

## **HR Shared Services: The Big Picture**

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**Abstract**

Human Resource Shared Services (HRSS) as a rage has occupied huge space in all types of human resource magazines and conferences. It's becoming a vogue among organizations in the west and gradually spreading in other parts of the world. However, there is lot of confusion still prevalent in this area regarding the definition of HRSS itself. Being a new concept it is essential however for practitioners as well as researchers to have somewhat broader and wholistic picture of HRSS, before they take any major decision. In the present paper an attempt has been made to provide an integrated review of all important aspects of HRSS and provide a unified model.

*Key Words:* Human resource shared services, cost cutting

## **HR Shared Services: The Big Picture**

Concept of Shared services in organizations is not new. The exact term was used in 1980s (Davis, 2005) but specifically for HR, the concept has been into use only in 1990s. Use of similar processes however can be found in early management theories. Standardization, division of labour, cost cutting and centralization are the main features of scientific management and assembly line (Scott, 2003). The main logic behind Human Resource Shared Service (HRSS) is also to create standardized services — using common processes, procedures and technology — that can be delivered faster, and more efficiently and consistently (Cleytor, Depriest and Horwath, 2009). Are we not reinventing the wheel for HR by going back to rational system era? This paper has tried to look deeper into the concept of HR shared services and answer many such questions.

The aim of the paper is to review literature in this area to clarify the 1) Concept of HRSS, 2) Benefits associated with HRSS 3) Forces which drives HRSS in an organization 4) Various pitfalls and challenges associated while changing from traditional HR to HRSS, 5) Likely positive and negative outcomes from the process and 6) Identifying future area for research. We also propose few propositions related to forces and challenges associated with HRSS. It is important to note here that more research and empirical studies are required to derive propositions in the area related to outcomes of HRSS. We sincerely hope that this paper will encourage some empirical research in this area.

## HR Shared Services

Shared services have been defined as the combining or consolidating of services within a corporation. In organizations, each operating entity (a division, business unit, functional regional unit) likely has support services dedicated to the entity's needs. Shared services merge these separate service activities into one unit (Ulrich, 1995). Generally this consolidation is done for support services (e.g. Finance, HR etc) within an organization. Trend is changing though with companies collaborating to make it beyond one company affair.

In a general HRSS model, resources are centralized at few places and services are shared across organization. This is done mainly through Shared service centers (SSCs) and Centre of excellence (Ulrich, 1995). This centralization is not the concentration of resources at one place, rather in a way it is giving power to actual customer. Resources from the different operating units are shared to provide decentralized services in a manner that control over the use of these resources resides with the actual client. This makes the client more powerful because they may or may not opt for it and might go to external parties for services (Ulrich, 1995; Quinn, Cooke and Kris, 2000). Question of "centralize/decentralize" might even be irrelevant for some as Ulrich (1995) argues that here focus is on processes rather than functions and therefore '*Who has hierarchical power is less important*' than adding value to customers. Moreover, it is more of an integrated model which answers the challenges associated with dominantly decentralized and centralized human resource management systems with the help of new technologies and sharing expertise (Selden & Wooters, 2011).

HRSS works mainly through categorization of two types of HR activities: Transactional and transformation based services (Lepak, Bartol, and Erhardt, 2005; Reilly, 2000) which are shared across units to avoid duplication and redundancy.

Transactional based activities like Benefit-related activities like flex benefits, medical claims, Compensation/pay activities like tax withholding, pension transactions , Development and learning activities like education assistance, training registration, Corporate citizenship activities, Records activities like relocation and address changes, title changes, travel reimbursement, food service, recreation and Staffing activities like application requests, company information, employment verification etc which are important for organization but are very routine are consolidated into a service centre (Reilly and Williams, 2003; Ulrich, 1995).

Another very important feature of HRSS is the consolidation of activities which are again very critical but non-routine. Activities like strategy implementation, policy making, creating or changing organization culture comes under transformation based activities where critical HR talent throughout company is bought at one place to solve problem (Ulrich, 1995).

HRSS starts with accurate demands from internal customers which are line managers and other employees in this case. Customers get the services through various channels like Intranet, call centers, or HR professionals which are provided either through service centre or centre of excellence depending on the nature of service. A very main role in this whole process is that of business professional or partner, which works as an interface with customer and HR team to check the accuracy and quality of services (refer figure 1). Business partner is HR generalists who work as connecting points between customers and delivery channel. His/her job is not always to do the work, but to facilitate that the work is done and to guarantee the quality of the

HR work within the business. This way it links HR with line managers (Hunter and Saunders, 2005; Redman, Snape, Wass and Hamilton, 2007; Ulrich, 1995) and provides an integrated approach to HR.

