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Collective Institutional Entrepreneurship in Initiating Public-Sector Shared Service Centers

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Abstract

The last decade has witnessed an increasing emergence of shared service centers (SSCs) in the public sector. While the motives for an SSC and its implementation challenges have received sufficient scholarly attention, little is known about the processes that lead to the introduction of the SSC model in the public sector. The aim of this research is to explain the initiating stage of public-sector SSCs within one organizational field (public-sector financial accounting). The research is guided by institutional entrepreneurship and designed as a multiple-case study. The findings of this research indicate that the public-sector SSCs are initiated by a small group of change agents who only collectively have the necessary skills, knowledge and position to change the organizational field. Rather than using a collaborative strategy suggested by the SSC literature, the public-sector SSCs are initiated as centralizations.

Keywords: centralization, financial accounting, institutional entrepreneurship, public sector, shared service center

1. Introduction

Creating shared service centers (SSC) for back-office functions has become one of the most popular trends in public management. Looking at the scale of public-sector SSC implementations, it is suggested that we are facing an international “megatrend” (Elston 2014). The SSC concept is attractive for two main reasons: consolidating services into service centers (or centers of excellence) is expected both to reduce costs and to raise the quality of these services (Janssen 2005; Wagenaar 2006). However, the literature also shows that creating public-sector SSCs is a challenging endeavor and has a high risk of failure (Wagenaar 2006; Knol et al. 2012; Kastberg 2014). This should make governments cautious and unwilling to initiate SSC projects. That the opposite is the case, necessitates some explanation.

Currently, empirical insights are lacking in how the public-sector SSCs are initiated and what the role of change agents in this process is (Hyvönen et al. 2012 is a rare exception). The initiating stage of shared service projects and the motives for choosing this sourcing strategy tend to be "murky, hidden behind euphemism, perceived differently by various stakeholder groups, and generally not easily analyzed" (Hirschheim and Lacity 2000, cited in Janssen and Joha 2006, 105). In order to explain the initiating stage of public-sector SSCs, more empirical evidence from different jurisdictions and organizational fields is needed. The aim of this research is to try and fill the gap.

Looking at three case studies from different levels of administration I aim to explain the initiation of public-sector SSCs within one organizational field – public-sector financial accounting. All case studies are from the same jurisdiction and country – Estonia – that can be considered a representative of post-Communist states with a distinctive public-administration-reform context (Verheijen 2007). The Estonian public-administration-reform context is described in detail in chapter 3 of this paper. Understanding the reform context and background of the cases is necessary as public-sector organizations rarely emulate new management ideas (such as SSC) in their entirety but translate these ideas and concepts to fit their individual conditions (Ulbrich 2010).

The research is designed as a multiple-case study. Data are collected through document analysis and interviews. The study is looking for answers to the following research questions:

1. How are public-sector SSCs initiated?
2. What is the role of change agents (institutional entrepreneurs) in initiating public-sector shared service centers?

The empirical research is guided by the insights from institutional entrepreneurship that aims to explain how individuals and organizations change the institutions in which they are embedded (Dacin et al. 2002). Since 1988, when DiMaggio introduced interest and agency in institutional theory (DiMaggio 1988), the research on institutional entrepreneurship has focused on the role played by the active agency in changing the organizations and organizational fields. The theory suggests that in order to succeed, an institutional entrepreneur must occupy subject positions with wide legitimacy and bridging diverse stakeholders, theorize new practices through discursive and political means and to institutionalize these new practices by connecting them to stakeholders' routines and values (Maguire et al. 2004).

The findings of this research indicate that rather than using a collaborative strategy that involves all stakeholders the public-sector SSCs are initiated by a small group of change agents who only collectively have the necessary skills, knowledge and position to change the organizational field. Embedded change agents (key accountants) may advocate and provide important input to the SSC initiation, but are not able to initiate SSCs without other (external) change agents who are better positioned to theorize new practices through discursive and political means. The strategies of the small group of change agents can be termed collective institutional entrepreneurship.

The findings of the current study also reveal that the intention of the change agents was to centralize back-office functions, and the concept of SSC and its advantages compared to centralization were not considered. This finding has wide implications as it leads to the question whether the public sector is currently dealing with a wave of new (and developing) client-oriented collaborative strategies or a wave of (re)centralization.

The paper is structured as follows. Firstly, I outline the concept of SSC and its initiation recommendations from the SSC literature. Secondly, I look at the possible explanations for endogenous change offered by institutional entrepreneurship. Thirdly, I present the case studies. Finally, I discuss the findings and their contribution to the existing knowledge on public-sector SSCs.

