Shared services as an export commodity for South Africa

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Declaration

I, **Neroshni Naidoo,** declare that this research article is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the Graduate School of Business Administration, University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

(Neroshni Naidoo)

Signed at …………………………………………………

On the …………………………….. day of ………………………… 20…..

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Abstract

Unemployment is growing problem in South Africa, with a significant share of unemployment within the youth segment as indicated by StatsSA (2018) and World Bank (2017). This challenge has had a resultant impact on economic growth, placing South Africa in junk status with the ratings agencies. Considering these challenges, this paper explores the opportunities that exist within the business shared services segment, looking at South Africa's value proposition, its competitive advantage, and skill requirements to position it as a hub for the export of shared services. In so doing, the author seeks to create awareness of business shared services as a sector that contributes to employment and economic growth in South Africa.

Business shared services is a model for business optimization, providing back office services to large corporations, particularly multinationals and is predominantly an employer of individuals that fall within the youth age range.

A qualitative study using Anglo American shared service center as a case site was conducted, interviewing heads of departments and subject matter experts within the organisation to provide insight into the value proposition and competitive advantage of business shared services in the South African context. The research indicated valuable insights into South Africa's value proposition as well as advantages and disadvantages to the countries competitive advantage. Some of the contributing factors to South Africa's value proposition highlighted in the study were English proficiency, technological ability and time zone. Education, political instability and corruption were cited as areas of focus.

Moreover, the paper looked at skills requirements in an evolving shared services environment bringing attention digital transformation and the areas of skills development that South Africa needs to pay attention to.

Key words: Shared services, South Africa, Value proposition, Competitive advantage, Skills requirements, Digital transformation, Unemployment, Export.

Contents

1. Introduction

Shared Services as a model for business optimisation started in the mid to late '80s with companies such as General Electric and Baxter Healthcare in the United States (US). Since then an estimated 80% of Fortune 500 companies have implemented either a partial or full suite of shared services; seeing it as a critical driver to reduce cost and create process efficiencies. As the world moves towards the fourth industrial revolution, Robotics Process Automation (RPA) and Artificial Intelligence (AI), make shared services more attractive to large corporates; specifically, those with a wide geographical spread. Public sectors in much of the Western and European worlds are also venturing into shared services, seeing it as an effective cost reduction strategy. The objective of this research article is threefold: First to examine if shared services is viable as a commodity for export in South Africa, second if South Africa has the skills and infrastructure to compete and third, become a hub for the export of shared services to other countries. In selecting the target market for the potential export of shared services in South Africa, the author considered two primary factors: Countries where English is the first language as indicated in Figure 1, and the cost of setting up shared services in the home country instead of offshoring to South Africa as indicated in Figure 2.

Based on the heat map of English speaking countries, the primary target markets selected were the United States and Europe.

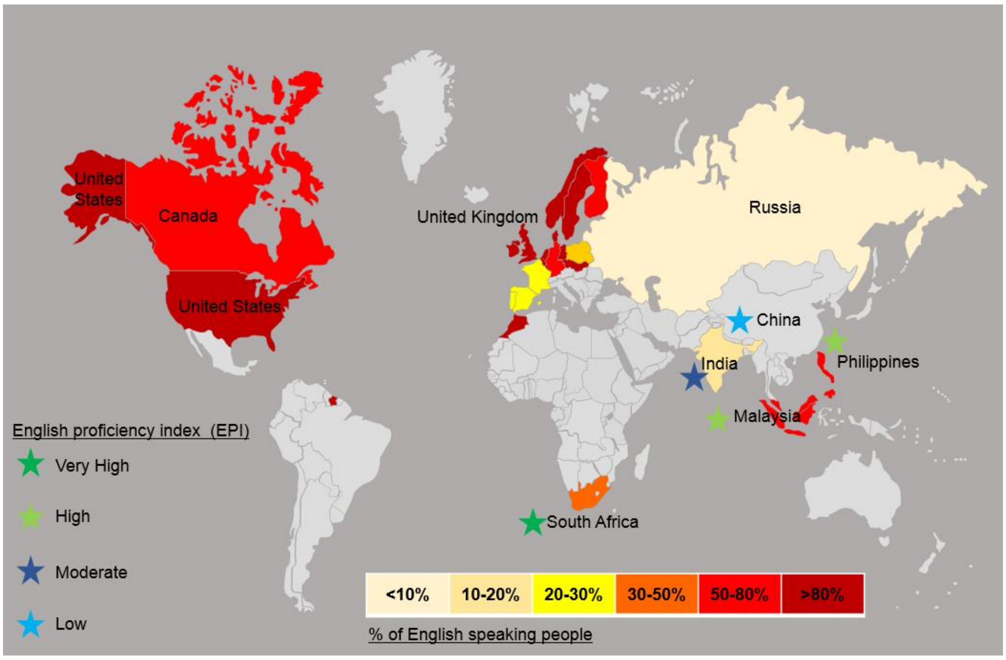


Figure 1. Heat map of English speaking countries in the target market, offshore destinations and English proficiency index in offshore destinations (Education first, 2017)

The data, looking at English as a first language, reflects that South Africa has a lower percentage of English-speaking population compared to that of Malaysia and the Philippines, but higher than that of India. Further analysis of the data indicates that South Africa has a higher English proficiency, ranking 8 in the English proficiency index (EPI), while Malaysia and Philippines rank 13 and 15 respectively (Education first, 2017). India with moderate English proficiency ranked 27 of the 80 countries tested.

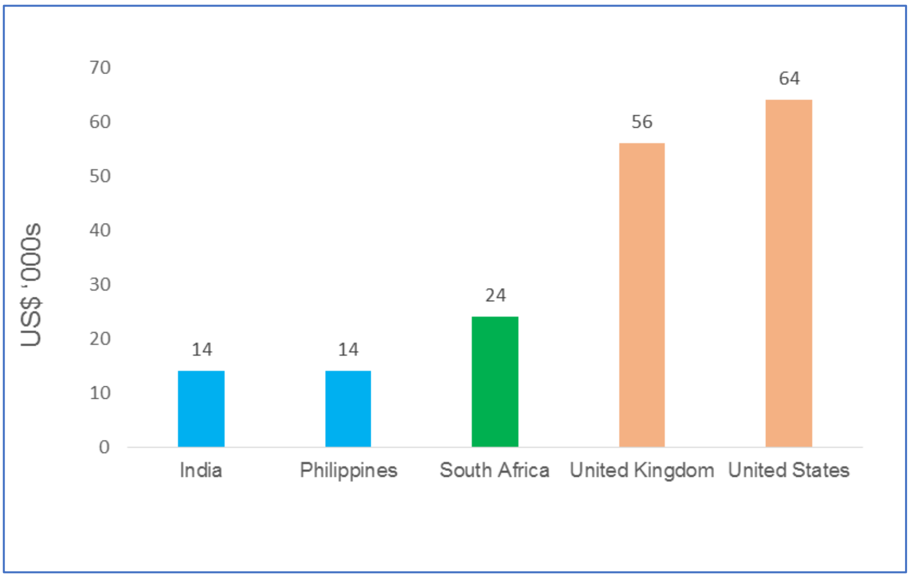


Figure 2. Comparison of shared services operating costs (Everest group, 2016)

Similarly, total operating costs focusing on the cost of labour and infrastructure in the countries under review in Figure 2 indicates that while South Africa has a higher operating cost than that of the preferred offshore destinations, India and Philippines, it is still significantly lower than that of the target markets, United States and Europe. The analysis of both, language and cost indicate that South Africa has a strong value proposition for the export of shared services to countries in Europe and the United States.

1.1. Problem statement

Studies show a relationship between Gross Domestic Product (GDP) and unemployment, requiring the combined effort of public and private sectors to implement solutions that will stimulate the economy. One such solution could be the export of business shared services; which, through foreign direct investment has the potential to grow the economy and reduce unemployment.

Using data from the South African statistics database (Stats SA, 2018a, 2018b); Figure 3 below provides a graphical representation of the unemployment and GDP figures since 2012.

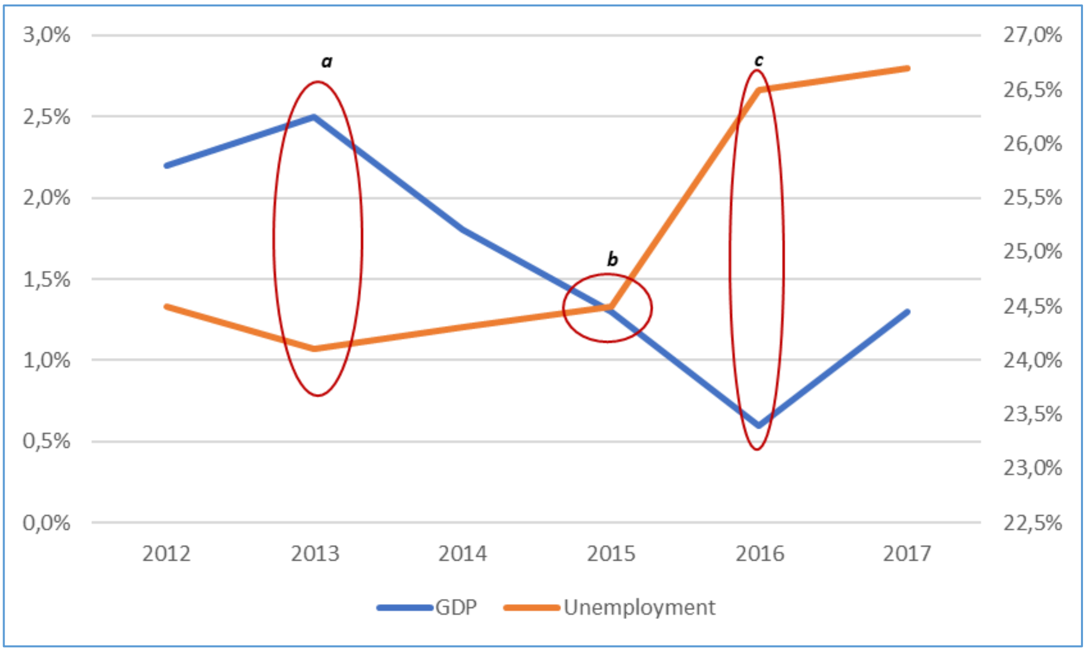


Figure 3. GDP and unemployment rate 2012-2017 (Stats SA, 2018a, 2018b)

Okun's law (Ball, Leigh, & Loungani, 2013), indicates an inverse relationship between unemployment and economic output such that; if employment increases by one percent, economic output would increase by three percent. Although not exactly as Okun's law prescribes, Figure 3 reflects that a relationship does exist in three distinct data points encircled on the graph.

a) In 2013 GDP increased and unemployment decreased.

b) In 2015 a declining GDP sees an increase in unemployment.

c) In 2016 GDP declined below 1% and unemployment increased by 2% to 26.5%.

Despite GDP increasing by 0,7%, this upward trend in unemployment continues to 2017 inferring that once unemployment increases, an improvement in GDP does not result in an immediate reduction in unemployment.

Moreover, with business shared services being an employer of a younger workforce, the study looks at the rate of youth unemployment as a potential impact to economic sustainability (Figure 4 below).

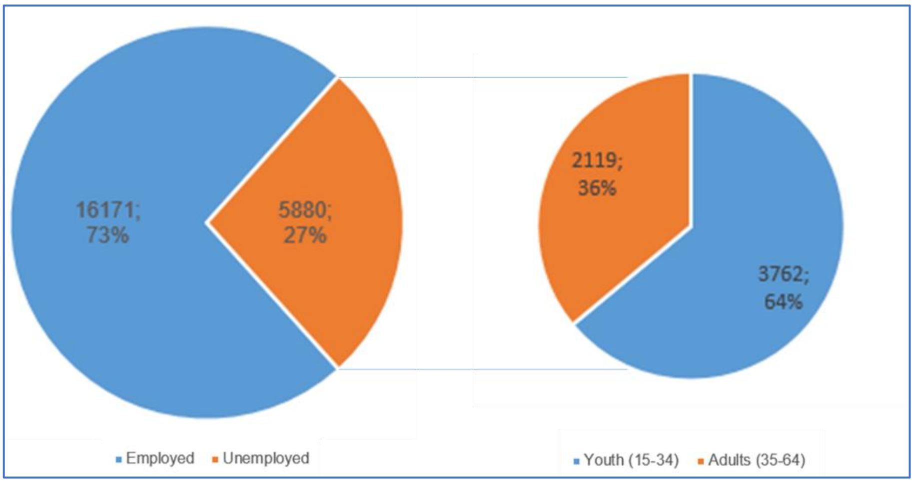


Figure 4. South African Labour force and split of unemployment by youth and adults (Stats SA, 2018b)

Figure 4 indicates that 64% of total unemployment is attributed to youth, which is classified in South Africa as aged 15 to 34. Furthermore NEET (World Bank, 2017), a global indicator showing people not in employment, education or training, shows that of the 10.3 million aged 15-24, the global classification for youth, 3.2 million or 31% fall into the NEET range. This statistic is indicative of a high level of youth that are disengaged with the South African labour market. Of the total unemployed youth; 33.5% aged 15-24, and 10.2% aged 25-34 are graduates (Stats SA, 2018b). While unemployment is a general concern for South Africa, focusing on sectors such as business services to address youth unemployment could be one solution to minimise the concern. The study aims to position the export of shared services in South Africa as a potential catalyst to shifting South Africa off its current axis and possibly contributing to economic growth and youth employment.

1.2. The significance of the study

The significance of the study is to create and awareness of the challenges facing South Africa with relation to unemployment and economic growth. The research into business shared services will provide an understanding of the environment, and potentially position the export of shared services as one of the solutions to economic growth and unemployment in South Africa.