The way HRSS operates is expected to deliver services of the highest value at the lowest cost to internal clients, transferring increasing responsibility away from HR to line managers for the implementation of HRM, as well as enabling line managers and employees to access self-service functionality (Farndale, Paauwea, and Hoeksema, 2009). The efficiency aspect of HRSS comes into existence due to prevention of duplication and self service. With advancement in technology many software/ intranet provide easy access to information and much of the services can be accessed personally by employees themselves. Using self service mode 60 percent of HR questions can be answered by self (Ulrich, Younger and Brochbank, 2008). Those who are not net/tech savvy may contact call centres/ service centres. Only few queries can be remained unsolved at these two levels and will be forwarded to back end which will also help in updating data bases. In this way this model also provides scope for continuous improvement and advancement (Reilly and Williams, 2003). Also shared services are usually discussed as an opportunity to separate out the administrative, transactional aspects of work from the transformational activity, and therefore release resources for HR professionals to adopt a strategic architect role in the organization (Redman, et. al, 2007).

Different HRSS models are in practice (Quinn et. al., 2000) involving different units to different organizations to different countries. Quinn et al. (2000) talks about models ranging from 'basic' to 'market place' models, where one can sell their services even outside organization. There are times when one of the organizations operates services on the behalf of all partners (Keep, 2001).

In one study at Netherlands, organizations established different HRSS models ranging from operating internally to serve a specific business area, to organization-wide remit, to carry out services for both the company and external clients. However most of the organizations have established their SSCs as part of a corporate centre, others being working as either part of a business unit, or as separate business units controlled from the centre (Farndale et. al., 2009).

### **Major Benefits associated with HRSS**

The origin of HR shared services is due to possibility of sharing of routine and important HR functions and at the same time giving focus and space for strategic decision and policies. It is therefore model of customer orientation or as Ulrich (1995) puts it “*user is the chooser*”.

There are so many benefits, linked to HRSS; majority of them however can be attributed to its unique structure. HR shared service centers integrate people, process, and technology to more effectively deliver HR services to internal customers (Hogg, 2003). Arguments for the benefits include: economies of scale, simplification, common processes, automation, shared best practice, knowledge transfer, measurement, management information and, most importantly, a focus on service (Bailey, 2005). It is useful means for organization to balance the efficiencies of centralization with the flex benefits required for competing different markets and geographies (Ulrich et al., 2008). It combines centralized decision-making with decentralized delivery. At the same time it is also supposed to be high in customer focus and that is why it is claimed to be a form of organizing which can produce the benefits of both centralization and decentralization, while minimizing the drawbacks of both (Quinn et al., 2000). The centralization model is mainly operational in two ways: strategic HR at headquarters and operational HR at local subsidiary level, the SSC model centralize the transactional HR activities, creating more space for

transformational HRM. Shared service centers thus enable companies to maintain control of core support functions, avoid duplication, and offer services more efficiently and at lower cost (Quinn et al. 2000). Decentralization means that units are free to respond to specific situations, which makes them faster and efficient to respond to customers. Organizations overall becomes more flexible to respond to institutional demands such as changing policies or norms, so in a way decentralization transfers ownership of HRM to local units maintaining local autonomy (Farndale et al., 2009).

Centralization has the advantages of control and efficiency directed from the centre, leading to the avoidance of redundancy and duplication of work (Ulrich 1995). Centralized model due to its efficiency and transformational focus provides economies of scale and scope and creates clarity in strategic alignment. Centralization of processes also provides stable and visible evaluation of the process to be made. With the balanced model, HRSS has the power of managing resources to the optimum. Due to the nature of SSCs, activities has to be standardized which in addition to consistency also scale up the process. The centralized location also allows the movement of staff to areas of high demand when demand drops off in other areas, as a company divests parts of the business (Hunter and Sounders, 2005).

A new breed of shared service centers incorporate an increasing amount of the strategic HR, rather than just the transactional functions of HR that were the focus of the pioneer shared service centers in the 1990s (Hibberd, 2009). However due to its high standardization and automation it might losses touch with gradual changes happening in the field and also become insensitive to different needs and requirements of different situations. Hence, this mode of operation also runs the risk of missing opportunities for synergies across the organization, cost



inefficiencies, and producing variable levels of service quality and inconsistencies in practice (Schulman, Lusk, Dunleavy and Harmer 1999).