2. Theoretical framework

2.1 The concept of shared service centers

The concept of shared service centers emerged in the private sector in the 1980s when big corporations started to consolidate separate business units of their branches into a single unit (Walsh et al. 2008). The public sector (led by Canadian and Australian state administration) began similar restructuring in the mid-1990s (Elston 2014).

While there are a number of definitions for shared service centers (see, e.g., Bergeron 2003; Wagenaar 2006; Schulz and Brenner 2010; Janssen et al. 2012), the definition of Bergeron (2003) is one of the most frequently cited in the SSC literature. According to Bergeron, shared services are "a collaborative strategy in which a subset of existing business functions are concentrated into a new, semiautonomous business unit that has a management structure designed to promote efficiency, value generation, cost savings, and improved service for the internal customers of the parent corporation, like a business competing in the open market" (Bergeron 2003, 3).

Earlier conceptions of shared services drew a clear line between centralization and shared services (Shah 1998; Schulman et al. 1999; IMA 2000; Janssen and Joha 2006; Burns and Yeaton 2008) and warned that these two concepts should not be confused, as shared services were not the rebirth of centralization (IMA 2000).

Shared Services	Centralization
• Focus is on needs of internal "clients" such as business units or divisions.	• Head office/corporation concerns dominate.
• The type and scope of services are negotiated and defined upon client needs.	• Services tend to be standardized regardless of the needs of the units being supported.
• Locations of SSCs are chosen to best serve key clients.	• Centralized services are usually located at corporate headquarters.
• The SSC has full responsibility for both costs and quality of service delivered.	• Support managers have little accountability for service cost and quality.
• Performance is assessed against service-level agreements and regular reviews.	• Performance is judged solely on budget and against corporate objectives.

Source: IMA 2000, 3

While shared service centers were seen as customer-oriented organizations that were first and foremost responsive to the needs of client organizations, centralized organizations were viewed as rigid and unresponsive bureaucracy (Shah 1998). Burns and Yeaton (2008) argue that while in the case of centralization the control is taken over by corporate management, shared services imply dispersed or federated responsibility to multiple units, and the customers of the shared services take control collectively.

In the more recent literature, however, the difference between centralization and shared services is not so obvious and clear-cut anymore. It seems that the real-life variation of public-sector SSCs has broadened the initial SSC concept.

Looking at the variety of SSC definitions, Schwarz concluded that "there is a common understanding that shared services are used to provide support activities to internal customers in at least two agencies at lower costs and at a higher quality" (Schwarz 2014, 62).

Janssen and his colleagues find that it is too deterministic to view a shared service arrangement as a particular business model with particular implications (Janssen et al. 2009). Elston (2014, 6) argues that as SSC arrangements evolve over time, "an unduly narrow definition risks overlooking this dynamism and the common user challenges that transcend particular governance structures." As the definition of SSC has become rather vague, the original SSC concept is sometimes referred to as a "genuine" (Raudla and Tammel 2015) or "ideal-type" SSC (Boon and Verhoest 2015).

Currently there are no comprehensive studies on public-sector SSCs that would allow it to assess the extent to which the "ideal-type" SSCs are implemented in the public sector. As the concept of SSC is demanding and not easily replicable in the public-sector context, it can be expected that instead of "genuine" shared services other types of sharing arrangements are more likely to emerge (Ulbrich 2010; Knol et al. 2012; Kastberg 2014; Raudla and Tammel 2015). As sharing arrangements in the public sector vary, we can also expect a variation in SSC initiation strategies. While it has been suggested that one of the main points for an SSC to articulate from the initiating stage onwards is the customer focus (Janssen and Joha 2006; Grant et al. 2007), it is also known that SSCs are evolving over time (Grant et al. 2007; Elston 2014), and customer focus that was initially lacking might be established during later stages.

2.2 Initiating shared service centers

According to Janssen, there are three main stages in the lifecycle of an SSC: the initiating, implementing and operating stages (Janssen 2005). The initiating stage involves all decisions and actions that precede the implementing stage. For example, a business case is drafted, and the political consensus to create an SSC is reached during the initiating stage. During the implementing stage the business case is implemented, and an SSC is established. At the operating stage, an SSC should be functioning and support the day-to-day operations of its clients (Janssen 2005).