Exploring the opportunities presented in the business services sector, and highlighting the skills requirements in the shared services space, will better equip government and business to make decisions that not only address some of the issues of unemployment; but also prepare the youth for the workforce of the future.

In addition, from the author's experience; the hiring age for shared service ranges 25-35, making shared services attractive as an investment opportunity as it speaks to the growing problem of youth unemployment.

1.3. Research Questions

Main research question

This research paper aims to answer the following fundamental question:

1. What is South Africa's value proposition for commoditising shared services?

Sub research questions

The paper also seeks to answer the following sub-questions:

2. What are the factors that contribute to South Africa's competitive advantage in the export of shared services?
3. What skills requirements should South Africa prepare its youth for, to become employable in the business shared services space?

1.4. Study Context

The context of the study will show that while export in South Africa is largely concentrated on the manufacturing industry, Services have proven to be more stable regarding contribution to economic growth.

1.5. Delimitations

This paper does not seek to solve South Africa's economic crisis and the related problems. Rather, it explores how positioning South Africa as the hub for the export of shared services could potentially contribute to youth employment, and economic growth.

2. Literature Review

2.1. Introduction

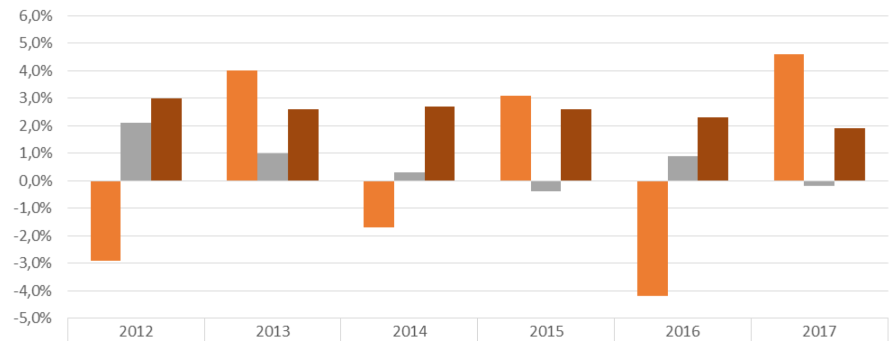
The literature review uses academic material to either prove or disprove the research questions by looking at subheadings relevant to each question. The review first looks the context of export in South Africa, with a high-level view of the manufacturing industry in comparison to the services industry. It then looks at the broader topics of business service models, and services in the context of export and South Africa's competitive advantage in the export of shared services. Lastly, it looks at the skills requirements as shared services evolves.

2.2. Export in South Africa

Hausmann (2008) argued, that the improvement in GDP and employment between 2004 and 2007 was a result of domestic demand, and therefore not sustainable. He further concluded that to maintain stability, South Africa would need to increase investment in exports.

Despite there being a gradual recovery of global demand, the South African export market still saw a decline of 0.1% in 2017 (IDC, 2018). 21.4% of the formal sector employment stemmed from the exports industry, with 51% (1.2m) of this being within the services sector (IDC, 2017). The report confirmed Haussmann's analysis that for South Africa to become economically sustainable; the export industry needs to grow.

The export industry has traditionally been associated with goods rather than services, and offshoring more focused on the manufacturing industry; however, recent trends indicate the popularisation of services offshoring (Wirtz, Tuzovic, & Ehret, 2015).



	2012	2013	2014	2015	2016	2017
Mining	-2,9%	4,0%	-1,7%	3,1%	-4,2%	4,6%
Manufacturing	2,1%	1,0%	0,3%	-0,4%	0,9%	-0,2%
Finance, real estate and business services	3,0%	2,6%	2,7%	2,6%	2,3%	1,9%

Figure 5. GDP growth comparing mining, manufacturing and business service (Stats SA, 2017)

Figure 5, showing sector contribution to GDP growth for the period analysed, indicates the manufacturing industry as having inconsistent or negative contribution to GDP growth. The finance and business services sector for the same period shows a consistent positive contribution to GDP growth.

The data indicates that 63% of South Africa's economy covers five sectors within the services industry, confirming Bhorat and Rooney's (2017) view that South Africa is becoming a service led economy.

2.2.1 Manufacturing Industry in South Africa

The study context looks at the comparison between the manufacturing industry, as the main source of export, and the services industry.

There has been significant focus on promoting the manufacturing industry as a contributor to economic growth (Rodrik, 2008). In contrast, statistics show that between 2001 and 2014 the manufacturing sector saw a negative growth of 1.6% amongst semi-skilled workers, resulting in a job loss of 140 thousand workers. Employment figures have shifted from semi and unskilled labour to skilled labour. This is evident in the finance, real estate, and business services sector which contribute to 15% of employment, while manufacturing contributes 11% (Stats SA, 2018b).

Rodrick’s (2008) perception that the advancement of the manufacturing sector will increase South Africa's exports thereby increasing employment, was contradicted by the GDP results as reflected in figure 5 above. As such, South Africa needs to look at other means to improve its export industry and contribute to economic growth such as the export of business services.

2.3. Business Service Models

Business service models have traditionally been synonymous with services concerning goods (Wieland, Hartmann, & Vargo, 2017), and the customer's perception and expectation of the organisation. The company's strategic direction determined which service model it employed. The framework that an organisation used to relate its operational activities to its overall performance spoke to three key themes: Identifying the critical elements of the strategy development process, positioning the organisation relative to its competitors, and providing a current and future perspective of the organisation’s vision (Chase & Hayes, 1991). This framework resulted in business service models focusing on product delivery and customer-facing functions. The advent of new technologies and increasing competition, have seen organisations change to remain relevant (Adesola & Baines, 2005; Lacity, Willcocks, & Craig, 2016), thus driving organisations to pay equal attention to the internal customer as well as the external customer. The term business services are now also linked to back-office functions that service employees, vendors, and enabling or supporting functions.

Pre 1990, back-office functions drew little management attention; seeing it as fixed cost, non-core functions of the business (Dossani & Kenney, 2003). Historically, organisations maintained structures where functions such as finance, human resources, and supply chain worked in silos. Each function procured systems, designed independent processes, and employed resources with no end to end customer focus or business value drivers in mind. Recent trends have shown a shift towards business process optimisation. Sharing of infrastructure, people, and suppliers, contribute to cost savings and improved efficiencies in the organisation. The need to become more efficient and retain competitive advantage has seen organisational back office processes evolve from decentralised to centralised, and more recently to shared services.

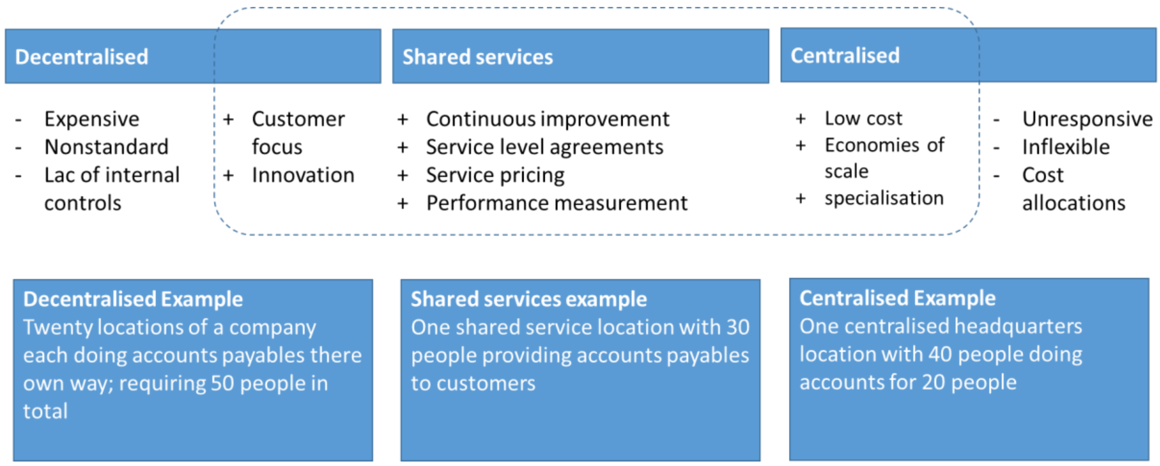


Figure 6. : Business process models -(Shared Services Leadership Council - CEB, 2016)

Figure 6 from the shared services leadership council provides a view of the three business process models. The model highlights the advantages and disadvantages of each strategy which will be further explored in the subtopics.

2.3.1. Decentralised model

Decision making is seen to be of critical importance to business administration and organisation theory (Cyert, Simon, & Trow, 1956). Decision making in a decentralised environment provides a sense of autonomy to the business units protecting their interests based on their areas of responsibility, accountability, and control (Bekkers, 2007; Vitez, 2014). According to Vitez (2014), the advantages of decentralisation are the expertise that broad-based management brings to the organisation. Managers can respond to an array of business situations due to their deep understanding of the business. The disadvantages, according to Vitez is that the organisation face challenges when these individuals have varying opinions that impact decision making. The model shows that decentralised functions, while creating customer focus and driving innovation, can be expensive. As these business units innovate in silos, building standalone infrastructure, they create duplication and nonstandard processes that impact on the organisations value chain. In addition, these models create a culture of key person dependencies and loss of organisational control.

2.3.2. Centralised model

Traditionally centralised functions in an organisation were limited to group strategic functions such as: Financial decisions, mergers and acquisitions, marketing, and research and development (Young & Tavares, 2004). The timeline of the evolution from decentralised to centralised services is not clearly defined in the available literature; however, the hype around this topic began in the mid-1980's to early 1990's.

Information and technology (IT) were one of the first to veer from this trend, with organisations seeing value in having a centralised business unit providing IT services to the rest of the company. This option not only provided security of their IT infrastructure, but also contributed to cost savings. As competition increased adding pressure on organisations to drive down costs; organisations began to centralise more functions such as customer services and procurement, that not only drove optimisation but were also cost-effective (Dimitri, Piga, & Spagnolo, 2006). Figure 6 above shows the decentralised model as being cost-effective by creating economies of scale and driving specialisation. The centralisation of back-office functions also speaks to the shift in skills requirements. In a customer facing environment employees need to have communication and interpersonal skills, while the employee performing back-office functions are geared towards technical and analytical skills creating a need for specialisation (Metters & Vargas, 2000).

The disadvantages of a decentralised model are:

- Unresponsiveness from back office teams resulting in delays to the end customer. This is mostly driven by inflexible processes (Shared Services Leadership Council - CEB, 2016).
- Cost reallocations create hostile environments where the specialised teams must justify their existence.
- With centralised back office functions being an extension of the business unit, service level agreements are non-existent or not managed.

2.3.3. Shared Services

Miller (1999) and Ulrich (1995) described shared services as a consolidation of back-office functions or services that are intended to perform transactional work at a low cost. According to the Corporate Executive Board (CEB); "Shared services is an organisational model for delivering services to internal customers" (2016, Shared services defined). Amiruddin et al. (2013) describe shared services as being an "intra-firm interrelationship" (p. 78) since they provide services to other business units within the organisation. All definitions point to shared service centres contributing to a reduction in mundane repetitive tasks from the customer-facing strategic functions and shifting the focus to analytics, continuous improvement, and sustainable growth opportunities.

Figure 6 shows that shared service centres retain the customer focus and innovation from the decentralised model, while including the low-cost benefits, specialisation, and economies of scale from the centralised model. This drives continuous improvement and operational efficiencies. The focused service level agreements and pricing model also contributes to consistent performance measurements by keeping the customer in mind. Rudzioniene and Sakalauskiene (2014) evidenced "increased business value, cost savings, controls and continuity, customer service, and high quality" (p. 55), as being critical success drivers for organisations implementing shared services. This refutes the initial thinking that shared services is just about cutting costs.

2.4. The evolution of business shared services

Ulrich (1995) compared shared services to the invention of the fax machine in that just as fax machines changed the way of business; shared services "suddenly and without much fanfare" (p. 12), became the model for organisations to drive efficiencies. In the mid 1980's to early

1990's American based companies, such as General Electric, Johnson & Johnson, and American Express, embarked on a journey to re-engineer their accounting functions in support of decentralised business units. Economic pressures saw Europe follow suit in the mid-1990's with companies such as AT&T, Shell Electrolux, and Whirlpool implementing shared service models (Miller, 1999). Since then, shared services have evolved with offshoring and technological advancements leading the way.

