

Can Internal Control Components Influence Internal Customer Satisfaction? An Applied Study in a Shared Service Centre

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ABSTRACT

This study examined whether internal control components can influence internal customer satisfaction in a shared service centre of a company in Malaysia. Specifically, five internal control components based on the COSO framework were chosen: control environment, risk assessment, control activities, information and communication, and monitoring. Using a questionnaire survey of employees of a shared service centre, the results showed that three internal control components influenced internal customer satisfaction. The three internal control components were risk assessment, control activities, and information and communication. However, this study showed that control environment and monitoring did not influence internal customer satisfaction. The findings implied that more attention should be given to risk assessment, control activities, information, and communication in order to ensure that the service quality provided by the shared service centre can be maintained or improved to increase the satisfaction of internal customers. The findings study can shed some light on the factors that can influence the performance of shared service centres, which in this study are the internal control components. In addition, the findings in this study add additional findings to the literature on internal control components and internal customer satisfaction, particularly in shared service centres.

Keywords: Control Environment, Risk Assessment, Control Activities, Information and Communication, Monitoring

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INTRODUCTION

Shared services have expanded dramatically over the years, with organisations establishing shared service centres, often in multinational or large corporations, with a primary focus on support activities (Ulbrich, 2006). This is due to these organisations being continuously challenged to improve product quality, increase business process efficiency, and reduce operational expenses. As noted by Ulbrich (2006, p. 191), *“since the late-1990s, the fast-spreading shared service concept has increasingly become popular as an organisational change approach, focusing on the theoretical potential for extensive improvements in support processes”*. Of consequence, management should regard shared service as a means of improving operational costs while also improving product quality for their customers (Wagenaar, 2006).

Shared service is broadly referred to as the concentration of company resources performing like activities, typically spread across the organisation, in order to service multiple internal partners at lower cost and with higher service levels, with the common goal of delighting external customers and enhancing corporate value (Wagenaar, 2006; McKeen & Smith, 2011). Shared service, also known as business process outsourcing, was born after multinational companies set up outsourcing centres. Some multinationals may choose to outsource tasks such as human resources or finance to other companies that offer services, while others establish dedicated shared services centres within their organisation in a central location (Farndale et al., 2009), such as the Siemens Shared Service Centre in Malaysia.

Shared services allow companies to assign skilled individuals with the appropriate knowledge to handle these operations, resulting in a more effective, business-oriented service (Marciniak, 2013). It removes inefficient practises such as duplication of work and makes the most of the available skill pool. It also makes it easy to implement ongoing training to ensure that personnel are capable of providing the best possible service and are prepared to deal with changing business needs (Miskon et al., 2010). A shared service centre can revolutionise service delivery by streamlining organisational operations, lowering costs, and enhancing efficiency (Hodge, 2019). As a result, it is not surprising that many companies are already implementing this strategy to improve their business processes. However, such advancement and advantage will be attainable only if technology runs smoothly. When technology fails to achieve the intended results when performing support function tasks, it can lead to an increase in customer disputes and decreased internal customer satisfaction. As a result, establishing a shared service centre would be obsolete (Kagelmann, 2000).

There are many challenges to adopting a shared service centre. One of the main challenges of a shared service centre is achieving the level of satisfaction of their internal customers, which is crucial to a shared service centre (Marciniak, 2013). Achieving a level of customer satisfaction is not an easy task, but it is not impossible either. There are certain areas that shared service centres focus more on, such as cost reduction and efficiency. To successfully achieve these areas means that

there is no reason why the customer satisfaction level could not be realised. However, in order to attain cost reduction and efficiency, the organisation first needs to prioritise and ensure that efficient internal control systems are embedded in the core structure of their shared service centre (Janssen & Joha, 2006). The internal control system should be taken into consideration for each component of a shared service centre. The organisation should never focus on one or several components of internal control in order for it to be fully efficient since all components are equally important and require critical evaluation. Neglecting one component of internal control can be fatal and may lead to inefficiency and the risk of asset loss, which inevitably reduce performance (Lower, 1998).

Effective internal control systems are crucial for shared service centres and should be part of their core foundation (Strikwerda, 2014). An internal control system is very important for shared service centres, as this ensures that they focus on high-risk areas to reduce the risk of fraud and error. Understanding these risks can also assist shared service centres in determining if there are adequate controls to mitigate the risks in those areas. Areas of control that can mitigate risk and should be of urgency to focus on are matters like segregation of duties for any payment made to the vendor, higher-level approval requirements before payment execution, reconciliation performed to a certain account, and approval requirements for a particular report generated by a certain level of executive (Thabit, Solaimanzadah & Al-Abood, 2017).

In Malaysia, one of the shared service centres is the XYZ Shared Service Centre. The XYZ Shared Service Centre was established under the XYZ Company and focuses on industry, infrastructure, transport, and healthcare. The company had generated revenue of €62.3 billion and net income of €6.7 billion as of December 31, 2021. As of September 30, 2021, the company had around 303,000 employees worldwide. Since this company operates worldwide, the establishment of its shared service centre can assist in improving the efficiency of its operations. The XYZ Shared Service Centre serves a large number of customers, both internal and external. The internal customers of XYZ Shared Service Centre are in the Asia Pacific Region. In order to realise the full potential of the XYZ Shared Service Centre, it is expected that an internal control system should be implemented as a core component since one of the main challenges of the shared service centre is satisfying its internal customers.

The purpose of this study was to investigate the influence of internal control components on internal customer satisfaction at XYZ shared service centres. Such a study is important since shared service centres are customer-driven industries where internal customer satisfaction is used to gauge shared service centre performance. The outcomes of this study can shed some light on the factors that can influence internal customer satisfaction and, subsequently, shared service centre performance. The next section, Section 2, presents the literature review. This is followed by Section 3, which provides the research design, and then the results and discussion in Section 4. The final section, Section 5, concludes this study.

