Chapter 5

A Framework for the Comparative Analysis of HR Shared Services Models

Tanya Bondarouk

Abstract

While there is a growing body of research demonstrating that HR Shared Services can offer a value-creating structure for HRM within organizations, there remains considerable room for improving our understanding of it. The premise of this chapter is that the mixture of HR Shared Services outcomes leans on the diversity of the governance structures, which rest in turn on several contingency factors. This means that every HRM Shared Services Model (SSM) is unique in its structure, and thus the value proposition of every HRM SSM is unique. Therefore, instead of promoting a standard package of values expected from HR shared services, organizations should develop unique value propositions that are contingent on their unique governance structures.

Introduction

By developing technology-enabled HRM, companies can diversify their HR delivery channels and strategically build up the architecture of their HRM function (Lepak, Bartol, & Erhardt, 2005). Contingent on several factors such as business strategy, orientation of HR professionals, and availability of information technologies, firms choose which HR practices to keep in-house, which to outsource, and which to bundle in HR Shared Services Centers. The concept of HR Shared Services has been growing in parallel with e-HRM since the end of the 1990s. Researchers see several overlapping issues between e-HRM and HR Shared Services in the literature; they point out that these developments are playing a crucial role in the formation of the modern HRM function architecture along with the devolution of HR responsibilities to line managers and employees, bundling HR practices and knowledge, and enabling convergence–divergence of HRM policies in international companies (Cooke, Shen, & McBride, 2005; Fletcher, 2005; Kanter, 2003).

Indeed, it is not difficult to notice that these innovations, e-HRM and HR Shared Services, have much in common. First of all, they have experienced similar patterns of growth (Bondarouk & Ruël, 2009; Tremblay, Patry, & Lanoie, 2008). Second, they have largely provided decentralization and re-structuring of the modern HRM function in organizations (Maatman, Bondarouk, & Looise, 2010; Meijerink & Bondarouk, 2010). Third, both are expected to contribute to cutting HRM costs through centralizing and formalizing administrative HR activities. Finally, a vital attribute of both is that they renewed the importance of HRM in providing better HR services to employees and bringing HRM to a strategic arena in organizations. I see an important difference between e-HRM and HR Shared Services, however. While the studies into e-HRM have identified several key theoretical concepts for explaining the e-HRM experience, the research field of HR Shared Services has not yet reached a consensus about its theoretical basis. Furthermore, several studies have shown that e-HRM serves as the first technological step toward establishing HR Shared Services (for a review, see Maatman et al., 2010).

While there is a growing body of research demonstrating that HR Shared Services can offer a value-creating structure for HRM within organizations, there remains considerable room for improving our understanding it. For example, existing studies take a three-fold value proposition of HR Shared Services (efficiency — effectiveness — HR services improvement) for granted, while failing to explain the mechanisms enabling the value creation. As a result, little is known about whether HR Shared Services create anticipated value and meet organizational expectations. At the same time, business reality shows a great diversity in the impact HR Shared Services have on HR functions and organizations as a whole and in the inter-organizational structural arrangements that govern HR Shared Services. The premise of this chapter is that the mixture of HR Shared Services outcomes leans on the diversity of the governance structures, which rest in turn on several contingency factors. At the risk of being ''too classic,'' I suggest reassessing the classic contingency thinking to conceptualize the links between combinations of contingencies and diversities in structures of HR Shared Services. Thus, my particular interest is the governance of the intra-organization HRM Shared Services Model (SSM) that includes different HRM partners, an HRM service provider, decentralized business units, and corporate HR. Specifically, I address the mechanisms designed to reduce uncertainty within an intra-organization HRM model. Moreover, this chapter presents a perspective that hopefully will provide a basis for comparative analysis of HR Shared Services. The structure of this chapter is as follows. First, I introduce an HRM SSM. Then, drawing from a range of theoretical perspectives, I explore potential avenues for future research that might be helpful to conceptualize and compare governance mechanisms of HRM SSMs.

HRM Shared Service Models: Definitions and Motives

There is not much consensus among researchers in defining HR Shared Services, and examination of the literature shows that it is often associated with the HRM Shared

Services Center (HRM SSC) providing only administrative HR activities, although organizations nowadays are moving toward using HR Shared Services for transformational HRM. Moreover, the term HRM SSC is used as a container notion in various contexts of HR Shared Services provision (Maatman et al., 2010) and is interchangeably confused with terms like Shared Services, HR Call Centers, or HR Expertise Centers (Bergeron, 2003; Buijs, Van Doorn, & Noordam, 2004; Janssen & Joha, 2006; Strikwerda, 2003; Ulrich & Brockbank, 2005).

In order to reduce the confusion and establish a clear definition of HR Shared Services, Maatman et al. (2010) offered a concept of an HR Shared Services Model (HRM SSM). This concept is based on several elements. First, the content of the services provided in an HRM SSM is determined primarily by the customer. Second, as a result, the configuration of the characteristics of these services can also differ between different HRM SSMs. Third, in a single HRM SSM, different groups of end-users might receive different HR services. Therefore, the very specific nature of this collection of services cannot be generalized as it will differ from HRM SSM to HRM SSM. What services are provided through the SSM depends on the anticipated value created by the delivery of specific activities through shared services (Maatman et al., 2010). As such, the adoption of shared services for HRM by an organization should not be considered as simply bundling administrative capacity into a center that provides shared services, but as an attempt to restructure the HRM function and the relationships, responsibilities, and delegation of tasks within HRM and also within the organization as a whole.

Maatman et al. (2010) argue that comprehensive understanding of the HRM SSM comes from integrating the aforementioned features: (1) shared service components matched to the specific types of end-users, (2) semi-autonomous business units that provide the HR services, and (3) an intra-organizational HRM arrangement. The last feature is understood in this context as a formal structure defining the responsibility and delegation of tasks within a business function (Dibbern, Goles, Hirschheim, & Jayatilaka, 2004). The provider of shared services within the HRM SSM has a position within the intra-organizational HRM arrangement that may vary among HRM SSMs and is therefore an additional distinctive feature. There will be variations in favored position in different situations, and this will, for example, indicate how the service provider is governed, what its responsibilities are, and how it is funded (Strikwerda, 2003).

It has been argued that the combination of these features makes every HRM SSM unique, with its own idiosyncratic characteristics depending upon the organization (Maatman et al., 2010). However, to leave a reader with such an escape seems too simplistic. It is the purpose of this chapter to offer a comprehensive comparative organizing framework that permits the analysis of HRM SSMs.

In an integrative way, I follow a definition offered by Maatman et al. (2010) in which an HRM SSM viewed as a collection of HR Shared Services provided by a semi-autonomous business unit on the basis of agreed conditions, whose characteristics are determined by the customers.

After an examination of the existing literature, the motives for establishing the HR Shared Services also become more nuanced than just cutting costs. Table 1 shows that motives for establishing HR Shared Services can be divided into four categories: strategic and organizational, political, technical, and economic. Although these four

Table 1: Motives for establishing HR Shared Services (adapted from Janssen & Joha, 2006; Baldwin, Irani, & Love, 2001).