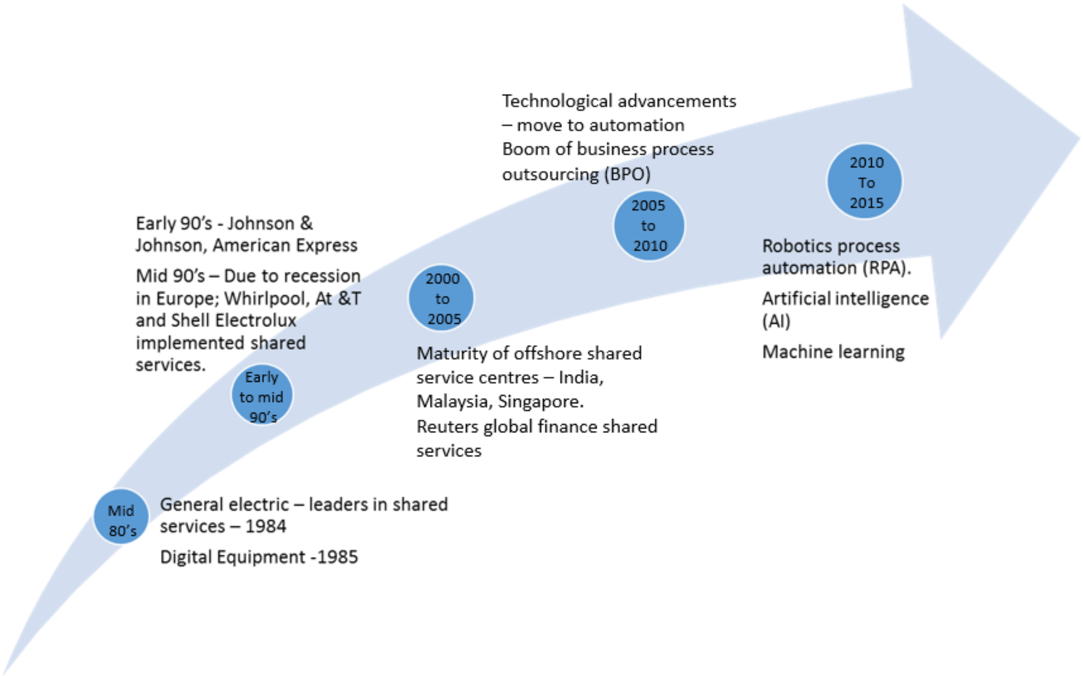


Figure 7. Evolution of shared services: Authors representation (Miller, 1999; Rudzioniene & Sakalauskiene, 2014; Willcocks, Lacity, & Craig, 2015)

Figure 7 represents a timeline of the evolution of shared services since the early 1980's. Miller (1999) predicted that the future of business would see more organisations moving towards optimising their back-office function using shared services. By 2003 his predictions were realised when approximately 50% of Fortune 500 companies had implemented shared services (Bergeron, 2003 as cited by Borman & Janssen, 2008).

In the Borman and Jansen's (2008) research, a cross-case analysis was done using eleven shared service centres to understand the success of shared services. The following key themes were identified in their study which has resonated in later research:

1. Environment – Measuring Return on Investment (ROI) is critical. The question of build or buy should be assessed early in the process.

2. Resources – Define the RACI (Responsibility, Accountability, Consult, Inform) matrix that drives accountability. Implement a Service Level Agreement (SLA) model that includes reverse SLA's to manage customer behaviour.
3. History – Legacy issues must be driven from the top, making shared services an organisational strategy.
4. Strategy – Key benefits is leveraging of economies of scale that is created through standardisation and centralisation.

These are typically the considerations one would need to keep in mind when deciding on implementing a shared service centre as it would provide direction on whether it should be captive or outsourced. The reason for mentioning this now is to add weight to the hypothesis of whether the commoditising of shared services would reap economic benefits for South Africa**.**

2.4.1. Shared service models

Organisations deciding to implement shared services can opt for one of three primary models: In-house (captive), outsourced or hybrid. Lacity & Fox (2008) suggested that creating a shared service centre required four key change elements: Organisational redesign, business process re-engineering, new sourcing structures, and implementation of enabling technologies. The understanding of these change elements is critical in deciding which model the organisation should adopt.

While many of the early adopters have reported significant savings upon implementation of shared services, there have also been organisations that have indicated the returns as being mundane (Lacity, Willcocks, & Rottman, 2008; Lacity et al., 2016; Willcocks et al., 2015; Wirtz et al., 2015), indicating the importance of implementation decision making.

In a study conducted by Lacity and Fox (2008) using executives in North America and Europe, evidence reflected that benefits were less than expected, with 33% of the respondents reporting no cost savings. This was due to the nature of the services provided being labour intensive (Aman et al., 2018). At the onset of shared services implementation, most companies opted to host their shared services as a separate unit within their wider organisation. The high set-up costs as well as human capital requirements, resulted in lower returns.

Due to the significant cost and effort of managing shared service centres, organisations progress to the hybrid model of having part captive and part outsourced services. The more strategic functions are retained in the captive centres while the repetitive, mundane processes get outsourced. The advantage of this is that the organisation is still able to retain control and provide employee development opportunities. Organisations in developed countries tend to favour the captive offshore model, where the shared service centres are situated in developing countries such as India or Malaysia, reaping benefits of labour arbitrage (Oshri, Kotlarsky, & Liew, 2008).

An example of this was Reuters (Lacity & Fox, 2008), where after five years of implementation, a financial analysis was performed, assessing their options for the continuation of their shared services model. The results are indicated in Table 1 below.

Financial factors	Option 1: Consolidate into one transaction centre of excellence (Captive Onshore)	Option 2: Use nearshoring to reduce the number of regional services centres (Captive Nearshore)	Option 3: Use a hybrid model (Captive + Outsourced)
One-time investment	$10 million	$10,8 million	$13,5 million
Total savings	#3,2 million	$2,9 million	$6,5 million
Payback period	3,5 years	3,75 years	2,3 years

Table 1. Reuter's financial assessment of shared services options (Lacity & Fox, 2008)

The table shows that option 3 which is a hybrid, captive and outsourcing, model required a higher initial investment but provided the best financial return.

Based on literature, the author summarised the advantages and disadvantages of each primary model and variation thereof, as indicated in Table 2.

Shared service model	Definition	Advantages	Disadvantages
Captive onshore	The shared services is a unit within the business that services other business units. He shared services can be housed within the same building as the head office or in a different building.	• Ownership and accountability is retained within the business. • Internal locus of control	• High set up costs • Longer period to reap returns • Non core business – obtaining the right skills may take time
Captive nearshore	As with captive onshore accept that the shared services is located close to regional offices and services the business within that region.	• Leverage of local language skills • Culture fit • Retained accountability	• Set up and operational costs can rise dependent on the location • Risk of regional shared services running silo processes
Captive offshore	Shared services is wholly owned by the company however it is located at an offshore destination such as Malaysia or India.	• Leverage of economies of scale • Labour arbitrage	• Language barriers • Some loss of control to the business units it services
Outsourced	Shared services is outsourced to a 3rd party provider.	• Leverage of economies of scale • Obtain efficiencies within a short period • Focus on core business	• Information security • Service level breaches if not managed • Inflexible contracts
Hybrid	The organisation retains strategic functions and outsources/offshores high volume repetitive work.	• Lower capital investment than a captive model. • Global business model • Focus on core strategic functions	• Potential process inefficiencies if not managed well • Some loss of control • Joint accountability

Table 2. Shared services models - Authors representation

2.4.2. Export of Business Services

In recent years the improvements in information and communication technologies (ICT), and electronic infrastructure has made it possible for services to be provided across borders (Saez, Mckenna, & Hoffman, 2015). Trade in services should be seen as a contributing factor to increasing competitiveness in industry and improved relations in global markets (Saez et al., 2015).

Traditionally; organisations that opted for offshoring services focused on non-core, high volume, low-value activities. It has since evolved to include strategic high-value activities, as well as driving service providers to focus on specialisation and quality (Singh, 2018). According to Klimek (2017) the offshore decision drivers were costs, skills, and language proficiency.

While manufacturing has been the focus of export, there has in the last decade been a shift towards services export. Countries such as India, China and Malaysia have geared up their workforce and their infrastructure to support the export of services and have shown significant economic growth as a result. Organisations are now leveraging knowledge and skills from across the globe to provide services in design, marketing, and servicing of their products (Youngdahl & Ramaswamy, 2008).

Youngdahl and Ramaswamy elaborated on this topic reffering to the "knowledge embeddedness dimension" (2008, p. 213). They linked knowledge types, tacit vs. explicit, to work that is offshored. By applying this thought process to the export of shared services; processes such as accounts payables require explicit knowledge as the work is repeatable and the knowledge easily transferred. Conversely, financial analytics requires thought and insight as the data sets differ. This knowledge can be deemed as tacit, and is therefore not easily transferred as the task is not considered routine. Knowledge embeddedness is also a key factor for organisations in deciding what they want to offshore.

While the research and data presented thus far indicates proliferation of offshoring to the east; Davenport (2005) as well as Massini and Miozzo (2012), argue that even though organisations from advanced countries are offshoring knowledge-intensive processes; they still retain strategic process knowledge in more developed countries. This behaviour creates an opportunity for South Africa. While Africa at large is seen as an underdeveloped economy; South Africa compares favourably to more developed countries, because of its affinity for the English language, technological landscape, and financial infrastructure.

2.4.3. Commoditising Shared Services

The word commodity has been generally associated with the trade of items such as minerals and agricultural products. The Oxford Dictionary defines a commodity as something that is bought or sold. According to Wirtz et al. (2015); the service sector contributed to more than 70% of global gross domestic product (GDP) in 2010, surpassing growths in the manufacturing sectors. Based on this rational, the export of shared services should be considered as a commodity.

Moreover, shared services are evolving from delivering just high-volume repetitive tasks to providing strategic functions. As an example, MTN a leader in South African telecoms with operations in 21 countries across the Middle East and Africa, recently implemented a shared service centre comprising of processes across Human Resources, Finance, and Supply Chain. They included strategic functions in financial reporting, and management of the global supply chain strategy to their service catalogue. The latter makes shared services an even more viable commodity for export; thus, creating an opportunity for South Africa to be positioned as a host for the export of shared service.

In addition to offering strategic services, Davenport (2005) believes that the standardisation of processes will create transparency thus making it easier to compare service providers thereby increasing competition and subsequently lowering pricing of such services. This visibility, he says, is what would transform process outsourcing into a commodity.

2.5. Value proposition

The primary research question seeks to ascertain South Africa's value proposition in commoditising shared services. In answering this question, the author first seeks to understand the definition of a value proposition. Researchers have described a successful value proposition as achieving differentiation and sustainable supply-customer relationships. The literature further indicates a broader shift towards co-creating value by integrating resources, technology, and common language; thus creating a service ecosystem (Frow et al., 2014; Grönroos & Voima, 2013; Lanning & Michaels, 1988). Osterwalder, Pigneur, Bernarda, and Smith (2014) as well as Baldassarre, Calabretta, Bocken, and Jaskiewicz (2017) expanded on this definition with the view that a sound value proposition correlates with the needs of the customer. There is a common thread in the literature reviewed, that links a sustainable business model to a sustainable value proposition, that focuses on contributing to the organisational value chain i.e. customers, suppliers, employees, shareholders, and business partners (Baldassarre et al., 2017; Bocken, Rana, & Short, 2015).

Frow et al. (2014) concluded that successful market relationships are reliant on organisations developing "robust, dynamic and evolving value propositions" (p. 35). They referenced three key questions that a compelling value proposition should answer. These are:

- What is the product or service that the organisation is offering? - In the case of shared services, the services are the products. These can be single or multifunctional services such as: Accounts payables, supplier sourcing, payroll, or resourcing and recruitment.
- Why should the organisation be chosen over competitors? - This characteristic speaks to the specifics that make an organisation stand out from its competitors and usually ties into the organisation's vision and mission such as customer centricity.
- How much does it cost? - This refers to what the organisation is going to charge for its offering and will include a combination of factors such as: Cost of human capital, infrastructure, and technology.

Just as organisations design value propositions, countries would have to apply similar principles so that they can stand out from the rest of the world. For South Africa to compete in the export of shared services, its value proposition would have to be clear and transparent to prospective investors.

2.6. Competitive advantage

The first sub research question aims to understand South Africa's competitive advantage against other players on the world stage. While the value proposition looks at what the customer wants; competitive advantage focuses on how the organisation would generate value to the organisation and its stakeholders. Much of the available literature on competitive advantage links to the products and services of an organisation. Porter (1990) and Dunning (1992) suggest that the competitive advantage of countries is different to that of organisations. The latter has not been adequately defined; however, evidence indicates that the competitive advantage or disadvantage of a country has an impact on organisations with a globalisation strategy. Examples of such companies are: Google Inc, which has been impacted by freedom of speech in China, and General Motors' failure in the US, as opposed to Toyota's success in Japan which was attributed to the different cultures (Birkinshaw, 2010).

Porter's (1990) study of national competitiveness referred to four interrelated points called the "Diamond of national advantage" as represented in Figure 8.

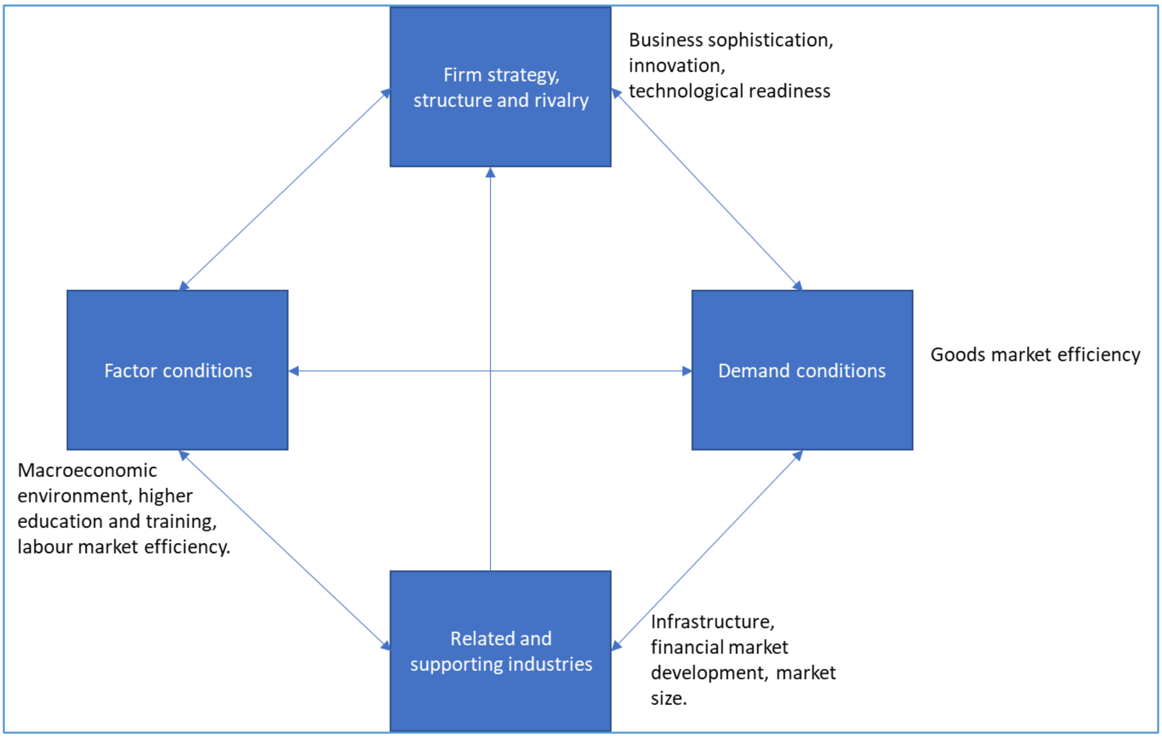


Figure 8. Porters diamond model plotted against the global competitiveness pillars (Porter, 1990, p. 78; WEF, 2018)

By plotting the global competitiveness pillars (WEF, 2018) against Porter's points of the diamond; it can be inferred that the global perspective of what constitutes national competitive advantage aligns to Porter's thinking. While this does not provide a firm definition of national competitive advantage, it does provide a foundation from which to assess if South Africa can compete in the export of shared services.