Generally HRSS is associated with cost efficiency and scaling due to the presence of SSCs. However, studies shows that other benefits are high on priority list while implementing HRSS. Cost reduction and quality improvement fall only in second place behind developing a stronger customer focus (Farndale et al., 2009). The other unusual focuses have been organizational learning due to its unique structural model (Reilly, 2000). Later in the period after implementation of HRSS, once service level agreements are agreed and a non-compliance process are established, the operation can begin to gather the data and plan for continuous improvement and learning (Hunter and sounders, 2005).

HRSS also increases control of HR and visibility to HR. Control of HR shows that HRSS provide structure to HR processes. After implementation of HRSS, HRD also have their business goals like other line functions and deliverables which can be measured. This definitely gives value to HR. Visibility part is also connected to structure and standardization of HR functions and their shared services. It gives HR an added advantage in the form of decision making. HR may also decide on their customers and categorize them as 'internal' or 'external'. This provides the business with a clear commercial choice to be made. This allows HR to speak the same commercial language as the business, but also empowers managers to control their interaction with and hence costs of people management.

However, this picture is not all rosy without any problems involved. Apart from usual problems, geographical separations of units can sometimes increase the response time to clients due to large distances (Janssen and Joha, 2006). This defies the very purpose of being customer oriented.

### **Forces that Drives HRSS**

There could be change drivers both internal and external to organizations which facilitate the inception of HRSS within an organization (Lewin, 1951). Presence of some forces of both types is not only required but also essential. Implementing HRSS is like change situation in organization and pressure only from outside but resistance from inside will only make the whole effort tremulous. Both the forces are required to operate in the same direction to break down the existing status quo before a new way of operating can be build up. Analysis of forces, resources available and context therefore is must.

Among internal drivers ‘need to show value and profits from HR’ is an important one. One of the most associated reasons with implementing HRSS is economies of scale. HRSS has been perceived as a wonder way of cost cutting. A survey by the English Institute of Chartered Accountants found that more than 30% of Fortune 500 companies have implemented a shared services center and are seeing up to a 46% savings in their general accounting functions (see Carr, 2009). There is also competitive pressure on other companies to follow the trend otherwise they might be left behind. Cost cutting however is not the only goal, not even main one. This comes only later in the list with customer orientation and other occupying the first priority (Farndale et al., 2009). This is still a very significant drive considering that HR departments have always been portrayed as cost centers for organization. This is one great opportunity organization perceives to show HR as a profitable function.

Another factor which generally drives the implementation of HRSS is the size of the organization (see fig 1). Organizations generally follow this trend with scaling. This is obvious as with increase in number of repetitive tasks, increases the need for standardization. This

provides platform for sharing the tasks which can be served from one centre. With increase in trend however organizations small in size are also opting for HRSS. According to survey report IOMA (2007), 26.7 percent of companies in the survey with up to 350 employees have a shared-services arrangement pension administration, 25.6 percent for payroll administration, and 23.3 for health benefits administration (HR Focus, 2008). In addition, SSCs were identified as facilitators for smaller organizational units to retain control and identity, giving them an alternative to having to outsource HR activities. SSCs involve in-sourcing, which is restricted by the boundaries and capabilities of the internal organization (Janssen and Joha, 2006) but at the same time delivers internal control, standardization of internal processes and systems, organization-wide dissemination opportunities, internal concentration of expertise, and consolidation of systems and competence (Baldwin, Irani and Love, 2001).

Technology advancement is one major force in external environment which drive HRSS. Development of technology is not only the most significant (Adler 2003,) but is also the required one. It is responsible for many other benefits of HRSS. Technological advancements actually are responsible for efficiency of routine and other administrative tasks possible through automation and other means. The role of information technology in the organization is to make processes efficient, centralizing information and ensuring that it is transferred to all parts of the organization where needed (Dewett and Jones 2001; Farndale et al., 2009). eHRM is one such example which has brought tremendous change is how HR operates. eHRM not only decreases the cost of processing (Ruël, Bondarouk, and Van der Velde, 2007; Strohmeier, 2007), it also makes the self service in HRSS model possible. Technology advancement makes it possible for SSCs to operate and deliver efficiently and consistently. The point to note here is that technology is just one tool and not the solution itself. Availability of some very efficient technology gives

momentum to the conception of HRSS in the organization whereas that might not be required at all. It is very important at any point of time that selecting right problem or purpose should always be the first step whatever technology is available in market.