Motives associated with HR SSCs	
Strategic and organizational motives	Focus on core business Gain access to high-quality HR services and skills Share risks and rewards Speedy response to HR needs (quick decision-making) Increase productivity Professionalism of service provision Reduction of uncertainty/complexity Clear control of the HR function Synergy and concentration of innovation One-stop shop Standardization of functionality and processes Dissemination and imposing of successful practices
Political motives	Enhancing credibility Solving internal conflicts Elimination of local and complicated control of the HR function
Technical motives	Access to expertise Better performance of local HR staff Higher service levels Concentration of technical and project management expertise Standardization of platform and application vendors Better information security and authorization by centralization Consolidation of experiences Lowering control and maintenance costs Accountability of control Control of HR costs and better cost predictability Reduction of overcapacity by consolidation of systems
Economic motives	Lowering control and maintenance costs Accountability of control Control of costs and better cost predictability Generating a cash flow Converting capital assets to revenue Freeing resources for core activities Reduction of overcapacity by consolidation of systems

groups serve as reasons for establishing HRM SSMs, the consequences of such HRM arrangements often deviate from the motives or even bring new results. I suggest discussing the value proposition of HRM SSM as a unifying term covering different prescribed and unforeseen consequences. I take value as a two-dimensional construct consisting of use value and exchange value (Bowman & Ambrosini, 2003; Lepak, Smith, & Taylor, 2007).

Use value refers to the quality of a service as perceived by end-users in relation to their needs. Exchange value refers to the monetary amount paid by end-users to sellers to capture the use value of a focal service (Lepak et al., 2007). Thus, use value in the case of HR Shared Services is defined as the quality of an HR service as perceived by end-users in relation to their needs. However, in an HR Shared Services arrangement, the clients of HR Shared Services (the business units) pay for the delivery of HR services (Strikwerda, 2004), whereas end-users need to expend effort in order to receive use value from HRSS (Cooke, 2006). Therefore, I define exchange value in the case of HR Shared Services as the amount of effort expended by end-users for the capture of its use value. After all, both definitions suggest that HR Shared Services value creation depends on the perceived value of HR services as offered by HR Shared Services and the willingness of end-users to spend time in order to capture that value.

Positioning of HRM Shared Services Providers Within Organizations

After an analysis of the studies into HRM SSMs, Maatman et al. (2010) concluded that although there seems to be an implicit agreement about positioning of HRM SSMs, it remains difficult to classify the various HRM SSM forms clearly. Reilly (2000), for example, failed to find a common model for the activities provided through shared services in his study of 15 organizations. Strikwerda (2003) and Farndale, Paauwe, and Hoeksema (2009) found a wide diversity in the organizational structures for operating HRM SSMs, and concluded that it was difficult to generalize about their classification. However, researchers keep on attempting to offer a set of models for incorporating the service providers within organizations. For example, Quinn, Cooke, and Kris (2000) specify four HRM SSM types: the basic, the market-place, the advanced marketplace, and the independent business models, which are differentiated by the types of activities provided, the characteristics of the relationship between the service provider and the business units, and the government of the service provider. Strikwerda (2003) offers four other alternative positions for the service provider within an organization: the service provider as an extension of the HRM staff department; the service provider as an infrastructure; the service provider within one of the business units; and the internal joint venture.

To reduce confusion about the positioning of HRM service providers within organizations, I propose to look at one of the main features of HRM SSMs — their structural potentials to combine central–decentral models. The debate over centralization and decentralization of the HRM function is on-going. According to Tessema, Soeters, and Ngoma (2009), decentralization and centralization refer to the extent to which authority is either passed down to lower organizational levels or retained at the top.

Boundary Management: Hybrid Structure of HRM SSMs

The popularity of HRM SSMs originates in a combination of motives, including efficiency gains and an increase in service quality without giving up the control of the organizational and technical arrangements and expertise (Janssen & Joha, 2006).

In classic organization studies, the establishment of HRM SSMs can be viewed as a special case of organizations trying to cope with uncertainty. As organizations encounter environmental complexity and instability, they traditionally tend to differentiate their internal structures and create special sub-units capable of responding to the dynamic environment (Lawrence & Lorsch, 1967). I follow a definition of differentiation given by Lawrence and Lorsch (1986, p. 11): "the difference in cognitive and emotional orientation among managers in different functional departments." However, a classic differentiation model for organizing — although ideal for rigid functional firms — is often insufficient for modern organizations dealing with global, virtual, networked, or multinational structures. Modern organizations extend differentiation from within-corporation boundaries toward bundling corporate resources in a new incorporated structure. Professionalization of the HRM function implies differentiation by internal (and external) partnership, contractual arrangements, and/or alliances (Lepak & Snell, 1998). Relying on new HRM architectures hopefully allows HRM to respond quickly and adequately to the dynamism of the environment. Yet while increasing flexibility and responsiveness to the environment, HRM function promotes structural integration (Lawrence & Lorsch, 1967), defined as "the quality of the state of collaboration that exists among departments that are required to achieve unity of effort by the demands of the environment" (Lawrence & Lorsch, 1986, p. 11). As HRM becomes more differentiated and flexible, it should introduce integrative structures and methods for coordinating diverse activities.

HRM SSMs, focusing on an HRM Shared Services provider, strive to cope with HRM and intra-organizational uncertainty by amalgamating differentiation and integration, with features of both centralized and decentralized structures. On-going debates defend an emergence of HRM SSMs as an attempt to benefit from centralized and decentralized authorities. Centralization models offer economies of scale and scope because the duplication of activities and resources is eliminated, but they also lead to long response times to changes and reduce the focus on the needs of the business units (Janssen & Joha, 2006). In decentralization models, responses to changes are faster, and the needs of the business units are better supported, but levels of duplication and inefficiencies are high as resources are duplicated (Strikwerda, 2004).

Although resources are centrally bundled within an HRM SSM, the authors do not advise viewing it as the rebirth of centralization (Janssen & Joha, 2006; Farndale et al., 2009). *Centralization* refers to extensive corporate-level control of resources, with corporate staff functions being established to ensure economies of scale at the expense of business unit priorities (Janssen & Joha, 2006). However, the idea behind establishing an HRM service provider is that it covers more than centralized staff functions and is positioned much closer to the clients (Janssen & Joha, 2006; Strikwerda, 2004). Moreover, business units partially control the resources within the HRM service provider as they determine the features of the HR services being

provided (Ulrich, 1995). For instance, Reilly and Williams (2003) describe an HRM service provider where clients were involved in the design of new HR services as they determined and developed these HR services together with the HRM service provider. Buisman (2009) has shown that within the ING Bank Netherlands, clients jointly developed service level agreements (SLAs) for the "Shared Center HR Contact and Services" in which client requirements were specified to ensure the quality of the services.

