaire

Culture influences how people behave and even think - it governs how decisions are made, who makes them, how resources are allocated and how people are treated. Culture, however, is not always based on reality. It is for this reason that it is important to measure and evaluate an organisation’s culture. Staff behave according to their perceptions of reality, which may or may not constitute reality itself. However, it cannot be ignored as, for staff themselves, it constitutes reality and their behaviour will be driven by that ‘reality’.
When we measure an organisation’s culture we are only concerned with the perceptions of staff (which may or may not constitute reality) as it is this perception that will cause organisations to behave in a certain way. It then allows organisations to reconstitute reality, where appropriate, and in doing so drive the organisation forward.

The basis of the questionnaire is firmly rooted in the work of W. Warner-Burke and G. Litwin, American Industrial Psychologists, who developed a model used in the analysis of organisations. Refer to the review of the model in Chapter 2.

The questionnaire was completely anonymous i.e. it required no names to be completed by the respondents. This was implemented to ensure the respondents provided free and open responses. A total of 116 questions were asked in the survey, including 7 biographical type questions. A total of 18 dimensions were surveyed. Each dimension contained a minimum of 4 questions relating to the specific topic in that dimension. Each dimension will provide an insight into the thoughts and perceptions of the staff and the overarching culture that drives the performance of the employees of ACFS.

A list of the dimensions measured in the survey follows with a brief description of their meanings:

*Dimension 1: Strategic Direction – Understanding and Awareness.* An understanding for, and awareness of the strategic direction of the company.

*Dimension 2: Change – Understanding.* This refers to the extent to which development and change within the company is understood. It also includes perceptions as to whether staff take ownership of these changes and ascertains if the changes are in line with the external changes in the industry.

*Dimension 3: Change – Ownership.* This refers to the extent to which employees are able to actively participate in the changes taking place in the organisation and to the level that employees embrace these changes.

*Dimension 4: Change – External Environment.* The extent to which the company reacts to the level and degree of changes happening outside of the company.
Dimension 5: Culture – Leadership. The perceived effectiveness of the company’s leadership team.

Dimension 6: Culture – Ownership/Responsibility. This refers to the extent to which staff is able to influence the day to day activities within the company and within their own sphere of structural influence.

Dimension 7: Culture – Values. Refers to the common set of values that is held by the company’s executive.

Dimension 8: Culture – Climate. This aspect is often referred to as the ‘atmosphere’ in which we work. Perceptions of this and other similar dimensions have an emotional undertone.

Dimension 9: Culture – Skills/Abilities. This dimension is egocentric by nature and reflects the staff’s perception of self and others in their environment.

Dimension 10: Culture – Employee Commitment and Motivation. Once again this dimension is egocentrically based. It measures the staff’s perception of their commitment to the company.

Dimension 11: Culture – Company’s Commitment to Staff. The perception of staff as to how well they are treated by the company.

Dimension 12: Organisational Assessment – Organisational Structure. This dimension measures the perceptions that staff have on the effectiveness of the organisational structure.

Dimension 13: Organisational Assessment – Teamwork. This dimension measures the perceived effectiveness of teams and the extent to which teams are functional in the company.

Dimension 14: Current Strategic Initiatives. This dimension looks at the perceptions of staff with relation to the initiatives that are currently underway in the company.

Dimension 15: Measurement and Governance – Individual and organisational performance. This refers to the management of the human resources within the company from a governance/administrative point of view.

Dimension 16: Measurement – Quality. The extent to which the company strives for excellence both internally and externally.
**Dimension 17: Effectiveness of Communication.** This looks at the effectiveness of the communication channels within the company.

**Dimension 18: Diversity Management.** In this survey only gender issues were explored.

### 4.3.4 Cultural Questionnaire Procedure

With the assistance of ACFS management, all employees were requested to meet in the ACFS Auditorium at 10:00am. All participants were informed by the researchers about the reason and background of the questionnaire prior to handing out the two parts of the questionnaire. They were further informed of the anonymity of the questionnaire and that only the researchers would in fact see or work with the actual original documents.

A questionnaire page and answer sheet was handed to all the employees present and a full explanation of the methodology of completing the questionnaire was administered to the gathering. All participants were asked if they were clear with the instructions. The instructions were reiterated to all on receiving a negative response and upon obtaining a positive confirmation from all present, the participants were instructed to begin. Participants were also informed that no time limit had been stipulated by management so there was no need to rush through the exercise.

### 4.4 Summary

The research approach is divided into two phases – a face-to-face interview phase will be used as the primary data collection tool to evaluate the process and technology aspects of the ACFS. This will determine the “AS-IS” state of the ACFS and will be compared to the potential or “TO-BE” state of an optimum shared services as defined in the literature review to qualify the gap. The second phase will evaluate the human aspects of the ACFS by utilising a rating questionnaire that has its basis in the methodologies of the Burke-Litwin model.

The following chapter will present the findings of each of the two phases explained above.
CHAPTER FIVE: PRESENTATION OF FINDINGS

5.1 Introduction

As discussed in Chapter Four the study was conducted in two phases. A Face-to-Face interview phase to understand the AS-IS state of ACFS and to then, by comparing these findings to best practise, identify potential burning platforms or problem areas that are hindering ACFS from attaining their vision of become a truly efficient and effective shared services centre. The second phase was to gain understanding of the culture that pervades within ACFS by using a qualitative questionnaire. The results from this will help management understand the initiatives and areas that will need to be developed to improve the performance of its employees.

5.2 Face-to Face Interviews Findings

5.2.1 Financial Accounting

5.2.1.1 Interview with Ellek Wiese

Ellek Wiese is the overall manager of the financial accounting division and reports to Johan Koekemoer. Ellek has been with Anglo Coal for over 25 years and is also one of six signatories for EFT and cheque releases within the ACFS.

During the questioning around process inefficiencies the following was learned:

- The shared services centre (SSC) produces about 4% to 6% manual cheques. The primary reasons for issuing of manual checks were for garnishee order payments to the local magistrate’s office and for suppliers who have not furnished their banking details. When asked why this was not enforced by the collieries as mandatory requirement for payment to suppliers, Ellek indicated that there was a lack of compliance by collieries or that the actual procedure had not been defined and communicated to the collieries.
• When asked “What the error rate was for financial accounting?”, Ellek indicated that it currently stood at 4.7% while the targeted error rate was 2.5%. He sighted the primary reason for this was human error due to the high degree of manual capturing. The SSC received some 19 000 to 20 000 invoices and documentation from the business units monthly. This was projected to increase to over 30 000 with the inclusion of New Vaal and New Denmark by the end of the year. Further, the business units often sent in their invoices and documentation late which meant a shorter time period for capturing. This also caused human errors.

• For the question on whether Service Level Agreements (SLA’s) had been implemented with all business units, Ellek indicated that this had not been done. He further explained that this could be one the reasons the service levels were very “one-sided” as he put it. Requested information and compliance to requirements were not being adhered to by the business units which meant that adhoc operational adjustments had to be made in order to maintain the service levels and statutory financial obligations. Overtime, special payments to suppliers and employees, high error rates and manual cheque payments were some of the symptoms of a root problem that lay with the collieries. However when asked if an error log was kept he admitted that no such tracking devise had been implemented. Such a devise would allow for the tangible identification of problems, trend analysis and the development of corrective measures to correct the problems.