LITERATURE REVIEW

Internal Customers' Satisfaction

The service quality principle encourages the satisfaction of both internal and external customers (Jun & Cai, 2010). A good performance monitoring system is required for each company (Kirsty, 2013), but the custom-driven division is the most critical issue in a shared service centre. The shared service centre must satisfy internal customers and, at times, external customers and encourage management to remain relevant (Panggalo et al., 2021). Therefore, it is important to find the right assessment and appraisal measures for performance management when setting up a shared service centre.

Management of performance includes all management functions required for assessment, tracking, and evaluation of progress in all activities of a service contract. The performance of the shared service centre should at least meet the requirements as provided for in the Service Level Agreement (SLA). The SLA is a contract to meet customer requirements and correctly identify them to prevent unreasonable customer expectations in the future (Marciniak, 2012). SLA is not only a legal agreement to provide service that is signed and forgotten to ensure customer satisfaction. It is a tool for the customer to define the requirements for continued services and to set reasonable limits for the service level that can be offered, whether internal or outsourced. Besides the rising service centre, marketing and knowledge play a dedicated role in maintaining customer satisfaction in their responsibilities (Panggalo et al., 2021). It should encourage daily customer and service partner meetings to review the SLA, evaluate established performance measurements, identify performance patterns, and answer known questions.

In order for the shared service centre to maintain customer satisfaction, it needs to take ownership of any risk of fraud and error and build a process to address these concerns, regardless of the source of the problem (Phiri & Mupambwa, 2016). The most crucial aspect that is typically overseen by many organisations is continuous process improvement. In this digital era of automation, constant improvement is essential, especially for shared service centres, where it is more digital-driven.

Internal Control

Internal control is a mechanism conducted by a company's board of managers and other people to ensure fairly that their targets set in the following categories are met: quality and organisational effectiveness, reliability of financial reporting, and observance of the applicable laws and regulations (Lakis & Girlunas, 2012). Internal controls are an integral part of any enterprise's core financial, company, and operational procedures. Management ensures that the company's work is done correctly and efficiently by the client (Abdul Latif et al., 2021). Consequently, Knechel et al. (2007) suggested that they provide a framework to handle the tools available to them to accomplish the goals of the company. Internal controls provide various management steps, as demonstrated in the Romanian banking literature, to ensure that the company operates efficiently, correctly, and accurately.

Farrugia (2002) had a broader definition of internal control as regards preventing the loss of its assets through fraud or mistakes, ensuring accuracy and reliability of the accounts that management uses to make a decision, and encouraging operational efficiencies and compliance with adopted policies. The internal control systems described by Chamsers (1995) included internal control and procedure control. Internal control systems include all of the policies and procedures that directors and managers have adopted to achieve their aims in the most effective way possible, to protect their assets, to prevent fraud and error, and to ensure that the financial information is accurate and timely.

COSO (1994) defined the structure of internal control as a mechanism consisting of the Management Board, the Finance committee, and other individuals who are required to ensure the achievement of the company's goals. The priorities are community effectiveness and operational efficiency, financial reporting transparency, and compliance with legislation and regulations. The Control Process differs from the control procedure according to the Australian Auditing Standard AUS 402 (ISA 400), which represents the management's position and understanding, and behaviour concerning internal controls. As the principles of management vary, the broader perspective of the control elements is always expressed in the above variations in structure and scale (COSO, 1994). Control utilising self-discipline and internal monitors is defined by corporate culture (Ezzamel et al., 1997). COSO (1995) noted that "top-down, regulated, and controlled" organisations prioritise formal checks, while those downsized and empowered take informal checks.

Components of Internal Control

According to Dawson (2003) and Anthony (2004), internal control consists of five components. These components should be implemented to make internal control more effective (Doyle, 2007). The first component is the control environment. The control environment is the internal control mindset, where managers and staff are always mindful of internal control. In its core management should determine that the company structure and accountability relationships affect the culture, style, positive attitude, integrity, ethical interest, completeness, and morale of the person in the control environment. The control environment will affect the business of the company, which forms the basis of the company's total internal control system.

In general, the control environment applies to the company and indicates a commitment to honesty and ethical values. The monitoring system includes the management of testing procedures in order to strengthen their risk management capacity and ensure their productivity in achieving their specific objectives (Frazer, 2012). Mawanda (2008) claimed that the control environment is the most significant element in the functioning of all the others. His point emerged because of the fact that the control climate disturbs the factors that form the basis for control knowledge in management and are distributed to all workers, such as honesty, ethical values, commitment, and competence. He also pointed out that the control system demonstrates the operating style and ideology of the management.

Through specific responsibilities, the management system helps to identify the level of risk and the form of organisational structure in place. Nonetheless, conditions such as inadequate supervisory positions and the elimination of controls, all of which contribute to reduced controls, are defaulting (Ashton, 2004). Efficient control environment in a common service centre is believed to have a positive impact on the customer, as it provides a foundation for a stable operation that identifies all ethics, roles, integrity, and commitment, thus improving customer confidence in the performance of a shared service centre (Metz et al., 2020). Therefore, the following hypothesis was developed:

H1: The control environment significantly influences internal customers' satisfaction in XYZ Shared Service Centre

The second component of internal control is risk assessment. Risk assessment involves identifying and analysing the risks that underlie the unit's goals (COSO, 2009). Risk assessment consists of the use of professional judgement to recognise and evaluate factors that could have an adverse effect on the company and result in a poor financial and non-financial impact. This internal control features the ability of the company to accurately recognise and evaluate factors that could deter it from achieving its objective (Ofori, 2011). Risk assessment and management should be carried out by an organisational effort to identify, assess, and monitor events that threaten to carry out the mission of the organisation. Management should decide whether to accept the risk for each defined risk, reduce the risk to an acceptable level, or avoid the risk. Organisational management should take into account all risks, both internally and externally, which could mean that objectives are not achieved.