At the same time, researchers point out that HR Shared Services should not be associated with full decentralization (Janssen & Joha, 2006; Strikwerda, 2004). *Decentralization* refers to delegating the locus of decision-making authority to the general manager of a business unit by his/her corporate superiors (Govindarajan, 1986). To some extent, there will always be corporate control over HRM service providers. For example, Strikwerda (2004) describes an HRM service provider whose director reported directly to the corporate HR director to ensure that HR policies were implemented correctly. Figure 1 illustrates the advantages of centralized and decentralized models combined within an HRM SSM.
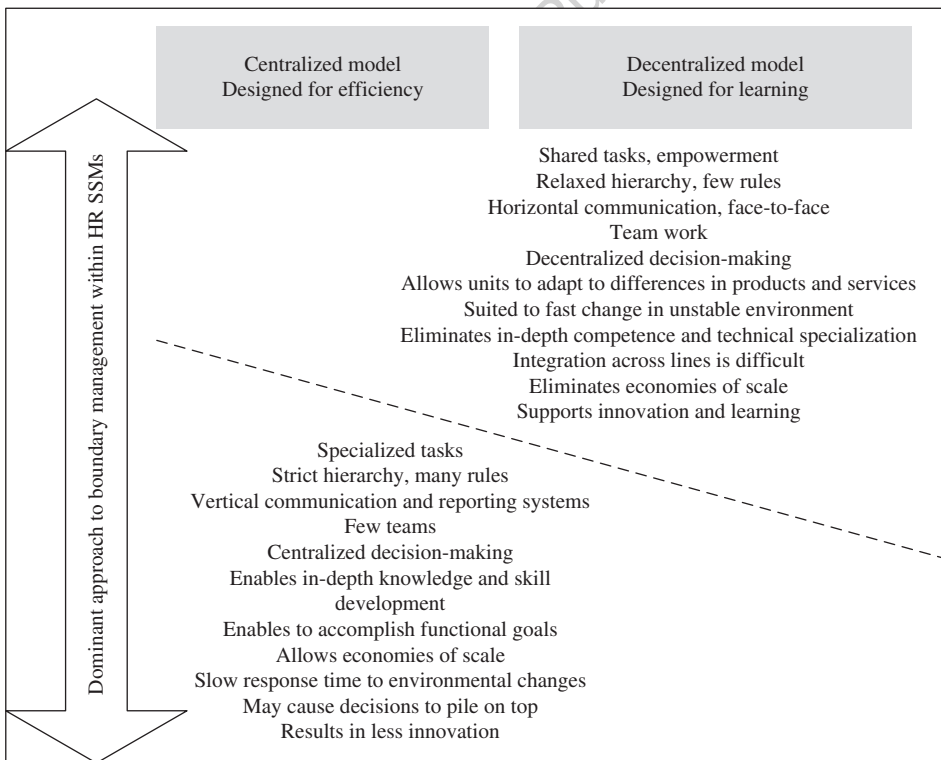

Figure 1: Boundary stretching in the design of HRM SSMs.

To some extent, the management of structural boundaries within the HRM service providers suggests more boundary stretching. When establishing HRM SSMs, organizations search for a structural form in which traditional centralized or decentralized modifications are deliberately elongated to improve the structural elasticity and reaffirm comfortable boundaries. The result is a structure integrating increased control, flexibility, and range of organizational motions.

HRM SSM Boundary Stretching: Adapting to a Changing Environment

> *Shared Services are neither centralized nor decentralized. Instead, they're offered as resources, and the business units choose to use them when their expertise is more cost-effective than competing sources of assistance in solving business problems. (Ulrich & Smallwood, 2002, p. 11)*

To go beyond the centralization–decentralization debate, I suggest considering three dimensions and their role in positioning HRM SSMs and boundary management: environmental uncertainty, technology, and interdependence. In this way I offer a scheme to assess the management of intra-organizational boundaries within an HRM SSM.

Environmental Uncertainty

According to the classic information-processing model (Galbraith, 1973; Tushman & Nadler, 1978), as the task environment of the HRM service provider becomes more uncertain, there will be a need for more information and, thus, for greater information-processing capacity at the level of this service provider. Centralization is possible at lower levels of uncertainty because the processed information does not overburden the hierarchy (Govindarajan, 1986). As more exceptions are referred upward, the hierarchy becomes overloaded. Serious delays develop between the upward transmission of information about new situations and a downward response to that information. In such cases, HRM SSMs must develop other strategies: either to reduce the information or to increase the capacity to process more information.

An HRM Shared Services Provider offers a hybrid structural solution that allows HRM SSMs to respond to environmental uncertainty: the decision-making is moved down to the business units (benefits of decentralization), while the capacity to process information is bundled within the service provider (benefits of centralization).

Technology

I follow one of the classic definitions of technology given by Perrow (1967, p. 195): technology is "the actions that an individual performs on an object, with or without the aid of tools or mechanical devices, in order to make some change in that object." The two explicit dimensions in his definition are: the frequency of exceptional cases encountered in practice, and search behaviors undertaken by individuals when

exceptional cases occur. Based on Galbraith (1973), I assume that HRM SSMs will benefit from the centralized authority for routine technology. Such technologies require standardization of both products and processes, supported by a tightly sequenced integration of operations. Because of the standardization of work tasks within HRM service providers, there is less work variety and a high degree of task predictability. Routine technologies will therefore be best managed by establishing rules and procedures that reflect the centralization character of HRM SSMs. At the same time, when work tasks within HRM SSMs are unpredictable, a greater number of exceptions arises that cannot be handled within a set of standard rules and procedures. In such cases, HRM SSMs need multipurpose equipment, require highly skilled labor capable of addressing atypical HR cases and demands from business units, and are adaptive to satisfy business units' requirements for specific HRM scenarios.

An HRM service provider offers a hybrid structural solution that allows HRM SSMs to combine routine and atypical technologies: the routine and predictable work processes benefit from established rules and procedures within HRM SSMs (centralization authority), while customers of HRM service providers enjoy adaptive and exceptional HR services in answer to their requests (decentralized model). In other words, an HRM SSM integrates routine and "job shop" HRM operations that suggest benefits from both centralized and decentralized structures.

Interdependence

Based on the works of Thompson (1967) and Vancil (1980), among others, I assume that with high degrees of interdependence between an HRM service provider and business units, and between the business units themselves, the HRM SSMs will benefit more from centralized decision-making. HRM SSMs will centralize HRM decision-making because of the possible impacts of one business unit on another, leading to the need for intensive coordination and, ultimately, joint problem-solving. However, when there is low interdependence between business units, the previously discussed structural dimensions (environmental uncertainty and technology) are likely to determine where the HRM decision-making should be located on the centralized–decentralized continuum.

The primary relevance of the discussion about three structural dimensions lies in the application of classic contingency concepts to a new organizational form as HR Shared Services, which rests on an integration of centralized and decentralized structures.

Figure 2 illustrates the integration of structural elements as a continuum ("decentralized–centralized" authority) within HRM SSMs, considered along three contingency dimensions: environment, technology, and task interdependence.