2.5.1 Global competitiveness

Analysis of data extracted from the global competitiveness index (GCI); comparing India, Malaysia, Philippines, and South Africa in Figure 9 below; shows Malaysia leading across all competitiveness pillars with South Africa scoring the lowest in higher education and overall GCI score.

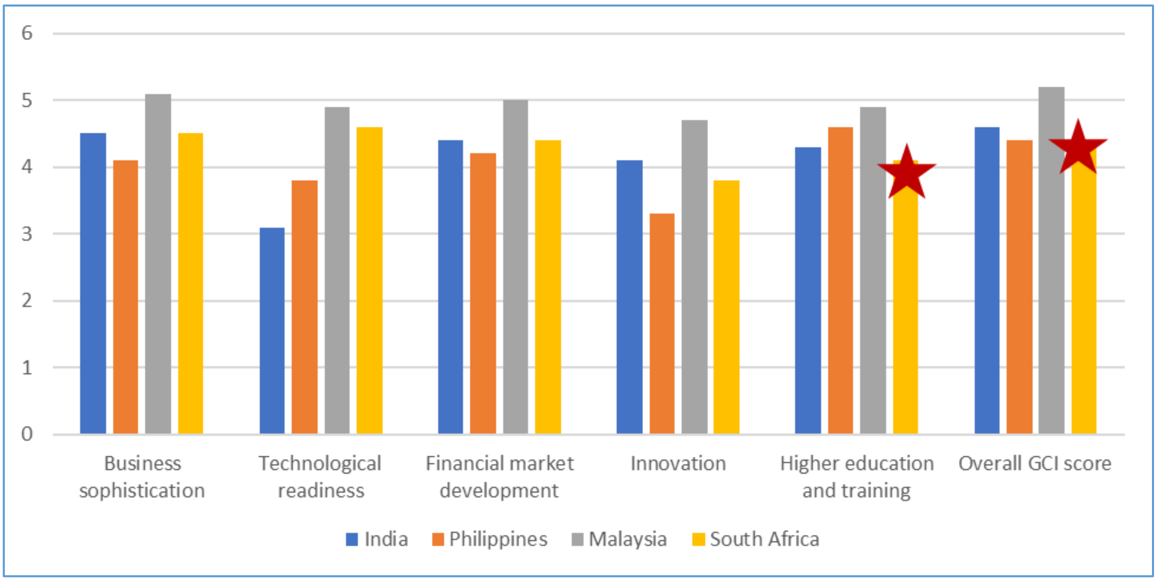


Figure 9. 2017-2018 GCI - comparison of SA against India, Malaysia and the Philippines (WEF, 2018)

The reasoning behind comparing South Africa against these three countries is twofold: Firstly, Malaysia is an economy similar in size to that of South Africa. Secondly, India and Malaysia are the preferred locations for offshoring of services, with the Philippines being the preferred destination for organisations in the United States. Of interest, the Philippines scored the lowest in the 4 pillars but ranked higher than South Africa in the overall GCI[1].

2.5.2 The competition at a glance

Globalisation has seen growth in Malaysia increase exponentially over the last few years. Their economic growth policies transformed their economic structure from being the hub of manufacturing to becoming an offshoring destination for business services, making it an industrialised economy (Indiran, Khalifah, Ismail, & Ramanathan, 2017). Malaysia's drive to increase foreign direct investment was part of the national development plan, and in so doing looked at specific areas on which to focus improvement. Their primary goal was to improve technology infrastructure and education, so that they could attract knowledge-intensive business services (KIBS) (Klimek, 2017). Malaysia has been a price competitor in this space resulting in it becoming one of the top emerging countries in East Asia and the Pacific region (WEF, 2018). The most problematic areas for doing business in Malaysia are access to finance, foreign currency regulations, and government bureaucracy.

[1] The WEF (GCI) uses twelve competitiveness pillars. For this study; the author has extrapolated six of the pillars that most resonate with the export of services.

India has become a centre for innovation rapidly catching up with advanced economies. Amongst the top 100 preferred offshoring locations, three of them are located within India ranking 43rd, 95th, and 96th (WEF, 2018). India's focus on improving literacy levels has been a contributing factor to its growing success (Contractor, Kumar, & Dhanaraj, 2015). The most problematic areas for doing business in India, are corruption and access to finance.

Analysis of data from the GCI provides a comparison of the factors that are most problematic for doing business in the countries under review. This is illustrated in Figure 10 below.

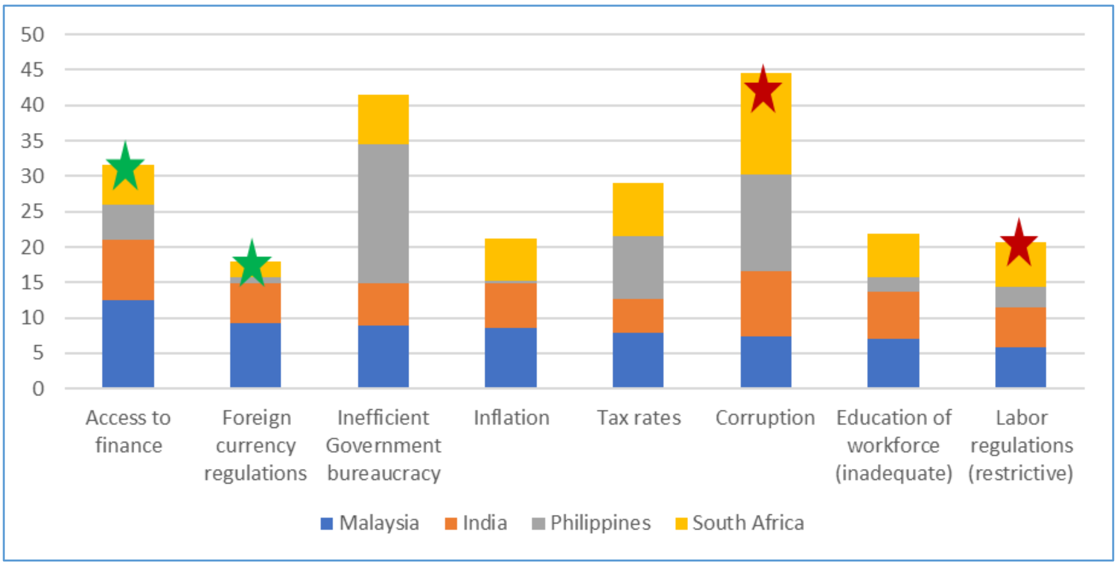


Figure 10. Most problematic factors for doing business (WEF, 2018)

The red stars indicate factors that are most challenging for South Africa. The green stars indicate factors that are a cause for concern amongst investors but gives South Africa competitive advantage over Malaysia and India.

2.7. Skills requirements for shared services

The last research question seeks to answer the question of skills requirements and how South Africa should prepare its workforce of the future. In doing so, the author looked at job profiles for a standard shared services model and job profiles for a technology-driven shared services model, supporting these findings by available literature.

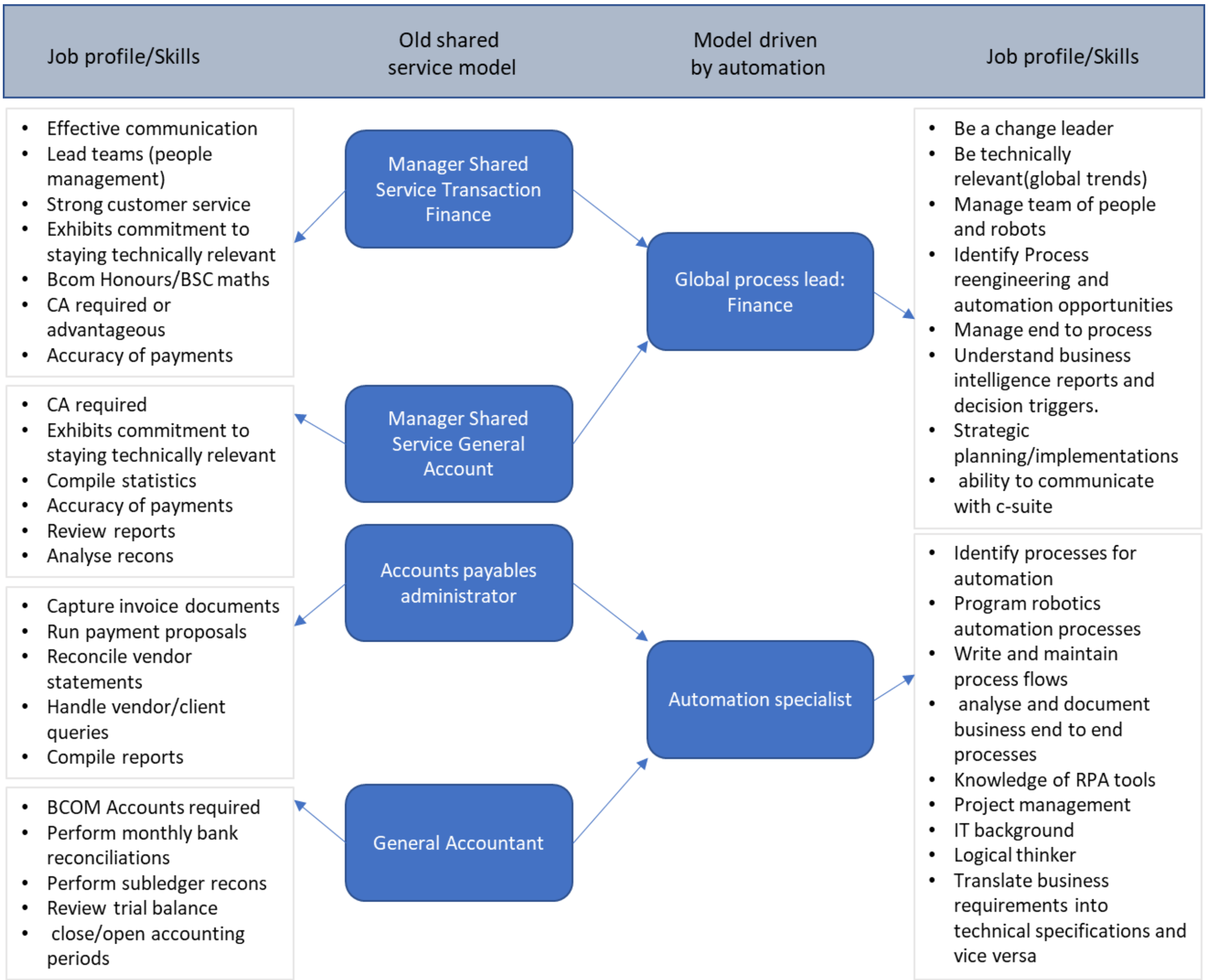


Figure 11. Evolution of skills requirements: Authors view

Figure 11 is a representation of two layers of job profiles within the finance process.

Lacity et al. (2016) indicated that the robotisation of processes within shared services would have an impact on the middle layer, being management. Technology such as robotics process automation (RPA), artificial intelligence (AI), and machine learning will require global stream leaders who are responsible for an end to end process, overseeing a handful of specialists rather than a large team of administrators.

In support of this, Herbert and Windsor (2016) believe that the skills requirements will move from high transaction, repetitive work, to requiring insightful thinkers with leading-edge expertise. The skill shift would be employees that can engage in multidisciplinary collaboration, business connectivity and possess a high level of interpersonal skills, being able to transition smoothly from business to technical. These employees would have a high acuity for data analytics. Herbert and Windsor (2016) are of the view that many bottom of the pyramid jobs will become redundant as technological advancements increase. Lacity et al. (2016) concur, suggesting that organisational design will move from the typical top-down triangle to being diamond shaped, with higher interrelatedness. Jobs such as quality governance, change leaders, and data scientists will become more essential (Herbert & Windsor, 2016).