Management should measure the severity of the danger, calculate the probability of the risk, and assess the impact or effect on the organisation or the effects of the risk found. The identification of control activities to mitigate identified risks is important to management (COSO, 1994). According to Pickett and Pickett (2005), organisations should have a process for identifying and analysing their risks. There is no basis for information on how to handle risks through the conduct of control activities since the risk has not been established. Based on this report, risk assessment is another important aspect that a typical service centre should be based on, as an effective risk assessment should recognise all risks and explain this finding to customers so that they can appreciate it. Therefore, the following hypothesis was developed:

H2: Risk assessment significantly influences internal customers' satisfaction in XYZ Shared Service Centre

Control activities are policies and procedures established by the government to meet the economic unit's objectives. In order for the internal control system to be successful, management must carry out monitoring activities (Simons, 2019). The organisation should always plan and run its control operations to optimise the advantage at the lowest possible cost. In the design of monitoring activities,

management should therefore also ensure that the costs of carrying out testing activities are never surpassed if an undesirable event takes place (Uwadiae, 2015). Therefore, management should integrate control activities before beginning business processes and procedures because it costs the organisation more to attach control activities after the implementation of processes and procedures, and therefore the allocation of resources to control activities should be focused on the value or possibility of the risks being avoided or reduced.

Manual and automated control activities are tools that help identify, prevent, or reduce risks to the fulfilment of the objectives of the organism. The acts carried out by risk management players are known as control activities (Pickett & Pickett, 2005). Various control activities exist, such as incompatible function segregation, proper transaction authorization, independent performance review, insulation of responsibilities, proper (physical and logical) access control, comparisons, reconciliation, and the design of good documents (Chorafas, 2001). In shared service centres, control activities can be implemented by different personnel handling different tasks. For example, in a shared service centre, the procure-to-pay segment should be segregated into many areas such as procurement, account payable, and payment and separated into three different professionals in order to ensure the procure-to-pay process is run smoothly and efficiently, integrity is maintained, and any risk of error and fraud is kept to the minimum. Hence, effective control activities in shared service centres could minimise fraud and error risk to the minimum level, thus increasing customer satisfaction when processes that are outsourced to shared service centres are handled to minimise the risk of fraud and error. Therefore, the following hypothesis was developed:

H3: Control activities significantly influence internal customers' satisfaction in XYZ Shared Service Centre

The next component of internal control is information and communication. Effective communication would benefit the employees in approving and prescribing internal monitoring and sensitive implementation as a part of a company's ordinary tasks. Oberg and Walgenbach (2008) suggested that the knowledge regarding internal management methods that are the nature of the company is not transparent to an employee, and they generally feel dissatisfied. This suggests that if important information is concealed from employees, it decreases employee trust and effectiveness within the company. This can lead to disappointment. Ofori (2011) argued that an effective and efficient internal control system should be established with important, reliable information that should be recorded and communicated to all company management and other staff. The information should be given to individuals who need it within the appropriate timeframe in order to complete internal control and organisational responsibilities and duties. All staff should understand how their position is linked to others in the monitoring system and how their duties are linked to others through the information and communication framework.

The sharing of useful information between and from individuals and organisations in support of decision-making and planning activities requires information and communication (Adeosun et al., 2008). Management and other staff who need it will receive information promptly that will assist them in performing their duties. In order for internal controls to be efficient, contact with internal clients, staff, suppliers, and other external parties is necessary (Pickett & Pickett, 2005). Arguably, effective information and communication are essential, and in the perspective of a shared service centre, constant information and communication between the shared service centre and their internal customer, at least on a quarterly basis, is necessary in order for an internal customer to keep updated on the progress of the shared service centre and thus have an impact on customer satisfaction. Therefore, the following hypothesis was developed:

H4: Information and communication significantly influence internal customers' satisfaction in XYZ Shared Service Centre

The last component is monitoring. Monitoring is the evaluation of the operation of internal control over time to measure the effectiveness of the internal monitoring, and independent evaluations of assistant controls (Masli et al., 2010). For example, self-assessments, peer reviews, and internal audits, are always to be conducted as a monitoring mechanism. It is important to check if internal control is properly designed and executed for monitoring implementation. Daily internal monitoring and execution of daily duties are performed as evidence of the validity of changing internal control to be efficient. In its internal and external audits, management should always follow recommendations for internal audits and review the internal control monitoring of the company, which can correct the problems found and correct the findings and recommendations of regulators.

Management should focus on internal monitoring, and organisational mission performance. Management should focus on monitoring efforts. To control the company's mission, goals, risk tolerances, and obligations, all staff need to understand them most effectively (Al-Twaijry et al., 2004). The staff of the shared service centre should be told that it is their responsibility to report any defects in the controls prescribed. In addition, companies may find these weak points in the control system through, for example, a study of customer complaints and surveys of customer satisfaction using their own internal customers. Based on the above analysis, it is also necessary to provide input from an internal customer with additional ideas on the efficacy of internal controls that would enhance customer satisfaction. Therefore, the following hypothesis was developed:

H5: Monitoring significantly influences internal customers' satisfaction in XYZ Shared Service Centre

Research Framework

Figure 1 is based on the Agency theory, which is used for describing and addressing issues in the relationships between the directors of the company and their members (Panda & Leepsa, 2017). The Agency Theory is a principle that is used to explain and resolve issues in the relationship between business directors and their agents. The Agency Theory has been used by scholars across a number of disciplines, including organisational behaviour, law, marketing, health care, accounting, and family business. Shared service centres also offer their services to different entities; thus, it is vital that a shared service centre develops an arrangement to match the needs of the client and the numerous values of the business partner in order to ensure that an acceptable relationship is developed to meet the resources of both the principal and the agent. The Agency Theory portrays companies as necessary mechanisms that take care of deals, and therefore, for companies, it is important to create efficient internal control that regulates the lawful actions of employees (Ambrosini et al., 2015), thereby mitigating theft and mistakes at the end of shared service centres.

