
IMPROVING EFFICIENCY BY IMPLEMENTING HR SHARED SERVICES

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Abstract

The main task of this article represents different strategic approaches and illustrates the benefits of HR Shared Service Center implementation. The fundament of this paper is the literature on the subject "optimization". Furthermore, in the empirical part of this article, it will be analyzed how HR developed during the last decade and exposes the model of a HR Shared Service Center.

The aim of this work is to make a statement on how successful a HR Shared Service Center implementation can be for increasing the efficiency of the company.

Keywords: Efficiency, optimization, HR shared service center, technology, organizational change.

JEL Classification: L10

Introduction

In the last decade, a wave of unexpected challenges has been unleashed by the global economic uncertainty. The organizations are forced to increase their performance and underutilizing their own capacities becomes their biggest enemy. Considering all those changes, organizations today tend to implement a completely new way of working and develop a change management which insures maximization of existing capacities. This is a great promise, which can be fulfilled only by identifying and synergizing the dispersed capacities within the company.

Improving efficiency is about optimization and this can be insured only starting with a re-design of the strategy, technology up-gradation, a realistic manpower planning, clear definition of roles, strong performance management with cascading goals, employee's skills development, transparent communication within all functions and departments and leadership. When analyzing all the above elements, workforce optimization can be considered the key element in order to succeed on the market and overtake competition. In simple words this means hiring the right employee, at the right time, on the right function and at the right costs.

During time, organizations developed continuously new business models trying to find the most efficient one. The main goal was to implement a model which insures interaction and

transparent communication between all structures, good workforce planning, clear designed process and technology implementation. Strategic outsourcing was a temporary solution, which demonstrated that it is not the most efficient, as it involved a high resource utilization and represented a barrier in maximizing capacities. Creating Shared Service Centers, which bundle competencies within the company and provide a large portfolio of standard services for all divisions is the decision of more and more entities. This model provides the unique opportunity to develop expertise in various domains, but also to leverage economies of scales. The work functions which are usually transferred to a Shared Service Center are IT, finance, human resources, procurement, etc.

This paper presents the implications, opportunities and future approach of creating a HR Shared Service Center within an organization.

What is a HR Service Center?

Shared Services represent a collaborative model in which a various category of existing business functions are converted into a new, more authorized business unit that has a strategy designed to promote efficiency, generate value, save costs and provide services for internal customers at a high business level (Bryan Bergeron, 2003).

The main objectives organizations try to achieve via implementation of Shared Services are: cost reduction (by standardization, global processes and accumulating internal processes in one unit, the parent company can concentrate on the strategic part of the business, creation of know how process, expectations are clearly defined by the Service Level Agreements (SLA).

The implementation of Shared Services changes the back office functions, such as finance, IT, procurement, controlling, human resources etc. to a strategic driver (Bondarouk, 2014).

A HR Shared Service Center can also be defined as a separate entity of the parent company, having as main task to deliver specialized HR services to customers, which in this case are represented by company's business units and divisions, based on a Service Level Agreement (SLA) against a certain price (Strikwerda, 2010).

When summarizing the above definitions, we can conclude that a HR Shared Service Center is a business model created to enable resources, increase efficiency at lower costs with an agreed customer- service level. Most companies choose to create a separate business unit within the organization, which has as main goal delivering various services agreed in a service portfolio to the operating business units of the parent company.

Why to implement a HR Service Center?

During the years, the HR Shared Service Centers have proven their value and benefits. Unfortunately, many companies do not explore this concept at its real potential. According a survey leaded by ACCA- Pwc (2012), 28% of respondents implemented shared services or outsourced their activity. This percentage increased up to 45% for smaller organizations (annual revenue lower than \$100m). This shows us that this model still presents important opportunities and is a real solution in order to improve performance.

In order for a company to create capabilities, all of the resources have to be utilized at multiple levels. Optimization is about using and ensuring effective and efficient all the existing resources at their maximum capacity. Organizations adopting this approach obtain more benefits than just cost savings. Due to optimization, companies ensure value creation, develop competences, increase quality level of services, built a stronger infrastructure and most important- they improve their business results (Belligham, Campanello, 2004).

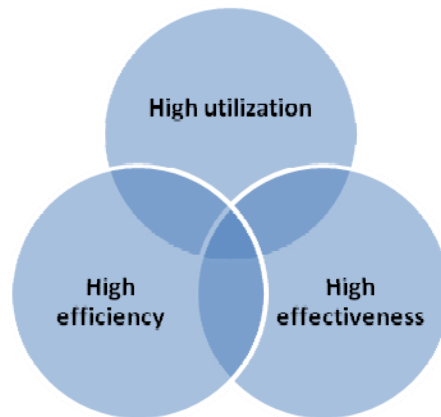


Figure no. 1: Components of optimization

Source: Subhash Khare, Optimizing the Organisation, , Tata Mc-graw Hill Publishing Company Limited (2006)

It is a really exciting and interesting time to be in HR Shared Service area. If we analyze the market we can notice that many companies with existing service centers extend their scope and services portfolio, while others are starting to implement this new model in their organizations.

The key element in order to have a productive and efficient HR Shared Service Center is the proposition of values. HR and business leads need to clearly define from the beginning what are their goals which need to be achieved when they decide to implement this model. Of course, costs reduction remains one of the most considered elements, but it is important to create an overall picture and realize that there are other very important goals. Those goals and the strategy used for achieving them need to be clearly defined, correlated and considered as a whole.

There are three main reasons for which companies choose create a HR Shared Service: cost reduction, quality reason, organization reason.

Another important factor which has to be considered is technology. It is important not to underestimate the impact of technology, which leads to the development of a shared service center. If we look back a few years ago, we would easily conclude that some shared services models were impossible to implement considering the level of technology. Technology is crucial for a HR Shared Service Center. In order to work efficient and achieve the expected service level, technology needs to be implemented overall, it needs to be adapted to the provided services and most important it needs to be continuous up-graded.

