

Why a well-designed HR shared service provider fails to create end-user value

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Abstract

Human resource shared services centres (HR SSCs) are foreseen as improving HR service delivery for their end-users: employees, line managers and decentralized HR professionals. Although the concept expects the benefits of HR SSCs to come from centralizing knowledge and decentralizing the control exercised over an HR SSC, research into these two fundamental shared service characteristics is scarce. The purpose of this research is therefore to explore whether resource bundling, combined with business unit control over an HR SSC, is sufficient to improve HR service delivery to its end-users. Using concepts from intellectual capital and agency theory, we find that the combination of these two characteristics of shared services is not sufficient to improve HR service delivery. Rather, we suggest that (1) HR SSCs have to update the knowledge and skills of their staff; (2) end-users have to effectively maintain the codified knowledge centralized in the HR SSC; and (3) business units and the HR SSC need to collaborate in order for the benefits of an HR shared service to be realized.

Keywords: HR shared service centres, centralization versus decentralization, intellectual capital, control over HR delivery, HR delivery improvement

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Introduction

Recently, organizations have started to adopt the concept of shared services for human resource (HR) service delivery by internally consolidating HR services in an HR shared service centre (SSC) in order to improve the efficiency and quality of HR delivery to its internal stakeholders (Farndale, Paauwe and Hoeksema 2009). The idea behind establishing shared services is that resources will be centrally bundled in an intra-organizational unit that performs activities for other organizational units with relatively less effort (Janssen and Joha 2006). At the same time, control over the centralized HR service provision by the HR SSC is delegated to the business units. Shared services therefore represent an integration of centralization and decentralization models, with shared service models centralizing activities and resources in an HR SSC, while simultaneously decentralizing control over it to the business units (Janssen and Joha 2006; Strikwerda 2004; Ulrich 1995).

Through integrating two traditional models, organizations anticipate that shared services will reap benefits associated with both centralization and decentralization, while reducing their individual drawbacks (Janssen and Joha 2006). Proponents of shared services have foreseen many potential benefits for individual employees, line managers and decentralized HR professionals (i.e. the end-users of an HR SSC): simultaneous improvements in efficiency rates and HR service quality, a strategic contribution for HR professionals and better information for line managers (Cooke 2006; Reilly 2000). Results from empirical research, however, appear less optimistic: line managers complain about the intensification of HR administration workloads, HR professionals experience reduced career opportunities, and employees view HR service quality as declining once HR SSCs go live (Cooke 2006; Reilly and Williams 2003; Sparrow, Brewster and Harris 2004).

Contrary to what has been predicted, end-user evaluations in reported studies suggest that establishing HR SSCs harms HR service delivery. This raises the question as to whether resource bundling and delegating control to business units are indeed sufficient conditions to improve HR delivery. Although many studies have presented findings on the evaluation of HR SSCs (Cooke 2006; Farndale et al. 2009; Redman, Snape, Wass and Hamilton 2007), at the same time they have not considered in-depth the resources bundled in an HR SSC, nor the control exercised over the HR SSCs. Therefore, we know little about the key characteristics of HR SSCs and whether the centralization of resources combined with the decentralization of control is sufficient to improve HR delivery. The purpose of this paper is therefore to explore whether resource bundling combined with business unit control over an HR SSC is sufficient to improve HR service delivery as perceived by end-users.

To achieve this aim, we present findings from a case study of an HR SSC within a public organization in the Netherlands. Despite the HR SSC having the requisite structural components, the case study shows that end-user satisfaction with HR delivery declined after its establishment. As such, this paper contributes to existing knowledge in three ways. First, it empirically challenges the notion that integrating centralization and decentralization models is sufficient to improve HR service delivery. Second, while research into essential HR SSC characteristics remains limited (Redman et al. 2007), our paper does empirically uncover the key elements of HR shared services. By doing so, we add nuances to existing knowledge on how HR SSCs may improve HR delivery and find additional conditions for HR SSC performance. Third, our results have implications for practice as those who are responsible for establishing and/or managing HR SSCs can benefit from the lessons learnt in our study.

The article proceeds as follows. First, we review the existing literature on HR shared services and discuss HR competencies, intellectual capital and agency theory concepts as these aid understanding of how the needs of end-users may be satisfied by an HR SSC. After the literature review, we present the methodology used in our empirical study and present our research findings. The final section discusses the implications of our research.

The hybrid nature of HR shared services

Implementing HR shared services is seen as a response to the issue of whether firms should centralize or decentralize their HR function (or parts thereof) to increase corporate-level control or improve local responsiveness (Farndale et al. 2009; Quinn, Cooke and Kris 2000; Strikwerda 2004). Centralization refers to the extensive corporate-level governance of activities with a concentration of resources in corporate units to reduce costs and secure strategic alignment. Centralizing HR resources, however, runs the risk of reducing business unit responsiveness and slowing down decision-making (Strikwerda 2004; Ulrich 1995). Decentralization, on the other hand, secures business unit responsiveness by granting full business-unit-level control of HR activities but makes HR service delivery less efficient due to resource duplication (Janssen and Joha 2006; Reilly 2000). Thus, centralized and decentralized models are both double-edged swords: both have benefits and downsides, with the drawback of one approach corresponding to the strengths of the other.

Shared services span centralization and decentralization models (Janssen and Joha 2006). When establishing shared services, organizations bundle resources and activities in a (semi-) autonomous business unit: the SSC. Research shows that HR activities commonly performed by HR SSCs include payroll, personnel administration and recruitment tasks, which are delivered through the use of concentrated resources

such as information technologies and administrative competencies (Bondarouk, Maatman and Meijerink 2010). Some have warned against confusing shared services with centralization. Redman et al. (2007), for example, emphasize that despite the consolidation of resources, ‘power and control rest with the customer’ (p. 1487). Ulrich (1995) goes further by suggesting that a shared services approach is the opposite of centralization. Whereas, in centralization models, decision-making and control are in the hands of a corporate level entity, such as the board of directors; with shared services, the clients and end-users are in theory in control. This involves the business units choosing ‘the type, level and quality of services they want from the *center*, at the price they are willing to pay’ (Quinn et al. 2000, p.13, italics added) and hence, this makes the ‘user the chooser’ (Ulrich 1995, p.14). In other words, the business units have control over centralized resources and activities. We therefore define HR shared services as a hybrid organizational model for bundling resources in an HR SSC that performs HR activities which are controlled by the business units and end-users. As such, the key characteristics of HR shared services are the centralization of resources combined with the decentralization of control to business units.

Various authors have argued that the hybrid nature of shared services enable organizations to capture the benefits of both centralization and decentralization models (Maatman, Bondarouk and Looise 2010; Schulman, Dunleavy, Harmer and Lusk 1999) and, consequently, they should be better able to satisfy the needs of individual employees, line managers and decentralized HR staff. On the one hand, bundling resources could result in a more efficient and high-quality service delivery through exchanging and integrating best-practices that foster cross-group learning and also by reducing resource duplication (Cooke 2006; Janssen and Joha 2006). On the other hand, giving business units control is intended to secure compliance by the

HR SSC (Farndale, Paauwe and Boselie 2010) which should support the realization of business unit and end-user priorities. Table 1 summarizes the potential benefits of shared services as presented in other studies.

Insert Table 1 about here

Centralized HR resources: from HR competencies to intellectual capital

The resources within an HR SSC do seem to play a valuable role in satisfying end-user needs, but what valuable resources do HR SSCs actually consolidate? Previous research suggests that it is *knowledge* resources that are key. Farndale et al. (2009), for example, show that the competencies and experience of HR SSC staff is perceived by HR SSC managers to be the most critical factor for success. Research shows that these competencies include *functional HR knowledge*, referring to the ability to deliver HR practices, and *HR technology knowledge*, the ability to leverage technology for HR practices (Ulrich, Brockbank, Johnson, Sandholtz and Younger 2008; Yeung, Woolcock and Sullivan 1996). Ulrich et al. (2008) show that these HR competencies (i.e. the knowledge, skills and experiences of HR staff) account for 20% of the variance in the effectiveness of HR SSC staff as perceived by end-users.