As shown in Figure 1, the customer satisfaction variable was specified as the concept for this study, whereas the independent variable was the internal management by a shared service centre, which is referred to as an agent. The independent variables comprised of the control environment, risk assessment, control behaviours, information and communication, and surveillance and were divided into an internal control portion.

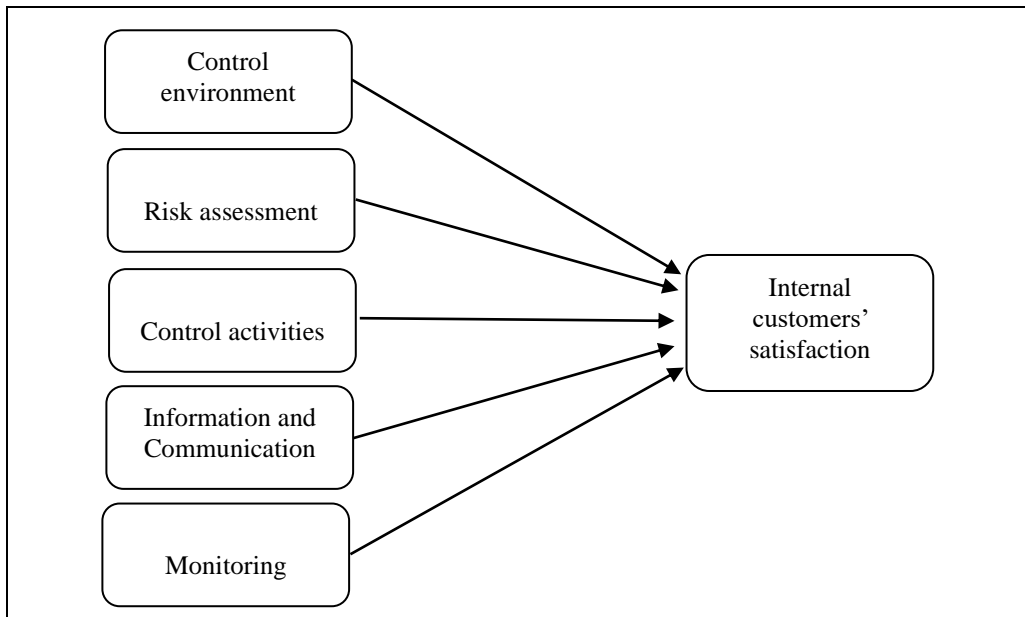


Figure 1: Research Framework

METHODOLOGY

Sample Selection

The study focussed on XYZ Shared Service Centre's internal supervision of the Account Payable department towards customer satisfaction. The internal customers of XYZ Shared Service Centre in the Asia Pacific Region were the target sample. Respondents had to submit feedback on the Account Payable section of the XYZ Shared Service Centre. Internal customers were appropriate respondents to provide input on the elements of the internal control component of customer satisfaction since they were directly from the consumer end. Since auditing accrual-based financial statements would involve all levels of positions, the respondents also included auditors from various levels ranging from supporting groups to top-level management.

This study utilised random sampling, in which the sample in the population was randomly selected due to time constraints. The convenient sampling strategy was ideal for this study to obtain responses rapidly so that data analysis could be performed within the time range (Sekaran & Bougie, 2016). There are several guidelines for determining the number of samples needed for research. Stevens (2002) recommended that for reliable research, there should be at least 15 respondents for each independent variable or at least 45 respondents. On the other hand, Roscoe (1975) recommended that the sample size should be at least 10% of the target population and that the sample size should not be larger than 500 and not smaller than 30. There were 200 internal customer representatives from various divisions and regions in Asia Pacific expected to work at the XYZ Shared Service Centre. For it to be regarded as reliable, at least 50 respondents must be obtained. Therefore, since there were five independent variables, it was expected that this study will need to collect at least 75 respondents.

Research Instrument

The research instrument in this study was a questionnaire survey. The questions were developed based a review of previous studies such as Angelina and Zekiri (2011) and Montri et al. (2015), with some modifications to suit the context of this study. The questionnaire consisted of four sections. Section one requested that the respondents provide personal background information such as age, gender, and experience.

Section two requested that the respondents complete a series of questions related to the internal customer satisfaction level of XYZ Shared Service Centre. The purpose of this section was to determine the level of internal customer satisfaction in the XYZ Shared Service Centre. The questions included *'I am satisfied on overall performance of XYZ Shared Service Centre'*, *'I can rely on data provided by XYZ Shared Service Centre in decision making'*, *'I believe if there any human error/mistake from XYZ Shared Service Centre, it is kept at minimal level and does not affect our operating process significantly'*, *'I never/rarely submit any*

complaint against XYZ Shared Service Centre and *'I believe XYZ Shared Service Centre can assist me in increasing our productivity and focus more on our core business process'*. The respondents were asked to complete the questions in Sections 2–4 based on a 5-point scale.