The literature on public-sector SSCs emphasizes the importance of finding consensus and engaging all stakeholders at the early initiating stage (Janssen and Joha

2006; Grant et al. 2007). It has been stressed that as the establishment of an SSC is a major decision that has a long-term impact on all stakeholders, it has to be a conscious decision that is supported by all involved parties (Wagenaar 2006; Janssen et al. 2009). As the impact of an SSC is usually not clear in advance, stakeholders may have different conceptions about shared service arrangements (Janssen et al. 2009). Therefore there is a need to convince employees to change the existing organizational processes and leaders of the agencies to give up some authority, as some of the functions of the agencies are moved into an SSC (Janssen et al. 2009).

As it is advised that not all but only transactional functions should be moved to the SSC (Schulz and Brenner 2010; Selden and Wooters 2011; Schwarz 2014), a careful consideration of the existing processes and functions should be carried out together with all involved parties. In order to facilitate finding a proper sharing arrangement and deciding which functions should be moved to an SSC and which should remain in agencies, Janssen and his colleagues propose to use a simulation model that makes it possible to predict the level of efficiency of a planned SSC (Janssen et al. 2009; see also Knol et al. 2012 for an alternative model).

However, usually the idea of an SSC is not attractive to all involved parties. It is common for agencies to resist the change as they want to maintain their autonomy, oppose the "one size fits all" approach, are against power concentrations or have some other reasons to be against the establishment of an SSC (Wagenaar 2006; Boon and Verhoest 2015). Therefore the initiation of an SSC requires careful management and clear leadership (Wagenaar 2006). The central executive boards that are responsible for initiating and implementing SSCs in the business world do not exist in public administration (Wagenaar 2006). In the public sector every agency stands for its own interests, therefore a permanent political and administrative commitment to an SSC idea is necessary (Wagenaar 2006). However, due to election cycles, political commitment cannot be expected to be permanent. Hence, the key question is how to achieve administrative commitment to change.

2.3 Explaining change – insights from institutional entrepreneurship

The initiation of an SSC leads to the institutional change of an organizational field, which in our case is public-sector financial accounting. Institutional entrepreneurship aims to understand how individuals and organizations change the institutions in which they are embedded (Dacin et al. 2002). Since 1988, when DiMaggio introduced interest and agency in institutional theory (DiMaggio 1988), the research on institutional entrepreneurship has focused on the role played by the active agency in changing the organizations and organizational fields. The earlier research on institutional entrepreneurship focused mainly on individuals as institutional entrepreneurs and was criticized for seeing them as heroes (Leca et al. 2008). The more recent research gives credit to collective institutional entrepreneurship and acknowledges the importance of collaboration and coalition building (Levy and Scully 2007).

The organizational field is defined as a set of interdependent populations or organizations participating in the same cultural and social sub-system (Scott 2008). The characteristics of the organizational field determine whether the institutional entrepreneurs are likely to succeed in changing the field or not. While mature organizational fields represent stable structures under which behavior patterns (e.g. conflict or cooperation) are well defined, premature fields represent structures where the institutional order is not completely developed; hence, the institutional entrepreneur is expected to change premature fields more easily (Pacheco et al. 2010).

In order to make the change possible, the institutional entrepreneur uses different strategies. Maguire et al. (2004) identify three strategies used by a successful institutional entrepreneur:

- occupying subject positions with wide legitimacy and bridging diverse stakeholders;
- theorizing new practices through discursive and political means;
- institutionalizing these new practices by connecting them to stakeholders' routines and values.

The occupation of the subject position with wide legitimacy helps to portray the new institutional form as legitimate, whereas other alternatives are seen as less appropriate, desirable or viable (Dacin et al. 2002; Leca et al. 2008). In the process of legitimation, entrepreneurs engage in battles that originate from conflicting perspectives between existing and proposed organizational fields (Maguire et al. 2004; Greenwood and Suddaby 2006; Leca et al. 2008; Pacheco et al. 2010). As the outcomes of the institutional entrepreneurship spread, more diverse social groups will be affected and possibly mobilized, which will lead to new legitimacy battles (Garud et al. 2007). The agents that possess superior resources, knowledge or strategic social-network positions are better equipped to use their political power to win the legitimacy battles and to shape the organizational field in their favor (Beckert 1999, cited in Pacheco et al. 2010). Additionally, the leaders who migrate from an organization that has implemented a new practice are better positioned because they possess the appropriate expertise and cognitive reasoning to deem that practice appropriate (Kraatz and Moore 2002).