• When asked about the format of client meetings, Ellek indicted that there were monthly meetings held with all business units. Problems and areas of improvement were addressed but again it was primarily from the client’s perspective. No forum or agenda points encouraged the communication of problems faced by the SSC with the client. Also, there was no formal presentation of actual results against any predefined set of contract deliverables that would be agreed in the SLA or any formal agenda points in the meetings. This resulted in a rather unstructured and casual nature to the meetings when at times they required some degree of formality to ensure effective two-way communication. There was only one method used to determine client satisfaction through a quarterly survey.
5.2.1.2 Interview with L. Baving

L. Baving is the manager of the Management Accounting section and reports to E. Wiese. Along with providing management accounting services to the collieries, the section provides additional services to the Anglo Coal head office.

The following findings on process inefficiencies were identified during the interview:

- The head office of Anglo Coal uses the SAP system for its financial affairs while the ACFS uses the MIMS system. Mr Baving indicated that there was no interface between these two systems. Information received from H/O required manual conversion by capturing it into an Excel spreadsheet. This was time consuming.
- He indicated that much of the time within his department was spent on misallocated accounts and invoices primarily caused, as he saw it, by a combination of lack of defined processes and procedures and too many manual interventions.
- L. Baving also confirmed that there was no SLA between department and business units. Similar to E. Wiese, he indicated that this caused problems with dissemination of information, particularly from head office which required ad hoc special meetings to resolve issues, while with all business units there was a general non-delivery of information in the required times.
- In response to the management processes, Mr Baving indicated that there were no formal meeting structures to provide objectives or feedback on performance with his employees. He also indicated that no proper planning of work daily, weekly or monthly was being conducted.

5.2.1.3 Interview with E. Erasmus and E. Batt

E. Erasmus and E. Batt are employees within the treasury and cashbook department. The area comprises about 5 employees which is responsible for making and balancing all payments for all the business units.
The interview yielded perhaps the most valuable information around the financial accounting division. The following points are the most notable responses recorded during the interview:

- Mrs Erasmus and Mrs Batt indicted that there were no reengineering of processes during the move into the shared services centre. The procedures that were followed on the collieries were simply incorporated into the SSC and left largely to the employees to make any adjustments required to cope with the new working environment.

- They indicted that they process approximately 1200 invoices per month for payment. They verified that approximately 40-60 manual cheques were processed monthly in response to a question on the number of manula cheques that were processed (this was to verify the accuracy of the feedback received from E. Wiese). This was caused by incorrect supplier information and smaller suppliers who could not sustain the 60 day payment period maintained by Anglo Coal.

- They indicated that there were system inefficiencies created by the use of the Ellipse payment system. The application is a sequentially driven system that means one application requires completion in totality before the user can move on to other areas of the payment process. Further the system caused processing delays, particularly at month-end when the majority of payments were processed, by slowing down and “hanging”. Mrs Erasmus and Mrs Batt indicted that this could slow the process by more than a day. There is also duplication of activities when a new supplier is entered onto the system as it requires the supplier being entered in on every BU box rather than entering once and being available for all. This caused quite significant lost time as there are numerous suppliers requiring deactivation and activation on a monthly basis.

- E. Erasmus and E. Batt provided quite specific detail around inefficiencies. They indicated that there were approximately 15 to 20 EFT rejections experienced monthly. Theses were due to incorrect supplier banking details provided by the mine. It was the responsibility of the collieries to enforce and ensure that the information received about suppliers was correct however there seemed to be a continual disregard in this area on the part of the collieries. A time consuming process then kicked in to obtain the correct information either directly from the
supplier or from the financial manager on the colliery. Instances of the collieries or the suppliers not responding for up to 3 days were not uncommon. When asked if this problem was escalated to management, they indicated that it had been done however could not verify if it had been taken further however admitted that little improvement had been witnessed to date. This created a backlog of work and at the time E. Erasmus and E. Batt confided that there was an estimated 2 days backlog of work. We consequently asked if any management intervention had been taken to reduce the backlog, they responded with a resounding 'no'. It was left up to the line employees to resolve the situation through overtime.

• There were also about 6 pay corrections experienced daily mainly due to incorrect or missing information again such as Vat numbers. It was left to the line employee to communicate with the respective colliery to resolve. This added to the backlog as the employees were spending more time resolving these issues as opposed to completing the prescribed duties. There seemed to be a major bottleneck in the first week of the month when the processing, management accounts and month-end journals needed to be completed which also contributed to the backlog.

• E. Erasmus and E. Batt indicated that there was little or no formal staff meetings were these and other issues could be tabled. No objectives or feedback on performance had been given since the inception of the SSC. Asked if they had been given any information on the Balance Scorecard performance of the SSC, they surprisingly indicated that they did not even know it had been implemented.

5.2.1.4 Interview with Leon Rossouw

Leon Rossouw is the supervisor of the Accounts Payable function. He reports to Mr E. Wiese.

The following notable responses were recorded form him:

• Mr Rossouw also acknowledged that the main problem faced by his function was communication and support from the business units. The business units in his opinion neglected to follow procedure regarding unknown entries, deposit
references and Cost Centre (they should let ACFS know that money was deposited and the associated reference number).

- He also indicted that there was too much manual input. The SSC received all original invoices from the collieries twice a week. This was achieved manually via a driver who collects all invoices periodically. He was concerned that this would be the same procedure for the two new collieries that were being incorporated over the course of the next few months. His concern were justified as that New Denmark and New Vaal collieries were each located about 200 kms away (no way). This implies a substantial waste of resources to transport these documents to the SSC. All of these invoices are then manually captured into the Ellipse system for payment while simultaneously being captured into the MIMS financial system. There was no interface between these two systems to speed up processing.

- When asked about the Balance Scorecard and feedback on objectives and feedback on performance, Mr Rossouw again confirmed that he received neither feedback on the performance of his function nor any constructive planning or work forecasting from his manager concerning his area.

5.2.2 Payroll Department

The department has 22 employees who provide payroll services to the 7 collieries, several internal service departments and Head office personnel (excluding senior management which is outsourced to Deloitte). The table below details the different payroll structures applicable for Anglo Coal.

<table>
<thead>
<tr>
<th>Payroll #</th>
<th>Payroll type</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Monthly staff</td>
</tr>
<tr>
<td>2</td>
<td>Artisans/Miners</td>
</tr>
<tr>
<td>3</td>
<td>Monthly staff (coloured staff)</td>
</tr>
<tr>
<td>4</td>
<td>Daily paid staff</td>
</tr>
<tr>
<td>5</td>
<td>Contractors</td>
</tr>
<tr>
<td>6</td>
<td>Learnerships</td>
</tr>
<tr>
<td>7 &amp; 8</td>
<td>New payroll incorporated on 1 April Isibonelo Project which is a JV between AC and Sasol</td>
</tr>
<tr>
<td>Total employees on payroll</td>
<td>7700 AC employees, 250 from Isibonelo</td>
</tr>
</tbody>
</table>

Table 5.1: Breakdown of Payrolls at ACFS
5.2.2.1 Interview with Danie de Jager

Danie de Jager is responsible for the Payroll function and reports to E. Wiese. The following information was collected during the interview:

- Mr de Jager was first asked why the payroll runs each month where averaging 174 while the target was only 104 (from Balance Scorecard information). Mr de Jager indicated that the payroll was unduly complex with 8 payroll structures (refer to Table 5.1). This was coupled with a high degree of ad hoc payroll requests such as leave encashment, errors on bonus calculations and errors on overtime and short-time. These resulted in often a pay run being done just to pay one employee. This kind of practice was common on the mines when the payroll was decentralised and had been passed on to the SSC. The mines continued to demand this service from the SSC in order to keep the harmonious balance with the labour unions which wielded considerable power. He noted that most of the ad hoc requests were due to errors on the part of the supervisors of the mine who did not effectively control the time recording system on the mine.