Section three requested the respondents to complete a series of questions related to the five independent variable components, namely, control environment, risk assessment, control activities, information and communication, and monitoring. The purpose of this section was to determine the features or characteristics that each component of internal control had. For the component of control environment, four questions were asked, namely, *'XYZ Shared Service Centre closely monitors the implementation of internal controls'*, *'XYZ Shared Service Centre has a code of conduct to guide behaviour, activities and decision-making'*, *'XYZ Shared Service Centre has established performance measures and goals which are periodically reviewed for relevance and adequacy in relation to their potential risks'* and *'XYZ Shared Service Centre structure and tone at the top which help them to establish and enforce individual accountability for performance of internal control responsibilities and communicates and supports the accountability for responsible conduct of its personnel'*. The respondents were asked to complete the questions in Sections 2 to 4 based on a 5-point scale.

For the risk assessment component, the respondents were asked to complete four questions. The questions were: *I believe that XYZ Shared Service Centre management has identified and controls the most significant risks'*, *'I agree that XYZ Shared Service Centre assessment of fraud risks considers opportunities for unauthorised acquisition, use and disposal of assets, altering the reporting records, or committing other inappropriate acts'*, *'I believe most significant risks affecting the XYZ Shared Service Centre have been identified and controls designed and implemented that mitigate risks associated with, and I believe XYZ Shared Service Centre ensures that risk identification considers internal and external factors and the potential impact on the achievement of objectives'*. The respondents were asked to complete the questions in Sections 2 to 4 based on a 5-point scale.

In terms of control activities component, the respondents were requested to provide their opinion on 4 questions, namely, *'I believe appropriate Controls had been employed by the XYZ Shared Service Centre include authorizations, approvals, comparisons, physical counts, reconciliations and supervisory controls are sufficient'*, *'I satisfied with XYZ Shared Service Centre management in selecting and develops control activities that are designed and implemented to restrict technology access rights to authorized users commensurate with their job responsibilities and to protect the entity's assets from external threats'*, *'I believe that XYZ Shared Service Centre had identified the appropriate technology controls that address the risks of using applications hosted by third-parties'* and *'I am satisfied that XYZ Shared Service Centre maintains policies and procedures to facilitate the recording and accounting of transactions in compliance with laws, regulations, and provisions of contracts and grant agreements'*. The respondents were asked to complete the questions in Sections 2 to 4 based on a 5-point scale.

In relation to the component of information and communication, the respondents were asked to complete a series of questions. The questions were *'I am satisfied with level of information and communication between XYZ Shared Service Centre and Internal Customer in general basis'*, *'I believe XYZ Shared Service Centre had sufficient information is identified and communicated in a timely manner to enable personnel in Shared Service Centre to perform their responsibilities'*, *'I believe that XYZ Shared Service Centre had appropriate Communication that helps to evaluate how well the guidelines and policies'* and *'I believe that all employees of XYZ Shared Service Centre had been communicated and understand the concept and importance of internal control'*. The respondents were asked to complete the questions in Section 2 to 4 based on a 5-point scale.

For the monitoring component, the respondents were requested to complete three questions. The two questions were *'I am satisfied with the level of adequacy of XYZ Shared Service Centre management in taking timely actions to correct deficiencies reported by the external auditors, financial and programmatic monitoring, or internal reviews'*, *'I am satisfied with XYZ Shared Service Centre periodically valuating its business processes such procure to pay, order to cash and record to report process'* and *'I am satisfied with level of staffing, training and skills of people performing the monitoring given the environment and monitoring activities which include observations, inquiries and inspection of source documents of XYZ Shared Service Centre'*. The respondents were asked to complete the questions in Section 2 to 4 based on a 5-point scale.

Data Collection

A pilot study was carried out prior to the distribution of the questionnaires to the respondents. The pilot study was then carried out by distributing a modified questionnaire to three peers at XYZ Shared Service Centre, which was critical in determining whether the instruments employed are understandable and suitable for research purposes. The pilot study analysis feedback was then analysed to see if any unclear language or vague questions raised were eliminated or rephrased. Following the completion of the pilot study, the researchers requested authorization from the Compliance Officer of XYZ Shared Service Centre to distribute the questionnaires to XYZ Shared Service Centre internal customers.

The survey was conducted through a Google Form, which was convenient and easily accessible by all respondents, apart from being highly user-friendly. The company e-mail was used to send the questionnaires to all respondents, stating that this was a voluntary study but that it will also aid management in the process of improvement of the XYZ Shared Service Centre. A cover letter outlining the purpose of the study and ensuring the confidentiality of all information supplied was also attached to the email with the questionnaires circulated. A total of 200 surveys were delivered to respondents, who are internal XYZ Shared Service users. A total of 152 questionnaires were collected and completed out of 200, yielding a 76% response rate.

RESULTS AND DISCUSSION

Demographic Profile

Table 1 shows the demographic profile of the respondents in descriptive statistics. More than half of the respondents were male (69.6%), with females accounting for the remaining 30.3%. With 51.3%, respondents between 30 and 39 years old were slightly more than half of the total, followed by respondents between 18 and 29 years old with 35.5% and respondents between 40 and 49 years old with 11.8%. The responders above the age of 50 had the lowest age distribution (1.3%).

As demonstrated in Table 1 the majority of respondents (57.9%) were senior executives. This was followed by junior executives, who accounted for 26.3% of all respondents, assistant managers or supervisors, who accounted for 9.2%, senior managers, who accounted for 5.3%, and operation assistants or clerks, who accounted for only 1.3% of all respondents. Overall, the majority of respondents were senior and junior executives who were actively involved in day-to-day operations and were well versed in the operations on a daily basis. Finally, 65.8% of respondents had worked for the organisation for 0 to 5 years. This was followed by 27.6% of those who had worked for the company for 5 to 10 years. Those who had been with the company for more than ten years had the lowest distribution, accounting for 6.6% of all respondents.