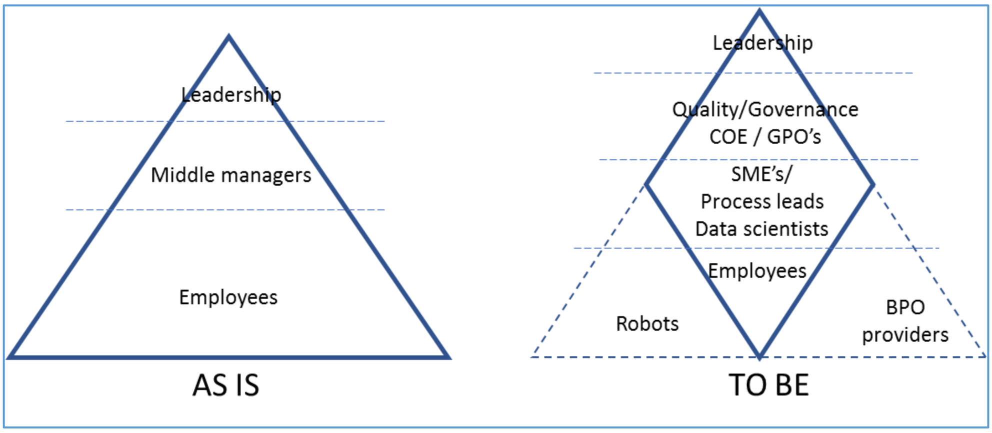


Figure 12. Transforming Shared Services from Pyramids to Diamonds (Lacity et al., 2016) [2]

Figure 12 shows the shift from the traditional pyramid organisational structure to a more integrated diamond shape organisational structure. The figure indicates that the enabling and analytical functions would become more resource intensive; while entry-level jobs will be done through robotics process automation. Preparing the workforce of the future would require a skills matrix analysis against technological advancements and organisational design.

2.8. Conclusion

The literature review has provided sufficient information to answer the research questions listed below.

1. What is South Africa's value proposition for commoditising shared services?
2. What are the factors that contribute to South Africa's competitive advantage in the export of shared services?
3. What skills requirements should South Africa prepare its youth for, to become employable in the business shared services space?

[2] Figure has been adapted from Lacity et al. (2016); however, the author has added additional roles to the diamond to align with recent developments.

3. Research Methodology

South Africa has many organisations with shared service centres; however, these primarily provide services to local and regional business units and have limited input from a global context. Considering this, the methodology applied to this report was a case study with a single case approach. The research took the form of a qualitative study, and the interview questions where exploratory in nature.

The author used Anglo American global shared services, a division of Anglo American PLC as its case site. As an employee of this multinational organisation, the author had the advantage of access to information and people within the organisation, with the authorisation of the head of its shared services.

3.1 Qualitative analysis

Qualitative research provides a view into how people experience different situations (Teherani, Martimianakis, Stenfors-Hayes, Wadhwa, & Varpio, 2015). These can be in their personal lives, or other social settings such as their work lives. In the work context; a qualitative interview allows the interviewee some insight into how an individual perceives their organisation.

Zhang and Wildemuth (2016) describe qualitative analysis as "go[ing] beyond merely counting words or extracting objective content from texts…It allows researchers to understand social reality in a subjective but scientific manner" (p. 1).

The tendency to steer towards quantitative research methods can be related to the perception that it is more precise and takes away any possibility of misdiagnosis. Qualitative analysis can lead to misperceptions if the responses are not interpreted correctly. The advantages of qualitative methods are that it affords the researcher the opportunity of identifying more than one truth (Firestone, 1987). The challenge of preciseness is overcome through codification of responses to the questionnaires. A critical skill required when doing qualitative research is emotional intelligence. To ensure the reliability of the study; the researcher needs to be able to remove personal bias and predispositions (Collins & Cooper, 2014).

3.2 Case study research

This research employed the use of the case study research methodology. Case site as a research strategy; affords the researcher the opportunity to study a subject in its real-life context (Yin, 1981), examining history. According to Hyett, Kenny, and Dickson-Swift (2014), a case site is an “investigation or analysis” that can be done using a single case or multiple cases with the intention of “capturing the complexity of the object of study” (p. 2).

Case studies have been synonymous with qualitative or exploratory research, although it does not exclude the use of quantitative methods (Hyett et al., 2014; Yin, 1981). The author used a single case study approach based on Anglo American Global Shared Services. Being a multinational organisation, providing shared services from a South African base, Anglo American GSS made a reliable subject for the case site. In addition, the shared service centres in Australia and Brazil gave the author a comparative view on value proposition, and competitive advantage.

Anglo American global shared services do not provide services at a profit, and therefore cannot be regarded as an export; however, the nature of the business is such that the model could be used for the export of shared services.

A critical requirement of case study research is the ability of the researcher to provide creditability (Hallberg, 2013; Hyett et al., 2014). The author has achieved this by conducting semi-structured interviews to allow for further investigation of new information arising from the responses. This approach allowed the author the opportunity to check the validity of the information received and demonstrate rigour through the research methodology.

3.3 Background on the case study: Anglo American PLC

Anglo American PLC is a mining organisation with its largest base of operations in south Africa. The organisation specialises in the mining and trading of various commodities such as diamonds, Gold, Platinum, Copper and Coal. Its head office is based in London; however, its operations or business units are spread across the Americas (Brazil, Chile, Peru), Australia, Singapore, Canada, South Africa, and China. These are grouped into three regions namely; APAC, LATAM and EMEA. Each subsidiary is managed as a separate legal entity and responsible for different commodities: Platinum is mined by Anglo Platinum, and Coal by Anglo Coal South Africa. The organisation was founded on autonomy with each business unit being managed in silo; employing their own workforce and implementing policies, processes, and systems specific to their area of work. Approximately fifteen years ago, Anglo American PLC redesigned its strategy to address operational costs by employing centralised services. This strategy evolved to form Anglo American Global Shared Services (GSS), which has been in operation for the past 10 years.

Anglo American GSS is a prime example of a business facing challenges of language, time zone, culture, and varying regulatory frameworks when dealing with cross border operations. The author wanted to understand how Anglo American GSS dealt with these challenges, and to confirm if this could be replicated at a larger scale in South Africa. This understanding would answer the question of whether South Africa could become a hub for the export of shared services.

Figure 13 below, illustrates the structure of the shared service centre, showing the depth and breadth of the services delivered to the business units.

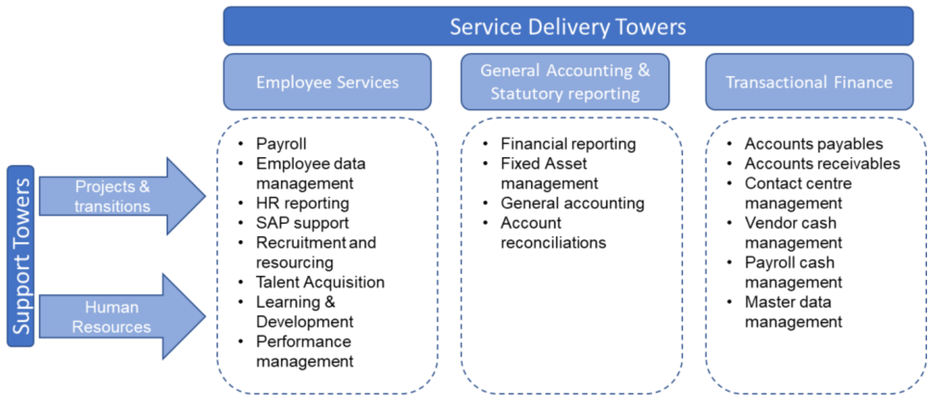


Figure 13. Anglo American services catalogue

It should be noted that Anglo American GSS have made some changes to the organisational structure towards the end of 2018, which impacts the service catalogue depicted in the illustration; however, this has no bearing on the study at this point.

3.4 Research Approach

The author conducted interviews with preselected individuals within the Anglo American GSS. A pilot interview was conducted to assess the validity of the questions for the study. The sessions were scheduled for an hour. Following the interviews, the responses were reviewed to identify key themes. These themes were then coded to assist with the analytics. The case site provided a view of the organisation, the reason for implementing a shared services centre, the services that the shared services centre provides to the organisation, its customer base, and its performance outcomes restricted to the last five years. The author made use of voice recordings, where permission was granted, as well as handwritten notes to record the interviews. The recordings were used to review the responses, to ensure that the author had captured the responses correctly.

3.5 Population

Population sampling is a key consideration for qualitative studies. Flick suggested that when considering the sampling decision; the author should consider the insights that he or she wishes to obtain, then select individuals or groups that would add value to the study. Flicks view is confirmed by Merriam (2002) who makes the example of a study on homelessness; indicating that the best data would be obtained by interviewing homeless people. The author applied these sampling techniques when selecting the population sample for the study.

According to Flick (2018), the sampling decision is made on two levels: The groups to be compared, and at an individual level. The author considered the sample at a group level, looking at employees within the same service line, and at an individual level; looking at the scope and authority of the individual to provide substantive information that contributed to the study.

3.6 Population Sample

The organisational structure of Anglo American PLC is made up of 8 bands: Bands 1 to 3 are the CEO and executive layer, band 4 consists of the heads of business units, band 5 are senior managers, and band 6, managers. This study will interview bands 4 to 6; 4 being the highest level of hierarchy within Anglo American GSS. At the time of writing, the total number of employees was 600, with 450 of those based in South Africa and the balance spread across Australia and Brazil.

The study will include the head of Anglo American GSS, seven senior managers, two of which are in Australia and Latin America, and 11 managers.

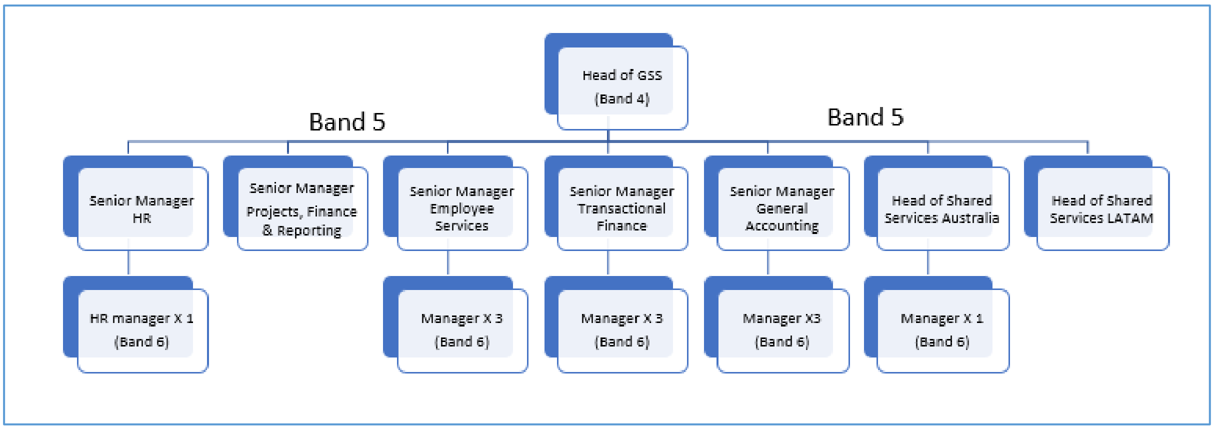


Figure 14. Anglo American GSS organisation structure - interviewees

Figure 14 illustrates the interviewees, showing how they fit into organisational structure. The sample selected made strong candidates, based on them having an overall view of the end to end process, access to the operations in the business units, and knowledge of shared services.

3.7 Data analysis

A conventional process used in analysing qualitative data includes coding, a process of identifying "important phrases, patterns, and themes" (Neale, 2016). Qualitative data analysis (QDA) tools allow the researcher some flexibility in a managing and maintaining the data (Flick, 2018).

Once the interviews were concluded, and the data transcribed into question and answer format; the author uploaded the files into a QDA tool specifically designed for review and coding. The coding made it possible to analyse the responses in a scientific manner. Tables and graphs were used to summarise and present the data.

Taking advice from Miles, Huberman, Huberman, and Huberman (1994), the author made use of matrices to display some of the data. Miles et. al illustrated the challenges of reviewing multiple sets of data that could potentially spread across many pages. They suggested that the use of matrices not only provided readability, but also allowed the author and the reader the ability to make comparison and note trends in the data provided.

3.8 Reliability and Validity

Validity refers to the precision in which the data findings are represented. Reliability speaks to the consistency of the analytical process (Noble & Smith, 2015). Morse, Barrett, Mayan, Olson, and Spiers (2002), argued that researchers using the qualitative approach should ensure reliability and validity is attained by employing the use of verification methods. Noble and Smith (2015) caution against "lack of transparency in the analytical procedures" (p. 1), and researcher bias. Noble and Smith's (2015) concept of truth value is the author's ability to recognise the existence of multiple realities. These being the author's perceptions from experience, and the respondent's views. To address the issue of truth, the author presented views in relation to that of the respondents to either confirm or provide opposing arguments.

To ensure validity and reliability, the author used a semi-structured interview style allowing for cross-questioning. Questions with similar themes were framed differently, so that responses could be compared. This approach allowed the author an opportunity to seek clarity during the interview, rather than verify at a later stage in the research process.

3.9 Ethics

Ethics in research provides guidance against fabricating, falsifying, or misrepresenting data (Resnik, 2011). While academic integrity is of utmost importance, the protection of the stakeholders involved in the research should not be overlooked (Greenwood, 2016).

The author ensured that the interviewees confidence would not be breached in any way, and that no information provided will be shared outside of the context of the study by providing in writing, the following assurances to the interviewees (Appendix 8.1):

- I have advised participants of the nature of the research and intention to interview them.
- I have obtained informed consent from the participants.
- I have ensured that the respondents' names are not revealed to the readers of this paper.
- Once the data has been analysed and the paper has been marked, all recordings written and digital will be destroyed.
- The respondents have been notified of their right to withdraw from the interview.