- Mr de Jager explained that the payroll system used by the SSC was called Paywell which interfaced with the time recording system, SACO, on each of the collieries. The SACO system was an access control system that recorded the comings and goings of employees on the mines via an access tag. The recorded times were then collated by a payroll administrator on the mine and exported into a flat file format for downloading into the Paywell system. There were often problems with employees on the mines which requires manual adjustments to the time recording data. This information was not being communicated effectively by supervisors to the payroll administrator. Once the payroll run had been complete it was then picked up by the employees who in turn demanded rectification immediately. This resulted in the SSC having to make special pay runs to correct the errors.

- Mr de Jager also noted that a high amount of information was received via the courier from each colliery. There were two areas that resulted in over 30% of the information requiring manual input into the payroll system. The first was Information new starters and leavers which required manual input into two systems – Paywell and HR Focus (HR management system). This information was
duplicated both on the colliery and the SSC because no interface or central
database sharing platform existed for between either of the applications or the
SSC and collieries. Secondly, a special adjust for a tuckshop allowance that was
afforded to all mine employees required a monthly manual input. This was
considerable as it applied to over 7000 employees. He estimated that this high
manual input accounted for some 50% of the administrator’s time and admitted
that there was opportunity for substantial release of capacity.

• When asked what would be do with this extra capacity, he indicated that it would
be absorbed by the integration of the new collieries and noted one of the most
interesting findings of the interviews, that is, Anglo Coal followed a no
retrenchment policy. So even if extra capacity was created it would be superfluous
as no consolidation of the labour compliment could be carried out.

• Mr de Jager indicated that over 40% of ad hoc runs were due to late or inaccurate
information being received from the collieries. The payroll administrators at the
ACFS, like their treasury colleagues, were responsible for chasing and resolving
the queries and errors. The response time he noted was some 3 days on average.

• Mr de Jager indicated that the ratio of administrators to employees was about 310
at present and should increase to 350 when all collieries have been integrated.

• When asked about the Balance Scorecard and if he had received any information
in regards to his department’s performance, he indicated that he had not been
informed or seen any information in that regard.

• Mr de Jager also responded negatively about the intervention of management
saying that he received no feedback on performance or on planning of the work to
be completed. There was no forum for management to develop corrective actions
or table their concerns – they were “left to their own devises” to quote Mr de
Jager.

• To a question on service level agreements Mr de Jager also confirmed that none
had been devised between his department and business units. He agreed that
SLA’s were a major cause of non-compliance from the collieries. He added that
the procedures needed to be revisited as they had not been revised to
accommodate the incorporation of the ACFS.
5.2.3 Summary of Face-to Face Interview Findings

The findings as detailed above can be summarised into the following sections that will synergise with the findings of the literature review:

- Most of the processes and their supporting procedures have either not been reengineered or revisited since the implementation of the ACFS. All the respondents sight this as one of the major concerns in generating the required levels of efficiencies for the ACFS. Substantial lost time or duplication has been expressed by all respondents.

- High levels of manual input are evident with technology not being utilised to the maximum in order to enable more effective data processing. Far too many applications are being used which is causing interface problems such as in the payroll environment which has 3 applications (Paywell, SACO, HR Focus) being used. The payroll function utilises some 50% of its capacity carrying out manual input of data.

- The high manual intervention is causing high error rates. This in turn has spin-off effects in lost time to rectify errors through rework.

- SLA’s have been confirmed by all respondents to have not been implemented with customers. There no defined deliverables or performance measures with which to track progress. This has also created a “one-sided” effect as indicted by one respondent on the part of the ACFS. Business units are not complying with their end of the bargain by supplying late information, incorrect information and poor response times to queries initiated by ACFS. This requires the ACFS to refocus efforts on low value-adding activities such as chasing queries or to work under strained conditions in order to maintain the levels of service. In some cases this has resulted in gross inefficient contingencies having to be implemented such as several daily pay runs which results in lost time.

- The concept of consolidating labour to obtain cost savings and efficiency improvements is one that is pivotal to any shared services environment, the fact that Anglo Coal does not subscribe to such initiatives by following its non-retrenchment policies (as indicted by Mr de Jager and late verified by Mr Johan Koekemoer) throws the potential for real cost savings into serious doubt.
• The couriering of documents and information from the business units to the ACFS is an inefficient method to say the least. Added to this, the incorporation of the two new collieries, New Denmark and New Vaal, which have a round trip of over 400 kms each will make the continued use of this practice almost tragic from a cost point of view (the use of dedicated assets such vehicles and manpower not to mention travel costs).

• There are serious deficiencies arising from the lack of good management principles. All the respondents both upward and downward of the management hierarchy show no evidence of structured team meetings, performance measurement, forecasting and planning of workloads, and effective monitoring and controlling of employees. The lack of a forum were employees can air their concerns and from which development and implementation of corrective actions can be made that will improve operations on a continuous basis is an area of major concern.

• The implementation of the Balance Scorecard, although excellent in principle, has no meaning and effect on the operation as it is not disseminated down the line to employees or used as a tool to improve performance through corrective and preventative actions. It seems to have been implemented like so many management tools because it is the latest fad in corporate South Africa.

5.3 Cultural Questionnaire Analysis

Anglo Coal has undergone numerous changes within the Shared Services environment over the recent past. Blind loyalty does not exist anymore and today’s employees are more questioning and demanding. They are confident to air their concerns, grievances and aspirations.

Today, most companies excel in responding to complaints and requests from customers. Yet suggestions and questions from those who make it happen in a company are often not taken seriously. It often does not take long for the employee to start treating the customer in the same way the company is treating them. If a company does not take their people seriously, customers are not likely to be taken seriously.
People are motivated by different things, in different ways and at different times. Increasingly, motivation is based on values rather than cash. At the end of the day companies bet on people, not on strategies. The only thing that makes capital dance is talent.

It is therefore of utmost importance to involve people and to ask them what will make their abilities of value to the company.

Perceptions drive behaviour and should not be ignored. It is extremely important to be aware of the perceptions of people and to manage and shape those to the greater benefit of the company.

Each dimension measured consisted of a number of questions. The number of questions ranged from 3 to 11. For the purpose of this, and subsequent analysis, use will be made of a ranking system. All the dimensions will be ranked from 1 to 18. The dimension ranked 1 will indicate that this dimension had the most positive mean score and received the most favourable reaction from the respondents and can be seen as a strength. The dimension ranked 18, by deduction, is the most negative as perceived by the respondents and can be seen as an area for improvement. A dimension ranking will be indicated as in the following example: Dimension 1: Strategic Direction (rank 5D). The ‘D’ following the numeral indicates that it refers to the ranking of one of the 18 dimensions.

5.3.1 All Dimensions Mean Score
Figure 5.1: Survey Results for All Dimensions

The results of this survey indicated that there was a reasonable consistency with which questions were answered. Differences between biographical groupings were generally far less pronounced than was expected. This, in many ways, is an extremely positive aspect and makes for easier correction of deficient areas. On the negative side is the fact that the areas of perceived deficiency are uniformly agreed to by the majority of the organisation.

It should be noted that in this survey the grand mean of all dimensions measured was 3.49 (maximum mean of 5), which is considered to be a positive overall score. It is believed by experts that a grand mean exceeding 3.30 indicates a healthy organisation. This does, however, not indicate that such an organisation is without problem areas. It is also not to say, that, if an organisation has an overall score of less than 3.30, the company has major deficiencies, but merely that identified areas could create barriers to high performance and efficient change projects.