The theorization of new practices consists of two key components: framing problems and justifying innovation (Maguire et al. 2004). In more detail, theorization involves highlighting and recasting problems and problematizing existing systems as inadequate (Koene and Ansari 2013). As the process of theorization diffuses among organizations in a given field, new norms and practices take on a greater degree of legitimacy and, in turn, become institutionalized (Dacin et al. 2002).

However, theorization does not lead to automatic institutionalization of change. The way the institutional entrepreneurs connect their change projects to the activities and interests of other actors in the organizational field determines their success; consequently, the projects are crafted to fit the conditions of the field (Maguire et al. 2004).

2.4 Implications of the theoretical framework

Public-sector financial accounting can be categorized as a mature field with established rules, norms and behavior patterns (Hyvönen et al. 2012). Therefore, we might conjecture that a radical change in this field is unlikely or very challenging at least.

The potential institutional entrepreneurs (public-sector accountants) are unlikely to be able or willing to challenge the status quo. The establishment of an SSC for financial accounting has an important impact on accountants, as their tasks, functions and meaning for their home organization will change (Herbert and Seal 2012).

However, the accountants who have the potential to become the leaders or chief accountants of an SSC may have strong interests in initiating the center of excellence. Still, as the creation of an SSC does not concern only financial accounting but requires an extensive business-process re-engineering approach whereby agencies transfer the development, maintenance and control of their information systems to a different organization and abandon their existing information systems (Ulbrich 2006), it can be expected that accountants – even if they are interested in initiating an SSC – may lack the necessary knowledge about business process re-engineering and new ICT systems to become the main advocates of an SSC arrangement. And last but not least, accountants usually do not have direct access to the political level that could empower them to become the main change agents.

To conclude, we can predict that in order to initiate an SSC there must be at least some acceptance or interest in initiating an SSC in the organizational field, but it is rather unlikely that the change can take effect without (politically) better positioned and more powerful agents outside the field.

3. Case studies

3.1 Method

The research uses a multiple-case design. This design was found most appropriate for the current research, as it allows examining the processes and outcomes across many cases, identifying how these cases may be affected by different contexts and the specific conditions under which a finding may occur (Chmiliar 2010). The multiple-case study enables cross-case comparisons and is helpful in finding answers to the questions and detecting possible patterns related to the initiating stage of public-sector SSCs. In order to detect possible similarities in the initiation process, the three cases are selected from one jurisdiction and organizational field. In order to detect possible differences between the practices, depending on the level of administration, the cases are selected from all levels of administration – local, regional and central. As for the timing, two of the three SSC projects were initiated during the financial crisis (2008-2009); the third case was earlier (initiated in 2001). The different timing of the cases should give us some indication about the possible impact of the financial crisis on the initiating stage of public-sector SSCs.

The multiple-case study is informed by two types of sources – documents and interviews. Documents include official documents, internal documents, memos, reports, media articles and e-mails. The interviewees include key actors from the central-, regional- and local-administration levels. As the focus of the study was on the initiating stage of shared service centers, the aim of the interviews was to explain the role and motives of key actors and to describe their strategies for initiating shared service centers in the public sector. Altogether 18 interviews were conducted (8 interviews in the first round in 2012-2013 and 10 interviews in the second round in

2014). The interviews were semi-structured, with open-ended questions. Most of the interviews were recorded – at the consent of the interviewees – and fully transcribed. The interviews lasted between 1 and 2.5 hours.

The study has several limitations. First, it takes the perspective of change initiators and does not cover the other actors in the organizational field. Second, the study does not look at the implementing but only at the initiating stage of shared services projects. The initiating stage is defined as a stage that ends once the implementing stage starts. This limitation gives a necessary focus that helps better analyze the similarities and differences between the chosen case studies. However, this focus does not enable us to make any suggestions or predictions about the implementing or operating stages of these SSCs, and further research is needed to assess the implications of the initiation strategies on the implementation and operation of these SSCs. Third, as this research is context-dependent, one must be careful in generalizing the results of this study to other public-sector contexts or organizational fields.

3.2 Context and background of the case studies

Since the 1990s, the prevailing ideology of Estonian governments has been neoliberal (Verheijen 2007; Raudla and Kattel 2011). The neoliberal worldview of Estonia's political and administrative elite has led to a continuos downsizing of the state and a reluctance towards investing into coordination and administrative development (Sarapuu 2011). However, governments have continuously invested in the development of e-government, and in terms of internet voting Estonia is considered to be the most advanced country (Alvarez et al. 2009). Paper-free public administration, internet voting and the search for efficiency and effectiveness have been high on the agendas of all Estonian coalition governments.