It would be wrong, however, to conclude that HR competencies are the only valuable knowledge resource bundled in HR SSCs. Various authors emphasize the importance of knowledge embedded in the processes and routines bundled by SSCs (Redman et al. 2007; Reilly and Williams 2003; Ulrich 1995). Redman et al. (2007), for example, argue that high-quality HR processes may secure shared service benefits as they are ‘important to the efficient running of the organization’ (p. 1499). As HR SSCs are information-technology-facilitated organizations, they rely on organizational knowledge embedded in online databases and intranets to make HR delivery more

efficient (Farndale et al. 2009; Reilly 2000). Knowledge exchange among HR SSC staff is also considered valuable, while the sharing of best practices and cross-group learning within HR SSCs are seen as improving the quality and consistency of HR service delivery for end-users (Cooke 2006; Reilly 2000).

A concept that helps in picturing all the knowledge resources bundled in an HR SSC is *intellectual capital* as this represents the *aggregate* of knowledge which an organization utilizes in meeting end-user needs (Stewart 1997; Youndt, Subramaniam and Snell 2004). The intellectual capital of an HR SSC consists of three knowledge resource types, namely: human, social capital and organizational, which reside on the individual, network and organizational levels respectively (Youndt et al. 2004). On the individual level, the *human capital* of an HR SSC reflects the knowledge, skills and abilities of its individual employees (Yang and Lin 2009; Youndt et al. 2004). On the network level, *social capital* amounts to the knowledge that is mobilized through social relationships within the HR SSC (Nahapiet and Ghoshal 1998; Youndt et al. 2004). As such, it represents the knowledge exchanged among HR SSC staff and includes best-practice sharing and cross-group learning within the HR SSC. On the organizational level, the *organizational capital* within an HR SSC is the organizational knowledge which is codified, embedded or stored in knowledge containers (Yang and Lin 2009). In other words, it is the knowledge contained in HR processes, HR information systems, databases, manuals etc..

Two notions are important with respect to intellectual capital. First, *possessing* human, organizational and social capitals is not sufficient to secure shared-service benefits: for knowledge to become intellectual capital it has to be put to use (Penrose 1952; Youndt et al. 2004). For example, internal knowledge exchanges will not generate benefits unless HR SSC staff absorb and use the knowledge in serving end-

users. Second, knowledge resources are seldom valuable in isolation: several scholars have argued that performance is a product of the *coexistence* of human, social and organizational capitals (Reed, Lubatkin and Srinivasan 2006; Ruta 2009). For instance, Reed et al. (2006) have found that the impact of human capital on performance is stronger where there is high-level social capital. Organizational capital, on the other hand, is viewed as a support function for leveraging the knowledge of individual employees (Ruta 2009). In this sense, the concept of intellectual capital mirrors the resource bundling concept of shared services: knowledge resources have to be bundled and configured in an HR SSC in order to improve HR delivery for end-users. In this study, we therefore explore the intellectual capital of an HR SSC in order to determine whether resource bundling is sufficient to improve HR service delivery for end-users.

Decentralized control: business unit ownership

To describe the control exercised over HR SSCs by other business units, we consider two elements of control: the extent of control and the control mechanisms.

The extent of control exercised over HR SSCs

The primary function of control is to make the activities of an HR SSC consistent with the priorities of the business units and end-users that have devolved activities to be performed by the HR SSC. Research into control of HR SSCs is primarily concerned with the governance structure of HR SSCs; that is, where the SSC is positioned within the organization that houses it (e.g. Farndale et al. 2009; Janssen and Joha 2006, Maatman et al. 2010). Here, researchers refer to the work of Strikwerda (2004) who described four organizational structures. The most centralized being the ‘central service’, where the SSC is part of a corporate centre or centralized support function. An SSC can also be structured as a ‘separate business unit’ reporting

to both the board and the business units it serves. A more decentralized option still is the ‘within business unit’ SSC that is embedded within and reports to a single business unit. The most decentralized SSC type is the ‘internal joint venture’ that is entirely owned and controlled by the business units (Strikwerda 2004). These organizing structures reflect how much control is delegated to the business units and, hence, existing research treats HR SSC control as the *extent* to which business units control HR delivery. For example, Maatman et al. (2010) argue that the structures reflect a continuum ranging from little business unit control (central service structure) to high business unit control (internal joint venture structure). Following this logic, the ideal type of HR SSC is the internal joint venture as it delegates full control to the business units.

Mechanisms for controlling HR SSCs

Studies into HR SSC governance find that business units rely on what are called *control mechanisms* (Jensen and Meckling 1976; Ouchi 1979) to govern the activities of the HR SSC. In an HR shared-service environment, control mechanisms are the means used to secure HR SSC compliance; that is, to align HR SSC activities with end-user expectations. HR SSCs may be controlled through service-level agreements (SLAs) that specify criteria against which HR services should be delivered (Farndale et al. 2010; Farndale et al. 2009; Redman et al. 2007). Another mechanism used by business units to secure HR SSC compliance is end-user surveys and HR SSC performance data that measure criteria such as frequency, quality and costs (Farndale et al. 2010). Further, HR SSCs may also be controlled through feedback meetings and collaboration between the business units and the HR SSC. As an example, Reilly and Williams (2003) presented a case where clients and an HR SSC collaborated to jointly

develop and improve HR services to ensure that shared HR services matched end-user needs.

In the control and agency theory literature, the control mechanisms mentioned above are seen to represent either formal or informal controls (Jaworski and MacInnis 1989). *Formal* controls, such as SLAs, represent ‘arm’s-length’ relationships where an agent is controlled through process and output controls. Process controls are designed to direct agent actions by monitoring them, meaning that the business units dictate how activities are to be performed by the HR SSC (Ouchi 1979). Output controls, on the other hand, evaluate the outcomes of an agent’s activities and should result in HR SSC compliance as evaluating its performance should ensure that the HR SSC engages in the desired actions (Eisenhardt 1985; Ouchi 1979). Generally, formal controls are used when the client is not dependent on the service provider and can be characterized by low levels of interaction between the principal and agent (Dyer 1996; Uzzi 1997). *Informal* controls, on the other hand, are oriented towards nurturing the relationship between the client and the service provider (Koulikoff-Souviron and Harrison 2006) and so aim to secure service performance through collaboration, integration and joint decision-making by the principal and the agent (Germain, Claycomb and Droge 2008). Social controls are a type of informal control characterized by information sharing, interaction and collaboration between the principal and agent (Aulakh and Genturk 2000; Germain et al. 2008). These actions aim to increase trust and establish shared norms that prevent the interests of the agent conflicting with those of the principal and, hence, secure compliance (Uzzi 1997).

The effectiveness of control mechanisms in securing compliance depends on demand predictability (i.e. the diversity in end-user needs and changes in demand volumes). Germain et al. (2008) show that, in predictable circumstances, formal

controls are effective because the criteria that specify agent actions or performance remain stable over time. However, with fluctuating end-user needs and demand volumes, process and output controls are too rigid. Instead, informal controls are more effective because they that grant greater flexibility in coping with demand unpredictability (Germain et al. 2008; Lawrence and Lorsch 1967). The literature shows that most HR SSCs offer administrative HR services (Bondarouk et al. 2010; Farndale et al. 2009) which are generally standard in nature and have a predictable demand (Lepak, Smith and Taylor 2007). As such, administrative HR activities, given their well-defined nature and measurable outputs, can best be controlled through formal controls (Farndale et al. 2010). Following this logic, relying on formal controls should be sufficient to secure HR SSC compliance. We will therefore investigate the control mechanisms used to control an HR SSC in order to explore whether its decentralization is sufficient to improve HR service delivery to its end-users.