The dimensions will now be presented from the most positive to the least positive, based on the average mean score for that dimension and will be taken from all the staff in the sample.
5.3.2 Rank 1D: Dimension: Change - External Environment.

Mean score: 3.91 (survey grand mean 3.49)

Table 5.2: Dimension 1 Cross Tabulated Results

A total of 77% of staff see this dimension as a strength. This dimension refers to the way the organisation reacts to the environment in which they operate, in terms of speed of change and direction. In this case the staff believes that Anglo Coal is a leader in the industry.

5.3.3 Rank 2D: Dimension: Strategic - Understanding and awareness.

Mean score: 3.76 (survey grand mean 3.49)

Table 5.3: Dimension 2 Cross Tabulated Results

It is highly significant that staff agree with and support the company’s mission/vision and the direction that the company is taking. This creates the burning platform for change initiatives and makes the implementation of such change a great deal easier to ‘sell’ to staff. It is not to say that they will like the change, but merely that they understand the need for the change.
5.3.4 **Rank 3D: Dimension: Organisational Assessment – Teamwork.**

Mean score: 3.72 (survey grand mean 3.49)

Table 5.4: Dimension 3 Cross Tabulated Results

This result is important when major change is being considered or implemented. Teamwork is seen by staff as being vital to the success of the business. When working with major change projects, a high ‘teamwork’ score allows organisations to leverage the team factor by implementing team goals and looking for the benefits of self directed teams. During change, it would be appropriate to consider team based objectives and rewards. In this survey only 7.3% of staff saw teamwork as being ineffective.

5.3.5 **Rank 4D: Dimension: Culture – Employee Commitment and Motivation**

Mean score: 3.70 (survey grand mean 3.49)

Table 5.5: Dimension 4 Cross Tabulated Results

Staff appear to be motivated to use their skills and abilities to the benefit of the company, and that they rise to the challenges facing them. There appears to be no uncertainty as to the role that each person in the organisation plays. Overall this dimension came out very
well and is a clear indication of their will to make Anglo Coal a world-class organisation. This dimension is egocentrically oriented and usually appears in the top five rankings.

5.3.6 Rank 5D: Dimension: Change – Understanding
Mean score: 3.69 (survey grand mean 3.49)

Table 5.6: Dimension 5 Cross Tabulated Results

Table 5.6: Dimension 5 Cross Tabulated Results

It is of significance that this dimension came out high. It measures the staff perception of their understanding of the need for constant change. This has the result that staff are in the position to efficiently realign themselves with new work methods and work practices. The management of change is therefore more easily facilitated. Staff are also aware of the inter-relationship between the departments and the effect that change in one area has on another. This dimension goes hand in hand with Rank 2D: Strategic – Understanding and awareness. Together they form the foundation on which change projects are built.

5.3.7 Rank 6D: Dimension: Culture – Individual Skills and Ability.
Mean score: 3.65 (survey grand mean 3.49)

Table 5.7: Dimension 6 Cross Tabulated Results
Once again this is an egocentrically based dimension. It is highly significant that this dimension ranks only sixth. In most surveys of this nature, in our experience, this dimension usually ranks in the top three. A total of 32.5% (13.3% see it as a weakness and 19.2% as neutral) of staff believe that either they, or others around them, do not have the necessary skills and abilities to perform the work. If the current change process has brought about changes to operating processes/procedures or skill levels, it could be that staff believe that they are inadequately trained for their new roles. Alternatively, if the changed roles are not yet in place it could indicate that they are fearful of their ability to cope with the changes. A third alternative is possibly that during the transition to a Shared Services environment a number of skilled staff left or are no longer in the shared environment, leaving staff to believe that there is a skills/knowledge shortage.

5.3.8 Rank 7D: Dimension: Culture - Values

Mean score 3.56 (survey grand mean 3.49)

| All staff | Female | Male | Native | Female | Male | Native | Native | Male | Native | Male | Native | Male | Native | Male | Native | Male | Native | Male | Native | Male | Native | Male | Native | Male | Native | Male | Native | Male | Native | Male |
|-----------|--------|------|--------|--------|------|--------|--------|------|--------|------|--------|------|--------|------|--------|------|--------|------|--------|------|--------|------|--------|------|--------|------|--------|------|
| All       | 51     | 5    | 4      | 4      | 44   | 17     | 5      | 2    | 4      | 47   | 7      | 2     | 30     | 5    | 12     | 5    | 28     | 19   | 32     | 2    | 11     | 10   | 32     | 18   |
| Culture   | 3.56   | 3.75 | 3.03   | 3.25   | 4.74 | 3.48   | 3.2   | 3.13 | 3.13   | 3.06 | 3.78   | 3.5   | 3.6    | 3.44 | 3.61   | 3.96 | 3.33   | 3.69 | 3.03   | 3.62 | 3.93   | 3.54 | 3.6    |

Table 5.8: Dimension 7 Cross Tabulated Results

A total of 85.2% of the staff see this as a strength of the organisation. This dimension is a positive reflection on the leadership of the organisation.

5.3.9 Rank 8D: Dimension: Culture – Ownership and Responsibility

Mean score 3.48 (survey grand mean 3.49)
This is the first dimension that fell below the survey mean. Scores in this type of survey are largely relative but it is significant where scores are below the mean, irrespective of where that mean falls. This ranking indicates that staff perceive a lower level of empowerment with only 54.6% perceiving this as a strength. This may be a reflection on the management practices within the organisation where delegation of authority and accountability (hence empowerment) is limited. During change projects this may have the effect that staff will sit back and wait for others to drive the change through the organisation.

5.3.10  **Rank 9D: Dimension: Culture – Climate**

Mean score: 3.46 (survey grand mean 3.49)

This dimension can be seen as a barometer of the satisfaction index of staff. It encompasses aspects that will indicate how comfortable and relaxed (psychologically) a person is in the company. It is also a very important dimension from the point of view...
that behaviour is greatly influenced by the degree of psychological comfort a person experiences at work. It is obviously preferable that this dimension should fall within the upper rankings as it is this aspect that drives a lot of the behaviours in the organisation.

5.3.11 Rank 10D: Dimension: Current Strategic Imperatives

Mean score 3.45 (survey grand mean 3.49)

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</tbody>
</table>

Table 5.11: Dimension 10 Cross Tabulated Results

A total of 56% of staff view the current change initiatives in a positive light, with only 13.4% seeing this as a weakness or a negative. It is not uncommon to find results of this nature but it is important to identify which groupings are more negative than others. Very often, change initiatives affect some groups more than others. In this survey the payroll staff are of concern as they form 33.33% of the total sample, yet the mean score for that group was only 3.22. (Capital Control had a lower mean score, 3.13, but only comprised 4% of the sample). It is suggested that this aspect is investigated further to ascertain their resistance to the initiatives as this could hamper future productivity.

5.3.12 Rank 11D: Dimension: Culture – Leadership of the company

Mean score: 3.45 (survey grand mean 3.49)
Table 5.12: Dimension 11 Cross Tabulated Results

This dimension is often the barometer of how effectively change has been perceived to have been handled by the leadership team. When the survey is conducted during or just after major change, this dimension is often indicative of the perception of the way in which change has been dealt with. It is usually, as in this case, coupled by a similar below mean score for another dimension, namely, ‘Effectiveness of Communication’. In many cases the experiences that the staff bring to the survey are directly related to the manner in which the change was communicated to staff, and they find it hard to separate the two.