4. Research findings

4.1 Introduction

After reviewing various methodologies, the author decided on a case site research as the research methodology of choice. The use of a smaller group in the population sample provided more focused responses that addressed the research questions.

4.2 Chapter structure

This chapter provides an overview of the results, with a brief discussion of the responses, and then provides insight into how the interviews were transcribed and analysed. The author then discusses the demographics of the population and the impact, if any, on the study outcome. The results of the study will be discussed under the relevant research questions to show alignment between the research questions and the results. This allows, both the author and reader, visibility of whether the research questions were answered.

4.3 Coding the responses

The interviews were voice recorded and then transcribed into a question and answer format. The transcribed documents were then uploaded to a QDA tool called Dedoose. Prior to uploading the data, a set of descriptors that would identify the respondent's demographics was created. Table 3 below, provides a view of data descriptors.

ID	Name	Age	Gender	Job Title	Tenure	Number of employees
Auto populated field.	Respondents name – hidden from the report	Age of the respondent	Drop down selection (male, female)	The role that the respondent was responsible for at the time of the interview	The number of years the respondent worked for Anglo American.	The average age group of 80% of their employees

Table 3. Data descriptors

Once the descriptors were created and data uploaded, the author read through the responses and highlighted key phrases to code the data against. The coding was categorised according to common words or phrases mentioned by the respondents.

4.4 Introduction to results

The target population for the study was seventeen employees; however, due to changes in the organisational structure, some of the employees targeted were not accessible. For this reason, the author was only able to interview fourteen employees. However; the author realised that after the tenth interview, the interviews had reached saturation with many of the responses being similar in nature, thus increasing the number of interviewees would not add further value to the study.

4.5 Demographics

Considering the size of the population sample, the demographics were not too widely spread. Figures 15 and 16 provide a view of the distribution of age group and gender of the respondents.

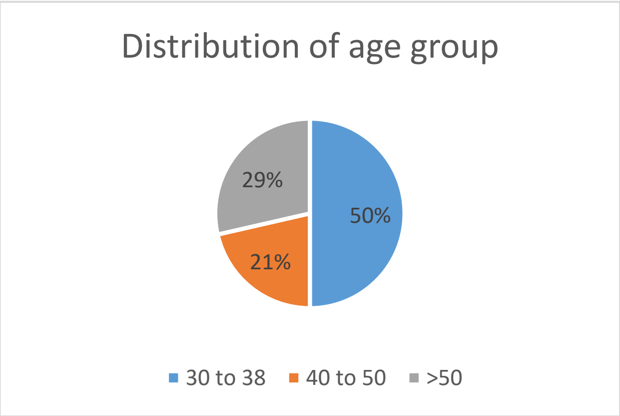


Figure 15. Distribution of age group

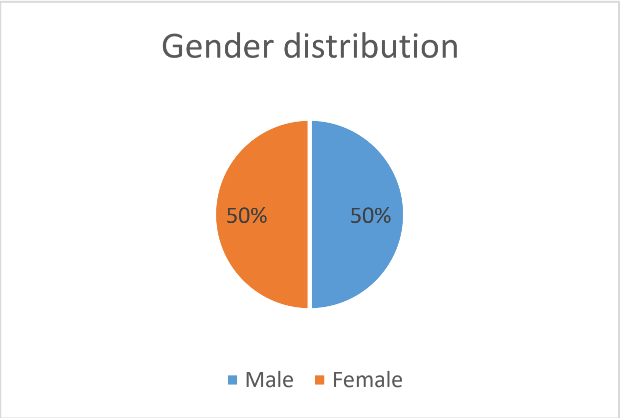


Figure 16. Distribution of gender

There were no significant differences in responses between the age groups or the gender of the population. It is noted that some employees with longer tenure, had a slightly different view on matters such as skill and tertiary requirements when recruiting new people. Figure 17 below provides a view of the tenure of the respondents.

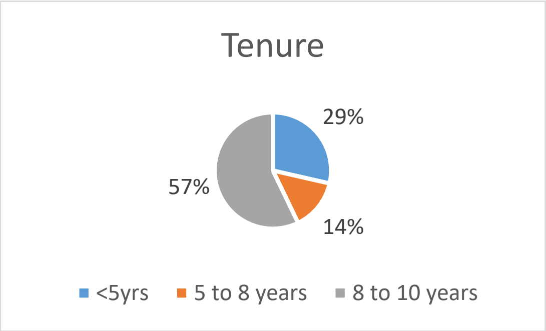


Figure 17, Tenure of respondents

57% of the respondents have been with the organisation for more than 8 years, giving the author confidence of their knowledge of the organisation and its processes. The author also asked introductory questions to understand the demographics of the organisation (Table 4 below).

Name	Age	Gender	Tenure	Number of employees
Respondent 1	45-55	Male	10 years	28
Respondent 2	45-55	Male	9 years	200
Respondent 3	30-35	Male	1 year 2 months	16
Respondent 4	45-55	Male	10 years	500
Respondent 5	45-55	Female	7 years	7
Respondent 6	35-45	Female	10 years	31
Respondent 7	30-35	Female	2.5 years	3
Respondent 8	30-35	Male	10 years	63
Respondent 9	35-45	Female	10 years	70
Respondent 10	45-55	Female	9 years	85
Respondent 11	30-35	Male	2 years	150
Respondent 12	45-55	Female	4 years	100
Respondent 13	45-55	Male	8 years	50
Respondent 14	30-35	Female	10 years	15

Table 4. Anglo American GSS demographic

4.6 The Results

The interview questions were structured to align with the research questions with each research question having its own subset of interview questions. These questions addressed the research questions from two angles: The perspective of Anglo American PLC, and South Africa as a whole. For the last research question on skills requirements, the author added a section on personal development to ascertain if the leadership team were addressing their areas of development to fit into the new digital landscape.

The structure of the interview questions is represented in Table 5 below.

Section	# of questions
Introductory questions	8
RQ1: What is SA's value proposition for commoditising shared services?	
AA Value	4
SA Value	1
RQ2: What are the factors that contribute to SA's competitive advantage?	
AA competitive advantage	2
SA competitive advantage	3
RQ3: What skills requirements should South Africa prepare its youth for, so they become employable in the shared services space?	
AA Skills	6
SA Skills	1
Personal development	1

Table 5. Interview questions

4.6.1 *South Africa's Value proposition*

The author's first research question was: What is South Africa's value proposition for commoditising shared services? To answer this question, the author looked at two variables: What value does the Anglo American GSS provide to its business units, and what value does South Africa have that will attract global interest. This section will show how the data was analysed and coded and then discuss the respondent's views on the value proposition.

Analysis and coding (applied to all questions)

The following steps were used to achieve this:

- The author first transcribed the recordings using a question and answer format.
- The documents were then uploaded into Dedoose, the QDA tool, with predefined descriptors or labels.
- Key phrases were highlighted and categorised into themes or codes.
- Where necessary, sub codes were created per category.
- Following the coding process, the data was reviewed for duplication or similarities and then consolidated.

Figure 20 below, is an example of an excerpt that was coded using Dedoose. Once the phrase or word was highlighted, it was either linked to an existing code, or given a new code.

What value does Anglo GSS provide to the business units it services?

Think what value a- SS provides to the business unit is um our core or key objective when establishing was to allow the mines or this was project, this was established as GSS as well as project align which was conducted a couple of years ago, and that was to allow the mining operations to focus on key or core mining activities um and then have Global shared services look at the more routine repetitive Monthly transactions so that could focus on costing number 1 and then their mining operations, so I think thats what we would provide as well as also being able to provide services, What do you call it, so in mass quantities and we could apply automation, Standardisation, optimisation processes across the business unit.

Figure 18. Excerpt from interview

Table 6 below, shows how the excerpts highlighted in figure 20 where applied to the codes.

Excerpt copy	Codes applied combined
unit is um our core or key objective w	BU focus on core business, AA Value to BU's
routine repetitive	Repetitive work, AA Value to BU's
being able to provide services,	specialised service, AA Value to BU's
mass quantities and	Scale, AA Value to BU's
automation	Leverage technology, AA Value to BU's
Standardisation	Process improvement, AA Value to BU's

Table 6. Application of code

Figure 21 below provides a summary of the excerpts, and codes used through the analysis.

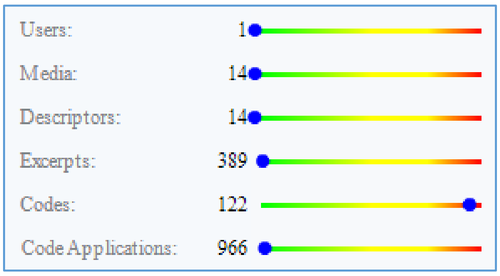


Figure 19, Summary of interview analysis

Value proposition for Anglo American PLC

On the question of what value does the Anglo American GSS provide to the business units; the interviewees responded positively and with enthusiasm. The author was cognisant of and considered possible bias, in that the respondents are responsible for the work under question. To address bias, the author delved into feedback mechanisms used by the interviewees to ascertain if there was alignment between the value delivery perceived and the value received.

On the strength of the feedback mechanisms and governance structures that Anglo American GSS has in place, the author was confident that Anglo American GSS did indeed provide value to its business units. In terms of the weighting of the responses, almost all the respondents provided cost reduction, process standardisation and single enterprise resourcing planning (ERP) solutions as value adds. Twenty percent of the respondents saw the greater value as being compliance and controls and acting in an advisory capacity to the business units.

Although Anglo American GSS provides services to business units in non-English speaking countries such as Brazil and Singapore; the respondents that were affected by language as a barrier, did not place much emphasis on this being a challenge. Three of the respondents mentioned the accent on both sides as a problem and made use of visual technology and tone of voice to overcome the challenge.

One respondent gave an example of how she responded to the issue of language accent. "I'm a person who talks too fast, so it's difficult to understand. I make sure I speak slowly". Another said, "you have to speak slower to test for understanding".

Majority of the respondents cited the use of email and/or video conferencing to overcome challenges with accent and/or language.

Value proposition for South Africa

The question of the value proposition that South Africa has to offer was met with trepidation. A fair number of respondents were either unaware of, or negative towards the countries offering. (Refer question 5 of research question 1 in Appendix 7.2). Most respondents mentioned South Africa's tough regulatory frameworks, and unionised environment as a negative for South Africa. Two of the respondents contradicted the sentiment around SA's employee regulations and unionised landscape, saying that they see this as a positive as it means South Africa cares about its people and is a truly democratic country. However, it must be noted that these respondents work in the human resources space, which could have influenced their response.

All respondents agreed that South Africa as a destination was a positive value add. There was a consensus that South Africa is moving in the right direction in terms of technology, skills, and infrastructure.

The author compiled the responses into a matrix, as reflected in Tables 7a and 7b below, to answer research question 1. This was done by using the recurring codes as themes under value; separated by Anglo American GSS value to its business units, and South Africa's value proposition to the global market. In some instances, respondents felt that the value Anglo provides reflects the value that SA has to offer. This similarity is indicated where the cells between Anglo and South Africa are merged

<table>
<tr><th>Value</th><th>Anglo American GSS value to its business units</th><th>South Africa's value to the global markets</th></tr>
<tr><td>Labor costs</td><td>The labour costs in South Africa are more competitive than business units in the UK and Australia.</td><td>While labour may be cheaper in SA, the regulations and restriction on labour practices makes it difficult to do business in SA.</td></tr>
<tr><td>Skills</td><td>Some respondents viewed the south African workforce as being highly skilled with solid qualifications in the accounting and HR space. When drawing comparison to Australia, the respondents felt that Australians were better skilled, but this came at a higher cost.</td><td>The sentiment of skilled labour force was carried across to the SA value proposition. However, respondents felt that SA needs to do more in terms of education.</td></tr>
<tr><td>Technology</td><td>As Anglo American GSS is going through digital transformation, the respondents felt that we were at the top of our game in terms of technological advancement.</td><td>The respondents had positive sentiments about SA's technology capability making mention of organisations like WNS that have outsourcing services based in South Africa.</td></tr>
<tr><td>Infrastructure</td><td colspan="2">In both instances, respondents were proud of the SA's infrastructure development and growth in the last two decades and sees it as a positive value for foreign investors. The disadvantages mentioned were the cost and stability of electricity, and data services.</td></tr>
</table>

Table 7a. South Africa's value proposition

<table>
<tr><th>Value</th><th>Anglo American GSS value to its business units</th><th>South Africa’s value to the global markets</th></tr>
<tr><td>Destination</td><td colspan="2">In relation to both the Anglo American SA based shared services, as well as speaking of SA as a hub for the export of shared services; respondents felt that SA was a prime destination for foreigners and locals. The respondents did make a distinction between Johannesburg as a destination as compared to Cape Town or Durban, seeing the latter as preferred destinations, due to it being a tourism attractor.</td></tr>
<tr><td>Legislation</td><td>Respondents felt that the SSC compliance and controls benefited the business units in that it prevented fraud through segregation of duty, however they felt that this could be improved to add more value to the organisation.</td><td>There were mixed views on South African legislation and its impact to foreign direct investment (FDI). On the one hand, the respondents thought that South Africa is well equipped to deal with stringent regulations from other countries, but on the other hand, respondents saw South African regulations as a hindrance to FDI.</td></tr>
</table>

Table 8b. South Africa's value proposition

4.6.2 Competitive Advantage

The author had another research question: What are the factors that contribute to the competitive advantage of South Africa in the export of shared services? As a prelude to answering this question, the author sought to ascertain if the respondents understood the difference between a value proposition and competitive advantage (refer question 1 of research question 2 in Appendix 7.2). Majority of the respondents were able to adequately answer the question; with a few of the respondents providing a text book definition of value proposition and competitive advantage. Some of the responses are captured in Excerpt 1 below.