Methodology

The findings presented in this article result from a case study conducted within a Dutch public organization. To conceal its identity, the HR SSC of this organization will be referred to as G-Share. While our study was explorative in nature, adopting a case study methodology was appropriate as it enabled us to collect the in-depth data necessary to explore phenomena (Eisenhardt and Graebner 2007; Yin 2003).

G-Share was selected for the study as it was designed as an ideal type HR SSC: it centralized resources and fully decentralized control over its activities to the business units it served. As such, the G-Share case study enabled us to explore whether resource bundling combined with high-level business unit control over an HR SSC is sufficient to improve HR service delivery. It turned out that G-Share did improve HR delivery to end-users, but only to a limited extent. As such, it represented

a ‘critical case study’ (Flyvberg 2006; Yin 2003) allowing one to uncover ‘some alternative sets of explanations that *might* be more relevant’ (Yin 2003, p.40, italics added).

Data collection

The empirical study was carried out from September 2009 to September 2010 and relied on document analysis, interviews and observations (see Table 2 for an overview of data collection procedures). First, we analysed documents (e.g. project and strategic plans, service level agreements and internal research reports) to gain insights into the organizational structure of G-Share. In addition, we studied the findings of annual surveys of the satisfaction of end-users with HR delivery (completed by an average of 80% of employees and managers from 2005 to 2010) to analyse the levels of end-user satisfaction with HR delivery both before and after the establishment of G-Share. Examples of items included in the end-user satisfaction survey are: ‘to what extent are you satisfied with the... [...usefulness of the HR portal], [...service delivery by the contact centre], [...delivery of management information]?’

Insert Table 2 about here

Following the document analysis, we conducted semi-structured interviews with end-users plus staff and management team (MT) members of G-Share that focused on the constructs of *control*, *intellectual capital* and *end-user satisfaction*. We interviewed end-users from two business units (A and B) that made use of all the services offered by G-Share at the time of the research. The tape recordings of the interviews were transcribed and returned to the interviewees for verification in order to strengthen the trustworthiness of our data (Lincoln and Guba 1985). All but one respondent replied to the e-mail, and some proposed minor corrections to the transcripts.

To explore G-Share's intellectual capital, the first author also regularly visited G-Share to observe team meetings, training sessions, and service encounters. Brief notes were taken of actions relevant to the constructs of interest and expanded into field notes as soon as possible to avoid loss of data. These notes were also analysed while still in the field to uncover emerging themes that could be included as the investigation developed.

Using multiple data sources strengthens the substantiation of the data (Sandberg 2005). In addition, interviewing different stakeholder groups, with multiple respondents, in gathering data on the various constructs (see Table 2) helps to reduce the dangers of common method variance.

Data analysis

The analysis of the data was conducted in two phases. First, a deductive approach was followed, with chunks of transcribed texts coded using descriptive codes formed from our theoretical guidelines. During the second phase, the materials were inductively sub-coded to identify themes that emerged from the data. For example, the *intellectual capital* codes were further sub-coded to uncover elements of human, organizational and social capitals, whereas *control* sub-codes were used to uncover the type and extent of controls. Later, the *end-user satisfaction* codes were sub-coded to identify the concrete needs of end-users. To strengthen the validity of the case findings, we held several intermediate discussions with G-Share's management team to debrief the organization by presenting and discussing the research findings (Sandberg 2005).

Findings

Establishment of G-Share: towards centralized HR service delivery

G-Share is an HR SSC that, during the period of research, offered administrative HR services to 70,000 end-users within seven autonomous business units. Facing

efficiency demands, and also the need to improve HR functional effectiveness, the public organization decided at the beginning of 2003 to reorganize its HR function. The establishment of G-Share was part of this project, which also included the devolvement of HR tasks to the line and the adoption of HR self-service technologies. According to official documents, the primary motives included reducing costs, improving HR service quality and transforming the HR function to make it more strategic.

In mid-2003, the green light was given to start the project that would establish G-Share. However, it was soon stopped because the business units had only limited involvement in the G-Share project. At the end of 2006, a second attempt was made to establish G-Share, this time characterized by a two-phased approach with extensive business unit involvement and collaboration between G-Share and the business units. Initially, all the business units standardized their administrative HR processes and digitized their paper-based personnel records before bundling them within G-Share. Further, two business units developed a joint HR portal and self-service applications, and another designed a new HR information system (HRIS) for G-Share. G-Share was responsible for integrating these projects and acted as an intermediary between its clients. The goal of the second phase was to bundle the administrative HR tasks into one contact centre within G-Share. Rather than recruiting externally, it was decided to redeploy half (300 FTE approx.) of the current administrative HR staff at the contact centre. The remaining HR administrators remained within the business units. The HR SSC staff were employed in two locations, one in the west and one in the east of the Netherlands, and alternated between offering a first-tier call-handling service and specialist second-tier follow-up work. The clients and G-Share cooperated in arranging the placement of HR staff to avoid an unequal distribution of HR

administrative capacity. In July 2009, G-Share went live and started to offer the following shared HR services:

- An HR portal which houses (1) employee and management self-services (ESS and MSS), (2) personnel data and management information, and (3) general information on payroll and personnel administration;
- Front office advice to end-users on self-service options, and payroll and personnel administration (by the contact centre);
- Manual HRM administration tasks as a back office service (in the contact centre);
- Regular payroll services.

As the text above shows, G-Share fulfilled a key characteristic of HR shared services: the central bundling of resources and activities for the provision of shared HR services. Furthermore, business unit control was instituted prior to G-Share ‘going live’ through the clients collaborating in consolidating resources at G-Share.

Organizational structure of G-Share: decentralization of control

All business units (A – L) effectively had an autonomous status since the public organization lacked a corporate entity, such as a board of directors or corporate headquarters. As shown in Figure 1, G-Share was embedded in business unit A, because business unit A provided other support services (e.g. finance and housing services) to the other units. As such, G-Share had some characteristics of a ‘within business unit’ because business unit A was the only client that exercised control over the operational management of G-Share. As an example, G-Share only reported on issues such as budget allocation and continuity of operations to business unit A. This does not however mean that G-Share was a ‘within business unit’ – an SSC that is entirely controlled by the business unit that houses it. In fact, G-Share also had

characteristics of an ‘internal joint venture’ SSC since its service provision was controlled by all the business units. For example, the clients jointly determined the scope of G-Share’s service portfolio and the levels at which shared HR services were to be delivered. G-Share also had to report to all business units on achieved service levels. Consequently, the organizational structure of G-Share was a mixture of a ‘within business unit’ and an ‘internal joint venture’. Within this structure, control over G-Share was fully decentralized to the business units.

Insert Figure 1 about here

G-Share was made up of five departments which had joint responsibility for delivering HRM services to end-users and for partnering with the business units. The first, the *Contact Centre* (300 FTE), was G-Share’s front office and responsible for the day-to-day support of end-users through the telephone or remote IT. Three other departments collaborated with G-Share clients: *Department 2* (19 FTE) which was responsible for redesigning administrative HRM processes and labour regulations with decentralized HR experts; *Department 3* (40 FTE) which collaborated with decentralized IT experts to maintain the functionality of all web-based systems; and *Department 4* (10 FTE) which initiated, supervised and managed projects for the joint development of new HR services. The G-Share organization was completed by a *Staff Department* (10 FTE) which was responsible for the HR function, finance and control functions, and for housing G-Share. The Staff Department also employed account managers who partnered business unit representatives in order to discuss service levels and improvements in HR service delivery.