Estonia is administered by three levels of government – central (state), regional (county) and local (municipalities). The administrative system relies on ministerial responsibility (Sarapuu 2011; Sarapuu 2012). The ministries are autonomous, and their responsibilities are designated by law. The coordination problems in Estonian public administration have been outlined in the OECD report that found that there is considerable room for development in terms of joined-up policy design and implementation (OECD 2011).

The county governments in Estonia do not represent a tier of self-government but are under the Ministry of the Interior.[1] The county governors are appointed by the Minister, and their task is to represent the state in 15 counties. The internal management of county governments was not centrally directed until recently, when the Ministry of the Interior streamlined the organizational structures of county governments (in 2009) and consolidated the internal audit function that previously existed in all county governments into one internal audit unit.

From 2004 until 2014 the Ministry of the Interior was headed by two ministers – the Minister of Regional Affairs and the Minister of the Interior. The county gov-

[1] Since September 2015 under the Ministry of Finance.

ernments together with other issues related to the regional development were under the Minister of Regional Affairs.

Local governments (rural municipalities and towns) are autonomous. During the past decades the number of municipalities has been slightly decreased due to the mergers of some municipalities. The mergers have been non-mandatory but highly encouraged by the central government. The biggest municipality is the capital city Tallinn whose population forms almost 1/3 of the Estonian population.

The global financial crisis that started in 2008 hit new democracies harder than old ones (Peters et al. 2011). The peak of the financial crisis in Estonia was in 2009, when the GDP fall of Estonia was the third largest in the European Union (Raudla 2013). In the absence of monetary policy measures – Estonia's currency was pegged to the euro – the government had to find ways for internal consolidation and cost savings. Estonia undertook extensive fiscal consolidation (Staehr 2010, cited in Raudla and Kattel 2011). In addition to cutting back the salaries, laying off civil servants and other fiscal-austerity measures (see Raudla 2013 for a detailed overview) various centralization measures, including a merger of several governmental agencies, were used during the peak of the financial crisis (Peters et al. 2011).

The lack of strong guarantees concerning salary cuts or layoffs for the civil servants and the almost non-existing trade-union culture in Estonia facilitated the cuts to the operational expenses of the government (Raudla 2013).

It is important to note that the austerity measures taken by the government were supported by the public opinion: the majority of the population favored fiscal discipline. The fiscal discipline in 2009 was especially important, as the prospect of joining the euro area had become more real than ever before and Estonia was devoted to fulfill the Maastricht debt and deficit criteria (Raudla 2013; Raudla and Kattel 2011).

The financial accounting legislation is drafted in the Ministry of Finance. Also, the coordination of public-sector financial accounting is the task of the Ministry of Finance. The accounting legislation is aligned with the international accounting standards (Tikk 2010). As early as 2004 the Minister of Finance issued a decree (general rules for the organization of the accounting and financial reporting of the state and state-accounting entities) that was taken into use as the Estonian equivalent to the International Public Sector Accounting Standards (Tikk 2010). This meant that Estonia became one of the few countries in the world where a full accrual-based accounting principle was adopted for financial accounting in the public sector (Wynne 2007, cited in Tikk and Almann 2011).

In line with the general "paper-free public sector" approach of the government, the Ministry of Finance has aimed to digitalize public-sector accounting. The idea that all public-sector organizations should employ a common software for financial accounting is not novel. As early as 1994 the Ministry of Finance explored the possibility to introduce a common accounting software (Agresso) in the public sector. The project was started, but its implementation failed. Due to this negative experience, the Ministry of Finance had to refrain from suggesting the adoption of (another) common software.

Since then the Ministry of Finance has focused on establishing public-sector accounting rules and consolidating the accounting function from small accounting entities to their parent entities. In parallel, however, the Ministry of Finance continued pursuing the idea of a common software for the whole public sector that would have enabled an automatic consolidation of data into a common database. Faced by the resistance to change and the autonomy of the other public-sector organizations the hands of the Ministry of Finance were tied, and it could not impose centralization. Even though the Ministry had the support of the National Audit Office who pointed to the uneven quality of public-sector accounting and suggested reducing the number of accounting entities, there was no consensus among the Ministers whether the financial accounting (and possibly other back-office functions) should be centralized to the ministerial level.