> “Competitive advantage are the things I can do differently”
>
> “Infrastructure and technology will be the value proposition and access to qualified workforce can be seen as a competitive advantage”
>
> “Value proposition is the God given things like time zone…., competitive advantage is how you leverage that”

Excerpt 1. Responses to the differences between value proposition and competitive advantage

In concluding this line of questioning, the author was confident that the respondents would be able to adequately answer research question 2.

Competitive advantage to Anglo American

To understand the benefits of a shared service centre to Anglo American PLC as an organisation, the following question was asked: "What are the competitive advantages to the organisation in having a shared service centre?". The responses were similar in nature to the previous question on value proposition inferring that the value that shared services adds to the business units, provides competitive advantage to the organisation.

A frequently mentioned advantage was the ability of the business units to focus on their core business rather than the mundane repetitive work. In addition, respondents indicated that the competitive advantages have not been fully realised due to business units' still holding on to some non-value adding work. The standardised processes and single enterprise resource planning (ERP) platforms was seen to add competitive advantage to the organisation in that it gave the executives a single view of how the organisation was performing; thereby assisting with strategy development and decision making.

Data analytics as a factor of competitive advantage was cited frequently by the respondents; linking it to Anglo American GSS's digital transformation strategy. The respondents also saw GSS as being an incubator for skills development, as employees have transitioned into positions within the business units. Excerpt 2 below provides a view of what respondents had to say.

> "BU's used to do things differently, where now we have synergies… allowing for best practice"
>
> "BU focus on core business, GSS provides economies of scale"
>
> "Use of data analytics to reactively look at trends"
>
> "Skills feeder to the organisation"

Excerpt 2. Responses to competitive advantage to Anglo American PLC

South Africa's Competitive advantage

On the question of South Africa's competitive advantage; the author asked the response to provide a view on the advantages of Anglo Americans South African based shared services as compared to Australia and Brazil. Respondents provided answers into factors that both contribute to, and impact SA's competitive advantage. These are listed in bullet format under the relevant headings, with the number of mentions in brackets.

Factors that contribute to South Africa's Competitive advantage

On factors that contribute to SA's competitive advantage, the respondents had the following to say:

- South Africa speaks fluent business English and can accommodate other languages such as French and Portuguese. (8 of 14 mentions)
- When speaking English, the South African accent is easily understood as compared to Brazil or Australia. (14 of 14 mentions)
- Professional qualifications in south Africa are comparable to that of other developed countries but come at a cheaper cost. (8 of 14 mentions)
- When compared to Brazil or Australia, South Africa's time zone makes it more accessible. (14 of 14 mentions)
- South Africa has a strong technological landscape and is on the road to enhancing its capabilities. (11 of 14 mentions)
- South Africa has the infrastructure of a first world country and the ability to compete at a global level. (6 of 14 mentions)

Factors that Impact South Africa's Competitive advantage

On factors that impact South Africa's competitive advantage, the respondents had the following to say:

- While South Africa has the required skills, it is not enough to service at a scale that the hosting of shared services would require. (5 of 14 mentions)
- South Africa has a good output on professional qualifications; however, its education system is not geared to garner sufficient confidence from foreign investors that we can deliver on what we promise. (10 of 14 mentions)
- South Africa's political landscape is of concern; as it has a negative impact on the economy creating wariness amongst investors. Factors such as the instability of the

Rand, the financial downgrading, and increasing fuel prices were mentioned. (8 of 14 mentions)

- Corruption in South Africa was another factor that was of concern to the respondents. While they acknowledge that corruption exists globally, the respondents believed that the attention brought to corruption in South Africa would dissuade potential investors. (7 of 14 mentions)
- South Africa’s regulatory environment, while good for the country serves as a hindrance for foreign investment. The view is that the regulatory environment makes South Africa seem “closed for business”. (11 of 14 mentions)
- Labour unions also received negative sentiment from the respondents. Their view being that while they are a necessary element of the South African landscape, they instil fear thus discouraging foreign investment. The view of one respondent was that labour unions need to have a different focus; one that promotes economic growth. (6 of 14 mentions)

Excerpt 3 reflects the respondents views on South Africa’s competitive advantage.

Contribution factors

“South Africans are very hard working”

“English speaking and time zones”

“Labour arbitrage. Cheaper in SA than Australia”

“”Brazil has a levy for bringing labour into the country…. Complex tax arrangements”

“Australia is the time zone issue – head office and Australia have a vast time difference”

Impacting factors

“Labour unions need to have a different focus”

“People don’t see SA as a safe political environment”

“Seen as a corrupt country”

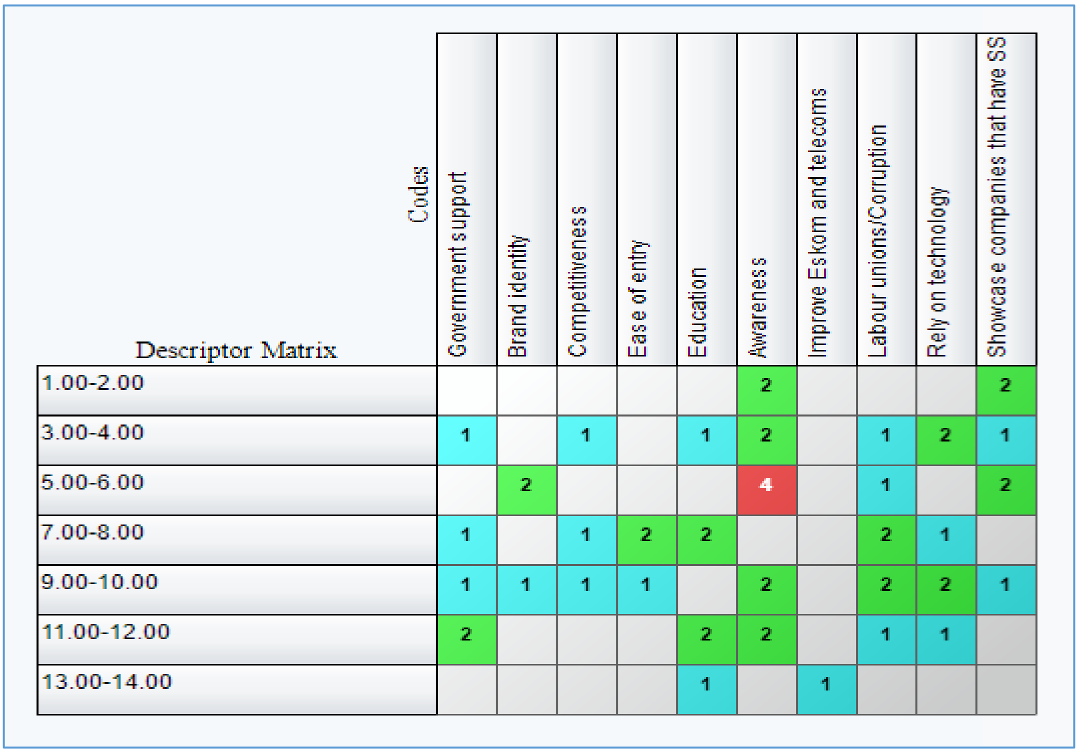
“SA’s labour regulations is a disadvantage”

“SA does not have the skills to service as scale”

Excerpt 3. Factors contributing to and impacting South Africa's competitive advantage

The author also sought solutions to making South Africa more competitive and bring about more awareness of what it has to offer. (Refer Q4 and 5 of Research question 2 - Appendix 7.2).

Figure 22 below, extracted from the QDA tool, displays the coding that was used, and the number of times an excerpt mentioned the related coding (Descriptor matrix).



Descriptor Matrix	Government support	Brand identity	Competitiveness	Ease of entry	Education	Awareness	Improve Eskom and telecoms	Labour unions/Corruption	Rely on technology	Showcase companies that have SS
1.00-2.00						2				2
3.00-4.00	1		1		1	2		1	2	1
5.00-6.00		2				4		1		2
7.00-8.00	1		1	2	2			2	1	
9.00-10.00	1	1	1	1		2		2	2	1
11.00-12.00	2				2	2		1	1	
13.00-14.00					1		1			

Figure 20. How can SA compete

On the question of how South Africa can complete with global markets; the highest weight was placed on South Africa creating awareness of its value proposition, with equal weight being placed on improving education, decreasing focus on labour unions, corruption, and improving reliance on technology. Respondents also felt that South Africa could leverage off the experiences of businesses that have shared service centres, by showcasing their abilities.

On the question of how South Africa can create awareness; respondents felt that South African businesses should play a more active role in organisations such as Business Process Enabling South Africa (BPESA) and Gartner Corporate Executive Board (CEB), and network with other businesses leveraging their experiences and capabilities.

Overall, the question on competitive advantage to Anglo as an organisation and South Africa was adequately answered.

4.6.3 Skills requirements

The authors last research question was: What skills requirements should South Africa prepare its youth for, to become employable in the business shared services space? This was looked at from two perspectives: Skills requirements in the old Anglo American GSS landscape and skills requirements in the new GSS landscape. The idea behind framing the questions as such, was to determine the variability in skills requirements for a non-digital, and a digital shared service centre. The author also investigated the qualifications and experience requirements for a shared service centre. The responses to these questions are presented in a matrix format in Table 9 below to show the differences.

	Old SSC landscape	New SSC Landscape
Qualifications	Formal qualifications were a definite requirement, specifically in accounting services with recruiters looking for Bcom accounts as a minimum. In the employee services space, formal qualifications were not a key requirement, however managers needed to have a degree.	On the new SSC environment, respondents felt that formal qualifications would not be a recruitment driver. While formal qualifications would not be overlooked, respondents felt that people who have done short courses in lean processing and agile PM would be of more value. Some respondents even suggested the hiring of matriculants and training them in the new environment. In addition, respondents felt that attitude was of greater value than qualifications.
Skills	Functional skills were a key requirement. As an example, an accounts payables clerk needed to know how to read an invoice. Data capturing, and processing clerks came up as another skill, with knowledge of the ERP environments.	The skill set in the new SSC environment were vastly different. Respondents are now looking for people that have: Coding ability, an affinity for technology, lean processing, and design thinking. One respondent said that we need to start looking for leaders instead of managers, as they will need to lead specialists. All respondents were of the view that education needed to align to business requirements.
Experience	Minimum experience seemed to hover around three to five years, with the sentiment being, the more experience the better.	Years of experience in the functional knowledge is no longer a necessity; instead, recruiters are looking for people that have experience in digital transformation. Being a new focus in South Africa, they see this as being no more than 2 years.

Table 9, Skills requirements

4.7 Conclusion

The question on skills requirements were answered satisfactorily, and the respondents have given the author valuable insight into the new digital landscape.

5. Analysis of results

5.1 Introduction

The author is confident that sufficient data was captured to answer the research questions. The structure of the analysis will follow a similar framework to the results, providing an analysis of the data under the relevant research questions.

5.2 South Africa's Value proposition

On the question of South Africa's value proposition; the respondents felt that South Africa does have significant value to add to the global markets and is in strong position to become a hub for the export of shared services. This sentiment is aligned to the authors views, and literature on the subject.

5.2.1 Labour Costs

The author agrees with the respondents that South Africa does add value in terms of labour costs when compared to the United States and Europe. This is evident in the research done by the Everest group (2016), and confirmed by Anglo American GSS, which reflects that labour costs in Australia are higher than that of South Africa. It is important to consider the cost of labour in other offshore destinations such as India and the Philippines being a primary value driver of shared services. The author is of the view that South Africa should not promote labour costs as a value driver, but rather promote a business case for cost savings in respect to efficiencies created. The latter, as confirmed by literature, is an inherent driver of shared services through: Labour arbitrage, leveraging of single platform technologies, and process optimisation (Amiruddin et al., 2013; Borman & Janssen, 2008; Cecil, 2000).

5.2.2 Skills

The respondent's differing views on skills in South Africa raised questions in the authors mind. On the one hand, they advocated that South Africa had great qualifications and skills, comparable to other countries, and promotes it as a value driver. On the other hand, they contradicted themselves by being critical of South Africa's education system. It is possible that the attention paid to poor education levels in levels in South Africa masks the availability of skills that exist in the country.

5.2.3 Technology and Infrastructure

Here the author is in complete agreement with the respondents that South Africa has first world technology and the infrastructure to make it a destination of choice. This was further confirmed by analysis done by AT Kearny (2017) that showed why South Africa should become an exporter of services. However, the same can be said about India which is seen to be a technologically advanced offshore destination (Contractor et al., 2015; PWC, 2014). The question remains as to how South Africa can become a front runner in this space. There is a definite need for improvement on service delivery by Eskom; the provider of electricity, and cost and quality of telecommunication services in South Africa.

5.2.4 Legislation

On the subject of South Africa's political and regulatory landscape, respondents felt that corruption would be a deterrent to foreign investors. The author has mixed feeling about this sentiment. While political stability may be called into question, the author feels that South Africa's reaction to corruption should be seen in a positive light. The unseating of two presidents tells a story of intolerance for poor performance from our leaders.

A similar sentiment is held by the author in respect to South Africa's regulatory framework. Having an opinion on corruption in South Africa and seeing its regulatory framework as too tough, appears to be a contradiction as the latter is meant to address the former. However, the author is of the view that South Africa should review its regulatory framework to make foreign investment less daunting and, as one respondent indicated, "open of business".

5.3 Competitive Advantage

The author having worked across different industries; including large multinational organisations with shared service centres, shares the view of the respondents that South Africa has the basis to position itself as a strong adversary to its eastern counterparts in the export of shared services. Several organisations in South Africa have implemented shared service centres which have added to their competitive advantage, as is evident by their listing in the Forbes magazine (2018) Fortune 500.