Following the trend is another reason organizations are opting for it. With globalization, pressure for following this trend is increasing. Since the early 1990s, large companies like the BBC, Bristol Myers Squibb, Ford, Hewitt Packard, Pfizer and Rolls Royce have joined the league and setting trend for others (Carr, 2009: 50). Now there is pressure on HR to answer organization and prove their worth when all other are doing it. If HRSS is the new successful trend, then in order to survive, organizations must conform to the rules and belief systems prevailing in the environment (DiMaggio and Powell, 1983; Meyer and Rowan, 1977), because institutional isomorphism, both structural and procedural, will earn the organization legitimacy.

A very important point to note here is that generally its combination of forces which drives the need for HRSS in any organization. For example, even if organization is thinking of customer focus but if they do not fulfill criteria of economies of scale or do not have right technology to achieve their goal, they might not be able to implement HRSS properly to reap its benefits. Sometimes the routine processes are very different for different units and standardizing might not be possible, in that case some forces might be futile. Recently even small firms have been reported to adopt HRSS due to increase in competition. Therefore it has been proposed:

*Proposition 1: Globalization along with technology advancement is more potent drivers for HRSS than others (size of the organization and nature of business)*

Figure 1 integrates different dimensions of HRSS from forces driving this to likely outcomes.

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Place figure 1 about here

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### **Changing From Traditional HR to HRSS: Associated Pitfalls and Challenges**

Following a vogue in the industry seems to be safer option to most of the organization. The truth however is that same size does not fit all. Organizations might not be able to replicate the positive results shown by their predecessors. If the business isn't ready to fully accept shared services, resistance is likely to interrupt. Corporate culture plays an important role here (Carr, 2009). Implementing HRSS directly over traditional HRM would be more difficult than starting from scratch. Already established processes would provide hindrance in any new initiative which gives them threat. Without the support of people, implementation cannot take place successfully as it involves a lot of training to new processes, change in reporting structure, job profiles and most importantly customer interface. Creating psychological security and an open atmosphere within organization is big challenge for implementers. The transfer of knowledge is extremely important to the transition plan. Right people are required to train the shared services team (Carr, 2009; Farndale et al., 2009). There are other strategic issues like vision, communication and management support (Farndale et al., 2009) which are big challenges before management.

Situation is equally troublesome when more than one organization is involved in one HRSS project. Striking a balance for example between customer focus and cost reduction, two of the main goals of HRSS is not that simple in this case. In a situation where several organizations are partners in the shared service, allowing each one to develop its own employment policies is clearly in-efficient. In this case customers are varied in not just nature but also in-terms of culture and processes. An important decision here is related to identifying which organizations should have a tailored service or not. It is a judgment that needs to be made considering aspects

like customer and the relationships between partners (Redman et al., 2007). This would also involve high level of political processes and power equations among partners.

Standardization of tasks is another important area and cost efficiency relies on this assumption therefore Implementers should be able to standardize processes (Hunter and Saunders, 2005), then requires establishment of documentation, and training manual. Trained and aware staff is essential to give the process pace (Carr, 2009; Farndale et al., 2009). Standardization and update written policies are two important steps while implementing HRSS (IOMA, October, 2007). The problem is with forced standardizations (Hunter and Saunders, 2005) as standardizing certain HR operations are not easy especially in diversified businesses due to different requirement sets. This again is applicable for the processes which are important but are run rarely. Running those processes at high level is another problem. They will then be out-weighed by the cost of change in bringing them into the SSC (Hunter and Saunders, 2005). This again is contradictory to very obvious benefit of HRSS that is cost leadership. Many companies are investing in HR information technology related to flexible benefits and succession planning software (Ulrich, 1995). The very purpose of having HR function is to serve people according to their need and every department, every business and even individuals have different requirements and standardizing them would create a very big challenge. Some of the functions like payroll, medical benefits are easy to make policies and rules, but what about organization which believes in giving its members flex benefits. Not keeping individual requirement and consideration in flex benefits will fail the very purpose of it.