Overall, while integrating ‘within business unit’ and ‘internal joint venture’ structures, G-Share still represented an ideal type of HR SSC. The internal structure

of G-Share was also designed to support collaboration with the business units. Thus, G-Share met the second key characteristic of HR shared services, namely the decentralization of control over centralized service delivery to clients.

End-user satisfaction with HR delivery by G-Share

The data obtained from end-user satisfaction surveys showed that G-Share had problems in improving HR service delivery to end-users and that the satisfaction of end-users with HR delivery fell once G-Share went live. As Figure 2 shows, before G-Share was established (2009 and earlier), only approximately 10% of end-users were dissatisfied with the usefulness of the HR portal. Once G-Share went live, this percentage rose dramatically with 75% of end-users being dissatisfied with G-Share’s HR portal. In terms of end-user satisfaction with the contact centre (Figure 3), the percentage of dissatisfied end-users similarly rose from 15% to 63% after G-Share was introduced.

Insert Figure 2 about here

Insert Figure 3 about here

To further explore this dissatisfaction among end-users, we asked them to express their expectations of the delivery of administrative HR services, and whether these expectations had been met.

HRM process speed

The activities performed by G-Share were a component of larger HR processes which could be delayed if G-Share did not provide its HR services on time. Generally, end-users expected the throughput times of administrative HR processes not to exceed five days. However, most end-users expressed the view that throughput times were long and that G-Share processed administrations and inquiries too slowly:

We have given G-Share the title 'G-never'. G-Share pretends that everything is administered directly. However, this is not true because administration steps are processed too late. (End-user 14)

Surprisingly, these accounts were inconsistent with the actual service levels achieved by G-Share as reported in the service performance reports. For example, G-Share completed more than 95% of the back-office administration tasks on time (i.e. within 5 days) and so exceeded the 90% norm set. However, the front-office services failed to meet this threshold: with only about 80% of all inquiries resolved on time. According to a management team (MT) member, G-Share could not always prevent lengthy throughput times as it was dependent on the timely actions of end-users. The end-user self-service options, and the underlying processes, were designed such that an employee would initiate a workflow, for example an application for maternity leave. Following this, a manager had to approve the application *before* G-Share could process it. Therefore, G-Share could not finalize HR processes in the expected time if managers did not undertake the necessary actions:

Concerning most processes, everybody seems to forget that managers are involved too. If a manager does not approve a request by an employee, then we are not allowed to process it and so cannot finalize the process in time. (MT member of G-Share 2)

If managers do not approve requests on time and accept their responsibilities, then it is easy for them to blame us for slowing down the process. (Service employee of G-Share 3)

Therefore, despite G-Share meeting the expected service levels, end-users perceived the HR process speed as unacceptable and not improved by G-Share being introduced.

Monitoring HRM effectiveness

Managers and HR professionals expected to receive high-quality management information so that they could monitor the extent to which they were implementing HR policies effectively. According to the interviewees, G-Share therefore had to provide reliable and up-to-date information. The majority of the end-users had mixed

perceptions of the quality of information and expressed the view that several management reports contained unreliable information:

The management information is not always reliable. For example, I see differences in the actual and reported number of working hours. (End-user 6)

To me, the most important aspect is receiving reliable and up-to-date management information. So far, the information quality is rather insufficient. (End-user 11)

To generate management information, G-Share converted end-user data stored in its HR information systems into comprehensive management information reports. For the delivery of this service, G-Share is dependent on its end-users, because the end-user data store was partially maintained by the end-users themselves when they used the employee and management self-service options. Both end-users and G-Share personnel acknowledged that end-users did not always live up to this responsibility, resulting in poor management information. For example, several end-users (line managers) noted that they themselves “entered new employees relatively late or retrospectively”, which biased the management information:

The management information is sometimes incorrect. The problem might be in the administration itself – we sometimes do administration tasks incorrectly. (End-user 9).

Many managers are used to doing their HR administration work retrospectively. What is the result for the management information? It will be incomplete. (...) Managers should understand the consequence of doing their HR administration retrospectively. (MT member of G-Share 3).

Based on these accounts, we observe that, according to the interviewees, G-Share was only partially managing to offer high-quality management information, but that this was partially due to omissions by end-users.

Problem solving capability

When addressing inquiries to the contact centre, end-users anticipated useful solutions that would solve their problems. Although some end-users reported only negative

experiences with contact centre queries, most said they encountered service employees who did effectively solve their problems and others who did not. We heard end-users say that they often got “three different answers to the same question” and question the consistency in skill levels among service employees. According to most end-users, the performance level of the contact centre fluctuated, and depended on individual service employees:

The employees at the contact centre are quite diverse. They range from being effective problem solvers to those who fob you off with excuses like: ‘I don’t know how to solve your problem’ or ‘the system does not allow you to...’.
(End-user 5)

The quality of an answer really depends on the service employee you get....
(End-user 14)

As the text above shows, end-users perceived the problem solving effectiveness of the contact centre as limited.

Flexible organization and equal treatment of employees

The establishment of G-Share raised expectations among end-users that HR shared services would facilitate an increase in employee mobility across the autonomous business units. According to the line managers, the public organization needed to be a more flexible organization where employees could easily be redeployed at other units. In the past, idiosyncrasies in the HR policies of the various business units were perceived as reducing employee mobility. End-users reported that employees could now switch more easily between units because the HR processes were standardized. As such, G-Share had realized a benefit by paving the way for greater employee mobility and “a more flexible organization” (quote from end-user 16).

The employees we interviewed saw an additional benefit of standardized HR services in that they perceived employee remuneration to now be uniform across units whereas, before G-Share, their peers in other business units might receive higher or

lower wages. The end-users felt that their employer was now being fair to them and argued that G-Share supported “employees being treated equally” (quote from an end-user):

The advantage of having G-Share (...) is the increase in equality of rights and status. The labour regulations are uniform for all of us. (End-user 5)

I really appreciate that HR policies are now uniformly implemented throughout the entire organization. The rights and duties of employees are now the same. (End-user 11)

Hence, end-users saw two benefits in G-Share’s establishment: higher employee mobility and perceived equality of remuneration.

Time for core responsibilities

Although end-users appreciated that the self-service options put them in control of their personal HR administration, they had not expected to spend so much time on operating the HR portal as this interfered with their “core business”. Rather than being relieved from administrative responsibilities, end-users complained about spending too much time on HR administration. According to the interviewees, these problems followed from the “non-user-friendly” or “counter-intuitive” HR portal, which was considered hard to operate:

The HR portal is complex. (...) I have to search through the entire system to find 1 out of 167 employees. It takes a lot of time before you find the information you are looking for. (End-user 3)

G-Share does not relieve me: running administrative tasks in the HR portal takes more time because not all the online HR processes are clear. (End-user 9)

As this discussion shows, end-users did not perceive G-Share as enabling them to spend less time on HR administration activities.

Time for strategic partnering

Decentralized HR professionals expected the introduction of G-Share to facilitate them in adopting a strategic partnering role by relieving them of HR administrative

tasks. Although the HR professionals realized that G-Share would not take on all their administrative responsibilities, half of those we interviewed were pleased that they were spending less time on administrative HR practices:

I spend less time filling in forms. As an HR professional, I now have more time for advising. (End-user 5)

As an HR professional, I no longer process HR administration because managers and employees do it themselves. This saves me a lot of time. I can now partner line managers. (End-user 2)

Other decentralized HR professionals, however, were less positive and said that they continued to spend time on administration-related matters. According to them, the fluctuating levels of service quality offered by the contact centre resulted in frustrated employees and managers who then turned to them to share their grievances and request help. As a result, some HR professionals said that they had to fall back on an administrative ‘fire-fighter’ role. Based on these accounts, we conclude that the HR professionals perceived that G-Share had to a limited extent created additional time for them to partner line managers.