Table 1: Demographic Profile

Items	N	Percent
Gender		
Male	106	69.7
Female	46	30.3
Age		
18 to 29 years old	54	35.5
30 to 39 years old	78	51.3
40 to 49 years old	18	11.8
Above 50 years old	2	1.3
Position Rank		
Senior manager	8	5.3
Assistant manager/ Supervisor	14	9.2
Senior executive	88	57.9
Junior executive	40	26.3
Operation assistant/ Clerks/ Officer	2	1.3
Years in XYZ Shared Service Centre		
Less than 5 years	100	65.8
5 to 10 years	42	27.6
Above 10 years	10	6.6

Descriptive Statistics

Table 2 presents the descriptive statistics of internal customer satisfaction in the XYZ Shared Service Centre. As shown in Table 2 the highest mean score provided by the respondents was for the statement 'I am able to rely on data provided by XYZ

Shared Service Centre in decision making’ with 4.1711, followed by the statement *‘I believe XYZ Shared Service Centre is able to assist us in increasing our productivity and focusing more on our core business process’* with a mean score of 4.0789, and the statement *‘I believe if there is any human error or mistake from XYZ Shared Service Centre, it is kept at a minimal level and does not affect our operating process significantly’* with a mean score of 4.0395. The respondents provided the lowest mean score for the statement *‘I am satisfied with the overall performance of XYZ Shared Service Centre, with a mean score of 3.8947*. Such a response showed that, although they believed that the Shared Service Centre had provided a certain level of services, their overall satisfaction was just slightly above average.

Table 2: Descriptive Statistics of Internal Customer Satisfaction

No.	List of Item	Mean	Std. Deviation
1	I am satisfied on overall performance of XYZ Shared Service Centre.	3.8947	1.11450
2	I am able to rely on data provided by XYZ Shared Service Centre in decision making.	4.1711	0.88526
3	I believe if there any human error/mistake from XYZ Shared Service Centre, it is kept at minimal level and does not affect our operating process significantly.	4.0395	0.93010
4	I never/rarely submit any complaint against XYZ Shared Service Centre.	4.0132	1.02623
5	I believe XYZ Shared Service Centre able to assist us in increasing our productivity and focus more on our core business process.	4.0789	1.00350

Table 3 presents the descriptive statistics of the control environment. The respondents provided the highest mean score for the statement *‘I believe that XYZ Shared Service Centre has established performance measures and goals that are periodically reviewed for relevance and adequacy in relation to their potential risks,* with a score of 4.13116. This was followed by the statement *‘I believe that XYZ Shared Service Centre bank has a code of conduct to guide behaviour, activities, and decision-making’* with a mean score of 4.0921, and then the statement *‘I believe that XYZ Shared Service Centre bank closely monitors the implementation of internal controls’* with a mean score of 4.0789.

Table 3: Descriptive Statistics of Control Environment

No.	List of Item	Mean	Std. Deviation
1	I believe that XYZ Shared Service Centre bank closely monitors the implementation of Internal Controls	4.0789	0.93471
2	I believe that XYZ Shared Service Centre bank has a code of conduct to guide behaviour, activities and decision- making.	4.0921	0.94060

3	I believe that XYZ Shared Service Centre has established performance measures and goals which are periodically reviewed for relevance and adequacy in relation to their potential risks.	4.1316	0.88457
4	I am satisfied with XYZ Shared Service Centre structure and tone at the top which help them to establish and enforce individual accountability for performance of internal control responsibilities and communicates and supports the accountability for responsible conduct of its personnel	4.0658	1.03712

Table 4 presents the descriptive statistics of risk assessment. Based on Table 4, the respondents provided the highest mean score for the statement *‘I believe XYZ Shared Service Centre ensures that risk identification considers internal and external factors and the potential impact on the achievement of objectives’* with a mean score of 4.1447, followed by the statement *‘I believe that XYZ Shared Service Centre management has identified and controls most significant risks’* with a mean score of 4.0921, and the statement *‘I believe most significant risks affecting the XYZ Shared Service Centre have been identified and controls designed and implemented that mitigate risks associated with them’* with a mean score of 4.0658.

Table 4: Descriptive Statistics of Risk Assessment

No.	List of Item	Mean	Std. Deviation
1	I believe that XYZ Shared Service Centre management had identified and controls most significant risks.	4.0921	0.88208
2	I agree that XYZ Shared Service Centre assessment of fraud risks consider opportunities for unauthorized acquisition, use and disposal of assets, altering the reporting records, or committing other inappropriate acts.	4.0395	1.06384
3	I believe most significant risks affecting the XYZ Shared Service Centre have been identified and controls designed and implemented that mitigate risks associated with it.	4.0658	0.94284
4	I believe XYZ Shared Service Centre ensures that risk identification considers internal and external factors and the potential impact on the achievement of objectives.	4.1447	0.97576

Table 5 presents the descriptive statistics of control activities. The respondents provided the highest mean score for the statement *‘I am satisfied with XYZ Shared Service Centre management’s selection and development of control activities that are designed and implemented to restrict technology access rights to authorised users commensurate with their job responsibilities and to protect the entity’s assets from external threats’*, with a mean score of 4.1184. This was followed by the statement, *‘I believe that XYZ Shared Service Centre has identified the appropriate technology controls that address the risks of using applications hosted by third parties’*, with a mean score of 4.0658. The lowest mean score provided by the respondents was for the statement *‘I believe appropriate controls have been employed by XYZ Shared Service Centre, including authorizations, approvals, comparisons, physical counts, reconciliations, and supervisory controls’*, with a

mean score of 4.000. All the items achieved mean scores of 4.00 above the average of 4.04934 for each item.