An integration of centralized–decentralized structures is reflected in the envisioning of HR Shared Services. The PA Consulting Group (2007) conducted a survey among 141 companies located across Europe that aimed at exploring the views of HR directors and other senior executives involved in the shared services decision. It revealed that extremely important elements in the decision for HRM SSM implementation
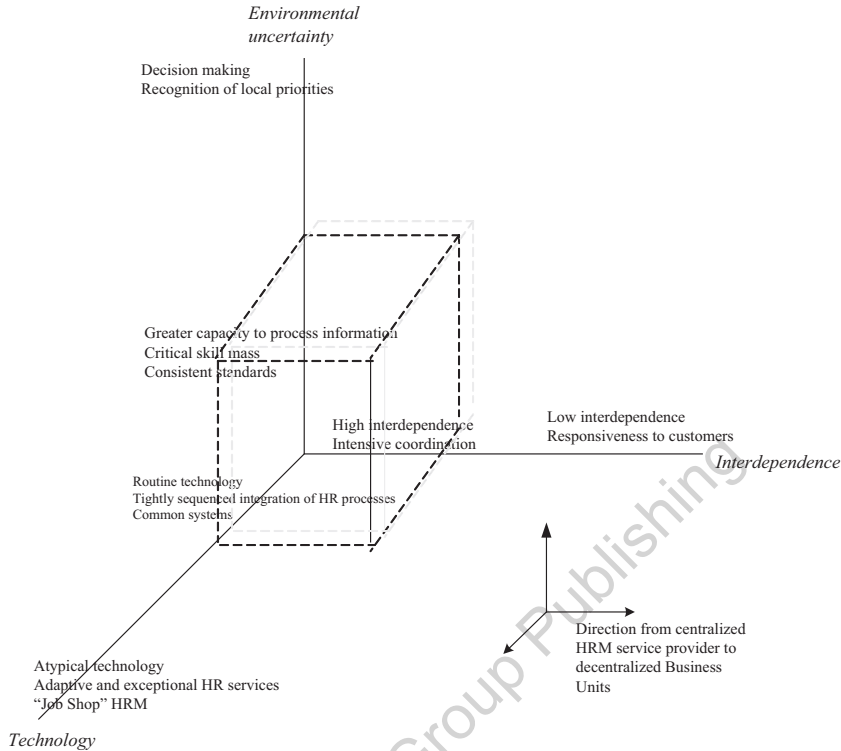
Figure 2: Three-dimensional integration of centralized–decentralized structures of an
HRM SSM: environmental uncertainty, tasks interdependence, and technology.

were: knowledge retention (centralized authority) — 40% of companies; increased
operational control (centralized authority) — 30%; service improvement (decentralized
authority) — 28%; scalability and flexibility (decentralized authority) — 20%.

HR Activities, Services, and Support Within HRM SSMs

Traditionally, a distinction is made between transactional and transformational HR
services (practices). Transactional ones are delivered to meet the administrative needs
of end-users (Lepak et al., 2005; Ulrich, 1995) and include services such as absence
registration, record-keeping, or payroll administration (Farndale et al., 2009). Trans-
formational HR services are delivered in order to transform the human resources of
the organization (Ulrich, 1995) and may include career development, competence
management, staffing, and training services (Redman, Snape, Wass, & Hamilton,
2007; Ulrich, 1995).

Based on the transactional–transformational dichotomy of HR services, Ulrich
(1995) proposed two types of HR shared services: centers of excellence and service

centers. *Centers of excellence* are supposed to combine talent distributed throughout a corporation into a shared service, and then invite business units to use those resources to solve business problems. They focus on HR activities that transform the company and centralize functional expertise so it can be allocated to businesses; they interface primarily with HR generalists through task teams and consulting services. A possible success indicator of centers of excellence is helping HR in accomplishing business goals in innovative ways. *Service centers*, on the other hand, are supposed to process paperwork efficiently and provide consulting advice related to administrative transactions. They focus on employee transactions, re-engineer, and obtain economies of scale; they interface with all employees through different channels (face-to-face, kiosks, employee portal, manager portal, voice recognition, etc.). A possible success indicator of service centers is costs reduction and quicker and better service to employees (Ulrich, 1995).

Some questions remain regarding this division of HR shared services into two types. For example, it is not clear why cost reduction would be a better success indicator for service centers than for centers of excellence. Further, why would these types of HR shared services be different in the interface channels, one focusing on "consulting services," the other on "technology," while consulting services can be also offered through different technological applications? The most contentious issue, however, is the distinction between transformational and transactional HR. A common problem here is assuming that *all* transactional HR services are alike and *all* transformational HR services are alike. I build further on the service management concepts as the traditional classification of HR shared services — whether transactional or transformational — departs from the notion of services.

Service management concepts (for example, Parasuraman, Zeithaml, & Berry, 1988) allow us to view HRM services as experiences (intangibles) provided by HR specialists within an HRM service provider for customers of the HRM SSM. Besides intangibility, two other characteristics determine the content of HRM services (what is being intangibly exchanged between HR professionals and the customers). First, HRM services are simultaneously produced and consumed, making it impossible to "stock" HRM services as inventory items, a situation that requires specific attention to coordinating supply with demand. This requires HR specialists to be responsive to individual customer demands, and sees customers as receivers rather than demanders (Bowen & Greiner, 1986). Second, its customers participate in HRM service production (Skaggs & Youndt, 2004). However, since they do not get paid for their contribution to HRM service production, their participation clearly poses challenges for management. Line managers, for example, need to be "socialized" into the HR roles that a new e-HRM situation expects them to fill. At the same time, HR specialists can experience role conflicts caused by the strong customer involvement (Chung & Schneider, 2002; Mills & Morris, 1986).

Intangibility, simultaneity, and customer participation in HRM services cast doubt on the dichotomy of HR Shared Services (transactional vs. transformational) and call for a more nuanced frame of reference.

An interesting attempt to search for another classification was done by Bondarouk, Maatman, and Meijerink (2010). After studying the HR shared services

of 18 large organizations with established headquarters in The Netherlands, the authors suggested looking at types of HR support activities and of HR fields, as opposed to the transformational–transactional division. Their study revealed five types of HR support activities:

- information provision,
- support of HR administration,
- implementation of transformational HR practices,
- policy-making, and
- HRM R&D.

It is evident that an underlying issue distinguishing HR support activities within HRM SSMs is the importance of prescriptive versus enacted HR support. As an attempt at a more precise definition of HR support activities, I suggest distinguishing them by whether they are prescribed or enacted during HR service provision.

The majority of HRM service providers in the study of Bondarouk et al. (2010) engage in supporting their clients by conducting HR administration, which makes administrative support of HR activities the bread-and-butter of HRM service providers.