5.3.13 Rank 12D: Dimension: Organisation Assessment – Organisation Structure

Mean score: 3.43 (survey grand mean 3.49)

Table 5.13: Dimension 12 Cross Tabulated Results

Given that the Shared Services division has recently restructured it is significant that staff do not perceive the new structure as being effective. This could be as a result of the reason for the new structure not being effectively articulated to staff, or that the role definitions, processes and policies inherent in the company are not fully understood. It could also indicate a reluctance to change on the part of the staff, with an emotional clinging to all that is old.

5.3.14 Rank 13D: Dimension: Diversity Management

Mean score: 3.39 (survey grand mean 3.49)
Table 5.14: Dimension 13 Cross Tabulated Results

This dimension produced some interesting results. There appears to be a major difference between married and single/divorced staff (difference of 0.37). A reason for this may be perceived discriminatory practices that favour married staff, such as housing, pension, medical or other benefits. It is unusual to have such differences based on lines other than race (in this case maximum difference of 0.18), or gender (in this case maximum difference of 0.04). If the above reason is not pertinent, it is suggested that the reasons for this difference be investigated.

5.3.15 Rank 14D: Dimension: Change - Ownership

Mean score: 3.34 (survey grand mean 3.49)

Table 5.15: Dimension 14 Cross Tabulated Results

Whilst the staff understand the strategic direction of the company (Rank 2D), and understand the need for change (Rank 5D) they feel that they have not been part of the change process. In such cases the perception is that the change is being forced upon them, even though they agree with the pace and direction of the change. This can lead to employees sabotaging change initiatives.
5.3.16 Rank 15D: Dimension: Effectiveness of Communication

Mean score: 3.31 (survey grand mean 3.49)

![Table 5.16: Dimension 15 Cross Tabulated Results]

It is not uncommon to find the perception of the effectiveness of communication to be fairly low during change projects. However, it is one of the single most important aspects of change management. During periods of change, communication should increase threefold in terms of volume and at least twice in terms of clarity, to ensure a successful change communication programme. Communication that was considered adequate during normal times will be found completely wanting in times of change.

5.3.17 Rank 16D: Dimension: Measurement – Individual and Organisational Performance

Mean score: 3.28 (survey grand mean 3.49)

![Table 5.17: Dimension 16 Cross Tabulated Results]

It would appear that little measurement takes place both in terms of individual and organisational performance. Performance Assessments are either inadequate, ineffective,
or the results are used for purposes other than performance improvement. The performance assessments could be punitive in nature and are not aligned to organisational goals, leading to all staff, irrespective of performance, being treated equally.

5.3.18 Rank 17D: Dimension: Measurement - Quality
Mean score: 3.27 (survey grand mean 3.49)

![Table 5.18: Dimension 17 Cross Tabulated Results](image)

This dimension is very possibly linked to the one above. It is the perception of staff that, whilst there is a lot of activity, the systems put in place to measure the effectiveness of activity is lacking. This dimension, given the above dimension, could refer to both measurement of individual and organisational quality.

5.3.19 Rank 18D: Dimension: Culture - The Company’s Commitment to Staff
Mean score: 3.12 (survey grand mean 3.49)

![Table 5.19: Dimension 18 Cross Tabulated Results](image)
This dimension looks at the people management issues. Staff feel that they are not rewarded for their efforts and that there is little or no constructive feedback or recognition for their efforts. This dimension has a high impact on the motivation levels of staff and will have a significant impact on change initiatives. The lowest three ranked dimensions all have much to do with the way Anglo Coal manages the productivity and effectiveness of people. It could indicate a very laid back attitude towards performance – giving those that are carrying the major load a reason to gripe. Staff with poor performance are treated equally to those with high performance.

5.4 Summary of Cultural Survey

As defined in the original objectives we have interesting findings from the cultural survey. Most notably are the lowest five dimensions which are all personal in nature and refer to the way staff are treated. From performance management to communication, from change ownership to measurement of organisational performance through individual effort, they are all the ‘people’ dimensions. This could point to a management problem.

While the top five dimensions relate to the organisation, how it changes when there are changes in the outside environment, the fact that they are easily able to articulate the direction of the company and staff understand the reasons for the direction there is an indication that there is understanding on a strategic level as to how structures fit together within the organisation and how teams operate and interrelate. All of these top 5 dimensions refer to the organisational fabric, the structures and constructs around which the business is built.
CHAPTER SIX: CONCLUSIONS AND RECOMMENDATION

6.1 Introduction

Although Anglo Coal has progressed well down the path of implementing the SSC, the study has shown several inefficiencies that relate to process, technology or automation and the people performance aspects. This performance gap is hindering the ACFS from achieving its purpose of providing a better service to customers while still harnessing the cost improvements that come with centralisation and consolidation. The following recommendations are solutions to the problems identified and will hopefully go a long way in correcting some of the deficiencies.

6.2 Human Resource Considerations

6.2.1 Implement a Performance Management System

The purpose of a performance management system is to create a high performance culture in Anglo Coal, where all staff are more self managing, self-leading and accountable. This occurs as individuals within the organisation own their own performance, and begin to do the Right Things Right.

Staff appear to be unsure of the value that they are adding to the organisation (see Rank 6D) and are not sure if their skills and abilities are valuable. To ensure clarity and synchronicity between staff inputs and outputs, it is important to ensure that roles are clearly defined, that accountabilities and responsibilities are clearly articulated and provided to all staff, and that the outputs are measured against the accountabilities and responsibilities.

The ability to create this culture is contingent on four primary initiatives:

- Establishing clarity of responsibilities and accountabilities through best practice Job analysis and Design
• Aligning people with organisational vision, values and strategy by creating a Line of Sight between business and strategic direction of the company and the work undertaken by individuals in the organisation

• Operationalising this through individual Performance Contracts tied to values, strategy and organisational objectives

• Behavioural training and development leading to sustainable performance improvements and cultural change.

6.2.1.1 Job Analysis & Design - Capability Framework

Figure 6.1: Capability Matrix
Source: Beyond Outsourcing

A successful business requires its employees not just to work conscientiously, but also to focus carefully on those activities that will enable them to achieve results consistently, on time and in a competent manner. Employees at all levels should be able to differentiate between low and high value tasks, and have the right and opportunity to prioritise their work to meet objectives and to make best contribution to the over-reaching purpose of their department and, subsequently, the business.

The foundation of a High Performance Organisation is the establishing and the implementation of a “Capability Framework.”
The Capability Framework aims to describe the required competencies, skills, and behaviours for every role within Anglo Coal.

The Role Profile is, in turn, the foundation of this process. The profile should detail measurable observable results/behaviours in alignment with the company (KPIs), competencies (abilities required for the role), and a Job brief (the requirements of the role).

Individuals will be able to decide upon their priorities through the use of their Role Profile and the Primary Activities contained within that document.

Effective organisational performance is enabled through every employee in the organisation understanding, and demonstrating the correct skills and behaviours, through which Anglo Coal will meet its strategic and business goals.

Therefore the process will include the building and developing for every job:

- Job Role Profiles
- Key Performance Areas
- Behavioural Profile
- Technical Profile
- Required competencies

Each Competency is broken down into Five Levels:

- **Level One:**
  Understands what is required from their own role, and delivers to imposed timescales and standards.

- **Level Two:**
  Understands what they need to achieve within team context, and agrees timescales and standards for discreet areas of own work.
• **Level Three:**
  Understands the broader requirements of performance within the function, and delivers their own work within and to wider timescales and standards.