3.3 CASE I: Tallinn City

The consolidation of shared services in Tallinn was initiated by the mayor of Tallinn who held the office between 1999 and 2001. Coming from the private sector and being a co-founder of an Estonian private bank, the mayor insisted on improving the financial management of Tallinn City (hereinafter City). The City recruited a financial director, who took office in 2000. At that time no common principles for public-sector financial accounting existed. Each City organization had its own accounting system, and the quality of accounting was uneven. The annual accounts of the City had received negative opinions from auditors (in 2000 from Ernst & Young, in 2001 from PwC). Both audits pointed to the fragmentation of accounting and to the various problems thereof.

In 2000 a report was ordered from the consulting company KPMG that focused on the accounting software used in the City. The report concluded that the financial accounting in the city was decentralized. Out of 289 different organizations 45% had decided to buy accounting services from private-sector service providers, others employed in-house accountants.

Relying on these reports, the financial director of the City proposed that in order to solve the problems outlined by auditors and to increase the efficiency and effectiveness of the City's accounting organization, a centralization of the accounting was needed.

For the reorganization of the City's financial management a consulting company (PwC) was hired. The consulting company drafted an extensive financial-management model for the City by the end of May 2002. In essence the model foresaw streamlining the business processes of the City and consolidating accounting from the different City organizations – around 300, incl. schools and kindergartens – to the central City government level.

The main goal of the project was to increase the quality of the accounting and reporting throughout the City. Importantly, cost saving was not seen as the main goal of the project. As was clarified in the project outline, the cost-saving measures in the public sector often led to a reduction of quality that had to be compensated somehow. Therefore eventually the cost-saving measures might turn out to be costlier than maintaining the initial system.

However, even though the main goal of the project was not cost reduction, the calculations included in the project plan showed a promising potential to save costs.

An important part of the project was the introduction of a common (ERP) software. The software vendor was not known in advance, and in order to find appropriate software the procurement of the software was planned. The tender documentation was prepared again with the help of the consultant from the PwC.

The Tallinn City accounting centralization project was in a way ahead of its time. Even though the Ministry of Finance favored the reduction of the number of accounting entities, the existing accounting legislation did not foresee the possibility to centralize accounting in the City so that instead of 289 different accounting entities (City organizations) there would have been only one (the City). However, the change of the accounting legislation was on its way. As the change was expected to become effective on 1 January 2004, the City made its centralization plan accordingly. The project was expected to last from Fall 2002 until 1 January 2004. The project drafters realized that the project was very complicated, and its implementation was challenging. A special project-implementation team was foreseen. The team members were to be released from their other obligations and were expected to focus solely on the implementation of the project.

The project was approved by the City government in August 2002. This gave the green light to the implementation of the model.

3.4 CASE II: Regional (county) governments

The SSC for regional governments was initiated in the Ministry of the Interior in Fall 2008. The project leader who initiated and led the drafting of the business case was invited to the Ministry of the Interior (in 2008) mainly because of his experience with a similar project in the Ministry of Justice.

The project leader initiated the project rather independently. He gathered a team of key persons in the Ministry of the Interior who helped him to draft a business case. During the project-preparation stage the project leader and his team visited the courts' accounting center of the Ministry of Justice – with which the project leader had been working before – to learn from its experience. The concept of the project was worked out in less than a year, and the business case was drafted by the four officials (incl. the project leader) of the Ministry of the Interior in one month (July-August 2009).

In the project scope there were three main tasks: 1. Centralization of the financial accounting of county governments. 2. Centralization of the financial accounting of the agencies of county governments (orphanages). 3. Centralization of the payroll and personnel accounting of county governments.

The main goals of the project were the improvement of the accounting quality, the improvement of statistical and analytical comparability of county governments, the introduction of a common accounting software (SAP), the overall reduction of human resources needed for accounting and creating preparedness for the possible general centralization of the central government accounting.

It was believed that the creation of a common accounting center would lead to efficiency, as the accounting service would be provided by a professional accounting center that employed highly qualified professionals, who were relieved from other tasks that were not directly related to their profession.

As the project was in the area of responsibility of the Minister of Regional Affairs (who shared the Ministry of the Interior with the Minister of the Interior), it was decided that the accounting center should be located outside the capital city. Therefore it was possible to consider the project a measure of regional policy.

Although all county governments could compete for getting the accounting center to be established in their region, the location of the center was decided in advance. The accounting center was established as a department of one county government that had vacant office space, but most importantly had a person that was seen as capable of leading the implementing stage of the project.

The project was communicated to the regional governments shortly before the implementation started. As the Minister of Regional Affairs had issued a decree for the centralization of the accounting in the county governments, it meant that there was no room for argument anymore.

The project was implemented in less than five month (by 1 January 2010) and was considered a great success.