5.3.1 Factors that contribute to SA's competitive advantage

Language and time zone were mentioned several times in a positive light, making it a key advantage for South Africa as a host country.

On the issue of language, respondents indicated that South Africa has the advantage of speaking English in an accent that is easily understandable, as well as speaking other popular European languages such as Portuguese and French. This is further confirmed by the Education first (2017) English proficiency index.

About time zone; the author agrees with the respondent's views and from personal experience can attest that being centrally located, South Africa is at an advantage in providing services globally. An added value is having employees that are used to working on a shift basis. One respondent indicated that South Africa provided additional hours to a Brazilian day because of the difference in time zones.

5.3.2 Factors that impact SA's competitive advantage

Being passionate about South Africa and what it has to offer, the author felt weighed down by the criticisms surrounding the country and had to ensure that personal bias did not factor into the analysis. There was a recurring theme in the responses surrounding crime, political instability, union disruptions, and poor state service delivery. The author felt at times, the criticisms were harsh; however, from an investor's perspective, the author had to concede that these are areas that South Africa needs to improve on to become more inviting as an offshore destination.

The level of education as indicated by World Bank (2017) as a contributor to unemployment, and more specifically youth unemployment (Stats SA, 2018b), gives rise to crime and South Africa's status as an unsafe destination. This problem is further compounded by the ratings in the WEF (2018) global competitive index, which ranked corruption, crime, and government instability as the most problematic factors for doing business in South Africa.

The overall question of "does South Africa have competitive advantage?" was answered with a conditional yes. The condition being that South Africa needs to take measures to improve on the problems to become a viable option for the global market.

5.4 Skills requirements

The author was satisfied that the question on skills requirements for shared service centres has been sufficiently answered. With Anglo American shifting towards digital transformation, the respondents were able to look beyond the current skills requirements and provide insight into skills requirements for a digital shared service centre.

5.4.1 Qualifications

On the subject of qualifications; the respondents felt that formal degrees will no longer be a key requirement for most processes. Finance was an outlier, as people in the finance area still believed that a degree in finance would be a necessary requirement. While the author understands the complexities and regulations around finance, the author's viewpoint is that technology such as robotics process automation (RPA) will reduce the need for accountants in the shared service centre.

5.4.2 Skills

On the subject of skills the respondents agreed with literature that the shared service centre would see a shift in skills requirements; from transactional, to technical and analytical (Colbert, Yee, & George, 2016; Herbert & Windsor, 2016). The overall message that came out strongly was that the education system in South Africa needs to be more aligned to business requirements. The author agrees with the call for improved collaboration between government and business.

5.4.3 Experience

There was a clear distinction between the experience requirements in the old shared service centre verse the new shared service centre. While the old shared service centre recruited people with 3 to five years' experience; managers understand that functional experience in years is no longer an issue, but rather recruit for skills suited to digital transformation. Aligned to the authors views, respondents were more interested in the attitude of the employee and their affinity for learning. Considering the newness of the topic of digital transformation in South Africa, the author believes that this would be a subject of great interest in the short term.

5.5 Conclusion

Several factors were identified as both contributing to and impacting South Africa's value proposition and competitive advantage. Many of the responses were aligned to available literature, indicating a good understanding of the shared services space.

6. Conclusion

During the research; the author came across a notice on Linkedin.com advising of the collaboration of BPESA and the Minister of the Department of Trade and Industry (DTI), to promote South Africa as an outsourcing destination, and was humbled to note that the topic of "Shared services as a commodity for export in South Africa" was of relevance. To conclude, the author will provide some recommendations on what South Africa can do to stand out as a host country as well as provide a view of limitations of the study, and opportunities for further research.

6.1 Recommendations

Rather than providing an endless list, the author has selected recommendations which can realistically be implemented in a shorter timeframe. These recommendations could be introduced with minimal disruption or change in government policy and administration, and business strategy. With careful planning and implementation, these recommendations could be done in a cost-efficient way that reaps return on investment (ROI).

The recommendations have been broken down into two sub-headings as discussed below.

6.1.1 Improve awareness of South Africa as a host country for business shared services

The contact centre environment in South Africa is robust with organisations such as BPESA hosting forums and round table discussions; however, the same cannot be said for shared services. While there are initiatives in placed to promote South Africa as a host country, it is not mature enough to be getting the desired attention. Below are recommendations to drive awareness of South Africa's value proposition:

- Government should partner with business to leverage existing technologies and methodologies of shared service centres. One possibility would be hosting international exhibitions that showcase South African business capabilities.
- Government and business should be partnering with bodies such as BPESA and Gartner CEB to improve South Africa's brand as an outsourcing destination. The cost of joining these bodies should be reduced or subsidised to make it more attractive and affordable to small and medium enterprises (SME's).

- Market intelligence is a critical component of creating awareness of South Africa's capabilities. There should be a drive to improve accessibility to comparative data such as: Cost of living, English proficiency, and incentive schemes.
- Government and business should partner with Tourism South Africa to make the country a more attractive business destination.

6.1.2 Improve Education and training

About education and training, South Africa has the capability to provide skills to support the hosting of shared services. Below are recommendations to create sustainability to provide the export of shared services at scale:

- South Africa needs to align education and training to business requirements.
- Both government and business must look at ways to develop skills linked to digital transformation such as: Data analytics, coding of robots, agile project management, and design thinking approaches.
- Government to look at improving ways to incentivise businesses to serve as a training ground for school leavers. This can be done by way of tax breaks and subsidies.

Over and above the recommendations on how to improve South Africa's competitive advantage in attracting business to shared services providers, South African multinationals should be encouraged to use their home base to set up their shared services operations; as is the case of MTN and Anglo American.

6.2 Limitations

Using a single case study approach had its limitations in that the author only managed to get the view of employees within Anglo American, thus limiting our understanding of shared services as an industry in South Africa. While the literature on business outsourcing for contact centres and IT services is extensive, there was limited and dated literature available on shared services specifically.

6.3 Further research

As the shared services landscape is shifting from highly transactional to digital and analytical; further studies should be done to understand the workforce of the future, aligning the education curriculum in South Africa to business requirements.

6.4 Lessons learnt

During the interviews, the author identified some dissatisfaction in the change management process with regards to the Anglo American GSS digital transformation strategy. Due to the significant mindset shift for employees, change management needs to be an ongoing process. Additionally, GSS could benefit from investing in career counselling for its employees.

6.5 Concluding thoughts

The drive to improve South Africa’s economic outlook is a responsibility of all its citizens, business, and government. It is only through working together that we can find solutions.

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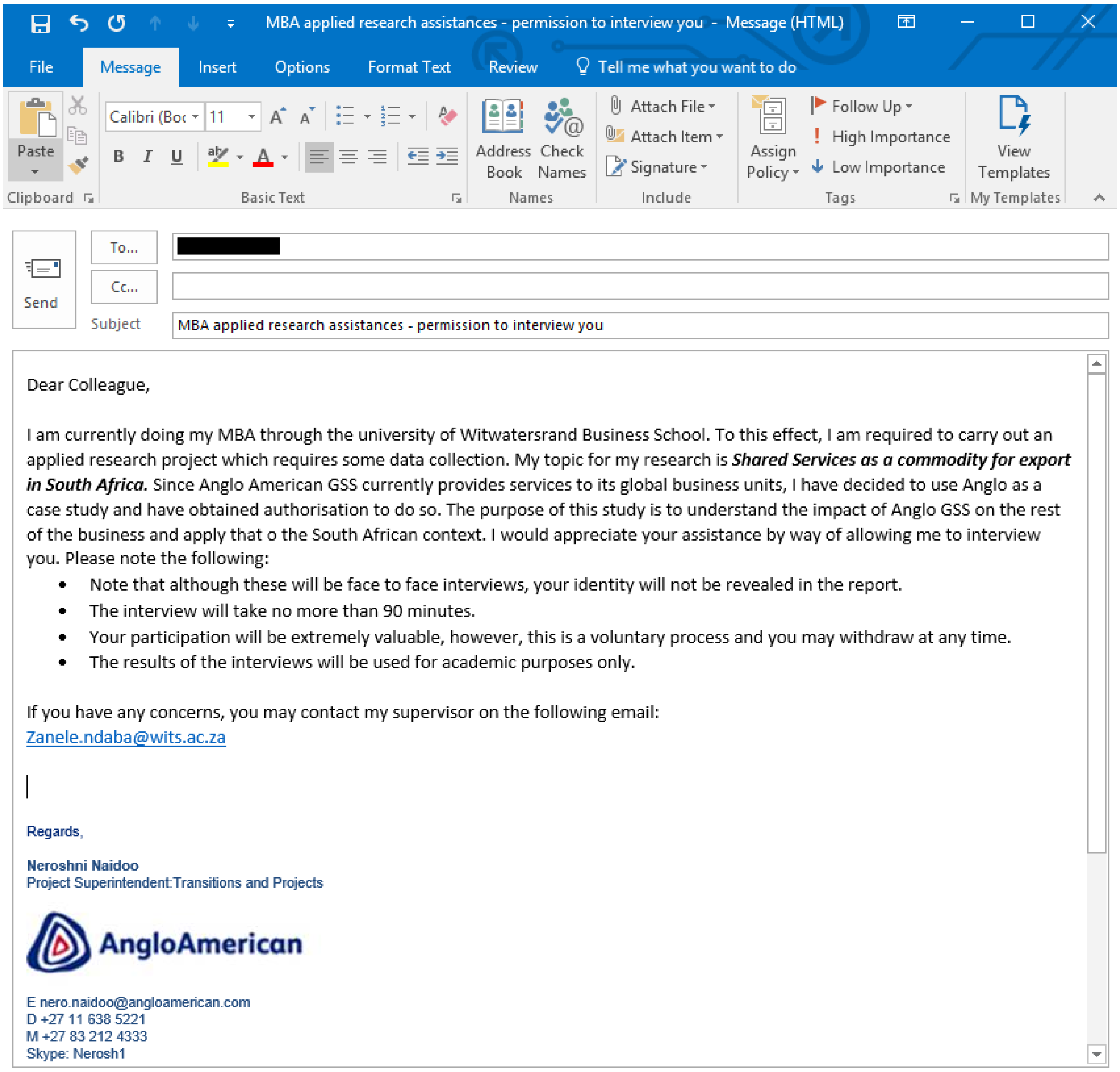
8. Appendices

8.1 Letter of consent



MBA applied research assistances - permission to interview you - Message (HTML)

To... [redacted]

Cc...

Subject: MBA applied research assistances - permission to interview you

Dear Colleague,

I am currently doing my MBA through the university of Witwatersrand Business School. To this effect, I am required to carry out an applied research project which requires some data collection. My topic for my research is ***Shared Services as a commodity for export in South Africa.*** Since Anglo American GSS currently provides services to its global business units, I have decided to use Anglo as a case study and have obtained authorisation to do so. The purpose of this study is to understand the impact of Anglo GSS on the rest of the business and apply that o the South African context. I would appreciate your assistance by way of allowing me to interview you. Please note the following:

- Note that although these will be face to face interviews, your identity will not be revealed in the report.
- The interview will take no more than 90 minutes.
- Your participation will be extremely valuable, however, this is a voluntary process and you may withdraw at any time.
- The results of the interviews will be used for academic purposes only.

If you have any concerns, you may contact my supervisor on the following email:
Zanele.ndaba@wits.ac.za

Regards,

Neroshni Naidoo
Project Superintendent:Transitions and Projects

AngloAmerican

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8.2 Interview Questions

MBA Applied Research proposal

Interview Questions

Introductory questions

1. How long have you been employed at Anglo shared services?
2. What is your role/job function?
3. How many people report into you?
4. How many business units do you service?
5. Where are they physically located?
6. If the business units are not in English speaking countries, how do you overcome the language barriers?

Research question 1: *What is South Africa's value proposition for commoditising shared services?*

a) Value proposition to Anglo

1. What value does Anglo GSS provide to the business units it services?
2. How do you quantify this value?
3. What feedback mechanisms are you using to ascertain if the value you perceive is what the business units are receiving?
4. Can this value be monetised?
    a. If the answer to 4 is "yes", are you able to report on the return on investment per business unit?

b) South Africa's Value proposition

5. What is your view on the value proposition that South Africa can offer in the export of shared services? (what are the key value drivers?)

Research Question 2: *What are the factors that contribute to South Africa's competitive advantage in the export of shared services?*

1. What do you see as being the difference between a value proposition and competitive advantage?
2. Majority of the services provided to the business units are hosted in South Africa. What are the advantages that south Africa has over say Australia or Brazil that hosts the other Anglo shared services?
3. What are the completive advantages to the organisation in having a shared service centre.
4. How can South Africa compete more aggressively in the shared services space?
5. What does south Africa need to do to create awareness of its competitive advantage?

Research Question 3: *What skills requirements should South Africa prepare its youth for so they become employable in the shared services space?*

a) Past Skills

1. What skills do you currently recruit for?
2. What are the qualification and experience requirements?
3. What is the age group range where 80% of your employees fall?
4. What is the average tenure of your employees?

b) Future skills

5. Anglo shared services are currently on a path to enhance its technological landscape. How does that impact on the skills that you have?
6. What skills would you have to recruit for in the new landscape?
7. How will the qualifications and experience requirements change?
8. What can the organisation do to ready its people for the changes to come?
9. In your view, what does south Africa need to do to from a skills perspective to ready itself to become a hub for the export of shared services?
10. As an individual, what are you doing to fit into the new landscape?