Intellectual capital centralized within G-Share

The human capital of G-Share

The interviews with and observations of G-Share staff showed that G-Share bundled five elements of human capital. The contents of the first three, *legislation*, *HR processes* and *HR technology*, concerned knowledge about labour regulations, administrative HR processes and HR information systems respectively. The service employees argued that, rather than having knowledge of regulations and HR processes, they should know where to find, and how to interpret, codified labour regulations, and how to operate HR processes. As such, the interviewed service employees would prefer to retrieve codified information, while this body of knowledge is too broad and too often changed to be internalized successfully.

Legislation knowledge: having knowledge of labour regulations related to multiple functional domains such as payroll, leave and absence was considered necessary because of the integrated nature of these domains. For instance, the leave entitlement and salary of an employee changes if they are ill for a significant time. Before working with G-Share, most service employees had fulfilled specialist HR functions, sometimes covering different areas than what was expected with G-Share. For instance, employees who had worked in the ‘absence and leave’ domain had never been concerned with absenteeism or payroll issues before turning to G-Share. According to both service employees and MT members, the skills set of service employees had not been broadened before their redeployment at G-Share and, as a result, the service employees merely had specialist knowledge of labour regulations. It had not been a “surprise” to the MT members that most service employees were not fully equipped to work in the contact centre:

Following the request of the business units, we took over their employees. We already had the suspicion that these employees had insufficient knowledge of HR administration. We had to work with employees who had previously been criticized, with the majority of the HR administrative workforce within the central government being found wanting. (...) We had to assign generalist roles to them because most administrative domains interact, yet we employ people who only have experience of a single domain. In a sense, G-Share inherited the problems of the business units. (MT member of G-Share 1)

As a result, although it wanted to have generalists, G-Share had no other option than to assign specialist functions to its employees and establish specialist teams within the contact centre covering aspects such as payroll, absenteeism and secondary benefits.

HR processes knowledge: The G-share employees recognized a gap between the required and their actual abilities to carry out HR processes. Although they had knowledge of decentralized HR processes, the service employees felt they had to gain experience in carrying out the standardized HR processes employed in G-Share. Most service employees therefore reported they lacked sufficient HR process expertise:

You need to have extensive knowledge of processes. (...) These processes incorporate several steps. I don't know these steps and you can't expect people to know them when they come to G-Share. (Service employee of G-Share 6)

I don't know how HR processes are designed, meaning that it is unclear to me who bears what responsibilities. I only know about the HR processes at business unit F, because that's where I worked before. (Service employees of G-Share 4)

HR technology knowledge: the HR information system (HRIS) consisted of approximately 15 databases, covering numerous datasets that store end-user data such as payroll, absence and secondary benefits figures. To operate the extensive HRIS, employees relied on the human capital element *HR technology*, which they referred to as knowing how to retrieve, interpret and transact online employee data. During their previous occupations, the service employees had worked with HR information technologies and so felt comfortable operating decentralized information systems. During the observations, however, we often encountered service employees with a limited ability to retrieve data from the HRIS. According to the interviewed service employees, the functionalities of the G-Share HRIS differed from those used before the establishment of G-Share and hence they had to acquire new HR technological knowledge:

Operating the HR information system is different to what I was used to. Every time you have to reinvent the wheel: at business unit L I worked with PeopleSoft, and now we work with SAP. (Service employee of G-Share 7)

The other two HR competencies – *active listening* and *communication* – refer to the abilities to interpret end-user needs and comprehensively communicate verbal messages. Communicating with end-users through remote information technologies requires skills for making sense of end-user inquiries and to compensate for the lack of non-verbal cues. However, before moving to G-Share, the majority of service employees had already worked in HR call centres and reported having sufficient

experience in communicating with end-users through the telephone or remote information technologies.

The organizational capital of G-Share

We observed service employees making use of ‘knowledge containers’ that the literature identifies as organizational capital: online law books, HR processes (descriptions), training documents and databases embedded in the HRIS. Service employees did not internalize labour regulations but relied on law books, online documents and a frequently-asked-questions database to retrieve relevant information. According to the interviewees, process descriptions, manuals and training documents are consulted to overcome their inability to operate the HR processes and HR information technologies.

We also encountered many situations where service employees turned to the HR information system to analyse and transact end-user data. These data seemed to be consulted extensively for two reasons. First, many end-users contacted the system because they perceived their HR administration to be inaccurate or out-of-date. Then, for example, because the salary of end-users depends on many parameters, such as absenteeism, working hours and bonuses, service employees would consult the end-user data to investigate where the problem may be. Without analysing this data, service employees were unlikely to effectively support end-users. Second, the end-user data was used as input in generating management information reports. Thus, inaccuracies in end-user data could result in both poor problem solving by service employees and faulty management information.

The documents and interviews showed that the bundling of organizational capital in G-Share was not without problems. Originally, before bundled in G-Share, the end-user data was stored and maintained by the individual business units. Despite

the business units being expected to rationalize their personnel dossiers and databases before transferring them, several put little effort into updating them. This became clear because the end-users were able for the first time, with the introduction of self-service, to access their own personal data:

Some business units put a lot of effort in updating their data, whereas other did not. This concerns data which was collected over more 20 years, but never sorted out. (...) The same goes for the personnel dossiers. Some business units kept them well, while others made a mess of their personnel dossiers. We still get calls from end-users who report that their dossier has inaccurate information. (MT member of G-Share 2)

Other studies that also evaluated the setting up of G-Share revealed another problem: during conversion and input to the G-Share databases, end-user data got lost or was found missing (Thaens 2010). Overall, according to one MT member, around 20% of the end-user data was either inaccurate or not updated.

Although G-Share and the business units had agreed that the business units “should guarantee the quality of the personnel data and provide G-Share with the most accurate data” (Service Charter), we heard MT members and service employees complaining that some of the business units and end-users did not provide accurate data. End-users themselves also doubted whether they correctly administered their personal data:

The information is not always accurate. I witness differences in actual and recorded working hours. These may be due to our administration: we might use the wrong number of hours. (End-user 9)

Irrespective of whether the end-user data were accurate, it seemed as if the data were not used to the maximum potential. We observed that service employees were unable to retrieve relevant data, and the interviewees revealed that they had difficulties with interpreting the data in the HRIS:

Often I wonder: ‘where can I find it?’ When serving in the front-office, I have difficulties with retrieving data in the HRIS. Also, I don’t know how to read

data. I see something on my screen, but do I interpret it well? (Service employee of G-Share 2)

The information system is not clear to me because there are too many fields where you should look for information. (...) I don't know where to find things in the HR information system. (Service employee of G-Share 6)

The social capital of G-Share

According to the service employees, they shared knowledge on where to find labour legislation, the route to follow in HR processes and where to find specific items of end-user data. However, the physical and functional separation of service employees seemed to dampen the intensity with which knowledge was exchanged. According to the service employees, they only shared information with peers who work in a similar functional domain and at the same location:

I don't have contact with people at the other location. (Service employee of G-Share 1)

I don't exchange knowledge with people outside my team. Actually, I don't have any contact with them at all. These people are in a different room and are responsible for other HR processes. I have no business there. (Service employee of G-Share 2)

I don't exchange experiences with people from outside my team. These teams are all demarcated. We do this, they do that. (Service employee of G-Share 7)

Although service employees perceived that knowledge sharing supported individual learning, they also noted that sharing knowledge facilitated organizational learning. The observations revealed that service employees did jointly discuss how to interpret codified knowledge. In most cases, service employees shared knowledge in order to develop a common understanding of how to uniformly implement labour regulations and collective agreements:

Labour regulations can be interpreted in different ways. We discuss and exchange ideas in order to reach a common understanding. (Service employee of G-Share 1)

We often receive information on labour legislation and how to implement it. We usually discuss this together. Together we try to understand what these

documents are meant to say, because you can interpret this information in multiple ways. (Service employee of G-Share 3)

Reflecting on the intellectual capital within G-Share

Despite G-Share centralizing intellectual capital, it seems as if several problems were encountered with how this capital was bundled and leveraged. First, G-Share's human capital turned out to be too specialist in nature to effectively support shared HR service delivery. In addition, because this human capital was not updated, the service employees heavily relied on their own skills to operate decentralized HR processes and information technologies, making the concentrated human capital irrelevant in delivering shared HR services. Second, an important component of G-Share's organizational capital, the end-user data, was of low-quality, to an extent because the business units and end-users did not maintain G-Share's databases adequately. Some data previously held by the business units were never bundled because they got lost during the conversion process. Importantly, this meant that G-Share was dependent on its clients and end-users for the development of its organizational capital. Third, it seemed as if only very limited cross-group learning took place within G-Share, with service employees also reporting that little information was exchanged among functional teams.

Decentralized control of G-Share: use of control mechanisms

G-Share was controlled by three committees, whose members represented the business units. First, there was a *strategic committee* which represented the clientele of G-Share, and was responsible for commissioning G-Share to deliver HR services. Each business unit had one delegate on this committee: its decentralized HR director. Together, the HR directors were solely responsible for determining G-Share's HR services portfolio: they decided which HR services were to be shared. Once decided,

shared HR services became captive HR services, and end-users were expected to use these administrative HR services through G-Share.

Second, there was a *tactical committee* consisting of decentralized service managers. These service managers held bimonthly meetings (with the director and account managers of G-Share present) and monthly meetings with an account manager. In practice, the HR directors devolved their responsibilities to the service managers who therefore engaged relatively intensively with G-Share. Third, there were *operational committees* which met at least once a month and were responsible for optimizing and streamlining the day-to-day service delivery by G-Share. The user committees consisted of HR professionals and IT experts from the business units as well as those employed within Department 2 and Department 3 of G-Share.

To govern the HR service delivered by G-Share, the committees relied on output controls in the form of a service charter that specified service levels which were then assessed through performance reports and end-user surveys. These service levels operationalized the performance of G-Share in terms of the reliability and availability of shared HR services. The following service levels were assessed monthly: the correctness and timeliness of HR administration and payroll activities; the speed of handling end-user inquiries; and the availability of online self-services for end-users. The end-user surveys measured end-user satisfaction with HR service delivery by the contact centre and the perceived user-friendliness of the HR portal. In our view, the output controls seemed too limited. Although the performance reports and end-user surveys provided information on end-user needs such as ‘HR process speed’ and ‘problem solving’, they ignored dimensions such as ‘time for core responsibilities’, ‘time for strategic partnering’ and ‘monitoring HRM effectiveness’.

The HR portal enabled end-users to monitor the actions of G-Share and therefore end-users had the possibility to overview process controls. For example, the employee and management self-services in the HR portal included a track-and-trace function showing whether G-Share has administrated end-user applications and met pre-set standards. Despite these control mechanisms, the end-users still reported that the HR processes were “black boxes” and that they could not monitor the status of HR processes (they seemed unaware of the control possibilities). As such, end-users miss out on the opportunity of governing G-Share through process controls:

The documents and interviews showed that G-share and the business units collaborated both tactically and operationally, and complemented the formal controls with informal controls. For instance, besides checking the performance reports, the tactical committee also discussed the achieved service levels in more depth with G-Share personnel to uncover HR service delivery problems. When required, the business units and G-Share jointly developed plans for solving service delivery problems. In practice, joint problem-solving was delegated to the user committees where HR and IT experts from G-Share and from the business units worked together to improve and develop the services offered by G-Share. To emphasize their use of social controls, the interviewed MT members noted that they “decided to go for joint responsibility” and developed shared HR services “for the business units and with the business units”. The use of informal controls was also formalized through the service charter: “the service delivery by G-Share is not organized independently: G-Share and the business units have to collaborate to meet the agreed service levels.”

Although controlled by the business units, G-Share also controlled the actions of its end-users. The administrative HR processes were designed such that G-Share was dependent on end-users because the end-users were the suppliers of data and

information to G-Share. According to an MT member, this “makes it hard to control our service delivery, because it takes place beyond the boundaries of G-Share. HR processes start *and end* at the business units.” Therefore, G-Share attempted to control end-users and clients through urging the strategic and tactical committees to improve end-user contributions where needed:

We receive too many retrospective applications. We were never expected to offer HR services through retroactions. We address this topic in the tactical committee in order to ensure, through our clients, that end-users properly use our HR services. Currently, we cannot handle the overload of retrospective applications we have received from our clients with our capacity (i.e. number of employees). (...) The contract committee should try to reduce the number of retrospective applications. (MT member of G-Share 3)

Reflection on the control of G-Share

HR service provision by G-Share was controlled through both formal (process and output) and informal controls. However, the way these controls were carried out seemed to be problematic in some respects. First, the output controls failed to control the delivery of some HR services such as management information provision. Second, the process control was limited because end-users did not seem to use the process controls which were open to them. Overall, control in this HR shared services environment seemed to be mutual: G-Share controlled its clients as much as they controlled G-Share.

Discussion

In this paper we have explored whether resource bundling combined with business unit control over HR SSCs is sufficient to improve HR service delivery for end-users. The end-user survey data revealed that levels of end-user satisfaction dropped after the establishment of the HR SSC. Although end-users recognized benefits of HR shared services such as standardization (Janssen and Joha 2006), they also

experienced increases in HR workload, poor HR problem-solving and long response times to their inquiries.

Theoretically, the shared services concept predicts that centralizing resources combined with decentralizing control should result in benefits from the HR shared services. Although knowledge bundling and creating business unit control may be necessary conditions for improving HR delivery, our results show that they are clearly not sufficient. Rather, the idiosyncrasies of both the structural conditions seem to affect the realization of shared service benefits for end-users (see Table 3).

Insert Table 3 about here

Centralized intellectual capital

The case study findings did show that the organizational capital within an HR SSC plays an essential role in supporting end-users. Without it, HR SSC staff have insufficient information to handle end-user inquiries and, if it is poorly maintained, the management information is likely to be inaccurate. From a resource bundling perspective, the social and human capital seem to interrelate with the organizational capital. Service employees exchange knowledge to develop a shared understanding of HR policies and processes in order to secure a consistent use of the organizational knowledge. The knowledge and skills of HR SSC staff supported the utilization of the knowledge embedded in databases and processes, and this has important implications for conceptualizations of how HR competencies impact on end-user satisfaction.

In the literature, the level of HR competencies is hypothesized as having a direct and positive impact on the performance of HR professionals (Boselie and Paauwe 2005; Han, Chou, Chao and Wright 2006; Ulrich et al. 2008). The case study findings suggest this assumption is open to question. Accepting the idea that

knowledge contributes to performance through *usage* (Youndt et al. 2004), then HR competencies will also indirectly affect end-user satisfaction by facilitating the utilization of other knowledge resources. It seems therefore more likely that a competency such as ‘HR technology’ is more of a contingency factor, where higher levels of HR technological knowledge strengthen the impact of organizational capital on end-user satisfaction. Given the interplay among knowledge resources, we would encourage future research to test whether interrelations among human, organizational and social capitals improve HR service delivery.