A common problem in creating shared services is assuming that all services are alike (Ulrich, 1995). In fact, services differ, which affects how they are shared. While standardizing, long term

vision is another area to be looked after. If the process is going to undergo any change or growth decision regarding its inclusion should be made at early stages (Carr, 2009). Frequent changes in standard processes would defy the purpose of centralization and automation, especially in the beginning. It will also make visibility on ROIs very difficult. Standardization is a very important phenomenon while implementing HRSS. Therefore it has been proposed:

*Proposition 2: Standardization of high volume administrative functions would be directly related to increase in cost savings, and overall success of the HR shared service.*

Similarly HR forecasting and planning is one area where having shared service centre might change the whole processes drastically. For example the simple decision like ‘hiring temporary work force’ according to ‘fluctuating demand’ is no longer simpler. Now the SSC management at all levels needs to be able to plan in detail (Hunter and Saunders, 2005). Where demand is not planned for, whereas before an HR administrator could just pick up a small project they had been putting off, now large numbers of under-utilized people and technology represent a very significant cost to the business (Hunter and Saunders, 2005). Internal flexibility in order to deal with variation based on predictable factors (peak hours, regular events) and incidental factors (new HR policies) is also lost in this case (Farndale et al., 2009). Hence,

*Proposition 2a: standardization of routine HR functions like compensation, staffing would contribute more to cost saving than functions like flex-benefits or HR forecasting.*

Shared services have been proved beneficial due to its multi-channel delivery process enabling the consolidation of corporate activities into fewer locations while spreading information to a broader audience (Farndale et al., 2009). From getting buy-in from clients to clarifying what clients can expect from the organization. The basic tools of change management have to be respected (Colman, 2006). Hence, the appropriateness of channels used is another area which requires attention. Many companies stated that the main problem as not having performance data on how well the centre is operating, despite the original aims of wanting to cut costs and improve service quality (Cooke 2006). But problem areas are general issues of communication, collaboration, staff competence and external service provider reliability (Forst 1997; Reilly 2000; Reilly and Williams 2003; Redman et al. 2007). This is related to successful implementation of any change processes. Communicating properly and managing defensiveness of employees is very critical issue to be resolved.

Issues related to location of the shared services center are also critical. What functions are performed where and where they will be transferred raise questions related infrastructure and technology available at the transition location (Carr, 2009). These questions become even more significant in case of cross-country location where language, time zones, tax and regulatory requirements are also important consideration.

### **Likely Outcomes of the HRSS Process**

Likely consequences broadly can be seen through two lenses: one which will focus on organizational aspects and other will see how HRSS impact general HR practices and HR people in general. Lately the focus has only been organizational outcomes and individual aspects have



been ignored. There is very little in the literature written from or about the perspective of the shared services worker (Quinn et al., 2000: 134).

Cost reduction, clear focus and fast response time are some of the important organizational level benefits. Shared services centers clearly lead to process cost savings (Driscoll, 2010). Clear categorization of routine from non-routine work also gives more time to business partners for strategy formulations. In a way it provides more integrated approach as HR works with in collaboration with line managers.

For the transformational HR worker relationship management and business awareness become more significant. Organizations setting up shared service centers facilitate customer service rather than HR skills (Horn, 2001). In this way HR can be seen as part of main business rather than support function. Organization can actually calculate ROIs for HR processes. Different models ranging from basic to 'market place' model (Quinn et. al., 2000) can generate income for organization depending upon nature and type of clients. Another structure to this arrangement could be 'host employer' where one of the organizations operates services on behalf of all partners in multi-organizations setup (Keep, 2001).

Literature also talks about broad horizon of HRSS where 'a shared-services centre is not an end in itself; it is a means to transforming the whole function of HR, to make it more strategic' (Whitehead 2005). Now, focus would be more on strategic and related structural issues which govern the delivery of professional HR services. More integrated form of HR activities where line and HR work together to serve customers (Ulrich, 1995; Ulrich et al., 2008) across business and geographical boundaries within the SSC increases the potential for organizational learning from which all parties can be benefited (Reilly, 2000). It could thus be suggested that

transformational HR might be better provided out with the shared service arrangements and this appears to be critical to organization's overall success. It can also mean that the HR function is more flexible to change as it is able to respond from one central source to meet the demands of, for example, external changes in employment legislation, or internal changes in corporate HRM strategy (Reilly, 2000).

One important aspect of HRSS outcomes is HR functions, its people and HRM in general. They are the linking pins and dimensions which involve with the processes right from its inception and also get affected easily and mostly with any decision related to HRSS. Many jobs would be redundant due to automation of systems. In addition to cutting on workforce there are many other threats for HR people at different levels. For those who remain in the organization, would be difficult to accept the change and feel psychologically secure. Now, interface between service channels and customers is taken care by generalists. They basically work as linking pin between HR and line functions. Therefore, not all those people who were working for different functions like compensation or training at various levels would have much internal market to cater. As Reilly and Williams (2003) predicted there would be too big a gap between administrator role and strategy planner. Much of the jobs would be deskilled with only clarifying queries or ensuring that channels are working smoothly. Thus, job loss and deskilling are a real threat for many personnel professionals under HRSS.