The execution of administrative activities ensures that the administrative parts of HR processes are taken care of and can be classified further, into four subcategories:

- Compensation and pay activities: e.g., maternity and vacation leave registration, job rating, salary raises, incentive payment, payroll, posting incentive letters and pay slips.
- Training and development activities: e.g., post-doc study administration, maintaining records of personal development programs and performance interviews.
- Staffing activities: e.g., relocation administration, application registration, applicant flow, pension and outflow administration, and contract execution.
- Recording activities: registering job changes of end-users, marriage registration, absence and sick leave registration, and registering jubilees.

A large proportion of the HRM service providers also engages in the provision of HR information to end-users who receive management information (on sick leave, staff complement, and vacation leave in particular) and information on compensation and pay such as leave conditions, reimbursements, salary overviews, collective labor agreements, and legislation (labor). This information is offered in two ways: through web-based information provision (such as HR portals, intranet, or information portals) and person-to-person information provision by HR support centers, HR call centers, or information desks. Also, HR support centers help end-users who experience difficulties with employee or management self-service administration (support of self-service HR administration). The findings revealed that several HRM service providers make use of a "click and call" principle that states that end-users should first look for information themselves (in, e.g., an HR portal) before they contact the HR support center (Bondarouk et al., 2010). While supporting HR processes by conducting HR

administration, some HRM service providers also engage in HR processes as they manage the human resources of their clients through the implementation of transformational HR practices. HR practices that are implemented by HRM service providers include recruiting and — on occasion — selecting employees, offering training, management development, internal mobility and reintegration, and talent management services.

The term HR portal is considered by some researchers to be another term that carries a similar meaning to the term e-HRM (Ruël, Bondarouk, & Looise, 2004). In the literature, the term portal is usually connected to knowledge management or information management (Dias, 2001). Ruta (2005, p. 35) defines the HR portal as "complex information technology (IT) applications that can be accessed by all employees of a given organization."

Due to the differences in services provided from HR portals for employees and management, a distinction is made between employee self-service (ESS) and management self-service (MSS). As a result of a long evolution of the HRM function, activities and tasks that were previously the responsibility of HR professionals and administrative personnel become the responsibility (full or partial) of managers/line managers and employees. The literature suggests that especially with the implementation of HR portals, managers can access relevant information and data, conduct analyses, make decisions, and communicate with others. Moreover, managers can execute all of these activities without consulting an HR professional (Lengnick-Hall & Moritz, 2003). Enthusiastic changes are expected from the employees' HR-related tasks, as they are supposed to control their own personal information. They can update records when their situations change and make many decisions on their own (Lengnick-Hall & Moritz, 2003).

Enabled by e-HRM such as HR portals, the HRM service providers were shown to engage in four HR fields: administration, staffing (recruitment and selection, through-flow, and outflow), development (training, talent management, and management development), and legislation (e.g., labor legislation) (Bondarouk et al., 2010).

The data has shown that most HRM service providers do not offer transformational HR services unless transactional HR services are offered, which suggests that organizations initially offer only transactional HR services (Bondarouk et al., 2010).

A Framework for Comparative Analysis of HRM SSMs

If I dichotomize two continua into types of HR support (from information provision to HRM R&D) and types of HR practices provided by HRM service providers (from administrative routines to strategic activities), the result is a four-part table as in Figure 3. The upper right-hand quadrant, representing Center of Excellence, is one extreme where mostly strategic HR activities are performed that are enabled by HRM R&D support. For example, imagine an HRM center responsible for a range of training and development HR activities, including a full range of HR policy-making and R&D support. Unique, customized, and highly specialized and exceptional HR
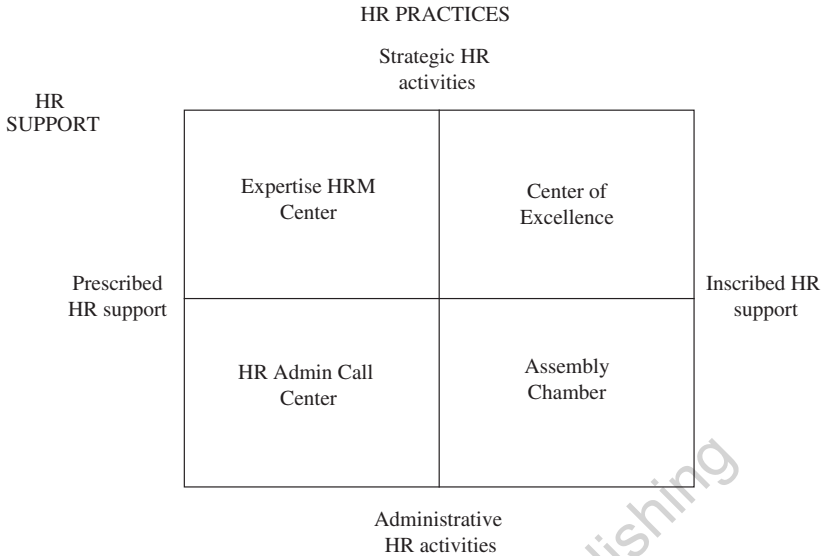
HR PRACTICES

Figure 3: Types of HRM service providers.

activities are performed by such a Center of Excellence. In the lower left-hand quadrant, there is a routine extreme, HR Administrative Call Center. Examples here include basic personnel and payroll administration, enabled by the information provision support only, mostly through ESS/MSS. Unexceptional, everyday general HR activities are offered by such an HRM service provider. A one-dimensional scheme would represent the continuum from Call Center to Center of Excellence. But the other two quadrants represent the range of possibilities in practice. Few cases would probably fall under Expertise HRM Center, representing the specialization of an HRM service provider in, for example, administrative support for compensation and rewards. At the other extreme, Assembly Chamber HRM service providers are expected to make HR policies for administrative HR activities.

I assume that HRM service providers will uniformly seek to standardize their processes, HR activities, and HR support to minimize exceptional and customized HR services. However, two characteristics — the nature of HR support and HR activities — will always interact in the practical application of HRM SSMs and may lead to a high diversity of structural arrangements. On the one hand, strengthened knowledge and hands-on activities in HR routine administration may lead to a need for renewal of HR policies within the HRM service provider. On the other hand, well established, formerly exceptional HR policies may lead to a need for their standardization.

An interesting issue arises as to how HRM service providers are governed within the whole HRM SSM. By governance of an HR service provider, I mean its structural arrangements and interactions with the rest of the organization and HRM function in the course of HR services provision. In other words, an HR service provider grows

into an organization within a larger organization and strives to manage task uncertainty with the HRM function as a whole, and with the rest of the organization.

Governance Mechanisms for HRM SSMs

The mainstream literature about HR shared services discusses the level of control exercised by the business units over the performance of HRM service providers. I suggest, however, expanding the structural mechanisms that together make up the governance structure: coordination, control mechanisms, and task interdependencies. Although coordination and control mechanisms are interrelated, there are certain differences. Control focuses on improving the performance of an HRM service provider relative to certain agreed goals and — as I argued above — is exercised to some extent by the business units. Coordination focuses on managing interdependencies and information exchange among multiple stakeholders involved in the HRM SSM.