In many companies, the increasing use of technology and various systems within a HR Shared Service Center led to a new function of “HR technology” which supports the HR specialists to be up to date with technology and with the upgrades of the systems, to resolve errors quickly and to improve the quality of the provided services. For a HR Shared Service Center, the relationship between IT and HR function is a key element to insure a high service level and as those two domains are very different.

The main Shared Service Center channels for cutting costs are represented by (Reilly, Tamkin, 1997): cutting employee number by redundancy, reducing accommodation charges, increasing efficiency.

Saving on manpower and reducing accommodation charges are doable by grouping more administrative service activities into one place. Also, implementation of performing systems leads to redundancy due to the fact that the efficiency of one employee increases with the support of the tools he is working with, but also because of the increased self service, which before was done by many other departments. Once with the number decrease of manpower, organizations reduce costs also by cutting rooms space. Many companies choose to create a regional or global HR shared service center, having a single location in a place with lower costs (Gollenia, 2016).

However, it is really interesting to notice that the shared service center model is no longer implemented because of the cost reduction. In time, the shared services organization's focus was not only saving costs, but also increase efficiency, increase quality of provided services, provide end-to-end services which are in alignment with the company's strategy (Reilly, Williams, 2003).

A quite different reason for implementing the HR Shared Service Center model is represented by the quality improvement of HR services. Once a Shared Service is created, the parent company becomes the most important client and the main goal is defined by customer satisfaction. In the most HR Shared Services the service level is high and it ensures a more professional way of work, consistency and accuracy, a better use of processes to complete work, deliver work on time and budget.

The Advantages and Disadvantages of HR Shared Services

The decision to implement a HR Shared Service can be an excellent way to reduce costs, improve service quality and allow management to concentrate more on the strategic part and not lose time with administrative and support functions. Below are listed only a few of the most important advantages the implementation of a HR Shared Service Center can bring (Beaman, 2007):

- Lower costs (generated by redundancy and accommodation);
- More efficient resourcing;
- Higher quality of service (non-compliance);
- Higher customer satisfaction;
- Having a single point of contact encourages customers to access HR function;
- Integrated solutions are provided;
- Transparency on costs;
- Better project management;
- Opportunities of job rotation for staff;
- Better management of information;
- Facilitating corporate investment (Technology, infrastructure, communications).

Implementation of a HR Shared Service is not necessary a solution for any company. Depending on the industry, company strategy but also on employee profile, there were cases when creating a Shared Service brought to an increase of costs, additional complexity and internal processes became slower. Each company has to analyze in details the consequences of this decision, as it has also risks and disadvantages as following (Withers, Williamson, Reddington, 2010):

- Narrow the range of tasks;
- Taking too much of the business;
- Difficulties in career development of staff;
- Processes can become to segmented;
- Communication difficulties;
- Lack of local knowledge;
- Project organization becomes more difficult;
- Lack of local processes (global processes are not always applicable to specific areas);
- Insufficient attention to content;
- Loss of face to face contact;
- Large capital investment (especially in technology).

The future of HR Shared Services

Considering the fact that organizations are getting more and more into self-service, the roles are suffering changes. Tier zero includes the self service activities and Tier one is the first level support of a HR Shared Service for its customers. The responsibilities of Tier 1 staff tend to be less about transactions, concentrating more on providing guidance, coaching and ensuring that managers and customers have all the information they need in order to do the job on their own. It is clearly visible that there is a deviation from the traditional transactional activity and more focus on continuous improvement. Once tier one role will change completely and the number of calls will decrease significantly, the role of this team will change, moving to a more general one (Losey, Meisinger, Ulrich, 2007).

In order for a HR Shared Service Center to work efficient, a “refresh” of the process has to be done on regular basis (Ulrich, Brockbank, Younger, M. Ulrich, 2012).

During the years, the profile of the HR Shared Service employee is changing. Traditionally, those companies employed staff with HR background. However, now are can observe a that organizations hire people with customer service skills and then train them on the HR specific role (Rothwell, Prescott, Taylor, 2008).

The development of the HR Shared Services depends mostly on the technological evolution. We can expect to use intranets which are more sophisticated, systems which cover a larger portfolio of services and business is going to be done more and more via phone, call centers and help lines. Line managers will be given more and more on line access to their employees’ profiles and records and they will be able to take action for them via the system, without waiting for the support of the administrative HR function. Tools, systems and procedures are now simple, so that the information is easy to find and everyone can complete their task by hand (Gueutal, Stone, 2015).

As demography shifts, the acceptance of the self-service model becomes more familiar and normal. Today’s generations have grown up with technology and are used to access information from everywhere. There is a strong push on the market to shared services portals and mobile applications.

Conclusions

Thus organizations are facing the new age of economic instability, competing by capability and efficiency may become the new name of the challenge. Companies are forced to increase their performance and underutilizing their own capacities becomes their biggest enemy. Considering all those changes, organizations today tend to implement a completely new way of working and develop a change management which insures maximization of

existing capacities. This is a great promise, which can be fulfilled only by identifying, synergizing the dispersed capacities within the company.

There may exist many optimization ways for the organizational framework, workforce and technology. This can be insured only starting with a re-design of the strategy, technology up-gradation, a realistic manpower planning, clear definition of roles, strong performance management with cascading goals, employee's skills development, transparent communication within all functions and departments and leadership.

The most common implemented delivery models are shared services model, outsourcing model, self- service model or a hybrid model. However, the implementation of the shared services model is the key to gain efficiencies, continuous improvement, more efficient and standardized processes with much of the activity automated through technology.

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