• **Level Four:**
  Understands the broader (cross-functional) requirements of work delivery, and how its delivery affects the financial targets of the business.

• **Level Five:**
  Responsible for the achievement of financial and/or performance targets for a particular business area and/or for ensuring customers’ and/or clients’ business targets can be achieved.

Each level is defined by “Observable Behaviours”. For Example: Level Three:

- Participates in planning process and negotiates outcomes, timescales, quality issues and other actions required to achieve the planned results – for both self and team.
- Accepts responsibility for delivery of the results required.
- Obtains resources to achieve own and team objectives, and schedules subsequent usage to maximise effectiveness and efficiency.
- Sets and controls own targets in relation to functional objectives; organises and manages several complex tasks concurrently in order to achieve those targets.

The eight Core Competencies are critical to embed for every role in the Organisation, from Board Directors to entry level employees, and are defined for understanding, broken into five levels for applicability, and further defined into Observable behaviours for coaching and development.

Through the adoption of this Capability Framework organisations are assured that the core behaviours which are essential for the completion, execution of both strategic and Operational tasks and objectives are embedded into every employee’s job.
6.2.2 Create a Line of Sight

To promote ACFS to a position where there is a performance culture and the performance management process can add real value to the organisation and its employees, the following is required:

- Define all role profiles accurately, providing a true line of sight between the role and output at the lowest level of the organisation, back to the strategy of the company within which they work in and the strategy of the Anglo Coal group. Thereafter to train the system into the group across all levels, commencing with management. Infuse the philosophy of performance. The diagram below depicts the required action.

Figure 6.2: Principle of Line of Sight

Source: Beyond Outsourcing

- During the above, ensure that the role profiles are consistent across the company and that there is minimal/no overlap in accountabilities and responsibilities. Identify all the measurable key performance indicators (KPI) per role. Contract these deliverables with employees. This will enable managers to fairly score performance and restore faith in the performance appraisal process.
• Define the rewards or incentives attached to each score, or the employees’ specific targets. Transparency in terms of the reward structure is required.
• Define the policy and procedure regarding performance appraisals in terms of how often they are to be conducted, actions required against non performance, performance standards required before an employee can become eligible for a promotion, etc.

6.2.3 Performance Contracts

Job Profiles and Line of Sight are operationalised through the Performance Contract, which applies the Job Profile to the individual within the organisation, and which aligns this directly with the organisations vision, values, mission, strategic and business plans.

6.2.4 Behavioural Change

These first three initiatives provide the necessary but not sufficient conditions for the achievement of High Performance Culture within an organisation. They are the structural frame on which the culture is to be built, but this skeleton needs “flesh” in order to live.

This “flesh” is provided by a behavioural change training programme that provides the impetus to embed the cultural change required within the organisation. Systems and structures do not effect change. People, in all their individuality and idiosyncrasy, do.

In addition to achieving the financial business plan objectives, performance management ensures that best practice for the whole organisation is introduced, including:

○ Adding value to customers by improving the process around growth and the development of employees, providing a continuing service which exceeds expectations and enhances customer satisfaction;
○ Ensuring the staff at the required levels work as a team;
○ Employing and retaining the best people who are recognised for performance;
o Automating the performance improvement process through the use of valid Accountabilities and Responsibilities and leading edge Competencies that can be managed and monitored online;

o Ensuring employees understand and exhibit the behaviour expected in an organisation

o Providing performance reviews to ensure that the right person is in the right job, i.e. to maximise personal job satisfaction and performance or output;

o Identifying learning and development needs within an organisation through performance reviews and ‘gap’ analyses and, thereafter, planning specific programmes for individuals to reduce the ‘gap’.

6.2.5 The Principle of Labour Consolidation for an SSC

Anglo Coal’s policies on labour retention are admirable in the context of alleviating the alarming South African unemployment rate. However in the context of the principles of the shared services and the underlying reasons for implementing a shared service, the labour policy is doomed to run into conflict.

This underlying principle of moving to a shared services environment, from a staffing or labour point of view, is it provides immense opportunity to consolidate labour. The current policy of not retrenching employees contradicts this principle and will in turn never allow the ACFS to reach its true potential of savings and efficiencies. To further illustrate the impact of this policy on Anglo Coal should the policy be followed resolutely with no alternative being sort to more effectively utilise the inherent surplus labour. It is essential that top management understand the implications or resulting effects of the policy on the ACFS, particularly over time.

I have extrapolated the data provided from the current staffing complement for each of the two major departments in ACFS and compared this with the complement utilised by world-class or best practice organisations in a similar financial shared services environment. A further analysis was incorporated to illustrate the impact on opportunity cost if Anglo Coal’s strategy to double revenue by 2008 was realised.
In the calculation the following variables were employed to draw the conclusion:

- Purchasing Power Parity factor of 4 was used to convert the revenue from Dollars to Rands.
- The revenue applicable for the 7 collieries was evaluated at approximately R800 million (as per Johan Koekemoer, ACFS manager).
- The best practice staffing levels were obtained from the Hackett Group.
- Straight line growth was assumed for revenue calculations in 2008.
- A risk factor of 25% was introduced to cater for any country specific financial and labour conditions.

Figure 6.3: Financial Accounting Analysis and Performance Improvement Gap

Diagram 10 indicates through the use of Best Practice data that even with a risk factor of 25% having been introduced in the calculations, the financial accounting function is approximately 14 people over-staffed or an equivalent extra cost of R 2,766,400. The process and system inefficiencies as identified in the report above have resulted in an excess of staff in order to complete the required tasks.
A further calculation can also be extrapolated to determine the cost effect if the present levels of operational performance continue without intervention. With the goal of doubling the revenue by 2008, the staff compliment will grow to about 100 people at present levels of performance but so too will the excess staff compliment, rising to about 35 extra staff or an equivalent cost of R 6,916,000 if measured against Best Practice.

Figure 6.4: Payroll Analysis and Performance Improvement Gap

Notes:
- Best Practice figures for ratio of payroll administrators to employees is obtained from Gartner and Payroll Company – Beyond Outsourcing who have provided payroll services for over 5 years.
- A 60% increase in the labour force is assumed to produce the doubling of revenue by 2008.
- A 20% risk factor has been applied to the PA/employee ratio to account for any industry and country specific conditions such as labour laws and union influence.
The same can be applied to the Payroll function. Best Practice indicates that approximately 850 employees should be processed for every Payroll Administrator. Even after introducing a risk factor of 20% to account for any country and industry specific conditions to the Best Practice indicator, resulting in a reduction of 680 employees per Administrator, we have determined that the function is overstaffed by approximately 8 personnel with an equivalent extra cost of R1,580,000 (R197,600 CTC per employee as per base data).

Again, to evaluate the continued unchanged effect on the Payroll Function as ACFS moves towards the 2008 goal of doubling revenue, we extrapolated a hypothetical number of 12,500 Anglo Coal employees to generate this income. At present levels of performance 31 Administrators would be required to process these employees while with Best Practice this should be closer to 19 staff, indicating a widening gap of 12 extra staff or an equivalent extra cost of R2,371,000.

Anglo Coal senior management will have to give careful consideration on how to best utilise the excess labour, that is, if a consolidation strategy is to be employed to its fullest effect in ACFS while simultaneously adhering to the no retrenchment policy, then the excess employees will have to be re-skilled and trained in order to be absorbed in other areas of the organisation. This will require large investment however and could cancel any savings gained in labour reduction.