With regard to interdependencies as structural mechanisms in HRM SSM governance, two forms of interdependence should be integrated: task interdependence and outcome interdependence. While task interdependence describes the degree to which a task requires collective action, outcome interdependence is concerned with the way that goals are defined and achieved and the way that performance is rewarded (Wageman, 1995).

Inter-units interdependence is mostly based on the classification of Thompson (1967) and defined as the extent to which business units in a given organization depend on each other for accomplishing their tasks. The three types of interdependence defined by Thompson (1967) — pooled, sequential, and reciprocal — were enriched by a fourth one, called interdependence in a team arrangement (Van de Ven, Delbecq, & Koenig, 1976).

Pooled interdependence is the lowest form. It exists when no work flows between units. The units contribute to the company, and the company supports the units. *Sequential* interdependence, a higher form, involves the work between business units flowing in only one direction. This type of interdependence within an HRM SSM can be observed once an HRM service provider supplies business units with HR information. *Reciprocal* interdependence implies that the output of an HRM service provider is the input to a business unit, and the output of the business unit is the input to the HRM service provider. The fourth type (Van de Ven et al., 1976, p. 331), interdependence in a *team* arrangement, refers to situations where "the work is undertaken jointly by unit personnel who diagnose, problem-solve, and collaborate in order to complete the work. In team work flow, there is no measurable temporal lapse in the flow of work between unit members." This distinguishes it from sequential and reciprocal interdependence. The work is done by the personnel of an HRM service provider at the same point in time.

Although widely recognized in contingency thinking, the four types of inter-dependencies create certain problems in measurement. Such questions remain as: in what ways do levels of interdependency increase from pooled to team work interdependence? Or do three pooled interdependencies, once integrated, outweigh a reciprocal interdependence?

In practice, interdependencies become even more complex. Without constant monitoring, the extent of actual interdependence between an HRM service provider and the business units is impossible to determine. The practical solution might be to operationalize interdependence in terms of the resource transactions that occur between an HRM service provider and the business units. McCann and Ferry (1979) offered a so-called transactional approach to task interdependencies, where managers of groups have four fundamental tasks in collaboration with other groups or units: assess the degree of interdependence with other units; determine the management costs entailed; share these perceptions with the other units as far as possible; and decide upon which joint coordinative behaviors to use. Following the transactional approach, the task interdependence between an HRM service provider and the business units can be conceptualized as: number of different resources involved; amount of resource transacted per unit of time; frequency of transactions per unit of time; and value of resources involved. Therefore, two main components shape this task interdependence: direction of workflow (pooled, sequential, reciprocal, and team work), and intensity of workflow.

Based on information-processing theory, I assume that increased information exchange is essential to overcome task interdependence (complexity) faced by an HR service provider (Andres & Zmud, 2002; Tushman, 1977). Complexity and uncertainty are driven partly by interdependencies among activities both within an HR service provider and between it and the organizational business units. Consequently, as intra-provider or inter-business unit task interdependencies grow, the need for information-processing capacity and coordination mechanisms increases (Tushman & Nadler, 1978).

The theoretical trade-off is that the mechanisms providing greater lateral information-processing and coordination are more costly to implement. Direct contacts between an HR service provider afford only modest increases in information-processing but are a simple mechanism with low implementation costs. More costly options are formal groups for temporary or on-going problem-solving, such as ad hoc task forces, or more permanent teams with representatives from multiple business units, management teams, and control units within an organization of an HRM SSM.

Possible ways of classifying coordination include a variety of mechanisms: formal impersonal, formal interpersonal, and informal interpersonal (Brown, 1999); non-coordination, standards, schedules and plans, mutual adjustment, and teams (Adler, 1995); coordination by programming and by feedback (Van de Ven et al., 1976); and coordination by standards, plans, and mutual adjustment (Thompson, 1967). On a general level, coordination mechanisms can be classified into five broad types: non-coordination, standards and rules, goals and plans, formal mutual adjustment, and informal mutual adjustment. Figure 4 presents this classification.

Mechanisms that seek coordination through standards and plans rely on *a priori* specification of codified blueprints, action programs, or specific targets (March & Simon, 1958; Thompson, 1967). They are impersonal in nature as once they are implemented, their application does not require much verbal communication (Galbraith, 1973). These mechanisms generally have high fixed costs (for setting up the mechanism) but low customized costs (for each application of the mechanism). In contrast, coordination mechanisms involving mutual adjustment use interpersonal
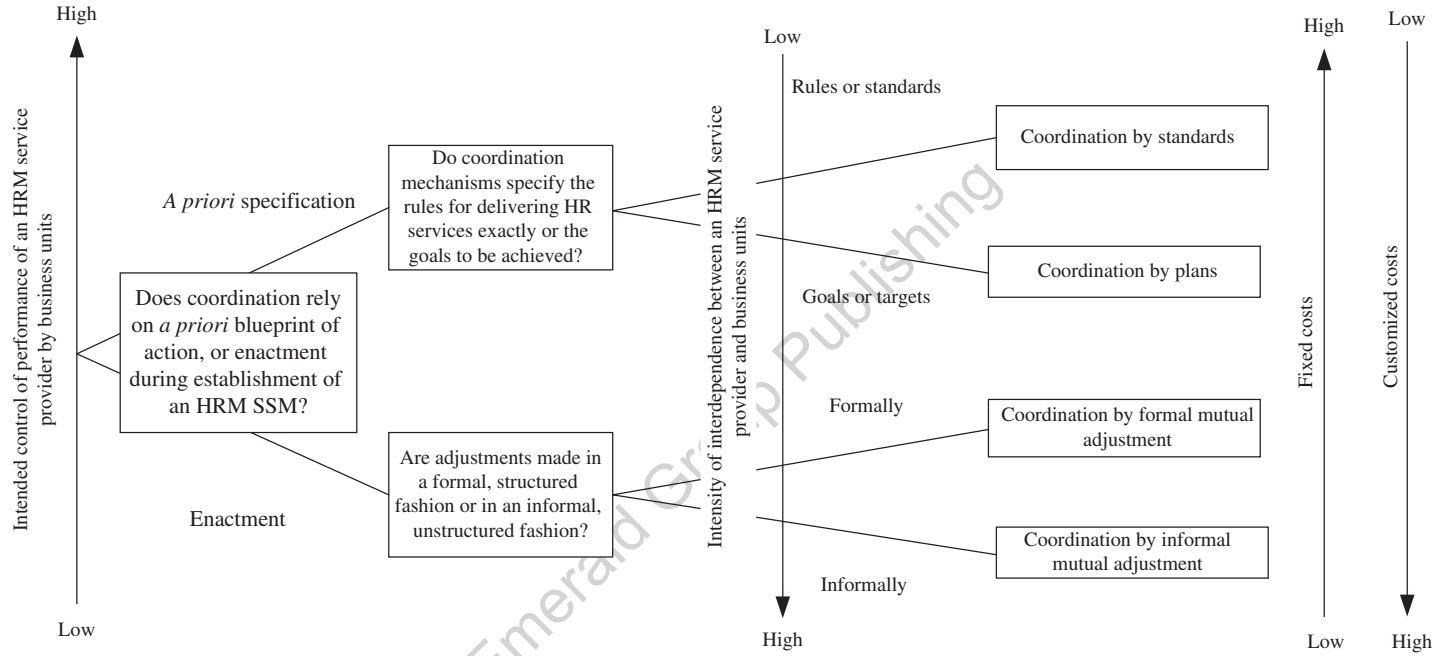
Figure 4: Governance Mechanisms within an HRM SSM.