In case services have not been outsourced, many of the workers will be replaced at SSCs. Some would be co-located, working at their old units only. The term co-located was used by Redman et al., (2007) to describe those staff that spent the majority of their time based within and working for one unit. Shared workers are those who perform work across more than one organization on a

day-to-day basis. They also found that employees who were co-located were more satisfied and less likely to quit than staff who worked for more than one organization on a regular basis. This was true for both transformational and transactional workers. Co-located workers saw key benefits to working in a HRSS setting, including access to a large team of professionals and the occasional opportunity to work across other organizations. Shared workers were much more concerned and unsettled by the introduction of HRSS. They had clearly felt a power shift in favor of the client organizations, were conscious of being monitored and anxious about being able to deliver against conflicting priorities. In addition, they expressed the need for a greater sense of belonging and expressed confused views about their 'home' team and organization (Redman et al., 2007). A common complaint of shared service managers is that divisional managers tend to see the SSC as simply an overhead cost rather than the bigger vision of business partnering (Herbert and Seal, 2009). Then there are other issues related to 'shared workers'. They generally do routine tasks common across organization or units. This not only leads to de-skilling and affect their market value. It might have strong relation with their motivation level, mental health and relations with other co-workers. In their study Farndale et al., (2009), found that out of 39, four companies apply a job rotation system or cross-training in which customer-facing employees and back-office employees change roles over defined periods to create more engagement and job variety (Farndale et al., 2009).

There is no such fixed provision however to take care of job engagement and variety for HR people. It is difficult then to see how an appeal to come and work for the non-strategic, low-value-adding HR department of the organization would attract high performing candidates in a recruitment campaign (Redman et al., 2007).

**To have HRSS or not: A Question worth considering**

Theoretically HRSS has emerged as a perfect solution for all major problems for HR with just right balance of centralization and decentralization (Ulrich, 1995; Ulrich et. al., 2008). It provides a picture perfect solution. To calculate, however its shelf life, a deeper and closer look is certainly required.

The cost cutting seems to be made possible so easily through SSCs and automation as around 60 percent of question can be self answered (Ulrich et. al., 2008) through intranet and other systems. It seems so logical but easy said than done. Forced standardization and difficulty to standardization makes the picture ugly. For example with world changing so fast and so much uncertainty would it be possible to have standard procedures and policies for a relative permanent duration? If not then changing data bases every time does not save on time and other resources. It might make the organization very slow to react to fast changes in the environment because every time changing policies and then standardization will take lot of time. In an example of biopharmaceutical company taken from HR Magazine recently (2010), explains the problem of 'exceptions' in SSC model. In 'Gilead', scientists discover, develop and commercialize medicines. Issues like Family and Medical Leave Act activities are complex and low volume with lots of variations, extending response times. For Service center employees exceptions become their bane. Delay in service with as long as 36 Hrs makes customer very frustrating (*as in* Grossman, 2010).

Similarly, not all tasks can be centralized and would be administrative in nature. What about employee support programmes like counseling. This can neither be centralized nor would be technologically enabled.

Another issue related to HRSS is regarding the clear distinction between transactional and transformational services. The rationale behind HRSS for controlling costs and improves quality while delivery of HR services is to free up HR professionals for strategic roles. In their study Redman et al. (2007) discovered serious concerns related to transformational activities. This was acknowledged by both the CEOs and the HR staff that they were struggling to find time for the strategic aspects of their work. In addition, the chief executives expressed reservations that a 'semi-detached' service could deliver this (Redman et. al., 2007). Another example is of Nancy Barbosa, human resources manager at 'RR Donnelly' in New York, who moved into a business partner role a decade ago, but now, for Barbosa and many others in partner roles, is spending more time conducting the transactions she was supposed to be free of, *"It's a sad state of affairs, and I'm disappointed,"* she says. *"Some of what was handled centrally is filtering back to me. And my business leaders are feeling it; my visibility is becoming less with them. When I get an invitation to a business meeting, I struggle between finding time to attend the meeting and completing the day-to- day transactions."* (taken from Grossman, 2010:27). Ulrich (1995) explains that focus of shared service in HRSS is customer transaction where as for centre of excellence this focus is mainly on HR practices that transform the company. However, in multinational and cross country context where multiple centre of excellence would be there, how it will help in transforming the company? Synergy among them is something needs to be researched and in this case how they will contribute to organizational learning when they all work individually for strategies.