Our case study shows that the *redesign* of organizational capital yields additional benefits for end-users above those identified by previous studies into HR shared services. End-users perceived that the standardization of HR processes reduced the differences in compensation (pay levels) between business units and hence could increase the willingness of employees to move between organizational units. In an empirical study involving seven organizations, Farndale et al. (2010) found that three of them relied on HR shared services as drivers for standardization. Both private and public organizations are seeking more flexible forms of employment (Gualmini 2008), and this could be supported by HR SSCs that boost opportunities for employee mobility within an organization. Since employees feel that staff are more equally compensated across the various business units, the organizational capital of HR SSCs, if used consistently, should positively relate with distributive justice, that is the perceived fairness of the compensation employees receive (Folger and Konovsky 1989). Employee flexibility has been found to be positively related with financial performance (Bhattacharya, Gibson and Doty 2005), whereas distributive justice positively impacts on HRM outcomes such as organizational citizenship behaviour (Zhang and Agarwal 2009) and organizational commitment (Huang, Lu, Tang and

Huang 2004). We therefore believe that appropriate HR SSC performance could help shape desirable employee attitudes and behaviour and, ultimately, firm performance.

Since organizational and human capital act in conjunction, redesigning the organizational capital of an HR SSC may be perceived as less advantageous by end-users unless the HR SSC also aligns its human capital. For instance, our case organization simply bundled its existing human capital, which was partly out-dated, and this was therefore irrelevant in supporting the use of renewed HR processes and information systems. Research shows that organizations generally standardize HR processes and HR information systems before sharing them (Davis 2005; Redman et al. 2007; Ulrich 1995). Our research suggests that bundling organizational knowledge is unlikely to deliver its full potential unless organizations update and align the human capital of their HR staff before bundling in a HR SSC.

Although resource bundling in HR SSCs is seen as improving HR service delivery (Janssen and Joha 2006), our empirical findings cast doubt on this because knowledge concentration may, to some extent, turn into knowledge damage. This happened with end-user data which got lost during its transfer to the HR SSC. Even when effectively bundled, knowledge resources may still fail to generate end-user benefits. Interestingly, our findings seem to suggest that end-users themselves may be the source of this problem while they are responsible for maintaining the organizational capital of an HR SSC. For example, we saw how the end-users themselves were expected to maintain and update the information stored in the HR SSC database through using employee and management self-service options. Other research shows that HR SSCs do tend, in varying degrees, to offer self-service mechanisms to end-users (Farndale et al. 2009). Therefore, the end-users may be the

cause of low levels of HR service quality if they fail to accurately maintain their own data.

Although others have argued that implementing shared services facilitates cross-group learning and knowledge sharing (Cooke 2006; Janssen and Joha 2006; Reilly 2000), our interviewees perceived that knowledge was only actually exchanged within small functional groups. This is consistent with the finding of Farndale et al. (2009) who reported that collaboration within HR SSCs was perceived as weak by HR SSC managers. In our study, this may have been due to the HR SSC staff having specialist skills which made it impractical for G-Share to rotate service employees around the different teams or to employ generalists to facilitate cross-group learning (Reilly 2000).

Overall, it would seem that concentrating intellectual capital only contributes to improved HR delivery if: (1) HR SSC staff have the up-to-date generalist human capital required to secure cross-group learning and the utilization of organizational capital; and (2) end-users and clients accurately deliver and maintain the organizational capital bundled in the HR SSC. Given that these activities require time, we assume that the effect of bundling intellectual capital in an HR SSC, in terms of improving end-user satisfaction, is, in the short run, likely to be limited at best.

Business unit control and ownership

It was interesting to see how the organizational structure of G-Share was designed, with two of the structures presented by Strikwerda (2004) merged, namely the 'within business unit' and 'internal joint venture' types of HR SSC. Merging two types of structures may suggest that a one-size-fits-all HR SSC type is not always feasible and, instead, the HR SSC is fitted into the organizational structure of the parent organization. In addition, and consistent with the findings of Farndale et al. (2010)

who found that the HR function was responsible for its own control, we found that the HR directors rather than the business unit managers controlled HR delivered by the HR SSC.

The G-Share study supports the assumption that an HR SSC is largely controlled through formal controls (Farndale et al. 2010), with its clients relying on output controls such as a service level agreements and end-user satisfaction surveys. However, informal controls also seemed to play an essential role in controlling the HR SSC, with the business units and the HR SSC cooperating to improve service levels, develop new shared HR services, improve IT functionalities and fine-tune the current HR service portfolio. An explanation for the use of informal controls may be the interconnectedness of decentralized and centralized processes. End-users and clients provide the inputs for the delivery of shared HR services through maintaining the end-user data and initiating HR processes. In its turn, the HR SSC transforms these inputs into HR services for end-users, such as management information and personnel administration. In this sense, both parties are reciprocally interdependent (Thompson 1967). This reciprocal interdependence between the HR SSC and its clients does not permit arms-length control. Rather, the HR SSC and its clients have to collaborate and share information in order to achieve the common goals that follow from their interdependent relationship (Jaworski 1988; Koulikoff-Souviron and Harrison 2006; Thompson 1967).

Interestingly, the HR SSC in our study wanted to control the performance of the decentralized HR processes by their end-users, which seems to run counter to the shared services concept. As Ulrich (1995) argues, in shared services, control is dispersed to the field. In practice, it often turns out that the HR SSC also controls how shared HR services are used. In our situation, the control of end-users by the HR SSC

follows from its dependency on the end-users: without the compliance of end-users, the HR SSC is unlikely to receive high quality inputs from them, and low-quality HR delivery will result.

It was interesting to observe how the control mechanisms were used, or rather not used, by the clients and end-users. Despite having the possibility, end-users did not make use of the process controls. Further, the service level agreements only addressed some of the needs expressed by the end-users, limiting the scope of the service level measures. The limited scope of the output controls mirrors the findings of Farndale et al. (2009), who found that organizations perceive a lack of performance data as the main problem facing HR SSCs. Hence, relying on output controls may result in satisfying only some end-user needs. Although previous studies into HR SSC controls have also considered two dimensions (extent of control and control mechanisms), we would suggest adding a third dimension: the *focus of control*, that others have referred to as the scope of activities over which the principal exercises control (Geringer and Hebert 1989). Following from our case findings, in an HR shared service environment, this conceptualization of focus of control can be extended to the number of end-user needs which are included in service level agreements.

The decentralization of control alone is unlikely to result in end-user benefits. Rather, our case study findings suggest that clients and end-users have to *use* control mechanisms and install output controls with a broad scope in order to secure HR SSC compliance. Further, given the interdependency between the HR SSC and its clients/end-users, it seems necessary to install informal controls to ensure that clients and end-users comply and, in so doing, support HR service delivery. Future research could usefully test whether, within an HR shared service environment, informal controls are equal or stronger predictors of end-user satisfaction than formal controls.

Concluding remarks and limitations of the study

This study has shown that the fundamental elements of HR shared services, namely consolidated resources in an HR SSC and its ownership delegated to its clients, are insufficient to satisfy the needs of employees, managers and HR professionals. By uncovering the characteristics of both these value creation antecedents, this study has found that value creation may not materialize unless end-users and clients effectively maintain the centralized knowledge, the knowledge of the HR SSP staff is updated and the HR SSC and its clients develop a strong collaborative relationship.