6.3 Process Concerns

6.3.1 Reengineer Processes

Most of the processes were found to be inefficient during the analysis. A comprehensive business process reengineering (BPR) exercise is required to wring out inefficiencies and standardise processes in ACFS. This can be an extensive and costly exercise and will require investment upfront to generate long term and continuous improvement benefits. An external supplier who specialise in BPR is recommended.
It is possible to obtain some quick wins in the interim however, and this is a powerful mechanism for maintaining change momentum. The following quick improvements were identified by during the Analysis study:

- Ending multiple approvals: due to the number of special payroll runs and EFT’s, the need for multiple approvals takes up significant amounts of valuable management time that could be better spent on key strategic and management issues.

- Avoiding multiple copies and files: This could be achieved through the use of documentation imaging (scanning). This could be integrated with an on-line system that has authorisation embedded right into it. Such a system would assist in automating a lot of paperwork such as the cashbook process. For example systems exists where an employee types an expense report into a computer and pushes a button to route it to the appropriate manager via an electronic authorisation and routing infrastructure system. The manager signals approval by pushing another button that authorises the payment, which is done primarily through electronic funds transfer (EFT). Meanwhile, the actual receipts are mailed by the employee to the Shared Services Centre’s imaging centre to be scanned against the expense report by the computer program.

6.3.2 Service Level Agreements

SLA’s are a big problem for ACFS from the perspective that it is very one-sided. It seems ACFS stick to their end of the agreement but their Business Unit partners do not (ACFS receives late requests, receives special out-of-cycle requests) which is costing a lot of money.

It is vital that operating business unit managers and shared service managers work together and in partnership consent to SLA’s. An SLA clearly defines what the SSC has to do to meet its business partner’s requirements. The business units are in turn made aware of the required inputs and must be agree and uphold to these in order for the SSC to
meet the defined contract deliverables. A set of requirements and promises is defined within an SLA; an example of this is shown in Table 6.1.

<table>
<thead>
<tr>
<th>Definition of services to be provided by whom and to whom</th>
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<td>Allocation of benefits and cost reduction</td>
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<td>Disaster recovery plans</td>
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<td>Discounts</td>
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<td>Signatures of both parties and date discussed</td>
<td>Help desk names, contact numbers and availability</td>
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Table 6.1: Principles of a Service Level Agreement
Source: Schulman et al. 1999

It is recommended that ACFS pay special attention to redesigning and educating all partners of the dynamics and obligations inherent in a well constructed SLA. This will go a long way in improving the service delivery and creating a win-win situation for customers and ACFS.

6.3.3 Education and Training

Education throughout all Anglo Coal Business Units on the following:

1. The importance and value of Service Level Agreements (SLA’s) in managing their business and the design, implementation and management of SLA’s on an ongoing basis.

2. Education on ISO principles

3. Education and Implementation of basic Management Principles (Forecasting, Planning, Scheduling and Monitoring & Control). This would support the implementation of ISO principles i.e. a Quality Management System which includes management review meetings, preventive and corrective action. (The lowest five
dimensions could all relate to ineffective management of employees and will go a long way in addressing these issues).

Figure 6.5: Adapted Basic Principles of Management
Source: ISO 9001:2000

6.4 Automation and Technology Concerns

6.4.1 Payroll Systems

Two instances of the HR Focus systems is being run – one at the colliery and one at ACFS.

The two systems currently being used is insufficient because personnel information has to be duplicated in the HR and payroll systems. It is recommended to implement an integrated system at ACFS which could simplify the HR functions. It is also recommended that the individual collieries remain using the HR Focus & time management systems because they need to employ their own staff.

Consideration could be given to outsource the payroll portion as an option provided the following benefits could be achieved:
• ACFS has secure online access to the system
• The addition of new employees is simplified
• The transfer of employees between mines could be simplified
• The data required for the payroll process (i.e. timesheets) could be maintained in the same way as currently being processed.

6.4.2 Automated invoice processing system (Call centre type of application)

This proposal consists of two underlying components. Firstly it is dependent on a document management system whereby all invoices are scanned into the document management system. This data will then become electronically available to the ACFS Division. The call centre application will then process the invoice into the accounts payable module of the ERP system.

This application will then track the payment to the supplier throughout the payment process. Any delays could be detected by the system as well as provide information about each payment which could be used to manage the SLA between ACFS and the Collieries.

The following benefits could be realised by this application
• Full audit trail of the payment process
• Useful statistical information about the efficiency of the service
• Shorter delivery of the service because of immediate availability of information for processing
• Single point of invoice enquiry and problem solving
• Standardised processes to ensure quality of service
• Reduced cost to process invoices
• Online facility to track payments
Figure 6.6: Proposed Call Centre Architecture

Source: Beyond Outsourcing

Notes:

- Each colliery will process its own orders and Proof of Delivery (POD) notes. Orders will be consolidated into the central Ellipse database using the existing order file.

- POD and invoices are scanned into the document image repository by the collieries. Information will be available immediately for processing by Financial Services.

- The Financial services call centre application will capture the invoice details and will then populate the information via the integration layer onto the Ellipse database.

- The collieries can view, via a thin client application, the progress and status of accounts payable process etc. at Financial Services.
The Financial services division can also operate as a central point for supplier or colliery enquiries. They can call financial services to enquire about payments etc.

The call centre database will maintain the SLA performance data. All relevant data are stored to measure the SLA.

The integration layer will act as the intermediate between the call centre and the ERP database.

6.5 Conclusion

Shared Services has been implemented by a wide range of organisations over the past ten years. While these companies have generally invested heavily in management resources and systems, many have not been able to achieve the promised benefits.

In conducting the literature review the researcher found that the most successful implementations are those that have gone well beyond mere centralisation of services with legalistic service level agreements to ensure compliance. Successful companies have both reengineered the processes and put in place governance mechanisms to encourage business managers to treat support as a controllable cost that they can influence. By putting in place a co-operative model where businesses and shared service managers collaboratively develop “fit for purpose” solutions, these companies have achieved initial savings of over 30 percent. In addition, successful companies have managed to increase their level of savings while continuing to satisfy the needs of businesses they serve.

The Anglo Coal Financial Shared Services is a long way from achieving the levels of efficiencies that are produced by the best companies. There is no single panacea that guarantees success. Experience with companies across a broad spectrum of industries has taught that success in driving the growth strategy results from the effective convergence of three distinct domains: process, technology, and people.

The study followed this approach and has shown that although the ACFS meets some of the more basic concepts of a shared service centre, a great deal of operational
Improvement in these three areas are required in order to capture the maximum effectiveness and efficiencies benefits.

Performance improvement is the goal or benefit of aligning individual and organisational change with business results. Performance Improvement measures are not just ‘external’ industry best practice or sector benchmarks, but real ‘internal’ measures related to the performance improvement delivering through the managed service capability. This is true implementation of the client’s strategic business plan against master budgets through operations implementation and execution. The recommendations detailed in this study, if followed, will add substantial value to the ACFS operation and move it closer to its goal of becoming a world class shared services centre.

Further, similar periodical studies are recommended for Anglo Coal to continually determine at a snap shot how its shared service stands up against best practice. This will allow Anglo Coal to understand the gap and to develop a road map of interventions that will assist in closing the gap.