By creating SSCs, some companies feel that they are creating a new bureaucracy by developing a remote location. Others think that large transaction processing centers or SSCs are factories of the future that are so specialized and alienated that they become insensitive to business requirements. (IOMA, July, 2007:14).

To cut the costs companies are even moving towards developing countries for cheaper labour and off-shoring. Many Asian countries like India are significant for the discussions of shared services in this context. Employers around the world are looking to India as a key source for their outsourced or off-shored operations. Business process outsourcing in India (and associated off-shoring of shared service centers) is projected to grow by about 25 percent per year over the next five years (Mercer Human Resource Consulting, 2008). A similar picture appeared after Industrial Revolution, where Asian and African countries were targeted for cheaper resources.

All this present a very similar picture of what happened around 100 years back in manufacturing sector, known as 'Taylorism'. With processes changing from craft to mass production, people replacing with advancement of technology, economic efficiency and cost cutting (Scott, 2003), HRSS might be scientific management of HR in 21<sup>st</sup> century. It's replica of situation followed after introduction of scientific management. Erosion of employment in developed economies via both off-shoring and automation. There also they were made possible by the deskilling of jobs, which was due to knowledge transfer. The present situation is also like where Knowledge is transferred to less number of workers and then transferred into technology. Jobs have also gone from expert to semiskilled to unskilled.

Questions like 'Whether or not HRSS is rational system for HR and other practical implications for its proper implementation and smooth Functioning' are unanswered. In the next section of

this paper we have identified few areas which needs to researched and relooked to decide whether HRSS is value or just vogue in long run.

### **Future Areas for Research**

The concept of HRSS is new and so is the literature. Albeit the concept has already become a vogue in western part of the world and with many consultants and recruitments sites in other part of the world citing requirement for people having any experience in implementing HRSS jobs surely hinting that slowly but this concept is catching rage elsewhere too. It has become a popular organizational change approach (Ramphal, 2013). The question of ‘Will it bring some revolution in HR history or be another fad?’ will take time to answer. However there is need to dig this area more both deeper and parallel to know the answers. There is lot of confusion regarding practical aspect and related areas of HRSS. In the present paper we have tried to give a wholistic picture and raised certain question for future research. There are still very important aspects which are untouched due to infancy of the concept for many organizations. They are however very much required for the organizations looking forward to implement HRSS as well as for those who are struggling to implement this successfully.

Literature has already started to raise questions about the outcomes for HR, further exploration however is still needed into the related aspects. The unique structure of HRSS is such that all its dimensions are very much coupled. A change in one automatically brings change in other links. Farndale et al. (2009) for example explains that it is important to study forms that SSCs are taking, what organizations conceive to be the critical success factors and what they are having problems with, the technologies being used and the HRM activities being covered. Only then can we start to really explore what this means for HR moving forward. In addition we propose that a

very interesting question to resolve would be ‘what SSC models are compatible with what kind of business and to what extent diversification would affect these models?’ A framework would provide more clarity in this direction. An insight in this direction by Ulrich (1995) is that multinational companies may have multiple centers of excellence for geography and/or a particular business but what in reality is prevalent is an important area to look for. This is also important to know that what cost effectiveness does multiple centre of excellence would have in comparison to traditional HR.

Research is very much needed from perspective of people: both customers and HR workers. One measurement for HR to look at is how long it takes for certain activities to be completed, such as getting a new employee into the system, responding to employees’ questions, making changes (such as address changes), error rates, and how long employees have to wait for a call back or other services (cf. HR Focus, 2008). What kind of behavior and attitude modification will take place to people who have recently seen their friends being fired and now working in altogether new situation? Also if HRSS has to remain customer focused then question of ‘what kind of ease or difficulty customer face due to very fast response system which has lost the personal touch’ is an important area to know.

Another aspect which has been overlooked is of change. People can feel threatened by change, and shared services programs are all about change. The change that comes with shared services can be widespread — affecting jobs, responsibilities, budgets and even reporting structure. Any change needs support of people and accurate communication channels. Ulrich et al. (2008) has emphasized the importance of change management. It needs to be explored ‘how implementers actually start the change campaign and what channels they use to reach to people?’ Answer to



questions like ‘how can be the situation of chaos and mistrust due to massive change can be maintained?’ The situation between HR and other line functions during this phase is also crucial for implementation and smooth functioning later on. Reaching the point at which a service level agreement (SLA) is in place and functioning to the benefit of both the shared service organization and the departments it serves is an important goal (Colman, 2006). Therefore role of SLAs on working of SSCs also need to be explored so that proactive actions can be taken at this stage.