interaction to make changes based on information obtained during the project (March & Simon, 1958; Thompson, 1967). Being more interactive in nature, they incur a higher cost but lower fixed customized cost. Informal mutual adjustment differs from formal mutual adjustment in that the adjustments are made in a less structured and formalized fashion. Also, informal mutual adjustment mechanisms incur greater variable costs but lower fixed costs than mechanisms involving formal mutual adjustment. Examples of coordination mechanisms for HRM SSMs include:

- Rules and Standards: blueprints, system compatibility standards, data dictionaries, design rules, modification request procedures;
- Goals and Plans: procedures, planning, project plans, delivery schedules, project milestones, requirements specifications;
- Formal Mutual Adjustments: integrators, teams, cross-unit integrators, coordination committees, code inspections, design review meetings, liaison roles, reporting requirements, status review meetings;
- Informal Mutual Adjustments: co-location, informal meetings, joint development, transition teams, teambuilding, interdepartmental events.

Discussion and Implications

The idea of HR governance is not new. For example, the recent study by Farndale, Paauwe, and Boselie (2010) suggests exploring the governance of the intra-firm HR supply chain. In their study, HR governance is defined as an integration of three foci: the delivery channels structure, the HRM practices, and the monitoring and metrics established to manage uncertainty. Although very insightful, this field study of seven large organizations primarily focuses on the role of governance and risk management in the HR supply chain, leaving aside such issues as governance mechanisms, HR responses to the environmental (intra-firm) dynamics, and the balance between control and coordination (Farndale et al., 2010).

When a governance structure of an HRM SSM is out of alignment with the intended organizational (or HR corporate) needs and value proposition, one or more symptoms of structural deficiency may occur:

- *HR decision-making is delayed or lacking in quality*. Decision-makers may be overloaded because the centralized–decentralized authorities funnel too many problems. Delegation to lower HRM levels may be insufficient, or information may not reach the correct people.
- *The HRM service provider does not respond adequately to intra-firm changes*. One of the reasons here may be a lack of coordination within an HRM service provider.
- *Too much conflict between an HRM service provider and the business units*. The governance mechanisms should allow conflicting units to combine into an integrated set of goals for the entire HRM function. When units act at cross-purposes or under pressure to outperform other units, the balance of control and coordination between an HRM service provider and business units may not be adequate.

The governance structure of an HRM SSM is contingent on such factors as intra- and inter-firm environmental uncertainty, tasks interdependencies, and technology. This means that every HRM SSM is unique in its structure, and thus the value proposition of every HRM SSM is unique. Therefore, instead of promoting a standard package of values expected from HR shared services, organizations should develop unique value propositions that are contingent on their unique governance structures. When organizations fail to do this, an HRM SSM may lead to unexpected outcomes, value creation that is lower than desired, and destructive HRM functioning.

This chapter contributes to the discussion of the governance mechanisms in the intra-organization HRM SSM. The strength of the suggested framework is its applicability for a comparative analysis of HRM SSMs. The first implication of this framework is that we cannot expect a particular governance and structure of an HRM SSM in one organization to be identical in another one, unless we know these models are similar in HR practices, HR support, control, and coordination mechanisms. Another implication is that there is little value in testing the effect of such parameters as size, age, dispersion, cultural diversity, or even strategic orientation of the HRM function unless we control for the governance mechanisms. Third, to call for a decentralization of the HRM function would mean to call for its response to reduce intra-firm uncertainty through balancing task interdependence, technology, and coordination. If all this holds, it implies that not all HRM SSMs are established to increase cost efficiency, and their value for the rest of the organization should be measured against the governance mechanisms.

There are, of course, many aspects of theories that apply to the HRM SSMs. What I am asserting here is that we know enough from the classic contingency theories to suggest that our future efforts could be directed at gaining a full range of their benefits to attempt to increase their predictive power in specifying the balance between the governance structures of HRM SSMs and their value for organizations and the HRM function specifically.

References

Adler, P. S. (1995). Interdepartmental interdependence and coordination: The case of the design/manufacturing interface. *Organization Science*, *6*(2), 147–167.

Andres, H. P., & Zmud, R. W. (2002). A contingency approach to software project coordination. *Journal of Management Information Systems*, *18*(3), 41–70.

Baldwin, L. P., Irani, Z., & Love, P. E. D. (2001). Outsourcing information systems: Drawing lessons from a banking case study. *European Journal of Information Systems*, *10*(1), 15–24.

Bergeron, B. (2003). *Essentials of shared services*. Hoboken, NJ: Wiley.

Bondarouk, T., Maatman, M., & Meijerink, J. (2010). Research report into the value creation by HRM SSMs. Human resource shared services: Business models and value creation. Results of a qualitative benchmark study, University of Twente, Netherlands, May.

Bondarouk, T., & Ruël, H. (2009). Electronic human resource management: Challenges in the digital era. *The International Journal of Human Resource Management*, *20*(3), 505–514.

Bowen, D. E., & Greiner, L. E. (1986). Moving from production to service in human resource management. *Organizational Dynamics*, *15*(Summer), 34–45.

Bowman, C., & Ambrosini, V. (2003). How the resource-based and the dynamic capability views of the firm inform corporate-level strategy. *British Journal of Management*, *14*(4), 289–303.

Brown, C. V. (1999). Horizontal mechanisms under differing is organization contexts. *MIS Quarterly*, *23*(3), 421–454.

Buijs, J., Van Doorn, V., & Noordam, P. (2004). *Shared Service Centers: Een Kwestie van Doen*. Hoofdorp: Kluwer.

Buisman, K. (2009). *Measuring the quality of the ING SC HR contact and services: Scale development and survey results*. Unpublished paper, University of Twente, Enschede, Netherlands.

Chung, B. G., & Schneider, B. (2002). Serving multiple masters: Role conflict experienced by service employees. *Journal of Services Marketing*, *16*(1), 70–87.

Cooke, F., Shen, J., & McBride, A. (2005). Outsourcing HR as a competitive strategy? A literature review and an assessment of implications. *Human Resource Management*, *44*(4), 413–432.

Cooke, F. L. (2006). Modeling an HR shared services center: Experience of an MNC in the United Kingdom. *Human Resource Management*, *45*(2), 211–227.

Dias, C. (2001). Corporate portals: A literature review of a new concept in information management. *International Journal of Information Management*, *21*, 269–287.