Despite providing a better understanding of how HR SSCs may improve HR delivery for end-users, our study is limited by a number of factors which we consequently see as valuable avenues for future research. First, it is unclear whether the case findings are generalizable to other HR SSCs, especially as there are no definitive lists and descriptions of HR SSCs . However, G-Share does represent an ideal type of the shared services concept. As such, our findings can be generalized to the concept of shared services and further sharpen the theoretical knowledge on the impact of the hybrid structure of HR SSCs on end-user satisfaction with HR delivery. Second, the qualitative nature of our research might result in bias when interpreting the data. However, we aimed to minimize bias by using multiple methods, obtaining measures of independent and dependent variables from different sources and checking the interpretation of the findings with representatives of the case organization. Third, we did not explore transformational HR SSCs that also offer training and recruitment services. Our findings are therefore likely only to apply to *transactional* HR services providers. As an example of the differences, given the strategic nature of transformational HR services, value is likely to come from the human capital within HR SSCs since this is considered a source of competitive advantage (Becker and Huselid 2006). Despite the evidence that organizations do bundle transformational

HR services (Bondarouk et al. 2010), more research is needed to clarify the nature of transformational HR SSCs.

To conclude, the dissatisfaction of end-users with HR shared services presented in this paper does not imply that HR shared services *per se* are invaluable. When well organized, HR SSCs may contribute to HR policy implementation through, for example, increasing internal mobility or distributive justice. However, the case study shows that firms need to go beyond pulling resources together and establishing business unit ownership to ensure value creation. Without doing more, the value is likely to remain low because the concentrated resources will not be used to their maximum potential, and the controls may be neither designed nor used to support end-user value creation. Firms should anticipate low levels of end-user satisfaction when HR shared services ‘go live’ as the intellectual capital and controls of an HR SSC might well not be geared towards facilitating effective and efficient HR service delivery. We would argue that an improved delivery of HR services to end-users is only likely to materialize after a period of dampened satisfaction levels among end-users.

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Table 1. Benefits of shared services (adapted from Schulman et al. 1999; Cooke 2006; Reilly 2000).

Centralization models		Shared Services	Decentralization models	
<i>Disadvantages</i>		<i>Advantages</i>		<i>Disadvantages</i>
Unresponsive to business units	Consistent standards	Cross-group learning	Extensive business unit control	Higher costs
No business unit control	Common systems	Best practice sharing	Recognition of local priorities	Variable standards
Inflexible to business unit needs	Economies of scale and efficiency	Greater strategic impact for HR	Business unit responsiveness	Duplication of effort and resources
Remote from business	Critical skill mass	Pooled experience	Flexibility	Inconsistent HR service delivery
Large distance to business unit	Strategic alignment	Synergies	Responsiveness to end-user needs	
	Economies of scope	Lean, flat organization		

Table 2. Empirical research statistics and techniques used to obtain findings

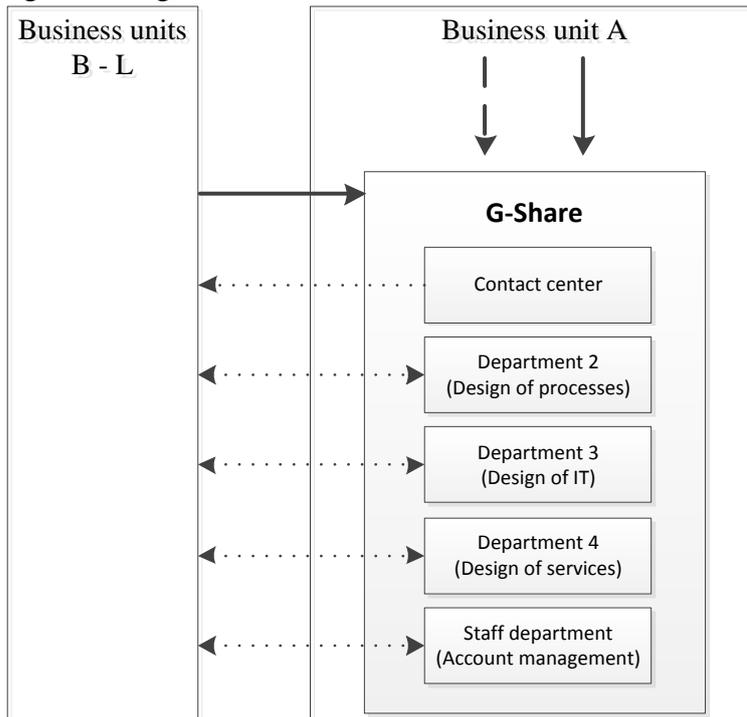
Data collection techniques	Sample (N)	Total Duration	Case study findings		
			End-user satisfaction	Intellectual capital	Control of the HR SSC
Interviews with end-users	16	14h 15min	X		
Interviews with G-Share staff: i.e. service employees	8	10h 30 min		X	
Interviews with MT members of G-Share	3	4h 10 min		X	X
Observations	8	81h 15min		X	
Documents	n.a.	n.a.	X	X	X

Table 3. Summary theoretical background and empirical findings

	Centralization component	Decentralization component
<i>Theoretical ideal type of HR SSC design</i>	Centralized intellectual capital: bundling of knowledge resources in the HR SSC	Decentralized control: client control over HR SSC is extensive
		Governance of HR SSC through formal control mechanisms
<i>Empirical nuances</i>	Specialist and out-dated skills and knowledge bundled	Organizational structures of HR SSCs are combined: integration of 'within business unit' and 'internal joint venture' HR SSC
	Inability of HR SSC staff to utilize concentrated knowledge	HR function is responsible for controlling HR shared services, rather than the business units' managements
	Inaccurate personnel data bundled within the HR SSC	Control through both formal and informal means
	Data loss during transfer from clients to HR SSC	Focus of control is limited
	End-users fail to maintain the organizational capital of the HR SSC	End-users do not use control mechanisms
	Limited cross-group learning	HR SSC also controls HR processes

		performed by clients and end-users
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Figure 1: Organizational structure of G-Share



- > Business unit control of HR delivery by G-Share
- - - -> Control on operational management of G-Share
-> HR service delivery to end-users
- <..... Collaboration between G-Share and clients

Figure 2: Satisfaction of end-users with usefulness HR portal

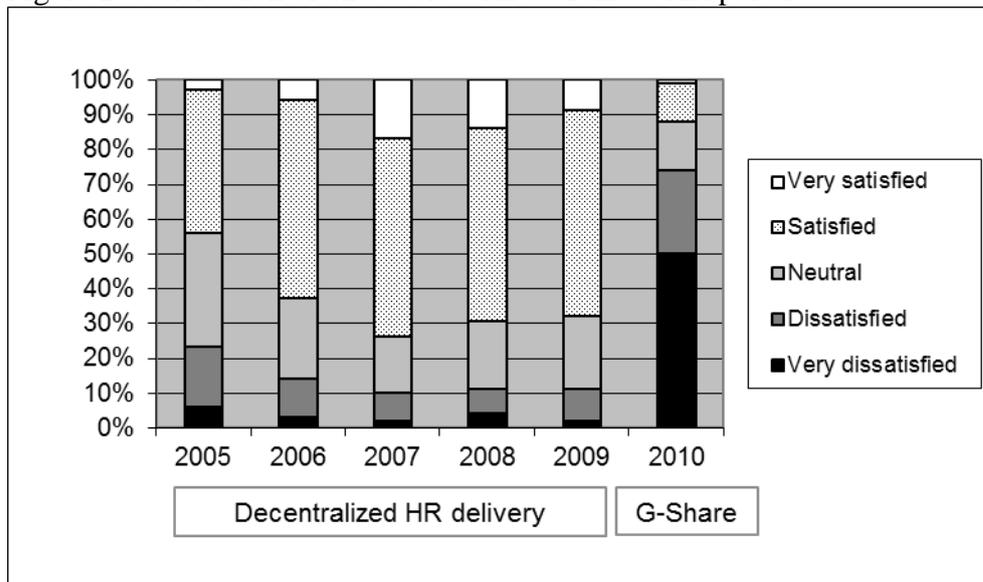


Figure 3: Satisfaction of end-users with HR contact centre