These answers to the questions would be highly contextual in every way. For example the kind of model of SSC, any organization would use would depend on nature of business, number of organizations involved, life cycle of the business, national culture and organizational culture.

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Appendix 1

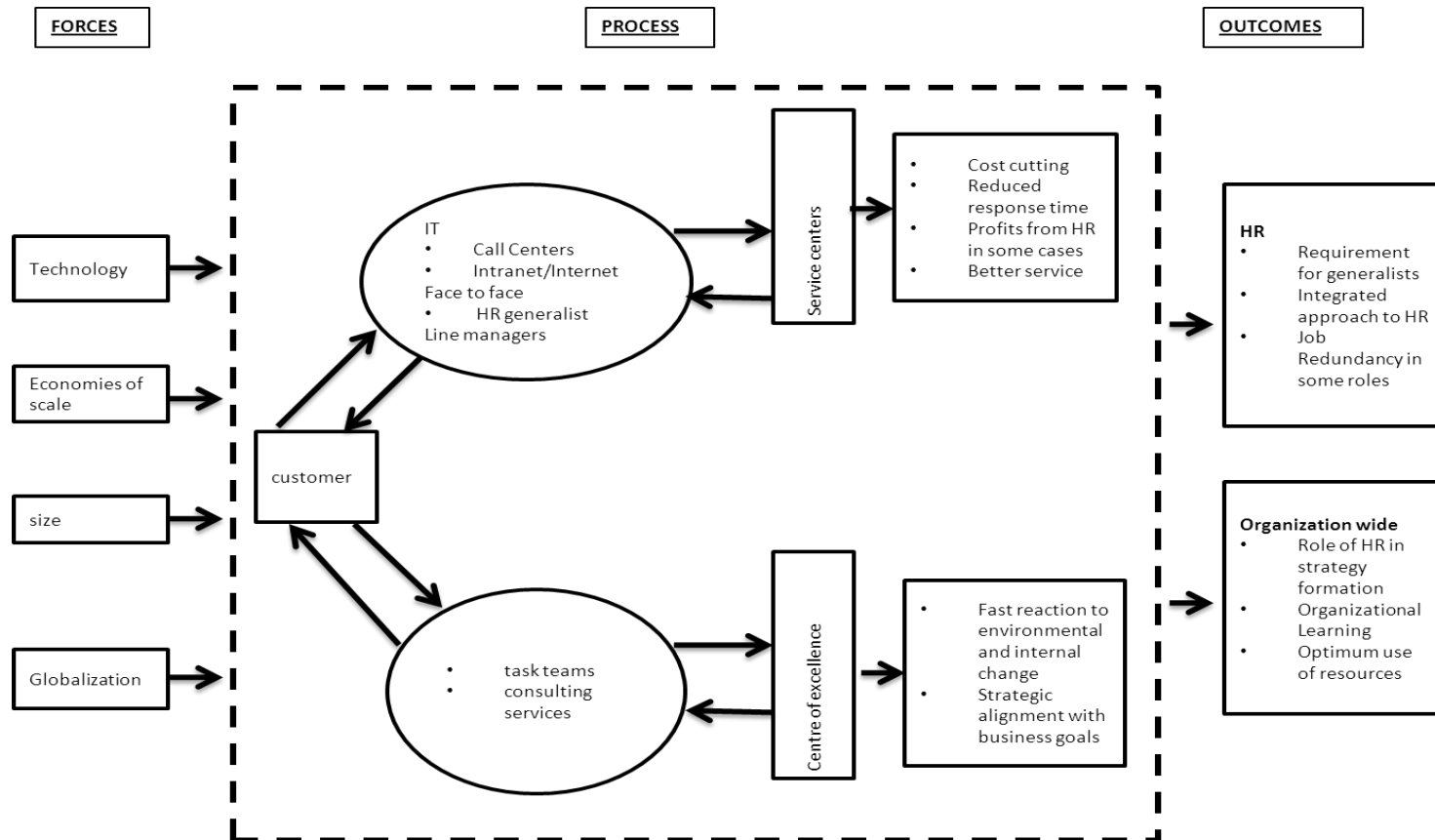


Fig 1: HR Shared Services- from Inception to Outcomes