3.5 CASE III: Central government

The shared service consolidation project of the central government was initiated in the Ministry of Finance in Spring 2009. The idea of creating a single stand-alone accounting center for public-sector accounting had been circling around in the Ministry of Finance already for some time. The financial crisis opened a window of opportunity to implement that idea. In order to get the political support for the idea, it was taken to the Cabinet meeting of 26 March 2009. After the Prime Minister had proposed to consolidate the accounting of the central government into a single stand-alone accounting center, the Ministry of Finance had a mandate to draft a project plan. For drafting the project plan a PwC consultant with previous experience from the Tallinn City project was hired.

While the initial idea was to centralize the financial accounting function, the project plan went further. Relying on the best practices' database of the PwC the plan suggested the adoption of a shared-service-center model. In addition to the financial accounting other support services (HR accounting and procurement) were proposed for consolidation. The project plan referred to the public-sector SSC projects in the UK and Finland, noting that the Finnish Kieku project had made it possible to save 13% of the financial-accounting costs and 30% of the personnel-accounting costs.

While drafting the project plan the consultant held several meetings with people from different organizations that could provide input into the project plan. Some of the people consulted had previous experience with accounting consolidation in the public sector. However, most of the project planning and discussions took place within the Ministry of Finance, and the officials of the Ministry of Finance formed the core of the project working group.

According to the initial project plan the main goals of the project were cost reduction (up to 2/3 of the relevant costs), availability of good-quality support services for all organizations, standardization of processes and adoption of a common IT system.

The project was to be implemented using a big-bang strategy (see Raudla and Tammel 2015 for a typology of reform models for creating SSCs). The consultant who drafted the project was convinced that the radical change was the most effective: during the interview, when discussing the Kieku project in Finland and the implementation problems of the Estonian central government project he stated that "in democracies you don't build pyramids". The top officials of the Ministry of Finance were also supportive of the radical reform strategy.

In the middle of 2009, a project leader with a previous radical reform experience from the public sector was asked to come to lead the project. During 2009 the project leader used all ways (mainly informal) to get necessary support for the project plan. However, as the initial consolidation plan was too ambitious for the government, the project was changed several times and additional documents were produced to convince the government. The plan that the government finally approved was a compromise. It did not foresee the creation of a separate stand-alone shared service center but the consolidation of accounting up to the ministerial level and the adoption of a common software SAP.

The implementation of the project started in 2010. Although it should have been completed by the end of 2013, the project is ongoing at the moment of writing this article (Fall 2015). As a parallel development the top officials of the Ministry of Finance and the Ministry of Justice agreed to create a State Shared Service Centre in 2012 on the basis of the already existing Courts' accounting center.

4. Discussion

All three case studies point in the same direction: the creation of shared service centers is driven by active agents in the public sector. In Tallinn City the main change agent was the mayor, whose initiation was taken over by the financial director of the City. In the case of regional governments the main change agent was the project leader. In the case of the central government the project leader who managed to gain the acceptance to the SSC project was hired once the project was already initiated, and it was realized that in order to succeed a radical reformer with previous public-sector consolidation experience was needed.

All these main change agents occupied posts in the top management of their organizations and had migrated from private-sector organizations or public-sector organizations that had implemented a new practice. This corresponds to the insight from our theoretical framework, which suggests that agents who possess a superior position, resources, appropriate expertise and cognitive reasoning are better equipped to deem new practice appropriate and to win legitimacy battles.

As for the legitimacy battles, we expected that in a mature organizational field where the rules, norms and behavior patterns are established, a radical change is unlikely, or very challenging at least. It was generally known (from past experience) that any attempt to centralize public-sector accounting would be resisted both by the accountants and the heads of public-sector organizations. In search for legitimacy for their projects, the change agents therefore did not aim to gain legitimacy from the organizational field, but targeted the key persons who would provide necessary support for the project. In order to avoid legitimacy battles the project initiating stage was largely hidden from public view.

The theorization of the financial accounting consolidation projects involved both framing the problems and justifying the need for centralization/consolidation. In the case of Tallinn City the framing was done by the external auditors, who expressed a negative opinion regarding the annual accounts of the City. Subsequent reports that were ordered from the consulting companies pointed to the weaknesses of the financial management of the City and provided a solution to the framed problem. In the case of county governments the project leader, together with his team, both framed the problem and justified the project. In the case of central government the problem was framed by the top management of the Ministry of Finance with the help of a consultant.