Table 5: Descriptive Statistics of Control Activities

No.	List of Item	Mean	Std. Deviation
1	I believe appropriate controls had been employed by XYZ Shared Service Centre include authorizations, approvals, comparisons, physical counts, reconciliations and supervisory controls are sufficient.	4.0000	0.97980
2	I am satisfied with XYZ Shared Service Centre management in selecting and develops control activities that are designed and implemented to restrict technology access rights to authorized users commensurate with their job responsibilities and to protect the entity's assets from external threats.	4.1184	0.97935
3	I believe that XYZ Shared Service Centre had identified the appropriate technology controls that address the risks of using applications hosted by third-parties.	4.0658	0.98435
4	I am satisfied that XYZ Shared Service Centre maintains policies and procedures to facilitate the recording and accounting of transactions in compliance with laws, regulations, and provisions of contracts and grant agreements.	4.0132	0.97288

Table 5 presents the descriptive statistics of control activities. The respondents provided the highest mean score for the statement *'I am satisfied with XYZ Shared Service Centre management's selection and development of control activities that are designed and implemented to restrict technology access rights to authorised users commensurate with their job responsibilities and to protect the entity's assets from external threats'*, with a mean score of 4.1184. This was followed by the statement, *'I believe that XYZ Shared Service Centre has identified the appropriate technology controls that address the risks of using applications hosted by third parties'*, with a mean score of 4.0658. The lowest mean score provided by the respondents was for the statement *'I believe appropriate controls have been employed by XYZ Shared Service Centre, including authorizations, approvals, comparisons, physical counts, reconciliations, and supervisory controls'*, with a mean score of 4.000. All the items achieved mean scores of 4.00, above the average of 4.04934 for each item.

Table 6: Descriptive Statistics of Information & Communication

No.	List of Item	Mean	Std. Deviation
1	I am satisfied with level of information and communication between XYZ Shared Service Centre and internal customer in general.	4.1447	0.89000
2	I believe XYZ Shared Service Centre had sufficient information is identified and communicated in a timely manner to enable personnel in Shared Service centre to perform their responsibilities.	4.0658	0.89942

3	I believe that XYZ Shared Service Centre had appropriate communication that helps to evaluate how well the guidelines and policies.	4.0789	0.99013
4	I believe that all employees of XYZ Shared Service Centre had been communicated and understand the concept and importance of internal control	4.1579	0.95293

Table 7 presents the descriptive statistics of monitoring. The results showed that the respondents provided the highest mean score for the statement ‘*I am satisfied with the level of staffing, training, and skills of people performing the monitoring given the environment and monitoring activities, which include observations, inquiries, and inspection of source documents of XYZ Shared Service Centre*’. with a mean score of 4.1053.

Table 7: Descriptive Statistics of Monitoring

No.	List of Item	Mean	Std. Deviation
1	I am satisfied with level of adequacy of XYZ Shared Service Centre management in taking timely actions to correct deficiencies reported by the external auditors, financial and programmatic monitoring, or internal reviews.	3.9079	0.98221
2	I am satisfied with XYZ Shared Service Centre periodically evaluates its business processes such procure to pay, order to cash and record to report process.	4.0395	0.99921
3	I am satisfied with level of staffing, training and skills of people performing the monitoring given the environment and monitoring activities which include observations, inquiries and inspection of source documents of XYZ Shared Service Centre.	4.1053	1.12640

This was followed by the statement ‘*I am satisfied with the way XYZ Shared Service Centre periodically evaluates its business processes, such as procure to pay, order to cash, and record to report*’, with a mean score of 4.0395, and the statement ‘*I am satisfied with the level of adequacy of XYZ Shared Service Centre management in taking timely actions to correct deficiencies reported by the external auditors, financial and programmatic monitoring, or internal reviews*’, with a mean score of 3.9079.

Preliminary Analyses

This study performed the reliability test to measure the internal consistency of the variables by examining the Cronbach’s alpha, where a result of 0.7 or higher is considered acceptable. Table 8 shows the values of Cronbach’s alpha for every factor, which were internal customer satisfaction, control environment, risk assessment, control activities, information and communication, and monitoring. The results showed that the Cronbach’s Alpha values were above 0.7, which is considered acceptable (Hair, Black, Babin & Anderson, 2014).

Table 8: Reliability of Construct

Variable's Name	No. of Items	Cronbach's Alpha
Internal Customer Satisfactory	5	0.804
Control Environment	4	0.810
Risk Assessment	4	0.781
Control Activities	4	0.763
Information & Communication	4	0.760
Monitoring	3	0.755

Subsequently, this study performed the normality test to determine whether or not the data was normally distributed using the skewness and kurtosis values. The values for skewness and kurtosis that ranged from -2 to +2 are acceptable to be considered normal distributions. As shown in Table 9 the values for skewness and kurtosis for all the variables in this study were in the range of -2 to 2. This implied that the mean score for all variables in this study was normally distributed. However, there were few Kurtosis values higher than 2, which implied that higher than +2 kurtosis values indicated a pointy and heavy-tailed distribution (George & Mallery, 2010).

Table 9: Normality Test Results

Variables	Normality Test		Mean
	Skewness	Kurtosis	
Internal Customer Satisfaction	-1.225	1.968	4.03947368
Control Environment	-1.483	2.329	4.09210526
Risk Assessment	-1.539	2.670	4.08552632
Control Activities	-1.381	2.170	4.04934211
Information & Communication	-1.438	2.779	4.11184211
Monitoring	-1.284	1.696	4.01754386

Correlation Analysis

Table 10 presents the results of the correlation analysis. The results showed that all the internal control components had a significant and positive correlation with internal customer satisfaction. Specifically, the results showed a control environment with $r = 0.881$, $p < 0.01$, risk assessment with $r = 0.914$, $p < 0.01$, control activities with $r = 0.870$, $p < 0.01$, information and communication with $r = 0.923$, $p < 0.01$, and monitoring with $r = 0.836^{**}$, $p < 0.01$.

