Chapter XXV

HR Shared Service Centers: From Brand Management Towards Success

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ABSTRACT

In this chapter the authors consider articles in professional literature regarding Human Resource Centers, with the goal to explore issues raised by practice: motivation, risk analysis, structure and implementation. Using Grounded Theory approach, they analysed 34 articles, and through open and axial coding, we have modeled the HR SSC’s.

INTRODUCTION AND RESEARCH QUESTIONS

A SSC can be viewed as a particular kind of sourcing arrangement having a long-term and strategic impact (Bergeron, 2003). The popularity of SSC’s originate in a combination of advantages, including efficiency gains and an increase in service quality without giving up the control of the organizational and technical arrangements and expertise (Janssen and Joha, 2006).

Bergeron (2003) states that SSC’s are designed to promote efficiency, value generation, cost savings, and improved service for internal customers of the parent corporation.

Given the hybridisation of centralized and decentralized models in SSC’s, their promises reflect that structural dilemma:

• By centralizing HR activities, the basic promise is that HR services are provided by a local unit with relatively low costs (broadening the scope and scale of services, elimination of redundant HR functions, clarification of communication lines, minimizing response time for remote clients);

• By decentralizing HR activities, the basic premise is that HR services become more flexible (alignment with the corporate needs,
synergy of HR services, increase of mutual learning).

Definitions of HR SSC abound, with little consistency or agreement in sight. Why do we need to know those definitions? The answer is rather simple: even minor variants in terminology may result in the study of different phenomenon, or of various subsets of the possible sourcing population (Willcocks et al., 2006).

We follow Janssen and Joha (2006) and define SSC as ... a separate and accountable semi-autonomous unit within an (inter)organizational entity, used to bundle activities and provide specific predefined services to the operational units within that (inter)organizational entity, on the basis of agreed conditions (ibid, p. 102).

SSCs thus are regarded to enable companies to maintain control of core support functions, avoid duplications, and offer services more efficiently and at lower cost (Cooke, 2000).

Several reasons pushed an HRM field into the Shared Service arrangements. We claim that those reasons are:

- Growth of the HRM function in size and costs that requested new efficient structures;
- Diversity of HR processes and practices that called for unification especially within global and international organizations;
- Emerging of ERP packages that offered enabling technological structures for HR outsourcing;
- Globalization that put a high pressure on organizations when global alliances, acquisitions, joint ventures, and competitors resulted in situations that companies were simultaneously customers, vendors, competitors and distributors. This requested HR to experiment with new organizational forms to increase the speed and accuracy of organizational diagnoses, and to facilitate the allocation of resources to areas where they were most needed (Wright et al., 1999);
- Inflexibility of organizational structure called for SSC’s that were viewed to give organizations a greater degree of structural flexibility to respond to business changes (Cooke, 2006).

It is not surprising, therefore, that HR SSC’s are popular in organizational life. And it is also true that the first knowledge about HR SSC was accumulated within so-called professional literature since end of 1990’s. In our research we were interested in the knowledge developed by practitioners about HR SSC. It is fairly much agreed upon in the HR world that a gap exists between research and practitioner writings (Dipboye, 2005; Deadrick and Gibson, 2007). The practitioner writings on the subject grew significantly, however the academic literature seemed to be lacking behind (Cooke 2006). Therefore, in this chapter we aim to study professional literature in order to gain insights into HR SSCs from practice, and to model the concept of HR SSC’s based on the findings from this literature.

CLOSING THE GAP: ‘WHAT HRM ACADEMICS CAN LEARN FROM PRACTICE’

SSCs were evermore frequently used for HR purposes during the last two decades. Yet the academic research about this phenomenon contrasted sharply with the attention it had got from HR practitioners and consultancy firms. Issues surrounding this phenomenon were ambiguously spoken of and the urge for academics to pick it up and conduct non ambivalent research was necessary.

Despite of the increase of HR research in general and the growing importance of the HR function, the science and practice of HR remain separated. Dulebohn et al. (1995) argued that this is the result of the different focus of HR researchers. Deadrick and Gibson (2007) showed with an analysis of 4300 professional and academic