Finally, our theoretical framework suggests that theorization does not lead to automatic change, and the way the institutional entrepreneurs connect their projects to the other actors in the organizational field determines their success. As we already noted in terms of legitimacy, the change agents did not connect their projects to the other players in the organizational field. In a way this can be seen as a strategy taken in order to escape from legitimacy battles. Similarly, the theorizing was not used to win over the other organizations in the field but to convince the key decision-makers. Therefore, while the theoretical framework suggests that the projects are crafted to fit the conditions of the field, the projects in practice were drafted to appeal the decision-makers. This deviation from our theoretical framework has several possible explanations.

Firstly, the main change agents were not "truly embedded" in the organizational field and hence cannot be termed "institutional entrepreneurs". None of them was an accountant by profession. Also, they joined the organization shortly before or during the initiating stage of the project; therefore they did not have strong ties with the organizational field. Even though the chief accountants of the organizations that led the change were supportive (or, in the case of the central government, insisted on centralization), they did not have the necessary will or power to become institutional entrepreneurs themselves. Therefore instead of a single institutional entrepreneur there was a collective institutional entrepreneurship behind the initiation of each of these projects. High-level accountants from the organizational field provided the necessary input into the projects, while the position, experience and leadership skills of the project leaders helped to gain the support of the necessary key persons.

Secondly, central to all these projects was the adoption of an ERP system. This meant that the functionality of the ERP system largely determined the scope of standardization and new business processes. The change was therefore transformative, and it was believed that the model developed by the consulting company (in the case of Tallinn City) or prescribed by the existing SAP functionality (in the case of county governments and the central government) largely determined the new structures and processes. Hence, engaging other (opposing) actors in the initiation process would not have contributed much to the build-up of the new system.

Thirdly, the Estonian political-administrative culture made it possible to leave other organizations in the field aside while introducing a radical reform. Pragmatic search for efficiency and effectiveness (often through a wider use of ICT) characterizes both Estonian politics and public administration.

Finally, the initiation of these SSCs was characterized by the absence of strong veto players at that stage. The ability to get the initiation of an SSC backed by a legislative act was very important. Once the implementation of the project was officially decided, the opponents of the project had no possibility to resist change.

5. Conclusion

Using the insights from institutional entrepreneurship, this study aimed at explaining the initiating stage of shared service centers in the public sector. It was found that SSCs were not initiated by a single embedded institutional entrepreneur. The main change agent was not embedded in the organizational field and joined the organization to initiate the change project or to gain legitimacy for the already initiated project that otherwise would have lacked sufficient political support. The main change agent formed a coalition with like-minded officials that were able to provide necessary input to the project. As none of the members of the group would have succeeded in initiating the change alone, this coalition can be termed collective institutional entrepreneurship.

Problems were framed in various reports and business cases. Business cases played a major role, as they problematized the existing situation and suggested solutions to problems. While there were discussions over the details of the business case, the necessity for administrative restructuring was not questioned at the political level. The absence of an ideological divide over administrative restructuring can be explained by the Estonian reform context but also by the fact that business cases downplayed or did not even mention possible implementation problems. It is worrying as it seems to be a common strategy that leaves decision-makers and managers largely unaware of the difficulties encountered when implementing and developing SSCs (Knol et al. 2014).

While the concept of institutional entrepreneurship stresses that the way the institutional entrepreneurs connect their change projects to the activities and interests of other actors in the organizational field determines their success (Maguire et al. 2004), the evidence from current cases does not seem to confirm this. The change projects were initiated not by gaining legitimacy from the field but by winning over the key decision-makers and leaving aside other players that could potentially question the legitimacy of the project. Hence, the absence of the power dimension seems to be an important weakness of the concept of institutional entrepreneurship.

The study poses an intriguing question to SSC scholars. Namely, whether the public administrations all over the world are currently dealing with a wave of new (and developing) client-oriented collaborative strategies or with a wave of (re)centralization? It is noteworthy that all the studied administrative restructuring projects were initiated as centralizations. While the difference between centralization and an SSC is well established in the expert literature, it seems very difficult to draw a clear line between centralization and an SSC in practice. As the literature on shared services indicates, there is no generic public-sector SSC model; SSCs evolve over time and are expected to constantly improve their processes, quality and client orientation. Therefore we cannot downplay the possibility that an SSC that was initiated as a centralization project becomes customer-oriented sooner or later. Even though it has been suggested that engaging all stakeholders at the initiating stage determines the success of an SSC (Grant et al. 2007), the lack of empirical evidence does not allow us to be fully convinced.

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