Table 10: Correlation Results

Variables	Internal Customer Satisfactory	
	Pearson Correlation Coefficient (r)	p-value
Control Environment	0.881**	0.000
Risk Assessment	0.914**	0.000
Control Activities	0.870**	0.000
Information & Communication	0.923**	0.000
Monitoring	0.836**	0.000

** . Correlation is significant at the 0.01 level (2-tailed).

Multiple Regression Analysis

Table 11 shows the summary of the multiple regression results for the statistics of its overall fit. The R^2 results showed that 91.4% of the variation in internal customer satisfaction was explained by the variation in control environment, risk assessment, control activities, information and communication, and monitoring. The F-test is used for the overall significance of the model and shows whether or not there is a linear relationship between all of the independent variables and the dependent variable. As shown in Table 12, the F value of the model was deemed significant [$F(5,70) = 149.244$, $p < 0.001$], which implied that at least one of the independent variables had a significant linear relationship with internal customer satisfaction (the dependent variable).

Table 11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.956a	0.914	0.908	0.22576

a. Predictors: (Constant), MeanG, MeanF, MeanE, MeanD, MeanC

Table 12: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	38.034	5	7.607	149.244	.000
Residual	3.568	146	0.051		
Total	41.602	151			

It can be seen in Table 13 that the p-values of risk assessment (p-value = 0.020), control activities (p-value = 0.044), and information and communication (p-value = 0.001) were less than 0.05, indicating that there was evidence that risk assessment, control activities, and information and communication affected internal customer satisfaction at the 5% significance level.

Table 13: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	β		
1	(Constant)	-0.109	0.157		-0.694	0.490
	Control Environment	0.040	0.107	0.040	0.371	0.711
	Risk Assessment	0.252	0.106	0.254	2.372	0.020
	Control Activities	0.207	0.101	0.208	2.052	0.044
	Information & Communication	0.403	0.112	0.385	3.601	0.001
	Monitoring	0.154	0.094	0.132	1.644	0.105

a. Dependent Variable: MeanB

As such, H2, H3, and H4 were supported. Meanwhile, control environment with a p value of 0.711 and monitoring with a p value of 0.105, which is higher than 0.05 at the 5% significance level, implied that there was evidence that resource availability did not significantly affect control environment and monitoring. Therefore, H1 and H5 were not supported.

The main objective of the study was to examine the impact of internal control components, which consisted of control environment, risk assessment, control activities, information and communication, and monitoring as per the framework that had been identified by COSO, on internal customer satisfaction at XYZ Shared Service Centre. The findings showed that control activities, information, and communication do significantly influence internal customer satisfaction, as H2, H3, and H4 were supported, and this result is parallel to a previous study (Pickett & Pickett, 2005). This implies that the internal control component of control activities, information, and communication are crucial in the shared service centre in order to achieve a high level of internal customer satisfaction.

The findings of this study provide evidence that internal control components identified from the COSO integrated theoretical framework could have a positive impact on internal customer satisfaction at XYZ Shared Service Centre. Furthermore, from the debate over the findings of this study, it can be concluded that this study provides empirical evidence that there is a positive and significant relationship between the three components of internal control (risk assessment, control activities, information, and communication) and internal customer satisfaction. The results of the hypothesis analysis indicated that access, control, information behaviour, and communication significantly influenced internal customer satisfaction. These results are consistent with the conclusions of an earlier study by Pickett and Pickett (2005).

This study, however, showed that, the control environment and monitoring did not significantly influence internal customer satisfaction, where H1 and H5 were not supported. This could implied that internal customers of XYZ Shared Service Centre did not believe that the control environment and monitoring impacted their satisfaction with XYZ Shared Service Centre. It is also possible that the internal client of the XYZ Shared Service Centre may lack awareness about the influence of the control environment and monitoring on its production level. Such findings could also be attributed to only one shared service centre being examined in this study. Hence, further studies need to be carried out by other institutions in order to have more reliable information.

Overall, the findings of this study provide evidence that risk assessment, control activities, information, and communication have a significant influence on internal customer satisfaction at XYZ Shared Service Centre but not control environment and monitoring.

CONCLUSION

This study investigated whether internal control components can impact internal customer contentment in a Malaysian company's shared service centre. In particular, five COSO-based internal control components were selected: control environment, risk assessment, control activities, information and communication, and monitoring. This study demonstrated, through a questionnaire survey of employees at a shared service facility, that three internal control components impacted internal customer satisfaction. The three are internal control risk evaluation, control activities, and information and communication. This study demonstrated, however, that control environments and monitoring had no effect on internal consumer satisfaction.

This study is not without limitations. Since this was an applied study, the findings may not be generalizable to other industries since the focus of this study was internal customer satisfaction at a shared service centre. In addition, the number of respondents answering the survey was also noticeably low, partly due to the fact that the month in which the survey was conducted was a peak period in the XYZ Shared Service Centre; it was the year-end financial closing for the company.

This study adds additional findings to the literature on internal control components and the internal customer satisfaction level of XYZ Shared Service Centre. This study provides empirical evidence of the impact of internal control components on internal customer satisfaction at XYZ Shared Service Centre. This finding can be used by XYZ Shared Service Centre to enhance their internal control more effectively in order to achieve the SLA that has been agreed upon between their internal customers and XYZ Shared Service Centre. Achieving the SLA of XYZ Shared Service Centre could improve and enhance their internal customer satisfaction level. This study is not only limited to XYZ Shared Service Centre but could also be utilised by other institutions that are beginning to implement their own Shared Service Centre in order to understand the importance of establishing effective internal control as a core foundation in their Centre.

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