Further studies are required of Southern African Shared Services Centres in general to determine how we compare against our Northern Hemisphere brothers and what are the differences that affect effective implementation in Southern Africa such as the labour conditions (a point that came up in the study with Anglo Coal following a non-retrenchment policy) which could be counterproductive in setting up a shared service in the first place.
BIBLIOGRAPHY


Gillespie P., (May 23, 2002). Investing in Enterprise Applications in Tough Times: Electronic Presentment and Payment, Giga Research


Internet Sites
http://www.angloamerican.com

http://www.hackett.com (the researchers company, Beyond Outsourcing, was a registered member and enabled access to best practice research data.)
APPENDIX ONE: CULTURAL SURVEY QUESTIONNAIRE

Generic Questions used in Culture/Climate Surveys

BIOGRAPHICAL INFORMATION

1. In which office/Department are you employed?
2. What is your job grade?
3. Years of service with Company?
4. In which age group do you fall?
5. Gender?
6. What is your race?
7. What is your marital status?

A STRATEGIC DIRECTION

A1 Understanding and awareness

8. Employees understand the Company's mission.
9. I know where the Company is heading.
10. Employees are aware of customers and responsive to their expectations.
11. I agree with and support the Company's strategic vision.
12. The Company is open to new ways of doing things.
13. The Company is an organization of excellence.
14. The Company operates in an ethical and socially responsive manner.

B CHANGE

B1 Understanding

15. Employees understand the need for change.
16. Employees are clear on what is expected of them in terms of their responsibilities and roles.
17. Employees understand that changes affecting one part of the organization have an effect on other areas.
18. There is a transfer of knowledge between employees in how to do their job better.

B2 Ownership

19. Employees are given a meaningful opportunity to participate in planning for change.
20. Employees have been informed on how change will affect them directly.
21. Employees have generally been encouraged to become involved and committed to change rather than being forced to comply.
22. Employees are committed to change that will improve the organization.

**B3 External Environment**

23. The speed at which change has taken place within the Company has been in line with the changes and pressures of the industry.
24. Leaders in the Company are responsive to the needs of external customers.
25. Productivity is high in the Company relative to the rest of the industry.
26. The Company provides a high quality service to its customers.

**C CULTURE**

**C1 Leadership of the Company (Leadership refers to Head Office and Regional Management).**

27. Leadership supports the Company's mission and strategy.
28. Leadership is clear about the Company's direction, i.e., mission and strategy.
29. Leadership communicates effectively with employees.
30. Leadership is open to feedback and suggestions.
31. Strategic leadership can be trusted.
32. Strategic leadership cares about employees.
33. The Company's rules and policies are consistent.
34. Productivity in the Company is improving.
35. There is less bureaucracy now than there was 2 years ago.

**C2 Empowerment/Responsibility**

36. The Company encourages employees to take responsibility.
37. Employees are free to express their ideas.
38. Employees are empowered to make decisions and take action when necessary.
39. Employees understand the relationship (balance) between empowerment and accountability.
40. Employees typically take the initiative to solve problems in meeting the needs of customers.
41. Rules, policies and procedures are flexible enough to support changing the way things are done.
42. Employees accept responsibility.

**C3 Values**

43. Employees can easily change their established beliefs and values.
44. Employees are self-disciplined.
45. The Company's culture assists the performance of employees.
46. Employees are aware of the values needed for success within the Company.

**C4 Climate**
47. There is a high level of co-operation among employees.
48. Employees openly discuss issues amongst each other.
49. Employees trust each other.
50. Employees support each other.
51. Employees have high personal standards of excellence.
52. There is a high level of trust and mutual respect between leadership and employees.
53. The Company sustains a work climate that generates high levels of employee commitment and job satisfaction.
54. Being a team member meets my personal needs and aspirations.

C5 Individual skills/abilities

55. I find my work challenging.
56. Job opportunities are matched with the abilities of individuals.
57. Staff are technically competent and effective.
58. I use my skills / abilities to the benefit of our customers/business.
59. I have the opportunity to make a meaningful contribution.

C6 Employee commitment and motivation

60. I am motivated to apply/use my skills.
61. Employees meet the challenges of tasks and try to find better ways of doing things.
62. Employees are personally committed to achieving the goals of the organization.
63. Inter-team and interpersonal conflicts are discussed and settled to obtain the best possible outcome concerning the issues involved.
64. Employees know which work they have to do.
65. Employees understand how the organisation fits together.

C7 The Company's commitment

66. Employees are rewarded for their efforts.
67. Employees receive recognition for their work.
68. Employees are told about their mistakes in a constructive manner.
69. There are opportunities for growth and development in the Company.
70. The Company is committed to developing employee skills.
71. Realistic opportunities are created for employees to learn / improve their skills.
72. The Company makes good use of talented people.
73. Sufficient resources are available for employees to do their jobs.

D ORGANISATIONAL ASSESSMENT

D1 Organisational Structure

74. The Company has an effective organisational structure.
75. The Company's structure helps different groups / teams work together effectively.
76. The authority of employees is clearly defined within the organisational structure.
77. Employees are able to file grievances easily.

D2 Teamwork

78. Employees help each other to complete tasks.
79. Employees resolve differences constructively.
80. Employees look for ways to help each other.
81. Team goals are more important than the goals of any individual.
82. Team participation is important in making a contribution to success.
83. Individual differences in lifestyle and values are respected.
84. Employees have the necessary team skills required to fulfil their roles in teams.

E MEASUREMENT AND GOVERNANCE

E1 Individual and Organizational performance

85. Employees understand what contributions and outputs they must deliver.
86. Employees are evaluated properly on individual performance.
87. Employees are evaluated on team performance.
88. Employee goals are set and reviewed frequently.
89. Employee goals are high, but achievable.
90. The Company has a relatively high level of performance.
91. The Company utilizes its existing resources well.

E2 Quality

92. The Company provides high quality training for its employees.
93. Quality improvements in our service are measured sufficiently.
94. The Company is responsive to customer service problems.
95. Training programs and other initiatives which have been implemented to improve customer service are effective.

F. EFFECTIVENESS OF COMMUNICATION

F1 General communication

96. Employees are able to get answers to their questions quickly.
97. Relevant information is distributed to employees.
98. Important information is received on time.
99. I find memos are an effective method of communication.
100. I find the in-house magazines/newsletters interesting and informative.
101. Staff meetings generally communicate organizational issues effectively.

G. DIVERSITY MANAGEMENT

G1 Management of race and gender issues
102. Males and females receive equal pay and benefits for equal work.
103. Men and women have equal opportunities.
104. People from different racial groups receive equal pay and benefits for equal work.
105. There is respect for different languages.
106. There is respect for different cultures and traditions.
107. The Company supports diversity in the workplace.
108. The need for diversity is recognized and used to the benefit of the organization.

H. CURRENT STRATEGIC IMPERATIVES

H1 Current main project/initiatives being considered/implemented by the company (Shared Services environment)

109. Employees understand the need for Shared Services environment
110. Employees agree with the direction that Shared Services environment is taking the Company.
111. Employees feel that they have enough say in the direction of Shared Services environment.
112. The communications received from Shared Services environment keeps me informed as to the progress of the project.
113. Employees are generally excited about the project. Employees generally support the project.
114. Management generally support the project.
115. Employees will not resist the changes that are likely to come with the project.
116. The staff have had sufficient input into the project.
APPENDIX TWO: CULTURAL SURVEY ANSWER SHEET

Answer Sheet

Part 1 - Biographical Questions

Read the question sheet and answer the following biographical questions. In Part 1 please change the font colour to RED to indicate your choice. This applies to this section only (biographical questions)

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Part 2 – General Questions

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### APPENDIX THREE: CROSS TABULATION OF CULTURAL SURVEY RESULTS

#### Legend
- **Blue = Overall mean**
- **Red = Below overall mean**
- **Green = Above overall mean**

#### Table

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