Dibbern, J., Goles, T., Hirschheim, R., & Jayatilaka, B. (2004). Information systems outsourcing: A survey and analysis of the literature. *The Data Base for Advances in Information Systems*, *35*(4), 6–102.

Farndale, E., Paauwe, J., & Boselie, P. (2010). An exploratory study of governance in the intra-firm human resources supply chain. *Human Resource Management*, *49*(5), 849–868.

Farndale, E., Paauwe, J., & Hoeksema, L. (2009). In-sourcing HR: Shared service centers in the Netherlands. *International Journal of Human Resource Management*, *20*(3), 544–561.

Fletcher, P. A. K. (2005). From personnel administration to business-driven human capital management: The transformation of the role of HR in the digital age. In: H. G. Gueutal & D. L. Stone (Eds), *The brave new world of eHR. Human resources management in the digital age* (pp. 1–15). San Francisco: Jossey-Bass.

Galbraith, J. R. (1973). *Designing complex organizations*. Reading, MA: Addison-Wesley.

Govindarajan, V. (1986). Decentralization, strategy, and effectiveness of strategic business units in multibusiness organizations. *Academy of Management Review*, *11*(4), 844–856.

Janssen, M., & Joha, A. (2006). Motives for establishing shared service centers in public administrations. *International Journal of Information Management*, *26*, 102–115.

Kanter, R. (2003). Foreword. In: M. Effron, R. Gandossy & M. Goldsmith (Eds), *Human resources in the 21st century*. Hoboken, NJ: Wiley.

Lawrence, P. R., & Lorsch, J. W. (1967). Differentiation and integration in complex organizations. *Administrative Science Quarterly*, *12*(1), 1–47.

Lawrence, P. R., & Lorsch, J. W. (1986). *Organization and environment: Managing differentiation and integration*. Boston MA: Harvard Business School Press.

Lengnick-Hall, M. L., & Moritz, S. (2003). The impact of e-HR on the human resource management function. *Journal of Labor Research*, *24*(3), 365–379.

Lepak, D. P., Bartol, K. M., & Erhardt, N. L. (2005). A contingency framework for the delivery of HR practices. *Human Resource Management Review*, *15*, 139–159.

Lepak, D. P., Smith, K. G., & Taylor, M. S. (2007). Value creation and value capturing: A multilevel perspective. *Academy of Management Review*, *32*(1), 180–194.

Lepak, D., & Snell, S. (1998). Virtual HR: Strategic human resource management in the 21st century. *Human Resource Management Review*, *8*(3), 215–234.

Maatman, M., Bondarouk, T., & Looise, J. C. (2010). Conceptualizing the capabilities and value creation of HRM shared service models. *Human Resource Management Review*, *20*(4), 327–339.

March, J. G., & Simon, H. A. (1958). *Organizations*. New York: Wiley.

McCann, J. E., & Ferry, D. L. (1979). An approach for assessing and managing inter-unit interdependence. *Academy of Management Review*, *4*(1), 113–119.

Meijerink, J. G., & Bondarouk, T.V. (2010). Intellectual capital configurations and value creation for end-users: Towards a conceptual model of HR shared services. *Paper presented at the 2010 annual meeting of the academy of management* "Dare to care: Passion and compassion in management practice and research", Montréal, Canada, August 6–11.

Mills, P. K., & Morris, J. H. (1986). Clients as "partial" employees of service organizations: Role development in client participation. *Academy of Management Review*, *11*, 726–735.

PA Consulting Group. (2007). *Shared service centers: Delivering the promise. Pan-European research into HR and finance shared service centers*. London: PA Knowledge Limited.

Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (1988). SERVQUAL: A multiple-item scale for measuring consumer perceptions of service quality. *Journal of Retailing*, *64*(1), 12–40.

Perrow, C. (1967). A framework for the comparative analysis of organizations. *American Sociological Review*, *32*(2), 194–208.

Quinn, B., Cooke, R., & Kris, A. (2000). *Shared services: Mining for corporate gold*. London: Pearson Education Limited.

Redman, R., Snape, E., Wass, J., & Hamilton, P. (2007). Evaluating the human resource shared services model: Evidence from the NHS. *International Journal of Human Resource Management*, *18*(8), 1486–1506.

Reilly, P. (2000). *HR shared services and the realignment of HR*. IES Report (Vol. 368, p. 62). Institute for Employment Studies, Brighton.

Reilly, P., & Williams, T. (2003). *How to get best value from HR: The shared service option*. London: Ashgate Publishing Company.

Ruël, H. J., Bondarouk, T. V., & Looise, J. C. (2004). E-HRM: Innovation or irritation. An explorative empirical study in five large companies on web-based HR. *Management Review*, *15*(3), 364–381.

Ruta, C. D. (2005). The application of change management theory to HR portal implementation in subsidiaries of multinational corporations. *Human Resource Management*, *44*(1), 35–53.

Skaggs, B. C., & Youndt, M. (2004). Strategic positioning, human capital, and performance in service organizations: A customer interaction approach. *Strategic Management Journal*, *25*, 85–99.

Strikwerda, J. (2003). *Shared service centers: Van Kostenbesparing naar Waardecreatie*. Assen, the Netherlands: Koninklijke Van Gorcum.

Strikwerda, J. (2004). *Shared service centers: Van Kostenbesparing naar Waardecreatie*. Assen, the Netherlands: Koninklijke Van Gorcum.

Tessema, M. T., Soeters, J. L., & Ngoma, A. (2009). Decentralization of HR functions. *Review of Public Personnel Administration*, *29*(2), 168–188.

Thompson, J. D. (1967). *Organizations in action*. New York: McGraw-Hill.

Tremblay, M., Patry, M., & Lanoie, P. (2008). Human resource outsourcing in Canadian organizations: An empirical analysis of the role of organizational characteristics, transaction costs and risks. *International Journal of Human Resource Management*, *19*(4), 683–715.

Tushman, M. L. (1977). Special boundary roles in the innovation process. *Administrative Science Quarterly*, *22*(4), 587–605.

Tushman, M. L., & Nadler, D. A. (1978). Information processing as an integrating concept in organizational design. *Academy of Management Review*, *3*, 613–624.

Ulrich, D. (1995). Shared services: From vogue to value. *Human Resource Planning*, *18*(3), 12–23.

Ulrich, D., & Brockbank, W. (2005). *The HR value proposition*. Boston: Harvard Business School Press.

Ulrich, D., & Smallwood, N. (2002). Shared services. *Executive Excellence*, *19*(12), 11–12.

Vancil, R. F. (1980). *Decentralization: Managerial ambiguity by design*. New York: Financial Executives Research Foundation.

Van de Ven, A. H., Delbecq, A. L., & Koenig, R. (1976). Determinants of coordination modes within organizations. *American Sociological Review*, *41*(2), 322–338.

Wageman, R. (1995). Interdependence and group effectiveness. *Administrative Science Quarterly*, *40*, 145–180.